

**CITY OF SEBRING, FLORIDA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED SEPTEMBER 30, 2022**



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**CITY OF SEBRING, FLORIDA  
TABLE OF CONTENTS  
YEAR ENDED SEPTEMBER 30, 2022**

|                                                                                                                                                  |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>INDEPENDENT AUDITORS' REPORT</b>                                                                                                              | <b>1</b>  |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>                                                                                                      | <b>5</b>  |
| <b>BASIC FINANCIAL STATEMENTS</b>                                                                                                                |           |
| <b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>                                                                                                      |           |
| STATEMENT OF NET POSITION                                                                                                                        | 17        |
| STATEMENT OF ACTIVITIES                                                                                                                          | 18        |
| <b>FUND FINANCIAL STATEMENTS</b>                                                                                                                 |           |
| BALANCE SHEET – GOVERNMENTAL FUNDS                                                                                                               | 19        |
| RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION                                                       | 20        |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS                                                           | 21        |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES | 22        |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND                                              | 23        |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – INFRASTRUCTURE FUND                                       | 24        |
| STATEMENT OF NET POSITION – PROPRIETARY FUNDS                                                                                                    | 25        |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS                                                                 | 26        |
| STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS                                                                                                      | 27        |
| STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS                                                                                            | 29        |
| STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS                                                                                 | 30        |
| <b>NOTES TO FINANCIAL STATEMENTS</b>                                                                                                             | <b>31</b> |

**CITY OF SEBRING, FLORIDA  
TABLE OF CONTENTS  
YEAR ENDED SEPTEMBER 30, 2022**

**REQUIRED SUPPLEMENTARY INFORMATION**

|                                                                                                                                |            |
|--------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND<br/>RELATED RATIOS – POLICE OFFICERS' RETIREMENT TRUST FUND</b> | <b>90</b>  |
| <b>SCHEDULE OF CITY'S CONTRIBUTIONS – POLICE OFFICERS'<br/>RETIREMENT TRUST FUND</b>                                           | <b>92</b>  |
| <b>SCHEDULE OF INVESTMENT RETURNS – POLICE OFFICERS' RETIREMENT<br/>TRUST FUND</b>                                             | <b>93</b>  |
| <b>SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND<br/>RELATED RATIOS – MUNICIPAL FIREFIGHTERS' PENSION PLAN</b>   | <b>94</b>  |
| <b>SCHEDULE OF CITY'S CONTRIBUTIONS – MUNICIPAL FIREFIGHTERS'<br/>PENSION PLAN</b>                                             | <b>96</b>  |
| <b>SCHEDULE OF INVESTMENT RETURNS – MUNICIPAL FIREFIGHTERS'<br/>PENSION PLAN</b>                                               | <b>98</b>  |
| <b>SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION<br/>LIABILITY – FLORIDA RETIREMENT SYSTEM PENSION PLAN</b>            | <b>99</b>  |
| <b>SCHEDULE OF CITY'S CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM<br/>PENSION PLAN</b>                                           | <b>100</b> |
| <b>SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION<br/>LIABILITY – HEALTH INSURANCE SUBSIDY PROGRAM</b>                  | <b>101</b> |
| <b>SCHEDULE OF CITY'S CONTRIBUTIONS – HEALTH INSURANCE SUBSIDY<br/>PROGRAM</b>                                                 | <b>102</b> |
| <b>SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND<br/>RELATED RATIOS</b>                                           | <b>103</b> |

**SUPPLEMENTARY INFORMATION**

|                                                                                                            |            |
|------------------------------------------------------------------------------------------------------------|------------|
| <b>COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS</b>                                        | <b>105</b> |
| <b>COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN<br/>NET POSITION – INTERNAL SERVICE FUNDS</b> | <b>106</b> |
| <b>COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS</b>                                          | <b>107</b> |
| <b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>                                                          | <b>108</b> |
| <b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>                                                 | <b>109</b> |

**CITY OF SEBRING, FLORIDA  
TABLE OF CONTENTS  
YEAR ENDED SEPTEMBER 30, 2022**

**GOVERNMENT AUDITING STANDARDS**

|                                                                                                                                                                                                                                              |            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| <b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER<br/>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS<br/>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN<br/>ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> | <b>110</b> |
| <b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR<br/>FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER<br/>COMPLIANCE REQUIRED BY THE <i>UNIFORM GUIDANCE</i></b>                                                              | <b>112</b> |
| <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>                                                                                                                                                                                             | <b>115</b> |
| <b>MANAGEMENT LETTER</b>                                                                                                                                                                                                                     | <b>118</b> |
| <b>INDEPENDENT ACCOUNTANTS' REPORT</b>                                                                                                                                                                                                       | <b>120</b> |



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Sebring, Florida  
Sebring, Florida

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Infrastructure Fund, and CRA Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 1 to the financial statements, effective October 1, 2021, the City adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and a corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and City Council  
City of Sebring, Florida

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Sebring, Florida  
August 23, 2023

**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

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

**FINANCIAL HIGHLIGHTS**

- At the close of fiscal year 2022, the City of Sebring's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$67,147,983 (total net position). Of this amount, \$47,359,571 represents the City's net investment in capital assets, \$5,769,499 is restricted by laws or capital projects and the remaining \$14,018,913 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$7,651,993 from its current year activity. Governmental activities increased \$3,722,870 and Business-type activities increased \$3,929,123.
- The City's total assets increased \$7,269,779 (9.0%) during the current fiscal year, due to increases in receivables and cash and cash equivalents.
- The City's total liabilities increased \$411,966 (2.03%) during the current fiscal year. The governmental activities total liabilities increased \$521,460. The increase was primarily a net result of an increase in net pension liability of \$1,906,487 based on actuarial valuations, and a decrease in unearned revenues of \$1,435,659, due to receipt of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). Business-type activities total liabilities decreased \$109,494, primarily a net result of a \$1,788,716 decrease attributed to debt service payments, an increase in net pension liabilities of \$1,422,846 based on actuarial valuations, and an increase in unearned revenues of \$180,418 due to an increase in tap fees for new water and sewer service connections.
- The City's governmental activities reported a total net position of \$24,059,357, which is an increase of \$3,722,870, or 18.31%, in comparison to the prior year. Approximately 16.35% of the total, or \$3,932,693 is unrestricted and available for spending at the City's discretion.
- The City's business-type activities reported a total net position of \$43,088,626 which is an increase of \$3,929,123, or 10.04%, in comparison to the prior year. Approximately 23.41% of the total, or \$10,086,220 is unrestricted and available for spending at the City's discretion.
- As of September 30, 2022, the City's governmental funds reported combined ending fund balances of \$16,016,685, an increase of \$4,318,671 (36.92%) from the prior year. The General Fund reported Fund Balance of \$10,477,360, of which \$46,752 was nonspendable due to prepaid items, \$49,584 was restricted for law enforcement purposes, \$1,064,972 was assigned for cemetery care, and \$1,486,101 was assigned to support the subsequent year's budget. The remaining \$7,829,951 in unassigned fund balance was available for spending at the City's discretion.

**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

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

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

The government-wide financial statements can be found by referencing the table of contents of this report.

**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**Fund Financial Statements**

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

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

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

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

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

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

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

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

**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

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

The basic proprietary fund financial statements can be found on the table of contents of this report.

***Fiduciary Funds:*** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for pension trust fund types and private purpose trust fund types is much like that used for proprietary funds. Individual fund data for the pension trust funds is provided in Note 13 to the Notes to Basic Financial Statements.

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

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

## **GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS**

### **Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$67,147,983.

The following table reflects a condensed Statement of Net Position for the current year as compared to the prior year. For more detailed information, see the Statement of Net Position on page 17.

**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**Statement of Net Position (Summary)  
September 30, 2022 and 2021**

|                                  | Governmental Activities |                      | Business-Type Activities |                      | Total Primary Government |                      |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|
|                                  | 2022                    | 2021                 | 2022                     | 2021                 | 2022                     | 2021                 |
| Current and Other Assets         | \$ 20,561,744           | \$ 15,857,576        | \$ 16,194,004            | \$ 13,058,256        | \$ 36,755,748            | \$ 28,915,832        |
| Capital Assets, Net              | 14,746,782              | 14,849,374           | 36,616,708               | 37,084,253           | 51,363,490               | 51,933,627           |
| Total Assets                     | 35,308,526              | 30,706,950           | 52,810,712               | 50,142,509           | 88,119,238               | 80,849,459           |
| Deferred Outflows of Resources   | 3,407,696               | 3,746,049            | 841,164                  | 958,882              | 4,248,860                | 4,704,931            |
| Long-Term Liabilities            | 9,134,538               | 7,265,917            | 6,851,850                | 7,357,165            | 15,986,388               | 14,623,082           |
| Current and Other Liabilities    | 1,362,446               | 2,709,607            | 3,445,663                | 3,049,842            | 4,808,109                | 5,759,449            |
| Total Liabilities                | 10,496,984              | 9,975,524            | 10,297,513               | 10,407,007           | 20,794,497               | 20,382,531           |
| Deferred Inflows of Resources    | 4,159,881               | 4,140,988            | 265,737                  | 1,534,881            | 4,425,618                | 5,675,869            |
| Net Position:                    |                         |                      |                          |                      |                          |                      |
| Net Investment in Capital Assets | 14,433,040              | 14,704,947           | 32,926,531               | 31,685,504           | 47,359,571               | 46,390,451           |
| Restricted                       | 5,693,624               | 4,656,363            | 75,875                   | 75,875               | 5,769,499                | 4,732,238            |
| Unrestricted                     | 3,932,693               | 975,177              | 10,086,220               | 7,398,124            | 14,018,913               | 8,373,301            |
| Total Net Position               | <u>\$ 24,059,357</u>    | <u>\$ 20,336,487</u> | <u>\$ 43,088,626</u>     | <u>\$ 39,159,503</u> | <u>\$ 67,147,983</u>     | <u>\$ 59,495,990</u> |

By far the largest portion of the City's net position, \$47,359,571 (70.53%) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and vehicles and equipment) less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate and pay for these liabilities.

An additional portion of the City's net position in the amount of \$5,769,499 (8.59%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$14,018,913 (20.88%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2022, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Current and other assets increased by \$7,839,916, which was due primarily from an increase in cash and cash equivalents of \$5,261,247, increase in receivables of \$313,031, and an increase in net pension asset of \$1,615,484.

Overall, total net position increased \$7,651,993 and net investment in capital assets increased \$969,120, restricted for law enforcement, debt service reserve and infrastructure increased \$1,037,261 and unrestricted increased \$5,645,612.

**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**Statement of Activities**

The following table reflects a condensed Statement of Activities for the current year as compared to the prior year. For more detailed information, see the Statement of Activities on page 18.

**Changes in Net Position (Summary)  
Years Ended September 30, 2022 and 2021**

|                                         | Governmental Activities |               | Business-Type Activities |               | Total Primary Government |               |
|-----------------------------------------|-------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
|                                         | 2022                    | 2021          | 2022                     | 2021          | 2022                     | 2021          |
| Revenues:                               |                         |               |                          |               |                          |               |
| Program Revenues:                       |                         |               |                          |               |                          |               |
| Charges for Services                    | \$ 1,644,451            | \$ 1,454,199  | \$ 14,494,394            | \$ 13,358,099 | \$ 16,138,845            | \$ 14,812,298 |
| Operating Grants and Contributions      | 3,122,783               | 167,754       | -                        | -             | 3,122,783                | 167,754       |
| Capital Grants and Contributions        | 66,858                  | 753,035       | 1,178,668                | 408,725       | 1,245,526                | 1,161,760     |
| General Revenues:                       |                         |               |                          |               |                          |               |
| Property Taxes                          | 4,327,202               | 3,296,500     | -                        | -             | 4,327,202                | 3,296,500     |
| Other Taxes                             | 4,251,467               | 3,830,481     | -                        | -             | 4,251,467                | 3,830,481     |
| Other                                   | 2,699,739               | 2,294,018     | 139,987                  | 92,653        | 2,839,726                | 2,386,671     |
| Total Revenues                          | 16,112,500              | 11,795,987    | 15,813,049               | 13,859,477    | 31,925,549               | 25,655,464    |
| Expenses:                               |                         |               |                          |               |                          |               |
| General Government                      | 1,254,617               | 1,042,159     | -                        | -             | 1,254,617                | 1,042,159     |
| Public Safety                           | 8,462,365               | 7,311,971     | -                        | -             | 8,462,365                | 7,311,971     |
| Physical Environment                    | 121,844                 | 105,934       | -                        | -             | 121,844                  | 105,934       |
| Transportation                          | 1,931,550               | 1,435,450     | -                        | -             | 1,931,550                | 1,435,450     |
| Economic Environment                    | 405,534                 | 320,176       | -                        | -             | 405,534                  | 320,176       |
| Culture and Recreation                  | 861,577                 | 725,425       | -                        | -             | 861,577                  | 725,425       |
| Water                                   | -                       | -             | 4,385,078                | 4,538,347     | 4,385,078                | 4,538,347     |
| Wastewater                              | -                       | -             | 3,679,631                | 3,405,496     | 3,679,631                | 3,405,496     |
| Solid Waste                             | -                       | -             | 2,160,735                | 1,989,386     | 2,160,735                | 1,989,386     |
| Golf Course                             | -                       | -             | 1,010,625                | 921,432       | 1,010,625                | 921,432       |
| Total Expenses                          | 13,037,487              | 10,941,115    | 11,236,069               | 10,854,661    | 24,273,556               | 21,795,776    |
| Change in Net Position Before Transfers | 3,075,013               | 854,872       | 4,576,980                | 3,004,816     | 7,651,993                | 3,859,688     |
| Transfers                               | 647,857                 | 1,119,876     | (647,857)                | (1,119,876)   | -                        | -             |
| Change in Net Position after Transfers  | 3,722,870               | 1,974,748     | 3,929,123                | 1,884,940     | 7,651,993                | 3,859,688     |
| Net Position – Beginning                | 20,336,487              | 18,361,739    | 39,159,503               | 37,274,563    | 59,495,990               | 55,636,302    |
| Net Position – Ending                   | \$ 24,059,357           | \$ 20,336,487 | \$ 43,088,626            | \$ 39,159,503 | \$ 67,147,983            | \$ 59,495,990 |

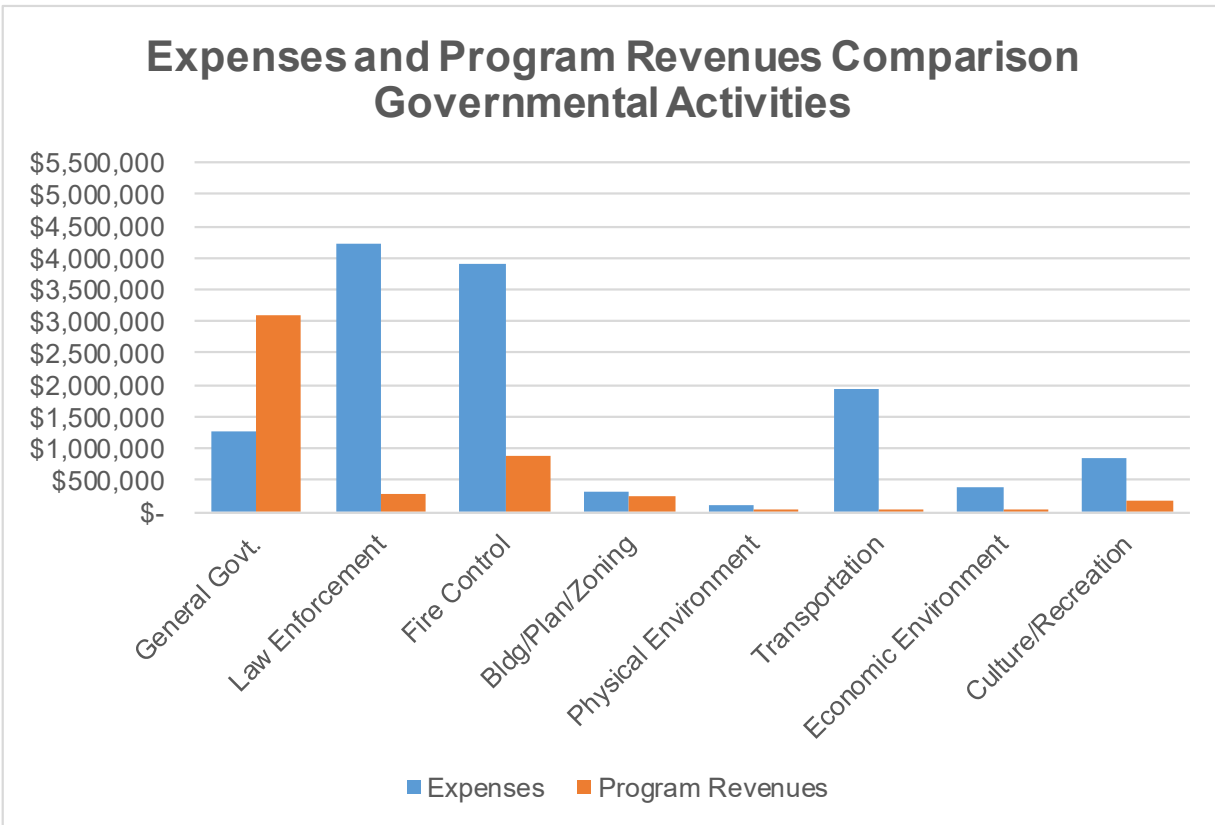
**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**Governmental Activities**

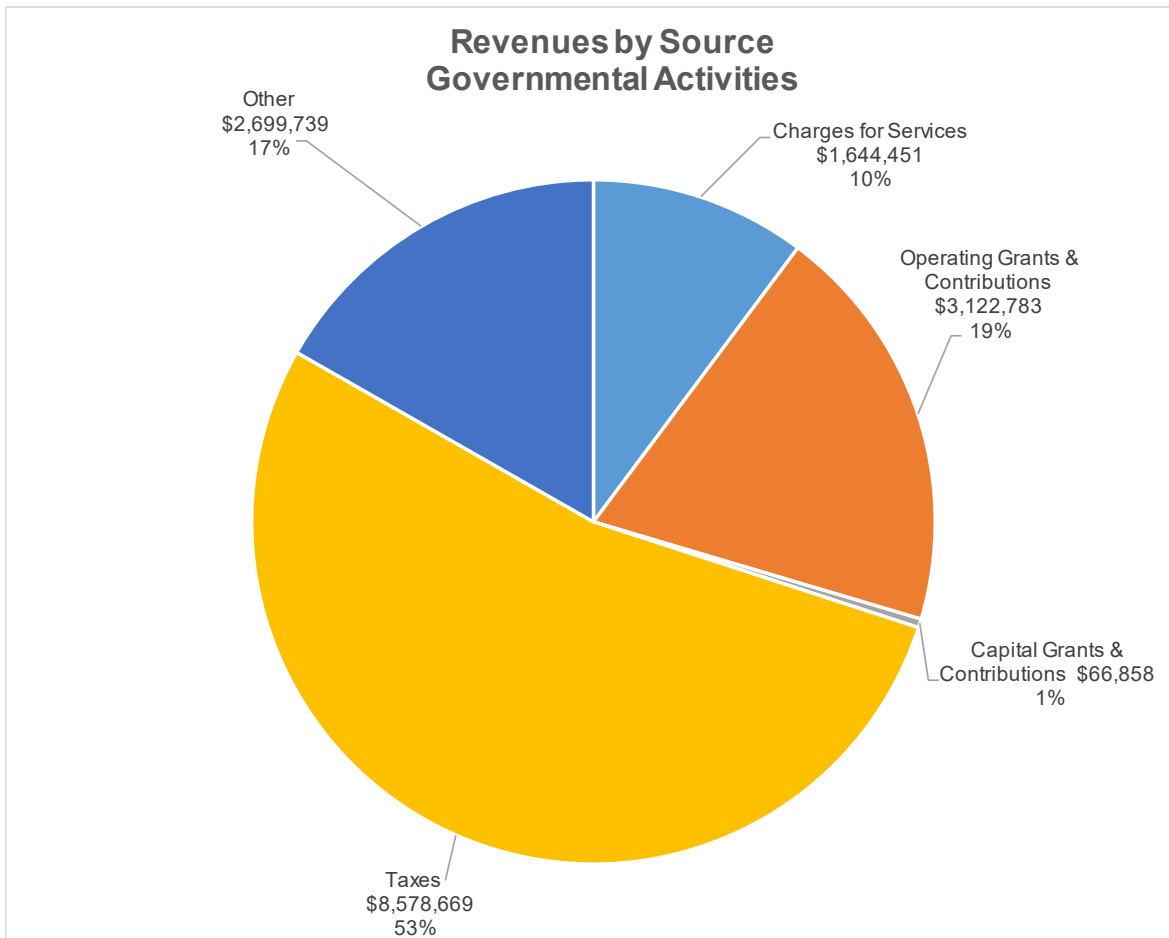
Total program revenues increased \$2,459,104 from the prior year for a total of \$4,834,092. The most significant revenue in program services is from operating grants and contributions of \$3,122,783, charges for services of \$1,644,451, and then capital grants and contributions of \$66,858. Charges for services include \$124,267 in general government, \$1,396,417 in public safety charges, \$37,900 in physical environment, \$55,267 in transportation, and \$30,600 in culture/recreation. Operating grants and contributions increased \$2,955,029 to \$3,122,783 from \$167,754 primarily due to COVID-19 Coronavirus State and Local Fiscal Recovery Funds received from the Department of Treasury.

Governmental activities expenses increased \$2,096,372 from prior year for a total of \$13,037,487. The most significant governmental activity expense is public safety which includes law enforcement \$4,233,164, fire control \$3,899,463, and building, zoning and planning \$329,738.

Overall, governmental activities increased the City's net position by \$3,722,870.



**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**



**Business-Type Activities**

Total program revenues of the City's business-type activities were \$15,673,062, an increase of \$1,906,238 or 13.85% from the prior year. The increase is primarily due to an increase in the number of customers serviced by the City and rate increases. Total expenses were \$11,236,069, an increase of \$381,408 or 3.52% from the prior year.

