

CITY OF LAKE CITY, FLORIDA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020



MAYOR AND CITY COUNCIL
As of Financial Statement Date

Stephen Witt
Mayor

Jake Hill
Councilmember

Todd Sampson
Councilmember

Eugene Jefferson
Councilmember

Chris Greene
Councilmember

APPOINTED OFFICIALS

City Manager
Joseph Helfenberger

Finance Director
Donna Duncan

City Attorney
Fred Koberlein

City Clerk
Audrey Sikes

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Fire Department, and the Community Redevelopment Agency funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

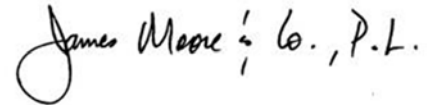
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The combining nonmajor fund financial statements, schedule of net revenues and debt service coverage, and schedule of expenditures of federal awards and state financial assistance as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Florida Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2021, 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 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 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 black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

Gainesville, Florida
June 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake City, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. Management's 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, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$99,260,392. Of this amount, \$16,538,225 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$6,544,088. Government activities generated an increase of \$4,690,296, while the business type activities increased by \$1,853,792.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$21,723,132. Of this total amount \$14,511,105 is available for spending at the City's discretion (unassigned fund balance).

Overview of the Financial Statements

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

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business, in that all governmental and business-type activities are consolidated into columns which add up to a total for the primary government.

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

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the 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, highway and streets, airport, physical environment, economic environment, culture and recreation, and health and welfare. Property taxes, utility service taxes, gas taxes, and sales taxes, along with the City's charges for services and interfund charges, finance the majority of these services. The business-type activities include natural gas, and water and wastewater, where the fees for service typically cover all or most of the cost of operation including depreciation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains eleven individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Fire Department, Airport Capital Projects, Sales Tax Bond and the Community Redevelopment Agency Fund, which are considered to be major funds. Data included in the other governmental funds consists of governmental funds that are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on page 77 and 78 of this report.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds to demonstrate compliance with this budget.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two enterprise funds to account for the following operations: natural gas distribution, and the water and wastewater utilities. The City has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the natural gas and water and wastewater utility fund, which are considered to be major funds of the City.

Fiduciary Funds

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$99,260,392 at the close of the most recent fiscal year.

City of Lake City's Net Position

The largest portion of the City's net assets or \$76,772,800 reflects its investment in capital assets (i.e., land, utility plant and improvements, equipment, buildings, improvements, machinery and equipment, and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the City's net assets, \$5,949,367 represents resources that are subject to external restrictions on how they may be used (restricted net assets).

The unrestricted net asset balance of \$16,538,225 is intended to be a corporate-style measurement of the City's current financial standing and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Current and Other Assets	\$ 25,798,197	\$ 18,931,367	\$ 20,706,891	\$ 13,600,735	\$ 46,505,088	\$ 32,532,102
Capital Assets	49,901,375	49,326,443	67,855,541	68,796,936	117,756,916	118,123,379
Total Assets	75,699,572	68,257,810	88,562,432	82,397,671	164,262,004	150,655,481
Deferred Outflow of Resources	3,020,743	3,129,082	1,115,254	1,092,697	4,135,997	4,221,779
Current Liabilities	2,677,119	3,630,263	5,026,515	2,431,652	7,703,634	6,061,915
Long-term liabilities	19,248,365	15,420,853	39,783,916	37,832,445	59,032,281	53,253,298
Total liabilities	21,925,484	19,051,116	44,810,431	40,264,097	66,735,915	59,315,213
Deferred Inflows of Resources	2,170,604	2,401,845	231,090	443,898	2,401,694	2,845,743
Net Position						
Net Investment in Capital Assets	41,965,518	40,810,971	34,807,282	34,239,823	76,772,800	75,050,794
Restricted	3,141,588	2,638,079	2,807,779	2,250,799	5,949,367	4,888,878
Unrestricted	9,517,121	6,484,881	7,021,104	6,291,751	16,538,225	12,776,632
Total net position	\$ 54,624,227	\$ 49,933,931	\$ 44,636,165	\$ 42,782,373	\$ 99,260,392	\$ 92,716,304

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

City of Lake City Changes in Net Position

City of Lake City Changes in Net Position From Statement of Activities						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY 20	FY 19	FY 20	FY 19	FY 20	FY 19
REVENUES						
Program Revenues:						
Charges for services	\$ 4,405,382	\$ 4,306,090	\$ 18,335,132	\$ 18,311,454	\$ 22,740,514	22,617,544
Operating grants and contributions	1,526,313	1,505,580	253,105		1,779,418	1,505,580
Capital grant and contributions	2,429,651	6,325,707	526,092	268,453	2,955,743	6,594,160
Property taxes	3,936,575	3,836,995			3,936,575	3,836,995
Sales taxes	2,830,734	2,719,769			2,830,734	2,719,769
Casualty and fire insurance premium taxes	186,282	180,706			186,282	180,706
Public service taxes	1,395,569	1,459,951			1,395,569	1,459,951
Other taxes	731,630	717,260			731,630	717,260
Franchise and utility taxes	1,332,705	1,409,248			1,332,705	1,409,248
State revenue sharing	443,903	456,034			443,903	456,034
Other governmental revenues	235,150	191,555			235,150	191,555
Investment earnings	128,815	142,531	18,147	23,509	146,962	166,040
Miscellaneous revenues	379,829	162,414	31,839	128,126	411,668	290,540
Loss on disposal of capital assets			(184,300)		(184,300)	-
Total Revenues and transfers	19,962,538	23,413,840	18,980,015	18,731,542	38,942,553	42,145,382
EXPENSES						
General Government	2,197,711	2,216,877			2,197,711	2,216,877
Public Safety	6,783,422	7,628,463			6,783,422	7,628,463
Highway and Streets	2,943,635	3,490,828			2,943,635	3,490,828
Airport	2,651,422	2,548,881			2,651,422	2,548,881
Health and Welfare	249,353	248,075			249,353	248,075
Economic Environment	40,773	51,838			40,773	51,838
Physical Environment	468,975	451,736			468,975	451,736
Culture and Recreation	393,455	561,604			393,455	561,604
Interest on Long Term Debt	453,496	209,550			453,496	209,550
Water and Sewer Utility			13,178,801	12,142,919	13,178,801	12,142,919
Natural Gas Utility			3,037,422	3,450,492	3,037,422	3,450,492
Total Expenses	16,182,242	17,407,852	16,216,223	15,593,411	32,398,465	33,001,263
Increase (Decrease) in net assets before transfers	3,780,296	6,005,988	2,763,792	3,138,131	6,544,088	9,144,119
Transfers	910,000	1,120,000	(910,000)	(1,120,000)	-	-
Increase (Decrease) in net assets	4,690,296	7,125,988	1,853,792	2,018,131	6,544,088	9,144,119
Net Assets -						
Net position - beginning	49,933,931	42,807,943	42,782,373	40,764,242	92,716,304	83,572,185
Net Position - Ending	\$ 54,624,227	\$ 49,933,931	\$ 44,636,165	\$ 42,782,373	\$ 99,260,392	\$ 92,716,304

Governmental Activities

Governmental activities before transfers decreased the City's net assets \$2,225,692. Revenues for the City's governmental activities decreased \$3,451,302 and total expenses decreased \$1,225,610 for 2020.

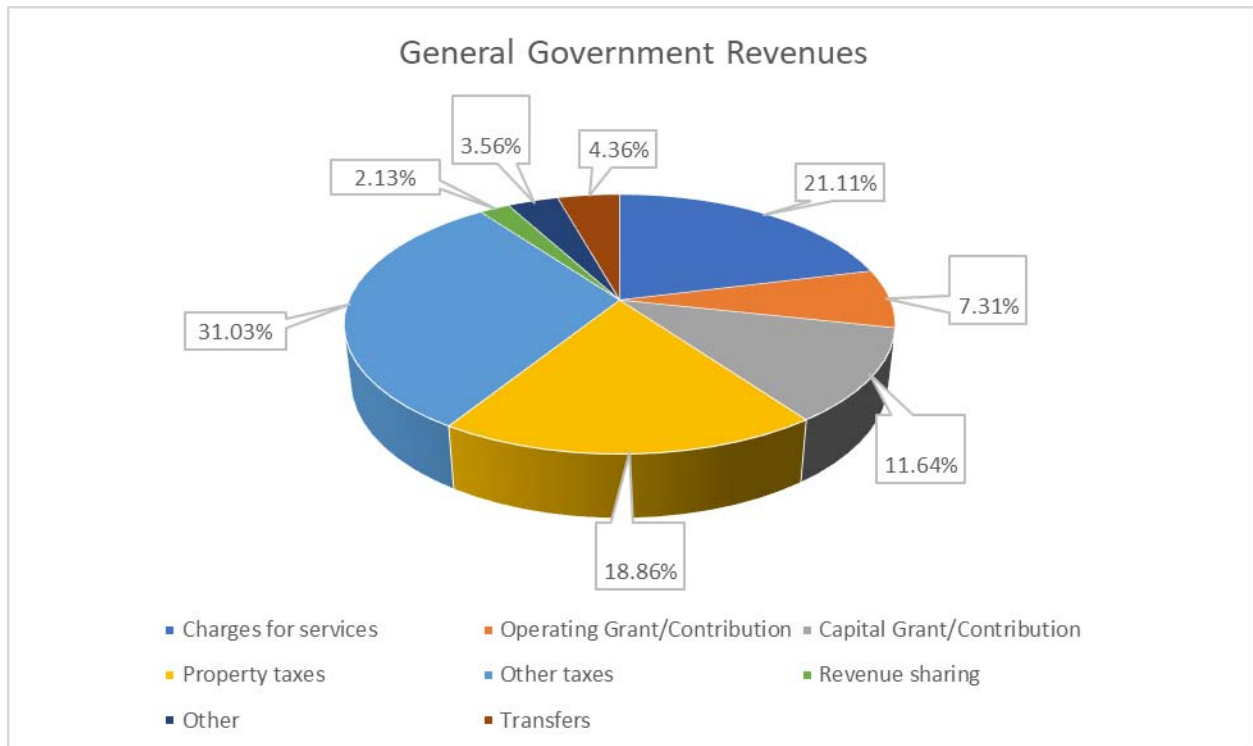
Key elements of the changes in revenues and expenses include:

Revenue:

- Charges for services overall in 2020 were up \$99,292. This was mainly attributable to an increase in construction and permitting fees of \$133,610 from growth in the City and outlying areas. Airport rentals also increased \$92,057 due not only to increases in the CPI but one of the newly constructed hangars was occupied during 2020. Culture & recreation had an overall decrease in services of \$92,606 as the Girls' Club daycare center was closed due to the effects of the Covid-19 pandemic. The center is anticipated to remain closed for the foreseeable future.
- Operating grants and contributions revenue increased in 2020 by \$20,733. Collections of local option gas taxes rose \$66,719. However, private source donations fell \$45,445 as the Policemens' Ball event could not be held due to measures undertaken for social distancing for Covid-19.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

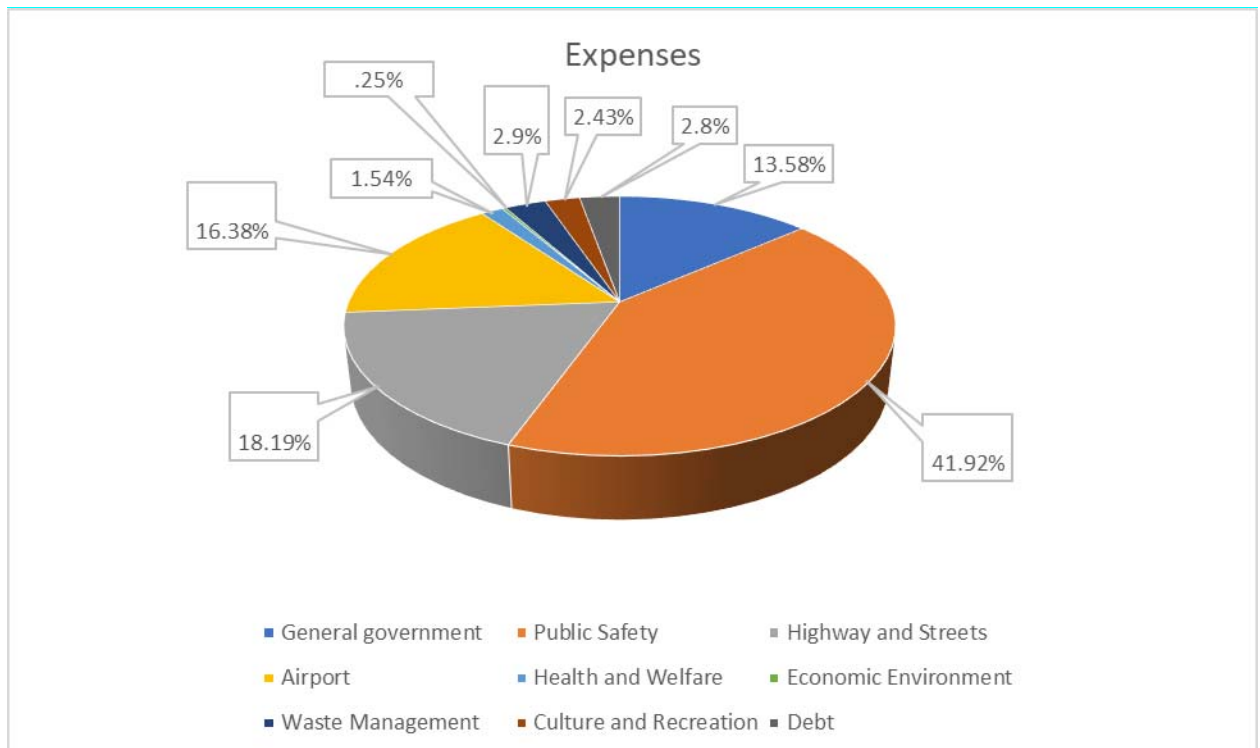
- Capital grants decreased \$3,896,056 in FY 2020. Airport construction projects funded by federal and state grants to resurface Runway 10-28 were completed in 2020 which reduced revenue \$4,401,760. The airport also received CARES Act funding of \$69,000 for amounts expended for covid reimbursement. CDBG grant proceeds of \$315,936 received for commercial revitalization project were fully funded in the prior year. The City billed an additional \$742,237 from FDOT to resurface McFarlane Avenue from Bascom Norris Road to Baya Avenue. Project was completed at year end.
- Property taxes rose \$99,580 as property values increased approximately \$34 million during 2020. The City continues to maintain its ad valorem rate of 4.9 mils.
- Other taxes, which include utility, sales tax, revenue sharing and discretionary sales tax, increased \$21,450 during the year. Sales taxes were up \$110,965 as constituents remained active during the pandemic. Alcoholic beverage licenses increased \$36,719 from the previous year. However, public service taxes and franchise/utility taxes were down \$140,925 as collections during the pandemic affected payment of outstanding billings.
- Investment earnings on accounts declined \$13,716.
- Miscellaneous revenues were up \$217,415. The City received an additional payment from our insurance provider related to the ransomware attack sustained in 2019 of \$187,667.
- Interfund transfers to the General Fund were reduced \$210,000.



MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Expenses:

- Governmental spending decreased \$1,225,610 from 2019. The breakdown is outlined below.
- Overall general government expenditures increased \$209,103 at the fund level but on a government wide basis costs decreased \$48,805. Most of the increases at the fund level were higher costs for operating supplies and repairs and maintenance for renewals of support services for Information Technology. The City also began payments to Integrity Development Partners per its ten-year contractual agreement to pay rent of \$35,417 per month and rebate annual property taxes. At the government wide level depreciation increased \$84,538 while pension costs decreased \$342,446 due to a favorable investment market during 2020.
- Public Safety expenditures decreased overall \$845,041 in 2020 mostly from changes in net pension and OPEB costs from favorable market conditions and employer contribution rates dropped.
- Highway and Street costs declined \$547,193 in 2020. Professional and contractual services were down due to completion of Lake Shore Hospital bypass road design in 2019. Depreciation and pension costs were also down \$228,706 for the year.
- Airport net expenditures increased \$102,541. Purchases of gas decreased \$46,207 while other current charges decreased \$36,542 as the result of a sales tax audit from the previous year. Depreciation increased \$129,855 as Runway 10-28 was placed into service in 2020.
- Debt services increased \$189,844 in FY 2020. During the year the City borrowed \$9,282,875 to refinance the 2012 Sales Tax Bond. The City refunded \$3,529,615 on the 2012 loan and received loan proceeds of approximately \$5.7 million for closing costs of \$53,260 and to build a new fire station and City Hall. In addition, the first payment of principal and interest became due on the Motorola leased equipment which was purchased in 2019.



MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Business-type Activities

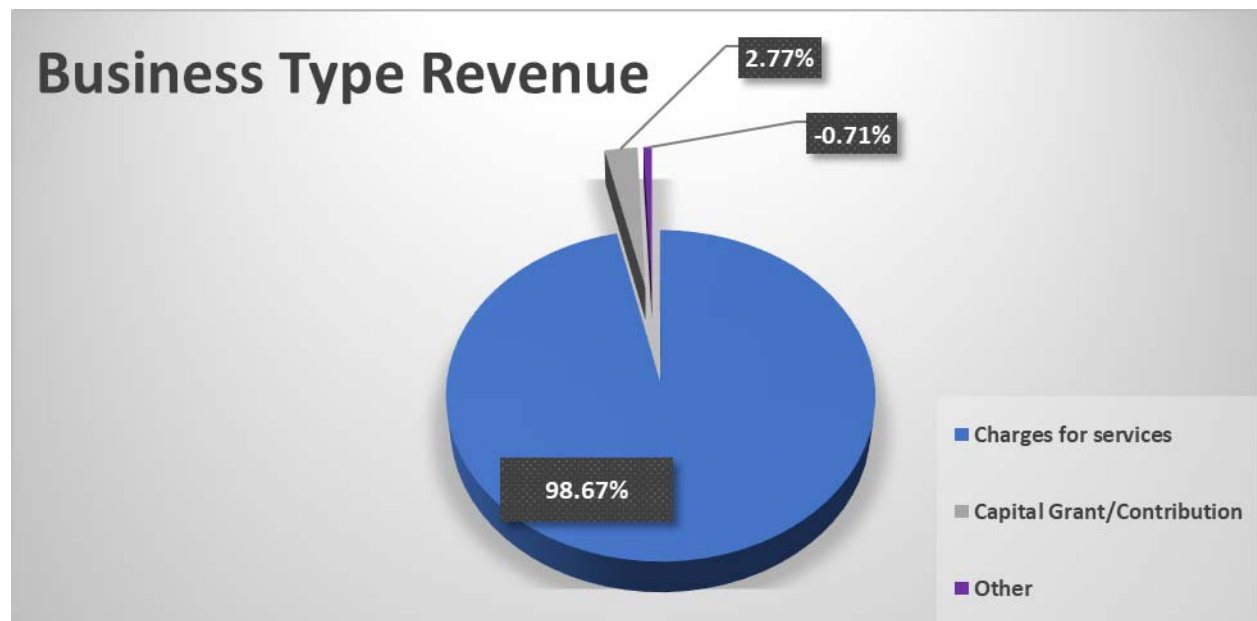
Business-type activities before transfers decreased the City's net assets by \$374,339 for fiscal year 2020 compared to a \$1,036,635 decrease in 2019. Revenues for the City's business-type activities increased \$248,473 while total expenses increased \$622,812 for fiscal year 2020. Elements of the changes in revenues and expenses include:

Revenue:

- Charges for services increased \$23,678 from the previous year. Although gas consumption remained about the same as the prior year, natural gas sales decreased \$569,279 as gas prices dropped for the year. Utility penalties also declined as the City temporarily halted charging penalties for late payment of utility bills to assist customers during the pandemic. Water and sewer service charges were up \$470,617 due to a 1% increase in the CPI and consumption increase of 30 million gallons.
- Capital grants increased \$257,639 during FY 2020. The City entered into a grant agreement with the Department of Environmental Protection for \$2,697,456 to design and construct sewer lines to SR 47 and I-75 interchange. The purpose of the grant is to mitigate nitrogen overload from contaminants from septic tank systems in the area by connecting to City sewer. Intense growth is expected in this location due to the high traffic area and interest by developers to build at this intersection. The City billed DEP \$187,590 during 2020.

Impact fees rose \$70,049 from the previous year but Council decided during the year to waive fees for twelve months as a development incentive.

- The City sold the Brandon Brent Water Plant during the year at a loss of \$184,500. Increased maintenance costs and location in the County were the primary contributing factors of the sale.



MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

Expenses:

- Water and sewer costs increased overall \$1,035,882 during the year. Personnel costs decreased \$110,849 from net pension and OPEB costs while salaries and benefits increased \$158,071 from a 2% increase in cost of living. Depreciation increased \$345,500 during 2020 while interest expense decreased \$265,729 from refinancing of debt 2010A & B bonds at a lower interest rate.

Contract services and materials increased \$824,041. The City spent \$193,939 in engineering services to perform a wastewater capacity study for Bell Road and renewed its agreement with Sensus to provide software maintenance for the City's automatic meter reading system for \$152,708 for five years.

The Water Plant conducted and implemented its AWIA certification which is required by the U. S. EPA to assess and evaluate vulnerabilities, threats and potential hazards to the water system. As a result, the department paid engineering costs of \$68,798 to perform the study. An additional \$40,180 was paid to Hydrocorp to perform testing and inspection of all backflow systems on the City's water system.

Cost to move and set up a generator at the sprayfield increased repairs and maintenance \$96,019 while repairs overall were up in the Distributions and Collections department by \$81,960. Operating supplies costs rose \$106,259 as pricing continues to climb for pipe and materials.

- Natural gas expenses decreased \$413,070. The number of therms of sales of gas remained constant while cost of gas decreased, resulting in a reduction of \$432,673 of gas purchases.

The City's Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$21,723,132, which is a 56.07% percent increase over the previous year. Approximately 66.80% percent or \$14,511,105 of the fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. Non-spendable fund balance of .2% is comprised of:

❖ Inventory	\$ 49,805
❖ Prepaids	\$ 2,609

The restricted fund balance of \$7,159,613 constitutes 32.96% which has been obligated for debt service of \$147,400, public safety of \$2,186,740, airport \$764,969, health and welfare \$27,611, capital improvements of \$3,804,106 for the new City Hall to be constructed and community redevelopment of \$228,787.

Business-type Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(continued)

Budgetary Highlights – Governmental Activities

For fiscal year 2020, the City adopted a balanced budget in the General Fund. The General Fund had an original budget of \$15,547,382; the final amended budget was \$16,958,465.

The following is a brief overview of the significant budgeting changes of \$1,413,390 from the original budget to the final budget.

General Fund

- City received reimbursement from Florida Municipal Insurance Trust (FMIT), our insurance provider, for final reimbursement of costs associated with the ransomware attack in 2019 of \$187,667.
- City received an additional \$67,069 for insurance proceeds from wrecked vehicles.
- Grant was received from Small Outreach Program to resurface SW McFarlane Avenue to Bascom Norris Road and Baya Avenue for \$827,054.
- The City received a donation from the Rotary Club to purchase a water fountain for City owned park.
- Garbage/solid waste services collections increased \$23,127 and were offset by costs of collection.
- The City received insurance premium taxes of \$16,807 greater than the original projection. Insurance premium taxes are used for retirement benefits for the Police pension.
- Grants for overtime of \$40,131 were received for speed and aggressive driving and occupant safety from the Florida Department of Transportation.
- Building permit fees of \$130,433 were received in excess of amounts originally budgeted.
- Court fines and judgment fees of \$22,246 were collected in excess of original budget.

Airport Special Revenue Fund

- The Airport received funding from the CARES Act to reimburse for expenditures incurred as a result of Covid-19 of \$69,000.

Sales Tax Bond Fund

- The City borrowed \$9,098,781 to refund the 2012 Sales Tax Bond issue and received additional loan proceeds of \$5,700,000 to build a new City Hall and Fire Station for the west end of town.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Capital Assets and Debt Administration

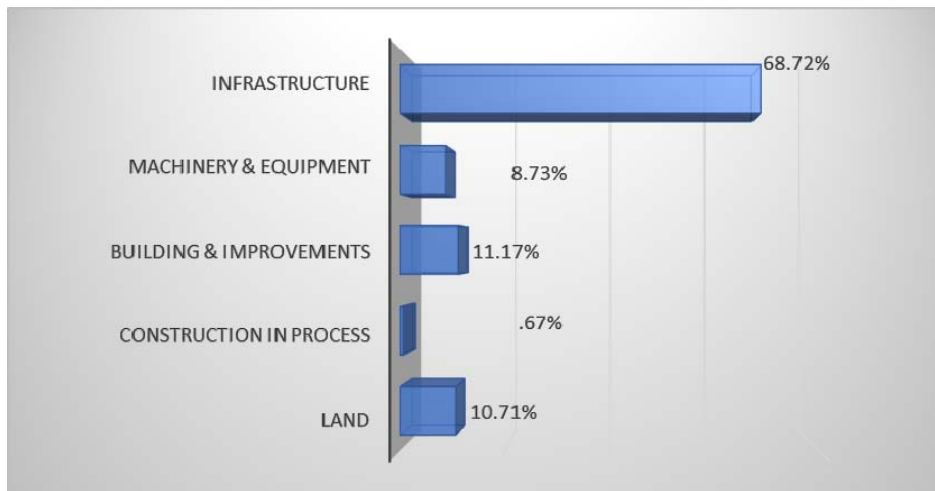
Capital Assets

At the end of fiscal year 2020, the City had \$117,756,916 invested in a broad range of capital assets. This amount represents a net decrease of \$366,463 over last year.

**Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Land	\$ 7,379,013	\$ 7,379,003	\$ 5,234,282	\$ 5,296,782	\$ 12,613,295	\$ 12,675,785
Construction in Process	505,169	11,074,449	279,797	34,102	784,966	11,108,551
Building & Improvements	8,138,216	6,358,627	5,019,780	5,022,084	13,157,996	11,380,711
Machinery & equipment	3,025,374	1,796,004	7,250,770	6,648,503	10,276,144	8,444,507
Infrastructure	30,853,603	22,718,360	50,070,912	51,795,465	80,924,515	74,513,825
Totals	\$ 49,901,375	\$ 49,326,443	\$ 67,855,541	\$ 68,796,936	\$ 117,756,916	\$ 118,123,379

Capital Assets by Class:



Major capital asset acquisitions and reclassifications from construction in progress to infrastructure and building improvements for 2020 include:

General Government

Wilson Park Amphitheater	CRA	\$1,237,678
Corporate Hangar A-1	Airport	\$1,322,392
Bulk Hangar A-2	Airport	\$ 886,866
Runway 10-28	Airport	\$7,591,056
Motorola Radio System	Police/Fire	\$1,394,357
SW McFarlane Overlay	Public Works	\$ 878,369
Additional street overlays	Public Works	\$ 235,698

Business Type Activities

Equipment additions	Water Sewer	\$1,819,622
Infrastructure	Water Sewer	\$ 204,533

Additional information on the City's capital assets can be found in Note 6 of the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Long-term Debt

At the end of the current fiscal year, the City had total bond debt outstanding of \$52,965,244 net of unamortized premiums and discounts.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue bonds/leases	\$13,642,016	\$8,515,472	\$ 39,323,228	\$ 34,557,113	\$ 52,965,244	\$ 43,072,585

As noted previously, the City borrowed an additional \$5,700,000 to construct a new City Hall and Fire Station. Also, during the year, the Water Sewer Fund refunded its 2010A & B bonds of \$25,893,978 and borrowed an additional \$6,150,250 to make major improvements to its Saint Margaret's Street wastewater facility. By doing so, the plant should be able to maintain its capacity for future needs.

Additional information on the City's long-term debt can be found in Note 8 of the notes to the financial statements.

The City considered many factors when preparing the fiscal year 2020 budgetary estimates. Some of the major considerations were local and national economic factors, which included:

- Seasonally adjusted unemployment rate for Florida in September 2020 was 7.6%, which is up from the previous year rate of 4.4%, while Columbia County averaged 8.1%. Prior to the pandemic it was expected that employment would be at an all-time high. However, implementation of measures to reduce COVID-19 infections resulted in major unemployment for the State and the County.
- Consumer prices twelve-month average increased 1.4% from the previous year for all urban consumers. Food prices increased 3.9% while energy declined 7.7%.
- Property values have continued to increase but have not reached the level they were prior to the 2008 downturn. Even with increases of \$34 million in valuation, the net change from the previous year only produced another \$130,290 in budgeted property taxes overall.
- Revenue projections for state shared revenues were projected upwards by \$143,729 over the previous year.

Financial Contact

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions concerning any of the information provided in this report or need additional financial information, contact the City's Finance Director at City Hall located at 205 North Marion Avenue, Lake City, Florida, 32055.

BASIC FINANCIAL STATEMENTS

These basic financial statements contain Government-wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

