

CITY OF FORT MEADE, FLORIDA



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS
SEPTEMBER 30, 2018**

**CITY OF FORT MEADE, FLORIDA
PRINCIPAL CITY OFFICIALS
AS OF SEPTEMBER 30, 2018**

CITY COMMISSION

Mayor, Commissioner
Rick Cochrane

Vice Mayor, Commissioner
Robert Elliott

Commissioner
James Watts

Commissioner
Barbara Manley

Commissioner
Maurice Campbell

APPOINTED OFFICIALS

City Manager
Fred Hilliard

City Attorney
Gray Robinson

City of Fort Meade, Florida

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position.....	21
Statement of Activities.....	22
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	27
Statement of Net Position – Proprietary Fund.....	28
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund.....	29
Statement of Cash Flows – Proprietary Fund.....	30
Statement of Fiduciary Net Position – Fiduciary Funds.....	32
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	33
Notes to Financial Statements.....	34
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Redevelopment Agency.....	73
Notes to Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.....	74
Schedule of Changes in Net Pension Liability and Related Ratios – General Employees' Retirement Plan Pension Trust Fund.....	75
Schedule of Changes in Net Pension Liability and Related Ratios – Police Officers' Retirement Plan Pension Trust Fund.....	77
Schedule of Changes in Net Pension Liability and Related Ratios – Firefighters' Retirement Plan Pension Trust Fund.....	79
Schedule of Contributions – All Pension Trust Funds.....	81
Notes to Schedule of Contributions – All Pension Trust Funds	82
Schedule of Investment Returns – All Pension Trust Funds.....	83
Schedule of Changes in the Total OPEB Liability and Related Ratios.....	84

City of Fort Meade, Florida

TABLE OF CONTENTS

Other Supplementary Information

Combining Statement of Net Position – Non-major Enterprise Funds.....	85
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Non-major Enterprise Funds.....	86
Combining Statement of Cash Flows – Non-major Enterprise Funds.....	87
Combining Statement of Fiduciary Net Position – Pension Trust Funds.....	88
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds.....	89
Budgetary Comparison Schedule – Stormwater Special Revenue Fund.....	90

GOVERNMENTAL AUDITING SECTION

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 <i>Government Auditing Standards</i>	91
Independent Accountants' Report on Compliance with Florida Statute Section 218.415 – Investments of Public Funds.....	93
Management Letter	94



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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners
City of Fort Meade
Fort Meade, 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 Fort Meade, Florida (the City), as of and for the year ended September 30, 2018, 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

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.

Auditors' 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Fort Meade
Fort Meade, Florida

INDEPENDENT AUDITORS' REPORT
(Continued)

Change in Accounting Principle

As described in Note 16 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Correction of an Error

As described in Note 16 to the financial statements, an error resulting in overstatement of amounts previously reported for deferred outflows of resources related to pensions as of September 30, 2017, was discovered by management of the City during the current year. Accordingly, net position as of October 1, 2017 has been adjusted to correct the error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and budgetary comparison schedule, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Honorable Mayor and City Commissioners
City of Fort Meade
Fort Meade, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

May 21, 2019
Sarasota, Florida

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

The Management's Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities. The analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify the changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues of concern.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's financial statements and independent auditors' report.

Financial Highlights

- The City's assets (plus deferred outflows of resources) exceeded its liabilities (plus deferred inflows of resources) at the close of fiscal year 2018 by \$13,908,405 (net position). Of this amount, \$3,528,622 (unrestricted net position) may be used to meet the City's ongoing obligations.
- The previously reported net position of the governmental activities was decreased by \$463,950 and the previously reported net position of the business-type activities was decreased by \$36,436 to reflect a change in accounting principle and the correction of an error. More information can be found in Note 16 of the notes to the financial statements.
- The City's total net position decreased by \$190,211 or 1% during the year. The restated net position for governmental activities increased by \$316,672 or 6%, while the restated business-type activities' net position decreased by \$506,883 or 6%.
- Total combined revenues resulting from governmental activities and business-type activities increased \$530,424 or 5% when compared to the prior year.
- Total combined expenses resulting from governmental activities and business-type activities decreased \$205,016 or 2% when compared to the prior year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending total fund balances of \$2,591,083. Unassigned fund balance totaled \$822,768 as of September 30, 2018 which is 22% of total governmental fund expenditures for the year ended September 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements focus on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability. The Statement of Net Position and Statement of Activities seek to give the user a combined overview of the City's financial position.

The financial statements use accrual accounting (which focuses on economic resources) in the government-wide statements, while maintaining modified accrual accounting (which focuses on current financial resources—budget basis) at the fund level (governmental funds only). This discussion and analysis is intended to serve as an introduction to the City's basic financial statements.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. Both statements represent an overview of the City as a whole, separating its operations between governmental and business-type activities. The governmental activities of the City include general government, law enforcement, fire control, building inspections, stormwater, roads and streets, library, recreation, parks, and community development. The business-type activities of the City consist of electric, water, sewer, sanitation, and mobile home park management. All information is presented utilizing the economic resources measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenue is earned and the expense incurred.

The City's Community Redevelopment Agency is shown as a "blended" component unit of the City, which is a governmental unit over which the City can exercise influence and/or may be obligated to provide financial subsidy. Blending refers to the fact that the component unit's funds and balances are combined with those of the primary government for financial reporting. Fiduciary funds, such as pension trust funds, are excluded from the government-wide financial statements as they represent funds legally set aside for use by the employee groups they benefit. Florida law requires municipalities to fund pension plans on an actuarially sound basis, making it important for the user to study the fund financial statements as well as the related notes.

The Statement of Net Position presents information on all the City's assets (plus deferred outflows of resources) and liabilities (plus deferred inflows of resources), with the difference between the two reported as net position. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increase or decrease in net position 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 position changed during the most recent fiscal year, focusing on both the gross and net cost of various activities, both governmental and business-type, that are supported by the government's taxes and other general revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy by various business-type activities.

Fund Financial Statements

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

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

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

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

The City maintains three separate governmental funds – the general fund, the community redevelopment agency (CRA) special revenue fund, and the stormwater special revenue fund. The first two are considered major funds. Information is presented separately for all three funds in the balance sheet and the statement of revenues, expenditures and changes in fund balance of the governmental funds. The stormwater special revenue fund is presented separately but is identified as being a nonmajor fund.

The City adopts an annual appropriated budget each year in September. Budgetary comparison statements have been provided to demonstrate compliance with the budget. These can be found by referencing the table of contents of this report.

The basic governmental funds financial statements can be found by referencing the table of contents of this report and the presentation is on the current financial resources measurement focus. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statements allow the demonstration of sources and uses and/or budgeting compliance for each fund.

Proprietary Funds. The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its electric, water, sewer, sanitation, and mobile home park management. The basic proprietary fund financial statements can be found by referencing the table of contents of this report. On those pages, the sanitation and mobile home park fund are combined and shown as non-major funds. Combining statements for these funds can be found in the "Other Supplementary Information" section. The other proprietary fund type known as internal service funds is an accounting device used to accumulate and allocate costs internally among a government's various functions. The City does not presently utilize internal service funds.

Fiduciary Funds. Fiduciary funds are used to account for pension resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements and the related combining statements for the individual pension plans can be found by referencing the table of contents of this report.

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

Infrastructure assets. The City has elected to record and depreciate its infrastructure, rather than use the optional "modified approach". The City's roads, sidewalks and drainage networks were determined to be significant enough to record.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the end of the current year, the City's net position was \$13,908,405. The following table reflects a summary of net position compared to the prior year. For additional information, see the statement of net position by referencing the table of contents of this report.

Statement of Net Position (Summary)
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$2,908,295	\$2,295,099	\$3,775,240	\$ 3,842,773	\$ 6,683,535	\$ 6,137,872
Capital assets	4,668,549	4,843,197	9,629,045	10,201,963	14,297,594	15,045,160
Total assets	7,576,844	7,138,296	13,404,285	14,044,736	20,981,129	21,183,032
Deferred outflows	525,528	1,019,836	311,668	463,509	837,196	1,483,345
Current liabilities	332,824	185,445	1,115,336	1,166,031	1,448,160	1,351,476
Non-current liabilities	1,757,726	1,850,791	4,496,227	4,705,416	6,253,953	6,556,207
Total liabilities	2,090,550	2,036,236	5,611,563	5,871,447	7,702,113	7,907,683
Deferred inflows	149,478	100,071	70,532	59,621	220,010	159,692
Net position:						
Net investment in capital assets	3,677,501	3,760,600	5,465,414	5,881,277	9,142,915	9,641,877
Restricted	759,255	606,974	477,613	476,650	1,236,868	1,083,624
Unrestricted	1,437,791	1,654,251	2,090,831	2,219,250	3,528,622	3,873,501
Total net position	\$5,874,547	\$6,021,825	\$8,033,858	\$ 8,577,177	\$13,908,405	\$14,599,002

At September 30, 2018 and 2017, approximately 66% of the City's net position reflects its investment in capital assets (land, buildings, improvements, infrastructure, vehicles and equipment) net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, this component of net position is not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 9% of the City's net position represents resources that are subject to external restrictions on how they may be used. That compares to 7% in the prior year. The remaining balance of unrestricted net position, \$3,528,622 or 25% of the City's net position in 2018 may be used to meet the City's ongoing obligations to citizens and creditors. This is a decrease in unrestricted net position of \$344,879 or 9% for the year. Total net position of the City has decreased by \$690,597 or 5% for the year.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Statement of Activities. The 2018 results of operations of the City of Fort Meade are presented in the statement of activities in a format that reports the net (expense) or revenues of its individual programs. The following table reflects a summary of the statement of activities compared to the prior year. The statement of activities can be found by referencing the table of contents of this report.

Statement of Activities (Summary)
For the year ended September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 419,820	\$ 337,600	\$ 7,636,023	\$ 7,515,921	\$ 8,055,843	\$ 7,853,521
Operating grants/contrib.	73,220	52,229	-	-	73,220	52,229
Capital grants/contrib.	67,095	9,096	12,713	1,125	79,808	10,221
<i>General revenues:</i>						
Property taxes - General	664,111	586,008	-	-	664,111	586,008
Property taxes - CRA	29,304	-	-	-	29,304	-
Pub svc tax/franchise fees	700,316	688,401	-	-	700,316	688,401
Transportation fuel taxes	360,605	349,893	-	-	360,605	349,893
State shared revenue	728,218	702,345	-	-	728,218	702,345
Other	41,168	39,848	136,158	55,861	177,326	95,709
Total revenues	3,083,857	2,765,420	7,784,894	7,572,907	10,868,751	10,338,327
Expenses:						
<i>Governmental activities:</i>						
General government	1,081,515	761,866	-	-	1,081,515	761,866
Law enforcement	1,111,076	1,269,887	-	-	1,111,076	1,269,887
Fire control	255,657	269,608	-	-	255,657	269,608
Building inspections	109,840	123,385	-	-	109,840	123,385
Stormwater	147,748	153,643	-	-	147,748	153,643
Roads and streets	296,129	425,862	-	-	296,129	425,862
Library	231,243	226,846	-	-	231,243	226,846
Recreation	168,008	139,887	-	-	168,008	139,887
Parks	482,828	463,146	-	-	482,828	463,146
Community redevelopment	544	287	-	-	544	287
Interest on long-term debt	45,290	49,081	-	-	45,290	49,081
<i>Business-type activities:</i>						
Electric	-	-	4,499,165	4,953,848	4,499,165	4,953,848
Water	-	-	665,009	519,110	665,009	519,110
Sewer	-	-	1,109,078	1,205,604	1,109,078	1,205,604
Solid waste	-	-	597,447	403,471	597,447	403,471
Mobile home park	-	-	258,385	298,447	258,385	298,447
Total expenses	3,929,878	3,883,498	7,129,084	7,380,480	11,058,962	11,263,978
Increase (decrease) in net position before transfers	(846,021)	(1,118,078)	655,810	192,427	(190,211)	(925,651)
Transfers in (out)	1,162,693	720,000	(1,162,693)	(720,000)	-	-
Change in Net Position	316,672	(398,078)	(506,883)	(527,573)	(190,211)	(925,651)
Net position - Beginning	6,021,825	6,419,903	8,577,177	9,104,750	14,599,002	15,524,653
Restatement	(463,950)	-	(36,436)	-	(500,386)	-
Net position - Ending	\$5,874,547	\$6,021,825	\$ 8,033,858	\$ 8,577,177	\$13,908,405	\$14,599,002

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Governmental activities

On the actual statement of activities, general revenues including transfers are reported separately after the total net expenses of the City's functions, ultimately arriving at the change in net position for the year. The City has in place fees and charges that are designed to recover in part or in whole the cost of providing services. In 2018, operating grants and contributions were received for the general government, library and roads & streets functions. In 2018, capital grants and contributions were received for the general government and stormwater.

During 2018, governmental activities net position decreased by \$147,278 which consisted of a decrease of \$463,950 related to a change in accounting principle and an increase of \$316,672 due to the results of operations. The results of operations in 2017 was a decrease in net position of \$398,078. The main reason for the improvement in the results of operations from 2017 to 2018 was an increase in transfers from the business-type activities of \$442,693. The business-type activities transferred \$1,162,693 to the governmental activities in 2018 and \$720,000 in 2017. Other significant year-over-year changes are noted below.

Overall, total revenues-governmental activities were up \$318,437 or 12%, total expenses were up \$46,380 or 1%. Following are key changes in the statement of activities from 2017 to 2018:

- Charges for service increased \$82,220 or 24% in 2018 compared to 2017.
- Operating grants and contributions increased \$20,991 or 40% in 2018 compared to 2017.
- Capital grants and contributions were up \$57,999 or 638% in 2018 compared to 2017 which is mainly due to increased grant revenues for the stormwater function of \$60,000.
- Property taxes are up \$107,407 or 18% in 2018 compared to 2017. The City's millage rate increased from 6.2458 in 2017 to 6.8704 in 2018, and valuations were up in the City as a whole due to the continued improvement in the economy.
- Remaining program and general revenues were up \$49,820 or 3% for various reasons.

On the expense side:

- General government expenses increased by \$319,649 or 42% in 2018 compared to 2017. The main reason for the greater expenses were due to increased personnel costs allocated to this function.
- Law enforcement expenses decreased by \$158,811 or 13% compared to 2017 mainly due to a significant decrease in pension expense due to greater than expected actuarial experience and investment returns.
- Roads and streets expenses decreased by \$129,733 or 30% compared to 2017 mainly due to decreased depreciation expense as major assets reached the end of their useful lives in 2017.
- Remaining program expenses increased by \$15,275 in 2018 compared to 2017.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Business-type activities

Business-type activities experienced a decrease in net position of \$543,319 which consisted of a decrease of \$36,436 related to a change in accounting principle and a decrease of \$506,883 due to the results of operations. The results of operations in 2017 was a decrease in net position of \$527,573. The main reasons for the improvement in the results of operations from 2017 to 2018 were as follows:

- Revenues increased \$211,987 or 3% from 2017 to 2018, and expenses decreased by \$251,396 or 3%.
- Charges for services revenue increased by \$120,102 or 2%.
- Expenses decreased by \$251,396 or 3% mainly due to nonrecurring costs incurred in 2017 related to the City's response to Hurricane Irma that struck the City on September 9, 2017.
- The transfer to the governmental activities increased from \$720,000 in 2017 to \$1,162,693 in 2018.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds. The fund financial statements for the governmental funds can be found by referencing the table of contents of this report. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City reports the general fund and the community redevelopment agency special revenue fund as major governmental funds.

At the end of the current fiscal year, the City's governmental funds reported a combined fund balance of \$2,591,083. Of this amount, \$1,005,651 or 39% is non-spendable, \$762,664 or 29% is legally restricted for specific purposes, and \$822,768 or 32% is unassigned and available for spending at the City's discretion. Following is a discussion of individual major governmental funds.

General Fund. The general fund is the chief operating fund of the City. At year end, unassigned fund balance of the general fund totaled \$822,768, and total fund balance was \$1,895,142. This represents 22% and 51% respectively, of total general fund expenditures for the year ended September 30, 2018.

In the General Fund, the change in fund balance for the year improved from a decrease of \$12,553 in 2017 to an increase of \$373,568, an increase of \$386,121. Following is a summary of the changes from 2017 to 2018:

- In 2018, the City changed its classification of the "interfund service charges" that were reported as a component of revenue in 2017 to a component of general government expenditures in 2018. This change was made in accordance with GASB Cod. Sec. 1800 guidance for interfund services provided and used.
- Revenues adjusted for the above reclassification increased by \$182,198 or 7%. Taxes revenue in 2018 increased by 99,527 or 6% compared to 2017.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

- Expenditures adjusted for the reclassification noted in the first bullet point in this section increased \$356,384 or 11%.

The Community Redevelopment Agency. The Community Redevelopment Agency (CRA) was created by City Ordinance No. 1547 pursuant to Florida Statutes Chapter 163. To satisfy the requirements of Section 163.387(8) of the Florida Statutes, the CRA is included in the primary government's report as a major fund. The CRA receives the incremental ad valorem taxes from the County and the City, generated by the increase in property values within the redevelopment area. The CRA's property taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The CRA board consists of seven citizens appointed by the City Commission.

At year end, total fund balance in the CRA Fund totaled \$64,221.

- Revenues were zero in 2017 and \$29,304 in 2018, the first year the CRA has received tax-increment revenues.
- Expenditures were \$545 in 2018 compared to \$287 in 2017.

Proprietary Funds. The City's proprietary funds provide essentially the same type of information found in the government-wide financial statements, but presented by fund, and is in more detail. The City's proprietary funds consist of five enterprise funds. The financial statements for the three major enterprise funds and the financial statements for the two non-major enterprise funds can be found by referencing the table of contents of this report. An overall picture of the operating results of the combined enterprise funds was addressed above in the discussion of the City's business-type activities. Following are the highlights of the changes from 2017 to 2018, by major fund:

- In the electric fund, the change in net position improved from a decrease of \$412,822 in 2017 to a decrease of \$201,996 in 2018, an improvement of \$210,826. The improvement was attributable to a 1% increase in operating revenues and a 9% decrease in operating expenses. The electric fund transferred \$1,062,693 to the general fund in 2018 compared to a transfer of \$100,000 to the water fund, \$30,000 to the sewer fund and \$600,000 to the general fund in 2017.
- In the water fund, the change in net position deteriorated from an increase of \$146,629 in 2017 to a decrease of \$85,896 in 2018, a decline of \$232,525. Charges for services increased by \$1,556 or <1% and operating expenses increased by \$147,312 or 31%. In 2017, the electric fund transferred \$100,000 to the water fund and in 2018 the water fund received no transfers.
- In the sewer fund, the change in net position improved from a decrease of \$248,353 in 2017 to a decrease of \$64,967 in 2018, an improvement of \$183,386. Charges for services increased by \$93,863 or 10% and operating expenses decreased \$93,487 or 9%.
- In the combined non-major funds, the change in net position experienced a decrease of \$13,027 in 2017 compared to a decrease of \$154,024 in 2018, a decline of \$140,997. Operating revenues increased by \$8,163 or 1%, and operating expenses increased \$153,914 or 22%. The combined non-major funds transferred \$100,000 to the general fund in 2018 and \$120,000 in 2017. Combining statements can be found by referencing the table of contents of this report under the "Other Supplementary Information" section of the financial statements.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Fiduciary Funds. The City uses fiduciary funds to report assets held in a trustee or agency capacity that are, therefore, not available to support City programs. The City maintains three single-employer defined benefit pension plans for its employees. The combined balances and activity in the general, fire, and police pensions are presented in the fiduciary fund financial statements which can be found by referencing the table of contents of this report.