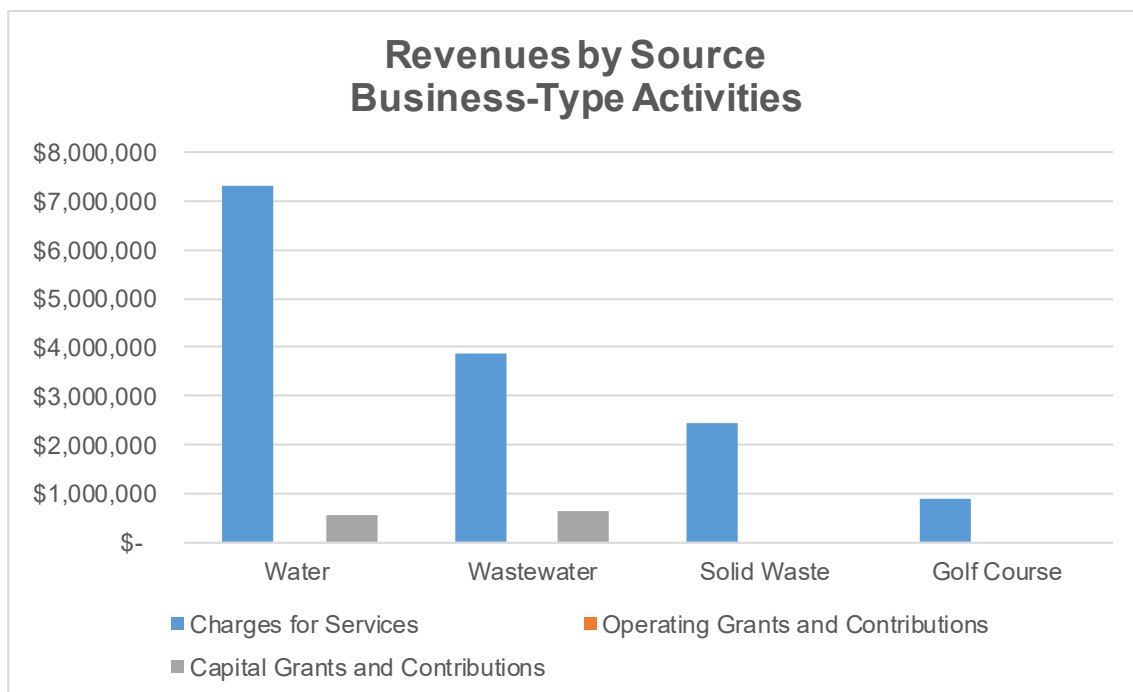
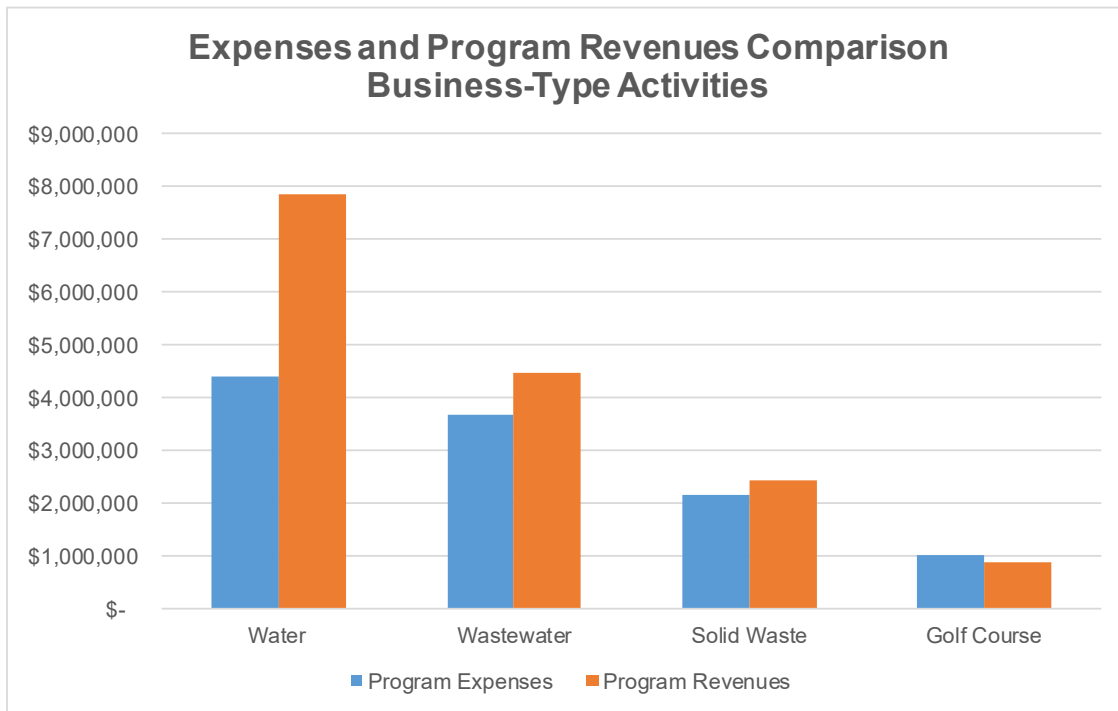
The Water and Wastewater Fund reflected an operating income of \$3,330,749, which was an increase from the prior year of \$310,575. After including nonoperating revenues and expenses and transfers in/out, the change in net position was \$3,584,201.

The Solid Waste Fund reflected an operating income of \$336,060 which was an increase from the prior year of \$204,345. After including nonoperating items, the solid waste operation reflected a total increase in net position of \$317,121.

The Golf Course Fund reflected an operating loss of \$98,553, which was a decrease from the prior year of \$145,962. After including other nonoperating items and transfers in, the golf course operation reflected a total increase in net position of \$101,558.

Overall, business-type activities increased the City's net position by \$3,929,123, which was an increase of \$2,044,183 when compared to the prior year.

**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**



**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

As of September 30, 2022, the City's governmental funds reported combined ending fund balances of \$16,016,685, an increase of \$4,318,671 in comparison with the prior year. Approximately 49% of this total amount, \$7,829,951, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$8,186,734, is nonspendable, restricted, or assigned to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the City. At September 30, 2022, the unassigned fund balance of the General Fund was \$7,829,951, while the total fund balance was \$10,477,360. As a measure of the General Fund's liquidity it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 64.50% of total General Fund expenditures, while total fund balance represents 86% of that same amount.

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

The total enterprise fund's net investment in capital assets increased \$1,241,027. This increase was primarily from the City's investment in water and sewer line connections, extensions and improvements, and wastewater lift station improvements.

The total enterprise fund's unrestricted net position increased \$2,761,853, and the net position increased \$4,002,880, an increase of \$2,029,740 from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The change between the original and final budgetary appropriations for expenditures amounted to an increase of \$1,345,463. The change was primarily due to appropriating funds for building demolitions, police vehicle purchases, new police officer positions and equipment due to annexation, pay plan adjustments, and building improvements.

Revenue budget to actual in the General Fund resulted in a \$3,491,331 positive variance, primarily due to a conservative approach for budgeting tax revenues.

Budget to actual expenditures show a \$1,172,224 positive variance (actual less than budget). This decrease was uniform through all departments and reflects the continuation of a cost containment effort throughout the City.

**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets:** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2022 amounts to \$51,363,490 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment, water system and sewer system.

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

- Waterline Extensions
- Sewer Line Improvements and Extensions
- Vehicles - Police and Public Works
- Public Works Building
- Restroom Renovations at Park
- Garbage trucks
- Lift Station Improvements
- Wastewater Treatment Plant Improvements
- Manhole restoration

**City of Sebring's Capital Assets  
(Net of Depreciation)  
September 30, 2022 and 2021**

|                                  | Governmental Activities |                      | Business-Type Activities |                      | Total Primary Government |                      |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|
|                                  | 2022                    | 2021                 | 2022                     | 2021                 | 2022                     | 2021                 |
| Land                             | \$ 1,842,082            | \$ 1,842,082         | \$ 577,877               | \$ 577,877           | \$ 2,419,959             | \$ 2,419,959         |
| Buildings                        | 2,763,682               | 2,829,066            | 1,144,259                | 1,205,846            | 3,907,941                | 4,034,912            |
| Improvements Other than Building | 1,359,051               | 1,020,107            | -                        | -                    | 1,359,051                | 1,020,107            |
| Infrastructure                   | 6,742,427               | 6,742,427            | -                        | -                    | 6,742,427                | 6,742,427            |
| Equipment                        | 1,519,134               | 1,414,036            | 2,820,758                | 2,602,284            | 4,339,892                | 4,016,320            |
| Golf Course Improvements         | -                       | -                    | 248,338                  | 288,838              | 248,338                  | 288,838              |
| Water System                     | -                       | -                    | 17,047,978               | 18,201,073           | 17,047,978               | 18,201,073           |
| Wastewater System                | -                       | -                    | 12,080,136               | 12,244,748           | 12,080,136               | 12,244,748           |
| Construction in Progress         | 517,646                 | 1,001,656            | 2,636,163                | 1,963,587            | 3,153,809                | 2,965,243            |
| Right To Use Leased Asset        | 2,760                   | -                    | 61,199                   | -                    | 63,959                   | -                    |
| Total Capital Assets             | <u>\$ 14,746,782</u>    | <u>\$ 14,849,374</u> | <u>\$ 36,616,708</u>     | <u>\$ 37,084,253</u> | <u>\$ 51,363,490</u>     | <u>\$ 51,933,627</u> |

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

**CITY OF SEBRING, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

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

**City of Sebring's Long-Term Liabilities  
Years Ended September 30, 2022 and 2021**

|                   | Governmental Activities |                  | Business-Type Activities |                     | Total Primary Government |                     |
|-------------------|-------------------------|------------------|--------------------------|---------------------|--------------------------|---------------------|
|                   | 2022                    | 2021             | 2022                     | 2021                | 2022                     | 2021                |
| Direct Borrowings | \$ 198,906              | \$ 59,863        | \$ 1,289,393             | \$ 694,555          | \$ 1,488,299             | \$ 754,418          |
| Leases            | 2,817                   | -                | 62,624                   | 353,019             | 65,441                   | 353,019             |
| Direct Placements | -                       | -                | 2,155,140                | 4,268,685           | 2,155,140                | 4,268,685           |
| Total             | <u>\$ 201,723</u>       | <u>\$ 59,863</u> | <u>\$ 3,507,157</u>      | <u>\$ 5,316,259</u> | <u>\$ 3,708,880</u>      | <u>\$ 5,376,122</u> |

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

**Next Year's Budgets**

In the 2023 fiscal year, the City has budgeted a transfer in for the General Fund of \$600,000 from the Water and Wastewater Fund and \$100,000 from the Solid Waste Fund. These transfers allow the City's General Fund to share in the profits of its Water and Wastewater Fund and Solid Waste Fund. In addition, the City's General Fund has budgeted a transfer out of \$48,227 to the Golf Course Fund for the purpose of providing needed working capital for operations that are not covered by budgeted revenues.

**Requests for Information**

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

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2022**

|                                                     | Primary Government      |                          |               | Component Unit |
|-----------------------------------------------------|-------------------------|--------------------------|---------------|----------------|
|                                                     | Governmental Activities | Business-Type Activities | Total         |                |
| <b>ASSETS</b>                                       |                         |                          |               |                |
| Cash and Cash Equivalents                           | \$ 17,358,976           | \$ 11,708,623            | \$ 29,067,599 | \$ 2,675,655   |
| Investments                                         | -                       | -                        | -             | 3,973,173      |
| Receivables, Net                                    | 419,360                 | 1,156,232                | 1,575,592     | 4,494          |
| Lease Receivable                                    | 632,343                 | 46,017                   | 678,360       | -              |
| Internal Balances                                   | (78,675)                | 78,675                   | -             | -              |
| Due from Other Governments                          | 567,504                 | 2,783                    | 570,287       | -              |
| Inventory                                           | -                       | 366,752                  | 366,752       | -              |
| Prepaid Items                                       | 46,752                  | 157,687                  | 204,439       | -              |
| Assets Available for Sale                           | -                       | -                        | -             | 1,475,353      |
| Intangible Asset                                    | -                       | 278,270                  | 278,270       | -              |
| Restricted Asset - Cash and Cash Equivalents        | -                       | 2,398,965                | 2,398,965     | -              |
| Net Pension Asset                                   | 1,615,484               | -                        | 1,615,484     | -              |
| Capital Assets:                                     |                         |                          |               |                |
| Nondepreciable                                      | 2,359,728               | 3,214,040                | 5,573,768     | -              |
| Depreciable, Net                                    | 12,387,054              | 33,402,668               | 45,789,722    | -              |
| Total Assets                                        | 35,308,526              | 52,810,712               | 88,119,238    | 8,128,675      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>               |                         |                          |               |                |
| Deferred Outflows Related to Pensions               | 3,407,696               | 827,448                  | 4,235,144     | -              |
| Deferred Outflows Related to OPEB                   | -                       | -                        | -             | -              |
| Deferred Amount on Refunding                        | -                       | 13,716                   | 13,716        | -              |
| Total Deferred Outflows of Resources                | 3,407,696               | 841,164                  | 4,248,860     | -              |
| <b>LIABILITIES</b>                                  |                         |                          |               |                |
| Accounts Payable                                    | 1,077,297               | 650,098                  | 1,727,395     | 9,988          |
| Accrued Expenses                                    | 115,177                 | 62,310                   | 177,487       | 3,380          |
| Unearned Revenues                                   | 169,972                 | 390,174                  | 560,146       | -              |
| Current Liabilities Payable from Restricted Assets: |                         |                          |               |                |
| Accrued Interest Payable                            | -                       | 19,991                   | 19,991        | -              |
| Customer Deposits                                   | -                       | 2,323,090                | 2,323,090     | -              |
| Noncurrent Liabilities:                             |                         |                          |               |                |
| Net Pension Liability                               | 7,900,178               | 2,594,781                | 10,494,959    | -              |
| Other Postemployment Benefits                       | 670,048                 | 151,606                  | 821,654       | -              |
| Due Within One Year                                 | 391,744                 | 2,875,622                | 3,267,366     | 185,944        |
| Due in More Than One Year                           | 172,568                 | 1,229,841                | 1,402,409     | 5,828,000      |
| Total Liabilities                                   | 10,496,984              | 10,297,513               | 20,794,497    | 6,027,312      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                |                         |                          |               |                |
| Deferred Inflows Related to Pensions                | 3,490,399               | 198,298                  | 3,688,697     | -              |
| Deferred Inflows Related to OPEB                    | 56,497                  | 21,886                   | 78,383        | -              |
| Deferred Inflows Related to Leases                  | 612,985                 | 45,553                   | 658,538       | -              |
| Total Deferred Inflows of Resources                 | 4,159,881               | 265,737                  | 4,425,618     | -              |
| <b>NET POSITION</b>                                 |                         |                          |               |                |
| Net Investment in Capital Assets                    | 14,433,040              | 32,926,531               | 47,359,571    | -              |
| Restricted for:                                     |                         |                          |               |                |
| Law Enforcement                                     | 49,584                  | -                        | 49,584        | -              |
| Debt Service Reserve                                | -                       | 75,875                   | 75,875        | -              |
| Infrastructure                                      | 5,644,040               | -                        | 5,644,040     | -              |
| Community Redevelopment                             | -                       | -                        | -             | 2,101,363      |
| Unrestricted                                        | 3,932,693               | 10,086,220               | 14,018,913    | -              |
| Total Net Position                                  | \$ 24,059,357           | \$ 43,088,626            | \$ 67,147,983 | \$ 2,101,363   |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2022**

| Functions/Programs                 | Program Revenues     |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                      |                                |
|------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|----------------------|--------------------------------|
|                                    | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                                |                          |                      | Component Unit                 |
|                                    |                      |                      |                                    |                                  | Governmental Activities                           | Business-Type Activities | Total                | Community Redevelopment Agency |
| Governmental Activities:           |                      |                      |                                    |                                  |                                                   |                          |                      |                                |
| General Government                 | \$ 1,254,617         | \$ 124,267           | \$ 2,961,366                       | \$ -                             | \$ 1,831,016                                      | \$ -                     | \$ 1,831,016         | \$ -                           |
| Public Safety:                     |                      |                      |                                    |                                  |                                                   |                          |                      |                                |
| Law Enforcement                    | 4,233,164            | 262,239              | 24,475                             | 8,415                            | (3,938,035)                                       | -                        | (3,938,035)          | -                              |
| Fire Control                       | 3,899,463            | 879,681              | 8,992                              | -                                | (3,010,790)                                       | -                        | (3,010,790)          | -                              |
| Building, Zoning, and Planning     | 329,738              | 254,497              | -                                  | -                                | (75,241)                                          | -                        | (75,241)             | -                              |
| Physical Environment               | 121,844              | 37,900               | -                                  | -                                | (83,944)                                          | -                        | (83,944)             | -                              |
| Transportation                     | 1,931,550            | 55,267               | -                                  | -                                | (1,876,283)                                       | -                        | (1,876,283)          | -                              |
| Economic Environment               | 405,534              | -                    | -                                  | 21,750                           | (383,784)                                         | -                        | (383,784)            | -                              |
| Culture/Recreation                 | 861,577              | 30,600               | 127,950                            | 36,693                           | (666,334)                                         | -                        | (666,334)            | -                              |
| Total Governmental Activities      | 13,037,487           | 1,644,451            | 3,122,783                          | 66,858                           | (8,203,395)                                       | -                        | (8,203,395)          | -                              |
| Business-Type Activities:          |                      |                      |                                    |                                  |                                                   |                          |                      |                                |
| Water                              | 4,385,078            | 7,302,763            | -                                  | 560,892                          | -                                                 | 3,478,577                | 3,478,577            | -                              |
| Wastewater                         | 3,679,631            | 3,851,151            | -                                  | 617,776                          | -                                                 | 789,296                  | 789,296              | -                              |
| Solid Waste                        | 2,160,735            | 2,447,181            | -                                  | -                                | -                                                 | 286,446                  | 286,446              | -                              |
| Golf Course                        | 1,010,625            | 893,299              | -                                  | -                                | -                                                 | (117,326)                | (117,326)            | -                              |
| Total Business-Type Activities     | 11,236,069           | 14,494,394           | -                                  | 1,178,668                        | -                                                 | 4,436,993                | 4,436,993            | -                              |
| Total Primary Government           | <u>\$ 24,273,556</u> | <u>\$ 16,138,845</u> | <u>\$ 3,122,783</u>                | <u>\$ 1,245,526</u>              | <u>(8,203,395)</u>                                | <u>4,436,993</u>         | <u>(3,766,402)</u>   | <u>-</u>                       |
| Component Unit:                    |                      |                      |                                    |                                  |                                                   |                          |                      |                                |
| Community Redevelopment Agency     | <u>\$ 559,043</u>    | <u>\$ -</u>          | <u>\$ -</u>                        | <u>\$ -</u>                      |                                                   |                          |                      | (559,043)                      |
| <b>GENERAL REVENUES</b>            |                      |                      |                                    |                                  |                                                   |                          |                      |                                |
| Taxes:                             |                      |                      |                                    |                                  |                                                   |                          |                      |                                |
| Ad-Valorem Taxes                   |                      |                      |                                    |                                  | 4,327,202                                         | -                        | 4,327,202            | -                              |
| Tax Increment from City/County     |                      |                      |                                    |                                  | -                                                 | -                        | -                    | 922,665                        |
| Fuel Taxes                         |                      |                      |                                    |                                  | 450,271                                           | -                        | 450,271              | -                              |
| Infrastructure Surtax              |                      |                      |                                    |                                  | 1,654,063                                         | -                        | 1,654,063            | -                              |
| Utility and Communication Services |                      |                      |                                    |                                  | 2,093,338                                         | -                        | 2,093,338            | -                              |
| Other Taxes                        |                      |                      |                                    |                                  | 53,795                                            | -                        | 53,795               | -                              |
| Franchise Fees                     |                      |                      |                                    |                                  | 1,144,736                                         | -                        | 1,144,736            | -                              |
| Intergovernmental - Unrestricted   |                      |                      |                                    |                                  | 1,355,898                                         | -                        | 1,355,898            | -                              |
| Investment Earnings                |                      |                      |                                    |                                  | 169,499                                           | 95,105                   | 264,604              | (4,746)                        |
| Miscellaneous                      |                      |                      |                                    |                                  | 29,606                                            | 41,798                   | 71,404               | 133                            |
| Gain on Sale of Capital Assets     |                      |                      |                                    |                                  | -                                                 | 3,084                    | 3,084                | -                              |
| Total General Revenues             |                      |                      |                                    |                                  | 11,278,408                                        | 139,987                  | 11,418,395           | 918,052                        |
| <b>TRANSFERS</b>                   |                      |                      |                                    |                                  | 647,857                                           | (647,857)                | -                    | -                              |
| <b>CHANGE IN NET POSITION</b>      |                      |                      |                                    |                                  | 3,722,870                                         | 3,929,123                | 7,651,993            | 359,009                        |
| Net Position - Beginning of Year   |                      |                      |                                    |                                  | 20,336,487                                        | 39,159,503               | 59,495,990           | 1,742,354                      |
| <b>NET POSITION - END OF YEAR</b>  |                      |                      |                                    |                                  | <u>\$ 24,059,357</u>                              | <u>\$ 43,088,626</u>     | <u>\$ 67,147,983</u> | <u>\$ 2,101,363</u>            |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2022**

|                                                                          | General<br>Fund      | Infrastructure<br>Fund | Nonmajor<br>(CDBG) | Total<br>Governmental<br>Funds |
|--------------------------------------------------------------------------|----------------------|------------------------|--------------------|--------------------------------|
| <b>ASSETS</b>                                                            |                      |                        |                    |                                |
| Cash and Cash Equivalents                                                | \$ 10,681,817        | \$ 5,394,623           | \$ -               | \$ 16,076,440                  |
| Receivables, Net                                                         | 310,063              | -                      | -                  | 310,063                        |
| Lease Receivable                                                         | 632,343              | -                      | -                  | 632,343                        |
| Due from Other Governments                                               | 280,395              | 287,109                | -                  | 567,504                        |
| Prepaid Items                                                            | 46,752               | -                      | -                  | 46,752                         |
| Total Assets                                                             | <u>\$ 11,951,370</u> | <u>\$ 5,681,732</u>    | <u>\$ -</u>        | <u>\$ 17,633,102</u>           |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b> |                      |                        |                    |                                |
| <b>LIABILITIES</b>                                                       |                      |                        |                    |                                |
| Accounts Payable                                                         | \$ 563,441           | \$ 136,610             | \$ -               | \$ 700,051                     |
| Accrued Expenditures                                                     | 115,177              | -                      | -                  | 115,177                        |
| Unearned Revenues                                                        | 169,972              | -                      | -                  | 169,972                        |
| Total Liabilities                                                        | <u>848,590</u>       | <u>136,610</u>         | <u>-</u>           | <u>985,200</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                      |                        |                    |                                |
| Deferred in Inflows Related to Leases                                    | 612,985              | -                      | -                  | 612,985                        |
| Unavailable Revenue                                                      | 12,435               | 5,797                  | -                  | 18,232                         |
| Total Deferred Inflows of Resources                                      | <u>625,420</u>       | <u>5,797</u>           | <u>-</u>           | <u>631,217</u>                 |
| <b>FUND BALANCES</b>                                                     |                      |                        |                    |                                |
| Nonspendable:                                                            |                      |                        |                    |                                |
| Prepaid Items                                                            | 46,752               | -                      | -                  | 46,752                         |
| Restricted:                                                              |                      |                        |                    |                                |
| Law Enforcement                                                          | 49,584               | -                      | -                  | 49,584                         |
| Infrastructure                                                           | -                    | 5,539,325              | -                  | 5,539,325                      |
| Assigned:                                                                |                      |                        |                    |                                |
| Cemetery Care                                                            | 1,064,972            | -                      | -                  | 1,064,972                      |
| Subsequent Years Budget                                                  | 1,486,101            | -                      | -                  | 1,486,101                      |
| Unassigned (Deficit)                                                     | 7,829,951            | -                      | -                  | 7,829,951                      |
| Total Fund Balances                                                      | <u>10,477,360</u>    | <u>5,539,325</u>       | <u>-</u>           | <u>16,016,685</u>              |
| Total Liabilities, Deferred Inflows of<br>Resources, and Fund Balances   | <u>\$ 11,951,370</u> | <u>\$ 5,681,732</u>    | <u>\$ -</u>        | <u>\$ 17,633,102</u>           |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2022**

|                                                |           |                   |
|------------------------------------------------|-----------|-------------------|
| <b>Total Fund Balance – Governmental Funds</b> | <b>\$</b> | <b>16,016,685</b> |
|------------------------------------------------|-----------|-------------------|

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

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future reporting periods and therefore are not reported in the funds:

|                                       |  |             |
|---------------------------------------|--|-------------|
| Deferred Outflows Related to Pensions |  | 3,407,696   |
| Deferred Inflows Related to Pensions  |  | (3,490,399) |
| Deferred Inflows Related to OPEB      |  | (56,497)    |

The assets and liabilities of the internal service funds, used by management to charge the costs of certain activities to individual funds, are included in governmental activities in the statement of net position.