CITY OF LAKE CITY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 15,834,804	\$ 8,420,699	\$ 24,255,503
Investments	4,656,346	-	4,656,346
Receivables, net	471,005	2,478,094	2,949,099
Due from other governments	1,909,151	393,252	2,302,403
Inventories	49,805	285,385	335,190
Prepays	2,609	5,171	7,780
Net pension asset	2,874,477	-	2,874,477
Restricted assets:			
Equity in pooled cash	-	9,124,290	9,124,290
Capital assets:			
Capital assets, not being depreciated	7,884,182	5,514,079	13,398,261
Other capital assets, net of depreciation	42,017,193	62,341,462	104,358,655
Total assets	<u>\$ 75,699,572</u>	<u>\$ 88,562,432</u>	<u>\$ 164,262,004</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	\$ -	\$ 122,743	\$ 122,743
Deferred outflows related to pensions	3,010,391	985,653	3,996,044
Deferred outflows related to OPEB	10,352	6,858	17,210
Total deferred outflows	<u>\$ 3,020,743</u>	<u>\$ 1,115,254</u>	<u>\$ 4,135,997</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,075,971	\$ 555,133	\$ 1,631,104
Customer deposits	100,200	1,166,286	1,266,486
Unearned revenue	24,417	479,033	503,450
Accrued interest payable	117,482	164,285	281,767
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	628,098	2,363,933	2,992,031
Capital leases	121,290	-	121,290
Compensated absences	609,661	297,845	907,506
Due in more than one year:			
Bonds and notes payable, net	11,736,314	36,959,295	48,695,609
Capital leases	1,156,314	-	1,156,314
Compensated absences	166,547	107,803	274,350
Total OPEB liability	229,603	152,088	381,691
Net pension liability	5,959,587	2,564,730	8,524,317
Total liabilities	<u>\$ 21,925,484</u>	<u>\$ 44,810,431</u>	<u>\$ 66,735,915</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 2,147,391	\$ 215,713	\$ 2,363,104
Deferred inflows related to OPEB	23,213	15,377	38,590
Total deferred inflows	<u>\$ 2,170,604</u>	<u>\$ 231,090</u>	<u>\$ 2,401,694</u>
NET POSITION			
Net investment in capital assets	\$ 41,965,518	\$ 34,807,282	\$ 76,772,800
Restricted for:			
Public safety	284,687	-	284,687
Community redevelopment projects	228,787	-	228,787
Airport	764,969	-	764,969
Debt service	29,918	618,302	648,220
Capital improvements	-	2,189,477	2,189,477
Pension benefits	1,805,616	-	1,805,616
Other purposes	27,611	-	27,611
Unrestricted	9,517,121	7,021,104	16,538,225
Total net position	<u>\$ 54,624,227</u>	<u>\$ 44,636,165</u>	<u>\$ 99,260,392</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,197,711	\$ 16,800	\$ 17,008	\$ -	\$ (2,163,903)	\$ -	\$ (2,163,903)
Public safety	6,783,422	2,515,584	-	12,290	(4,255,548)	-	(4,255,548)
Highway and street	2,943,635	-	1,507,361	927,034	(509,240)	-	(509,240)
Airport	2,651,422	1,321,240	-	1,490,327	160,145	-	160,145
Health and welfare	249,353	-	-	-	(249,353)	-	(249,353)
Economic environment	40,773	-	1,944	-	(38,829)	-	(38,829)
Physical environment	468,975	525,569	-	-	56,594	-	56,594
Culture and recreation	393,455	26,189	-	-	(367,266)	-	(367,266)
Interest on long-term debt	453,496	-	-	-	(453,496)	-	(453,496)
Total governmental activities	<u>16,182,242</u>	<u>4,405,382</u>	<u>1,526,313</u>	<u>2,429,651</u>	<u>(7,820,896)</u>	<u>-</u>	<u>(7,820,896)</u>
Business-type activities:							
Water-sewer utility	13,178,801	14,766,472	253,105	526,092	-	2,366,868	2,366,868
Natural gas	3,037,422	3,568,660	-	-	-	531,238	531,238
Total business-type activities	<u>16,216,223</u>	<u>18,335,132</u>	<u>253,105</u>	<u>526,092</u>	<u>-</u>	<u>2,898,106</u>	<u>2,898,106</u>
Total primary government	<u>\$ 32,398,465</u>	<u>\$ 22,740,514</u>	<u>\$ 1,779,418</u>	<u>\$ 2,955,743</u>	<u>(7,820,896)</u>	<u>2,898,106</u>	<u>(4,922,790)</u>
General revenues:							
Property taxes					3,936,575	-	3,936,575
Sales taxes					2,830,734	-	2,830,734
Casualty and fire insurance premium taxes					186,282	-	186,282
Public service taxes					1,395,569	-	1,395,569
Other taxes					731,630	-	731,630
Franchise and utility taxes					1,332,705	-	1,332,705
State revenue sharing					443,903	-	443,903
Other intergovernmental revenues					235,150	-	235,150
Investment earnings					128,815	18,147	146,962
Miscellaneous revenues					379,829	31,839	411,668
Loss on disposal of capital assets					-	(184,300)	(184,300)
Transfers					910,000	(910,000)	-
Total general revenues and transfers					<u>12,511,192</u>	<u>(1,044,314)</u>	<u>11,466,878</u>
Change in net position					4,690,296	1,853,792	6,544,088
Net position - beginning					49,933,931	42,782,373	92,716,304
Net position - ending					<u>\$ 54,624,227</u>	<u>\$ 44,636,165</u>	<u>\$ 99,260,392</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	General	Fire Department	Community Redevelopment Agency	Sales Tax Bond	Airport Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and cash equivalents	\$ 8,373,986	\$ 209,388	\$ 241,124	\$ 5,706,159	\$ 212,212	\$ 1,091,935	\$ 15,834,804
Investments	4,656,346	-	-	-	-	-	4,656,346
Receivables, net	457,220	584	-	-	-	13,201	471,005
Due from other governments	1,785,703	18,750	-	-	104,698	-	1,909,151
Inventories	29,372	-	-	-	-	20,433	49,805
Prepaid items	905	-	-	-	-	1,704	2,609
Total assets	<u>\$ 15,303,532</u>	<u>\$ 228,722</u>	<u>\$ 241,124</u>	<u>\$ 5,706,159</u>	<u>\$ 316,910</u>	<u>\$ 1,127,273</u>	<u>\$ 22,923,720</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 759,050	\$ 52,400	\$ 12,237	\$ -	\$ 62,938	\$ 189,346	\$ 1,075,971
Customer deposits	100	-	100	-	-	100,000	100,200
Unearned revenue	3,000	-	-	-	-	21,417	24,417
Total liabilities	<u>762,150</u>	<u>52,400</u>	<u>12,337</u>	<u>-</u>	<u>62,938</u>	<u>310,763</u>	<u>1,200,588</u>
FUND BALANCES							
Nonspendable:							
Inventories	29,372	-	-	-	-	20,433	49,805
Prepaid items	905	-	-	-	-	1,704	2,609
Restricted for:							
Public safety	-	176,322	-	1,902,053	-	108,365	2,186,740
Airport	-	-	-	-	253,972	510,997	764,969
Debt service	-	-	-	-	-	147,400	147,400
Capital improvements	-	-	-	3,804,106	-	-	3,804,106
Community redevelopment	-	-	228,787	-	-	-	228,787
Health and welfare	-	-	-	-	-	27,611	27,611
Unassigned	14,511,105	-	-	-	-	-	14,511,105
Total fund balances	<u>14,541,382</u>	<u>176,322</u>	<u>228,787</u>	<u>5,706,159</u>	<u>253,972</u>	<u>816,510</u>	<u>21,723,132</u>
Total liabilities and fund balances	<u>\$ 15,303,532</u>	<u>\$ 228,722</u>	<u>\$ 241,124</u>	<u>\$ 5,706,159</u>	<u>\$ 316,910</u>	<u>\$ 1,127,273</u>	<u>\$ 22,923,720</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Fund balances - total governmental funds \$ 21,723,132

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

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

Total governmental capital assets	95,501,941	
Less: accumulated depreciation	<u>(45,600,566)</u>	49,901,375

On the governmental fund statements, a net pension liability (asset) is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability (asset) of the defined benefit pension plans is reported as a noncurrent liability (asset). Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(5,959,587)	
Net pension asset	2,874,477	
Deferred outflows related to pensions	3,010,391	
Deferred inflows related to pensions	<u>(2,147,391)</u>	(2,222,110)

On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the Statement of Net Position, the City's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.

Total OPEB liability	(229,603)	
Deferred outflows related to OPEB	10,352	
Deferred inflows related to OPEB	<u>(23,213)</u>	(242,464)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:

Bonds and notes payable	(12,364,412)	
Accrued interest payable	(117,482)	
Lease financed purchases	(1,277,604)	
Compensated absences	<u>(776,208)</u>	(14,535,706)

Net position of governmental activities		<u><u>\$ 54,624,227</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General	Fire Department	Community Redevelopment Agency	Sales Tax Bond	Airport Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 9,037,649	\$ 64,182	\$ 125,347	\$ -	\$ -	\$ -	\$ 9,227,178
Franchise fees and permits	1,603,474	-	-	-	-	-	1,603,474
Intergovernmental	2,744,608	450	178,971	-	1,359,675	187,917	4,471,621
Charges for services	1,897,858	2,161,738	700	-	-	1,280,631	5,340,927
Fines and forfeitures	68,869	-	-	-	-	-	68,869
Investment income	120,452	1,558	473	6,159	76	97	128,815
Miscellaneous	302,959	-	-	-	-	148,695	451,654
Total revenues	15,775,869	2,227,928	305,491	6,159	1,359,751	1,617,340	21,292,538
Expenditures							
Current:							
General government	3,602,398	-	-	-	-	-	3,602,398
Public safety	4,740,885	2,332,412	-	-	-	845	7,074,142
Highway and street	2,502,674	-	-	-	-	-	2,502,674
Airport	-	-	-	-	62,938	976,190	1,039,128
Health and welfare	249,353	-	-	-	-	-	249,353
Economic environment	-	-	40,773	-	-	-	40,773
Physical environment	468,975	-	-	-	-	-	468,975
Culture and recreation	422,396	-	-	-	-	-	422,396
Capital outlay	1,681,405	97,730	202,570	-	1,591,364	133,515	3,706,584
Debt service:							
Principal retirement	-	-	85,077	-	-	604,106	689,183
Interest and fiscal charges	-	-	18,073	31,438	-	284,455	333,966
Debt insurance costs	-	-	-	53,260	-	-	53,260
Total expenditures	13,668,086	2,430,142	346,493	84,698	1,654,302	1,999,111	20,182,832
Excess (deficiency) of revenues over expenditures	<u>2,107,783</u>	<u>(202,214)</u>	<u>(41,002)</u>	<u>(78,539)</u>	<u>(294,551)</u>	<u>(381,771)</u>	<u>1,109,706</u>
Other financing sources (uses)							
Transfers in	910,000	289,680	-	-	-	697,520	1,897,200
Transfers out	(849,049)	(138,151)	-	-	-	-	(987,200)
Deposit to bond refunding escrow	-	-	-	(3,314,083)	-	-	(3,314,083)
Issuance of long-term debt	-	-	-	9,098,781	-	-	9,098,781
Total other financing sources (uses)	60,951	151,529	-	5,784,698	-	697,520	6,694,698
Net change in fund balances	<u>2,168,734</u>	<u>(50,685)</u>	<u>(41,002)</u>	<u>5,706,159</u>	<u>(294,551)</u>	<u>315,749</u>	<u>7,804,404</u>
Fund balances, beginning of year	12,372,648	227,007	269,789	-	548,523	500,761	13,918,728
Fund balances, end of year	<u>\$ 14,541,382</u>	<u>\$ 176,322</u>	<u>\$ 228,787</u>	<u>\$ 5,706,159</u>	<u>\$ 253,972</u>	<u>\$ 816,510</u>	<u>\$ 21,723,132</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF LAKE CITY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balances - total governmental funds **\$ 7,804,404**

Differences in amounts reported for governmental activities in the statement of activities are:

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

Capital outlay expenditures	3,706,584
Depreciation expense	(3,131,652)

Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:

Principal repayment of general long-term debt	4,003,266
Issuance of governmental long-term debt	(9,098,781)

Governmental funds report contributions to defined benefit pension and OPEB plans as expenditures.

However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future total OPEB/net pension liability. Also included in expense in the statement of activities are amounts required to be amortized in future years related to pensions and OPEB.

Change in net pension liability and deferred inflows/outflows related to pensions	1,654,681
Change in total OPEB liability and deferred inflows/outflows related to OPEB	(164,253)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:

Amortization of bond discounts and premiums	(31,029)
Change in accrued interest on long-term debt and amortization of loss on refunding	(35,241)
Change in compensated absences liability	(17,683)

Change in net position of governmental activities	\$ 4,690,296
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The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 9,056,425	\$ 9,073,232	\$ 9,037,649	\$ (35,583)
Franchise fees and permits	1,613,848	1,744,281	1,603,474	(140,807)
Intergovernmental	1,866,891	2,734,076	2,744,608	10,532
Charges for services	1,982,094	2,002,914	1,897,858	(105,056)
Fines and forfeitures	45,217	67,463	68,869	1,406
Investment income	15,028	102,166	120,452	18,286
Miscellaneous	45,879	312,333	302,959	(9,374)
Total revenues	14,625,382	16,036,465	15,775,869	(260,596)
Expenditures				
Current:				
General government	4,112,783	4,460,368	3,602,398	857,970
Public safety	5,576,133	5,531,206	4,740,885	790,321
Highway and street	2,880,281	2,746,870	2,502,674	244,196
Health and welfare	254,500	257,153	249,353	7,800
Physical environment	448,158	468,978	468,975	3
Culture and recreation	572,496	572,496	422,396	150,100
Capital outlay	1,045,162	2,072,345	1,681,405	390,940
Total expenditures	14,889,513	16,109,416	13,668,086	2,441,330
Excess (deficiency) of revenues over expenditures	<u>(264,131)</u>	<u>(72,951)</u>	<u>2,107,783</u>	<u>2,180,734</u>
Other financing sources (uses)				
Transfers in	910,000	910,000	910,000	-
Transfers out	(657,869)	(849,049)	(849,049)	-
Proceeds from sale of capital assets	12,000	12,000	-	(12,000)
Total other financing sources (uses)	264,131	72,951	60,951	(12,000)
Net change in fund balances	<u>-</u>	<u>-</u>	<u>2,168,734</u>	<u>2,168,734</u>
Fund balances, beginning of year	12,372,648	12,372,648	12,372,648	-
Fund balances, end of year	<u>\$ 12,372,648</u>	<u>\$ 12,372,648</u>	<u>\$ 14,541,382</u>	<u>\$ 2,168,734</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FIRE DEPARTMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 63,275	\$ 63,275	\$ 64,182	\$ 907
Intergovernmental	-	-	450	450
Charges for services	2,167,620	2,167,620	2,161,738	(5,882)
Investment income	-	-	1,558	1,558
Total revenues	<u>2,230,895</u>	<u>2,230,895</u>	<u>2,227,928</u>	<u>(2,967)</u>
Expenditures				
Current:				
Public safety	2,426,508	2,424,529	2,332,412	92,117
Capital outlay	284,067	147,895	97,730	50,165
Total expenditures	<u>2,710,575</u>	<u>2,572,424</u>	<u>2,430,142</u>	<u>142,282</u>
Excess (deficiency) of revenues over expenditures	<u>(479,680)</u>	<u>(341,529)</u>	<u>(202,214)</u>	<u>139,315</u>
Other financing sources (uses)				
Transfers in	289,680	289,680	289,680	-
Transfers out	-	(138,151)	(138,151)	-
Total other financing sources (uses)	<u>289,680</u>	<u>151,529</u>	<u>151,529</u>	<u>-</u>
Net change in fund balances	<u>(190,000)</u>	<u>(190,000)</u>	<u>(50,685)</u>	<u>139,315</u>
Fund balances, beginning of year	227,007	227,007	227,007	-
Fund balances, end of year	<u>\$ 37,007</u>	<u>\$ 37,007</u>	<u>\$ 176,322</u>	<u>\$ 139,315</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 134,088	\$ 134,088	\$ 125,347	\$ (8,741)
Intergovernmental	179,604	179,604	178,971	(633)
Charges for services	-	-	700	700
Investment income	100	100	473	373
Miscellaneous	-	-	-	-
Total revenues	<u>313,792</u>	<u>313,792</u>	<u>305,491</u>	<u>(8,301)</u>
Expenditures				
Current:				
Economic environment	51,796	51,796	40,773	11,023
Capital outlay	919,199	919,199	202,570	716,629
Debt service:				-
Principal retirement	85,077	85,077	85,077	-
Interest and fiscal charges	18,073	18,073	18,073	-
Total expenditures	<u>1,074,145</u>	<u>1,074,145</u>	<u>346,493</u>	<u>727,652</u>
Net change in fund balances	<u>(760,353)</u>	<u>(760,353)</u>	<u>(41,002)</u>	<u>719,351</u>
Fund balances, beginning of year	269,789	269,789	269,789	-
Fund balances, end of year	<u><u>\$ (490,564)</u></u>	<u><u>\$ (490,564)</u></u>	<u><u>\$ 228,787</u></u>	<u><u>\$ 719,351</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds		
	Water-Sewer Utility	Natural Gas	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 6,503,253	\$ 1,917,446	\$ 8,420,699
Accounts receivable, net	2,132,326	345,768	2,478,094
Due from other governments	383,945	9,307	393,252
Inventories	208,362	77,023	285,385
Prepaid items	-	5,171	5,171
Restricted current assets			
Equity in pooled cash	2,528,218	-	2,528,218
Total current assets	<u>11,756,104</u>	<u>2,354,715</u>	<u>14,110,819</u>
Noncurrent assets:			
Restricted cash	6,596,072	-	6,596,072
Capital assets:			
Land	5,232,743	1,539	5,234,282
Building and improvements	6,817,293	744,805	7,562,098
Infrastructure	84,781,238	3,784,456	88,565,694
Machinery and equipment	16,406,671	1,064,114	17,470,785
Construction in progress	279,797	-	279,797
Accumulated depreciation	(48,383,113)	(2,874,002)	(51,257,115)
Total capital assets, net	<u>65,134,629</u>	<u>2,720,912</u>	<u>67,855,541</u>
Total noncurrent assets	<u>71,730,701</u>	<u>2,720,912</u>	<u>74,451,613</u>
Total assets	<u>\$ 83,486,805</u>	<u>\$ 5,075,627</u>	<u>\$ 88,562,432</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	\$ 122,743	\$ -	\$ 122,743
Deferred outflows related to pensions	831,649	154,004	985,653
Deferred outflows related to OPEB	5,611	1,247	6,858
Total deferred outflows	<u>\$ 960,003</u>	<u>\$ 155,251</u>	<u>\$ 1,115,254</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 358,608	\$ 196,525	\$ 555,133
Deposits	832,209	334,077	1,166,286
Unearned revenue	70,154	408,879	479,033
Compensated absences	242,220	55,625	297,845
Payable from restricted assets:			
Current maturities on long-term debt	2,363,933	-	2,363,933
Accrued interest payable	164,285	-	164,285
Total current liabilities	<u>4,031,409</u>	<u>995,106</u>	<u>5,026,515</u>
Noncurrent liabilities:			
Bonds and notes payable, net	36,959,295	-	36,959,295
Compensated absences	87,575	20,228	107,803
Total OPEB liability	124,435	27,653	152,088
Net pension liability	2,164,002	400,728	2,564,730
Total noncurrent liabilities	<u>39,335,307</u>	<u>448,609</u>	<u>39,783,916</u>
Total liabilities	<u>\$ 43,366,716</u>	<u>\$ 1,443,715</u>	<u>\$ 44,810,431</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	\$ 182,009	\$ 33,704	\$ 215,713
Deferred inflows related to OPEB	12,581	2,796	15,377
Total deferred inflows	<u>\$ 194,590</u>	<u>\$ 36,500</u>	<u>\$ 231,090</u>
NET POSITION			
Net investment in capital assets	\$ 32,086,370	\$ 2,720,912	\$ 34,807,282
Restricted for debt service	618,302	-	618,302
Restricted for renewal and replacement	500,000	-	500,000
Restricted for system improvements	1,689,477	-	1,689,477
Unrestricted	5,991,353	1,029,751	7,021,104
Total net position	<u>\$ 40,885,502</u>	<u>\$ 3,750,663</u>	<u>\$ 44,636,165</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds		
	Water-Sewer Utility	Natural Gas	Total
Operating revenues			
Charges for services	\$ 14,628,523	\$ 3,568,660	\$ 18,197,183
Other revenues	137,949	-	137,949
Total operating revenues	14,766,472	3,568,660	18,335,132
Operating expenses			
Personal services	3,753,383	766,449	4,519,832
Contractual services and supplies	3,947,441	1,789,947	5,737,388
Internal charges	980,000	300,000	1,280,000
Depreciation	3,258,108	181,026	3,439,134
Total operating expenses	11,938,932	3,037,422	14,976,354
Operating income (loss)	2,827,540	531,238	3,358,778
Nonoperating revenues (expenses)			
Interest earnings	14,703	3,444	18,147
Intergovernmental grants	253,105	-	253,105
Miscellaneous income	31,477	362	31,839
Gain (loss) on disposal of capital assets	(184,300)	-	(184,300)
Debt issuance costs	(165,286)	-	(165,286)
Interest and amortization expense	(1,357,991)	-	(1,357,991)
Interest subsidy	283,408	-	283,408
Total nonoperating revenues (expenses)	(1,124,884)	3,806	(1,121,078)
Income (loss) before contributions and transfers	1,702,656	535,044	2,237,700
Capital contributions and impact fees	338,502	-	338,502
Capital grants	187,590	-	187,590
Transfers out	(667,000)	(243,000)	(910,000)
Change in net position	1,561,748	292,044	1,853,792
Net position, beginning of year	39,323,754	3,458,619	42,782,373
Net position, end of year	\$ 40,885,502	\$ 3,750,663	\$ 44,636,165