The three pension plans reported \$6,674,821 of net position restricted for pension benefits at September 30, 2018. This is an increase of \$281,959 or 4% for the year. The combined funds reported net investment income of \$451,989 for 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund actual to budget comparison can be found by referencing the table of contents of this report. The original 2018 general fund budget anticipated no change in fund balance as budgeted revenues were equal to budgeted expenditures. Amendments to the original budget during 2018 increased anticipated revenues and increased anticipated expenditures and included the following:

- Total budgeted revenue was increased by \$58,389 as a result of budget amendments which included increased budgeted tax revenue of \$50,764 and licenses and permit revenue of \$51,790 partially offset by decreased budgeted intergovernmental revenue of \$72,996.
- Total budgeted expenditures were decreased by \$40,617 as a result of budget amendments.
- The budget for other financing sources was increased by \$247,606 to reflect anticipated borrowing proceeds.
- The final amended budget anticipated an increase in fund balance of \$346,612 for 2018.

Actual results for 2018 increased fund balance by \$373,568 which was \$26,956 better than the anticipated change in fund balance of \$346,612. discussed above. Actual revenues came in \$103,888 or 4% less than the final amended budget. Expenditures came in \$260,836 or 7% lower than the final amended budget, spread across all departments. Other financing sources came in \$129,992 or 9% lower than the final amended budget.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets includes land, buildings and improvements, infrastructure, and equipment, net of accumulated depreciation. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, totals \$14,297,594 (net of accumulated depreciation), a decrease of \$747,566 for the current year. Governmental net additions were \$142,227, book value of disposed assets was \$19,976, and depreciation was \$296,899 for a net decrease of \$174,648. Business-type net additions were \$40,845, book value of disposed assets was \$32,697, and depreciation was \$581,066 for a net increase of \$572,918. Following is a schedule of capital assets at the end of the current and prior year:

Capital Assets Activity
(net of accumulated depreciation)
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 839,765	\$ 856,731	\$ 345,838	\$ 345,838	\$ 1,185,603	\$ 1,202,569
Buildings and improvements	968,189	1,045,412	8,788,455	9,282,051	9,756,644	10,327,463
Equipment	462,092	496,205	423,971	481,176	886,063	977,381
Infrastructure	2,313,003	2,443,349	-	-	2,313,003	2,443,349
Construction in progress	85,500	1,500	70,781	92,898	156,281	94,398
Total	\$4,668,549	\$4,843,197	\$9,629,045	\$10,201,963	\$14,297,594	\$15,045,160

Additional information on the City's capital assets can be found in Note 6 of the notes to the financial statements which can be located by referencing the table of contents of this report.

Outstanding Debt. At the end of the year, the City had total outstanding debt of \$5,272,293 (excluding accrued compensated absences, other postemployment liability and net pension liabilities) compared to \$5,403,283 at the previous year end, a decrease of \$130,990 due to regular principal payments of \$248,604 partially offset by new borrowing of \$117,614. The following is a summary of the outstanding debt:

Outstanding Debt
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenue notes	\$ 976,145	\$1,053,495	\$4,091,488	\$ 4,179,361	\$ 5,067,633	\$ 5,232,856
Notes and leases payable	132,517	29,102	72,143	141,325	204,660	170,427
Total	\$1,108,662	\$1,082,597	\$4,163,631	\$ 4,320,686	\$ 5,272,293	\$ 5,403,283

Additional information on the City's debt can be found in Note 7 of the notes to the financial statements which can be located by referencing the table of contents of this report.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

Introduction

The City of Fort Meade is located in the southwest corner of Polk County, in what is known as Central Florida's Bone Valley. Fort Meade has two major roadways, US Highways 17 and 98 to be used as transportation links to access Interstate-4 and the Polk Parkway.

Central Florida has experienced growth throughout the region over the past several years. Fort Meade was once a community based on agriculture and mining, but the new growth has renewed interest in the City as a place to live and raise a family. The City of Fort Meade is situated in an excellent position to attract growth both residential and commercial. The City has a modestly priced housing market, and the demand for affordable homes is on the rise. The activity in the community's housing market has increased the commercial sector's interest as well. Therefore, the City staff has worked with several commercial operations regarding site facilities.

Advancements in geotechnical engineering, environmental policies, and economic incentives have captured developers' interest for residential, commercial, and industrial uses. The community is surrounded by an abundance of open reclaimed property, which was once considered agricultural, but has the potential to be developed for other uses. In addition, areas once considered as wastelands can now support commercial, residential, and industrial projects.

Hurricane Irma

On September 10, 2017, Hurricane Irma was a Category 2 Hurricane when hit the City of Fort Meade at approximately 11:30 PM. The storm wreaked havoc not only in Fort Meade, but across Florida. Fort Meade was heavily impacted with high winds, wind-driven rain, and associated destruction.

Before, during, and after the storm, the City was represented by several City staff members at the Polk County Emergency Operations Center (EOC) as Hurricane Irma threatened Fort Meade. All critical functions of the City were on-call and ready to assist. After the storm passed, all hands were on-deck as the City staff pulled together to pick up the pieces in the aftermath of Irma. The City of Fort Meade also received mutual aid assistance from several contractors that were eager to assist.

The City of Fort Meade sustained substantial damages to facilities during the storm. The City staff began working with Polk County Emergency Management, FEMA, and the City's insurance company immediately after the storm in order to repair the damages sustained.

JDC Progress

As phosphate mining moves south, previously mined areas holding low grade phosphate are being evaluated for potential re-mining. JDC Phosphate, Inc., located west of the City, is leading in this effort. JDC employs an experimental recovery process that addresses two environmental issues created by the existing ore extraction process in the region. The JDC process eliminates the creation of gypsum and creates an aggregate to be used as stone in construction. Additionally, JDC will be addressing the reclamation of previous sites that were not subject to reclamation regulations when mined. JDC completed the experimental phase of the operation and anticipates adding 25 new jobs, for total employment of 95 people.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (cont...)

Economic Factors (cont...)

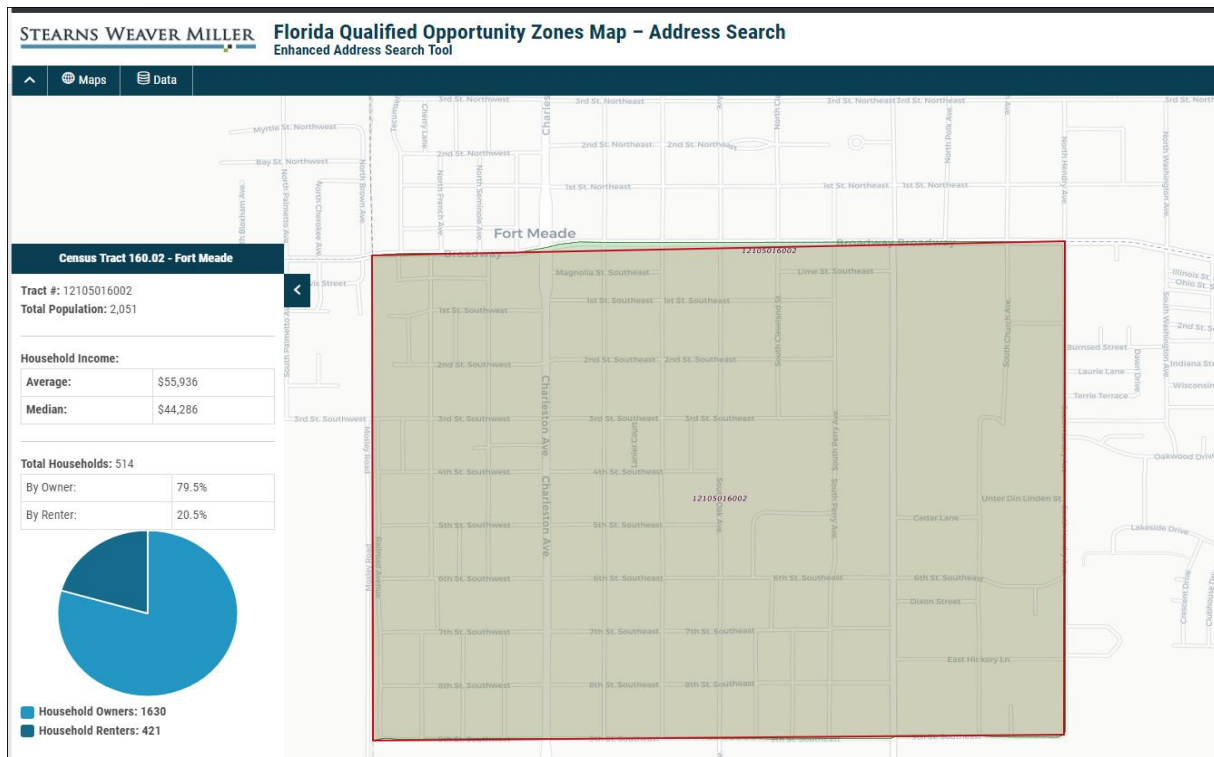
Valmont Progress

In August 2018, Valmont purchased 13 acres of property located on the west side of US Highway 17 North. One of the reasons Valmont is interested in this area, is that they will have the opportunity to employ skilled workers as mining is projected to decrease in the area. Valmont will be investing \$13 million dollars to produce concrete electric distribution poles (power poles). These poles are considered more sustainable in the Florida climate and will better withstand strong winds received from storms. Their original estimate is to employ 50-employees with an average wage of \$40,000 per year. This will allow the company to produce about 100 poles per day. Their ultimate goal is to produce 200 power poles per day, with 100-employees. These jobs will be permanent jobs within the City of Fort Meade's CRA District.

Retail and Food Services Interest

Continuing with commercial interest in the area, the City has been working with several businesses to serve the area. O'Reilly's Auto Parts store plans to open a facility on US Highway 17, just north of Greenwood Chevrolet. Burger King also opened a restaurant across the street from City Hall in April 2019. The Dollar General recently expanded their cold foods section of the store to provide more grocery options for residents. In addition, the Fresh Choice Market grocery store recently opened just south of City Hall on US Highway 17. They are a full-service grocery store, which the City has not had in many years. This will remove the designation as a food desert in our community. We are considering all these new opportunities as positive indicators of future development and a better way of life in our historic community.

Qualified Opportunity Zone



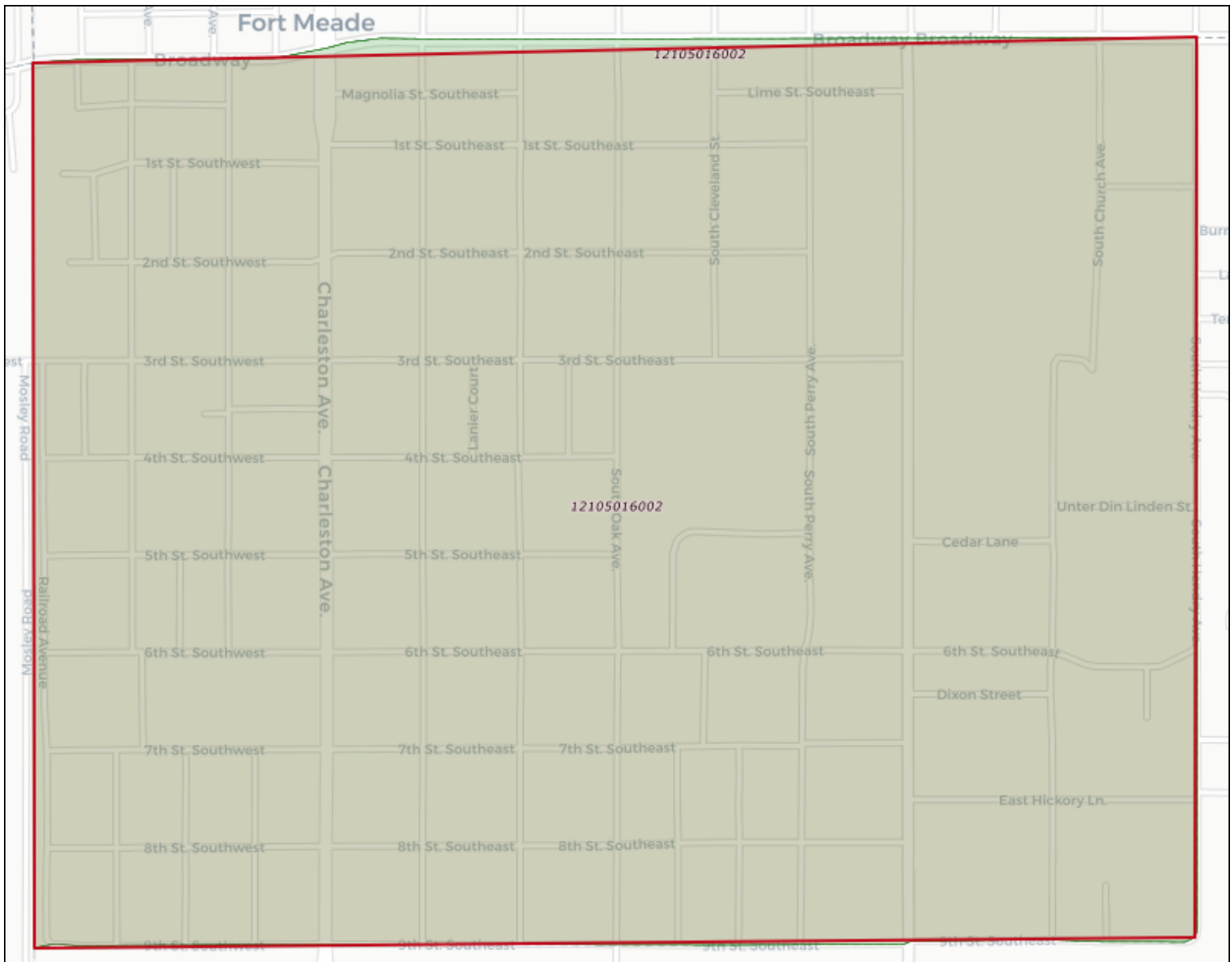
CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (cont...)

Economic Factors (cont...)

Qualified Opportunity Zone (cont...)

The City of Fort Meade is listed as a Qualified Opportunity Zone, which means the community has been designated as an economically distressed community. Communities that qualify as Opportunity Zones must be nominated for the designation by the State and the nomination must be certified by the Secretary of the US Treasury. This means that new investments that meet certain conditions, may be eligible for preferential tax treatments. This designation is very important to the community because it is meant to spur economic development by providing tax benefits to investors.



CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (cont...)

Economic Factors (cont...)

Conclusion

In August 2018, The Ledger reported that Florida is excelling in job and population growth. This shows a tremendous move in the right direction from the Great Recession. It is projected that the Florida economy, as well as our local economy, will become more diversified due to increases in our population and job growth.

As interest in our region grows, available land, utilities, and transportation systems will be key factors in our community's future development. As we embrace this interest in our region, the City will be required to address a wide-range of issues regarding infrastructure, land use regulations, and annexations. To prepare, the community must be active and strive to maintain the old Florida character. Balancing the old with the new objectives will require a planned approach to finance, construction, and implementing changes, while maintaining and serving the community.

Budget Goals – The budget goals for fiscal year 2018-2019 are as follows:

Revenues

Ad Valorem:

The City's current property millage rate is 6.8704 which is equal to the same rate as last year but a 2.7% increase from this year's rolled back rate. This is well below the Millage limitation by Florida State statute for municipalities, which is not to levy ad valorem taxes against real property and tangible personal property in excess of 10 mills, except for voted levies. Due to increases in the homestead exemption passed by the State legislature in recent years, municipalities have had to increase millage rates to maintain operations. Fort Meade is no exception to this trend. On a positive note, property values are increasing in Fort Meade which helps support the tax base.

New to the City in FY 2017-18 was the receipt of Tax increment financing (TIF) for the Community Redevelopment Agency (CRA). This funding is used for redevelopment, infrastructure, and other capital-improvement projects within the CRA district. This was the first year that the City exceeded its base property values, but the City is hopeful that property values will continue to increase, which will also increase the funding for the CRA.

Non-Ad Valorem

Also new to the City's tax base in FY 2018-19 is the addition of the Fire Assessment Fee. This fee is used to fund firefighters' wages, as well as to buy necessary equipment, fuel, and other operating expenditures. Property owners will pay this flat fee once a year on their property tax bill as a non-ad valorem tax, regardless of how many times the fire department may be helping them. The assessment is anticipated to yield \$241,800.

The Stormwater Revenue is collected as a non-ad valorem tax assessment, to ensure that all properties pay for the system's improvements and maintenance. The assessment is anticipated to yield \$192,166.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (cont...)

Budget Goals (cont...)

Grant and Other Funding Sources

Several forms of grant funding are also expected in FY 2018-19. The Florida Department of Economic Opportunity awarded the City a Community Development Block Grant in the amount of \$700,000, to be used to rebuild Cherokee Lift Station. The CDBG Grant to rebuild Cherokee Lift Station was awarded in 2017, and the project construction process is expected to begin in the Summer 2019.

The FRDAP grants for improvements to Peace River Park, Patterson Park, and the Community Center are also expected to be completed in fiscal year 2018-19. These awards will allow the City to improve its recreation facilities for the City, as well as provide a basketball court for the community. Along with these park improvements, the City of Fort Meade is also exploring development of resources, based on opportunities within Peace River Park. The hope is to attract visitors and to showcase the natural beauty of the park

Additionally, the City is in its second year working with the Southwest Florida Water Management District to develop a Watershed Management Program. This program will help the City develop flood risk information for watersheds and achieve flood protection.