935,912

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

|                                   |  |            |
|-----------------------------------|--|------------|
| Capital Assets, Nondepreciable    |  | 2,359,728  |
| Capital Assets, Depreciable - Net |  | 12,387,054 |

Certain receivables are not available to pay current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.

18,232

Long-term assets and liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

|                       |  |             |
|-----------------------|--|-------------|
| Net Pension Asset     |  | 1,615,484   |
| Net Pension Liability |  | (7,900,178) |
| Total OPEB Liability  |  | (670,048)   |
| Compensated Absences  |  | (362,589)   |
| Direct Borrowing      |  | (201,723)   |

|                                                |           |                   |
|------------------------------------------------|-----------|-------------------|
| <b>Net Position of Governmental Activities</b> | <b>\$</b> | <b>24,059,357</b> |
|------------------------------------------------|-----------|-------------------|

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

|                                             | General<br>Fund      | Infrastructure<br>Fund | Nonmajor<br>(CDBG) | Total<br>Governmental<br>Funds |
|---------------------------------------------|----------------------|------------------------|--------------------|--------------------------------|
| <b>REVENUES</b>                             |                      |                        |                    |                                |
| Taxes                                       | \$ 6,924,606         | \$ 1,648,266           | \$ -               | \$ 8,572,872                   |
| Permits, Fees, and Special Assessments      | 2,232,194            | -                      | -                  | 2,232,194                      |
| Intergovernmental                           | 4,636,822            | -                      | 382,033            | 5,018,855                      |
| Charges for Services                        | 307,945              | -                      | -                  | 307,945                        |
| Fines and Forfeitures                       | 108,256              | -                      | -                  | 108,256                        |
| Investment Earnings                         | 114,950              | 43,646                 | -                  | 158,596                        |
| Miscellaneous                               | 79,893               | 44                     | -                  | 79,937                         |
| Total Revenues                              | 14,404,666           | 1,691,956              | 382,033            | 16,478,655                     |
| <b>EXPENDITURES</b>                         |                      |                        |                    |                                |
| Current:                                    |                      |                        |                    |                                |
| General Government                          | 939,735              | -                      | -                  | 939,735                        |
| Public Safety                               |                      |                        |                    |                                |
| Law Enforcement                             | 4,598,485            | -                      | -                  | 4,598,485                      |
| Fire Control                                | 3,271,383            | -                      | -                  | 3,271,383                      |
| Building, Zoning, and Planning              | 305,160              | -                      | -                  | 305,160                        |
| Physical Environment                        | 28,402               | -                      | -                  | 28,402                         |
| Transportation                              | 1,113,648            | 323,652                | -                  | 1,437,300                      |
| Economic Environment                        | 373,628              | -                      | 21,750             | 395,378                        |
| Culture and Recreation                      | 736,029              | -                      | -                  | 736,029                        |
| Capital Outlay                              | 762,588              | 470,269                | -                  | 1,232,857                      |
| Debt Service:                               |                      |                        |                    |                                |
| Principal                                   | 9,664                | -                      | -                  | 9,664                          |
| Interest                                    | 2,043                | -                      | -                  | 2,043                          |
| Total Expenditures                          | 12,140,765           | 793,921                | 21,750             | 12,956,436                     |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | 2,263,901            | 898,035                | 360,283            | 3,522,219                      |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                      |                        |                    |                                |
| Issuance of Debt                            | 44,646               | 103,334                | -                  | 147,980                        |
| Sale of Capital Assets                      | 615                  | -                      | -                  | 615                            |
| Transfers In                                | 850,000              | -                      | -                  | 850,000                        |
| Transfers Out                               | (202,143)            | -                      | -                  | (202,143)                      |
| Total Other Financing Sources               | 693,118              | 103,334                | -                  | 796,452                        |
| <b>CHANGE IN FUND BALANCES</b>              | 2,957,019            | 1,001,369              | 360,283            | 4,318,671                      |
| Fund Balances – Beginning of Year           | 7,520,341            | 4,537,956              | (360,283)          | 11,698,014                     |
| <b>FUND BALANCES – END OF YEAR</b>          | <u>\$ 10,477,360</u> | <u>\$ 5,539,325</u>    | <u>\$ -</u>        | <u>\$ 16,016,685</u>           |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2022**

**Net Change in Fund Balance – Governmental Funds** **\$ 4,318,671**

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

Revenues that will not be collected within sixty days after the City's fiscal year-end are  
not considered "available" revenues, and are not recognized in the governmental funds:

|                                                                                |           |
|--------------------------------------------------------------------------------|-----------|
| Deferred Inflows Recognized in Prior Years in the Statement of Activities      | (395,290) |
| Deferred Inflows Recognized in the Current Year in the Statement of Activities | 18,232    |

|                                                                                                                                                                                                                  |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Internal service funds are used by management to charge the costs of insurance<br>to individual funds. The net cost of certain activities of internal service funds is reported<br>with governmental activities. | (118,753) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

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

|                                                           |             |
|-----------------------------------------------------------|-------------|
| Expenditures for Capital Assets that were Capitalized     | 1,256,343   |
| Remaining Net Book Value of Capital Assets on Disposition | (24,983)    |
| Depreciation Expense                                      | (1,274,524) |

|                                                                                                                                                                                                                                                                                      |         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Changes in net pension liability and the related deferred inflows and deferred outflows of<br>resources reported in the statement of activities do not require the use of current financial<br>resources and, therefore, are not reported as expenditures in the governmental funds. | 218,443 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

|                                                                                                                                                                                                             |          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Transfers of capital assets from business-type activities decrease net position<br>in the statement of activities, but do not appear in the governmental funds<br>because they are not financial resources. | (62,972) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

|                                                                                                                                                                                                                                                                                   |          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Changes in the OPEB liability and the related deferred inflows and deferred outflows of<br>resources reported in the statement of activities do not require the use of current financial<br>resources and, therefore, are not reported as expenditures in the governmental funds. | (14,584) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

Certain transactions reported in the statement of activities do not require the use  
of current financial resources. Therefore, the following are not recognized  
in governmental funds.

|                                      |           |
|--------------------------------------|-----------|
| Net Decrease in Compensated Absences | (59,397)  |
| Payments on Debt                     | 9,664     |
| Debt Issued                          | (147,980) |

|                                                          |                     |
|----------------------------------------------------------|---------------------|
| <b>Change in Net Position of Governmental Activities</b> | <b>\$ 3,722,870</b> |
|----------------------------------------------------------|---------------------|

*See accompanying Notes to Financial Statements.*

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2022**

|                                                                      | Budgeted Amounts    |                     | Actual               | Variance with       |
|----------------------------------------------------------------------|---------------------|---------------------|----------------------|---------------------|
|                                                                      | Original            | Final               | Amounts              | Final Budget        |
| <b>REVENUES</b>                                                      |                     |                     |                      |                     |
| Taxes                                                                | \$ 6,695,628        | \$ 6,695,628        | \$ 6,924,606         | \$ 228,978          |
| Permits, Fees, and Special Assessments                               | 2,095,888           | 2,095,888           | 2,232,194            | 136,306             |
| Intergovernmental                                                    | 1,445,537           | 1,611,312           | 4,636,822            | 3,025,510           |
| Charges for Services                                                 | 285,147             | 285,147             | 307,945              | 22,798              |
| Fines and Forfeitures                                                | 97,440              | 97,440              | 108,256              | 10,816              |
| Investment Earnings                                                  | 75,000              | 75,000              | 114,950              | 39,950              |
| Miscellaneous                                                        | 50,920              | 52,920              | 79,893               | 26,973              |
| Total Revenues                                                       | 10,745,560          | 10,913,335          | 14,404,666           | 3,491,331           |
| <b>EXPENDITURES</b>                                                  |                     |                     |                      |                     |
| Current:                                                             |                     |                     |                      |                     |
| General Government                                                   | 1,115,004           | 1,137,004           | 939,735              | 197,269             |
| Public Safety                                                        |                     |                     |                      |                     |
| Law Enforcement                                                      | 4,427,694           | 4,727,544           | 4,598,485            | 129,059             |
| Fire Control                                                         | 3,284,729           | 3,449,012           | 3,271,383            | 177,629             |
| Building, Zoning, and Planning                                       | 340,502             | 351,640             | 305,160              | 46,480              |
| Physical Environment                                                 | 33,900              | 30,000              | 28,402               | 1,598               |
| Transportation                                                       | 1,228,191           | 1,247,884           | 1,113,648            | 134,236             |
| Economic Environment                                                 | 341,521             | 373,628             | 373,628              | -                   |
| Culture and Recreation                                               | 757,751             | 844,700             | 736,029              | 108,671             |
| Capital Outlay                                                       | 418,201             | 1,136,884           | 762,588              | 374,296             |
| Debt Service:                                                        |                     |                     |                      |                     |
| Principal                                                            | 13,076              | 8,936               | 9,664                | (728)               |
| Interest                                                             | 6,957               | 5,757               | 2,043                | 3,714               |
| Total Expenditures                                                   | 11,967,526          | 13,312,989          | 12,140,765           | 1,172,224           |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | (1,221,966)         | (2,399,654)         | 2,263,901            | 4,663,555           |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                     |                      |                     |
| Issuance of Debt                                                     | -                   | -                   | 44,646               | 44,646              |
| Sale of Capital Assets                                               | -                   | -                   | 615                  | 615                 |
| Transfers In                                                         | 850,000             | 883,330             | 850,000              | (33,330)            |
| Transfer Out                                                         | (196,835)           | (244,135)           | (202,143)            | 41,992              |
| Total Other Financing Sources                                        | 653,165             | 639,195             | 693,118              | 53,923              |
| <b>CHANGE IN FUND BALANCE</b>                                        | (568,801)           | (1,760,459)         | 2,957,019            | 4,717,478           |
| Fund Balance – Beginning of Year                                     | 7,520,341           | 7,520,341           | 7,520,341            | -                   |
| <b>FUND BALANCE – END OF YEAR</b>                                    | <u>\$ 6,951,540</u> | <u>\$ 5,759,882</u> | <u>\$ 10,477,360</u> | <u>\$ 4,717,478</u> |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – INFRASTRUCTURE FUND**  
**YEAR ENDED SEPTEMBER 30, 2022**

|                                                                      | Budgeted Amounts    |                     | Actual              | Variance with       |
|----------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                      | Original            | Final               | Amounts             | Final Budget        |
| <b>REVENUES</b>                                                      |                     |                     |                     |                     |
| Taxes                                                                | \$ 1,372,948        | \$ 1,372,948        | \$ 1,648,266        | \$ 275,318          |
| Investment Earnings                                                  | 8,000               | 8,000               | 43,646              | 35,646              |
| Miscellaneous                                                        | -                   | -                   | 44                  | 44                  |
| Total Revenues                                                       | 1,380,948           | 1,380,948           | 1,691,956           | 311,008             |
| <b>EXPENDITURES</b>                                                  |                     |                     |                     |                     |
| Current:                                                             |                     |                     |                     |                     |
| Transportation                                                       | 931,363             | 711,209             | 323,652             | 387,557             |
| Capital Outlay                                                       | 449,585             | 906,943             | 470,269             | 436,674             |
| Total Expenditures                                                   | 1,380,948           | 1,618,152           | 793,921             | 824,231             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | -                   | (237,204)           | 898,035             | 1,135,239           |
| <b>OTHER FINANCING SOURCES</b>                                       |                     |                     |                     |                     |
| Issuance of Debt                                                     | -                   | 19,236              | 103,334             | 84,098              |
| <b>CHANGE IN FUND BALANCE</b>                                        | -                   | (217,968)           | 1,001,369           | 1,219,337           |
| Fund Balance – Beginning of Year                                     | 4,537,956           | 4,537,956           | 4,537,956           | -                   |
| <b>FUND BALANCE – END OF YEAR</b>                                    | <u>\$ 4,537,956</u> | <u>\$ 4,319,988</u> | <u>\$ 5,539,325</u> | <u>\$ 1,219,337</u> |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2022**

|                                                     | Business-Type Activities – Enterprise Funds |                     |                        |               | Internal Service Funds |
|-----------------------------------------------------|---------------------------------------------|---------------------|------------------------|---------------|------------------------|
|                                                     | Water and Wastewater                        | Solid Waste         | Nonmajor (Golf Course) | Total         |                        |
| <b>ASSETS</b>                                       |                                             |                     |                        |               |                        |
| Current Assets:                                     |                                             |                     |                        |               |                        |
| Cash and Cash Equivalents                           | \$ 9,095,814                                | \$ 1,907,653        | \$ 705,156             | \$ 11,708,623 | \$ 1,282,536           |
| Receivables, Net                                    | 1,080,785                                   | 75,373              | 74                     | 1,156,232     | 109,297                |
| Lease Receivable                                    | 46,017                                      | -                   | -                      | 46,017        | -                      |
| Due from Other Governments                          | 2,019                                       | 764                 | -                      | 2,783         | -                      |
| Inventory                                           | 361,517                                     | -                   | 5,235                  | 366,752       | -                      |
| Prepaid Items                                       | -                                           | -                   | 157,687                | 157,687       | -                      |
| Intangible Asset                                    | 278,270                                     | -                   | -                      | 278,270       | -                      |
| Total Current Assets                                | 10,864,422                                  | 1,983,790           | 868,152                | 13,716,364    | 1,391,833              |
| Noncurrent Assets:                                  |                                             |                     |                        |               |                        |
| Restricted Assets:                                  |                                             |                     |                        |               |                        |
| Cash and Cash Equivalents                           | 2,398,965                                   | -                   | -                      | 2,398,965     | -                      |
| Capital Assets, Net                                 | 34,261,262                                  | 1,418,735           | 936,711                | 36,616,708    | -                      |
| Total Noncurrent Assets                             | 36,660,227                                  | 1,418,735           | 936,711                | 39,015,673    | -                      |
| Total Assets                                        | 47,524,649                                  | 3,402,525           | 1,804,863              | 52,732,037    | 1,391,833              |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>               |                                             |                     |                        |               |                        |
| Deferred Outflows Related to Pensions               | 550,873                                     | 176,488             | 100,087                | 827,448       | -                      |
| Deferred Cost on Refunding                          | 13,716                                      | -                   | -                      | 13,716        | -                      |
| Total Deferred Outflows of Resources                | 564,589                                     | 176,488             | 100,087                | 841,164       | -                      |
| <b>LIABILITIES</b>                                  |                                             |                     |                        |               |                        |
| Current Liabilities:                                |                                             |                     |                        |               |                        |
| Accounts Payable                                    | 516,818                                     | 95,254              | 38,026                 | 650,098       | 377,246                |
| Accrued Expenses                                    | 43,565                                      | 10,280              | 8,465                  | 62,310        | -                      |
| Unearned Revenue                                    | 340,435                                     | 2,655               | 47,084                 | 390,174       | -                      |
| Compensated Absences Payable                        | 88,611                                      | 25,427              | 16,768                 | 130,806       | -                      |
| Current Portion of Other Postemployment Benefits    | 15,002                                      | 4,018               | 3,072                  | 22,092        | -                      |
| Current Portion of Long-Term Debt                   | 2,294,779                                   | 363,846             | 32,751                 | 2,691,376     | -                      |
| Current Portion of Lease Liability                  | 1,255                                       | -                   | 52,185                 | 53,440        | -                      |
| Current Liabilities Payable from Restricted Assets: |                                             |                     |                        |               |                        |
| Accrued Interest                                    | 13,161                                      | 5,214               | 1,616                  | 19,991        | -                      |
| Customer Deposits                                   | 2,323,090                                   | -                   | -                      | 2,323,090     | -                      |
| Total Current Liabilities                           | 5,636,716                                   | 506,694             | 199,967                | 6,343,377     | 377,246                |
| Noncurrent Liabilities:                             |                                             |                     |                        |               |                        |
| Net Pension Liability                               | 1,729,365                                   | 556,322             | 309,094                | 2,594,781     | -                      |
| Other Postemployment Benefits                       | 89,356                                      | 22,810              | 17,348                 | 129,514       | -                      |
| Landfill Closure                                    | -                                           | 467,500             | -                      | 467,500       | -                      |
| Long-Term Debt                                      | 457,569                                     | 190,615             | 104,974                | 753,158       | -                      |
| Lease Liability                                     | 246                                         | -                   | 8,937                  | 9,183         | -                      |
| Total Noncurrent Liabilities                        | 2,276,536                                   | 1,237,247           | 440,353                | 3,954,136     | -                      |
| Total Liabilities                                   | 7,913,252                                   | 1,743,941           | 640,320                | 10,297,513    | 377,246                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                |                                             |                     |                        |               |                        |
| Deferred Inflows Related to Pensions                | 129,969                                     | 42,457              | 25,872                 | 198,298       | -                      |
| Deferred Inflows Related to OPEB                    | 14,861                                      | 3,981               | 3,044                  | 21,886        | -                      |
| Deferred Inflows Related to Leases                  | 45,553                                      | -                   | -                      | 45,553        | -                      |
| Total Deferred Inflows of Resources                 | 190,383                                     | 46,438              | 28,916                 | 265,737       | -                      |
| <b>NET POSITION</b>                                 |                                             |                     |                        |               |                        |
| Net Investment in Capital Assets                    | 31,324,393                                  | 864,274             | 737,864                | 32,926,531    | -                      |
| Restricted for Debt Service                         | 75,875                                      | -                   | -                      | 75,875        | -                      |
| Unrestricted                                        | 8,585,335                                   | 924,360             | 497,850                | 10,007,545    | 1,014,587              |
| Total Net Position                                  | <u>\$ 39,985,603</u>                        | <u>\$ 1,788,634</u> | <u>\$ 1,235,714</u>    | 43,009,951    | <u>\$ 1,014,587</u>    |

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

|                                          |                      |
|------------------------------------------|----------------------|
|                                          | <u>78,675</u>        |
| Net Position of Business-Type Activities | <u>\$ 43,088,626</u> |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

|                                                                                                                                                                   | Business-Type Activities – Enterprise Funds |                     |                        |                      | Internal Service Funds |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------|------------------------|----------------------|------------------------|
|                                                                                                                                                                   | Water and Wastewater                        | Solid Waste         | Nonmajor (Golf Course) | Total                |                        |
| <b>OPERATING REVENUES</b>                                                                                                                                         |                                             |                     |                        |                      |                        |
| Charges for Services                                                                                                                                              | \$ 10,671,558                               | \$ 2,432,251        | \$ 805,503             | \$ 13,909,312        | \$ 3,045,022           |
| Miscellaneous Revenue                                                                                                                                             | 527,042                                     | 14,930              | 87,796                 | 629,768              | -                      |
| Total Operating Revenues                                                                                                                                          | 11,198,600                                  | 2,447,181           | 893,299                | 14,539,080           | 3,045,022              |
| <b>OPERATING EXPENSES</b>                                                                                                                                         |                                             |                     |                        |                      |                        |
| Employee Compensation and Benefits                                                                                                                                | 2,287,895                                   | 725,418             | 504,484                | 3,517,797            | -                      |
| General and Administrative                                                                                                                                        | 367,151                                     | 168,368             | 136,662                | 672,181              | 99,295                 |
| Professional                                                                                                                                                      | 72,582                                      | 13,970              | 6,336                  | 92,888               | -                      |
| Landfill Fees                                                                                                                                                     | -                                           | 512,214             | -                      | 512,214              | -                      |
| Insurance                                                                                                                                                         | 429,868                                     | 14,016              | 24,793                 | 468,677              | 1,321,776              |
| Repairs, Maintenance, and Supplies                                                                                                                                | 1,653,581                                   | 353,545             | 139,515                | 2,146,641            | -                      |
| Claims Expense                                                                                                                                                    | -                                           | -                   | -                      | -                    | 1,892,477              |
| Utilities                                                                                                                                                         | 606,381                                     | 3,478               | 32,309                 | 642,168              | -                      |
| Depreciation                                                                                                                                                      | 2,450,393                                   | 320,112             | 147,753                | 2,918,258            | -                      |
| Total Operating Expenses                                                                                                                                          | 7,867,851                                   | 2,111,121           | 991,852                | 10,970,824           | 3,313,548              |
| <b>OPERATING INCOME (LOSS)</b>                                                                                                                                    | 3,330,749                                   | 336,060             | (98,553)               | 3,568,256            | (268,526)              |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                                                                                                                           |                                             |                     |                        |                      |                        |
| Investment Earnings                                                                                                                                               | 72,517                                      | 16,185              | 6,403                  | 95,105               | 10,903                 |
| Connection Fees                                                                                                                                                   | 915,668                                     | -                   | -                      | 915,668              | -                      |
| Gain (Loss) on Disposal of Capital Assets                                                                                                                         | 3,084                                       | (3,315)             | -                      | (231)                | -                      |
| Insurance Proceeds                                                                                                                                                | -                                           | -                   | -                      | -                    | 65,113                 |
| Interest Expense                                                                                                                                                  | (150,817)                                   | (31,809)            | (8,435)                | (191,061)            | -                      |
| Total Nonoperating Revenues (Expenses)                                                                                                                            | 840,452                                     | (18,939)            | (2,032)                | 819,481              | 76,016                 |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b>                                                                                                                             | 4,171,201                                   | 317,121             | (100,585)              | 4,387,737            | (192,510)              |
| <b>CAPITAL CONTRIBUTIONS AND TRANSFERS</b>                                                                                                                        |                                             |                     |                        |                      |                        |
| Capital Contributions                                                                                                                                             | 263,000                                     | -                   | -                      | 263,000              | -                      |
| Transfers In                                                                                                                                                      | -                                           | -                   | 202,143                | 202,143              | -                      |
| Transfers Out                                                                                                                                                     | (850,000)                                   | -                   | -                      | (850,000)            | -                      |
| Total Transfers                                                                                                                                                   | (587,000)                                   | -                   | 202,143                | (384,857)            | -                      |
| <b>CHANGE IN NET POSITION</b>                                                                                                                                     | 3,584,201                                   | 317,121             | 101,558                | 4,002,880            | (192,510)              |
| Total Net Position - Beginning of Year                                                                                                                            | 36,401,402                                  | 1,471,513           | 1,134,156              | 39,007,071           | 1,207,097              |
| <b>TOTAL NET POSITION - END OF YEAR</b>                                                                                                                           | <u>\$ 39,985,603</u>                        | <u>\$ 1,788,634</u> | <u>\$ 1,235,714</u>    | <u>\$ 43,009,951</u> | <u>\$ 1,014,587</u>    |
| <b>CHANGE IN NET POSITION - ENTERPRISE FUNDS</b>                                                                                                                  |                                             |                     |                        | \$ 4,002,880         |                        |
| Some amounts reported for business-type activities in the statement of activities are different because of unallocated overcharges by the Internal Service Funds. |                                             |                     |                        | (73,757)             |                        |
| <b>CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>                                                                                                         |                                             |                     |                        | <u>\$ 3,929,123</u>  |                        |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2022**