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds		
	Water-Sewer Utility	Natural Gas	Total
Cash flows from operating activities			
Cash received from customers	\$ 14,418,202	\$ 3,516,485	\$ 17,934,687
Cash paid to employees	(3,962,789)	(822,531)	(4,785,320)
Cash paid to suppliers	(3,683,060)	(1,725,887)	(5,408,947)
Cash paid for interfund charges	(980,000)	(300,000)	(1,280,000)
Other receipts	31,477	-	31,477
Net cash provided by (used in) operating activities	<u>5,823,830</u>	<u>668,067</u>	<u>6,491,897</u>
Cash flows from noncapital financing activities			
Transfers to other funds	(667,000)	(243,000)	(910,000)
Intergovernmental grant proceeds	253,105	-	253,105
Interfund loans	-	(94,328)	(94,328)
Net cash provided by (used in) noncapital financing activities	<u>(413,895)</u>	<u>(337,328)</u>	<u>(751,223)</u>
Cash flows from capital and related financing activities			
Impact fees	338,502	-	338,502
Acquisition and construction of capital assets	(2,413,284)	(336,271)	(2,749,555)
Capital grants	187,590	-	187,590
Proceeds from sale of capital assets	67,878	-	67,878
Principal payments of long-term debt	(27,287,000)	-	(27,287,000)
Proceeds from issuance of long-term debt	32,044,228	-	32,044,228
Debt issuance costs	(165,286)	-	(165,286)
Interest paid	(1,375,053)	-	(1,375,053)
Net cash provided by (used in) capital and related financing activities	<u>1,397,575</u>	<u>(336,271)</u>	<u>1,061,304</u>
Cash flows from investing activities			
Interest received	14,703	3,444	18,147
Net change in cash and cash equivalents	<u>6,822,213</u>	<u>(2,088)</u>	<u>6,820,125</u>
Cash and cash equivalents, beginning of year	<u>8,805,330</u>	<u>1,919,534</u>	<u>10,724,864</u>
Cash and cash equivalents, end of year	<u><u>\$ 15,627,543</u></u>	<u><u>\$ 1,917,446</u></u>	<u><u>\$ 17,544,989</u></u>
Cash and cash equivalents classified as:			
Unrestricted	\$ 6,503,253	\$ 1,917,446	\$ 8,420,699
Restricted	9,124,290	-	9,124,290
Total cash and cash equivalents	<u><u>\$ 15,627,543</u></u>	<u><u>\$ 1,917,446</u></u>	<u><u>\$ 17,544,989</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 2,827,540	\$ 531,238	\$ 3,358,778
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	3,258,108	181,026	3,439,134
Gain on disposition of capital assets	31,477	-	31,477
Changes in assets and liabilities:			
Accounts receivable	(53,893)	41,773	(12,120)
Due from other governments	(383,945)	(2,251)	(386,196)
Inventories	28,664	(2,590)	26,074
Prepaid items	126,799	(588)	126,211
Accounts payable and accrued liabilities	108,918	67,238	176,156
Deposits	19,414	(10,404)	9,010
Unearned revenue	70,154	(81,293)	(11,139)
Compensated absences	(10,904)	(13,352)	(24,256)
Net pension liability	(289,244)	(62,441)	(351,685)
Total OPEB liability	90,742	19,711	110,453
Net cash provided by (used in) operating activities	<u><u>\$ 5,823,830</u></u>	<u><u>\$ 668,067</u></u>	<u><u>\$ 6,491,897</u></u>
Non-cash investing, capital, and financing activities:			
Amortization of debt discount/loss on refunding	\$ (113,856)	\$ -	\$ (113,856)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents with trustee	\$ 4,248,034
Receivables	
Contributions receivable	200,350
Interest and dividends receivable	91,379
Total receivables	<u>291,729</u>
Investments, at fair value	
Corporate bonds	7,051,809
Municipal bonds	1,994,977
Equities	28,162,727
Mutual funds	9,437,246
Total investments	<u>46,646,759</u>
Total assets	<u><u>\$ 51,186,522</u></u>
LIABILITIES	
Accounts payable	<u><u>\$ 191,440</u></u>
NET POSITION	
Restricted for pensions	<u><u>\$ 50,995,082</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 1,291,256
Plan members	146,918
State - insurance premium taxes	186,282
Total contributions	<u>1,624,456</u>
Investment earnings	
Net appreciation (depreciation) in fair value of investments	1,592,598
Interest and dividends	2,593,614
Total investment earnings	<u>4,186,212</u>
Less: investment expense	<u>(311,159)</u>
Net investment income (loss)	<u>3,875,053</u>
Total additions	<u>5,499,509</u>
Deductions	
Benefit payments and refunds	3,090,289
Administrative expenses	105,162
Total deductions	<u>3,195,451</u>
Change in net position	<u>2,304,058</u>
Net position restricted for pensions, beginning of year	48,691,024
Net position restricted for pensions, end of year	<u><u>\$ 50,995,082</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) Summary of Significant Accounting Policies:

The financial statements of the City of Lake City, Florida (the City), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles and the City has adopted the GASB Codification. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City was incorporated in 1859, under the State of Florida Laws, Chapter 40, Acts of 1858. The City operates under a City Council form of government and provides, under the administration of an appointed City Manager, the following services: public safety (police and fire), public works (streets and infrastructure), recreation, municipal airport services, natural gas services, planning, zoning, water and sewer services, and general and administrative services.

(b) **Blended component units**—The financial activity of The Lake City Community Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established to provide a method of eliminating blighted areas, expanding employment opportunities, and providing an environment for the social and economic growth of an area designated by City Ordinance. Each member of the City Council is a member of the Agency. The Agency is presented as a governmental fund type.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Thus blended component assets are appropriately presented as funds of the primary government.

(c) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report aggregated information for the overall government for all of the activities of the primary government. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

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

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

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers other reoccurring revenue to be available if they are collected within 90 days of the end of the current fiscal period. Grant and similar revenues are recognized when the related expenditure is incurred.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and other postemployment benefits, and claims and judgments are recorded only when payment is due.

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

The City reports the following major governmental funds:

General Fund—The General Fund is the City’s primary operating fund. It accounts for all resources traditionally associated with governments except those required to be accounted for in another fund.

Fire Department Special Revenue Fund—The Fire Department Special Revenue Fund accounts for the activities of the Lake City Fire Department and is primarily funded by a fire protection assessment imposed on all nongovernmental real property within the City.

Community Redevelopment Agency Fund—The Community Redevelopment Agency Fund accounts for the receipt and expenditures from certain property tax increments which are to be used for specific projects involving community redevelopment.

Sales Tax Bond Fund—The Sales Tax Bond Fund accounts for debt service and capital project activity related to the Series 2019 Bonds.

Airport Capital Projects Fund—The Airport Capital Projects Fund accounts for capital project activity related to the City’s municipal airport. Fund resources are typically received in the form of local, state, and federal grants.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

The City reports the following major proprietary funds:

Water and Sewer System Fund—The Water and Sewer System Fund accounts for the activities of the City's water distribution operations.

Natural Gas Utility Fund—The Natural Gas Utility Fund accounts for the activities of the City's water distribution operations.

Additionally, the City reports the following fund types:

Pension Trust Funds—Accounts for the net position held in trust for defined pension benefits and the related financial activities of the employees' retirement system, which accumulates resources for defined pension benefit payments to the Police Officers' Pension Fund, the Fireman's Pension Trust Fund, and the General Employee's Pension Trust Fund. Assets accumulated and held in trust in defined contribution pension plans (deferred compensation and money purchase retirement plans) are not included in the financial statements, since such amounts immediately vest with the employees.

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

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

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

(e) **Budget information**—General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. Encumbrances are not recorded. Unexpended items at year-end must be reappropriated in the subsequent year.

The City's Finance Director and City Manager, together, are authorized to transfer budgeted amounts within departments within a fund; however, any revisions that increase the total expenditures of any department or fund must be approved by the City Council. The budgetary information presented for the general fund and any major special revenue funds is prepared on the modified accrual basis.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Deposits and investments**—The City’s cash and cash equivalents include cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

The City’s investment policies are governed by state statutes and local resolution. These policies authorize the City to invest in certificates of deposit, money market funds, obligations issued by the U.S. or obligations guaranteed as to principal and interest by the U.S., repurchase agreements collateralized by U.S. securities, and the SBA.

(g) **Property taxes**—The assessment of all properties and the collection of all property taxes are made through the County Property Appraiser and County Tax Collector. General property taxes are recorded as received, in cash, which approximates taxes levied less discounts for the current year.

Taxes are levied on November 1 of each year. All taxes become delinquent on April 1 of the following year. Discounts are allowed for early payment. On or prior to June 1, certificates bearing interest are sold for all uncollected real property taxes. Unsold certificates are held by the County.

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

All trade and property tax receivables are reported net of an allowance for doubtful accounts, where appropriate. Unbilled utility service receivables are recorded at year-end. They are calculated by pro-rating cycle billings subsequent to year-end according to the number of days included in the current fiscal year.

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

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

(j) **Restricted assets**—Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayments, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Restricted funds are comprised of the following:

Sinking funds - segregated resources generated from operations that are accumulated for making debt service payments over the next twelve months.

Construction funds - segregated resources consisting of net bond proceeds from the issuance of revenue bonds and other long-term debt obligations that are restricted to use in construction.

Renewal and replacement funds – segregated resources that are set aside to meet unexpected repairs or to fund asset renewal and replacement.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(k) **Capital assets**—Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	5 – 60 years
Equipment	3 – 20 years
Infrastructure	7 – 60 years

(l) **Compensated absences**—It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(m) **Long-term obligations**—In the government-wide financial statements and the proprietary funds 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 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, as well as bond issue costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. The City Council has delegated responsibility to the City Manager and Finance Director pursuant to Ordinance 97-804. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When both restricted and unrestricted resources are available for use, it is generally the practice of the City to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City's practice to use committed resources first, then assigned, and then unassigned as needed.

It is the City's policy to strive to maintain a minimum reserve level of 30% of the operating budget for the general fund.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(1) **Summary of Significant Accounting Policies:** (Continued)

(o) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items, deferred loss on bond refunding in the proprietary funds and government-wide statement of net position, and deferred outflows related to pensions, which qualify for reporting in this category. 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. Deferred outflows related to pensions are discussed further in Note (13) and deferred outflows related to OPEB are discussed further in Note (12).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only items in this category consisted of deferred inflows of resources related to pensions, as discussed further in Note (13) and deferred inflows related to OPEB are discussed further in Note (12).

(p) **Net position flow assumption**—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City's policy to consider restricted net position to have been used before unrestricted net position is applied.

(q) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(3) Cash Deposits and Investments:

The City's investment policies are governed by Chapter 280 and 218, Florida Statutes, City Code of Ordinances, and the adopted investment policy. The basic allowable investment instruments are as follows:

The Local Government Surplus Funds Trust Fund (SBA) or other state sponsored funds – The State Board of Administration (SBA) pools investments for local governments while providing safety and liquidity.

Securities and Exchange Council registered money market and closed end mutual funds with an investment grade securities rating from a nationally recognized rating agency, investing solely in investments otherwise authorized for the City to invest in directly.

Interest-bearing time deposits or savings accounts in qualified public depositories.

Direct obligations of the United States Treasury and agencies and instrumentalities. Securities will include, but not be limited to treasury bills, notes, bonds and any other obligations whose principal and interest is fully guaranteed by the United States of America or any of its agencies or instrumentalities.

Certificates of deposit – Non-negotiable interest-bearing time certificates of deposit in banks organized under the laws of the United States and doing business and situated in Florida.

Repurchase agreements – Overnight (sweep) repurchase agreements collateralized by any security eligible for pledge to the Florida Chief Financial officer for security of local government funds. The City may only transact repurchase agreements with financial institutions that are Well Capitalized as that term is defined by the Federal Deposit Insurance Corporation.

Deposits include cash on hand and amounts held in the City's demand accounts. Each demand account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the City's custodial bank, which is pledged to a state trust fund that provides security in accordance with Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act (the Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent 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 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(3) Cash Deposits and Investments: (Continued)

The City measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

As of September 30, 2020, the City's governmental and business-type investment portfolio was composed of the following investments:

Investment Type	Credit Quality Rating (S&P)	Carrying Value	Weighted Average Investment Maturities (in Years)		Fair Value Hierarchy Classification
			Less Than 1	1 – 5	
FMIT 0-2 Yr High Quality Bond Fund	AAAf/S1	\$ 3,807,147	\$ 3,807,147	\$ -	Level 2
FMIT 1-3 Yr High Quality Bond Fund	AAAf/S2	608,018	-	608,018	Level 2
Florida Prime	AAAm	241,181	241,181	-	N/A
Total Portfolio		<u>\$ 4,656,346</u>	<u>\$ 4,048,328</u>	<u>\$ 608,018</u>	

Interest Rate Risk: The City's fixed rate investments are generally tied to bond reserve requirements and are intended to be held until the funds are needed, at maturity. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's pension funds limit their risk by averaging investment maturities at approximately seven to ten years.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City's portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

Concentration of Credit Risk: The pension funds' investment policies and practices require investments to be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are purchased and sold. No more than 3% of the trust fund shall be invested in any one issuer.

Custodial Credit Risk—Investments: In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City generally utilizes third party custodians to help manage custodial credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy does not permit general obligations issued by a foreign government and is, therefore, not exposed to foreign currency risk.