Rate Increases

Increases in rates help the City to maintain the facilities and operations of those utilities.

The Solid Waste rate will increase in fiscal year 2019, in response to the collection fee increase instated by Republic Services. The new monthly rate per customer is \$19.79.

The Water and Wastewater Systems have an annual CIP increase of 2.1%. This rate increase allows the systems to increase both the operating and system's Reserve Fund annually. This approach prevents the City Commission and the residents from experiencing rate shock, when rates are required to be adjusted to cover increasing costs. The City is still in litigation with Biosolids to reduce their impact on the Wastewater system.

The City renegotiated its Contract Rate of Demand (CROD), purchasing limits from the Florida Municipal Power Agency (FMPA) in 2018, the details of which are discussed separately in the Fort Meade Power Supply Narrative.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (cont...)

Budget Goals (cont...)

Expenditures

Payroll-Related Expenditures

The City is in the process of developing a salary survey for all positions within the City. A salary survey will provide detailed information regarding fair/competitive employee wages for all City positions. The survey will also provide information about how the City compares to other municipalities in the area, that are comparable in size, and offer similar services. This survey will help the City determine the best compensation packages to offer employees.

The proposed FY 2018-19 budget includes funding for a 2.9% Cost of Living Adjustment (COLA) to all full-time City employees. The employer paid benefits package included in the FY 2018-19 budget also includes full retirement, life/basic AD&D coverage, long-term disability, and a contribution toward health insurance. The City offers a 100% employer paid health insurance plan to all full-time employees, but also provides several other options for buy-up plans.

The City's health insurance plans' cost will increase 14% in FY 2018-19. The City's Commission graciously voted to pay the full cost of this increase, so that the employees' contributions could remain the same. Considering the impact of this decision, the City Commission also approved a COLA one-time payment in FY 2018-19 but postponed any increases in wages awaiting the outcome of the salary survey.

Capital Outlay Expenditures

The budget expenditures for fiscal year 2019 increased in connection with the grants outlined above that the City anticipates receiving. The grants and economic development funding will be used for capital improvements throughout the City according to each project's scope of work. Additionally, capital outlay expenditures will increase significantly in FY 2018-19, in response to damages sustained by Hurricane Irma. The City has many facilities in need of repair, so those projects will be top priority. Going forward, the City plans to emphasize facility and infrastructure maintenance, to prevent deferred maintenance from creating cash flow issues in the future.

The majority of the funding for the Capital Improvements in FY 2018-19 will be derived from grant and insurance funding, with some long-term debt financing. The capital projects planned over the next three fiscal years should make visible and notable improvements to level of service, beauty of the City, and quality of life for residents and visitors. The City is utilizing some fund balance funding as well as interfund operating transfers to balance the City's budgeted revenues and expenditures. By projecting expenditures, including capital projects three years in advance, the City hopes this will allow for a smoother budget process as operating and maintenance costs continue to fluctuate.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (cont...)

Budget Goals (cont...)

Summary

The City experienced financial strains over the last several years due to ongoing litigation with Biosolids Distribution and Hurricane Irma. The City is working to improve the losses in the Sewer Fund and to restore Hurricane Irma damages. The General Fund will have debt service associated with Hurricane Irma repairs to City Hall, the Police Station, and Fire Station.

The storm also brought many items to light that can help the City improve operations going forward. The City plans to focus on increasing unrestricted reserves in all funds, based on our experience with these issues. The budget allows for the City to set aside reserves as feasible to offset future unexpected expenditures, to fund capital projects, and to mitigate future operational increases.

Demand for commercial development in Fort Meade is increasing. The City Manager and Building Dept. are working with property and business owners to develop plans for serious development within the next year. The Community Redevelopment Agency is gaining momentum with the receipt of Tax Increment Funding, which will allow the City to start pursuing projects within the CRA District as well.

Overall, the City has stable operations, strong investments in capital, and has positive indicators for development going forward. The proposed FY 2018-19 budget maintains service levels and provides for a large investment in City operations by fully funding capital projects included in the Capital Improvement Plan. Increasing revenue projections and the recent uptick in commercial development inquiries, show the City is looking at a favorable future.

REQUEST FOR INFORMATION

This financial report is designed to provide users with a general overview of the City of Fort Meade's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 8 West Broadway Street, Fort Meade, FL 33841 or telephone (863) 285-1100. You can also access our website at <http://www.cityoffortmeade.com>.



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CITY OF FORT MEADE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 933,218	\$ 2,479,584	\$ 3,412,802
Receivables, current:			
Customer accounts, net	74,097	1,088,764	1,162,861
Intergovernmental	97,160	-	97,160
Franchise and public service taxes	61,527	-	61,527
Inventory and prepaids	13,414	284,111	297,525
Internal balances	992,237	(992,237)	-
Restricted assets:			
Equity in pooled cash and cash equivalents	736,642	915,018	1,651,660
Capital assets:			
Non-depreciable	925,265	416,619	1,341,884
Depreciable, net	3,743,284	9,212,426	12,955,710
TOTAL ASSETS	7,576,844	13,404,285	20,981,129
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	525,528	311,668	837,196
LIABILITIES			
Accounts payable and accrued expenses	255,947	657,978	913,925
Accrued wages	34,681	19,953	54,634
Due to other governments	38,787	-	38,787
Accrued interest payable	3,409	14,597	18,006
Customer deposits	-	422,808	422,808
Long-term obligations:			
Due within one year	96,524	164,755	261,279
Due in more than one year	1,661,202	4,331,472	5,992,674
TOTAL LIABILITIES	2,090,550	5,611,563	7,702,113
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	149,478	70,532	220,010
NET POSITION			
Net investment in capital assets	3,677,501	5,465,414	9,142,915
Restricted for:			
Debt service	6,715	275,512	282,227
Transportation expenditures	48,033	-	48,033
Law enforcement purposes	8,758	-	8,758
Community redevelopment	64,221	-	64,221
Stormwater management	631,528	-	631,528
Water and sewer system improvements	-	202,101	202,101
Unrestricted	1,437,791	2,090,831	3,528,622
TOTAL NET POSITION	\$ 5,874,547	\$ 8,033,858	\$ 13,908,405

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government	\$ 1,081,515	\$ 53,227	\$ 4,350	\$ 7,095
Law enforcement	1,111,076	65,937	-	-
Fire control	255,657	490	-	-
Building inspections	109,840	105,881	-	-
Stormwater	147,748	180,165	23,613	60,000
Roads and streets	296,129	-	14,070	-
Library	231,243	8,106	31,187	-
Recreation	168,008	3,744	-	-
Parks	482,828	2,270	-	-
Community redevelopment	544	-	-	-
Interest on long-term debt	45,290	-	-	-
Total governmental activities	3,929,878	419,820	73,220	67,095
Business-type activities				
Electric	4,499,165	5,253,625	-	-
Water	665,009	566,170	-	1,500
Sewer	1,109,078	1,021,059	-	11,213
Mobile home park	258,385	374,487	-	-
Solid waste	597,447	420,682	-	-
Total business-type activities	7,129,084	7,636,023	-	12,713
TOTAL PRIMARY GOVERNMENT	\$ 11,058,962	\$ 8,055,843	\$ 73,220	\$ 79,808

GENERAL REVENUES

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for community redevelopment purposes
- Public service taxes and franchise fees
- Fuel taxes levied for transportation purposes
- State shared revenue
- Investment earnings
- Miscellaneous
- Gain on disposal of capital assets

TRANSFERS

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION, beginning of year as previously reported

Restatement (Note 16)

NET POSITION, beginning of year, as restated

NET POSITION, end of year

The accompanying notes are an integral part of these financial statements

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (1,016,843)	\$ -	\$ (1,016,843)
(1,045,139)	-	(1,045,139)
(255,167)	-	(255,167)
(3,959)	-	(3,959)
116,030	-	116,030
(282,059)	-	(282,059)
(191,950)	-	(191,950)
(164,264)	-	(164,264)
(480,558)	-	(480,558)
(544)	-	(544)
(45,290)	-	(45,290)
(3,369,743)	-	(3,369,743)
-	754,460	754,460
-	(97,339)	(97,339)
-	(76,806)	(76,806)
-	116,102	116,102
-	(176,765)	(176,765)
-	519,652	519,652
(3,369,743)	519,652	(2,850,091)
664,111	-	664,111
29,304	-	29,304
700,316	-	700,316
360,605	-	360,605
728,218	-	728,218
522	300	822
36,603	135,858	172,461
4,043	-	4,043
1,162,693	(1,162,693)	-
3,686,415	(1,026,535)	2,659,880
316,672	(506,883)	(190,211)
6,021,825	8,577,177	14,599,002
(463,950)	(36,436)	(500,386)
5,557,875	8,540,741	14,098,616
\$ 5,874,547	\$ 8,033,858	\$ 13,908,405

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2018

	General Fund	Community Redevelopment Agency	Non-major: Stormwater Fund	Total
ASSETS				
Equity in pooled cash and cash equivalents	\$ 933,218	\$ 64,221	\$ 605,506	\$ 1,602,945
Receivables, net				
Customer accounts, net	74,097	-	-	74,097
Intergovernmental	63,909	-	33,251	97,160
Franchise and public service taxes	61,527	-	-	61,527
Other	12,203	-	-	12,203
Inventory	13,222	-	192	13,414
Advances to other funds	992,237	-	-	992,237
Restricted assets:				
Equity in pooled cash and cash equivalents	66,915	-	-	66,915
TOTAL ASSETS	\$ 2,217,328	\$ 64,221	\$ 638,949	\$ 2,920,498
LIABILITIES				
Accounts payable	250,119	-	5,828	255,947
Accrued wages and benefits	33,280	-	1,401	34,681
Due to other governments	38,787	-	-	38,787
TOTAL LIABILITIES	322,186	-	7,229	329,415
FUND BALANCE				
Nonspendable:				
Inventory	13,222	-	192	13,414
Interfund balances	992,237	-	-	992,237
Restricted for:				
Law enforcement trust fund	8,758	-	-	8,758
Debt service	10,124	-	-	10,124
Transportation expenditures	48,033	-	-	48,033
Community redevelopment	-	64,221	-	64,221
Stormwater management	-	-	631,528	631,528
Unassigned	822,768	-	-	822,768
TOTAL FUND BALANCES	1,895,142	64,221	631,720	2,591,083
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,217,328	\$ 64,221	\$ 638,949	\$ 2,920,498

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2018

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,591,083
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,668,549
Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	525,528
Deferred inflows of resources represent an increase in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	(149,478)
Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in the governmental funds.	(3,409)
Long-term liabilities (including bonds, notes and leases payable, compensated absences liability, other postemployment benefits liability and net pension liabilities) are not due and payable in the current period and, therefore are not reported in the governmental funds.	
This is the amount of the long-term liabilities	(1,757,726)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 5,874,547</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the year ended September 30, 2018

	General Fund	Community Redevelopment Agency	Non-major: Stormwater Fund	Total
REVENUES:				
Taxes	\$ 1,634,345	\$ 29,304	\$ -	\$ 1,663,649
Licenses, permits and special assessments	210,982	-	180,165	391,147
Intergovernmental revenue	776,073	-	60,000	836,073
Charges for services	14,120	-	-	14,120
Fines and forfeitures	95,357	-	-	95,357
Other	52,792	-	12	52,804
Total revenues	<u>2,783,669</u>	<u>29,304</u>	<u>240,177</u>	<u>3,053,150</u>
EXPENDITURES:				
Current:				
General government	948,501	-	-	948,501
Public safety	1,567,927	-	-	1,567,927
Physical environment	-	-	106,417	106,417
Economic environment	-	545	-	545
Transportation	155,042	-	-	155,042
Culture/recreation	780,312	-	-	780,312
Capital outlay	101,517	-	81,949	183,466
Debt service				
Interest	45,560	-	-	45,560
Principal	91,549	-	-	91,549
Total expenditures	<u>3,690,408</u>	<u>545</u>	<u>188,366</u>	<u>3,879,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(906,739)</u>	<u>28,759</u>	<u>51,811</u>	<u>(826,169)</u>
OTHER FINANCING SOURCES:				
Transfers in	1,162,693	-	-	1,162,693
Loan proceeds	117,614	-	-	117,614
Insurance recoveries	-	-	23,613	23,613
TOTAL OTHER FINANCING SOURCES	<u>1,280,307</u>	<u>-</u>	<u>23,613</u>	<u>1,303,920</u>
NET CHANGE IN FUND BALANCE	373,568	28,759	75,424	477,751
FUND BALANCE, beginning of year	1,521,574	35,462	556,296	2,113,332
FUND BALANCE, end of year	<u>\$ 1,895,142</u>	<u>\$ 64,221</u>	<u>\$ 631,720</u>	<u>\$ 2,591,083</u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 477,751**

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

This is the amount of capital assets recorded in the current period.	142,227
This is the amount of depreciation recorded in the current period.	(296,899)
This is the book value of dispositions recorded in the current period.	(19,976)

Long-term obligations including bonds and notes payable, compensated absences and the other postemployment benefits liability are reported as liabilities in the government-wide statement of net position but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources:

This is the repayment of long-term debt principal reported as expenditures in the governmental funds.	91,549
This is the proceeds from borrowing.	(117,614)
This is the change in accrued interest payable on long-term debt.	269
This is the change in accrued compensated absences during the year.	(16,318)

Pension expense is reported in the statement of activities which differs from pension expenditures as reported in the governmental funds:

This amount represents the change in deferred inflows related to pensions.	(49,407)
This amount represents the change in deferred outflows related to pensions.	(88,694)
This amount represents the change in the net pension liability.	193,784

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 316,672**

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2018

	Business Type Activities - Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Non-major Funds	
ASSETS					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 1,628,885	\$ 396,075	\$ 106,833	\$ 347,791	\$ 2,479,584
Receivables:					
Customers, net	788,821	76,945	159,599	63,399	1,088,764
Inventory and prepaids	228,364	51,594	4,153	-	284,111
Total current assets	<u>2,646,070</u>	<u>524,614</u>	<u>270,585</u>	<u>411,190</u>	<u>3,852,459</u>
Noncurrent assets:					
Restricted assets:					
Equity in pooled cash and cash equivalents	306,555	222,047	386,416	-	915,018
Capital assets:					
Non-depreciable	-	167,487	238,267	10,865	416,619
Depreciable, net	3,281,101	1,556,161	4,156,258	218,906	9,212,426
Total noncurrent assets	<u>3,587,656</u>	<u>1,945,695</u>	<u>4,780,941</u>	<u>229,771</u>	<u>10,544,063</u>
Total assets	<u>6,233,726</u>	<u>2,470,309</u>	<u>5,051,526</u>	<u>640,961</u>	<u>14,396,522</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	148,711	71,873	91,084	-	311,668
LIABILITIES					
Current liabilities:					
Accounts payable	340,358	47,812	36,350	233,458	657,978
Accrued wages	9,336	4,670	5,947	-	19,953
Bonds and notes payable, current	54,875	33,273	76,607	-	164,755
Total current liabilities	<u>404,569</u>	<u>85,755</u>	<u>118,904</u>	<u>233,458</u>	<u>842,686</u>
Noncurrent liabilities:					
Liabilities payable from restricted assets:					
Customer deposits	306,555	78,259	37,994	-	422,808
Interest payable	-	3,890	10,707	-	14,597
Advances from other funds	-	166,316	825,921	-	992,237
Compensated absences	14,269	9,093	8,300	-	31,662
Other postemployment benefit liability	19,157	5,427	12,947	-	37,531
Net pension liability	125,681	60,743	76,979	-	263,403
Bonds and notes payable, noncurrent portion	-	1,049,172	2,949,704	-	3,998,876
Total noncurrent liabilities	<u>465,662</u>	<u>1,372,900</u>	<u>3,922,552</u>	<u>-</u>	<u>5,761,114</u>
Total liabilities	<u>870,231</u>	<u>1,458,655</u>	<u>4,041,456</u>	<u>233,458</u>	<u>6,603,800</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	33,654	16,265	20,613	-	70,532
NET POSITION					
Net investment in capital assets	3,226,226	641,203	1,368,214	229,771	5,465,414
Restricted for:					
Debt retirement	-	66,042	209,470	-	275,512
Utility system improvements (expendable)	-	73,856	128,245	-	202,101
Unrestricted	2,252,326	286,161	(625,388)	177,732	2,090,831
Total net position	<u>\$ 5,478,552</u>	<u>\$ 1,067,262</u>	<u>\$ 1,080,541</u>	<u>\$ 407,503</u>	<u>\$ 8,033,858</u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUNDS
September 30, 2018

	Business Type Activities - Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Non-major Funds	
OPERATING REVENUES:					
Charges for services	\$ 5,253,625	\$ 566,170	\$ 1,021,059	\$ 795,169	\$ 7,636,023
Total operating revenue	<u>5,253,625</u>	<u>566,170</u>	<u>1,021,059</u>	<u>795,169</u>	<u>7,636,023</u>
OPERATING EXPENSES:					
Personnel services	441,177	232,231	276,410	21,791	971,609
Purchased power	3,250,140	-	-	-	3,250,140
Operating expenses	600,161	274,688	445,376	820,845	2,141,070
Depreciation	203,089	109,332	255,449	13,196	581,066
Total operating expenses	<u>4,494,567</u>	<u>616,251</u>	<u>977,235</u>	<u>855,832</u>	<u>6,943,885</u>
OPERATING INCOME (LOSS)	<u>759,058</u>	<u>(50,081)</u>	<u>43,824</u>	<u>(60,663)</u>	<u>692,138</u>
NONOPERATING REVENUE (EXPENSE)					
Investment revenue	246	-	54	-	300
Interest expense	(4,598)	(48,758)	(131,843)	-	(185,199)
Other, net	105,991	11,443	11,785	6,639	135,858
Total nonoperating revenues (expense)	<u>101,639</u>	<u>(37,315)</u>	<u>(120,004)</u>	<u>6,639</u>	<u>(49,041)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>860,697</u>	<u>(87,396)</u>	<u>(76,180)</u>	<u>(54,024)</u>	<u>643,097</u>
CAPITAL CONTRIBUTIONS					
Capital grants and contributions	-	-	11,213	-	11,213
Impact fees	-	1,500	-	-	1,500
Total capital contributions	<u>-</u>	<u>1,500</u>	<u>11,213</u>	<u>-</u>	<u>12,713</u>
TRANSFERS IN (OUT)	<u>(1,062,693)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(1,162,693)</u>
CHANGE IN NET POSITION	<u>(201,996)</u>	<u>(85,896)</u>	<u>(64,967)</u>	<u>(154,024)</u>	<u>(506,883)</u>
NET POSITION, beginning of year, as previously reported	5,698,610	1,158,585	1,158,455	561,527	8,577,177
Restatement (Note 16)	(18,062)	(5,427)	(12,947)	-	(36,436)
NET POSITION, beginning of year, as restated	<u>5,680,548</u>	<u>1,153,158</u>	<u>1,145,508</u>	<u>561,527</u>	<u>8,540,741</u>
NET POSITION, end of year	<u>\$ 5,478,552</u>	<u>\$ 1,067,262</u>	<u>\$ 1,080,541</u>	<u>\$ 407,503</u>	<u>\$ 8,033,858</u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For the year ended September 30, 2018

	Business Type Activities - Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Non-major Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 5,455,537	\$ 568,283	\$ 1,001,057	\$ 790,449	\$ 7,815,326
Payments to suppliers	(4,071,133)	(277,013)	(452,388)	(633,392)	(5,433,926)
Payments for salaries and benefits	(405,031)	(219,372)	(267,894)	(23,073)	(915,370)
Net cash flows from operating activities	<u>979,373</u>	<u>71,898</u>	<u>280,775</u>	<u>133,984</u>	<u>1,466,030</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers (to) from other funds	(1,062,693)	-	-	(100,000)	(1,162,693)
Increase (decrease) in deposits	14,663	2,034	2,370	-	19,067
Net cash flows from noncapital financing activities	<u>(1,048,030)</u>	<u>2,034</u>	<u>2,370</u>	<u>(100,000)</u>	<u>(1,143,626)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets, net of related payables	(3,805)	(25,360)	(11,680)	-	(40,845)
Principal paid on notes, bonds and lease obligations	(52,729)	(31,798)	(72,528)	-	(157,055)
Interest paid on borrowings and other debt costs	(4,598)	(48,821)	(132,107)	-	(185,526)
Proceeds from the sale of assets	-	14,239	-	-	14,239
Capital contributions and impact fees received, net of change in related receivables	-	1,500	29,671	-	31,171
Net cash flows from capital and related financing activities	<u>(61,132)</u>	<u>(90,240)</u>	<u>(186,644)</u>	<u>-</u>	<u>(338,016)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on invested funds	246	-	54	-	300
Other income	105,991	11,443	11,785	6,639	135,858
Net cash flows from investing activities	<u>106,237</u>	<u>11,443</u>	<u>11,839</u>	<u>6,639</u>	<u>136,158</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(23,552)</u>	<u>(4,865)</u>	<u>108,340</u>	<u>40,623</u>	<u>120,546</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,958,992</u>	<u>622,987</u>	<u>384,909</u>	<u>307,168</u>	<u>3,274,056</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,935,440</u>	<u>\$ 618,122</u>	<u>\$ 493,249</u>	<u>\$ 347,791</u>	<u>\$ 3,394,602</u>

Continued...