|                                                                         | Business-Type Activities – Enterprise Funds |                     |                           |                      | Internal<br>Service<br>Funds |
|-------------------------------------------------------------------------|---------------------------------------------|---------------------|---------------------------|----------------------|------------------------------|
|                                                                         | Water and<br>Wastewater                     | Solid<br>Waste      | Nonmajor<br>(Golf Course) | Total                |                              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |                                             |                     |                           |                      |                              |
| Cash Received from Customers and Users                                  | \$ 11,255,822                               | \$ 2,439,895        | \$ 895,060                | \$ 14,590,777        | \$ 2,857,328                 |
| Cash Received from Insurance                                            | -                                           | -                   | -                         | -                    | 231,310                      |
| Cash Payments to Suppliers and Claims                                   | (3,130,075)                                 | (1,052,655)         | (334,039)                 | (4,516,769)          | (3,329,359)                  |
| Cash Payments for Employee Services                                     | (2,255,679)                                 | (670,265)           | (503,025)                 | (3,428,969)          | -                            |
| Net Cash Provided (Used) by Operating Activities                        | 5,870,068                                   | 716,975             | 57,996                    | 6,645,039            | (240,721)                    |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>              |                                             |                     |                           |                      |                              |
| Transfer to Other Funds                                                 | (850,000)                                   | -                   | -                         | (850,000)            | -                            |
| Transfer from Other Funds                                               | -                                           | 19,748              | 202,143                   | 221,891              | -                            |
| Net Cash Provided (Used) by Noncapital<br>Financing Activities          | (850,000)                                   | 19,748              | 202,143                   | (628,109)            | -                            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>     |                                             |                     |                           |                      |                              |
| Acquisition and Construction of Capital Assets                          | (1,759,720)                                 | (5,473)             | -                         | (1,765,193)          | -                            |
| Proceeds from Sale of Capital Asset                                     | 37,912                                      | 1,616               | -                         | 39,528               | -                            |
| Proceeds from Capital Debt                                              | 36,307                                      | -                   | -                         | 36,307               | -                            |
| Principal Paid on Long-Term Debt                                        | (2,252,874)                                 | (359,616)           | (84,266)                  | (2,696,756)          | -                            |
| Receipts from Lease Activities                                          | 1,750                                       | -                   | -                         | 1,750                | -                            |
| Cash Received from Insurance                                            | -                                           | -                   | -                         | -                    | 65,113                       |
| Interest Paid                                                           | (85,628)                                    | (30,772)            | (6,819)                   | (123,219)            | -                            |
| Connection Fees and Capital Grants and Contributions                    | 1,092,284                                   | -                   | -                         | 1,092,284            | -                            |
| Net Cash Provided (Used) by Capital and<br>Related Financing Activities | (2,929,969)                                 | (394,245)           | (91,085)                  | (3,415,299)          | 65,113                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |                                             |                     |                           |                      |                              |
| Interest on Investments                                                 | 72,517                                      | 16,185              | 6,403                     | 95,105               | 10,903                       |
| Net Cash Provided by Investing Activities                               | 72,517                                      | 16,185              | 6,403                     | 95,105               | 10,903                       |
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>         | 2,162,616                                   | 358,663             | 175,457                   | 2,696,736            | (164,705)                    |
| Cash and Cash Equivalents – Beginning of Year                           | 9,332,163                                   | 1,548,990           | 529,699                   | 11,410,852           | 1,447,241                    |
| <b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>                          | <u>\$ 11,494,779</u>                        | <u>\$ 1,907,653</u> | <u>\$ 705,156</u>         | <u>\$ 14,107,588</u> | <u>\$ 1,282,536</u>          |
| <b>RECONCILIATION OF CASH AND CASH<br/>EQUIVALENTS</b>                  |                                             |                     |                           |                      |                              |
| Cash and Cash Equivalents                                               | \$ 9,095,814                                | \$ 1,907,653        | \$ 705,156                | \$ 11,708,623        | \$ 1,282,536                 |
| Restricted Assets - Cash and Cash Equivalents                           | 2,398,965                                   | -                   | -                         | 2,398,965            | -                            |
| Cash and Cash Equivalents - End of Year                                 | <u>\$ 11,494,779</u>                        | <u>\$ 1,907,653</u> | <u>\$ 705,156</u>         | <u>\$ 14,107,588</u> | <u>\$ 1,282,536</u>          |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

|                                                                                                       | Business-Type Activities – Enterprise Funds |                   |                        |                     | Internal Service Funds |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------|------------------------|---------------------|------------------------|
|                                                                                                       | Water and Wastewater                        | Solid Waste       | Nonmajor (Golf Course) | Total               |                        |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>         |                                             |                   |                        |                     |                        |
| Operating Income (Loss)                                                                               | \$ 3,330,749                                | \$ 336,060        | \$ (98,553)            | \$ 3,568,256        | \$ (268,526)           |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: |                                             |                   |                        |                     |                        |
| Depreciation Expense                                                                                  | 2,450,393                                   | 320,112           | 147,753                | 2,918,258           | -                      |
| (Increase) Decrease in Assets:                                                                        |                                             |                   |                        |                     |                        |
| Accounts Receivable                                                                                   | (59,815)                                    | (6,719)           | (74)                   | (66,608)            | 45,568                 |
| Lease Receivable                                                                                      | (2,214)                                     | -                 | -                      | (2,214)             | -                      |
| Inventory                                                                                             | (36,930)                                    | -                 | 52                     | (36,878)            | -                      |
| Prepaid Items                                                                                         | 2,543                                       | -                 | 615                    | 3,158               | -                      |
| Due from Other Government                                                                             | -                                           | (567)             | -                      | (567)               | -                      |
| Deferred Outflows Related to Pensions                                                                 | (20,851)                                    | (26,686)          | (783)                  | (48,320)            | -                      |
| Deferred Outflows Related to OPEB                                                                     | 100,463                                     | 26,910            | 20,571                 | 147,944             | -                      |
| Increase (Decrease) in Liabilities:                                                                   |                                             |                   |                        |                     |                        |
| Accounts Payable                                                                                      | 33,875                                      | 12,936            | 1,710                  | 48,521              | (15,811)               |
| Accrued Expenses                                                                                      | 19,489                                      | 2,511             | 3,251                  | 25,251              | -                      |
| Unearned Revenue                                                                                      | -                                           | -                 | 1,783                  | 1,783               | (1,952)                |
| Compensated Absences                                                                                  | 15,472                                      | 4,458             | 456                    | 20,386              | -                      |
| Customer Deposits                                                                                     | 119,251                                     | -                 | -                      | 119,251             | -                      |
| OPEB Liability                                                                                        | (94,692)                                    | (25,364)          | (19,389)               | (139,445)           | -                      |
| Net Pension Liability                                                                                 | 940,623                                     | 324,719           | 157,504                | 1,422,846           | -                      |
| Deferred Inflows Related to Pensions                                                                  | (928,288)                                   | (251,395)         | (156,900)              | (1,336,583)         | -                      |
| Net Cash Provided (Used) by Operating Activities                                                      | <u>\$ 5,870,068</u>                         | <u>\$ 716,975</u> | <u>\$ 57,996</u>       | <u>\$ 6,645,039</u> | <u>\$ (240,721)</u>    |
| <b>SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES</b>                                       |                                             |                   |                        |                     |                        |
| Capital Additions Funded by Accounts Payable                                                          | \$ 34,656                                   | \$ -              | \$ -                   | \$ 34,656           | \$ -                   |
| Capital Additions Acquired by Financed Purchase                                                       | \$ -                                        | \$ 561,058        | \$ 14,499              | \$ 575,557          | \$ -                   |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2022**

|                                             | Pension<br>Trust Fund       |
|---------------------------------------------|-----------------------------|
| <b>ASSETS</b>                               |                             |
| Cash and Cash Equivalents                   | \$ 823,021                  |
| Receivables:                                |                             |
| Interest and Dividends                      | 80,505                      |
| Partnership Distribution                    | 9,343                       |
| Total Receivables                           | <u>89,848</u>               |
| Investments, at Fair Value:                 |                             |
| U.S. Government Obligations                 | 4,589,158                   |
| Mortgage Backed Securities                  | 2,451,517                   |
| Municipal Obligations                       | 17,719                      |
| Corporate Bonds                             | 3,772,749                   |
| Common Stock                                | 5,518,048                   |
| Mutual Funds - Equities                     | 12,878,352                  |
| Real Estate Partnership                     | 2,788,422                   |
| Total Investments                           | <u>32,015,965</u>           |
| Total Assets                                | 32,928,834                  |
| <b>LIABILITIES</b>                          |                             |
| Accounts Payable                            | 42,046                      |
| Total Liabilities                           | <u>42,046</u>               |
| <b>NET POSITION RESTRICTED FOR PENSIONS</b> | <u><u>\$ 32,886,788</u></u> |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

|                                               | Pension<br>Trust Fund       |
|-----------------------------------------------|-----------------------------|
| <b>ADDITIONS</b>                              |                             |
| Contributions:                                |                             |
| City                                          | \$ 1,227,555                |
| Plan Members                                  | 48,539                      |
| Total Contributions                           | <u>1,276,094</u>            |
| Investment Income:                            |                             |
| Net Depreciation in Fair Value of Investments | (7,573,205)                 |
| Interest and Dividends                        | 911,773                     |
| Other                                         | 72,935                      |
| Total Investment Loss                         | <u>(6,588,497)</u>          |
| Less: Investment Expenses                     | <u>(158,405)</u>            |
| Net Investment Loss                           | <u>(6,746,902)</u>          |
| Total Additions                               | (5,470,808)                 |
| <b>DEDUCTIONS</b>                             |                             |
| Payments to Retirees and Participants         | 1,928,807                   |
| Administration Expenses                       | 79,535                      |
| Total Deductions                              | <u>2,008,342</u>            |
| <b>NET DECREASE IN NET POSITION</b>           | (7,479,150)                 |
| <b>NET POSITION RESTRICTED FOR PENSIONS</b>   |                             |
| Beginning of Year                             | <u>40,365,938</u>           |
| End of Year                                   | <u><u>\$ 32,886,788</u></u> |

See accompanying Notes to Financial Statements.

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

*Discretely Presented Component Unit*

The Community Redevelopment Agency (the CRA) was created by City Ordinance Number 654 pursuant to Part III of chapter 163, Florida Statutes. The CRA is legally separate and is responsible for the redevelopment of defined areas within the city limits. The CRA is governed by a seven member board, which is appointed by the City Council. The City and County are obligated to pay the CRA any tax revenues relating to an increase in the assessed value of property within the redevelopment areas. During the current year, the City and County paid the CRA \$373,628 and \$549,037, respectively which represents the portion of the incremental increase in ad valorem taxes. The CRA is presented in a separate column in the government-wide statements to emphasize it is legally separate from the primary government. Separate financial statements for the CRA may be obtained by writing to the City of Sebring Community Redevelopment Agency, 309 Circle Park Drive, Sebring, Florida 33870.

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Related Organizations**

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

**C. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

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

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Presentation (Continued)**

**Fund Financial Statement Presentation**

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

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

**Governmental Major Funds**

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

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

**Governmental Nonmajor Fund**

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Presentation (Continued)**

**Fund Financial Statement Presentation (Continued)**

**Proprietary Major Funds**

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

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

**Proprietary Nonmajor Fund**

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

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

**Fiduciary Funds**

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

**D. Measurement Focus and Basis of Accounting**

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

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

**E. Budgetary Information**

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund shown in the basic financial statements, present comparisons of the legally adopted budget, as amended, with actual results for the General Fund. The originally adopted budget is presented for purposes of comparison to the final, amended budget. The City Council amended the budget of the General Fund by resolution. These amendments provided for additional budgetary appropriations in the amount of \$1,345,463. Of this amount, \$1,177,688 was financed by transfers and fund balance reserves, with the remaining \$167,775 financed by additional budgeted revenues.

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

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

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Information (Continued)**

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

**F. Cash and Cash Equivalents**

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

**G. Investments**

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

**H. Receivables**

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

**I. Inventories**

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

**J. Prepaid Items**

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Intangible Assets**

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

The total unamortized balance for this intangible asset at September 30, 2022 is \$278,270.

**L. Capital Assets**

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

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

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

**M. Deferred Outflows/ Deferred Inflows of Resources**

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Deferred Outflows/ Deferred Inflows of Resources(Continued)**

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

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

**N. Unearned Revenues**

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

**O. Interfund Transactions and Loans**

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

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

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

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

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Compensated Absences**

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

**Q. Leases**

Lessee Arrangement

The Entity determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statements of net position.

Lease assets represent the City's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the Entity's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Entity will exercise that option.

The City has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

Significant lease terms are disclosed in Note 10.

The Entity accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the Entity treats the components as a single lease unit.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Leases (Continued)**

Lessor Arrangement

The Entity determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

Amounts to be received under residual value guarantees that are not fixed in substance are recognized as a receivable and an inflow of resources if (a) a guarantee payment is required and (b) the amount can be reasonably estimated. Amounts received for the exercise price of a purchase option or penalty for lease termination are recognized as a receivable and an inflow of resources when those options are exercised.

The City has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position and fund financial statements.

Significant lease terms are disclosed in Note 10.

The Entity accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the Entity treats the components as a single lease unit.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Pension Plans**

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

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

**S. Long-Term Obligations**

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

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

**T. Fund Balance Policy**

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. Fund Balance Policy (Continued)**

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

**U. Property Taxes**

Ad valorem taxes for the current fiscal year (beginning October 1, 2021) are assessed on July 1, 2021, based on property values as of January 1, 2021. The taxes are levied in the month of November 2021, by the Highlands County Tax Collector who remits collected taxes to the City monthly. Taxes are due and payable November 1, 2021, and become delinquent April 1, 2022. Tax certificates are sold for delinquent taxes by June 1, 2022. Generally, the City collects substantially all of its current year property taxes during the year in which they are due. No accrual for the property tax levy becoming due in November 2022 is included in the accompanying financial statements since such taxes are collected to finance expenditures of the next fiscal year.

**V. Government -Wide and Proprietary Fund Net Position**

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

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

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

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

**W. Government Fund Balances**

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

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

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**W. Government Fund Balances (Continued)**

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

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

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

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

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

**X. Use of Estimates**

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

**Y. Adoption of New Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Entity adopted the requirements of the guidance effective October 1, 2021, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 2 CASH AND INVESTMENTS**

**Cash**

At September 30, 2022, the bank balances of the City's deposits consisted of \$5,249,714 in demand deposits and \$276,256 in certificates of deposit.

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

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

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

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

Cash and cash equivalents at September 30, 2022, including restricted amounts, consist of:

|                                 | Governmental<br>Activities | Business-Type<br>Activities | Fiduciary<br>Funds | Component<br>Unit   |
|---------------------------------|----------------------------|-----------------------------|--------------------|---------------------|
| Petty Cash and Change Funds     | \$ 700                     | \$ 2,600                    | \$ -               | \$ -                |
| Demand and Brokerage Deposits   | 566,552                    | 2,232,468                   | -                  | 2,117,115           |
| Cash with Fiscal Agent          | 100,000                    | -                           | -                  | -                   |
| Certificate of Deposit          | -                          | 276,256                     | -                  | -                   |
| Money Market Mutual Funds       | -                          | -                           | 823,021            | -                   |
| Florida PRIME                   | 16,691,724                 | 11,596,264                  | -                  | 558,540             |
| Total Cash and Cash Equivalents | <u>\$ 17,358,976</u>       | <u>\$ 14,107,588</u>        | <u>\$ 823,021</u>  | <u>\$ 2,675,655</u> |

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments**

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

**Florida PRIME**

Florida PRIME is an investment pool administered by the State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Investments in Florida PRIME are made pursuant to Chapter 125.31, Florida Statutes. The investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year and as of September 30, 2022, Florida PRIME contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month London Interbank Offered Rate (LIBOR) rates. These investments represented 34.7% of the Florida PRIME's portfolio at September 30, 2022.

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

The dollar weighted average days to maturity (WAM) of Florida PRIME as of September 30, 2022 was 21 days. Next interest rate reset dates for floating securities are used in the calculation of the WAM. The weighted average life (WAL) of the Florida PRIME at September 30, 2022 was 72 days.

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

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

Florida PRIME (continued)

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

As of September 30, 2022, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

**Credit Risk**

The City has no policy on credit risk. Fiduciary fund investments at fair value and corresponding credit risk rating as of September 30, 2022 are as follows:

| <u>Investment Type</u>      | <u>Fiduciary<br/>Funds</u> | <u>Credit<br/>Rating</u> |
|-----------------------------|----------------------------|--------------------------|
| U.S. Government Obligations | \$ 4,085,233               | Aaa                      |
| U.S. Government Obligations | 503,925                    | AA+                      |
| Mortgage Backed Securities  | 2,358,491                  | Aaa                      |
| Mortgage Backed Securities  | 9,387                      | BBB                      |
| Mortgage Backed Securities  | 83,639                     | A A A                    |
| Municipal Obligations       | 17,719                     | AA-                      |
| Corporate Bonds             | 244,874                    | A                        |
| Corporate Bonds             | 1,469,110                  | A-                       |
| Corporate Bonds             | 126,263                    | A+                       |
| Corporate Bonds             | 29,672                     | AA+                      |
| Corporate Bonds             | 159,585                    | AA-                      |
| Corporate Bonds             | 1,400,006                  | BBB+                     |
| Corporate Bonds             | 282,993                    | BBB                      |
| Corporate Bonds             | 60,246                     | BBB-                     |
| Common Stock                | 5,518,048                  | Not Applicable           |
| Mutual Funds - Equities     | 12,878,352                 | Not Applicable           |
| Real Estate Partnership     | 2,788,422                  | Not Applicable           |
| Total Investments           | <u>\$ 32,015,965</u>       |                          |

The fiduciary funds have two money market mutual funds, one that has \$346,071 that is rated by Standard and Poor's with a credit risk rating of AAAM and a weighted average maturity of 9 days, and a second money market mutual fund that has \$476,058 that is rated by Standard and Poor's with a credit risk rating of AAAM and a weighted average maturity of 2 days at September 30, 2022.

At September 30, 2022, Florida PRIME has a credit rating of AAAM.

**Concentration of Credit Risk**

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Fair Value**

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

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

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

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

|                  | Fair<br>Value | Unfunded<br>Commitments | Redemption<br>Frequency | Redemption<br>Notice<br>Period |
|------------------|---------------|-------------------------|-------------------------|--------------------------------|
| Real Estate Fund | \$ 2,788,422  | \$ 37,727               | Quarterly               | Daily                          |

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

The City had the following fair value measurements as of September 30, 2022:

|                                                  | Total                | Level 1              | Level 2              | Level 3     |
|--------------------------------------------------|----------------------|----------------------|----------------------|-------------|
| Investments at Fair Value Level:                 |                      |                      |                      |             |
| U.S. Government Obligations                      | \$ 4,589,158         | \$ 152,574           | \$ 4,436,584         | \$ -        |
| Mortgage Backed Securities                       | 2,451,517            | -                    | 2,451,517            | -           |
| Municipal Obligations                            | 17,719               | -                    | 17,719               | -           |
| Corporate Bonds                                  | 3,772,749            | -                    | 3,772,749            | -           |
| Common Stock                                     | 5,518,048            | 5,518,048            | -                    | -           |
| Mutual Funds - Equities                          | 12,878,352           | 12,878,352           | -                    | -           |
| Total Investments Measured at<br>Fair Value      | <u>\$ 29,227,543</u> | <u>\$ 18,548,974</u> | <u>\$ 10,678,569</u> | <u>\$ -</u> |
| Investments Measured at Amortized<br>Cost or NAV |                      |                      |                      |             |
| Real Estate Partnership                          | 2,788,422            |                      |                      |             |
| Florida PRIME                                    | 28,287,988           |                      |                      |             |
| Short-Term Money Market Funds                    | 823,021              |                      |                      |             |
| Total Investments                                | <u>\$ 61,126,974</u> |                      |                      |             |

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no policy on interest rate risk. Investments and related level of risk at September 30, 2022 are as follows:

| <u>Investment Type</u>      | <u>Investment Maturities (in Years)</u> |                    |                     |                     |                     |
|-----------------------------|-----------------------------------------|--------------------|---------------------|---------------------|---------------------|
|                             | <u>Fair Value</u>                       | <u>Less than 1</u> | <u>1 to 5</u>       | <u>6 to 10</u>      | <u>More than 10</u> |
| Fiduciary Funds:            |                                         |                    |                     |                     |                     |
| U.S. Government Obligations | \$ 4,589,158                            | \$ 158,903         | \$ 668,827          | \$ 2,155,393        | \$ 1,606,035        |
| Mortgage Backed Securities  | 2,451,517                               | 41,747             | 5,509               | 23,322              | 2,380,939           |
| Municipal Obligations       | 17,719                                  | -                  | -                   | -                   | 17,719              |
| Corporate Bonds             | 3,772,749                               | 388,605            | 936,089             | 1,863,297           | 584,758             |
| Total                       | <u>\$ 10,831,143</u>                    | <u>\$ 589,255</u>  | <u>\$ 1,610,425</u> | <u>\$ 4,042,012</u> | <u>\$ 4,589,451</u> |

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

**NOTE 3 RECEIVABLES**

Receivables as of September 30, 2022 for the City's individual major funds and internal service fund, including applicable allowances for uncollectible balances, are as follows:

|                                 | <u>Governmental Activities</u> |                         |                   |
|---------------------------------|--------------------------------|-------------------------|-------------------|
|                                 | <u>General</u>                 | <u>Internal Service</u> | <u>Total</u>      |
| Utility and Franchise Taxes     | \$ 266,908                     | \$ -                    | \$ 266,908        |
| Customer Charges                | 3,170                          | -                       | 3,170             |
| Reinsurance                     | -                              | 86,627                  | 86,627            |
| Miscellaneous                   | 41,654                         | 22,670                  | 64,324            |
| Gross Receivables               | 311,732                        | 109,297                 | 421,029           |
| Allowance for Doubtful Accounts | (1,669)                        | -                       | (1,669)           |
| Total                           | <u>\$ 310,063</u>              | <u>\$ 109,297</u>       | <u>\$ 419,360</u> |

|                                 | <u>Business-Type Activities</u> |                    |                     |
|---------------------------------|---------------------------------|--------------------|---------------------|
|                                 | <u>Water and Wastewater</u>     | <u>Solid Waste</u> | <u>Total</u>        |
| Utility and Franchise Taxes     | \$ -                            | \$ 1,606           | \$ 1,606            |
| Customer Charges                | 882,592                         | 73,767             | 956,359             |
| Customer Charges - Unbilled     | 201,612                         | -                  | 201,612             |
| Gross Receivables               | 1,084,204                       | 75,373             | 1,159,577           |
| Allowance for Doubtful Accounts | (3,419)                         | -                  | (3,419)             |
| Total                           | <u>\$ 1,080,785</u>             | <u>\$ 75,373</u>   | <u>\$ 1,156,158</u> |

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 4 INTERFUND BALANCES AND TRANSFERS**

Interfund transfers for the year ending September 30, 2022 were as follows:

|                           | Transfer In Fund  |                   | Total               |
|---------------------------|-------------------|-------------------|---------------------|
|                           | General Fund      | Golf Course Fund  |                     |
| Transfer Out Fund:        |                   |                   |                     |
| General Fund              | \$ -              | \$ 202,143        | \$ 202,143          |
| Water and Wastewater Fund | 850,000           | -                 | 850,000             |
| Total                     | <u>\$ 850,000</u> | <u>\$ 202,143</u> | <u>\$ 1,052,143</u> |

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

There are no interfund balances as of September 30, 2022.