Pension Plans

The City's Pension Plans are authorized to invest in all of the instruments noted above as well as the following investments:

Bonds, stocks, commingled mutual funds; and foreign securities.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(3) Cash Deposits and Investments: (Continued)

The following chart shows the City pension funds cash and investment accounts by investment portfolios and their respective maturities (in years):

	<u>Fair Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating Range (Moody's)</u>	<u>Fair Value Hierarchy Classification</u>
Corporate bonds	\$ 7,051,809	6.6	AA- to BBB	Level 2
Municipal bonds and government obligations	1,994,977	4.6	AAA- to A-	Level 2
Equities	28,162,727	N/A	NR	Level 1
Mutual funds	9,437,246	N/A	NR	Level 1
Total Portfolio	<u>\$ 46,646,759</u>			

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plans require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2020, the weighted average maturity in years for each investment type is included in the preceding table.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plans utilize portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. The ratings of the investments held at year end are shown above. All are rated within the investment policy guidelines at September 30, 2020.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Fire Pension trust funds policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed five (5) percent of the outstanding stock of that company, nor shall the aggregate of its investments at market in common stock, capital stock and convertible securities exceed sixty (60) percent of the fund's total assets. Additionally, policy does not allow more than ten (10) percent of its assets in bonds, nor shall the aggregate of its investments in bonds exceed thirty (30) percent of the fund's total assets. The Police Pension trust funds policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor shall the aggregate investment in any one issuing company, exceed five (5) percent of the outstanding stock of that company, nor shall the aggregate of its investments at market in common stock, capital stock and convertible securities exceed sixty-five (65) percent of the fund's total assets. Additionally, policy does not allow more than ten (10) percent of its assets in bonds, nor shall the aggregate of its investments in bonds exceed thirty-five (35) percent of the fund's total assets. The General Employee Pension trust funds policy does not allow assets in the common stock, capital stock, or convertible securities to exceed seventy (70) percent of the fund's total assets or investments in bonds to exceed thirty (30) percent of the fund's total assets. At September 30, 2020, the investment portfolios met the single issuer limitations.

Custodial Credit Risk: Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Pension trust funds policies allow for variable limitations on the concentration of foreign securities. At September 30, 2020, the investment portfolios met the foreign securities limitations.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(4) Accounts Receivable:

The City's receivables consisted of the following at September 30, 2020:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 476,744	\$ (19,524)	\$ 457,220
Fire Department Special Revenue Fund			
Accounts receivable	584	-	584
Nonmajor Governmental Funds			
Accounts receivable	13,201	-	13,201
Total – Governmental Activities	<u>490,529</u>	<u>(19,524)</u>	<u>471,005</u>
Business-Type Activities:			
Water and Sewer Fund			
Accounts receivable	2,455,825	(323,499)	2,132,326
Natural Gas Fund			
Accounts receivable	370,379	(24,611)	345,768
Totals – Business-Type Activities	<u>2,826,204</u>	<u>(348,110)</u>	<u>2,478,094</u>
Totals	<u>\$ 3,316,733</u>	<u>\$ (367,634)</u>	<u>\$ 2,949,099</u>

(5) Interfund Loans, Advances, Fees, and Transfers:

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. As of September 30, 2020, there are no balances due between interfund receivables and payables for the primary government.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(5) Interfund Loans, Advances, Fees, and Transfers: (Continued)

For the year ended September 30, 2020, individual fund transfers to and from other funds for the primary government were comprised of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities:		
General Fund:		
Fire Department Fund	\$ -	\$ 289,680
Debt Service Fund	-	559,369
Water and Sewer Fund	667,000	-
Natural Gas Fund	243,000	-
Other Governmental Funds:		
Fire Department Fund:		
General Fund	289,680	-
Debt Service	-	138,151
Debt Service Fund:		
General Fund	559,369	-
Fire Department Fund	138,151	-
	<u>1,897,200</u>	<u>987,200</u>
Business-type Activities:		
Water and Sewer Fund:		
General Fund	-	667,000
Natural Gas Fund:		
General Fund	-	243,000
	<u>-</u>	<u>910,000</u>
Totals – All Funds	<u>\$ 1,897,200</u>	<u>\$ 1,897,200</u>

Transfers are used to move revenues between funds to reflect the activities of the fund with the primary government. The primary government accounts for activities such as budgetary authorizations, subsidies or matching funds for various grant programs, and reimbursements to the general fund for services provided to other funds.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2020 is as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 7,379,003	\$ 10	\$ -	\$ 7,379,013
Construction in progress	11,074,449	249,886	(10,819,166)	505,169
Total assets not being depreciated	<u>18,453,452</u>	<u>249,896</u>	<u>(10,819,166)</u>	<u>7,884,182</u>
Capital assets being depreciated:				
Building and Improvements	15,200,718	2,209,258	-	17,409,976
Infrastructure	45,220,607	9,998,844	-	55,219,451
Machinery and equipment	12,921,837	2,067,752	-	14,989,589
Total assets being depreciated	<u>73,343,162</u>	<u>14,275,854</u>	<u>-</u>	<u>87,619,016</u>
Less accumulated depreciation for:				
Building and Improvements	(8,842,091)	(429,669)	-	(9,271,760)
Infrastructure	(22,502,247)	(1,863,601)	-	(24,365,848)
Machinery and equipment	(11,125,833)	(838,382)	-	(11,964,215)
Total accumulated depreciation	<u>(42,470,171)</u>	<u>(3,131,652)</u>	<u>-</u>	<u>(45,601,823)</u>
Total capital assets being depreciated, net	<u>30,872,991</u>	<u>11,144,202</u>	<u>-</u>	<u>42,017,193</u>
Governmental activities capital assets, net	<u>\$ 49,326,443</u>	<u>\$ 11,394,098</u>	<u>\$ (10,819,166)</u>	<u>\$ 49,901,375</u>

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,296,782	\$ -	\$ (62,500)	\$ 5,234,282
Construction in progress	34,102	245,695	-	279,797
Total assets not being depreciated	<u>5,330,884</u>	<u>245,695</u>	<u>(62,500)</u>	<u>5,514,079</u>
Capital assets being depreciated:				
Building and Improvements	7,360,636	201,463	-	7,562,099
Infrastructure	88,288,057	508,887	(231,250)	88,565,694
Machinery and equipment	15,760,460	1,793,872	(84,804)	17,469,528
Total assets being depreciated	<u>111,409,153</u>	<u>2,504,222</u>	<u>(316,054)</u>	<u>113,597,321</u>
Less accumulated depreciation for:				
Building and Improvements	(2,338,552)	(203,767)	-	(2,542,319)
Infrastructure	(36,492,592)	(2,063,086)	60,896	(38,494,782)
Machinery and equipment	(9,111,957)	(1,172,281)	65,480	(10,218,758)
Total accumulated depreciation	<u>(47,943,101)</u>	<u>(3,439,134)</u>	<u>126,376</u>	<u>(51,255,859)</u>
Total capital assets being depreciated, net	<u>63,466,052</u>	<u>(934,912)</u>	<u>(189,678)</u>	<u>62,341,462</u>
Business-type activities capital assets, net	<u>\$ 68,796,936</u>	<u>\$ (689,217)</u>	<u>\$ (252,178)</u>	<u>\$ 67,855,541</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(6) Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 298,527
Public safety	531,327
Transportation	623,597
Airport	1,633,549
Culture and recreation	44,652
Total depreciation expense - governmental activities	<u>\$ 3,131,652</u>
Business-type activities:	
Water and sewer	\$ 3,258,108
Natural gas	181,026
Total depreciation expense - business-type activities	<u>\$ 3,439,134</u>

(7) Commitments:

As of September 30, 2020, the City had outstanding commitments on contracts in progress as follows:

<u>Project</u>	<u>Remaining Commitment</u>
Septic to Sewer SR47 & I75	\$ 2,509,866
Ichetucknee Springs Water Quality Improvement	1,741,895
Runway 5/23 Lights	426,968
Restore Gwen Lake Phase 1 & 2	309,931
Airport Master Plan	270,395
Strategic Airport Business Plan	76,666
Tennis Courts	26,600
	<u>\$ 5,362,321</u>

Amounts received or receivable from grantor agencies are subject to audit or adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, could constitute liabilities of the applicable funds.

During 2018, the City entered into a development agreement related to the redevelopment of the Blanche Hotel property, in which the City agreed to make a one-time grant of \$1,000,000 to the developer, construct certain infrastructure related to the redevelopment project, and execute a 10-year guaranteed rental agreement. Under this agreement, the City commits to making rent advance payments in the amount of \$35,417 per month for 10 years starting upon completion of the renovation project. The advanced rent will be refunded to the City in the form of a percentage of all rents collected by the developers monthly and a percentage of annual cash distributions, as defined in the agreement. Any rent advances not refunded will be repaid to the City upon the developer's refinancing of its original loans for development of the Blanche Hotel in no less than fifteen years, with interest, commencing on the date of refinancing. The developer's loan is secured by a subordinated mortgage and security agreement which encumbers the real estate, improvements, and other property of the developer. The \$1,000,000 grant was paid during the fiscal year ended September 30, 2018.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(8) Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Revenue bonds and notes	\$ 7,152,144	\$ 9,098,781	\$ (3,886,513)	\$ 12,364,412	\$ 628,098
Compensated absences	758,525	617,641	(599,958)	776,208	609,661
Capital leases	1,394,357	-	(116,753)	1,277,604	121,290
Governmental activities – Total long-term liabilities	<u>\$ 9,305,026</u>	<u>\$ 9,716,422</u>	<u>\$ (4,603,224)</u>	<u>\$ 14,418,224</u>	<u>\$ 1,359,049</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 34,566,000	\$ 32,044,228	\$(27,287,000)	\$ 39,323,228	\$ 2,363,933
Add deferred amount:					
Original issue (premium)	110,007	-	(110,007)	-	-
Total bonds and notes payable	34,676,007	32,044,228	(27,397,007)	39,323,228	2,363,933
Compensated absences	429,904	277,450	(301,706)	405,648	297,845
Business-type activities – Total long-term liabilities	<u>\$ 35,105,911</u>	<u>\$ 32,321,678</u>	<u>\$(27,698,713)</u>	<u>\$ 39,728,876</u>	<u>\$ 2,661,778</u>

Bond, notes and capital lease payable in the City's governmental activities at September 30, 2020, were comprised of the following obligations:

Series 2019 Sales Tax Revenue and Refunding Bonds, was issued to refund Series 2012 Sales Tax Revenue and Refunding Bonds and to finance public capital projects, due in payments of principal plus interest at 2.472% semi-annually on June 20 and December 20 of each year until final maturity on December 20, 2034. Pledged by proceeds of local government half-cent sales tax revenue, including investment income of certain funds.	\$ 8,921,553
Series 2015 Community Redevelopment Agency Revenues Note, was issued to fund the construction of redevelopment projects in the Community Redevelopment Area, due in payments of principal plus interest at 1.80% semi-annually on April 1 and October 1 of each year until final maturity on April 1, 2030. Pledged by Community Redevelopment Agency tax increment revenues.	940,129
Series 2017 Airport Revenue Bonds was issued to construct certain capital improvements at the Lake City Gateway airport, due in payments of principal plus interest at 2.58% semi-annually on April 1 and October 1 of each year until final maturity on April 1, 2032. Pledged by local communications services tax and airport revenues.	2,502,730
Capital lease agreement entered into in July 2019 for police equipment, due in payments of principal plus interest at 3.89% annually on July 1 of each year until final maturity on July 1, 2029.	1,277,604
Total revenue bonds, notes and capital lease payable	<u>\$ 13,642,016</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(8) Long-Term Liabilities: (Continued)

Annual debt service requirements to maturity for the City's governmental activities bonds, notes and capital leases payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 749,388	\$ 347,919	\$ 1,097,307
2022	769,333	327,974	1,097,307
2023	789,834	307,473	1,097,307
2024	810,907	286,399	1,097,307
2025	832,571	264,735	1,097,307
2026-2030	4,338,764	976,829	5,315,593
2031-2035	5,351,219	452,990	5,804,209
Total	\$ 13,642,016	\$ 2,964,319	\$ 16,606,335

Bonds payable in the City's business-type activities at September 30, 2020, were comprised of the following obligations:

Series 2013 Utility System Refunding Revenue Bonds, were issued in the amount of \$3,057,200 to refund Series 2003 Revenue and Refunding bonds and to finance improvements to the City's water and sewer system. Due serially with interest at 1.27%, payable in semi-annual installments due on January 1 and July 1 through July 1, 2023. Pledged by water and sewer fund revenues.	\$ 480,000
Series 2016 Utility System Refunding Revenue Bonds, were issued in the amount of \$9,547,000 to refund the State Revolving Fund Loan and construct improvements to the City's water and sewer system. Due in payments of principal plus interest at 1.79% semi-annually with payments on December 15 and June 15 through June 15, 2029. Principal and interest are payable solely from and secured by a lien on the net revenues of the City's water and sewer utility systems	6,799,000
Series 2020A Utility System Refunding Revenue Bonds, were issued in the amount of \$28,893,978 to refund Utilities Revenue Bonds Series 2010A and 2010B. Due in payments of principal plus interest at an interest rate of 1.34% beginning in 2021 on January 1 and July 1 of each year until final maturity on July 1, 2035.	25,893,978
Series 2020B Utility System Revenue Bonds were issued in the amount of \$6,150,250 to refund Utilities Revenue Bonds Series 2010A and 2010B. Due in payments of principal plus interest at an interest rate of 2.69% beginning in 2021 on January 1 and July 1 of each year until final maturity on July 1, 2040.	6,150,250
Total revenue bonds payable	<u>\$ 39,323,228</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(8) Long-Term Liabilities: (Continued)

Annual debt service requirements to maturity for the City's business-type activities bonds payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 2,363,933	\$ 628,838	\$ 2,992,771
2022	2,403,928	592,205	2,996,133
2023	2,441,733	553,481	2,995,214
2024	2,586,850	513,719	3,100,569
2025	2,629,119	472,124	3,101,243
2026-2030	13,205,885	1,714,123	14,920,008
2031-2035	11,833,964	751,908	12,585,872
2036-2040	1,857,816	140,185	1,998,001
Total	\$ 39,323,228	\$ 5,366,583	\$ 44,689,811

(9) Tax Abatements:

City entered into an agreement with a local corporation to abate certain ad valorem taxes in exchange for economic incentives. Article VII, Section 3 of the Florida Constitution and Section 16.1995, Florida Statutes, and the electorate of the City, have granted City Council the authority to grant property tax exemptions for new business and expansions of existing businesses. The City Council approved Ordinance 2019-006, granting the corporation an ad valorem tax exemption for a term of five years. Amount of taxes abated for year ended September 30, 2020, is \$8,109.

(10) Contingencies and Uncertainties:

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2020. The outcomes of established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

As part of operating the City's natural gas system, the City has committed to purchase various quantities of natural gas, at fixed and variable prices, over the next several years. These contracts allow the City to secure a reliable supply of natural gas for its customers. Currently, the anticipated demand for natural gas by the City's customers exceeds the supply scheduled in advance by the City.

During the year ended September 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of June 8, 2021, management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(11) Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance. Commercial insurance policies are also obtained for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City is a member of the Florida Municipal Self-Insurance fund (the Fund). The fund was created to allow members to pool their liabilities pursuant to provisions in Florida Workers' Compensation Law. The City pays an annual premium to the Fund for workers' compensation coverage. The Fund's underwriting and rate setting policies were established after consulting with an independent actuary. The Fund is no assessable and the City has no liability for future deficits of the Fund, if any.

(12) Other Postemployment Benefits (OPEB):

Plan Description—Retirees and their dependents are permitted to remain covered under the City's respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other Post-Employment Benefit Plan does not issue a stand-alone report.

Benefits Provided—The Other Post Employment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee. GASB No. 75 calls this the "implicit rate subsidy."