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
For the year ended September 30, 2018

	Business Type Activities - Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Non-major Funds	Total
As shown in the Accompanying Financial Statements					
Equity in pooled cash and cash equivalents	\$ 1,628,885	\$ 396,075	\$ 106,833	\$ 347,791	\$ 2,479,584
Restricted equity in pooled cash and cash equivalents	306,555	222,047	386,416	-	915,018
Total cash and cash equivalents	\$ 1,935,440	\$ 618,122	\$ 493,249	\$ 347,791	\$ 3,394,602
Noncash financing and investing activities:					
None	\$ -	\$ -	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 759,058	\$ (50,081)	\$ 43,824	\$ (60,663)	\$ 692,138
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	203,089	109,332	255,449	13,196	581,066
(Increase) decrease in inventory and prepaids	18,818	(7,428)	(2,614)	-	8,776
(Increase) decrease in accounts receivable	201,912	2,113	(20,002)	(4,720)	179,303
Increase (decrease) in accounts payable	(239,650)	5,103	(4,398)	187,453	(51,492)
Increase (decrease) in accrued wages and compensated absences	(1,896)	4,148	(13,169)	(1,282)	(12,199)
(Increase) decrease in deferred outflows related to pensions	121,965	(35,101)	64,977	-	151,841
Increase (decrease) in deferred inflows related to pensions	(1,163)	11,535	539	-	10,911
Increase (decrease) in net pension liability	(83,855)	32,277	(43,831)	-	(95,409)
Increase (decrease) in other postemployment benefit liability	1,095	-	-	-	1,095
Net cash flows from operating activities	\$ 979,373	\$ 71,898	\$ 280,775	\$ 133,984	\$ 1,466,030

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
September 30, 2018

	<u>Pension Trust Funds</u>
ASSETS	
Investments, at fair value:	
Cash and short-term money market funds	\$ 26,699
Fixed income investment pools	2,115,919
Equity investment pools	3,931,470
Real estate investment pool	<u>600,733</u>
Total investments	<u>6,674,821</u>
Total assets	<u>6,674,821</u>
NET POSITION	
Restricted for pension benefits	<u>\$ 6,674,821</u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
For the year ended September 30, 2018

	Pension Trust Funds
ADDITIONS	
Contributions:	
City	\$ 338,116
Total contributions	<u>338,116</u>
Investment income:	
Investment income	474,913
Less investment expenses	<u>(22,924)</u>
Net investment income	<u>451,989</u>
Total additions	<u>790,105</u>
DEDUCTIONS	
Administrative expenses:	
Legal	24,353
Actuarial	17,776
Travel, training and other	<u>661</u>
Total administrative expenses	42,790
Payments to retirees and participants	<u>465,356</u>
Total deductions	<u>508,146</u>
CHANGE IN NET POSITION	281,959
NET POSITION, beginning of year	<u>6,392,862</u>
NET POSITION, end of year	<u>\$ 6,674,821</u>

The accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its statements (GASBS) and Interpretations (GASBI). The more significant accounting policies established by GAAP and used by the City are discussed below.

A. REPORTING ENTITY

The present Charter of the City of Fort Meade, Florida (the City) was adopted at an election held on April 22, 1925, which was validated and confirmed by Laws of Florida 1925, Chapter 10569. The City operates under a Commission-Manager form of government and provides the following services as authorized by its Charter: public safety (police and fire), street construction and maintenance, culture/recreation, public improvements, planning and zoning, and general administrative services. The City also provides electric, water, sewer and stormwater utility services; provides collection and disposal of solid waste; and operates a mobile home park.

These financial statements include the accounts and transactions of the following entities, which do not satisfy the definition of component units because they are not legally separate from the City:

- City of Fort Meade General Employees' Retirement Plan
- City of Fort Meade Firefighters' Retirement Plan
- City of Fort Meade Police Officers' Retirement Plan

City Ordinance 07-18 established the City of Fort Meade Community Redevelopment Agency (the CRA) which is presented in the accompanying financial statements as a blended component unit. The City Commission is also the CRA Board, and as such, the City can "impose its will" on the CRA in a variety of ways. In addition, the relationship meets the definition of a "financial benefit/burden" in that the City provides services that benefit the CRA. Finally, the two entities currently have the same management team.

B. BASIS OF PRESENTATION

The basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide Financial Statements - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements. The City's fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The City does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *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*.

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Cod. Sec 2200 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column. The City's fiduciary funds are presented in the fund financial statements by type (pension trust funds only) but as noted above are not included in the government-wide statements.

Funds are classified into three categories: governmental, proprietary and fiduciary. The funds used by the City are as follows:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City.

Reported as Major Governmental Funds:

- **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Most of the essential governmental services such as public safety, public works, street construction and maintenance, culture and recreation, and general administration are provided by the general fund.
- **Community Redevelopment Agency** (the "CRA") is a special revenue fund and accounts for the incremental ad valorem taxes generated within the CRA district to be used to improve the CRA area. In order to comply with the audit requirements of Section 163.387(8), Florida Statutes, the City electively added the CRA as a major fund. The CRA receives the incremental ad valorem taxes generated in future years by the increase in property values in the redevelopment area. The CRA's property taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy.

Reported as Non-Major Governmental Funds:

- **Stormwater Fund** is used to account for the operations associated with the collection and distribution of stormwater.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City.

Reported as Major Enterprise Funds:

- **Electric Fund** is used to account for operations associated with providing electric service to its customers inside and outside the City. The Electric Fund is a distribution utility, with no significant power generation assets.
- **Water Fund** is used to account for the operations associated with potable water supply, treatment, transmission and distribution services to area residents.
- **Sewer Fund** is used to account for the operations associated with sewer collection, treatment and disposal services to area residents.

Reported as Non-Major Enterprise Funds:

- **Solid Waste Fund** is used to account for the operations associated with solid waste collection and disposal services for the residents of the City.
- **Mobile Home Park Fund** is used to account for the operations associated with the City-owned mobile home park.

Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. The City's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Pension trust funds are the only fiduciary fund type of the City.

- The City has three Pension Trust Funds which accumulate resources to provide retirement benefits to City employees. The three pension trust funds are the General Employees' Retirement Plan Pension Trust Fund, Police Officers' Retirement Plan Pension Trust Fund and the Firefighters' Retirement Plan Pension Trust Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements, the proprietary fund financial statements and the fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

Property taxes are recognized as revenues in the year for which they are levied. Franchise and public service taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions and voluntary nonexchange transactions are reported as liabilities until the eligibility requirements (excluding time requirements) are met and as deferred inflows if received before time requirements are met and all other eligibility requirements have been satisfied.

Proprietary fund operating revenues generally result from producing or providing goods and services related to the electric, water and sewer, the solid waste collection and disposal efforts, or operation of the mobile home park. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

CASH AND INVESTMENTS:

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows for the proprietary fund types, cash and equivalents includes demand deposits, repurchase agreements with financial institutions, petty cash, money market funds and equity in pooled cash and cash equivalents. Equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less.

POOLED CASH AND CASH EQUIVALENTS - The City maintains an accounting system which centralizes the investment function for all funds. Each fund's "share" of these pooled cash and investments is included in cash and cash equivalents on the accompanying balance sheets. Investment earnings are distributed monthly in accordance with the participating fund's relative percentage of investments.

RESTRICTED CASH AND CASH EQUIVALENTS - Represent equity in pooled cash and investments and separately identified investments which are restricted as to use.

INVESTMENTS - All investments are reported at fair value which is the price that would be received to sell an investment in an orderly transaction between market participants.

RECEIVABLES AND UNEARNED REVENUES - All receivables are reported at their gross value reduced by the estimated portion that is expected to be uncollectible. As of September 30, 2018, the allowance for doubtful accounts totaled \$22,215 for the governmental activities and \$287,924 for the business-type activities. In the fund financial statements, recognition of governmental fund-type revenues is deferred until they become measurable and available, in accordance with the modified accrual basis of accounting. Estimated unbilled revenues from the general, electric, water, sewer and stormwater funds are recognized at the end of each fiscal year on a pro rata basis and totaled \$514,008 as of September 30, 2018.

Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. All funds and activities may also report unearned revenue for resources that have been received, but not yet earned.

The mobile home park leases out spaces for mobile homes under cancelable month-to-month leases. Monthly lease amounts recorded in the mobile home park fund vary depending on lot size and lot location. Rental income is recognized when earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

INTERFUND RECEIVABLES AND PAYABLES - During the course of its operations, the City has numerous transactions between funds to provide services, construct assets and service debt. To the extent that certain transactions between funds were not repaid as of year-end, balances of interfund receivables and payables expected to be liquidated within one year have been reported as due from and due to other funds. Interfund receivables not expected to be repaid within one year are reported as interfund advances. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

INVENTORIES - Inventories are priced at a moving average cost not in excess of market and consist primarily of repair and replacement parts for the utility systems, and other supplies and materials held for future use by the City.

PREPAID ITEMS – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., utility systems and roads), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial estimated useful life in excess of one year and individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In proprietary fund types, capital assets are capitalized at cost in the fund which acquired or constructed it. Donated assets are recorded at acquisition cost. Depreciation of exhaustible fixed assets used by these funds is charged as an expense against operations and, accumulated depreciation is reported on the statement of net position of the funds in which the assets are capitalized. Depreciation has been provided over the estimated useful life of each asset using the straight-line method. The range of estimated useful lives of capital assets are:

<u>Asset Type</u>	<u>Years</u>
Buildings	20-50
Utility Infrastructure	20-50
Equipment	3-20
Roads	75
Road Resurfacing	20

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

INTEREST COSTS - Interest costs are capitalized when incurred on debt when the proceeds of which were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2018.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/expenditure) until that time.

The City has one item that qualifies for reporting as deferred outflows of resources. This item is the deferred outflows related to pension. The deferred outflows related to pensions is an aggregate of items related to pensions as calculated in accordance with GASB Cod. Sec. P20 and will be recognized as pension expense in future reporting years.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applied to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The City has one item that qualifies for reporting as deferred inflows of resources. This type is the deferred inflows related to pensions. The deferred inflows related to pensions is an aggregate of items related to pensions as calculated in accordance with GASB Cod. Sec. P20 and will be recognized as a reduction to pension expense in future reporting years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

LONG-TERM OBLIGATIONS - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Debt issuance costs are reported as an expense in the period incurred. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is the shorter. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures.

COMPENSATED ABSENCES – The City accrues amounts due for accumulated unpaid vacation and sick time in accordance with its policy, under which unused sick leave can accumulate up to 600 hours and vacation is allowed to accumulate up to twice the annual vacation time earned. If a vested employee terminates, he/she shall receive payment for all accumulated vacation time and 50% of accumulated sick time not to exceed 300 hours. For governmental activities, compensated absences are generally liquidated by the general fund.

INTERFUND TRANSFERS – Permanent reallocation of resources between the funds of the City is classified as interfund transfers. Transfers between individual governmental funds or between individual proprietary funds are netted as part of the reconciliation to the government-wide financial statement presentation.

CONNECTION FEES AND IMPACT FEES - Water and sewer connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Impact fees receivable are reduced by an allowance for estimated uncollectible amounts when management believes collectability is doubtful.

PENSION COSTS - The actuarially determined provision for pension costs is recorded on an accrual basis in the period for which the costs pertain, and the City's policy is to fund pension costs as they accrue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

EQUITY CLASSIFICATIONS -

Government-wide Statements - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of restricted assets reduced by liabilities related to those assets. Net position is reported as restricted only when restricted by outside parties or enabling legislation.

Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. Spendable resources are to be shown as restricted, committed, assigned and unassigned as considered appropriate in the City's circumstances. The following classifications describe the relative strength of the spending constraints:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has inventories, prepaid items and noncurrent receivables (including interfund advances) as being non-spendable as these items are not expected to be converted to cash within the next year.

Restricted — This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified forfeitures as being restricted because their use is restricted by State Statute for law enforcement expenditures. The City has classified stormwater management fees as restricted because their use is restricted by City ordinance for stormwater management expenditures. Also, the positive fund balance of the CRA is reported as restricted in accordance with applicable State Statute requirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Committed — This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2018.

Assigned — This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned — all other spendable amounts.

The details of the fund balances are included in the governmental funds' balance sheet. The City uses restricted funds first, followed by committed resources, and then assigned resources, as opportunities arise, but reserves the right to selectively spend unassigned resources first.

USE OF ESTIMATES – The preparation of the basic financial statements in conformity with generally accepted accounting principles, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the basic financial statements. Actual results could differ from estimates.

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Polk County Property Appraiser and the Polk County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10.00 mills. The City's millage rate for fiscal year ended September 30, 2018 was 6.8704.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the City millages into the total tax levy, which includes the Polk County and the Polk County District School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are levied on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Polk County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

NOTE 2 - PROPERTY TAX CALENDAR (cont...)

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

NOTE 3 - BUDGETARY LAW AND PRACTICE

As set forth in the City Charter, the City Commission adopts an annual budget for all funds, except the pension trust funds. The annual budgets for the governmental fund types are prepared in accordance with the basis of accounting utilized by those funds with the exception that interfund transfers and loans are considered budgetary resources. Interfund transfers are reported as other financing sources and loans from other funds are reported as interfund liabilities for financial reporting purposes. The budgets for the proprietary fund types are adopted under a basis consistent with generally accepted accounting principles, except that capital expenses and long-term debt principal payments are included in the budget and depreciation expense is not included. The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures/expenses among departments, or in total, must be approved by the City Commission.

During the year and subsequent to year-end, the City Commission may adopt an amended budget approving such additional expenditures/expenses. A budgetary comparison schedule is presented as required supplementary information for the general fund and the community redevelopment agency special revenue fund.

All final budget amounts presented in the accompanying supplementary information have been adjusted for legally authorized amendments.

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions - the City had no material violations of finance related legal and contractual provisions.

Deficit Fund Balance or Net Position of Individual Funds - As of September 30, 2018, no individual fund had a deficit fund balance or net position deficit except for the solid waste fund which reported a total net position deficit of \$60,601 at September 30, 2018.

Excess of Expenditures Over Budget Appropriations in Individual Funds - For the year ended September 30, 2018, no budgetary fund had an excess of expenditures over appropriations.

NOTE 5 - DEPOSITS AND INVESTMENTS

At September 30, 2018, the carrying amount of the City's deposits and investments (excluding pension trust funds) is summarized below:

Equity in pooled cash and cash equivalents:	
Cash on hand	\$ 1,040
Cash deposits in financial institutions:	
Insured or fully collateralized bank deposits	<u>5,063,422</u>
Total equity in pooled cash and cash equivalents	<u>\$ 5,064,462</u>
Investments:	
None	<u>\$ -</u>

DEPOSITS IN FINANCIAL INSTITUTIONS - All of the City's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280. Qualified public depositories are required to pledge collateral to the Chief Financial Officer, State of Florida ("CFO") with a market value equal to 50% of the average daily balance of all public deposits in excess of any federal deposit insurance. In addition, to the extent that total public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits. In event of default by a qualified public depository, all claims for public deposits would be satisfied by the CFO from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Therefore, all cash and time deposits held by banks are considered fully insured or collateralized.

INVESTMENTS - The types of investments in which the City may invest is governed by its investment policy. There are no other legal or contractual requirements. Other than the broad criteria contained in the investment policy, the City does not have any additional policy for dealing with interest rate, custodial or concentration risks.

The City has contracted with the Florida Municipal Pension Trust Fund (FMPTF) to be the custodian and investment manager for the pension trusts' investments and has adopted the FMPTF's investment policy for its pension trust funds. There were no significant investment policy changes during the year ended September 30, 2018. The FMPTF is established as a trust whereby governmental entities with employee pension plans may elect to join the trust (becoming a participating employer), and with the trust providing the plans with administrative and investment services for the benefit of participating employers, participating employees and beneficiaries. All employee pension plan assets with the FMPTF are included in the trust's Master Trust Fund. Employee pension plan assets are invested by the FMPTF through the Florida Municipal Investment Trust (FMIvT) for the benefit of participating employers, participating employees and beneficiaries.