**NOTE 5 RESTRICTED ASSETS**

Restricted assets in the Enterprise Funds consist of the following:

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

|                                           |                            |
|-------------------------------------------|----------------------------|
| Restricted Assets for Loan Payable:       |                            |
| Sinking Fund                              | \$ 24,288                  |
| Reserve Fund                              | 51,587                     |
| Total Restricted Assets for Loans Payable | <u>75,875</u>              |
| Other Restricted Assets:                  |                            |
| Customer Utility Deposits                 | <u>2,323,090</u>           |
| Total Restricted Assets                   | <u><u>\$ 2,398,965</u></u> |

At September 30, 2022, the sinking fund balances are fully funded in accordance with loan requirements. The net position restricted for debt service of \$75,875 for business-type activities represents the Sinking and Reserve Funds assets established for the loans payable.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 6 CAPITAL ASSETS**

**Changes in Capital Assets**

Capital asset activity for the year ended September 30, 2022 was as follows:

|                                                | Beginning<br>Balance | Increases          | Decreases        | Transfers and<br>Reclassifications | Ending<br>Balance    |
|------------------------------------------------|----------------------|--------------------|------------------|------------------------------------|----------------------|
| Governmental Activities:                       |                      |                    |                  |                                    |                      |
| Capital Assets not<br>Being Depreciated:       |                      |                    |                  |                                    |                      |
| Land                                           | \$ 1,842,082         | \$ -               | \$ -             | \$ -                               | \$ 1,842,082         |
| Construction in Progress                       | 1,001,656            | 528,944            | 16,228           | (996,726)                          | 517,646              |
| Total Capital Assets not<br>Being Depreciated  | 2,843,738            | 528,944            | 16,228           | (996,726)                          | 2,359,728            |
| Capital Assets Being<br>Depreciated:           |                      |                    |                  |                                    |                      |
| Buildings                                      | 5,891,929            | 115,841            | -                | -                                  | 6,007,770            |
| Improvements Other Than<br>Buildings           | 3,577,136            | 45,116             | -                | 933,754                            | 4,556,006            |
| Equipment                                      | 6,430,475            | 566,441            | 225,988          | -                                  | 6,770,928            |
| Infrastructure                                 | 13,442,263           | -                  | -                | -                                  | 13,442,263           |
| Right To Use Leased Asset*                     | 3,545                | -                  | -                | -                                  | 3,545                |
| Total Capital Assets<br>Being Depreciated      | 29,345,348           | 727,398            | 225,988          | 933,754                            | 30,780,512           |
| Less Accumulated<br>Depreciation for:          |                      |                    |                  |                                    |                      |
| Buildings                                      | 3,062,863            | 181,225            | -                | -                                  | 3,244,088            |
| Improvements Other Than<br>Buildings           | 2,557,029            | 639,926            | -                | -                                  | 3,196,955            |
| Equipment                                      | 5,016,439            | 452,588            | 217,233          | -                                  | 5,251,794            |
| Infrastructure                                 | 6,699,836            | -                  | -                | -                                  | 6,699,836            |
| Right To Use Leased Asset*                     | -                    | 785                | -                | -                                  | 785                  |
| Total Accumulated<br>Depreciation              | 17,336,167           | 1,274,524          | 217,233          | -                                  | 18,393,458           |
| Capital Assets Being<br>Depreciated, Net       | 12,009,181           | (547,126)          | 8,755            | 933,754                            | 12,387,054           |
| Governmental Activities<br>Capital Assets, Net | <u>\$ 14,852,919</u> | <u>\$ (18,182)</u> | <u>\$ 24,983</u> | <u>\$ (62,972)</u>                 | <u>\$ 14,746,782</u> |

\* Restated due to implementation of GASB 87, *Leases*.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

**Changes in Capital Assets (Continued)**

|                                                 | Beginning<br>Balance | Increases           | Decreases        | Transfers and<br>Reclassifications | Ending<br>Balance    |
|-------------------------------------------------|----------------------|---------------------|------------------|------------------------------------|----------------------|
| Business-Type Activities:                       |                      |                     |                  |                                    |                      |
| Capital Assets not<br>Being Depreciated:        |                      |                     |                  |                                    |                      |
| Land                                            | \$ 577,877           | \$ -                | \$ -             | \$ -                               | \$ 577,877           |
| Construction in Progress                        | 1,963,587            | 1,346,843           | 29,511           | (644,756)                          | 2,636,163            |
| Total Capital Assets not<br>Being Depreciated   | 2,541,464            | 1,346,843           | 29,511           | (644,756)                          | 3,214,040            |
| Capital Assets Being<br>Depreciated:            |                      |                     |                  |                                    |                      |
| Buildings                                       | 2,349,364            | 11,154              | 7,100            | -                                  | 2,353,418            |
| Equipment                                       | 9,429,796            | 851,888             | 423,114          | -                                  | 9,858,570            |
| Golf Course Improvements                        | 1,293,380            | -                   | -                | -                                  | 1,293,380            |
| Water System                                    | 42,358,499           | 19,968              | -                | 54,959                             | 42,433,426           |
| Wastewater System                               | 31,857,004           | 81,258              | -                | 652,769                            | 32,591,031           |
| Right to Use Leased Asset*                      | 118,102              | -                   | -                | -                                  | 118,102              |
| Total Capital Assets<br>Being Depreciated       | 87,406,145           | 964,268             | 430,214          | 707,728                            | 88,647,927           |
| Less Accumulated<br>Depreciation for:           |                      |                     |                  |                                    |                      |
| Buildings                                       | 1,143,518            | 71,034              | 5,393            | -                                  | 1,209,159            |
| Equipment                                       | 6,827,512            | 623,160             | 412,860          | -                                  | 7,037,812            |
| Golf Course Improvements                        | 1,004,542            | 40,500              | -                | -                                  | 1,045,042            |
| Water System                                    | 24,157,426           | 1,228,022           | -                | -                                  | 25,385,448           |
| Wastewater System                               | 19,612,256           | 898,639             | -                | -                                  | 20,510,895           |
| Right to Use Leased Asset*                      | -                    | 56,903              | -                | -                                  | 56,903               |
| Total Accumulated<br>Depreciation               | 52,745,254           | 2,918,258           | 418,253          | -                                  | 55,245,259           |
| Capital Assets Being<br>Depreciated, Net        | 34,660,891           | (1,953,990)         | 11,961           | 707,728                            | 33,402,668           |
| Business-Type Activities<br>Capital Assets, Net | <u>\$ 37,202,355</u> | <u>\$ (607,147)</u> | <u>\$ 41,472</u> | <u>\$ 62,972</u>                   | <u>\$ 36,616,708</u> |

\* Restated due to implementation of GASB 87, *Leases*.

Depreciation expense was charged to governmental functions as follows:

|                                                        |                     |
|--------------------------------------------------------|---------------------|
| Governmental Activities:                               |                     |
| General Government                                     | \$ 186,080          |
| Law Enforcement                                        | 207,736             |
| Fire Control                                           | 252,256             |
| Building and Zoning                                    | 8,322               |
| Physical Environment                                   | 91,399              |
| Transportation                                         | 422,690             |
| Culture and Recreation                                 | 106,041             |
| Total Depreciation Expense, Governmental<br>Activities | <u>\$ 1,274,524</u> |

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 6 CAPITAL ASSETS (CONTINUED)**

**Changes in Capital Assets (Continued)**

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

Business-Type Activities:

|                                                      |                     |
|------------------------------------------------------|---------------------|
| Water                                                | \$ 1,403,220        |
| Wastewater                                           | 1,047,173           |
| Solid Waste                                          | 320,112             |
| Golf Course                                          | <u>147,753</u>      |
| Total Depreciation Expense, Business-Type Activities | <u>\$ 2,918,258</u> |

The City owns a well and related equipment currently not in use. This idle property was purchased in 2001 for \$192,060 and has a carrying value of \$89,243 at September 30, 2022.

**NOTE 7 COMMITMENTS**

**Encumbrances**

Significant commitments include encumbrances outstanding as shown below:

|                           |                     |
|---------------------------|---------------------|
| General Fund              | \$ 592,604          |
| Infrastructure Fund       | 39,965              |
| Water and Wastewater Fund | 846,535             |
| Solid Waste Fund          | 52,350              |
| Golf Course Fund          | <u>45,718</u>       |
| Total                     | <u>\$ 1,577,172</u> |

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 7 COMMITMENTS (CONTINUED)**

**Construction Commitments**

The following is a summary of the projects in process and other commitments remaining at September 30, 2022:

|                                                           | Commitment<br>Authorized | Expended to<br>September 30,<br>2022 | Remaining<br>Commitment |
|-----------------------------------------------------------|--------------------------|--------------------------------------|-------------------------|
| General Fund:                                             |                          |                                      |                         |
| Wachovia Building Renovation                              | \$ 115,529               | \$ 68,562                            | \$ 46,967               |
| Infrastructure Fund:                                      |                          |                                      |                         |
| Sebring Parkway Improvements                              | 1,257,116                | -                                    | 1,257,116               |
| Golfview Estates Stormwater<br>Improvements               | 207,144                  | 128,801                              | 78,343                  |
| Golfside Stormwater Improvements                          | 472,844                  | 161,163                              | 311,681                 |
| North Franklin Stormwater<br>Improvements                 | 85,462                   | -                                    | 85,462                  |
| West Lake Jackson Infrastructure<br>Improvements          | 169,830                  | 168,994                              | 836                     |
| CDBG Fund:                                                |                          |                                      |                         |
| Road Improvements                                         | 759,357                  | 754,357                              | 5,000                   |
| Solid Waste Fund:                                         |                          |                                      |                         |
| Parking Lot                                               | 66,570                   | 5,354                                | 61,216                  |
| Water and Wastewater Fund:                                |                          |                                      |                         |
| Country Club Water Interconnection                        | 43,055                   | 13,185                               | 29,870                  |
| Country Club Sewer Interconnection                        | 95,530                   | 24,685                               | 70,845                  |
| Country Club Ground Water<br>Storage Tank                 | 69,000                   | -                                    | 69,000                  |
| Water Line Extensions                                     | 139,000                  | -                                    | 139,000                 |
| Cemetery WWTP Percolation Pond                            | 67,550                   | -                                    | 67,550                  |
| Sebring Parkway Water Line<br>Improvements                | 1,526,858                | 1,167,291                            | 359,567                 |
| Sebring Parkway Sewer Line<br>Improvements                | 818,629                  | 735,249                              | 83,380                  |
| Western Wastewater Treatment<br>Plant & Line Improvements | 116,065                  | -                                    | 116,065                 |
| West Lake Jackson Infrastructure                          | 59,670                   | 47,507                               | 12,163                  |
| Manhole Improvements                                      | 130,806                  | 67,145                               | 63,661                  |
| Panther Parkway Foremain<br>Extension                     | 526,255                  | 508,180                              | 18,075                  |
| Wastewater Line Extensions<br>& Interconnections          | 205,000                  | 43,918                               | 161,082                 |
| Wastewater Foremain Improvements                          | 45,000                   | 37,500                               | 7,500                   |
| Total                                                     | <u>\$ 6,976,270</u>      | <u>\$ 3,931,891</u>                  | <u>\$ 3,044,379</u>     |

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 8 PLEDGED REVENUES**

The City has pledged future revenues derived from the operation of the water and wastewater systems and public service taxes, net of operating and maintenance expenses, to repay five loans amounting to \$2,706,878. The loan descriptions and maturities are included in Note 9 and are payable solely from the net earnings of the water and wastewater systems. The total principal and interest remaining to be paid on the loans is \$2,787,701. Principal paid and interest expense for the current year was \$2,332,665 and net system revenues were \$8,438,846. Scheduled principal and interest for pledged loans for fiscal year 2023 is \$2,327,678. Annual payments of debt service are expected to require 27.6% of available net revenues.

The City has pledged future revenue derived from the infrastructure sales surtax to repay a loan amounting to \$208,665. The loan description and maturities are included in Note 9. As of September 30, 2022, the total principal and interest remaining to be paid on the loan is \$208,665. There were no payments on the loan in the current year. Scheduled principal and interest for fiscal year 2023 is \$22,950.

**NOTE 9 LONG-TERM DEBT**

Long-term liability activity of the City for the year ended September 30, 2022 was as follows:

|                                                            | Beginning<br>Balance | Additions         | Reductions          | Ending<br>Balance   | Amounts<br>Due Within<br>One Year | Long-Term<br>Portion |
|------------------------------------------------------------|----------------------|-------------------|---------------------|---------------------|-----------------------------------|----------------------|
| <b>Governmental Activities:</b>                            |                      |                   |                     |                     |                                   |                      |
| Direct Borrowings                                          | \$ 59,863            | \$ 147,979        | \$ 8,936            | \$ 198,906          | \$ 28,396                         | \$ 170,510           |
| Leases                                                     | 3,545                | -                 | 728                 | 2,817               | 759                               | 2,058                |
| Compensated Absences                                       | 303,192              | 351,797           | 292,400             | 362,589             | 362,589                           | -                    |
| Total Governmental<br>Activities Long-Term<br>Liabilities  | <u>\$ 366,600</u>    | <u>\$ 499,776</u> | <u>\$ 302,064</u>   | <u>\$ 564,312</u>   | <u>\$ 391,744</u>                 | <u>\$ 172,568</u>    |
| <b>Business-Type Activities:</b>                           |                      |                   |                     |                     |                                   |                      |
| Direct Borrowings                                          | \$ 1,047,577         | \$ 769,551        | \$ 527,735          | \$ 1,289,393        | \$ 536,236                        | \$ 753,157           |
| Direct Placements                                          | 4,268,685            | -                 | 2,113,545           | 2,155,140           | 2,155,140                         | -                    |
| Leases                                                     | 118,103              | -                 | 55,479              | 62,624              | 53,440                            | 9,184                |
| Compensated Absences                                       | 110,420              | 129,941           | 109,555             | 130,806             | 130,806                           | -                    |
| Landfill Closure                                           | 467,500              | -                 | -                   | 467,500             | -                                 | 467,500              |
| Total Business-Type<br>Activities Long-Term<br>Liabilities | <u>\$ 6,012,285</u>  | <u>\$ 899,492</u> | <u>\$ 2,806,314</u> | <u>\$ 4,105,463</u> | <u>\$ 2,875,622</u>               | <u>\$ 1,229,841</u>  |

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

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

The annual requirements to amortize the debt outstanding as of September 30, 2022 are as follows:

| Year Ending September 30, | Governmental Activities |                 |                   |
|---------------------------|-------------------------|-----------------|-------------------|
|                           | Direct Borrowings       |                 |                   |
|                           | Principal               | Interest        | Total             |
| 2023                      | \$ 28,396               | \$ 1,194        | \$ 29,590         |
| 2024                      | 25,759                  | 910             | 26,669            |
| 2025                      | 26,053                  | 617             | 26,670            |
| 2026                      | 26,356                  | 313             | 26,669            |
| 2027                      | 16,983                  | -               | 16,983            |
| 2028 - 2032               | 75,359                  | -               | 75,359            |
| Total                     | <u>\$ 198,906</u>       | <u>\$ 3,034</u> | <u>\$ 201,940</u> |

| Year Ending September 30, | Business-Type Activities                |                   |                     |
|---------------------------|-----------------------------------------|-------------------|---------------------|
|                           | Direct Borrowings and Direct Placements |                   |                     |
|                           | Principal                               | Interest          | Total               |
| 2023                      | \$ 2,691,375                            | \$ 58,740         | \$ 2,750,115        |
| 2024                      | 319,996                                 | 19,784            | 339,780             |
| 2025                      | 82,053                                  | 10,795            | 92,848              |
| 2026                      | 84,328                                  | 8,520             | 92,848              |
| 2027                      | 49,314                                  | 6,177             | 55,491              |
| 2028 - 2032               | 217,467                                 | 12,991            | 230,458             |
| Total                     | <u>\$ 3,444,533</u>                     | <u>\$ 117,007</u> | <u>\$ 3,561,540</u> |

**Direct Placement – 2011 Utility Revenue Refunding Note**

Refunding note payable at September 30, 2022 is as follows:

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

\$ 2,155,140

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Direct Placement – 2011 Utility Revenue Refunding Note (Continued)**

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

Rates – The City will establish, maintain and collect fees, rates or other charges for the services of the system that will provide in each fiscal year 135% of the annual debt service requirement. If the City does not meet this covenant, the note rate shall be increased by 0.15% per annum retroactive to the first day following the end of such fiscal year. For fiscal year 2022, the refunding note coverage for the City's rate test is 275%.

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

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

**Direct Borrowing – State Revolving Fund Loans**

The City also has five State Revolving Fund loans with a total balance of \$760,403. The loans will be used for water and wastewater projects. The loans are secured by pledged revenues of the water and sewer system.

**State Revolving Fund Loan – Lake Jackson Shores**

| <u>Description</u>                                                                                                                                                                                                                                                                                                          | <u>Outstanding at<br/>September 30,<br/>2022</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| \$1,649,519 loan payable (\$154,438 at 3.08% and \$1,495,081 at 1.87%); from the State of Florida, Department of Environmental Protection; semiannual payment of \$50,029, including interest, beginning August 15, 2004 through February 15, 2024; secured by a pledge of net revenues of the water and wastewater system. | <u>\$ 147,144</u>                                |

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Direct Borrowing – State Revolving Fund Loans (Continued)**

State Revolving Fund Loan – Sparta Road

| <u>Description</u>                                                                                                                                                                                                                                                               | <u>Outstanding at<br/>September 30,<br/>2022</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| \$165,859 loan payable at 2.71% from the State of Florida, Department of Environmental Protection; semiannual payment of \$5,476, including interest, beginning June 15, 2011 through December 15, 2030; secured by a pledge of net revenues of the water and wastewater system. | <u>\$ 82,656</u>                                 |

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

State Revolving Fund Loan – Airport Road

| <u>Description</u>                                                                                                                                                                                                                                                                | <u>Outstanding at<br/>September 30,<br/>2022</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| \$69,227 loan payable at 2.66% from the State of Florida, Department of Environmental Protection; semiannual payment of \$2,140, including interest, beginning September 15, 2012 through March 15, 2032; secured by a pledge of net revenues of the water and wastewater system. | <u>\$ 35,724</u>                                 |

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

State Revolving Fund Loan – State Road 17

| <u>Description</u>                                                                                                                                                                                                                                                                  | <u>Outstanding at<br/>September 30,<br/>2022</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| \$517,413 loan payable at 2.66% from the State of Florida, Department of Environmental Protection; semiannual payment of \$17,145, including interest, beginning September 15, 2012 through March 15, 2032; secured by a pledge of net revenues of the water and wastewater system. | <u>\$ 286,214</u>                                |

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Direct Borrowing – State Revolving Fund Loans (Continued)**

State Revolving Fund Loan – West Lake Jackson

| <u>Description</u>                                                                                                                                                                                                                                             | <u>Outstanding at<br/>September 30,<br/>2022</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| \$225,500 loan payable at 0% from the State of Florida, Department of Environmental Protection; semiannual payment of \$11,475, including interest, beginning February 15, 2022 through August 15, 2032; secured by a pledge of infrastructure surtax revenue. |                                                  |
| Governmental Activities                                                                                                                                                                                                                                        | \$ 163,196                                       |
| Business-Type Activities                                                                                                                                                                                                                                       | 45,469                                           |
| Total                                                                                                                                                                                                                                                          | <u>\$ 208,665</u>                                |
| Total Loans Payable                                                                                                                                                                                                                                            | <u>\$ 760,403</u>                                |

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

**Direct Borrowing - Financed Purchase Obligations**

The City has entered into agreements for financing the acquisition of equipment for its solid waste and golf operations:

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

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

The Leasing 2, Inc. for the purchase of a Peterbilt Front Loader is dated December 15, 2021 for \$265,671 at a 3.30% interest rate, due in annual installments of \$92,967 through June 15, 2024.

The Leasing 2, Inc. for the purchase of a Crane Carrier is dated November 15, 2021 for \$295,386 at a 3.30% interest rate, due in annual installments of \$103,940 through July 15, 2024.

The Leasing 2, Inc. for the purchase of Golf Equipment is dated November 25, 2021 for \$216,833 at a 3.34% interest rate, due in annual installments of \$47,044 through May 25, 2026.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 10 LEASES**

**Lessee Arrangement**

The City leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2026.

Total future minimum lease payments under lease agreements are as follows:

| Year Ending September 30,    | Governmental Activities |               | Business-Type Activities |                 | Total            |
|------------------------------|-------------------------|---------------|--------------------------|-----------------|------------------|
|                              | Principal               | Interest      | Principal                | Interest        |                  |
| 2023                         | \$ 759                  | \$ 98         | \$ 53,440                | \$ 1,568        | \$ 55,865        |
| 2024                         | 792                     | 65            | 9,184                    | 18              | 10,059           |
| 2025                         | 826                     | 31            | -                        | -               | 857              |
| 2026                         | 440                     | 3             | -                        | -               | 443              |
| Total Minimum Lease Payments | <u>\$ 2,817</u>         | <u>\$ 197</u> | <u>\$ 62,624</u>         | <u>\$ 1,586</u> | <u>\$ 67,224</u> |

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

|                                | Governmental Activities | Business-Type Activities |
|--------------------------------|-------------------------|--------------------------|
| Equipment                      | \$ 3,545                | \$ 118,102               |
| Less: Accumulated Amortization | 785                     | 56,903                   |
| Total                          | <u>\$ 4,330</u>         | <u>\$ 175,005</u>        |

**Lessor Arrangement**

The City, acting as lessor, leases cell towers and property under long-term, noncancelable lease agreements. The leases expire at various dates and provide for renewal options. During the year ended September 30, 2022, the City recognized \$82,447 and \$28,804 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

| Year Ending September 30,    | Governmental Activities |                   | Business-Type Activities |                  | Total             |
|------------------------------|-------------------------|-------------------|--------------------------|------------------|-------------------|
|                              | Principal               | Interest          | Principal                | Interest         |                   |
| 2023                         | \$ 70,205               | \$ 24,891         | \$ 1,099                 | \$ 1,901         | \$ 98,096         |
| 2024                         | 74,879                  | 21,847            | 1,146                    | 1,854            | 99,726            |
| 2025                         | 79,802                  | 18,603            | 1,195                    | 1,805            | 101,405           |
| 2026                         | 84,988                  | 15,146            | 1,246                    | 1,754            | 103,134           |
| 2027                         | 74,711                  | 11,576            | 1,299                    | 1,701            | 89,287            |
| 2028-2032                    | 31,101                  | 9,669             | 7,381                    | 7,619            | 55,770            |
| 2033-2037                    | 138,305                 | 24,776            | 9,102                    | 5,898            | 178,081           |
| 2038-2042                    | 78,352                  | 3,188             | 11,225                   | 3,775            | 96,540            |
| 2043-2047                    | -                       | -                 | 12,324                   | 1,176            | 13,500            |
| Total Minimum Lease Payments | <u>\$ 632,343</u>       | <u>\$ 129,696</u> | <u>\$ 46,017</u>         | <u>\$ 27,483</u> | <u>\$ 835,539</u> |

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 11 LANDFILL CLOSURE LIABILITY**

The City owns and operates a landfill for yard trash as part of its solid waste operation. The solid waste operation of the City is accounted for as a business-type activity in the Solid Waste Fund. In September 2012, the Florida Department of Environmental Protection approved a change to the City's landfill permit. The landfill permit in effect until September 21, 2012, was a general landfill permit, which required a restriction on funds to cover 30 years of post-closure maintenance. The new permit is a yard waste facility permit, which requires no funding of the closure and post-closure maintenance. At September 30, 2022, the City has maintained a \$467,500 liability to cover the estimated landfill closure requirements of the Florida Department of Environmental Protection.