Plan Membership—At October 1, 2020, the date of the latest actuarial valuation, plan participation consisted of the following:

Active Members	227
Inactive Members	4
	<u>231</u>

Total OPEB Liability—The City's total OPEB liability of \$381,691 was measured as of September 30, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	5%
Salary increases	4%
Discount rate	3.43%
Healthcare cost trend rate	5%
Retirees' share of benefit-related costs	100.00%

The City does not have a dedicated Trust to pay retiree healthcare benefits. The discount rate was based the 20 Year Municipal Bond Rate as of September 30, 2020. Mortality rates were based on the Florida Retirement System Mortality Table.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(12) Other Postemployment Benefits (OPEB): (Continued)

Changes in the OPEB liability for the fiscal year ended September 30, 2020, were as follows:

	<u>Total OPEB Liability</u>
Balance at September 30, 2019	\$ 129,911
Changes for a year:	
Service cost	30,155
Interest	44,414
Difference between expected and actual experience	13,789
Changes of assumptions	(39,452)
Benefit payments – implicit rate subsidy	(61,624)
Change in actuarial methodology	264,498
Net changes	<u>251,780</u>
Balance at September 30, 2020	<u><u>\$ 381,691</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City calculated using the discount rate of 3.43%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.43%) or 1% higher (4.43%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 410,151	\$ 381,691	\$ 355,258

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4%) or 1% higher (6%) than the current healthcare cost trend rates (5%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 349,116	\$ 381,691	\$ 419,289

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(12) Other Postemployment Benefits (OPEB): (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2020, the City recognized OPEB expense of \$22,023. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 12,257	\$ 38,590
Differences – actual/expected experience	4,953	-

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

2021	\$ 2,740
2022	2,740
2023	2,740
2024	2,740
2025	1,864
Thereafter	8,556

(13) Employee Retirement Systems and Pension Funds:

A. Florida Retirement System

Plan Description and Administration

The entity participates in the Florida Retirement System (FRS), a multiple-employer, cost-sharing defined public employee retirement system which covers all of the entity's full-time employees. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. 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. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the 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. All members enrolled in the 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. Members of both Plans may include up to four years of credit for military service toward creditable service. The 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 Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the 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 plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS 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.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

Contributions

The entity participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2020, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Through June 30, 2020</u>	<u>After June 30, 2020</u>
Regular Class	8.47%	10.00%
Elected Officers	48.82%	49.18%
Senior Management Service	25.40%	27.29%
Special Risk Regular	25.48%	24.45%
DROP from FRS	9.92%	9.95%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

For the plan year ended June 30, 2020, actual contributions made for employees participating in FRS and HIS were as follows:

Entity Contributions – FRS	\$ 423,596
Entity Contributions – HIS	92,697
Employee Contributions – FRS	167,525

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

At September 30, 2020, the entity reported a net pension liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 5,525,645
HIS	1,964,094
Total	<u>\$ 7,489,739</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2020 and June 30, 2019, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2020</u>	<u>2019</u>
FRS	0.012749094%	0.012380148%
HIS	0.016086160%	0.016118867%

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

For the plan year ended June 30, 2020, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$	1,263,496
HIS		220,836
Total	\$	<u>1,484,332</u>

Deferred outflows/inflows related to pensions:

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 211,478	\$ -	\$ 80,343	\$ (1,515)
Changes of assumptions	1,000,318	-	211,196	(114,204)
Net different between projected and actual investment earnings	329,002	-	1,568	-
Change in proportionate share	303,599	(31,395)	97,420	(3,008)
Contributions subsequent to measurement date	135,721	-	24,982	-
	<u>\$ 1,980,118</u>	<u>\$ (31,395)</u>	<u>\$ 415,509</u>	<u>\$ (118,727)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

Year	Amount
2021	\$ 471,391
2022	609,788
2023	511,034
2024	340,053
2025	123,801
Thereafter	28,735
Total	<u>\$ 2,084,802</u>

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.80%. This rate decreased from the prior year rate, which was 6.90%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.50%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2020, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.2%
Fixed income	19.0%	3.0%
Global equities	54.2%	8.0%
Real estate	10.3%	6.4%
Private equity	11.1%	10.8%
Strategic investments	4.4%	5.5%
Total	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the City calculated using the current discount rates, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.80%	\$ 8,823,527	\$ 5,525,645	\$ 2,771,240
HIS	2.21%	2,270,405	1,964,094	1,713,379

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

B. City-Sponsored Defined Benefit Pension Plans

Plan Description and Administration

The City maintains three separate single-employer, defined benefit pension plans: The City of Lake City Municipal Firefighters' Pension Trust Fund (the Fire Plan) covers all of the City's fire and rescue personnel; the City of Lake City Municipal Police Officers' Pension Trust Fund (the Police Plan) covers all of the City's police officers; the City of Lake City Employees' Retirement Plan Fund (the General Employees Plan) covers other general employees of the City. These plans contain the assets, liabilities and net position of each respective plan.

All financial activity is reported within the accompanying financial statements. Investments are reported at fair value and are managed by third party money managers. The City's independent custodian and the individual money managers price each instrument (using various third-party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated fair value. Performance reporting, manager fees, and the City's asset valuation are based on the custodian's determination of value.

The City also has a Deferred Retirement Option Program for eligible Police and Fire Plan participants. The DROP Plan allows members who have met the eligibility requirement for normal retirement to have their retirement benefits deposited monthly into a DROP account, earning interest, while simultaneously continuing to work (but not earning additional credit for retirement) for up to thirty-six months (3 years) for General and Fire Plan and sixty months (5 years) for Police Plan. Employees who enter the DROP Program have an option of either receiving their earned compensated absences when they enter the program in one lump sum, or to receive the lump sum at the end of their employment with the City. The purpose of this program is to provide a way for retirees to accumulate additional savings while continuing employment.

Costs incurred by each of the plans for administration of the plans, which includes legal and actuarial fees, trustee fees and investment advisory fees, are borne by the respective retirement plans and are included in the actuarial analysis of the required funding amounts.

Benefits Provided and Employees Covered

Each Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. Cost of living adjustments are provided to retirees and beneficiaries in accordance with the respective plan provisions. Each of the Plans has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of each year. Current membership in the employee retirement plans was composed of the following at October 1, 2019:

	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Retirees and beneficiaries currently receiving benefits, including DROP participants and disabled retirees	101	25	22
Vested terminated employees	10	20	2
Active participants	18	36	22
Total current membership	<u>129</u>	<u>81</u>	<u>46</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

General Employees' Plan

The General Employees' Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to regular full-time employees who are not classified as full-time sworn police officers or firefighters. As of January 1, 2006, the General Employees' Plan was closed to all new employees and participating employees were given the option to withdraw from the plan.

The General Employees' Plan is administered by a Board of Trustees established by City Ordinance. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

For non-elected members, normal retirement is generally available upon the earlier of: 1) attainment of age sixty-two and the completion of ten years of credited service, or 2) completion of thirty years of credited service regardless of age. For elected members, normal retirement is available upon attainment of age sixty-two and completion of eight years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty-two and the completion of ten years of credited service for non-elected members and attainment of age fifty-two and the completion of eight years of service in excess of fifteen years.

For non-elected members, the normal retirement benefit shall be equal to 2.00% of final average earnings times the first fifteen years of credited service plus 2.50% of final average earnings times credited service in excess of fifteen years. For elected members, the normal retirement benefit shall be equal to 3.00% of final average earnings times the first fifteen years of credited service plus 3.50% of final average earnings time credited service in excess of fifteen years.

Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who completed at least twenty years of credited service and a health supplement.

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 2% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the General Employees Plan investment policies.

Police Officers' Plan

The Police Officers' Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to full-time police officers.

The Police Officers' Plan is administered by a Board of Trustees established by City Ordinance. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

Normal retirement is available upon the earlier of: 1) attainment of age fifty-five and completion of ten years of credited service, or 2) attainment of age fifty-two and completion of twenty-five years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

The normal retirement benefit shall be equal to 3.00% of final compensation times years of credited service. Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who have attained age sixty and a health supplement.

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 5% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the Police Plan investment policies.

Firemen's Plan

The Firemen's Plan is a single-employer, defined benefit plan that provides retirement, disability, and death benefits to full-time firefighters.

The Firemen's Plan is administered by the Firemen's Pension Board. The Board is comprised of two appointees of the City Council, two members elected by the membership, and one member elected by the other four and appointed by the City Council. The City Council has the authority to establish and amend the benefit provisions of the plan.

Normal retirement is available upon the earlier of: 1) attainment of age fifty-five and completion of ten years of credited service, or 2) attainment of age fifty-two and completion of twenty-five years of credited service. Early retirement is available with reduced benefit upon the attainment of age fifty and the completion of ten years of credited service.

The normal retirement benefit shall be equal to 2.75% of final compensation times years of credited service. Benefit terms also provide for a disability benefit, an annual 2% cost-of-living adjustment to members who have attained age sixty and a health supplement.

The funding policy is established by City Ordinance, which may be amended by the City Council. The City is required to contribute at an actuarially determined rate. Plan members are required to contribute 5% of their annual covered salary.

The Board of Trustees is responsible for establishing and amending the Fire Plan investment policies.

Financial Statements

The financial statements of the plans are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. The City's single-employer pension plans do not issue stand-alone financial statements

Contributions

The State of Florida also makes contributions to the Firefighters' and Police Officers' Retirement Plans in accordance with Chapter 175 and Chapter 185 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida is first recognized as revenue in the General Fund before being transferred to the Pension Fund. The City's actual annual contribution for each plan is determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

Contributions to the City's pension plans for the year ended September 30, 2020, were as follows:

	General Employees' Plan	Police Officers' Plan	Firemen's Plan	Total
Employee contributions	\$ 13,594	\$ 85,175	\$ 48,149	\$ 146,918
City contributions	793,600	185,478	312,178	1,291,256
State contributions	-	122,100	64,182	186,282
Total contributions	<u>\$ 807,194</u>	<u>\$ 392,753</u>	<u>\$ 424,509</u>	<u>\$ 1,624,456</u>

Investment Policy

See Note (3) for additional discussion of the investment policies for each of the Plans. The following was the asset allocation policy for each of the plans at September 30, 2020:

Asset Class	Target Asset Allocation		
	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Domestic equities	90%	50%	60%
Bonds	5%	0%	30%
Cash and equivalents	2%	0%	0%
Real estate	3%	0%	0%
International equities	0%	15%	10%
Broad market fixed income	0%	30%	0%
Non-core fixed income	0%	5%	0%

Net Pension Liability

The components of the net pension liability of the pension plans at September 30, 2020, were as follows:

	General Employees' Plan	Police Officers' Plan	Firemen's Plan	Total
Total pension liability	\$ 22,890,277	\$ 15,132,949	\$ 11,131,958	\$ 49,155,184
Plan fiduciary net position	<u>(22,374,695)</u>	<u>(18,007,426)</u>	<u>(10,612,962)</u>	<u>(50,995,083)</u>
Net pension liability (asset)	<u>\$ 515,582</u>	<u>\$ (2,874,477)</u>	<u>\$ 518,996</u>	<u>\$ (1,839,899)</u>

Plan fiduciary net position as percentage of total pension liability	97.75%	118.99%	95.34%	103.74%
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The total pension liability was determined by actuarial valuation as of October 1, 2018 and measurement dates of September 30, 2020, using the following actuarial assumptions to all measurement periods.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Inflation	3.25%	2.50%	2.75%
Salary increases	4.00-7.00%	Service based	4.00-7.00%
Investment rate of return	7.65%	7.50%	7.65%
Mortality table	FRS Tables	FRS Tables	FRS Tables

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.

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2020, are summarized in the following table:

	Long Term Expected Real Rate of Return		
Asset Class	General Employees' Plan	Police Officers' Plan	Firemen's Plan
Domestic equities	8.33%	7.50%	5.70%
Bonds	0.26%	n/a	1.65%
Cash and equivalents	0.04%	n/a	n/a
Real estate	0.22%	n/a	n/a
International equities	n/a	8.50%	1.05%
Broad market fixed income	n/a	2.50%	n/a
Non-core fixed income	n/a	3.50%	n/a

Discount rate:

The discount rate used to measure the total pension liability for each pension plan varied as discussed on the following pages. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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 was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

Changes in net pension liability:

Changes in each plan's net pension liability were as follows:

	General Employees' Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a – b)
Beginning Balance	\$ 24,021,927	\$ 21,721,272	\$ 2,300,655
Changes for year:			
Service cost	61,012	-	61,012
Interest	1,800,627	-	1,800,627
Differences between expected/actual experience	(502,409)	-	(502,409)
Changes of assumptions	(792,801)	-	(792,801)
Contributions – employer	-	793,601	(793,601)
Contributions – employee	-	13,594	(13,594)
Net investment income	-	1,580,006	(1,580,006)
Benefit payments, including refunds	(1,698,079)	(1,698,079)	-
Administrative expenses	-	(35,699)	35,699
Net changes	<u>(1,131,650)</u>	<u>653,423</u>	<u>(1,785,073)</u>
Ending Balance	<u>\$ 22,890,277</u>	<u>\$ 22,374,695</u>	<u>\$ 515,582</u>

	Police Officers' Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a – b)
Beginning Balance	\$ 15,192,253	\$ 16,656,870	\$ (1,464,617)
Changes for year:			
Service cost	337,030	-	337,030
Interest	1,133,857	-	1,133,857
Changes in benefit terms	-	-	-
Differences between expected/actual experience	(550,169)	-	(550,169)
Changes of assumptions	(178,322)	-	(178,322)
Contributions – employer	-	185,478	(185,478)
Contributions – state	-	122,100	(122,100)
Contributions – employee	-	85,175	(85,175)
Net investment income	-	1,794,659	(1,794,659)
Benefit payments, including refunds	(801,700)	(801,700)	-
Administrative expenses	-	(35,156)	35,156
Net changes	<u>(59,304)</u>	<u>1,350,556</u>	<u>(1,409,860)</u>
Ending Balance	<u>\$ 15,132,949</u>	<u>\$ 18,007,426</u>	<u>\$ (2,874,477)</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

	Firemen's Plan		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a - b)
Beginning Balance	\$ 10,657,586	\$ 10,312,882	\$ 344,704
Changes for year:			
Service cost	135,094	-	135,094
Interest	813,550	-	813,550
Differences between expected/actual experience	75,794	-	75,794
Changes of assumptions	40,444	-	40,444
Contributions – employer	-	312,178	(312,178)
Contributions – state	-	64,182	(64,182)
Contributions – employee	-	48,149	(48,149)
Net investment income	-	523,436	(523,436)
Benefit payments, including refunds	(590,510)	(590,510)	-
Administrative expenses	-	(57,355)	57,355
Net changes	474,372	300,080	174,292
Ending Balance	\$ 11,131,958	\$ 10,612,882	\$ 518,996

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City calculated using the selected discount rates, as well as what the City's net pension liability (NPL) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
General Employees	7.65%	\$ 2,742,404	\$ 515,582	\$ (1,380,146)
Police	7.50%	(982,428)	(2,874,477)	(4,435,373)
Fire	7.65%	1,879,978	518,996	(486,923)
Total		\$ 3,639,954	\$ (1,839,899)	\$ (6,302,442)

For the year ended September 30, 2020, the annual-money weighted rate of return on each pension plan investments, net of pension plan investment expense was as follows:

	General Employees Plan	Police Officers' Plan	Firemen's Plan
Annual money-weighted rate of return	7.18%	11.03%	4.81%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

For the year ended September 30, 2020, the City recognized pension expense of \$(1,256,985), \$ 296,550, and \$ 84,534 in the General Employees, Police Officers', and Firemen's pension plans, respectively, for a total of \$(875,901).