The FMIvT is a Local Government Investment Pool (LGIP) and, therefore, considered an external investment pool for GASB reporting requirements. The City's pension plans have a beneficial interest in the FMIvT portfolio, not the individual securities held within each portfolio.

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 5 - DEPOSITS AND INVESTMENTS (cont...)

The City elected to participate in the FMPTF 60% equity asset allocation model. This model uses an investment allocation ratio of not to exceed 60% of the assets invested in equity securities (pooled equity funds managed by FMIvT), 30% in fixed income securities (pooled fixed income funds managed by FMIvT), and 10% in real estate (pooled core real estate portfolio managed by FMIvT). Within this target asset allocation, the FMIvT has target percentages of how it allocates a participant's investments among the various pooled accounts that it maintains. Redemptions from the FMIvT are permitted one per month upon advance written notification.

The City's and FMIvT's investment policies (for the pension funds) are summarized below.

Authorized Investments	Maximum Portfolio Concentration	Maximum Maturity	Maximum Issuer Concentration	Lowest Permitted S&P Rating
City of Fort Meade:				
U.S. Government securities	100%	5 years	10%	
U.S. Government Agency securities	100%	5 years	10%	
Government Sponsored Enterprises	75%	5 years	10%	AAA
State or local government obligations	30%	5 years	10%	AAA
Corporate notes of any U.S. company	30%	1 year	5%	AA-
Commercial paper of any U.S. company	30%	1 year	50%	A1+
Non-negotiable interest bearing deposits in qualified public depositories	50%	1 year	10%	
Intergovernmental investment pools	75%	1 day	75%	AAAm
Florida Local Government Surplus Funds Trust Fund	50%	1 day	25%	AAAm
Money market mutual funds (registered investment companies)	50%	1 day	25%	AAAm
Repurchase agreements 102% secured by securities of the U.S. Government, its Agencies or Instrumentalities	50%	1 day	25%	
Overall portfolio limitations:				
Overall portfolio total average duration limitation cannot exceed		5 years		
Minimum portfolio invested in daily liquid investments		25%		
Pension Plans (FMPTF investment policy):				
Repurchase agreements	Not Limited	180 days		
Direct obligations of the U.S. Treasury	Not Limited			
State Board of Administration or State Treasurer authorized investments	Not Limited			
Commercial paper issued in the U.S.	Not Limited	270 days		AA
Bankers' acceptances	Not Limited	270 days	5.00%	AA
Negotiable certificates of deposit	Not Limited	2 years	\$5 million	A
U.S. Government Agency securities	Not Limited			
Money market master mutual funds, limited to temporary funds	Temp Funds			
Mortgage obligations guaranteed by U.S.	Not Limited			AAA
Corporate fixed income securities issued by U.S. company	Not Limited		3.00%	A
Asset backed securities issued by U.S.	Not Limited			A
State, municipal county governments	Not Limited			A
Commingled government investment trusts	Not Limited			
Guaranteed investment contracts with highest rated companies	Not Limited			Highest AM Best
Investment agreements with financial institutions	Not Limited		\$10 million	
Equity assets	60%			
Florida Municipal Investment Trust (FMIvT) portfolios	Not Limited			

NOTE 5 - DEPOSITS AND INVESTMENTS (cont...)

As of September 30, 2018, the fair value of the City's pension plan investments with the FMIvT were as follows:

General Employees Pension Trust Fund:	
FMIvT Cash Fund	\$ 20,155
FMIvT Broad Market High Quality Bond Fund	730,630
FMIvT Core Plus Fixed Income Fund	866,678
FMIvT Diversified Large Cap Equity Fund	1,647,697
FMIvT Diversified Small to Mid Cap Equity Fund	604,659
FMIvT International Equity Fund	715,513
FMIvT Core Real Estate Fund	453,495
Total	<u>\$ 5,038,827</u>
Police Officers' Pension Trust Fund:	
FMIvT Cash Fund	\$ 4,929
FMIvT Broad Market High Quality Bond Fund	178,677
FMIvT Core Plus Fixed Income Fund	211,947
FMIvT Diversified Large Cap Equity Fund	402,946
FMIvT Diversified Small to Mid Cap Equity Fund	147,870
FMIvT International Equity Fund	174,980
FMIvT Core Real Estate Fund	110,902
Total	<u>\$ 1,232,251</u>
Firefighters' Pension Trust Fund:	
FMIvT Cash Fund	\$ 1,615
FMIvT Broad Market High Quality Bond Fund	58,543
FMIvT Core Plus Fixed Income Fund	69,444
FMIvT Diversified Large Cap Equity Fund	132,024
FMIvT Diversified Small to Mid Cap Equity Fund	48,449
FMIvT International Equity Fund	57,332
FMIvT Core Real Estate Fund	36,336
Total	<u>\$ 403,743</u>

The City categorizes its fair value measurements within the fair value hierarchy established by GASB Cod. Sec. 3100. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The FMIvT, administered by the Florida League of Cities, Inc., is an interlocal governmental entity created under the laws of the State of Florida as a local government investment pool and is considered an external investment pool for GASB purposes and; therefore, the City is not required to categorize the positions of the pool within the fair value hierarchy as established by U.S. GAAP.

NOTE 5 - DEPOSITS AND INVESTMENTS (cont...)

The schedule below summarizes the fixed income investments by credit rating and maturity. All of the pension trust funds' investments are evidenced by shares of the applicable FMIvT investment pools and are not exposed to custodial credit risk and are excluded from the concentration risk disclosure.

Investment Type	Fitch Rating	Fair Value	Modified Duration	Weighted Average Maturity
General Employees Pension Trust Fund:				
Cash and short-term money market	Not Rated	\$ 20,155	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AAf/S4	730,630	5.00	6.40
FMIvT Core Plus Fixed Income Fund	Not Rated	866,678	2.13	7.00
		\$ 1,617,463		
Police Officers' Pension Trust Fund:				
Cash and short-term money market	Not Rated	\$ 4,929	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AAf/S4	178,677	5.00	6.40
FMIvT Core Plus Fixed Income Fund	Not Rated	211,947	2.13	7.00
		\$ 395,553		
Firefighters' Pension Trust Fund:				
Cash and short-term money market	Not Rated	\$ 1,615	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AAf/S4	58,543	5.00	6.40
FMIvT Core Plus Fixed Income Fund	Not Rated	69,444	2.13	7.00
		\$ 129,602		

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2018, was as follows:

	Balance October 1, 2017	Transfers	Increases	Decreases	Balance September 30, 2018
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 856,731	\$ -	\$ 2,446	\$ (19,412)	\$ 839,765
Construction in process	1,500	-	84,000	-	85,500
Total capital assets, not being depreciated	<u>858,231</u>	<u>-</u>	<u>86,446</u>	<u>(19,412)</u>	<u>925,265</u>
Capital assets, being depreciated:					
Buildings and improvements	3,150,468	-	10,746	-	3,161,214
Equipment	1,981,940	41,533	43,225	(107,229)	1,959,469
Infrastructure:					
Road network	10,293,736	-	1,810	-	10,295,546
Total capital assets, being depreciated	<u>15,426,144</u>	<u>41,533</u>	<u>55,781</u>	<u>(107,229)</u>	<u>15,416,229</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,105,056)	-	(87,969)	-	(2,193,025)
Equipment	(1,485,735)	(41,533)	(76,774)	106,665	(1,497,377)
Infrastructure:					
Road network	(7,850,387)	-	(132,156)	-	(7,982,543)
Total accumulated depreciation	<u>(11,441,178)</u>	<u>(41,533)</u>	<u>(296,899)</u>	<u>106,665</u>	<u>(11,672,945)</u>
Total capital assets being depreciated, net	<u>3,984,966</u>	<u>-</u>	<u>(241,118)</u>	<u>(564)</u>	<u>3,743,284</u>
Governmental activities capital assets, net	<u>\$ 4,843,197</u>	<u>\$ -</u>	<u>\$ (154,672)</u>	<u>\$ (19,976)</u>	<u>\$ 4,668,549</u>
<u>Business-type activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 345,838	\$ -	\$ -	\$ -	\$ 345,838
Construction-in-progress	92,898	-	10,580	(32,697)	70,781
Total capital assets, not being depreciated	<u>438,736</u>	<u>-</u>	<u>10,580</u>	<u>(32,697)</u>	<u>416,619</u>
Capital assets, being depreciated:					
Buildings, utility plant and improvements	19,283,725	-	26,460	(1,300)	19,308,885
Equipment	1,654,593	(41,610)	3,805	(14,634)	1,602,154
Total capital assets, being depreciated	<u>20,938,318</u>	<u>(41,610)</u>	<u>30,265</u>	<u>(15,934)</u>	<u>20,911,039</u>
Less accumulated depreciation for:					
Buildings, utility plant and improvements	(10,001,674)	-	(520,056)	1,300	(10,520,430)
Equipment	(1,173,417)	41,610	(61,010)	14,634	(1,178,183)
Total accumulated depreciation	<u>(11,175,091)</u>	<u>41,610</u>	<u>(581,066)</u>	<u>15,934</u>	<u>(11,698,613)</u>
Total capital assets being depreciated, net	<u>9,763,227</u>	<u>-</u>	<u>(550,801)</u>	<u>-</u>	<u>9,212,426</u>
Business-type activities capital assets, net	<u>\$ 10,201,963</u>	<u>\$ -</u>	<u>\$ (540,221)</u>	<u>\$ (32,697)</u>	<u>\$ 9,629,045</u>

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 6 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$	48,370
Law enforcement		2,330
Fire control		22,060
Building inspections		4,169
Stormwater		37,929
Roads and streets		133,335
Library		4,632
Recreation		15,949
Parks		28,125
Total depreciation expense - governmental activities	\$	<u>296,899</u>

Business-type Activities:

Electric	\$	203,089
Water		109,332
Sewer		255,449
Mobile home park		13,196
Total depreciation expense - business-type activities	\$	<u>581,066</u>

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2018:

	Balance October 1, 2017 (restated)	Increases	Decreases	Balance September 30, 2018	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term debt:					
5th Cent Local Option Fuel Tax					
Revenue Notes, Series 2011	\$ 1,053,495	\$ -	\$ (77,350)	\$ 976,145	\$ 80,590
Line of credit	-	117,614	-	117,614	1,031
Installment notes and leases payable	29,102	-	(14,199)	14,903	14,903
Total long-term debt	1,082,597	117,614	(91,549)	1,108,662	96,524
Other liabilities:					
Net pension liability	718,398	-	(193,784)	524,614	-
Other postemployment benefits liability	58,336	-	-	58,336	-
Compensated absences	49,796	16,318	-	66,114	-
Total other liabilities	826,530	16,318	(193,784)	649,064	-
Total long-term obligations	\$ 1,909,127	\$ 133,932	\$ (285,333)	1,757,726	\$ 96,524
Less amounts due in one year				(96,524)	
Total noncurrent obligations due in more than one year				\$ 1,661,202	
<u>Business-type Activities:</u>					
Long-term debt:					
Revenue bonds and certificates:					
Water and Sewer, Series 1982	\$ 55,261	\$ -	\$ (13,816)	\$ 41,445	\$ 13,816
Water and Sewer, Series 2005A	2,387,948	-	(44,948)	2,343,000	47,876
Water and Sewer, Series 2005B	651,990	-	(11,990)	640,000	13,052
Water System, Series 2009	1,084,162	-	(17,119)	1,067,043	17,868
Installment notes and leases payable	141,325	-	(69,182)	72,143	72,143
Total long-term debt	4,320,686	-	(157,055)	4,163,631	164,755
Other liabilities:					
Net pension liability	358,812	-	(95,409)	263,403	-
Other postemployment benefits liability	36,436	1,095	-	37,531	-
Compensated absences	25,918	5,744	-	31,662	-
Total other liabilities	421,166	6,839	(95,409)	332,596	-
Total long-term obligations	\$ 4,741,852	\$ 6,839	\$ (252,464)	4,496,227	\$ 164,755
Less amounts due in one year				(164,755)	
Total noncurrent obligations due in more than one year				\$ 4,331,472	

The previously reported October 1, 2017 long-term obligations were restated to include the other postemployment benefits liability. The restatement was a result of the implementation of GASB Statement No. 75. See Note 16 for more detail.

Notes to Long-Term Obligations Table

Long term liabilities, including accumulated compensated absences are typically liquidated by the individual fund to which the liability is directly associated.

NOTE 7 - LONG-TERM OBLIGATIONS (cont...)

Interest Included as Direct Expense:

None of the interest on governmental activities long-term debt has been included in the direct expenses of any of the various programs.

Bonds and notes outstanding at September 30, 2018, consisted of the following for governmental and business-type activities:

	Purpose	Maturity	Interest Rate	Original Amount	Outstanding Amount
<u>Governmental activities</u>					
Long-term debt:					
5th Cent Local Option Fuel Tax Revenue Notes, Series 2011	1	2028	4.190%	\$ 1,450,000	\$ 976,145
Line of credit	9	2024	3.400%	117,614	117,614
Installment notes and leases payable:					
Equipment lease	2	2019	4.950%	71,161	<u>14,903</u>
Total governmental activities					<u>\$ 1,108,662</u>
<u>Business-type activities</u>					
Long-term debt:					
Revenue bonds and certificates:					
Water and Sewer, Series 1982	3	2021	5.000%	\$ 525,000	\$ 41,445
Water and Sewer, Series 2005A	4	2045	4.250%	2,751,000	2,343,000
Water and Sewer, Series 2005B	5	2045	4.250%	750,000	640,000
Water System, Series 2009	6	2048	4.375%	1,209,309	1,067,043
Installment notes and leases payable:					
Equipment lease	7	2019	3.990%	174,299	30,737
Equipment lease	8	2019	3.990%	110,472	19,481
Equipment lease	2	2019	4.950%	92,979	<u>21,925</u>
Total business-type activities					<u>\$ 4,163,631</u>

1. Resurface City streets, loan is secured by 5th Cent fuel taxes.
2. Lease purchase of six vehicles, loan is secured by the equipment.
3. Water and sewer system improvements secured by water & sewer systems revenues.
4. Sewer treatment system improvements secured by water & sewer systems revenues.
5. Sewer treatment system improvements secured by water & sewer systems revenues.
6. Construction loan for water system improvements secured by water system revenues.
7. Purchase digger truck for the electric department, secured by the equipment.
8. Purchase bucket truck for the electric department, secured by the equipment.
9. Repairs to City facilities due to damage caused by Hurricane Irma.

The revenue bonds listed above are generally payable with principal due annually and interest due semiannually and are secured by a pledge of the revenue source in the fund in which the bond is reported. The payment of the principal and interest on the Series 2011 fuel tax revenue note is secured by a pledge of and lien upon the City's fifth-cent local option fuel taxes.

NOTE 7 - LONG-TERM OBLIGATIONS (cont...)

All revenue bonds may be prepaid in whole or in part without penalty. Most of the bonds contain mandatory redemption provisions and require premium payments upon early redemption. In addition, some of the bonds require the establishment and maintenance of various "funds" or accounts on the books of the City, as follows:

- **Revenue Fund** - To receive the gross revenues of the utility system (except investment income) and disburse the proceeds, as appropriate.
- **Operations and Maintenance Fund** - To receive monthly transfers from the revenue fund to pay costs of operations and maintenance.
- **Sinking Fund** - To accumulate and disburse the debt service requirement through the maintenance of an interest account, principal account, debt service reserve account and bond amortization account.
- **Construction Fund** - To receive and disburse bond proceeds for the initial specified capital projects.

Pledged Revenue - The City has pledged future revenues, net of certain operating expenses, for payment of debt. The following table provides a summary of the pledged revenues for the City's outstanding debt issues. Additional information regarding the City's pledged revenue can be found in the preceding sections of this note:

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
Water and sewer revenues combined	9/1/2045	\$ 5,109,897	\$ 202,411	\$ 381,807	188.63%
Water system revenue only	9/1/2048	\$ 1,936,278	\$ 64,553	\$ 70,694	109.51%
5th Cent local option gas tax revenue	9/1/2028	\$ 1,214,909	\$ 121,491	\$ 124,691	102.63%

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 7 - LONG-TERM OBLIGATIONS (cont...)

Annual debt service requirements as of September 30, 2018, are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 96,524	\$ 45,312	\$ 164,755	\$ 178,255
2020	88,182	41,422	95,985	171,105
2021	91,845	37,759	99,500	166,898
2022	95,662	33,942	89,350	162,541
2023	99,636	29,967	93,173	158,719
2024-2028	636,813	71,953	529,183	730,275
2029-2033	-	-	652,500	606,958
2034-2038	-	-	804,561	454,897
2039-2043	-	-	992,065	267,392
2044-2048	-	-	642,559	60,735
Total	<u>\$ 1,108,662</u>	<u>\$ 260,355</u>	<u>\$ 4,163,631</u>	<u>\$ 2,957,775</u>

Interest costs for the governmental activities totaled \$44,141 for the year ended September 30, 2018. Interest and other debt service costs incurred in the business-type activities totaled \$185,199 for the same period, none of which was capitalized.

NOTE 8 – RESTRICTED FUND BALANCE/NET POSITION

The general fund, water fund and sewer fund, each had revenue bonds outstanding at September 30, 2018. The ordinances authorizing the issuance of these bonds require that monies be set aside in separate restricted accounts for the payment of bond principal and interest, and to create reserves until the maturity of the bond issued. In addition, customer deposits and impact fees are also restricted in accordance with applicable laws and regulations. Various funds/activities reported the following restricted fund balances and restricted net position, as of September 30, 2018:

Governmental Funds/Activities	Restricted Fund Balance	Restricted Net Position
Law enforcement	\$ 8,758	\$ 8,758
Community redevelopment	64,221	64,221
5th Cent revenue bond debt service	10,124	6,715
Transportation expenditures	48,033	48,033
Stormwater management	631,528	631,528
Total	\$ 762,664	\$ 759,255
<u>Enterprise Funds/Business-type Activities</u>		
Water Fund:		
2009 sinking fund		\$ 1,489
2009 bond reserve		64,553
Restricted for debt service		66,042
Water impact fees restricted for system improvements		73,856
Total		\$ 139,898
Sewer Fund:		
1982 sinking fund		\$ 1,152
1982 bond reserve		15,888
2005A and 2005B sinking fund		5,077
2005A and 2005B reserve		187,353
Restricted for debt service		209,470
Sewer impact fees restricted for system improvements		128,245
Total		\$ 337,715

NOTE 9 – INTERFUND TRANSACTIONS

Due to/due froms are expected to be repaid shortly after year end. Advances are not expected to be repaid out of current resources. At September 30, 2018, the balance in due to/from and advances to other funds consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Water fund	\$ 166,316
General fund	Sewer fund	825,921
		<u>\$ 992,237</u>

Effective May 14, 2019, the City Commission approved a repayment plan for the amount due to the general fund from the sewer fund. The repayment plan consists of debt forgiveness of \$400,000 with the remaining \$425,921 payable in 20 annual payments of \$21,296.