**NOTE 12 RISK MANAGEMENT**

**Risk Pool**

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

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

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

**Risk Retention**

The City self-insures the health benefits it provides to its employees. The City's plan retains the risk of loss for the medical claims up to \$65,000, and paid by December 31, 2022, per individual per year with an overall additional deductible of \$130,000. The City uses specific reinsurance with a deductible of \$130,000 to reduce its exposure for medical claims, excluding vision, dental and drug benefits, incurred and paid by September 30, 2022 that exceed a \$65,000 limit per individual. The City also utilizes an aggregate policy to reduce its exposure for total medical claims. The City's aggregate policy provides coverage of \$1,000,000 on an overall basis when covered medical claims exceed \$1,973,327 during the current fiscal year. The City also purchases commercial insurance for its exposure related to life benefits provided to employees. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 12 RISK MANAGEMENT (CONTINUED)**

**Risk Retention (Continued)**

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

The liability at September 30, 2022 is \$342,836. The following is a summary of changes in the liability balance:

| <u>Fiscal Year</u> | <u>Liability<br/>Beginning of<br/>Fiscal Year</u> | <u>Current Year Claims<br/>and Changes in<br/>Estimate of Liability</u> | <u>Net Claim<br/>Payments</u> | <u>Liability<br/>End of<br/>Fiscal Year</u> |
|--------------------|---------------------------------------------------|-------------------------------------------------------------------------|-------------------------------|---------------------------------------------|
| 2020-2021          | \$ 352,198                                        | \$ 2,085,443                                                            | \$ 2,050,298                  | \$ 387,343                                  |
| 2021-2022          | 387,343                                           | 1,796,122                                                               | 1,840,629                     | 342,836                                     |

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

**NOTE 13 PENSION PLANS**

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

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

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

|                                                 | Police<br>Officers'<br>Retirement<br>Trust Fund | Municipal<br>Firefighters'<br>Pension<br>Plan | Total                           |
|-------------------------------------------------|-------------------------------------------------|-----------------------------------------------|---------------------------------|
| <b>ASSETS</b>                                   |                                                 |                                               |                                 |
| Cash and Cash Equivalents                       | \$ 346,071                                      | \$ 476,950                                    | \$ 823,021                      |
| Receivables:                                    |                                                 |                                               |                                 |
| Interest and Dividends                          | 43,016                                          | 37,489                                        | 80,505                          |
| Partnership Distribution                        | 9,343                                           | -                                             | 9,343                           |
| Total Receivables                               | <u>52,359</u>                                   | <u>37,489</u>                                 | <u>89,848</u>                   |
| Investments, at Fair Value:                     |                                                 |                                               |                                 |
| U.S. Government Obligations                     | 4,085,233                                       | 503,925                                       | 4,589,158                       |
| Mortgage Backed Securities                      | 801,236                                         | 1,650,281                                     | 2,451,517                       |
| Municipal Obligations                           |                                                 | 17,719                                        | 17,719                          |
| Corporate Bonds                                 | 1,623,400                                       | 2,149,349                                     | 3,772,749                       |
| Common Stock                                    | 3,581,924                                       | 1,936,124                                     | 5,518,048                       |
| Mutual Funds - Equities                         | 7,429,475                                       | 5,448,877                                     | 12,878,352                      |
| Real Estate Partnership                         | 1,305,450                                       | 1,482,972                                     | 2,788,422                       |
| Total Investments                               | <u>18,826,718</u>                               | <u>13,189,247</u>                             | <u>32,015,965</u>               |
| <br>Total Assets                                | <br>19,225,148                                  | <br>13,703,686                                | <br>32,928,834                  |
| <b>LIABILITIES</b>                              |                                                 |                                               |                                 |
| Accounts Payable                                | <u>19,489</u>                                   | <u>22,557</u>                                 | <u>42,046</u>                   |
| Total Liabilities                               | <u>19,489</u>                                   | <u>22,557</u>                                 | <u>42,046</u>                   |
| <br><b>NET POSITION RESTRICTED FOR PENSIONS</b> | <br><u><u>\$ 19,205,659</u></u>                 | <br><u><u>\$ 13,681,129</u></u>               | <br><u><u>\$ 32,886,788</u></u> |

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

|                                               | Police<br>Officers'<br>Retirement<br>Trust Fund | Municipal<br>Firefighters'<br>Pension<br>Plan | Total                |
|-----------------------------------------------|-------------------------------------------------|-----------------------------------------------|----------------------|
| <b>ADDITIONS</b>                              |                                                 |                                               |                      |
| Contributions:                                |                                                 |                                               |                      |
| City                                          | \$ 468,005                                      | \$ 759,550                                    | \$ 1,227,555         |
| Plan Members                                  | 35,518                                          | 13,021                                        | 48,539               |
| Total Contributions                           | <u>503,523</u>                                  | <u>772,571</u>                                | <u>1,276,094</u>     |
| Investment Income:                            |                                                 |                                               |                      |
| Net Appreciation in Fair Value of Investments | (4,416,289)                                     | (3,156,916)                                   | (7,573,205)          |
| Interest and Dividends                        | 408,244                                         | 503,529                                       | 911,773              |
| Other                                         | 34,454                                          | 38,481                                        | 72,935               |
| Subtotal                                      | <u>(3,973,591)</u>                              | <u>(2,614,906)</u>                            | <u>(6,588,497)</u>   |
| Less: Investment Expenses                     | <u>(85,818)</u>                                 | <u>(72,587)</u>                               | <u>(158,405)</u>     |
| Net Investment Income                         | <u>(4,059,409)</u>                              | <u>(2,687,493)</u>                            | <u>(6,746,902)</u>   |
| Total Additions                               | <u>(3,555,886)</u>                              | <u>(1,914,922)</u>                            | <u>(5,470,808)</u>   |
| <b>DEDUCTIONS</b>                             |                                                 |                                               |                      |
| Payments to Retirees and Participants         | 719,742                                         | 1,209,065                                     | 1,928,807            |
| Administration Expenses                       | 42,834                                          | 36,701                                        | 79,535               |
| Total Deductions                              | <u>762,576</u>                                  | <u>1,245,766</u>                              | <u>2,008,342</u>     |
| <b>NET DECREASE IN NET POSITION</b>           | (4,318,462)                                     | (3,160,688)                                   | (7,479,150)          |
| <b>NET POSITION RESTRICTED FOR PENSION</b>    |                                                 |                                               |                      |
| Beginning of Year                             | <u>23,524,121</u>                               | <u>16,841,817</u>                             | <u>40,365,938</u>    |
| End of Year                                   | <u>\$ 19,205,659</u>                            | <u>\$ 13,681,129</u>                          | <u>\$ 32,886,788</u> |

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

Plan Description

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

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

Plan Membership

As of September 30, 2020, the members of the plan were as follows:

|                                                              |                  |
|--------------------------------------------------------------|------------------|
| Inactive Plan Members or Beneficiaries Receiving Benefits    | 28               |
| Inactive Plan Members Entitled to but not Receiving Benefits | 0                |
| Active Plan Members                                          | <u>14</u>        |
| Total                                                        | <u><u>42</u></u> |

Benefits Provided

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

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

Funding Policy

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

The required City contributions to the Plan for the year ended September 30, 2022 was 51.57% of payroll. Actual contributions for the year totaled \$468,005, or 100% of the required contribution. Contribution requirements for the Plan are established and may be amended by state law and city ordinance.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

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

Deferred Retired Option Program (DROP)

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

The DROP balance as of September 30, 2021, the most recently available information, is \$684,220.

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2021. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at the measurement date were as follows:

|                                                                               |                              |
|-------------------------------------------------------------------------------|------------------------------|
| Total Pension Liability                                                       | \$ 21,908,637                |
| Plan Fiduciary Net Position                                                   | <u>(23,524,121)</u>          |
| Net Pension Asset                                                             | <u><u>\$ (1,615,484)</u></u> |
| Plan Fiduciary Net Position as a Percentage of<br>the Total Pension Liability | 107.37%                      |

Changes in net pension liability were as follows:

|                                                                  | Increase (Decrease)               |                                       |                                             |
|------------------------------------------------------------------|-----------------------------------|---------------------------------------|---------------------------------------------|
|                                                                  | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability (Asset)<br>(a)-(b) |
| Balances - September 30, 2021                                    | \$ 20,997,813                     | \$ 19,683,033                         | \$ 1,314,780                                |
| Changes for the Year:                                            |                                   |                                       |                                             |
| Service Cost                                                     | 305,103                           | -                                     | 305,103                                     |
| Interest                                                         | 1,490,304                         | 1,417,461                             | 72,843                                      |
| Difference Between Actual and<br>Expected Experience             | 175,932                           | -                                     | 175,932                                     |
| Assumption Changes                                               | (435,090)                         | -                                     | (435,090)                                   |
| Contributions - City                                             | -                                 | 880,703                               | (880,703)                                   |
| Contributions - Employee                                         | -                                 | 41,818                                | (41,818)                                    |
| Net Investment Income                                            | -                                 | 2,171,505                             | (2,171,505)                                 |
| Benefit Payments, Including Refunds<br>of Employee Contributions | (625,425)                         | (625,425)                             | -                                           |
| Administrative Expense                                           | -                                 | (44,974)                              | 44,974                                      |
| Net Changes                                                      | <u>910,824</u>                    | <u>3,841,088</u>                      | <u>(2,930,264)</u>                          |
| Balances - September 30, 2022                                    | <u><u>\$ 21,908,637</u></u>       | <u><u>\$ 23,524,121</u></u>           | <u><u>\$ (1,615,484)</u></u>                |

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

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

Net Pension Liability of the City (Continued)

For the year ended September 30, 2022, the City recognized pension expense of \$(358,670) for the plan. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

| <u>Description</u>                                                       | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Net Difference between Projected and Actual Earnings on Plan Investments |                                               | \$ 1,753,224                                 |
| City Contributions Subsequent to the Measurement Date                    | 468,005                                       | -                                            |
| Total                                                                    | <u>\$ 468,005</u>                             | <u>\$ 1,753,224</u>                          |

The deferred outflows of resources related to the Pension Plan, totaling \$468,005 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to the Plan will be recognized in pension expense as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2023                             | \$ (409,938)  |
| 2024                             | (399,325)     |
| 2025                             | (509,660)     |
| 2026                             | (434,301)     |

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

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

|                           |                  |
|---------------------------|------------------|
| Actuarial Cost Method     | Entry Age Normal |
| Inflation                 | 2.50 %           |
| Salary Increases          | 5.00             |
| Investment Rate of Return | 7.00             |

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

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

Net Pension Liability of the City (Continued)

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

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

**Discount Rate:** The discount rate used to measure the total pension liability for the Plan was 7.00%, which was a decrease of 0.10% from the 7.10% rate used for the prior measurement.

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

Mortality rates were based on the PUB-2010 Headcount-Weighted Mortality Tables with mortality improvements projected for healthy lives to all future years after 2010 using Scale MP-2018.

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

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

**Net Pension Liability of the City (Continued)**

|                                                                    | One Percent<br>Decrease<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | One Percent<br>Increase<br>(8.0%) |
|--------------------------------------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| City's Net Pension Liability (Asset)<br>as of the Measurement Date | <u>\$ 1,298,378</u>               | <u>\$ (1,615,484)</u>              | <u>\$ (3,968,962)</u>             |

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

The components of the net pension liability of the City as it pertains to the Plan at September 30, 2022 were as follows:

|                             |                     |
|-----------------------------|---------------------|
| Total Pension Liability     | \$ 22,880,238       |
| Plan Fiduciary Net Position | <u>(19,205,659)</u> |
| Net Pension Liability       | <u>\$ 3,674,579</u> |

|                                                                               |        |
|-------------------------------------------------------------------------------|--------|
| Plan Fiduciary Net Position as a Percentage of<br>the Total Pension Liability | 83.94% |
|-------------------------------------------------------------------------------|--------|

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

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of October 1, 2021, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2022, using the following actuarial assumptions applied to all periods included in the measurement:

|                           |        |
|---------------------------|--------|
| Inflation                 | 2.50 % |
| Salary Increases          | 5.00   |
| Investment Rate of Return | 7.00   |

Mortality rates were based on the PUB-2010 Headcount-Weighted Mortality Tables with mortality improvements projected for healthy lives to all future years after 2010 using Scale MP-2018.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

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

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

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

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

**Discount Rate:** The discount rate used to measure the total pension liability for the Plan was 7.00%, the same as the prior year.

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

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

|                                                                    | <u>One Percent<br/>Decrease<br/>(6.0%)</u> | <u>Current<br/>Discount Rate<br/>(7.0%)</u> | <u>One Percent<br/>Increase<br/>(8.0%)</u> |
|--------------------------------------------------------------------|--------------------------------------------|---------------------------------------------|--------------------------------------------|
| City's Net Pension Liability (Asset)<br>as of the Measurement Date | <u>\$ 1,496,590</u>                        | <u>\$ 3,674,579</u>                         | <u>\$ (4,075,058)</u>                      |

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

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

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2022 and the current sharing pattern of costs between employer and employee.

**Municipal Firefighters' Pension Plan (MFPP)**

Plan Description

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

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

Plan Membership

As of October 1, 2021, the members of the plan were as follows:

|                                                              |                  |
|--------------------------------------------------------------|------------------|
| Inactive Plan Members or Beneficiaries Receiving Benefits    | 22               |
| Inactive Plan Members Entitled to but not Receiving Benefits | 2                |
| Active Plan Members                                          | <u>4</u>         |
| Total                                                        | <u><u>28</u></u> |

Benefits Provided

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

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Municipal Firefighters' Pension Plan (MFPP) (Continued)**

Funding Policy

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

The required City contributions to the Plan for the year ended September 30, 2022 was 379.15% of payroll. Actual contributions for the year totaled \$759,550 or 100% of the required contribution. Contribution requirements for the Plan are established and may be amended by state law and city ordinance.

Deferred Retired Option Program (DROP)

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

As of September 30, 2022 there are no outstanding DROP balances.

Net Pension Liability of the City

The measurement date for the City's net pension liability is September 30, 2021. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at the measurement date were as follows:

|                                                                               |                            |
|-------------------------------------------------------------------------------|----------------------------|
| Total Pension Liability                                                       | \$ 18,171,359              |
| Plan Fiduciary Net Position                                                   | <u>(16,841,814)</u>        |
| Net Pension Liability                                                         | <u><u>\$ 1,329,545</u></u> |
|                                                                               |                            |
| Plan Fiduciary Net Position as a Percentage of<br>the Total Pension Liability | 92.68%                     |

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Municipal Firefighters' Pension Plan (MFPP) (Continued)**

Net Pension Liability of the City (Continued)

Changes in net pension liability were as follows:

|                                                                  | Increase (Decrease)               |                                       |                                     |
|------------------------------------------------------------------|-----------------------------------|---------------------------------------|-------------------------------------|
|                                                                  | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a)-(b) |
| Balances - September 30, 2020                                    | \$ 16,859,100                     | \$ 14,354,902                         | \$ 2,504,198                        |
| Changes for the Year:                                            |                                   |                                       |                                     |
| Service Cost                                                     | 126,940                           | -                                     | 126,940                             |
| Interest                                                         | 1,236,401                         | -                                     | 1,236,401                           |
| Difference Between Actual and<br>Expected Experience             | 12,582                            | -                                     | 12,582                              |
| Assumption Changes                                               | 937,724                           | -                                     | 937,724                             |
| Contributions - City                                             | -                                 | 759,823                               | (759,823)                           |
| Contributions - Employee                                         | -                                 | 18,097                                | (18,097)                            |
| Net Investment Income                                            | -                                 | 2,751,320                             | (2,751,320)                         |
| Benefit Payments, Including Refunds<br>of Employee Contributions | (1,001,388)                       | (1,001,388)                           | -                                   |
| Administrative Expense                                           | -                                 | (40,940)                              | 40,940                              |
| Net Changes                                                      | 1,312,259                         | 2,486,912                             | (1,174,653)                         |
| Balances - September 30, 2021                                    | <u>\$ 18,171,359</u>              | <u>\$ 16,841,814</u>                  | <u>\$ 1,329,545</u>                 |

For the year ended September 30, 2022, the City recognized pension expense of \$915,161 for the plan. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows related to its pension plan from the following sources:

| <u>Description</u>                                                          | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|-----------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Net Difference between Projected and Actual<br>Earnings on Plan Investments | \$ -                                          | \$ 1,322,315                                 |
| City Contributions Subsequent to the Measurement Date                       | 759,550                                       | -                                            |
| Total                                                                       | <u>\$ 759,550</u>                             | <u>\$ 1,322,315</u>                          |

The deferred outflows of resources related to the Pension Plan, totaling \$759,550 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2022.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Municipal Firefighters' Pension Plan (MFPP) (Continued)**

Net Pension Liability of the City (Continued)

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

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2023                             | (293,150)     |
| 2024                             | (305,774)     |
| 2025                             | (386,468)     |
| 2026                             | (336,923)     |

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

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

|                           |        |
|---------------------------|--------|
| Inflation                 | 2.50 % |
| Salary Increases          | 7.00   |
| Investment Rate of Return | 7.00   |

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 are summarized in the following table:

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

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Municipal Firefighters' Pension Plan (MFPP) (Continued)**

Net Pension Liability of the City (Continued)

Discount Rate: The discount rate used to measure the total pension liability for the Plan was 7.00%, which was a decrease of 0.50% from the 7.50% rate used for the prior measurement.

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

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

|                                                                    | One Percent<br>Decrease<br>(6.5%) | Current<br>Discount Rate<br>(7.5%) | One Percent<br>Increase<br>(8.5%) |
|--------------------------------------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| City's Net Pension Liability (Asset)<br>as of the Measurement Date | <u>\$ 3,501,100</u>               | <u>\$ 1,329,545</u>                | <u>\$ (464,715)</u>               |

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

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

The components of the net pension liability of the City as it pertains to the Plan at September 30, 2022 were as follows:

|                             |                     |
|-----------------------------|---------------------|
| Total Pension Liability     | \$ 18,488,500       |
| Plan Fiduciary Net Position | <u>(13,681,126)</u> |
| Net Pension Liability       | <u>\$ 4,807,374</u> |

|                                                                               |        |
|-------------------------------------------------------------------------------|--------|
| Plan Fiduciary Net Position as a Percentage of<br>the Total Pension Liability | 74.00% |
|-------------------------------------------------------------------------------|--------|

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Municipal Firefighters' Pension Plan (MFPP) (Continued)**

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

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

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of October 1, 2021, with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2022, using the following actuarial assumptions applied to all periods included in the measurement:

|                           |        |
|---------------------------|--------|
| Inflation                 | 2.50 % |
| Salary Increases          | 7.00   |
| Investment Rate of Return | 7.00   |

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 are summarized in the following table:

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

**Discount Rate:** The discount rate used to measure the total pension liability for the Plan was 7.00%, the same as the prior year.

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Municipal Firefighters' Pension Plan (MFPP) (Continued)**

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

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

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

|                                                            | One Percent<br>Decrease<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | One Percent<br>Increase<br>(8.0%) |
|------------------------------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| City's Net Pension Liability<br>as of the Measurement Date | <u>\$ 6,980,790</u>               | <u>\$ 4,807,374</u>                | <u>\$ 3,008,114</u>               |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2022 and the current sharing pattern of costs between employer and employee.

**Florida Retirement System (FRS)**

Background

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Florida Retirement System (FRS) (Continued)**

Background (Continued)

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

The City's pension expense totaled \$1,521,739 for both the FRS Pension Plan and HIS Plan for the fiscal year ended September 30, 2022.

Plan Description

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

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

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Florida Retirement System (FRS) (Continued)**

Plan Description (Continued)

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

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

Benefits Provided

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

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**Florida Retirement System (FRS) (Continued)**

**Benefits Provided (Continued)**

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

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

**Contributions**

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the City, effective July 1, 2021, were applied to employee salaries as follows: regular employees 9.1%, special risk 24.17%, city elected officials 49.7%, senior management 27.29%, and DROP participants 16.68%. The City's contributions to the FRS Plan were \$928,671 for the year ended September 30, 2022.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**FRS Pension Plan (Continued)**

Pension Costs

At September 30, 2022, the City reported a liability of \$7,480,702 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City's proportion of the net pension liability was based on the City's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2022, the City's proportion was 0.020105071%, which was an increase 0.000990957% from its proportion measured as of June 30, 2021.

For the fiscal year ended September 30, 2022, the City recognized pension expense of \$1,355,979 for its proportionate share of FRS's pension expense. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u>                                                                                                             | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between Expected and Actual Experience                                                                             | \$ 355,290                                    | \$ -                                         |
| Changes in Assumptions                                                                                                         | 925,858                                       | -                                            |
| Net Difference between Projected and Actual<br>Earnings on Pension Plan Investments                                            | 493,950                                       | -                                            |
| Changes in Proportion and Differences between City's<br>Pension Plan Contributions and Proportionate Share<br>of Contributions | 616,678                                       | 308,541                                      |
| City Contributions Subsequent to the Measurement Date                                                                          | 275,862                                       | -                                            |
| Total                                                                                                                          | <u>\$ 2,667,638</u>                           | <u>\$ 308,541</u>                            |

The deferred outflows of resources related to the pension plan, totaling \$275,862 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2023                             | \$ 637,275    |
| 2024                             | 237,660       |
| 2025                             | (137,448)     |
| 2026                             | 1,249,172     |
| 2027                             | 96,576        |

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**FRS Pension Plan (Continued)**

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

|                           |                                        |
|---------------------------|----------------------------------------|
| Inflation                 | 2.40%                                  |
| Salary Increases          | 3.25%, Average,<br>Including Inflation |
| Investment Rate of Return | 6.70%                                  |

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

The long-term expected rate of return assumption of 6.70 percent consists of two building block components: 1) an inferred real (in excess of inflation) return of 4.2 percent, which is consistent with the 4.38 percent real return from the capital market outlook model developed by the FRS consulting actuary, Milliman; and 2) a long-term average annual inflation assumption of 2.40 percent as adopted in October 2021 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary both components and the overall 6.7 percent return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice. The 6.70 percent reported investment return assumption is the same as the investment return assumption chosen by the 2022 FRS Actuarial Assumption Conference for funding policy purposes.