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) Employee Retirement Systems and Pension Funds: (Continued)

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General Employees' Plan		Police Officers' Plan		Firemen's Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ 62,024	\$ (681,081)	\$ 199,825	\$ (313,078)
Changes of assumptions	-	-	-	(142,656)	68,314	-
Net different between projected and actual investment earnings	680,903	(523,182)	-	(307,148)	589,351	(245,837)
	<u>\$ 680,903</u>	<u>\$ (523,182)</u>	<u>\$ 62,024</u>	<u>\$ (1,130,885)</u>	<u>\$ 857,490</u>	<u>\$ (558,915)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	General Employees' Plan	Police Officers' Plan	Firemen's Plan
2021	\$ (144,929)	\$ (464,033)	\$ 29,171
2022	66,684	(205,185)	83,573
2023	222,469	(141,535)	93,654
2024	13,497	(258,108)	72,804
2025	-	-	19,373
Thereafter	-	-	-

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

C. Pension Fund Financial Statements

The City does not issue separate financial statements for General Employees' Police Officers', or Firemen's Pension Plan. The basic financial statements of the City include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that presents a single column presented by fund type for all pension trust funds. Presented below are the financial statements for each pension trust fund as of and for the year ended September 30, 2020:

STATEMENT OF FIDUCIARY NET POSITION

	<u>General Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents with trustee	\$ 2,858,698	\$ 937,254	\$ 452,082	\$ 4,248,034
Receivables				
Contributions receivable	-	136,168	64,182	200,350
Interest and dividends receivable	34,776	30,152	26,451	91,379
Total receivables	<u>34,776</u>	<u>166,320</u>	<u>90,633</u>	<u>291,729</u>
Investments, at fair value				
Corporate bonds	610,608	4,911,978	1,529,223	7,051,809
Municipal bonds	599,782	-	1,395,195	1,994,977
Equities	8,851,550	12,143,262	7,167,915	28,162,727
Mutual funds	9,437,246	-	-	9,437,246
Total investments	<u>19,499,186</u>	<u>17,055,240</u>	<u>10,092,333</u>	<u>46,646,759</u>
Total assets	<u>\$ 22,392,660</u>	<u>\$ 18,158,814</u>	<u>\$ 10,635,048</u>	<u>\$ 51,186,522</u>
LIABILITIES				
Accounts payable	<u>\$ 17,965</u>	<u>\$ 151,389</u>	<u>\$ 22,086</u>	<u>\$ 191,440</u>
NET POSITION				
Restricted for pensions	<u>\$ 22,374,695</u>	<u>\$ 18,007,425</u>	<u>\$ 10,612,962</u>	<u>\$ 50,995,082</u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(13) **Employee Retirement Systems and Pension Funds:** (Continued)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	<u>General Plan</u>	<u>Police Plan</u>	<u>Fire Plan</u>	<u>Total</u>
Additions				
Contributions:				
Employer	\$ 793,600	\$ 185,478	\$ 312,178	\$ 1,291,256
Plan members	13,594	85,175	48,149	146,918
State - insurance premium taxes	-	122,100	64,182	186,282
Total contributions	<u>807,194</u>	<u>392,753</u>	<u>424,509</u>	<u>1,624,456</u>
Investment earnings				
Net appreciation (depreciation) in fair value of investments	478,919	865,315	248,364	1,592,598
Interest and dividends	1,250,454	1,000,143	343,017	2,593,614
Total investment earnings	<u>1,729,373</u>	<u>1,865,458</u>	<u>591,381</u>	<u>4,186,212</u>
Less: investment expense	<u>(149,366)</u>	<u>(70,800)</u>	<u>(90,993)</u>	<u>(311,159)</u>
Net investment income (loss)	<u>1,580,007</u>	<u>1,794,658</u>	<u>500,388</u>	<u>3,875,053</u>
Total additions	<u>2,387,201</u>	<u>2,187,411</u>	<u>924,897</u>	<u>5,499,509</u>
Deductions				
Benefit payments and refunds	1,698,079	801,700	590,510	3,090,289
Administrative expenses	35,699	35,156	34,307	105,162
Total deductions	<u>1,733,778</u>	<u>836,856</u>	<u>624,817</u>	<u>3,195,451</u>
Change in net position	<u>653,423</u>	<u>1,350,555</u>	<u>300,080</u>	<u>2,304,058</u>
Net position restricted for pensions, beginning of year	21,721,272	16,656,870	10,312,882	48,691,024
Net position restricted for pensions, end of year	<u><u>\$22,374,695</u></u>	<u><u>\$18,007,425</u></u>	<u><u>\$10,612,962</u></u>	<u><u>\$50,995,082</u></u>

CITY OF LAKE CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(14) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2020, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2019.
- (b) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE CITY, FLORIDA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS
(UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 30,155	\$ 5,703	\$ 6,136
Interest	44,414	5,361	5,232
Difference between expected and actual experience	13,789	-	-
Changes of assumptions	(39,452)	6,934	(6,155)
Benefit payments - implicit rate subsidy	(61,624)	(21,046)	(19,532)
Change in actuarial methodology	264,498	-	-
Net change in total OPEB liability	<u>251,780</u>	<u>(3,048)</u>	<u>(14,319)</u>
Total OPEB liability - beginning of year	129,911	132,959	147,278
Total OPEB liability - end of year	<u><u>\$ 381,691</u></u>	<u><u>\$ 129,911</u></u>	<u><u>\$ 132,959</u></u>

Notes to Schedule:

Valuation date:

10/1/2020

Changes of assumptions. Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2020	3.43%
2019	3.58%
2018	4.18%

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' PENSION PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Fiscal Year Ending September 30,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 61,012	\$ 60,437	\$ 93,780	\$ 92,950	\$ 126,321	\$ 151,095	\$ 193,901
Interest	1,800,627	1,790,729	1,765,941	1,661,505	1,652,136	1,604,706	1,642,659
Difference between actual and expected experience	(502,409)	2,584	141,087	-	(241,541)	52,506	(512,911)
Changes of assumptions	(792,801)	-	-	1,052,237	-	40,814	39,439
Benefit payments including refunds of contributions	(1,698,079)	(1,755,133)	(1,540,109)	(1,379,802)	(1,385,504)	(1,190,298)	(1,139,297)
Net change in total pension liability	(1,131,650)	98,617	460,699	1,426,890	151,412	658,823	223,791
Total pension liability - beginning	24,021,927	23,923,310	23,462,611	22,035,721	21,884,309	21,225,486	21,001,695
Total pension liability - ending (a)	\$ 22,890,277	\$ 24,021,927	\$ 23,923,310	\$ 23,462,611	\$ 22,035,721	\$ 21,884,309	\$ 21,225,486
Total Fiduciary Net Position							
Contributions - employer	\$ 793,601	\$ 904,774	\$ 959,005	\$ 960,362	\$ 903,328	\$ 985,384	\$ 1,089,395
Contributions - employee	13,594	14,057	16,597	19,425	23,359	26,763	31,280
Net investment income	1,580,006	623,945	2,324,679	2,453,755	1,575,111	(252,263)	1,690,061
Benefit payments, including refunds of contributions	(1,698,079)	(1,755,133)	(1,540,109)	(1,379,802)	(1,385,504)	(1,190,298)	(1,144,518)
Administrative expense	(35,699)	(34,861)	(38,286)	(32,166)	(38,134)	(39,845)	(34,060)
Net change in plan fiduciary net position	653,423	(247,218)	1,721,886	2,021,574	1,078,160	(470,259)	1,632,158
Plan fiduciary net position - beginning	21,721,272	21,968,490	20,246,604	18,225,030	17,146,870	17,617,129	15,984,971
Plan fiduciary net position - ending (b)	\$ 22,374,695	\$ 21,721,272	\$ 21,968,490	\$ 20,246,604	\$ 18,225,030	\$ 17,146,870	\$ 17,617,129
Net pension liability - ending (a) - (b)	\$ 515,582	\$ 2,300,655	\$ 1,954,820	\$ 3,216,007	\$ 3,810,691	\$ 4,737,439	\$ 3,608,357
Plan fiduciary net position as a percentage of the total pension liability	97.75%	90.42%	91.83%	86.29%	82.71%	78.35%	83.00%
Covered payroll	\$ 757,478	\$ 855,211	\$ 1,015,616	\$ 1,087,009	\$ 1,129,111	\$ 1,496,576	\$ 1,625,433
Net pension liability as a percentage of covered payroll	68.07%	269.02%	192.48%	295.86%	337.49%	316.55%	221.99%

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' PENSION PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Fiscal Year Ending September 30,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 337,030	\$ 340,336	\$ 368,645	\$ 341,397	\$ 437,718	\$ 425,461	\$ 432,783
Interest	1,133,857	1,099,762	1,041,883	1,050,183	1,014,179	969,009	906,193
Changes in benefit terms	-	-	-	-	(132,292)	-	-
Difference between actual and expected experience	(550,169)	(185,395)	155,061	(741,233)	(303,219)	(118,614)	-
Changes of assumptions	(178,322)	-	-	-	587,453	-	-
Benefit payments including refunds of contributions	(801,700)	(791,895)	(739,201)	(837,333)	(609,763)	(536,201)	(506,056)
Net change in total pension liability	(59,304)	462,808	826,388	(186,986)	994,076	739,655	832,920
Total pension liability - beginning	15,192,253	14,729,445	13,903,057	14,090,043	13,095,967	12,356,312	11,523,392
Total pension liability - ending (a)	<u>\$ 15,132,949</u>	<u>\$ 15,192,253</u>	<u>\$ 14,729,445</u>	<u>\$ 13,903,057</u>	<u>\$ 14,090,043</u>	<u>\$ 13,095,967</u>	<u>\$ 12,356,312</u>
Total Fiduciary Net Position							
Contributions - employer	\$ 185,478	\$ 237,500	\$ 296,710	\$ 297,723	\$ 514,483	\$ 689,254	\$ 605,655
Contributions - state	122,100	117,283	105,293	112,064	118,886	95,363	95,877
Contributions - employee	85,175	87,382	93,893	85,582	84,732	88,082	84,726
Net investment income	1,794,659	633,430	1,379,459	1,595,827	1,279,744	(359,178)	1,184,164
Benefit payments, including refunds of contributions	(801,700)	(791,895)	(739,201)	(837,333)	(609,763)	(536,201)	(506,056)
Administrative expense	(35,156)	(37,873)	(37,338)	(33,774)	(44,309)	(33,094)	(20,159)
Net change in plan fiduciary net position	1,350,556	245,827	1,098,816	1,220,089	1,343,773	(55,774)	1,444,207
Plan fiduciary net position - beginning	16,656,870	16,411,043	15,312,227	14,092,138	12,748,365	12,804,139	11,359,932
Plan fiduciary net position - ending (b)	<u>\$ 18,007,426</u>	<u>\$ 16,656,870</u>	<u>\$ 16,411,043</u>	<u>\$ 15,312,227</u>	<u>\$ 14,092,138</u>	<u>\$ 12,748,365</u>	<u>\$ 12,804,139</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (2,874,477)</u>	<u>\$ (1,464,617)</u>	<u>\$ (1,681,598)</u>	<u>\$ (1,409,170)</u>	<u>\$ (2,095)</u>	<u>\$ 347,602</u>	<u>\$ (447,827)</u>
Plan fiduciary net position as a percentage of the total pension liability	118.99%	109.64%	111.42%	110.14%	100.01%	97.35%	103.62%
Covered payroll	\$ 1,703,503	\$ 1,747,646	\$ 1,877,855	\$ 1,711,639	\$ 1,694,648	\$ 1,819,061	\$ 1,694,522
Net pension liability as a percentage of covered payroll	-168.74%	-83.81%	-89.55%	-82.33%	-0.12%	19.11%	-26.43%

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREMEN'S PENSION PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Fiscal Year Ending September 30,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 135,094	\$ 99,824	\$ 153,355	\$ 141,339	\$ 129,860	\$ 129,239	\$ 120,314
Interest	813,550	826,579	786,676	750,730	723,418	661,734	594,942
Difference between actual and expected experience	75,794	(521,796)	341,659	-	(83,851)	212,813	759,502
Changes of assumptions	40,444	-	-	173,054	-	204,390	-
Benefit payments including refunds of contributions	(590,510)	(625,468)	(801,078)	(425,576)	(431,420)	(449,619)	(369,386)
Net change in total pension liability	474,372	(220,861)	480,612	639,547	338,007	758,557	1,105,372
Total pension liability - beginning	10,657,586	10,878,447	10,397,835	9,758,288	9,420,281	8,661,724	7,556,352
Total pension liability - ending (a)	\$ 11,131,958	\$ 10,657,586	\$ 10,878,447	\$ 10,397,835	\$ 9,758,288	\$ 9,420,281	\$ 8,661,724
Total Fiduciary Net Position							
Contributions - employer	\$ 312,178	\$ 355,220	\$ 314,888	\$ 368,917	\$ 305,436	\$ 254,845	\$ 294,336
Contributions - state	64,182	63,423	63,787	-	-	-	-
Contributions - employee	48,149	46,851	41,533	43,185	41,491	41,979	41,811
Net investment income	523,436	168,343	1,124,631	1,111,293	1,066,780	(289,594)	971,584
Benefit payments, including refunds of contributions	(590,510)	(625,468)	(801,078)	(425,576)	(431,420)	(449,619)	(369,386)
Administrative expense	(57,355)	(51,202)	(61,945)	(54,477)	(43,425)	(38,590)	(30,193)
Other	-	-	-	-	-	32,341	-
Net change in plan fiduciary net position	300,080	(42,833)	681,816	1,043,342	938,862	(448,638)	908,152
Plan fiduciary net position - beginning	10,312,882	10,355,715	9,673,899	8,630,557	7,691,695	8,140,333	7,232,181
Plan fiduciary net position - ending (b)	\$ 10,612,962	\$ 10,312,882	\$ 10,355,715	\$ 9,673,899	\$ 8,630,557	\$ 7,691,695	\$ 8,140,333
Net pension liability - ending (a) - (b)	\$ 518,996	\$ 344,704	\$ 522,732	\$ 723,936	\$ 1,127,731	\$ 1,728,586	\$ 521,391
Plan fiduciary net position as a percentage of the total pension liability	95.34%	96.77%	95.19%	93.04%	88.44%	81.65%	93.98%
Covered payroll	\$ 1,019,505	\$ 793,729	\$ 879,278	\$ 861,178	\$ 834,327	\$ 805,330	\$ 808,371
Net pension liability as a percentage of covered payroll	50.91%	43.43%	59.45%	84.06%	135.17%	214.64%	64.50%

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES' PENSION PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 798,065	\$ 824,353	\$ (26,288)	\$ 757,478	108.83%
2019	930,235	939,834	(9,599)	855,211	109.89%
2018	974,284	996,166	(21,882)	1,015,616	98.08%
2017	995,683	997,576	(1,893)	1,087,009	91.77%
2016	976,209	938,332	37,877	1,129,111	83.10%
2015	988,182	1,023,568	(35,386)	1,496,576	68.39%
2014	1,123,502	1,130,821	(7,319)	1,625,433	69.57%

Notes to Schedule:

Valuation Date: 10/1/2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Individual Entry Age, Level Percent of Pay
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	10 to 15 Years Based on Year Established
Asset Valuation Method:	Actuarial Value, Based on 5-year Recognition of Returns Greater or Less Than the Assumed Investment Return.
Inflation:	2.75%
Investment Rate of Return:	7.65%
Salary Increases:	7% to 4%
Retirement Age:	100% at Normal Retirement Eligibility Date
Mortality:	FRS Mortality Table

*10 years of data will be presented as it becomes available

**CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' PENSION PLAN
SEPTEMBER 30, 2020
(UNAUDITED)**

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 294,706	\$ 307,578	\$ (12,872)	\$ 1,703,503	18.06%
2019	328,557	354,783	(26,226)	1,747,646	20.30%
2018	339,892	402,003	(62,111)	1,877,855	21.41%
2017	373,137	409,787	(36,650)	1,711,639	23.94%
2016	460,944	633,369	(172,425)	1,694,648	37.37%
2015	598,956	784,617	(185,661)	1,819,061	43.13%
2014	701,532	701,532	-	1,694,522	41.40%

Notes to Schedule:

Valuation Date: 10/1/2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method
Amortization Method: Level Percentage of Pay, Closed
Remaining Amortization Period: 30 Years (as of 10/1/2015 Valuation)
Mortality: RP-2000 Table with No Projection - (Disabled Lives Set Forward 5 Years)
Retirement Age: Earlier of Age 55 and 10 Years of Service, or Age 52 with 25 Years of Service
Interest Rate: 7.50% per Year Compounded Annually, Net of Investment Related Expenses
Salary Increases: 15.00% in first year of employment and 5.00% per year during each subsequent year, until the assumed retirement age.
Early Retirement: Commencing with the Attainment of Early Retirement Status, Members are Assumed to Retire with an Immediate Subsidized Benefit at the Rate of 5% per Year
Payroll Growth: 1.00% per Year
Cost of Living Adjustment: 2.00% per Year Beginning at Age 60
Asset Valuation Method: Each Year, the Prior Actuarial Value of Assets is Brought Forward Utilizing the Historical Geometric 4-Year Average Market Value Return; it is Possible that Over Time this Technique will Produce an Insignificant Bias Above or Below Market Value
Termination and Disability Rate: See Table Below

Age	Percent Terminating During the Year	Percent Becoming Disabled During the Year
20	9.00%	0.15%
30	7.50%	0.20%
40	3.90%	0.35%
50	1.20%	0.90%

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIREMEN'S PENSION PLAN
SEPTEMBER 30, 2020
(UNAUDITED)

Fiscal Year	Actuarially Determined Contribution (ADC)	Contributions in Relation to ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Employee Payroll
2020	\$ 296,723	\$ 390,944	\$ (94,221)	\$ 1,019,505	38.35%
2019	382,219	434,865	(52,646)	793,729	54.79%
2018	384,222	393,349	(9,127)	879,278	44.74%
2017	382,832	383,213	(381)	861,178	44.50%
2016	382,832	317,272	65,560	834,327	38.03%
2015	249,267	264,721	(15,454)	805,330	32.87%
2014	292,123	303,916	(11,793)	808,371	37.60%

Notes to Schedule:

Valuation Date: 10/1/2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Individual Entry Age, Level Percent of Pay
Amortization Method:	Level Dollar, Closed
Remaining Amortization Period:	10 to 15 Years Based on Year Established
Asset Valuation Method:	Actuarial Value, Based on 5-year Recognition of Returns Greater or Less Than the Assumed Investment Return.
Inflation:	2.75%
Investment Rate of Return:	7.65%
Salary Increases:	7% to 4%
Retirement Age:	100% at Normal Retirement Eligibility Date
Mortality:	FRS Mortality Table

*10 years of data will be presented as it becomes available.