There is no formal repayment plan related to the amounts due to the general fund from the water fund.

Interfund transfers for the year ending September 30, 2018 consisted of:

Interfund transfers to the governmental funds:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General fund	Electric fund	\$ 1,062,693
General fund	Mobile home park fund	100,000
Total governmental funds transfers in		<u>\$ 1,162,693</u>

The interfund transfers above are per the adopted budget and are used to supplement the receiving funds' revenue.

Other interfund transactions:

The general fund charged \$275,000 to user departments in certain enterprise funds for indirect services provided by general fund finance department. These charges are reported as operating expenses of the enterprise funds and are netted against general government expenditures in the general fund.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

The City follows GASB Cod. Sec. P52 for certain postemployment healthcare benefits provided by the City.

Plan Description – The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the City. The OPEB Plan allows employees who retire and meet retirement eligibility requirements under the applicable City retirement plan to continue medical insurance coverage as a participant in the City’s health insurance plan.

Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the City are eligible to participate in the City’s healthcare and life insurance benefits. The City subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The City does not offer any explicit subsidies for retiree coverage. The OPEB Plan doesn’t issue a stand-alone financial report and is not included in the annual report of a public employee retirement system or another entity.

There are currently 42 active plan members and no inactive plan members.

Funding Policy – Currently, the City’s OPEB benefits are unfunded. The City has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the OPEB liability, and the OPEB Plan is financed on a pay-as-you-go basis.

Benefits Provided – The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the City who meet the eligibility requirements of the applicable City retirement plan are eligible to receive postemployment health care benefits. All retiree, spouse and dependent coverage is at the expense of the retiree.

Total OPEB Liability – The City’s total OPEB liability as of September 30, 2018 (the measurement date) was determined by an actuarial valuation as of October 1, 2017. The actuarial assumptions used in the October 1, 2017 valuation were as follows:

Inflation	2.50%
Salary Increases	2.50%
Discount Rate	4.18%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Year to Ultimate Trend Rate	55

For all lives, mortality rates were RP-2000 Combined Healthy Mortality Tables projected to the valuation date using projection scale AA.

The OPEB Plan qualifies for the alternative measurement method in determining the City’s total OPEB liability because the OPEB Plan has fewer than one hundred participants. The City has elected to calculate the total OPEB liability using the alternative measurement method. Under the alternative measurement method, the City’s annual OPEB expense is based on the change in the total OPEB liability.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (cont...)

Discount Rate – The discount rate was based on a high-quality municipal bond rate of 4.18%. The high-quality bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA rating.

The OPEB Plan qualifies for the alternative measurement method in determining their total OPEB liability. Under the alternative measurement method, changes in the total OPEB liability are not permitted to be included in deferred outflows or inflows of resources related to OPEB. These changes will be immediately recognized through OPEB expense.

OPEB Expense – For the year ended September 30, 2018, the City recognized OPEB expense of \$9,618.

Changes in Total OPEB Liability:

	Total OPEB Liability
Reporting period ending September 30, 2017	94,772
Changes for the year:	
Service cost	9,615
Interest	3,700
Changes of assumptions	(6,697)
Benefit payments	(5,523)
Net changes	<u>1,095</u>
Reporting period ending September 30, 2018	<u><u>95,867</u></u>

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (cont...)

Sensitivity of the Total OPEB Liability to changes in the discount 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 a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (3.18%)	Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB liability	\$ 108,818	\$ 95,867	\$ 85,034

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

	1% Decrease (3.00% to 7.50%)	Healthcare Cost Trend Rates (4.00% to 8.50%)	1% Increase (5.00% to 9.50%)
Total OPEB liability	\$ 82,785	\$ 95,867	\$ 111,936

NOTE 11 – PENSION TRUST FUNDS

Plan Description - The City is the administrator of three separate single-employer public employee retirement systems established by City Ordinance to provide pension benefits for its police officers, fire fighters and other general employees. The five-member City Commission serves as the Board of Trustees for each of the three Plans. The Plans were established by and can be amended by City Ordinance. All full-time, permanent general, police, and fire employees become members on the first day of the month following their date of employment, but not earlier than January 1, 1969. Employees hired prior to January 1, 1969, must have been less than age 60 on their date of hire to be included. The City Manager may elect not to participate in this plan. Effective January 1, 2008, the City's law enforcement activities were transferred to the Polk County Sheriff and all of the police officers were either hired by the Sheriff or were terminated. Those hired by the Sheriff have all agreed to participate in the Sheriff's retirement plan, so the Police Officers' Pension Plan has no active participants. The Plans do not prepare stand-alone financial reports.

Plan Membership - Plan membership as of the most recent actuarial valuation date consisted of the following:

	as of October 1, 2017		
	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Fire- Fighters' Pension Trust Fund
Inactive plan members or beneficiaries currently receiving benefits	26	5	8
Inactive plan members entitled to but not yet receiving benefits	16	6	7
Active plan members	41	-	17
Total	83	11	32

Benefits - The City's pension plans provide retirement and disability benefits. Retirement benefits for general employee members are calculated at 1.5% (1.75% for police officers and firefighters) of the final five-year average earnings multiplied by years of creditable service. Early retirement is available after completing 20 years of service and attainment of age 60 (10 years and attainment of age 50 for firefighters). All members are eligible for non-duty disability benefits after 10 years of service and police officers and firefighters are eligible for service-connected disability regardless of years of service. Benefits for all members vest after 10 years of service. The Plans do not provide post-employment benefit adjustments such as cost of living increases. Normal retirement age varies based upon age and years of credited service as noted below:

General Employees' Retirement Plan		Firefighters' Retirement Plan	
Age	Credited Service	Age	Credited Service
70	Any	65	Any
65	10 years	60	10 years
62	30 years	55	30 years
60	35 years	Any	40 years
Any	40 years		

NOTE 11 – PENSION TRUST FUNDS (cont...)

Contributions - It is the City's policy to fund annually the actuarially determined required contributions representing the difference between the actuarially determined amount and the contributions of Plan members, if any. Contributions shown below were made in accordance with actuarially determined contribution requirements from the October 1, 2017, valuation. These contributions were for normal cost and to amortize any unfunded actuarial accrued liability, then adjusted for the frequency of payments and an assumed increase in covered payroll. Contributions expressed in dollars and as a percent of total payroll of active participants were as follows:

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Fire- Fighters' Pension Trust Fund
Contribution rates:			
City	16.4%	N/A	29.5%
Plan members	0.0%	0.0%	0.0%
Actuarially determined contribution	\$ 206,094	\$ 28,866	\$ 29,354
Contributions made	\$ 275,513	\$ 28,866	\$ 33,737

Investments and Rate of Return - The Plans' investment policy and information related to concentrations and custodial and credit risk is discussed in Note 5 to the financial statements. For the year ended September 30, 2018, the gross money-weighted rate of return adjusted for the changing amounts actually invested, for the each of the Plans was as follows:

	General Employees'	Police Officers'	Fire Fighters'
Money-Weighted Rate of Return	7.55%	7.55%	7.42%

Deferred Retirement Option Program (DROP) - The City permits its pension plan participants to elect to receive retirement benefits while still employed and receiving a salary. Eligibility is 30 years of service and attainment of the earlier of age 62 or normal retirement. The participant's retirement benefits are credited into an individual member account and paid out to the member upon termination or retirement not to exceed a period of up to 36 months. Amounts credited to the members' DROP accounts earn interest at 6% and remain in the pension plans' net position until paid out. Amounts held in DROP accounts as of September 30, 2018 were as follows:

	General Employees'	Police Officers'	Fire Fighters'	Total
Total accumulated DROP benefits	\$ -	\$ -	\$ -	\$ -

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 11 – PENSION TRUST FUNDS (cont...)

Net Pension Liability – The components of the changes in the net pension liability for all three pension trust funds for the year ended September 30, 2018 are shown below. The net pension liability as of September 30, 2018 for financial reporting purposes was determined by actuarial valuations as of October 1, 2017 updated to September 30, 2018 (the measurement date).

General Employees’ Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2017	\$ 5,560,460	\$ 4,785,105	\$ 775,355
Changes for the year:			
Service cost	94,223	-	94,223
Interest	382,952	-	382,952
Difference between actual and expected experience	(26,337)	-	(26,337)
Change in benefit terms	26,719	-	26,719
Contributions - City	-	275,513	(275,513)
Net investment income	-	342,535	(342,535)
Benefit payments, including refunds of employee contributions	(337,146)	(337,146)	-
Administrative expense	-	(27,180)	27,180
Other charges	(4,218)	-	(4,218)
Net changes	136,193	253,722	(117,529)
Balances at September 30, 2018	<u>\$ 5,696,653</u>	<u>\$ 5,038,827</u>	<u>\$ 657,826</u>

Police Officers’ Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2017	\$ 1,457,140	\$ 1,228,239	\$ 228,901
Changes for the year:			
Interest	98,463	-	98,463
Difference between actual and expected experience	(159,735)	-	(159,735)
Change in benefit terms	602	-	602
Contributions - City	-	28,866	(28,866)
Net investment income	-	84,397	(84,397)
Benefit payments, including refunds of employee contributions	(101,324)	(101,324)	-
Administrative expense	-	(7,927)	7,927
Other charges	(1,414)	-	(1,414)
Net changes	(163,408)	4,012	(167,420)
Balances at September 30, 2017	<u>\$ 1,293,732</u>	<u>\$ 1,232,251</u>	<u>\$ 61,481</u>

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 11 – PENSION TRUST FUNDS (cont...)

Firefighters’ Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2017	\$ 452,472	\$ 379,518	\$ 72,954
Changes for the year:			
Service cost	9,784	-	9,784
Interest	31,650	-	31,650
Difference between actual and expected experience	(992)	-	(992)
Change in benefit terms	2,766	-	2,766
Contributions - City	-	33,737	(33,737)
Net investment income	-	25,057	(25,057)
Benefit payments, including refunds of employee contributions	(26,886)	(26,886)	-
Administrative expense	-	(7,683)	7,683
Other charges	3,659	-	3,659
Net changes	19,981	24,225	(4,244)
Balances at September 30, 2017	<u>\$ 472,453</u>	<u>\$ 403,743</u>	<u>\$ 68,710</u>

Net Pension Liability - The components of the net pension liability for each of the plans as of September 30, 2018, were as follows:

General Employees’ Pension Plan:

Total pension liability	\$ 5,696,653
Plan fiduciary net position	(5,038,827)
Net pension liability (asset)	<u>\$ 657,826</u>
Plan fiduciary net position as a percentage of the total pension liability	88%

Police Officers’ Pension Plan:

Total pension liability	\$ 1,293,732
Plan fiduciary net position	(1,232,251)
Net pension liability (asset)	<u>\$ 61,481</u>
Plan fiduciary net position as a percentage of the total pension liability	95%

Firefighters’ Pension Plan:

Total pension liability	\$ 472,453
Plan fiduciary net position	(403,743)
Net pension liability (asset)	<u>\$ 68,710</u>
Plan fiduciary net position as a percentage of the total pension liability	85%

NOTE 11 – PENSION TRUST FUNDS (cont...)

Actuarial Assumptions - The actuarial valuation date and significant actuarial assumptions used to measure the total pension liability were as follows:

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund
Actuarial valuation date	October 1, 2017	October 1, 2017	October 1, 2017
Measurement date	September 30, 2018	September 30, 2018	September 30, 2018
Inflation	2.92%	2.92%	2.92%
Projected salary increases	3.00%	NA	3.00%
Investment rate of return	7.00%	7.00%	7.00%
Discount rate	7.00%	7.00%	7.00%
Mortality rates	RP 2000, Sex-distinct	RP 2000, Sex-distinct	RP 2000, Sex-distinct
Date of actuarial experience study	NA	NA	NA

Discount Rate - 7.00% per annum (2.92% per annum is attributable to long-term inflation) was used to measure the total pension liability which rate was the same for all three plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution 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 of 7.00% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return on Pension Plan Investments - was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 are summarized in the following table. Each of the three pension plans uses the same money manager and target asset allocations so the information presented is the same for each of the three plans.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core bonds	16%	0.58%
Multi-sector	24%	1.08%
U.S. large cap equity	39%	6.08%
U.S. small cap equity	11%	6.83%
Non-U.S. equity	10%	6.83%
Total weighted arithmetic average	100%	4.16%

NOTE 11 – PENSION TRUST FUNDS (cont...)

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 discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Current Discount Rate	Net Pension Liability (Asset)		
		1% Decrease	Current Discount	1% Increase
General Employees'	7.00%	\$ 1,292,070	\$ 657,826	\$ 123,820
Police Officers'	7.00%	191,354	61,481	(49,087)
Firefighters'	7.00%	123,334	68,710	23,030
City's Net Pension Liability		<u>\$ 1,606,758</u>	<u>\$ 788,017</u>	<u>\$ 97,763</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension - For the year ended September 30, 2018, the City recognized pension expense of \$349,773 consisting of pension expense for the general employees' pension plan of \$428,524, the firefighters' pension plan of \$50,238 partially offset by the police officers' pension plan pension benefit of \$128,989. At September 30, 2018, the City reported deferred outflows and deferred inflows of resources related to pensions, combined and individually for all three plans, was as follows:

Combined All Pension Trust Funds:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,247	\$ 46,521
Change in assumptions	786,949	-
Difference between projected and actual earnings on Plan investments	-	173,489
Total	<u>\$ 837,196</u>	<u>\$ 220,010</u>

General Employees' Pension Trust Fund:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,171	\$ 45,775
Change in assumptions	733,193	-
Difference between projected and actual earnings on Plan investments	-	130,371
Total	<u>\$ 778,364</u>	<u>\$ 176,146</u>

NOTE 11 – PENSION TRUST FUNDS (cont...)

Police Officers’ Pension Trust Fund:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on Plan investments	\$ -	\$ 34,028
Total	<u>\$ -</u>	<u>\$ 34,028</u>

Firefighters’ Pension Trust Fund:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,076	\$ 746
Change in assumptions	53,756	-
Difference between projected and actual earnings on Plan investments	-	9,090
Total	<u>\$ 58,832</u>	<u>\$ 9,836</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the years and amounts shown below:

Year ending September 30,	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Fire-Fighters' Pension Trust Fund	Total
2019	\$ 218,090	\$ 3,126	\$ 18,173	\$ 239,389
2020	115,295	(19,424)	11,781	107,652
2021	28,546	(16,442)	8,627	20,731
2022	88,580	(1,288)	10,415	97,707
2023	94,815	-	-	94,815
Thereafter	56,892	-	-	56,892
	<u>\$ 602,218</u>	<u>\$ (34,028)</u>	<u>\$ 48,996</u>	<u>\$ 617,186</u>

NOTE 12 - EMPLOYEE FLEX BENEFIT PLAN

The City sponsors an unfunded, contributory welfare program which covers all employees meeting a minimum eligibility criterion. The program is intended to qualify for favored tax treatment under Internal Revenue Code Section 125 as a Cafeteria Plan. The plan must comply with various aspects of the Employee Retirement Income Security Act (ERISA) of 1974, as amended, and comply with certain income tax regulations thereunder.

Under the terms of the plan, the City provides each eligible employee with a flexible spending account which may be utilized to purchase certain health insurance and other welfare benefits. Employees may further authorize the voluntary reduction of their taxable payroll to increase the amount of benefits to be purchased on their behalf. Employees so electing may receive their benefits in cash, subjecting such benefits to various employment and income taxes.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City is a member of Public Risk Management of Florida (PRM), a local government risk management pool. The PRM program is structured under a self-insured insurance program, whereby PRM pays claims up to a specified amount annually for property and general liability, public officials' liability, automobile liability and workers' compensation. PRM purchases excess insurance or stop loss insurance from commercial carriers to cover losses above the self-insured retention amounts. PRM assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. PRM cannot make additional assessments against members. Insurance coverage has not changed significantly during the current or prior year.

NOTE 14 - COMMITMENT AND CONTINGENCIES

Grants - During the 2018 fiscal year, the City received, and recorded revenues related to various grants. These grants are for specific purposes and are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement for expenditures disallowed under the terms of the grants. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

Legal Proceedings - The City entered into a stipulated agreement effective June 12, 2015 with Biosolids Distribution Services, LLC., a Minnesota Limited Liability Corporation (Biosolids), which operated a biosolids recycling facility in the City. In prior years, the City had alleged that the facility was a source of odor pollution, was operated without valid permits or licenses, and had not paid the City required impact fees. Biosolids argued that the odor was being managed, their permits were valid, and that the City had approved their operation of the facility. The stipulated agreement required Biosolids to cease all business at their facility and to remove any equipment within eighteen months of the effective date of the agreement. During this time, Biosolids is required to pay the City the appropriate monthly sewer charges as outlined in the stipulated agreement. In November 2016, the City filed a second lawsuit against Biosolids which seeks to recover unpaid electricity and sewer charges. Biosolids filed a counterclaim asking the Court to rule that the City's sewer rates were invalid. The counterclaim was dismissed with prejudice. A final summary judgement was issued in the City's favor on September 28, 2018 and Biosolids has filed a notice of appeal. It is not known whether Biosolids is contesting dismissal of its counterclaim, the summary judgement finding Biosolids liable for unpaid utilities, or both.

The aforementioned issue is not expected to have a material effect in future years. Other legal actions in which the City may be involved, in the opinion of management, will not have a material effect on the financial statements of the City.

Leases - The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, liabilities from these lease agreements are not reflected in the City's account groups. Remaining minimum lease payments are not significant.

Contract with Polk County Sheriff - The original five-year agreement expired as of September 30, 2013 and automatically renews annually. The total annual cost is approximately \$1.2 million and is payable quarterly.

NOTE 14 - COMMITMENT AND CONTINGENCIES (cont...)

Power Supply Contracts & Entitlements -

Overview - Currently, all of Fort Meade's power is supplied by the Florida Municipal Power Agency through (1) the All-Requirements Project, (2) Fort Meade's entitlements in the St. Lucie Project, and (3) a 2018 mutual buy-sell commitment to provide supplemental capacity and energy. Fort Meade is included under the Florida Municipal Power Agency NITS agreement with Duke Energy Florida and is within the Florida Municipal Power Pool Balancing Authority Area.