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

| <u>Asset Class</u>       | <u>Target<br/>Allocation</u> | <u>Annual<br/>Arithmetic<br/>Return</u> | <u>Compound<br/>Annual<br/>(Geometric)<br/>Return</u> | <u>Standard<br/>Deviation</u> |
|--------------------------|------------------------------|-----------------------------------------|-------------------------------------------------------|-------------------------------|
| Cash                     | 1.0%                         | 2.6%                                    | 2.6%                                                  | 1.1%                          |
| Fixed Income             | 19.8%                        | 4.4%                                    | 4.4%                                                  | 3.2%                          |
| Global Equity            | 54.0%                        | 8.8%                                    | 7.3%                                                  | 17.8%                         |
| Real Estate (Property)   | 10.3%                        | 7.4%                                    | 6.3%                                                  | 15.7%                         |
| Private Equity           | 11.1%                        | 12.0%                                   | 8.9%                                                  | 26.3%                         |
| Strategic Investments    | 3.8%                         | 6.2%                                    | 5.9%                                                  | 7.8%                          |
| Total                    | <u>100.0%</u>                |                                         |                                                       |                               |
| Assumed Inflation - Mean |                              |                                         | 2.4%                                                  | 1.2%                          |

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**FRS Pension Plan (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 6.70% for the FRS Plan, a decrease from the prior year rate of 6.80%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

|                                                            | One Percent<br>Decrease<br>(5.70%) | Current<br>Discount Rate<br>(6.70%) | One Percent<br>Increase<br>(7.70%) |
|------------------------------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| City's Proportionate Share of the<br>Net Pension Liability | <u>\$ 12,937,360</u>               | <u>\$ 7,480,702</u>                 | <u>\$ 2,918,287</u>                |

Pension Plan Fiduciary Net Position

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

**HIS Plan**

Plan Description

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

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**HIS Plan (Continued)**

**Benefits Provided**

For the plan fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 12.363, Florida Statutes. To be eligible to receive these benefits, a retiree under a State administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**Contributions**

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2022, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The City's contributions to the HIS Plan were \$102,252 for the year ended September 30, 2022.

**Pension Costs**

At September 30, 2022, the City reported a liability of \$1,684,712 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City's proportion of the net pension liability was based on the City's contributions received during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all participating employers. At June 30, 2022, the City's proportion was 0.015906117%, which was an increase of 0.000396384% from its proportion measured as of June 30, 2021.

For the fiscal year ended June 30, 2022, the City recognized pension expense of \$165,760 for its proportionate share of HIS's pension expense. In addition, the City reported its proportionate share of HIS's deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**HIS Plan (Continued)**

**Pension Costs (Continued)**

| <u>Description</u>                                                                                                         | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between Expected and Actual Experience                                                                         | \$ 51,135                                     | \$ 7,413                                     |
| Changes in Assumptions                                                                                                     | 96,569                                        | 260,624                                      |
| Net Difference between Projected and Actual<br>Earnings on HIS Plan Investments                                            | 2,439                                         | -                                            |
| Changes in Proportion and Differences between City's<br>HIS Plan Contributions and Proportionate Share<br>of Contributions | 160,071                                       | 36,580                                       |
| City HIS Plan Contributions Subsequent to the<br>Measurement Date                                                          | 29,737                                        | -                                            |
| Total                                                                                                                      | <u>\$ 339,951</u>                             | <u>\$ 304,617</u>                            |

The deferred outflows of resources related to the HIS plan, totaling \$29,737 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan will be recognized as an increase (decrease) in pension expense as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2023                             | \$ 40,354     |
| 2024                             | 23,231        |
| 2025                             | 2,399         |
| 2026                             | (15,850)      |
| 2027                             | (31,059)      |
| Thereafter                       | (13,478)      |

**Actuarial Assumptions**

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

|                           |                                     |
|---------------------------|-------------------------------------|
| Inflation                 | 2.40%                               |
| Salary Increases          | 3.25%, Average, including inflation |
| Investment Rate of Return | 3.54                                |

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018. The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**HIS Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 3.54% in the current year and 2.16% in the prior year for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**Pension Liability Sensitivity**

The following represents the City's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

|                                                            | One Percent<br>Decrease<br>2.54% | Current<br>Discount Rate<br>3.54% | One Percent<br>Increase<br>4.54% |
|------------------------------------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| City's Proportionate Share of the<br>Net Pension Liability | <u>\$ 1,927,449</u>              | <u>\$ 1,684,712</u>               | <u>\$ 1,483,852</u>              |

**Pension Plan Fiduciary Net Position**

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

**Summary**

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

| <u>Description</u>                                 | Police<br>Officers'<br>Retirement<br>Trust Fund | Municipal<br>Firefighters'<br>Pension<br>Plan | FRS<br>Plan  | HIS<br>Plan  | Total        |
|----------------------------------------------------|-------------------------------------------------|-----------------------------------------------|--------------|--------------|--------------|
| Net Pension Liability (Asset)                      | \$ (1,615,484)                                  | \$ 1,329,545                                  | \$ 7,480,702 | \$ 1,684,712 | \$ 8,879,475 |
| Deferred Outflows of Resources Related to Pensions | 468,005                                         | 759,550                                       | 2,667,638    | 339,951      | 4,235,144    |
| Deferred Inflows of Resources Related to Pensions  | 1,753,224                                       | 1,322,315                                     | 308,541      | 304,617      | 3,688,697    |
| Pension Expense                                    | (358,670)                                       | 915,161                                       | 1,355,979    | 165,760      | 2,078,230    |

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 13 PENSION PLAN (CONTINUED)**

**FRS Investment Plan**

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

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

The City's Investment Plan pension expense totaled \$124,912 for the year ended September 30, 2022. Employee contributions to the Investment Plan totaled \$28,101 for the year ended September 30, 2022.

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 14 POSTEMPLOYMENT BENEFITS**

**Plan Description**

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

**Funding Policy**

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

**Employees Covered by Benefit Terms**

|                                                                     |            |
|---------------------------------------------------------------------|------------|
| Inactive Employees or Beneficiaries Currently<br>Receiving Benefits | 43         |
| Active Employees                                                    | 159        |
| Total                                                               | <u>202</u> |

**Total OPEB Liability**

The City's total OPEB liability was measured as of September 30, 2022 and was determined by an actuarial valuation as of October 1, 2021, rolled forward to the measurement date of September 30, 2022. The following table shows the County's total OPEB liability for the year ended September 30, 2022.

|                                         |                         |
|-----------------------------------------|-------------------------|
|                                         | Total OPEB<br>Liability |
| Balance - September 30, 2021            | \$ 1,200,422            |
| Changes Recognized for the Fiscal Year: |                         |
| Service Cost                            | 7,122                   |
| Interest on the Total OPEB Liability    | 53,722                  |
| Changes in Assumptions                  | (379,604)               |
| Benefit Payments                        | (60,008)                |
| Net Changes                             | <u>(378,768)</u>        |
| Balance - September 30, 2022            | <u>\$ 821,654</u>       |

**CITY OF SEBRING, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 14 POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Discount Rate Sensitivity**

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

|                      | One Percent<br>Decrease<br>3.59% | Current<br>Discount Rate<br>4.59% | One Percent<br>Increase<br>5.59% |
|----------------------|----------------------------------|-----------------------------------|----------------------------------|
| Total OPEB Liability | <u>\$ 892,280</u>                | <u>\$ 821,654</u>                 | <u>\$ 760,409</u>                |

**Healthcare Trend Rate Sensitivity**

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

|                      | One Percent<br>Decrease in<br>Healthcare Cost<br>Trend Rate<br>6.00% | Healthcare Cost<br>Trend Rate<br>7.00% | One Percent<br>Increase in<br>Healthcare Cost<br>Trend Rate<br>8.00% |
|----------------------|----------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------------------|
| Total OPEB Liability | <u>\$ 747,932</u>                                                    | <u>\$ 821,654</u>                      | <u>\$ 907,017</u>                                                    |

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$83,089. In addition, the City reported deferred outflows and inflows of resources from the following sources:

|                        | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------|--------------------------------------|-------------------------------------|
| Changes of Assumptions | <u>\$ -</u>                          | <u>\$ 78,381</u>                    |

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

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2023                             | \$ 22,245     |
| 2024                             | 22,245        |
| 2025                             | 22,245        |
| 2026                             | 16,149        |
| 2027                             | (21,432)      |
| Thereafter                       | (139,833)     |

**CITY OF SEBRING, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022**

**NOTE 14 POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Actuarial Assumptions**

The total OPEB liability in the October 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                             |                                                                                                                                                                                           |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method       | Entry age normal as a level percentage of payroll                                                                                                                                         |
| Discount Rate               | 4.59%                                                                                                                                                                                     |
| 20-Year Municipal Bond Rate | 4.59%                                                                                                                                                                                     |
| Salary Increases            | 3.50%                                                                                                                                                                                     |
| Mortality Rates             | Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Table for both pre and post-retirement |
| Healthcare Cost Trend Rate  | 7.0%                                                                                                                                                                                      |

**Changes to the Total OPEB Liability**

The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 75 based on an average of two 20-year municipal bond indices (e.g., S&P Municipal Bond 20 Year High Grade Rate Index and Fidelity GA AA 20 Years) as of September 30, 2022. The current rate is 4.59%, which is a change from the prior year's discount rate of 2.29%.

**NOTE 15 RELATED PARTY TRANSACTIONS**

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

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

The Mayor of the City is the President of the Central Florida market area for First Southern Bank. At September 30, 2022, the City had \$4,998,147 of deposits in accounts at First Southern Bank.

**NOTE 16 CONTINGENCIES**

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

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

|                                                                            |                      |                       |                      |                      |                      |                      |                      |                      |                      |
|----------------------------------------------------------------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Plan Reporting Period End                                                  | 9/30/2022            | 9/30/2021             | 9/30/2020            | 9/30/2019            | 9/30/2018            | 9/30/2017            | 9/30/2016            | 9/30/2015            | 9/30/2014            |
| Employer Measurement Date                                                  | 9/30/2023            | 9/30/2022             | 9/30/2021            | 9/30/2020            | 9/30/2019            | 9/30/2018            | 9/30/2017            | 9/30/2016            | 9/30/2015            |
| <b>Total Pension Liability</b>                                             |                      |                       |                      |                      |                      |                      |                      |                      |                      |
| Service Cost                                                               | \$ 260,813           | \$ 305,103            | \$ 403,117           | \$ 380,644           | \$ 363,014           | \$ 335,631           | \$ 347,080           | \$ 368,970           | \$ 363,710           |
| Interest on Total Pension Liability                                        | 1,511,604            | 1,490,304             | 1,406,362            | 1,302,386            | 1,248,993            | 1,252,158            | 1,215,355            | 1,128,981            | 1,040,362            |
| Differences Between Expected and Actual Experience                         | 349,409              | 175,932               | 99,215               | 333,428              | 164,104              | (95,597)             | (223,168)            | (73,552)             | (8,567)              |
| Benefit Payments, Including Refunds of Member Contributions                | (1,150,225)          | (625,425)             | (596,051)            | (579,496)            | (1,525,856)          | (1,424,417)          | (249,816)            | (251,865)            | (231,806)            |
| Changes of Assumptions                                                     |                      | (435,090)             | 257,450              | 240,751              | 221,555              | 138,404              | -                    | -                    | -                    |
| <b>Net Change in Total Pension Liability</b>                               | 971,601              | 910,824               | 1,570,093            | 1,677,713            | 471,810              | 206,179              | 1,089,451            | 1,172,534            | 1,163,699            |
| Total Pension Liability - Beginning of Year                                | 21,908,637           | 20,997,813            | 19,427,720           | 17,750,007           | 17,278,197           | 17,072,018           | 15,982,567           | 14,810,033           | 13,646,334           |
| <b>Total Pension Liability - End of Year</b>                               | <b>\$ 22,880,238</b> | <b>\$ 21,908,637</b>  | <b>\$ 20,997,813</b> | <b>\$ 19,427,720</b> | <b>\$ 17,750,007</b> | <b>\$ 17,278,197</b> | <b>\$ 17,072,018</b> | <b>\$ 15,982,567</b> | <b>\$ 14,810,033</b> |
| <b>Plan Fiduciary Net Position</b>                                         |                      |                       |                      |                      |                      |                      |                      |                      |                      |
| Contributions - City                                                       | \$ 468,005           | \$ 880,703            | \$ 662,293           | \$ 486,016           | \$ 374,381           | \$ 421,046           | \$ 509,592           | \$ 575,679           | \$ 632,015           |
| Contributions - Member                                                     | 35,518               | 41,818                | 50,658               | 58,476               | 57,129               | 55,039               | 52,066               | 56,311               | 56,214               |
| Net Investment Income                                                      | (4,059,409)          | 3,588,966             | 1,676,248            | 709,111              | 1,278,042            | 1,836,151            | 1,053,029            | 67,689               | 1,414,767            |
| Benefit Payments, Including Refunds of Member Contributions                | (719,742)            | (625,425)             | (596,051)            | (579,496)            | (1,525,856)          | (1,424,417)          | (249,816)            | (251,865)            | (231,806)            |
| Administrative expense                                                     | (42,834)             | (44,974)              | (47,170)             | (45,006)             | (32,400)             | (31,475)             | (28,658)             | (22,296)             | (16,786)             |
| <b>Net Change in Plan Fiduciary Net Position</b>                           | (4,318,462)          | 3,841,088             | 1,745,978            | 629,101              | 151,296              | 856,344              | 1,336,213            | 425,518              | 1,854,404            |
| Plan Fiduciary Net Position - Beginning of Year                            | 23,524,121           | 19,683,033            | 17,937,055           | 17,307,954           | 17,156,658           | 16,300,314           | 14,964,101           | 14,538,583           | 12,684,179           |
| <b>Plan Fiduciary Net Position - End of Year</b>                           | <b>\$ 19,205,659</b> | <b>\$ 23,524,121</b>  | <b>\$ 19,683,033</b> | <b>\$ 17,937,055</b> | <b>\$ 17,307,954</b> | <b>\$ 17,156,658</b> | <b>\$ 16,300,314</b> | <b>\$ 14,964,101</b> | <b>\$ 14,538,583</b> |
| <b>City's Net Pension (Asset) Liability</b>                                | <b>\$ 3,674,579</b>  | <b>\$ (1,615,484)</b> | <b>\$ 1,314,780</b>  | <b>\$ 1,490,665</b>  | <b>\$ 442,053</b>    | <b>\$ 121,539</b>    | <b>\$ 771,704</b>    | <b>\$ 1,018,466</b>  | <b>\$ 271,450</b>    |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 83.94%               | 107.37%               | 93.74%               | 92.33%               | 97.51%               | 99.30%               | 95.48%               | 93.63%               | 98.17%               |
| Covered Payroll                                                            | \$ 761,360           | \$ 836,363            | \$ 1,198,747         | \$ 1,169,514         | \$ 1,142,576         | \$ 1,100,788         | \$ 1,041,328         | \$ 1,128,134         | \$ 1,123,880         |
| City's Net Pension Liability as a Percentage of Covered Payroll            | 482.63%              | -193.16%              | 109.68%              | 127.46%              | 38.69%               | 11.04%               | 74.11%               | 90.28%               | 24.15%               |

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

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

**Notes to the Schedule**

**Changes of Benefit Terms:**

There have been no changes in benefit terms.

**Changes of Assumptions:**

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

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

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

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

|                                                                      | 2022       | 2021       | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|----------------------------------------------------------------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially Determined Contribution                                  | \$ 468,005 | \$ 880,703 | \$ 660,575   | \$ 486,016   | \$ 374,381   | \$ 421,046   | \$ 509,592   | \$ 602,818   | \$ 604,876   |
| Contributions in Relation to the Actuarially Determined Contribution | 468,005    | 880,703    | 660,575      | 486,016      | 374,381      | 421,046      | 509,592      | 575,679      | 632,015      |
| Contribution Excess (Deficiency)                                     | \$ -       | \$ -       | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ 27,139    | \$ (27,139)  |
| Covered Payroll                                                      | \$ 761,360 | \$ 863,363 | \$ 1,047,520 | \$ 1,169,514 | \$ 1,142,576 | \$ 1,100,788 | \$ 1,041,328 | \$ 1,128,134 | \$ 1,123,880 |
| Contributions as a Percentage of Covered Payroll                     | 61.47%     | 102.01%    | 63.06%       | 41.56%       | 32.77%       | 38.25%       | 48.94%       | 51.03%       | 56.24%       |

**Notes to Schedule**

Valuation date October 1, 2020  
Actuarially determined contribution amounts are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution amounts:

|                                       |                                                                                                                                                                                      |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method                 | Entry Age Normal                                                                                                                                                                     |
| Amortization method                   | Level Dollar, Closed                                                                                                                                                                 |
| Remaining amortization period         | 10 Years                                                                                                                                                                             |
| Asset valuation method                | 5-year smoothed market                                                                                                                                                               |
| Inflation                             | 2.50% per year                                                                                                                                                                       |
| Salary increases, including inflation | 5.00%                                                                                                                                                                                |
| Investment rate of return             | 7.00%                                                                                                                                                                                |
| Retirement age                        | Experience-base table of rates that are specific to the type of eligibility condition                                                                                                |
| Mortality                             | Same version of PUB-2010 Headcount-Weighted Mortality Tables as used by the Florida Retirement System (FRS) for Special Reisk in Employees in their July 1, 2020 actuarial valuation |
| Cost-of-living adjustments            | Mortality Improvements projected for healthy lives to all future years after 2010 using Scale MP-2018 3.0% effective each October 1 for service retirees who retire after 9/1/98.    |

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

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

|                                                                     | 2022  | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  |
|---------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Annual Money-Weighted Rate of Return,<br>Net of Investment Expenses | 9.68% | 7.56% | 6.12% | 7.41% | 7.26% | 8.67% | 7.72% | 0.24% | 7.67% |

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

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

| Plan Reporting Period End                                                  | 9/30/2022            | 9/30/2021            | 9/30/2020            | 9/30/2019            | 9/30/2018            | 9/30/2017            | 9/30/2016            | 9/30/2015            | 9/30/2014            |
|----------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Employer Measurement Date                                                  | 9/30/2023            | 9/30/2022            | 9/30/2021            | 9/30/2020            | 9/30/2019            | 9/30/2018            | 9/30/2017            | 9/30/2016            | 9/30/2015            |
| <b>Total Pension Liability</b>                                             |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Service Cost                                                               | \$ 149,516           | \$ 126,940           | \$ 117,662           | \$ 110,766           | \$ 105,733           | \$ 133,362           | \$ 124,309           | \$ 122,248           | \$ 133,195           |
| Interest on Total Pension Liability                                        | 1,240,177            | 1,236,401            | 1,234,848            | 1,232,343            | 1,193,050            | 1,163,405            | 1,089,417            | 1,089,014            | 1,070,745            |
| Change of Benefit Terms                                                    |                      | -                    | -                    | (109)                | -                    | -                    | -                    | -                    | -                    |
| Differences Between Expected and Actual Experience                         | 135,569              | 12,582               | 11,806               | (45,675)             | 24,883               | 164,277              | (142,772)            | (347,147)            | -                    |
| Benefit Payments, Including Refunds of Member Contributions                |                      | 937,724              | (971,578)            | (1,066,313)          | (935,564)            | (1,172,459)          | (854,991)            | (867,149)            | (1,011,803)          |
| Changes of Assumptions                                                     | (1,208,121)          | (1,001,388)          | (149,769)            | 163,355              | 176,094              | 189,466              | 866,110              | -                    | 151,324              |
| <b>Net Change in Total Pension Liability</b>                               | <b>317,141</b>       | <b>1,312,259</b>     | <b>242,969</b>       | <b>394,367</b>       | <b>564,196</b>       | <b>478,051</b>       | <b>1,082,073</b>     | <b>(3,034)</b>       | <b>343,461</b>       |
| Total Pension Liability - Beginning of Year                                | 18,171,359           | 16,859,100           | 16,616,131           | 16,221,764           | 15,657,568           | 15,179,515           | 14,097,442           | 14,100,476           | 13,757,015           |
| <b>Total Pension Liability - End of Year</b>                               | <b>\$ 18,488,500</b> | <b>\$ 18,171,359</b> | <b>\$ 16,859,100</b> | <b>\$ 16,616,131</b> | <b>\$ 16,221,764</b> | <b>\$ 15,657,566</b> | <b>\$ 15,179,515</b> | <b>\$ 14,097,442</b> | <b>\$ 14,100,476</b> |
| <b>Plan Fiduciary Net Position</b>                                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Contributions - City                                                       | \$ 759,550           | \$ 759,823           | \$ 689,652           | \$ 626,330           | \$ 620,151           | \$ 419,641           | \$ 480,905           | \$ 599,209           | \$ 681,199           |
| Contributions - Member                                                     | 13,021               | 18,097               | 18,604               | 17,583               | 17,129               | 17,940               | 22,149               | 21,222               | 20,518               |
| Net Investment Income                                                      | (2,666,752)          | 2,751,320            | 1,254,809            | 569,452              | 912,482              | 1,242,879            | 895,002              | 42,513               | 856,594              |
| Benefit Payments, Including Refunds of Member Contributions                | (1,209,065)          | (1,001,388)          | (971,578)            | (1,066,313)          | (935,564)            | (1,172,457)          | (854,991)            | (867,149)            | (1,011,803)          |
| Administrative Expense                                                     | (57,442)             | (40,940)             | (38,906)             | (36,287)             | (44,288)             | (55,704)             | (36,940)             | (17,129)             | (29,663)             |
| <b>Net Change in Plan Fiduciary Net Position</b>                           | <b>(3,160,688)</b>   | <b>2,486,912</b>     | <b>952,581</b>       | <b>110,765</b>       | <b>569,910</b>       | <b>452,299</b>       | <b>506,125</b>       | <b>(221,334)</b>     | <b>516,845</b>       |
| Plan Fiduciary Net Position - Beginning of Year                            | 16,841,814           | 14,354,902           | 13,402,321           | 13,291,556           | 12,721,646           | 12,269,347           | 11,763,222           | 11,984,556           | 11,467,711           |
| <b>Plan Fiduciary Net Position - End of Year</b>                           | <b>\$ 13,681,126</b> | <b>\$ 16,841,814</b> | <b>\$ 14,354,902</b> | <b>\$ 13,402,321</b> | <b>\$ 13,291,556</b> | <b>\$ 12,721,646</b> | <b>\$ 12,269,347</b> | <b>\$ 11,763,222</b> | <b>\$ 11,984,556</b> |
| <b>City's Net Pension (Asset) Liability</b>                                | <b>\$ 4,807,374</b>  | <b>\$ 1,329,545</b>  | <b>\$ 2,504,198</b>  | <b>\$ 3,213,810</b>  | <b>\$ 2,930,208</b>  | <b>\$ 2,935,920</b>  | <b>\$ 2,910,168</b>  | <b>\$ 2,334,220</b>  | <b>\$ 2,115,920</b>  |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.00%               | 92.68%               | 85.15%               | 80.66%               | 81.94%               | 81.25%               | 80.83%               | 83.44%               | 84.99%               |
| Covered Payroll                                                            | \$ 200,328           | \$ 278,413           | \$ 286,212           | \$ 270,508           | \$ 263,521           | \$ 290,195           | \$ 340,746           | \$ 334,708           | \$ 315,662           |
| City's Net Pension Liability as a Percentage of Covered Payroll            | 2399.75%             | 477.54%              | 874.95%              | 1188.06%             | 1111.94%             | 1011.71%             | 854.06%              | 697.39%              | 670.31%              |