**CITY OF LAKE CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT RETURNS
SEPTEMBER 30, 2020
(UNAUDITED)**

For the Year Ending September 30,	General Employees' Pension Plan	Police Officers' Pension Plan	Firemen's Pension Plan
2020	7.18%	11.03%	4.81%
2019	7.01%	3.91%	1.39%
2018	8.68%	9.11%	9.57%
2017	14.41%	11.49%	13.03%
2016	9.97%	10.06%	14.81%
2015	-0.82%	-2.79%	-2.72%
2014	11.31%	10.38%	14.75%

*10 years of data will be presented as it becomes available.

CITY OF LAKE CITY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS)							
Proportion of the net pension liability	0.012749094%	0.012380148%	0.011489332%	0.010534545%	0.010698858%	0.011407846%	0.009832049%
Proportionate share of the net pension liability	\$ 5,525,645	\$ 4,263,551	\$ 3,460,646	\$ 3,116,048	\$ 2,701,470	\$ 1,473,476	\$ 599,900
Covered payroll	5,584,157	5,391,958	5,043,764	4,883,093	4,722,366	4,587,672	3,918,194
Proportionate share of the net pension liability as a percentage of covered payroll	98.95%	79.07%	68.61%	63.81%	57.21%	32.12%	15.31%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)							
Proportion of the net pension liability	0.016086160%	0.016118867%	0.015439074%	0.015319547%	0.015298419%	0.015115116%	0.013187655%
Proportionate share of the net pension liability	\$ 1,964,094	\$ 1,803,540	\$ 1,634,089	\$ 1,638,037	\$ 1,782,967	\$ 1,541,506	\$ 1,233,078
Covered payroll	5,584,157	5,391,958	5,043,764	4,883,093	4,722,366	4,587,672	3,918,194
Proportionate share of the net pension liability as a percentage of covered payroll	35.17%	33.45%	32.40%	33.55%	37.76%	33.60%	31.47%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**CITY OF LAKE CITY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)**

	As of the Plan Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS)							
Contractually required contribution	\$ 423,596	\$ 383,874	\$ 327,437	\$ 274,240	\$ 260,909	\$ 278,133	\$ 215,364
Contributions in relation to the contractually required contribution	423,596	383,874	327,437	274,240	260,909	278,133	215,364
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	\$ 5,584,157	\$ 5,391,958	\$ 5,043,764	\$ 4,883,093	\$ 4,722,366	\$ 4,587,672	\$ 3,918,194
Contributions as a percentage of covered payroll	7.59%	7.12%	6.49%	5.62%	5.52%	6.06%	5.50%
 Health Insurance Subsidy Program (HIS)							
Contractually required contribution	\$ 92,697	\$ 89,507	\$ 83,726	\$ 81,075	\$ 78,414	\$ 57,779	\$ 45,176
Contributions in relation to the contractually required contribution	92,697	89,507	83,726	81,075	78,414	57,779	45,176
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	\$ 5,584,157	\$ 5,391,958	\$ 5,043,764	\$ 4,883,093	\$ 4,722,366	\$ 4,587,672	\$ 3,918,194
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

SUPPLEMENTARY INFORMATION

**CITY OF LAKE CITY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Airport	Seized Assets	Special Police	Drug Task Force Grant	CDBG Housing	Debt Service	
ASSETS							
Equity in pooled cash and cash equivalents	\$ 616,205	\$ 68,861	\$ 61,304	\$ (383)	\$ 27,611	\$ 318,337	\$ 1,091,935
Receivables, net	13,201	-	-	-	-	-	13,201
Inventories	20,433	-	-	-	-	-	20,433
Prepaid items	1,704	-	-	-	-	-	1,704
Total assets	<u>\$ 651,543</u>	<u>\$ 68,861</u>	<u>\$ 61,304</u>	<u>\$ (383)</u>	<u>\$ 27,611</u>	<u>\$ 318,337</u>	<u>\$ 1,127,273</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 18,409	\$ -	\$ -	\$ -	\$ -	\$ 170,937	\$ 189,346
Customer deposits	100,000	-	-	-	-	-	100,000
Unearned revenue	-	21,417	-	-	-	-	21,417
Total liabilities	<u>118,409</u>	<u>21,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,937</u>	<u>310,763</u>
FUND BALANCES							
Nonspendable:							
Inventories	20,433	-	-	-	-	-	20,433
Prepaid items	1,704	-	-	-	-	-	1,704
Restricted for:							
Public safety	-	47,444	61,304	(383)	-	-	108,365
Airport	510,997	-	-	-	-	-	510,997
Debt service	-	-	-	-	-	147,400	147,400
Health and welfare	-	-	-	-	27,611	-	27,611
Total fund balances	<u>533,134</u>	<u>47,444</u>	<u>61,304</u>	<u>(383)</u>	<u>27,611</u>	<u>147,400</u>	<u>816,510</u>
Total liabilities and fund balances	<u>\$ 651,543</u>	<u>\$ 68,861</u>	<u>\$ 61,304</u>	<u>\$ (383)</u>	<u>\$ 27,611</u>	<u>\$ 318,337</u>	<u>\$ 1,127,273</u>

CITY OF LAKE CITY, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Airport	Seized Assets	Special Police	Drug Task Force Grant	CDBG Housing	Debt Service
Revenues						
Intergovernmental	\$ 130,652	\$ -	\$ -	\$ 57,265	\$ -	\$ -
Charges for services	1,280,631	-	-	-	-	-
Investment income	58	39	-	-	-	-
Miscellaneous	140,609	-	8,086	-	-	-
Total revenues	<u>1,551,950</u>	<u>39</u>	<u>8,086</u>	<u>57,265</u>	<u>-</u>	<u>-</u>
Expenditures						
Current:						
Public safety	-	-	462	383	-	-
Airport	976,190	-	-	-	-	-
Capital outlay	76,250	-	-	57,265	-	-
Debt service:						
Principal retirement	175,860	-	-	-	-	428,246
Interest and fiscal charges	67,981	-	-	-	-	216,474
Total expenditures	<u>1,296,281</u>	<u>-</u>	<u>462</u>	<u>57,648</u>	<u>-</u>	<u>644,720</u>
Excess (deficiency) of revenues over expenditures	<u>255,669</u>	<u>39</u>	<u>7,624</u>	<u>(383)</u>	<u>-</u>	<u>(644,720)</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	697,520
Net change in fund balances	<u>255,669</u>	<u>39</u>	<u>7,624</u>	<u>(383)</u>	<u>-</u>	<u>52,800</u>
Fund balances, beginning of year	277,465	47,405	53,680	-	27,611	94,600
Fund balances, end of year	<u>\$ 533,134</u>	<u>\$ 47,444</u>	<u>\$ 61,304</u>	<u>\$ (383)</u>	<u>\$ 27,611</u>	<u>\$ 147,400</u>

CITY OF LAKE CITY, FLORIDA
SCHEDULE OF NET REVENUES AND DEBT SERVICE COVERAGE
UTILITY SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2013 AND SERIES 2016 RATE COVENANT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Gross revenues	
Charges for services	\$ 14,628,523
Interest	14,703
Miscellaneous income	170,424
Total gross revenues	<u>14,813,650</u>
Operating expenses, excluding interest, amortization, and depreciation	9,513,110
Net revenues	<u><u>\$ 5,300,540</u></u>
Current annual debt service	
2013 Bonds	\$ 168,653
2016 Bonds	821,992
Total current annual debt service	<u><u>\$ 990,645</u></u>
Debt service coverage ratio	<u><u>5.35</u></u>
Required minimum debt service coverage ratio	<u><u>1.25</u></u>

CITY OF LAKE CITY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal/State Agency / Pass-Through Entity / Federal/State Program	CFDA / CSFA Number	Contract / Grant Number	Expenditures
FEDERAL AWARDS			
<u>U.S. Department of Transportation</u>			
Direct Programs:			
Airport Improvement Program	20.106	3-12-0039-023-2018	\$ 1,159,961
Airport Improvement Program	20.106	3-12-0039-024-2020	62,938
Airport Improvement Program	20.106	3-12-0039-025-2020	69,000
Total Airport Improvement Program			<u>1,291,899</u>
Passed through Florida Department of Transportation			
State and Community Highway Safety	20.600	SC-20-13-12	30,000
National Priority Safety Programs	20.616	M2HVE-20-20-08	12,714
Total Highway Safety Cluster			<u>42,714</u>
Total U.S. Department of Transportation			<u>1,334,613</u>
<u>U.S. Department of Justice</u>			
Passed through State of Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant	16.738	2017-MU-BX-0187	47,266
Total U.S. Department of Justice			<u>47,266</u>
Total Federal Awards			<u><u>\$ 1,381,879</u></u>
STATE FINANCIAL ASSISTANCE			
<u>State of Florida Department of Environmental Protection</u>			
Direct Programs:			
Florida Springs Grant Program	37.052	LP12030	\$ 187,590
Florida Springs Grant Program	37.052	LP12031	58,105
Total Florida Department of Environmental Protection			<u>245,695</u>
<u>Department of Economic Opportunity</u>			
Direct Programs:			
Regional Rural Development and Rural Infrastructure Fund	40.042	D0130	<u>195,000</u>
<u>State of Florida Department of Transportation</u>			
Direct Programs:			
Small County Outreach Program	55.009	441428-1-54-01	<u>829,522</u>
Direct Programs:			
Aviation Grant Programs	55.004	445447-1-94-01	61,652
Aviation Grant Programs	55.004	445909-1-94-01	52,200
Total Aviation Grant Programs			<u>113,852</u>
Total Florida Department of Transportation			<u>943,374</u>
Total State Financial Assistance			<u><u>\$ 1,384,069</u></u>

The accompanying notes to the schedule of expenditures of federal awards
and state financial assistance are an integral part of this schedule.

CITY OF LAKE CITY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(1) **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Lake City, Florida, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Section 215.97, Florida Statutes. 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 net assets, or cash flows of the City.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

No grant awards were passed through to subrecipients.

(3) **De Minimis Indirect Cost Rate Election:**

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

(4) **Contingency:**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal and state laws and regulations.

**CITY OF LAKE CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? X yes _____ none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X none reported

Auditee qualified as a low-risk auditee? _____ yes X no

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Program Name</u>
20.106	Airport Improvement Program

State Financial Assistance:

Internal control over major State projects:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major State projects:

Unmodified

Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550?

_____ yes X none reported

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

\$415,221

Identification of major State programs:

<u>CSFA Number</u>	<u>Program Name</u>
55.009	Small County Outreach Program

B. Financial Statement Findings:

2020-001 Information Technology Matters

Criteria: The City's information technology (IT) environment plays a key role in the financial reporting process, and safeguards should be in place to protect the integrity and security of all financial data.

Condition: Various areas for improvement were identified during our analysis of the City's IT environment. The specific areas are exempt from public access provided by Florida Statutes 119.07(1) and 286.001 and other laws and rules requiring public access or disclosure. This exemption is addressed under Florida Statute 281.301, Security systems; records and meetings exempt from public access or disclosure.

Cause: Certain IT policies, procedures, and/or best practices were not implemented and/or updated in recent years.

Effect: The exploitation of certain deficiencies could result in the compromise of the integrity and/or security of the City's data as it relates to financial reporting.

Recommendation: Recommendations have been provided to management in a separate letter exempt from public disclosure for the same reasons as noted in the "Condition" paragraph.

C. Federal Program Findings and Questioned Costs: None.

D. State Project Findings and Questioned Costs: None.

E. Summary Schedule of Prior Audit Findings: See schedule of prior audit findings as listed in the table of contents.

F. Corrective Action Plan: See Auditee's Response to findings as listed in the table of contents.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Lake City, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2020. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2020.

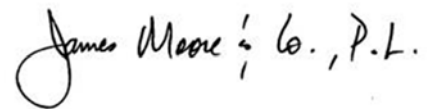
Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in black ink that reads "James Moore, Jr., P.L." The signature is written in a cursive style with a large initial 'J'.

Gainesville, Florida
June 8, 2021

**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***

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 8, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal controls that we consider to be a significant deficiency in internal controls, as described in schedule of findings and questioned costs as item 2020-001.

Compliance and Other Matters

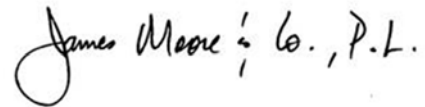
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

Management's Response to Findings

The City's response to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive, flowing style.

Gainesville, Florida
June 8, 2021

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

Report on the Financial Statements

We have audited the financial statements of City of Lake City, Florida (the City), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 8, 2021.

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 Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; 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 June 8, 2021, 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. Current year comment 2020-001, previously reported as 2019-001 and 2018-002, remains uncorrected from the second preceding audit. The following is a summary of prior year recommendations:

2019-001 Assessment of Information Technology Controls – Corrective action not fully taken.
See partial repeat comment 2020-001.

2019-002 Account Review, Adjustments and Timeliness – Corrective action taken.

Official Title and Legal Authority

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

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Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Financial Condition and Management

Sections 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 conditions 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.c. 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 the review of financial information provided by same.

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

2020-002 Utility Billing Rates – During our testing of utility billing, we noted a data entry error from when the City made CPI adjustments for rate changes into the billing system. The City billed customers with a higher CPI rate during the months of Oct 2019 to June 2020. Upon review of management's estimate, the net impact of improper customer billings was approximately \$9,500 of additional revenue collected by the City to be credited back to customers. We recommend the City implement an additional review process for any future rate adjustments, to help ensure all such adjustments are properly calculated and entered into the billing software.

Additional Matters

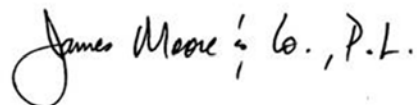
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention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

Management's Response to Findings

The City's responses to the findings identified in our audit are outlined as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

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



Gainesville, Florida
June 8, 2021

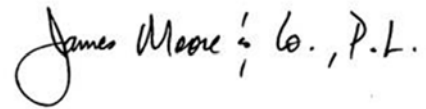
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Council, and City Manager,
City of Lake City, Florida:

We have examined the City of Lake City, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance 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 with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, 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.

In our opinion, the City of Lake City, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.



Gainesville, Florida
June 8, 2021



Phone (386) 752-2031

205 N. Marion Ave.
Lake City, FL 32055

FAX (386) 758-5488

AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Donna Duncan, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of City of Lake City which is a local governmental entity of the State of Florida;
2. The City of Lake City adopted Ordinance No. 93-735, as amended, implementing an impact fee; and
3. The City of Lake City has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Donna Duncan
Chief Financial Officer of the Entity

STATE OF FLORIDA
COUNTY OF Columbia

SWORN TO AND SUBSCRIBED before me this 4th day of June, 2021.

Donna L. Reese
NOTARY PUBLIC
Print Name Donna L. Reese

Personally known or produced identification

Type of identification produced:

My Commission Expires:
06/02/2022



Donna L. Reese
NOTARY PUBLIC
STATE OF FLORIDA
Comm# GG215020
Expires 6/2/2022

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2019-001 Assessment of Information Technology Controls

Partial corrective action taken. See current year Auditee's Response for ongoing corrective action.

2019-002 Account Review, Adjustments, and Timeliness

Corrective action taken.

AUDITEE'S RESPONSE TO:
Independent Auditors' Management Letter
June 8, 2021

2020-001 Information Technology Matters

Management agrees with the recommendations noted and is in the process of developing a plan to implement.

2020-002 Utility Billing Rates

The City has subsequently implemented a final review by the Finance Department to ensure the accuracy of the billing rates prior to entering rates into the accounting system.