Florida Municipal Power Agency Membership - The Florida Municipal Power Agency ("FMPA") is a wholesale power agency owned by Florida municipal electric utilities. FMPA was created by general law and interlocal agreement to provide a means for the Florida municipal electric utilities to cooperate with each other to access regional transmission facilities and to provide for their present and projected energy needs. As a founding member of the "12-Cities Group," the City had been a member of the FMPA since its inception and occupies one of the seats on the FMPA Board and the FMPA Executive Committee.

St. Lucie Power Entitlement - The City is a participant in the St. Lucie Project, the first power supply project developed by FMPA, consisting of an 8.8% undivided ownership interest in the St. Lucie Unit No. 2 nuclear power plant, otherwise owned and operated by Florida Power & Light Company. FMPA and the City entered into the St. Lucie Project Power Sales Contract and Project Support Contract, dated as of June 1, 1982, as amended (collectively, the "St. Lucie Project Contracts"), pursuant to which FMPA agreed to sell and deliver to the City and the City agreed to purchase and receive a 0.336% share of electric capacity and energy from the St. Lucie Generation, as defined in the St. Lucie Project Contracts (the City's, "St. Lucie Power Entitlement Share").

All Requirements Project Contract - The City is also a participant in the All-Requirements Power Supply Project (the "ARP") pursuant to the All-Requirements Power Supply Project Contract, between the City and Florida Municipal Power Agency ("FMPA"), entered into as of January 11, 2000, as amended (collectively, the "ARP Contract"). The City purchases the majority of its electric power for resale to its customers, under the terms of the ARP Contract. Under terms of the ARP Contract, the City has no direct ownership interest in any of the assets of FMPA, but would be entitled to receive its share of the remaining assets of the FMPA, after all obligations have been paid, in the event the FMPA is ever terminated in the future. The FMPA debt obligations, while not parsed to particular participants or allocated in shares, are the responsibilities of all participating members.

Termination of Contract - On September 30, 2009, the City notified FMPA of its decision not to extend the ARP Contract effective October 1, 2010. The City's position is that the ARP Contract will terminate October 1, 2040, while it is FMPA's position that the ARP Contract terminates October 1, 2041.

City Exercise of Contract Rate of Delivery - On July 14, 2009 the City gave notice to irrevocably limit the maximum amount of electric capacity and energy required to be sold and delivered by FMPA and purchased and received by the City as All-Requirements Services (as defined in the ARP Contract) to a Contract Rate of Delivery ("CROD") pursuant to § 3(a) of the ARP Contract. The City's CROD was established by the FMPA Executive Committee as 10.360 MW, and became effective on January 1, 2015.

NOTE 14 - COMMITMENT AND CONTINGENCIES (cont...)

Power Supply Contracts & Entitlements (cont...)

In the establishment of the City's CROD amount, the FMPA Executive Committee adjusted it upward by 15% as permitted by the ARP Contract. Additional CROD-related matters were addressed by the parties in the Contract Rate of Delivery Responsibility Agreement, between FMPA and the City, dated as of December 11, 2014 (the "CROD Responsibility Agreement"). To deal with the excess energy purchases this determination caused beyond the needs of the City, the City entered into a contract with Duke Energy whereby any excess power required to be taken from FMPA is re-marketed and the City receives a credit for the energy sold.

On March 15, 2018, the City and FMPA entered into a Supplemental Power and Ancillary Services Agreement (the "CROD MOD"). Section 18 of the CROD MOD eliminated the 15% upward adjustment to the City's CROD, previously approved by the FMPA Executive Committee on December 11, 2014. The effect of this provision is that the City's CROD is and will be 9.009 MW for the remaining term of the City's ARP Contract. The CROD MOD terminated the CROD Responsibility Agreement but did not amend the base terms of the ARP Contract.

Supplemental Power and Ancillary Services Purchase - The CROD MOD also provides an FMPA commitment to sell and deliver to the City, and a City commitment to purchase and receive from FMPA, all capacity and energy (including all associated transmission and dispatching services) which the City requires for the operation of its municipal electric system over and above its CROD, over and above its Excluded Power Supply Resources (as defined in the ARP Contract), and over and above Back-up and Support Services (as defined in the ARP Contract).

This mutual buy-sell obligation remains in effect until September 30, 2027, and thereafter is subject to the following automatic extensions: on September 30, 2027, and each fifth anniversary thereafter (i.e., 2032, 2037, etc.), until the termination of the City's ARP Contract. The City or FMPA can terminate this obligation by notifying the other in writing at least one year prior to such an automatic extension date of its decision to not extend this Agreement. If no written notice is sent, then this obligation will automatically extend for an additional five-year period until the expiration of the ARP Contract. If the City elects to terminate this obligation, then the City and FMPA have agreed to negotiate a new CROD Responsibility Agreement.

NOTE 15 – JOINT VENTURE

Background - The Polk Regional Water Cooperative (PRWC) was created on April 1, 2016 by an interlocal agreement between the City of Fort Meade, City of Auburndale, City of Bartow, City of Davenport, City of Eagle Lake, City of Frostproof, City of Haines City, City of Lake Alfred, City of Lakeland, City of Lake Wales, City of Mulberry, Polk City, City of Winter Haven, Town of Dundee, Town of Lake Hamilton and Polk County in accordance with Chapters 163 and 373 of the Florida Statutes. These local government units are collectively considered the Member Governments. The PRWC is a separate legal entity organized under the laws of the State of Florida, and the Member Governments have no equity ownership in the PRWC.

NOTE 15 – JOINT VENTURE (cont...)

The PRWC is devoted to encouraging the development of fully integrated, robust public water supply systems comprised of diverse sources managed in a manner that take full advantage of Florida's intense climatic cycles to ensure reliable, sustainable and drought resistant systems which maximize the use of alternative water supplies to the greatest extent practicable. The PRWC will evaluate, plan and implement water projects and coordinate partnerships with other water users.

Membership fees - The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2018, the total annual working capital needs of the PRWC was \$195,000 of which the City's proportionate share was \$1,543.

Combined projects background - The Member Governments, except for the City of Frostproof, entered into a combined projects implementation agreement on March 16, 2017. This agreement established three combined projects to be pursued by the PRWC with a total estimated cost of \$23,000,000. The South West Florida Water Management District (SWFWMD) is funding 50% of the total estimated cost and the remainder is funded by the Member Governments based upon their average water use in comparison to the total average water use by all Member Governments.

Combined projects funding - The PRWC has entered into a state revolving fund (SRF) loan agreement with the State of Florida Department of Environmental Protection (FDEP) to borrow up to \$9,914,390 to assist Member Governments in meeting their local share of the total estimated combined project costs. Member Governments can elect to fund their local share of the project costs from their existing funds or participate in the SRF loan agreement. The City has elected to participate in the SRF loan agreement to fund their estimated local share (\$64,315) of the project costs and as a result has entered into an agreement with FDEP to guarantee the City's payment of their share of the SRF loan debt service requirements. The SRF loan bears interest at 1.89% and principal and interest are due semiannually beginning on December 15, 2024 for a ten-year term to maturity on December 15, 2033.

As of September 30, 2018, no SRF funds have been drawn by the PRWC. When funds are drawn by the PRWC, the proportionate share of the liabilities will be recorded as a City liability in the business-type activities/ water enterprise fund.

Litigation - The PRWC is involved with ongoing litigation with SWFWMD and the Peace River Manasota Regional Water Supply Authority. These litigation costs are being funded by the Member Governments based upon their pro-rata share of water use as compared to the water use of all Member Governments. The City's costs for this litigation for the year ended September 30, 2018 totaled \$1,273.

Contact - Complete financial statements of the PRWC may be obtained from the PRWC's Executive Director at 330 W. Church Street, P.O. Box 9005, Drawer CA01, Bartow, FL 33831-9005.

NOTE 16 – RESTATEMENT OF BEGINNING NET POSITION

Correction of an Error – In the past, the City recognized deferred outflows related to their Police Officers’ Pension Plan for differences between actuarial expectations and actual experience as well as the effect of changes in actuarial assumptions. These deferred outflows were amortized as a component of pension expense over the estimated remaining service lives of the plan participants, which was estimated to be approximately 20 years. During the 2018 year, the Police Officers’ Pension Plan actuary determined that since there were no active plan participants, the remaining service life of plan participants should be zero and any differences between actuarial expectations and actual experience as well as the effect of changes in actuarial assumptions should be recognized in pension expense in the period they take place. To correct this error, beginning net position of the governmental activities has been restated.

Change in Accounting Principles – For the fiscal year ended September 30, 2018, the City implemented the provisions of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, beginning net position was restated to reflect the recording of the total OPEB liability as of September 30, 2017.

The table below summarizes the adjustments made to previously reported net position as a result of the changes noted above:

	Net Position			
	Governmental Activities	Enterprise Funds		
		Enterprise Fund	Water Fund	Sewer Fund
As previously reported	\$ 6,021,825	\$ 5,698,610	\$ 1,158,585	\$ 1,158,455
Adjustment to previously reported deferred outflows related to the of the Police Officers' Pension Plan.	(405,614)	-	-	-
Other postemployment benefit liability as of September 30, 2017 as reported under GASB 75.	(58,336)	(18,062)	(5,427)	(12,947)
As restated	<u>\$ 5,557,875</u>	<u>\$ 5,680,548</u>	<u>\$ 1,153,158</u>	<u>\$ 1,145,508</u>



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
for the year ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(GAAP</u> <u>basis)</u>	<u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:				
Taxes	\$ 1,618,840	\$ 1,669,604	\$ 1,634,345	\$ (35,259)
Licenses and permits	165,720	217,510	210,982	(6,528)
Intergovernmental revenue	891,646	818,650	776,073	(42,577)
Charges for services	10,725	14,384	14,120	(264)
Fines and forfeitures	89,564	104,622	95,357	(9,265)
Other	52,673	62,787	52,792	(9,995)
Total revenues	<u>2,829,168</u>	<u>2,887,557</u>	<u>2,783,669</u>	<u>(103,888)</u>
EXPENDITURES:				
General government:				
Legislative	99,917	103,729	90,391	13,338
Executive	260,143	274,534	265,735	8,799
Finance	219,947	242,000	215,764	26,236
Planning	145,519	159,507	122,264	37,243
Other general government	389,519	319,133	294,697	24,436
Public safety:				
Police	1,244,845	1,302,120	1,266,601	35,519
Fire	244,759	228,550	226,657	1,893
Inspections	86,503	116,674	104,271	12,403
Transportation - streets	307,638	318,004	284,642	33,362
Culture/recreation:				
Library	217,998	226,451	217,220	9,231
Recreation	246,220	153,317	145,461	7,856
Parks	528,853	507,225	456,705	50,520
Total expenditures	<u>3,991,861</u>	<u>3,951,244</u>	<u>3,690,408</u>	<u>260,836</u>
EXCESS (DEFICIENCY) OF REVENUE OVER				
(UNDER) EXPENDITURES				
	<u>(1,162,693)</u>	<u>(1,063,687)</u>	<u>(906,739)</u>	<u>156,948</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,162,693	1,162,693	1,162,693	-
Loan proceeds	-	247,606	117,614	(129,992)
Total other financing sources (uses)	<u>1,162,693</u>	<u>1,410,299</u>	<u>1,280,307</u>	<u>(129,992)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 346,612</u>	<u>\$ 373,568</u>	<u>\$ 26,956</u>

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – COMMUNITY REDEVELOPMENT AGENCY FUND
for the year ended September 30, 2018

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ 29,304	\$ 29,304	\$ -
Total revenues	-	29,304	29,304	-
EXPENDITURES:				
Economic environment	11,000	1,561	545	1,016
Total expenditures	11,000	1,561	545	1,016
NET CHANGE IN FUND BALANCE	\$ (11,000)	\$ 27,743	\$ 28,759	\$ 1,016

CITY OF FORT MEADE, FLORIDA

**NOTE TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
– BUDGET TO ACTUAL**

A budget-to-actual schedule is required supplementary information for the general fund and all major special revenue funds with legally adopted budgets.

The annual budgets for the governmental fund types are prepared in accordance with the basis of accounting utilized by those funds, which is the modified accrual basis of accounting. Under 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. For this purpose, the City of Fort Meade, Florida (the City) considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures/expenses among departments, or in total, must be approved by the City Commission. During the year and subsequent to year-end, the City Commission may adopt an amended budget approving such additional expenditures. The accompanying schedule shows the budget as originally adopted and, as amended. All annual appropriations lapse at fiscal year-end.

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' PENSION TRUST FUND

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability					
Service cost	\$ 94,223	\$ 80,887	\$ 74,627	\$ 120,880	\$ 54,173
Interest	382,952	342,263	289,888	352,438	338,837
Change in assumptions	-	373,615	854,987	-	-
Change in benefit terms	26,719	-	-	-	-
Difference between expected and actual experience	(26,337)	95,640	(39,575)	-	-
Benefit payments, including refunds of employee contributions	(337,146)	(308,763)	(425,529)	(290,965)	(203,762)
Other	(4,218)	5,532	(97)	-	-
Net change in total pension liability	136,193	589,174	754,301	182,353	189,248
Total pension liability, beginning	5,560,460	4,971,286	4,216,985	4,034,632	3,845,384
Total pension liability, ending (a)	<u>\$ 5,696,653</u>	<u>\$ 5,560,460</u>	<u>\$ 4,971,286</u>	<u>\$ 4,216,985</u>	<u>\$ 4,034,632</u>
Plan fiduciary net position					
Contributions - City	\$ 275,513	\$ 236,582	194,344	\$ 211,212	\$ 168,984
Net investment income (loss)	342,535	559,921	332,639	(6,348)	335,315
Benefit payments, including refunds Of employee contributions	(337,146)	(308,763)	(425,529)	(221,451)	(203,762)
Administrative expenses	(27,180)	(28,154)	(26,270)	(21,732)	(37,664)
Net change in plan fiduciary net position	253,722	459,586	75,184	(38,319)	262,873
Plan fiduciary net position, beginning	4,785,105	4,325,519	4,250,335	4,288,654	4,025,781
Plan fiduciary net position, ending (b)	<u>\$ 5,038,827</u>	<u>\$ 4,785,105</u>	<u>\$ 4,325,519</u>	<u>\$ 4,250,335</u>	<u>\$ 4,288,654</u>
Net pension liability (asset) (a)-(b)	<u>\$ 657,826</u>	<u>\$ 775,355</u>	<u>\$ 645,767</u>	<u>\$ (33,350)</u>	<u>\$ (254,022)</u>
Plan fiduciary net position as a percentage of total pension liability	88.45%	86.06%	87.01%	100.79%	106.30%
Covered payroll	\$ 1,257,028	\$ 1,064,675	\$ 1,012,380	\$ 1,130,621	\$ 1,045,343
Net pension liability as a percentage of covered payroll	52.33%	72.83%	63.79%	Not Applicable	Not Applicable

Additional years will be added to this schedule annually until 10 years' data is presented.

CITY OF FORT MEADE, FLORIDA

**NOTES TO THE SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
GENERAL EMPLOYEES' PENSION TRUST FUND**

Change in Benefit Terms:

For measurement date September 30, 2018:

- A pre-retirement death benefit was added to the plan in the case of a participant who dies prior to their normal retirement date whereby the participant's spouse will receive a single lump sum payment equal to the actuarially equivalent value of 75% of the participant's vested accrued benefit.

Changes of Assumptions:

For measurement date September 30, 2017:

- The mortality assumption for generational improvements was changed from a projection to the valuation date using scale AA to full generation improvements using scale BB.

For measurement date September 30, 2016:

- The discount rate was decreased from 9.08% per annum to 7.00% per annum.

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' PENSION TRUST FUND

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	98,463	93,323	75,723	98,246	100,802
Change in benefit terms	602	-	-	-	-
Difference between expected and actual experience	(159,735)	100,344	37,536	-	-
Change of assumptions	-	62,090	236,518	-	-
Benefit payments, including refunds of employee contributions	(101,324)	(181,252)	(98,915)	(98,293)	(98,915)
Other	(1,414)	1,007	729		
Net change in total pension liability	(163,408)	75,512	251,591	(47)	1,887
Total pension liability, beginning	1,457,140	1,381,628	1,130,037	1,130,084	1,128,197
Total pension liability, ending (a)	<u>\$ 1,293,732</u>	<u>\$ 1,457,140</u>	<u>\$ 1,381,628</u>	<u>\$ 1,130,037</u>	<u>\$ 1,130,084</u>
Plan fiduciary net position					
Contributions - City	\$ 28,866	\$ 23,448	\$ -	\$ 52,583	\$ 31,528
Net investment income (loss)	84,397	151,276	94,500	(742)	103,645
Benefit payments, including refunds of employee contributions	(101,324)	(181,252)	(98,915)	(98,915)	(98,915)
Administrative expenses	(7,927)	(8,228)	(10,157)	(6,705)	(12,002)
Net change in plan fiduciary net position	4,012	(14,756)	(14,572)	(53,779)	24,256
Plan fiduciary net position, beginning	1,228,239	1,242,995	1,257,567	1,311,346	1,287,090
Plan fiduciary net position, ending (b)	<u>\$ 1,232,251</u>	<u>\$ 1,228,239</u>	<u>\$ 1,242,995</u>	<u>\$ 1,257,567</u>	<u>\$ 1,311,346</u>
Net pension liability (asset) (a)-(b)	<u>\$ 61,481</u>	<u>\$ 228,901</u>	<u>\$ 138,633</u>	<u>\$ (127,530)</u>	<u>\$ (181,262)</u>
Plan fiduciary net position as a percentage of total pension liability	95.25%	84.29%	89.97%	111.29%	116.04%
Covered payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net pension liability as a percentage of covered payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Additional years will be added to this schedule annually until 10 years' data is presented.

CITY OF FORT MEADE, FLORIDA

**NOTES TO THE SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' PENSION TRUST FUND**

Changes of Assumptions:

For measurement date September 30, 2017:

- The mortality basis was changed from using the sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants with no future generational improvements to the sex-distinct rates set forth in the RP-2000 Blue-Collar Mortality Table with full generational improvements in mortality using scale BB.

For measurement date September 30, 2016:

- The discount rate was decreased from 9.08% per annum to 7.00% per annum.