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

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

**Notes to the Schedule**

**Changes of Benefit Terms:**

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

**Changes of Assumptions:**

Changes in investment rate of return are as follows:

|                                                            |           |           |           |           |           |           |           |           |
|------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <i>Change of Assumptions:</i><br>Plan Reporting Period End | 9/30/2022 | 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 |
| Investment Rate of Return                                  | 7.0%      | 7.0%      | 7.5%      | 7.6%      | 7.7%      | 7.8%      | 7.9%      | 8.0%      |
| Change in Rate                                             | 0.0%      | -0.5%     | -0.1%     | -0.1%     | -0.1%     | -0.1%     | -0.1%     | 0.0%      |

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

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

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

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

|                                                                         | 2022       | 2021       | 2020       | 2019       | 2018       | 2017       | 2016       | 2015       | 2014       |
|-------------------------------------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Actuarially Determined Contribution                                     | \$ 759,550 | \$ 759,823 | \$ 689,652 | \$ 626,330 | \$ 620,151 | \$ 419,641 | \$ 480,905 | \$ 599,209 | \$ 681,199 |
| Contributions in Relation to the Actuarially<br>Determined Contribution | 759,550    | 759,823    | 689,652    | 626,330    | 620,151    | 419,641    | 480,905    | 599,209    | 681,199    |
| Contribution Excess (Deficiency)                                        | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| Covered Payroll                                                         | \$ 200,328 | \$ 278,413 | \$ 286,212 | \$ 270,508 | \$ 263,521 | \$ 290,195 | \$ 340,746 | \$ 334,708 | \$ 315,662 |
| Contributions as a Percentage of<br>Covered Payroll                     | 379.15%    | 272.91%    | 240.96%    | 231.54%    | 235.33%    | 144.61%    | 141.13%    | 179.02%    | 215.80%    |

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

**Notes to Schedule**

Valuation date October 1, 2020

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

Methods and assumptions used to determine contribution amounts:

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Funding method                | Frozen Entry Age Actuarial Cost Method. The following loads are utilized for determination of the total required contribution:<br>Interest - None, assuming a lump sum City deposit at the beginning of each fiscal year.<br>Salary - a full-year, based on the current 7.0% assumptions.                                                                                                                                                      |
| Amortization method           | Level % of pay, closed                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Remaining amortization period | 24 years as of 10/1/2018 valuation                                                                                                                                                                                                                                                                                                                                                                                                             |
| Actuarial asset method        | All assets are valued at market value with an adjustment to uniformly spread actuarial investment gain and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.                                                                                                                                                                                              |
| Interest rate                 | 7.0% per year compounded annually, net of investment related expenses.                                                                                                                                                                                                                                                                                                                                                                         |
| Salary increases              | 7.0% per year to the assumed retirement age. Projected salary at retirement is increased based on pensionable lump sums provided by the City as of May 7, 2013 to account for non-regular payments..                                                                                                                                                                                                                                           |
| Payroll growth                | None                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Cost-of-living adjustments    | Hired before 6/30/71 - 4% per year following commencement of benefits.<br>Hired after 6/30/71 -3% per year following commencement of benefits.                                                                                                                                                                                                                                                                                                 |
| Retirement Age                | Earlier of age 55 and 10 years of service or 25 years of service regardless of age.                                                                                                                                                                                                                                                                                                                                                            |
| Early Retirement              | Commencing at the member's eligibility for Early Retirement (age 45).                                                                                                                                                                                                                                                                                                                                                                          |
| Termination Rates             | See table below.                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Disability Rates              | See table below.                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Mortality                     | <i>Healthy Active Lives:</i><br>Male: PubS.H-2010 (Below Median) for Employees, set forward one year<br>Female: PubS.H-2010 for Employees, set forward one year<br><i>Healthy Inactive Lives:</i><br>Male: PubS.H-2010 for Healthy Retirees, set forward one year<br>Female: PubS.H-2010 for Healthy Retirees, set forward one year<br><i>Disabled Lives:</i><br>80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees |
| Other Information             | Termination and Disability Rate Table                                                                                                                                                                                                                                                                                                                                                                                                          |

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

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

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

|                                                                     | 2022    | 2021   | 2020   | 2019  | 2018  | 2017   | 2016  | 2015  | 2014  |
|---------------------------------------------------------------------|---------|--------|--------|-------|-------|--------|-------|-------|-------|
| Annual Money-Weighted Rate of Return,<br>Net of Investment Expenses | -15.88% | 18.85% | 18.85% | 4.72% | 7.12% | 10.32% | 7.61% | 0.35% | 7.63% |

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

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

|                                                                                                           | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         |
|-----------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City of Sebring's Proportion of the Net Pension Liability                                                 | 0.020105071% | 0.019114114% | 0.020634843% | 0.019911948% | 0.188798000% | 0.147228000% | 0.008164600% | 0.008038500% |
| City of Sebring's Proportionate Share of the Net Pension Liability                                        | \$ 7,480,702 | \$ 1,443,946 | \$ 8,943,445 | \$ 6,857,200 | \$ 5,686,695 | \$ 4,354,915 | \$ 2,061,574 | \$ 1,038,279 |
| City of Sebring's Covered Payroll                                                                         | \$ 5,773,441 | \$ 5,494,186 | \$ 5,446,588 | \$ 5,123,628 | \$ 5,123,628 | \$ 4,372,065 | \$ 3,458,477 | \$ 3,096,064 |
| City of Sebring's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 129.57%      | 26.28%       | 164.20%      | 133.83%      | 110.99%      | 99.61%       | 59.61%       | 33.54%       |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                | 82.89%       | 96.40%       | 78.85%       | 82.61%       | 84.26%       | 83.89%       | 84.88%       | 92.00%       |

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

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

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

|                                                                         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         |
|-------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution                                     | \$ 928,671   | \$ 742,457   | \$ 725,370   | \$ 633,113   | \$ 551,916   | \$ 448,924   | \$ 195,367   | \$ 195,985   |
| Contributions in Relation to the Contractually<br>Required Contribution | 928,671      | 742,457      | 725,370      | 633,113      | 551,916      | 448,924      | 195,367      | 195,985      |
| Contribution Excess (Deficiency)                                        | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| City's Covered Payroll                                                  | \$ 6,126,576 | \$ 5,498,969 | \$ 5,634,213 | \$ 5,431,331 | \$ 5,146,259 | \$ 4,734,451 | \$ 3,403,190 | \$ 3,105,524 |
| Contributions as a Percentage of<br>Covered Payroll                     | 15.16%       | 13.50%       | 12.87%       | 11.66%       | 10.72%       | 9.48%        | 5.74%        | 6.31%        |

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

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

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

|                                                                                                           | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         |
|-----------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City of Sebring's Proportion of the Net Pension Liability                                                 | 0.015906117% | 0.015509733% | 0.015692987% | 0.016055584% | 0.015687000% | 0.013713900% | 0.111960000% | 0.010205100% |
| City of Sebring's Proportionate Share of the Net Pension Liability                                        | \$ 1,684,712 | \$ 1,902,502 | \$ 1,916,088 | \$ 1,796,458 | \$ 1,660,326 | \$ 1,466,356 | \$ 1,304,843 | \$ 1,040,764 |
| City of Sebring's Covered Payroll                                                                         | \$ 5,773,441 | \$ 5,494,186 | \$ 5,446,588 | \$ 5,123,628 | \$ 5,123,628 | \$ 4,372,065 | \$ 3,458,477 | \$ 3,105,524 |
| City of Sebring's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 29.18%       | 34.63%       | 35.18%       | 35.06%       | 32.41%       | 33.54%       | 37.73%       | 33.51%       |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                | 4.81%        | 3.56%        | 3.00%        | 2.63%        | 2.15%        | 1.64%        | 0.97%        | 50.00%       |

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

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

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

|                                                                         | 2022         | 2021         | 2021         | 2019         | 2018         | 2017         | 2016         | 2015         |
|-------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution                                     | \$ 102,252   | \$ 91,135    | \$ 93,595    | \$ 90,160    | \$ 85,428    | \$ 78,596    | \$ 56,493    | \$ 39,010    |
| Contributions in Relation to the Contractually<br>Required Contribution | 102,252      | 91,135       | 93,595       | 90,160       | 85,428       | 78,596       | 56,493       | 39,010       |
| Contribution Excess (Deficiency)                                        | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| City's Covered Payroll                                                  | \$ 6,126,576 | \$ 5,498,959 | \$ 5,634,213 | \$ 5,431,325 | \$ 5,146,259 | \$ 4,734,451 | \$ 3,403,190 | \$ 3,105,524 |
| Contributions as a Percentage of<br>Covered Payroll                     | 1.67%        | 1.66%        | 1.66%        | 1.66%        | 1.66%        | 1.66%        | 1.66%        | 1.26%        |

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

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

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

|                                                                  | 2022                     | 2021                       | 2020                       | 2019                     | 2018                     |
|------------------------------------------------------------------|--------------------------|----------------------------|----------------------------|--------------------------|--------------------------|
| <b>TOTAL OPEB LIABILITY</b>                                      |                          |                            |                            |                          |                          |
| Service Cost                                                     | \$ 7,122                 | \$ 18,430                  | \$ 17,789                  | \$ 13,287                | \$ 12,659                |
| Interest on the Total OPEB Liability                             | 53,722                   | 27,534                     | 28,113                     | 27,979                   | 34,551                   |
| Changes in Assumptions                                           | (379,604)                | (4,723)                    | 392,736                    | 70,113                   | -                        |
| Benefit Payments                                                 | <u>(60,008)</u>          | <u>(86,314)</u>            | <u>(88,699)</u>            | <u>(96,487)</u>          | <u>(104,919)</u>         |
| <b>NET CHANGE IN TOTAL OPEB LIABILITY</b>                        | (378,768)                | (45,073)                   | 349,939                    | 14,892                   | (57,709)                 |
| Total OPEB Liability - Beginning of Year, as Restated            | <u>1,200,422</u>         | <u>1,245,495</u>           | <u>895,556</u>             | <u>880,664</u>           | <u>938,373</u>           |
| <b>TOTAL OPEB LIABILITY - END OF YEAR</b>                        | <u><u>\$ 821,654</u></u> | <u><u>\$ 1,200,422</u></u> | <u><u>\$ 1,245,495</u></u> | <u><u>\$ 895,556</u></u> | <u><u>\$ 880,664</u></u> |
| <br>Covered Employee Payroll                                     | <br>\$ 7,660,714         | <br>\$ 6,649,500           | <br>\$ 6,649,500           | <br>\$ 6,007,527         | <br>\$ 6,007,527         |
| Total OPEB Liability as a Percentage of Covered Employee Payroll | 10.73%                   | 18.05%                     | 18.73%                     | 14.91%                   | 14.66%                   |

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

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

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

**Notes to the Schedule**

The OPEB plan is not administered through a trust.

**Changes of Benefit Terms:**

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

**Changes of Assumptions:**

For September 30, 2022, the discount rate was changed to 4.59%.

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

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

**CITY OF SEBRING, FLORIDA  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2022**

|                           | Internal Service Funds |                   |              |
|---------------------------|------------------------|-------------------|--------------|
|                           | Health<br>Insurance    | Risk<br>Insurance | Total        |
| <b>ASSETS</b>             |                        |                   |              |
| Current Assets:           |                        |                   |              |
| Cash and Cash Equivalents | \$ 653,283             | \$ 629,253        | \$ 1,282,536 |
| Receivables, Net          | 102,017                | 7,280             | 109,297      |
| Total Assets              | 755,300                | 636,533           | 1,391,833    |
| <b>LIABILITIES</b>        |                        |                   |              |
| Accounts Payable          | 338,968                | 38,278            | 377,246      |
| Total Liabilities         | 338,968                | 38,278            | 377,246      |
| <b>NET POSITION</b>       |                        |                   |              |
| Unrestricted              | \$ 416,332             | \$ 598,255        | \$ 1,014,587 |

**CITY OF SEBRING, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

|                                         | Internal Service Funds |                   |                     |
|-----------------------------------------|------------------------|-------------------|---------------------|
|                                         | Health<br>Insurance    | Risk<br>Insurance | Total               |
| <b>OPERATING REVENUES</b>               |                        |                   |                     |
| Charges for Services                    | \$ 2,089,782           | \$ 955,240        | \$ 3,045,022        |
| <b>OPERATING EXPENSES</b>               |                        |                   |                     |
| General and Administrative              | 99,295                 | -                 | 99,295              |
| Insurance                               | 406,145                | 915,631           | 1,321,776           |
| Claims Expense                          | 1,796,122              | 96,355            | 1,892,477           |
| Total Operating Expenses                | <u>2,301,562</u>       | <u>1,011,986</u>  | <u>3,313,548</u>    |
| <b>OPERATING LOSS</b>                   | (211,780)              | (56,746)          | (268,526)           |
| <b>NONOPERATING REVENUES</b>            |                        |                   |                     |
| Investment Earnings                     | 4,237                  | 6,666             | 10,903              |
| Insurance Proceeds                      | -                      | 65,113            | 65,113              |
| Total Nonoperating Revenues             | <u>4,237</u>           | <u>71,779</u>     | <u>76,016</u>       |
| <b>CHANGE IN NET POSITION</b>           | (207,543)              | 15,033            | (192,510)           |
| Total Net Position - Beginning of Year  | <u>623,875</u>         | <u>583,222</u>    | <u>1,207,097</u>    |
| <b>TOTAL NET POSITION - END OF YEAR</b> | <u>\$ 416,332</u>      | <u>\$ 598,255</u> | <u>\$ 1,014,587</u> |

**CITY OF SEBRING, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED SEPTEMBER 30, 2022**

|                                                                                        | Internal Service Funds |                    |                     |
|----------------------------------------------------------------------------------------|------------------------|--------------------|---------------------|
|                                                                                        | Health<br>Insurance    | Risk<br>Insurance  | Total               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                            |                        |                    |                     |
| Cash Received from Customers and Users                                                 | \$ 1,902,133           | \$ 955,195         | \$ 2,857,328        |
| Cash Received from Insurance                                                           | 231,310                | -                  | 231,310             |
| Cash Payments for Supplies and Claims                                                  | (2,349,937)            | (979,422)          | (3,329,359)         |
| Net Cash Used by Operating Activities                                                  | (216,494)              | (24,227)           | (240,721)           |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                    |                        |                    |                     |
| Cash Received from Insurance                                                           | -                      | 65,113             | 65,113              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                            |                        |                    |                     |
| Interest on Investments                                                                | 4,237                  | 6,666              | 10,903              |
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>                        | (212,257)              | 47,552             | (164,705)           |
| Cash and Cash Equivalents – Beginning of Year                                          | 865,540                | 581,701            | 1,447,241           |
| <b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>                                         | <u>\$ 653,283</u>      | <u>\$ 629,253</u>  | <u>\$ 1,282,536</u> |
| <b>RECONCILIATION OF OPERATING (LOSS)<br/>TO NET CASH USED BY OPERATING ACTIVITIES</b> |                        |                    |                     |
| Operating Loss                                                                         | \$ (211,780)           | \$ (56,746)        | \$ (268,526)        |
| Adjustments to Reconcile Operating (Loss)<br>to Net Cash Used by Operating Activities: |                        |                    |                     |
| (Increase) Decrease in Assets:                                                         |                        |                    |                     |
| Accounts Receivable                                                                    | 45,613                 | (45)               | 45,568              |
| Increase (Decrease) in Liabilities:                                                    |                        |                    |                     |
| Accounts Payable                                                                       | (48,375)               | 32,564             | (15,811)            |
| Unearned Revenue                                                                       | (1,952)                | -                  | (1,952)             |
| Net Cash Used by Operating Activities                                                  | <u>\$ (216,494)</u>    | <u>\$ (24,227)</u> | <u>\$ (240,721)</u> |

**CITY OF SEBRING, FLORIDA**  
**SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title | Federal<br>Assistance<br>Listing<br>Number | Pass-Through Entity<br>Identifying Number | Passed<br>Through to<br>Subrecipients | Total<br>Federal<br>Expenditures |
|-------------------------------------------------------------------|--------------------------------------------|-------------------------------------------|---------------------------------------|----------------------------------|
| <b>Department of the Treasury</b>                                 |                                            |                                           |                                       |                                  |
| <b>Direct Funding</b>                                             |                                            |                                           |                                       |                                  |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds        | 21.027                                     |                                           | \$ -                                  | \$ 2,915,991                     |
| Total Department of the Treasury                                  |                                            |                                           | -                                     | 2,915,991                        |
| <b>Department of Justice</b>                                      |                                            |                                           |                                       |                                  |
| <i>Passed Through Florida Department of Law Enforcement</i>       |                                            |                                           |                                       |                                  |
| Edward Byrne Memorial Justice Assistance Grant Program            | 16.738                                     | 2021-JAGC-HIGH-2-3B-023                   | -                                     | 3,000                            |
| <i>Passed Through Florida Department of Law Enforcement</i>       |                                            |                                           |                                       |                                  |
| COVID-19 Coronavirus Emergency Supplemental Funding               | 16.034                                     | 2021-CERF-HIGH-1-5A-031                   | -                                     | 6,700                            |
| Total Department of Justice                                       |                                            |                                           | -                                     | 9,700                            |
| <b>Department of Transportation</b>                               |                                            |                                           |                                       |                                  |
| <i>Passed Through Florida Department of Transportation</i>        |                                            |                                           |                                       |                                  |
| State and Community Highway Safety                                | 20.600                                     | G2136                                     | -                                     | 10,022                           |
| Total Department of Transportation                                |                                            |                                           | -                                     | 10,022                           |
| Total Expenditures of Federal Awards                              |                                            |                                           | \$ -                                  | \$ 2,935,713                     |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF SEBRING, FLORIDA**  
**NOTES TO SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

**NOTE 1    BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Sebring, Florida (City) under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the City.

**NOTE 2    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for awards recorded in governmental funds and the accrual basis of accounting for awards recorded in the proprietary funds, which are described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3    INDIRECT COST RATE**

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



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council  
City of Sebring, Florida  
Sebring, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sebring, Florida (City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 23, 2023.

***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

***Report on Compliance and Other Matters***

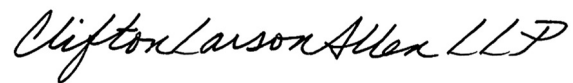
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

***City of Sebring's Response to Findings***

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

***Purpose of this Report***

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Sebring, Florida  
August 23, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and City Council  
City of Sebring, Florida  
Sebring, Florida

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Sebring, Florida's (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City of Sebring, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### **Report on Internal Control Over Compliance**

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

Honorable Mayor and City Council  
City of Sebring, Florida

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

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

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Sebring, Florida  
August 23, 2023

**CITY OF SEBRING, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

- |                                                          |                       |                                |
|----------------------------------------------------------|-----------------------|--------------------------------|
| 1. Type of auditors’ report issued:                      | Unmodified            |                                |
| 2. Internal control over financial reporting:            |                       |                                |
| • Material weakness(es) identified?                      | <u>    x    </u> yes  | <u>          </u> no           |
| • Significant deficiency(ies) identified?                | <u>          </u> yes | <u>    x    </u> none reported |
| 3. Noncompliance material to financial statements noted? | <u>          </u> yes | <u>    x    </u> no            |

**Federal Awards**

- |                                                                                                       |                       |                                |
|-------------------------------------------------------------------------------------------------------|-----------------------|--------------------------------|
| 1. Internal control over major federal programs:                                                      |                       |                                |
| • Material weakness(es) identified?                                                                   | <u>          </u> yes | <u>    x    </u> no            |
| • Significant deficiency(ies) identified?                                                             | <u>          </u> yes | <u>    x    </u> none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs:                          | Unmodified            |                                |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <u>          </u> yes | <u>    x    </u> no            |

**Identification of Major Federal Programs**

**Assistance Listing Number(s)**

21.027

**Name of Federal Program or Cluster**

COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$     \$750,000    

Auditee qualified as low-risk auditee?

           yes     x     no

**CITY OF SEBRING, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

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**Section II – Financial Statement Findings**

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**2022-001 – Timeliness of Financial Reporting**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

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

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

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

**Cause:** A key position in the accounting department was unfilled throughout the year. This caused delays in completing the year-end closing process necessary to prepare the financial statements and complete the audit.

**Repeat Finding:** Previously reported as finding 2021-001.

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

**Views of responsible officials and planned corrective actions:** Management agrees with the finding.

**2022-002 – Audit Adjustments**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** As part of our audit, we proposed a material adjustment to correct revenue and due from other governments in the general fund.

**Criteria or specific requirement:** City management is responsible for establishing and maintaining internal controls to ensure that transactions are properly reported in the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Effect:** Before the correction, revenue and assets were overstated by \$33,842.

**Cause:** The receivable for state revenue sharing was recorded two times. The error was not detected because of lack of resources in the accounting department.

**CITY OF SEBRING, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2022**

**Repeat Finding:** Not previously reported.

**Recommendation:** The City should implement additional review procedures as well as analytical procedures to detect errors in accruals.

**Views of responsible officials and planned corrective actions:** Management agrees with the finding.

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



## MANAGEMENT LETTER

Honorable Mayor and City Council  
City of Sebring, Florida  
Sebring, Florida

### Report on the Financial Statements

We have audited the financial statements of the City of Sebring, Florida (City), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated August 23, 2023.

### Auditors' Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated August 23, 2023, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Finding 2022-001 was reported in the prior audit report.

### Official Title, and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1 to the financial statements.

### **Financial Condition and Management**

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

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

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

### **Special District Component Units**

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

### **Additional Matters**

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

### **Purpose of this Letter**

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



**CliftonLarsonAllen LLP**

Sebring, Florida  
August 23, 2023



## INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the City of Sebring, Florida's (City) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the fiscal year ended September 30, 2022. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

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

In our opinion, the City complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2022.

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

**CliftonLarsonAllen LLP**

Sebring, Florida  
August 23, 2023

**CITY OF SEBRING  
CORRECTIVE ACTION PLAN  
YEAR ENDED SEPTEMBER 30, 2022**

The City of Sebring respectfully submits the following corrective action plan for the year ended September 30, 2022.

Audit period: October 1, 2021 – September 30, 2022

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**MATERIAL WEAKNESS**

**2022-001      Timeliness of Financial Reporting**

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

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The City is actively advertising to recruit accounting personnel to fill open positions. Additionally, account reviews are being completed to expedite the year end process which should provide for a shorter analytical review and the number of correcting journal entries.

Name(s) of the contact person(s) responsible for corrective action: Penny Robinson, Assistant City Administrator

Planned completion date for corrective action plan: September 30, 2023.

**2022-002      Audit Adjustments**

Recommendation: The City should implement additional review procedures as well as analytical procedures to detect errors in accruals.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Finance staff will review revenue and revenue accrual entries and compare them to revenue spreadsheets to ensure duplicate entries are not recorded in the future.

Name(s) of the contact person(s) responsible for corrective action: Penny Robinson, Assistant City Administrator

Planned completion date for corrective action plan: September 30, 2023.

If there are questions regarding this plan, please call Penny Robinson, Assistant City Administrator at 863-471-5100.