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION TRUST FUND

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability					
Service cost	\$ 9,784	\$ 7,842	\$ 8,083	\$ 5,064	\$ 4,760
Interest	31,650	29,804	23,685	29,647	29,146
Difference between expected and actual experience	(992)	1,643	7,462	-	-
Change of assumptions	-	20,001	76,545	-	-
Change of benefit terms	2,766	-	-	-	-
Benefit payments, including refunds of employee contributions	(26,886)	(36,347)	(26,611)	(25,157)	(31,032)
Other	3,659	(3,135)	199	-	-
Net change in total pension liability	19,981	19,808	89,363	9,554	2,874
Total pension liability, beginning	452,472	432,664	343,301	333,747	330,873
Total pension liability, ending (a)	<u>\$ 472,453</u>	<u>\$ 452,472</u>	<u>\$ 432,664</u>	<u>\$ 343,301</u>	<u>\$ 333,747</u>
Plan fiduciary net position					
Contributions - City	\$ 33,737	\$ 19,114	\$ 21,565	\$ 23,025	\$ 12,509
Net investment income (loss)	25,057	41,560	24,708	(1,241)	28,946
Benefit payments, including refunds of employee contributions	(26,886)	(36,616)	(26,611)	(25,723)	(31,032)
Administrative expenses	(7,683)	(7,639)	(8,491)	(1,841)	(4,773)
Net change in plan fiduciary net position	24,225	16,419	11,171	(5,780)	5,650
Plan fiduciary net position, beginning	379,518	363,099	351,928	357,708	352,058
Plan fiduciary net position, ending (b)	<u>\$ 403,743</u>	<u>\$ 379,518</u>	<u>\$ 363,099</u>	<u>\$ 351,928</u>	<u>\$ 357,708</u>
Net pension liability (asset) (a)-(b)	<u>\$ 68,710</u>	<u>\$ 72,954</u>	<u>\$ 69,565</u>	<u>\$ (8,627)</u>	<u>\$ (23,961)</u>
Plan fiduciary net position as a percentage of total pension liability	85.46%	83.88%	83.92%	102.51%	107.18%
Covered payroll	\$ 99,642	\$ 86,938	\$ 90,926	\$ 74,908	\$ 65,337
Net pension liability as a percentage of covered payroll	68.96%	83.91%	76.51%	Not Applicable	Not Applicable

Additional years will be added to this schedule annually until 10 years' data is presented.

CITY OF FORT MEADE, FLORIDA

**NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION TRUST FUND**

Change in Benefit Terms:

For measurement date September 30, 2018:

- A pre-retirement death benefit was added to the plan in the case of a participant who dies prior to their normal retirement date whereby the participant's spouse will receive a single lump sum payment equal to the actuarially equivalent value of 75% of the participant's vested accrued benefit.
- Disability benefits become effective on the first day of the month following the determination by the City Commission that the participant is disabled.
- The threshold to elect an option lump sum distribution was increased from \$5,000 of actuarially equivalent value to \$10,000.

Changes of Assumptions:

For measurement date September 30, 2017:

- The mortality basis was changed from using the sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants with no future generational improvements to the sex-distinct rates set forth in the RP-2000 Blue-Collar Mortality Table with full generational improvements in mortality using scale BB.

For measurement date September 30, 2016:

- The discount rate was decreased from 9.08% per annum to 7.00% per annum.

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF CONTRIBUTIONS – ALL PENSION TRUST FUNDS

Year Ended September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a % of Covered Payroll
General Employees' Pension Trust Fund:					
2018	\$ 206,094	\$ 275,513	\$ 69,419	\$ 1,257,028	21.92%
2017	\$ 196,391	\$ 236,582	\$ 40,191	\$ 1,064,675	22.22%
2016	\$ 185,943	\$ 194,344	\$ 8,401	\$ 1,012,380	19.20%
2015	\$ 201,031	\$ 211,212	\$ 10,181	\$ 1,130,621	18.68%
2014	\$ 168,984	\$ 168,984	\$ -	\$ 1,045,343	16.17%
2013	\$ 166,886	\$ 166,886	\$ -	\$ 1,186,956	14.06%
2012	\$ 195,849	\$ 195,849	\$ -	\$ 1,441,126	13.59%
2011	\$ 162,888	\$ 162,888	\$ -	\$ 1,532,342	10.63%
2010	\$ 149,901	\$ 150,077	\$ 176	\$ 1,693,871	8.86%
2009	\$ 146,734	\$ 146,734	\$ -	\$ 1,748,915	8.39%
Police Officers' Pension Trust Fund:					
2018	\$ 28,866	\$ 28,866	\$ -	Not Applicable	Not Applicable
2017	\$ 27,063	\$ 23,448	\$ (3,615)	Not Applicable	Not Applicable
2016	\$ 21,902	\$ -	\$ (21,902)	Not Applicable	Not Applicable
2015	\$ 23,985	\$ 52,583	\$ 28,598	Not Applicable	Not Applicable
2014	\$ 31,528	\$ 31,528	\$ -	Not Applicable	Not Applicable
2013	\$ 35,416	\$ 35,416	\$ -	Not Applicable	Not Applicable
2012	\$ 31,899	\$ 31,899	\$ -	Not Applicable	Not Applicable
2011	\$ 21,803	\$ 21,803	\$ -	Not Applicable	Not Applicable
2010	\$ -		\$ -	Not Applicable	Not Applicable
2009	\$ -		\$ -	Not Applicable	Not Applicable
Firefighters' Pension Trust Fund:					
2018	\$ 29,354	\$ 33,737	\$ 4,383	\$ 99,642	33.86%
2017	\$ 22,972	\$ 19,114	\$ (3,858)	\$ 86,938	21.99%
2016	\$ 21,565	\$ 21,565	\$ -	\$ 90,926	23.72%
2015	\$ 19,944	\$ 23,025	\$ 3,081	\$ 74,908	30.74%
2014	\$ 15,589	\$ 12,509	\$ (3,080)	\$ 65,337	19.15%
2013	\$ 11,048	\$ 11,440	\$ 392	\$ 70,574	16.21%
2012	\$ 13,123	\$ 16,378	\$ 3,255	\$ 99,381	16.48%
2011	\$ 14,783	\$ 14,783	\$ -	\$ 70,496	20.97%
2010	\$ 7,414	\$ 7,418	\$ 4	\$ 92,957	7.98%
2009	\$ 5,517	\$ 8,647	\$ 3,130	\$ 123,352	7.01%

CITY OF FORT MEADE, FLORIDA
NOTES TO SCHEDULE OF CONTRIBUTIONS – ALL PENSION TRUST FUNDS

Significant methods and assumptions used in calculating the actuarially determined contributions:

- Valuation Date: October 1, 2017 for fiscal year 2018 contributions.
- Actuarial cost method - General employees’ and firefighters’ retirement plans: Frozen initial liability cost method.
- Actuarial cost method – Police officers’ retirement plan: Unit cost method (nominally).
- Amortization method – Level dollar amount over a period of up to 30 years for the general employees’ and firefighters’ retirement plan and 15 years for the police officers’ retirement plan.
- Asset valuation method: The actuarial value of the assets is equal to the market value of assets, adjusted to reflect a five-year phase-in of the difference between the expected market value for each of the last five years.
- Inflation: no explicit inflation rate was used.
- Salary increases: General employees’ and firefighters’ retirement plans: 3.0%. This assumption is not applicable to the police officers’ retirement plan.
- Investment rate of return: 7.5%.
- Retirement age: 100% retirement is assumed at the earliest of:

General Employees Retirement Plan	Firefighters’ Retirement Plan
(a) any age with 40 years of service	(a) any age with 40 years of service
(b) age 60 with 35 years of service	(b) age 55 with 30 years of service
(c) age 62 with 30 years of service	(c) age 60 with 10 years of service
(d) age 65 with 10 years of service	(d) age 65
(e) age 70	
Police Officers’ Retirement Plan	
(a) any age with 40 years of service	
(b) age 55 with 30 years of service	
(c) age 60 with 10 years of service	
(d) age 65	

- Mortality: Sex-distinct rates of the RP-2000 blue collar mortality table projected to the valuation year by Scale BB.
- Disability: Sex-distinct rates set forth in Wyatt 1985 Disability Study (Class 1)
- Termination - General employees’ retirement plan: The termination rates are age and gender-based ranging from 29.9% at age 20 to 0.0% at age 55 for males and ranging from 49.9% at age 20 to 0.0% at age 60 for females.
- Termination – Firefighters’ retirement plan: The termination rates are age and gender-based ranging from 7.4% at age 20 to 0.0% at age 50 for males and ranging from 12.4% at age 20 to 0.0% at age 55 for females.

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF INVESTMENT RETURNS – PENSION TRUST FUNDS

Average Money-Weighted Rate of Return, gross of Investment Expenses - Pension Trust Funds			
	General Employees'	Police Officers'	Fire Fighters'
For the year ended September 30:			
2014	8.40%	8.30%	8.50%
2015	0.11%	0.30%	0.11%
2016	8.35%	8.25%	7.97%
2017	13.41%	13.56%	13.14%
2018	7.55%	7.55%	7.42%

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

Measurement date	9/30/2018
Reporting period ending	<u>9/30/2018</u>
Total OPEB Liability	
Service cost	\$ 9,615
Interest	3,700
Change in assumptions	(6,697)
Benefit payments	<u>(5,523)</u>
Net change in total OPEB liability	1,095
Total OPEB liability, beginning	<u>94,772</u>
Total OPEB liability, ending	<u>\$ 95,867</u>
Covered-employee payroll	\$ 1,522,797
Total OPEB liability as a percentage of covered-employee payroll	6.30%

Notes to Schedule:

No assets are being accumulated in a trust to pay for plan benefits.

Changes in Assumptions:

Changes in assumptions reflect the effects of changes in the discount rate of each period. The following are the discount rates used for each measurement date.

<u>Measurement Date</u>	<u>Discount Rate</u>
September 30, 2018	4.18%
September 30, 2017	3.64%

OTHER SUPPLEMENTARY INFORMATION

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF NET POSITION – NON-MAJOR ENTERPRISE FUNDS
as of September 30, 2018

	Business Type Activities - Non-Major Enterprise Funds		
	Mobile Home Park Fund	Solid Waste Fund	Total
ASSETS			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 244,589	\$ 103,202	\$ 347,791
Receivables:			
Customers, net	1,323	62,076	63,399
Total current assets	245,912	165,278	411,190
Noncurrent assets:			
Capital assets:			
Non-depreciable	10,865	-	10,865
Depreciable, net	218,906	-	218,906
Total noncurrent assets	229,771	-	229,771
Total assets	475,683	165,278	640,961
LIABILITIES			
Current liabilities:			
Accounts payable	7,579	225,879	233,458
Total current liabilities	7,579	225,879	233,458
Total liabilities	7,579	225,879	233,458
NET POSITION			
Net investment in capital assets	229,771	-	229,771
Unrestricted	238,333	(60,601)	177,732
Total net position	\$ 468,104	\$ (60,601)	\$ 407,503

CITY OF FORT MEADE, FLORIDA**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – NON-MAJOR ENTERPRISE FUNDS**
for the year ended September 30, 2018

	Business Type Activities - Non-Major Enterprise Funds		
	Mobile Home Park Fund	Solid Waste Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 374,487	\$ 420,682	\$ 795,169
Total operating revenue	<u>374,487</u>	<u>420,682</u>	<u>795,169</u>
OPERATING EXPENSES:			
Personnel services	21,791	-	21,791
Operating expenses	223,398	597,447	820,845
Depreciation	13,196	-	13,196
Total operating expenses	<u>258,385</u>	<u>597,447</u>	<u>855,832</u>
OPERATING INCOME	<u>116,102</u>	<u>(176,765)</u>	<u>(60,663)</u>
NONOPERATING REVENUE (EXPENSE)			
Other, net	6,639	-	6,639
Total nonoperating revenues (expense)	<u>6,639</u>	<u>-</u>	<u>6,639</u>
INCOME BEFORE TRANSFERS	<u>122,741</u>	<u>(176,765)</u>	<u>(54,024)</u>
TRANSFERS OUT	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
CHANGE IN NET POSITION	<u>22,741</u>	<u>(176,765)</u>	<u>(154,024)</u>
NET POSITION, beginning of year	<u>445,363</u>	<u>116,164</u>	<u>561,527</u>
NET POSITION, end of year	<u>\$ 468,104</u>	<u>\$ (60,601)</u>	<u>\$ 407,503</u>

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS– NON-MAJOR ENTERPRISE FUNDS
for the year ended September 30, 2018

	Business Type Activities - Non-Major Enterprise Funds		
	Mobile Home Park Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 372,553	\$ 417,896	\$ 790,449
Payments to suppliers	(227,359)	(406,033)	(633,392)
Payments for salaries and benefits	(23,073)	-	(23,073)
Net cash flows from operating activities	<u>122,121</u>	<u>11,863</u>	<u>133,984</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(100,000)	-	(100,000)
Net cash flows from noncapital financing activities	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Other income	6,639	-	6,639
Net cash flows from investing activities	<u>6,639</u>	<u>-</u>	<u>6,639</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,760	11,863	40,623
CASH AND CASH EQUIVALENTS, beginning of year	215,829	91,339	307,168
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 244,589</u>	<u>\$ 103,202</u>	<u>\$ 347,791</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 116,102	\$ (176,765)	\$ (60,663)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	13,196	-	13,196
(Increase) decrease in accounts receivable	(1,934)	(2,786)	(4,720)
Increase (decrease) in accounts payable	(3,961)	191,414	187,453
Increase (decrease) in accrued wages	(1,282)	-	(1,282)
Net cash flows from operating activities	<u>122,121</u>	<u>11,863</u>	<u>133,984</u>
As shown in the Accompanying Financial Statements			
Equity in cash and investments	\$ 244,589	\$ 103,202	\$ 347,791
Restricted equity in cash and investments	-	-	-
Total cash and cash equivalents	<u>\$ 244,589</u>	<u>\$ 103,202</u>	<u>\$ 347,791</u>
Noncash financing and investing activities:			
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION – PENSION TRUST FUNDS
as of ended September 30, 2018

	Pension Trust Funds			
	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
ASSETS				
Investments, at fair value:				
Cash and short-term money market funds	\$ 20,155	\$ 4,929	\$ 1,615	\$ 26,699
Fixed income investment pools	1,597,308	390,624	127,987	2,115,919
Equity investment pools	2,967,869	725,796	237,805	3,931,470
Real estate investment pool	453,495	110,902	36,336	600,733
Total investments	<u>5,038,827</u>	<u>1,232,251</u>	<u>403,743</u>	<u>6,674,821</u>
Total assets	<u>5,038,827</u>	<u>1,232,251</u>	<u>403,743</u>	<u>6,674,821</u>
NET POSITION				
Restricted for pension benefits	<u>\$ 5,038,827</u>	<u>\$ 1,232,251</u>	<u>\$ 403,743</u>	<u>\$ 6,674,821</u>

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION – PENSION TRUST FUNDS
for the year ended September 30, 2018

	Pension Trust Funds			Total
	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	
ADDITIONS				
Contributions:				
City	\$ 275,513	\$ 28,866	\$ 33,737	\$ 338,116
Total contributions	<u>275,513</u>	<u>28,866</u>	<u>33,737</u>	<u>338,116</u>
Investment income				
Investment income	357,267	89,519	28,127	474,913
Less investment expenses	(14,732)	(5,122)	(3,070)	(22,924)
Net investment income	<u>342,535</u>	<u>84,397</u>	<u>25,057</u>	<u>451,989</u>
Total additions	<u>618,048</u>	<u>113,263</u>	<u>58,794</u>	<u>790,105</u>
DEDUCTIONS				
Administrative expenses:				
Legal	18,292	4,611	1,450	24,353
Actuarial	8,888	2,813	6,075	17,776
Other fees	-	503	158	661
Total administrative expenses	<u>27,180</u>	<u>7,927</u>	<u>7,683</u>	<u>42,790</u>
Payments to retirees and participants	<u>337,146</u>	<u>101,324</u>	<u>26,886</u>	<u>465,356</u>
Total deductions	<u>364,326</u>	<u>109,251</u>	<u>34,569</u>	<u>508,146</u>
CHANGE IN NET POSITION	253,722	4,012	24,225	281,959
NET POSITION, beginning of year	<u>4,785,105</u>	<u>1,228,239</u>	<u>379,518</u>	<u>6,392,862</u>
NET POSITION, end of year	<u>\$ 5,038,827</u>	<u>\$ 1,232,251</u>	<u>\$ 403,743</u>	<u>\$ 6,674,821</u>

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – STORMWATER SPECIAL REVENUE FUND
for the year ended September 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Licenses and permits	\$ 193,841	\$ 193,841	\$ 180,165	\$ (13,676)
Intergovernmental revenue	60,000	60,000	60,000	-
Other	-	24,322	23,625	(697)
Total revenues	<u>253,841</u>	<u>278,163</u>	<u>263,790</u>	<u>(14,373)</u>
EXPENDITURES:				
Physical environment	156,545	158,342	106,417	51,925
Capital outlay	80,000	102,812	81,949	20,863
Total expenditures	<u>236,545</u>	<u>261,154</u>	<u>188,366</u>	<u>72,788</u>
NET CHANGE IN FUND BALANCE	<u>\$ 17,296</u>	<u>\$ 17,009</u>	<u>\$ 75,424</u>	<u>\$ 58,415</u>



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GOVERNMENT AUDITING SECTION

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

Honorable Mayor and City Commissioners
City of Fort Meade
Fort Meade, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Meade, Florida (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 21, 2019.

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) to determine the 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 City'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Fort Meade
Fort Meade, Florida

**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
(Concluded)**

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 determination of financial statement amounts. 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*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

May 21, 2019
Sarasota, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH FLORIDA STATUTE SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Honorable Mayor and City Commissioners
City of Fort Meade
Fort Meade, Florida

We have examined the City of Fort Meade's (the City's) compliance with Section 218.415, *Florida Statutes*, during the fiscal year ended September 30, 2018. City 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, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the City of Fort Meade complied, in all material respects, with the aforementioned requirements during the fiscal year ended September 30, 2018.

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

Purvis, Gray and Company, LLP

May 21, 2019
Sarasota, Florida

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Fort Meade
Fort Meade, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Fort Meade, Florida (the City), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 21, 2019.

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; 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*; 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, which are dated May 21, 2019, 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. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The required disclosure for the primary government and component unit (the City of Fort Meade Community Redevelopment Agency) is made in Note 1.

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Honorable Mayor and City Commissioners
City of Fort Meade
Fort Meade, Florida

MANAGEMENT LETTER
(Concluded)

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 condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.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.

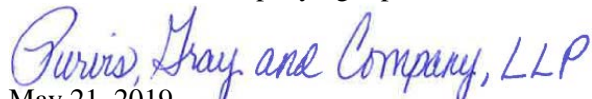
Additional Matters

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

Purpose of this Letter

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

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.


May 21, 2019
Sarasota, Florida