

Annual Financial Report

September 30, 2018



City of
Minneola
FLORIDA

Introductory Section

	<u>Page</u>
I. Introductory Section:	
Table of Contents	i
List of Principal Officials	ii
II. Financial Section:	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual – Stormwater Special Revenue Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual - Community Redevelopment Fund	21
Statement of Net Position - Proprietary Funds	22-23
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25-26
Notes to Financial Statements	27-47
Required Supplementary Information	48-49
III. Other Reports:	
Independent Auditor's 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	50-51
Management Letter	52-55
Independent Accountant's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	56

City of Minneola, Florida
List of Principal Officials

Mayor	Pat Kelley
Vice-Mayor	Pam Serviss
Councilor	Lisa Jones
Councilor	Kelly Price
Councilor	Joseph Saunders
City Manager	Mark Johnson
City Clerk	Christina Stidham
Finance Manager	Charlotte Gentile

Financial Section

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Minneola, 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 Minneola, Florida*, 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

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Minneola, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, stormwater special revenue fund, and community redevelopment fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and pension disclosures on page 3 through 12, and 48 through 49 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2020 on our consideration of *City of Minneola's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 *City of Minneola's* internal control over financial reporting and compliance.

McDiernit Davis & Company, LLC

Orlando, Florida
January 15, 2020

As management of the *City of Minneola, Florida* we offer readers of the *City of Minneola's* financial statements this narrative overview and analysis of the financial activities of the *City of Minneola* for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the *City of Minneola* exceeded its liabilities at the close of the most recent fiscal year by \$42,921,487 (net position). Of this amount, \$9,443,980 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$4,262,274.
- As of the close of the current fiscal year, the *City of Minneola's* governmental funds reported combined ending fund balances of \$15,793,497, an increase of \$3,675,442 in comparison with the prior year. Approximately 18% of this total amount, \$2,778,273, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,778,273, or 51% of total general fund expenditures.

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.

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the *City of Minneola* that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the *City of Minneola* include general government, public safety, public works, sanitation and recreation services. The business-type activities of the *City of Minneola* include Utility management.

The government-wide financial statements include only the *City of Minneola* itself (known as the *primary government*) and one blended component unit (The Community Redevelopment Fund).

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The *City of Minneola* maintains four individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Stormwater Special Revenue Fund, the Community Redevelopment Fund and Impact Fee Capital Projects fund, which are considered to be major funds.

The *City of Minneola* adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund, the Stormwater Special Revenue Fund, and the Community Redevelopment Fund to demonstrate compliance with this budget at pages 19 - 21.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 22 - 26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 27 - 47 of this report.

Required Supplementary Information (RSI)

RSI can be found on pages 48-49 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the *City of Minneola*, assets exceeded liabilities by \$42,921,487 at September 30, 2018. The following table reflects the condensed statement of net position for the current and prior year. For more detail see the Statement of Net Position on page 13.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 16,046,876	\$ 12,350,587	\$ 7,686,753	\$ 7,170,516	\$ 23,733,629	\$ 19,521,103
Capital Assets	6,405,127	6,370,045	27,861,629	27,694,091	34,266,756	34,064,136
Total Assets	22,452,003	18,720,632	35,548,382	34,864,607	58,000,385	53,585,239
Deferred Outflows of Resources	983,494	885,919	421,499	379,681	1,404,993	1,265,600
Liabilities:						
Long term liabilities	127,681	144,443	11,680,989	12,151,517	11,808,670	12,295,960
Net pension liability	2,260,869	2,097,615	968,947	898,980	3,229,816	2,996,595
Other liabilities	253,379	232,532	875,312	482,853	1,128,691	715,385
Total Liabilities	2,641,929	2,474,590	13,525,248	13,533,350	16,167,177	16,007,940
Deferred Inflows of Resources	221,699	128,580	95,015	55,106	316,714	183,686
Net Position:						
Net investment in capital assets	6,405,127	6,370,045	16,208,558	15,575,574	22,613,685	21,945,619
Restricted	7,131,699	4,737,219	3,732,123	3,467,915	10,863,822	8,205,134
Unrestricted	7,035,043	5,896,117	2,408,937	2,612,343	9,443,980	8,508,460
Total Net Position	\$ 20,571,869	\$ 17,003,381	\$ 22,349,618	\$ 21,655,832	\$ 42,921,487	\$ 38,659,213

\$22,613,685 (53%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the *City of Minneola's* investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position that are subject to external restrictions as to how they may be used total \$10,863,822 (25%). The remaining balance of *unrestricted net position* (\$9,443,980 or 22%) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$4,262,274 during the current fiscal year. The following table reflects the condensed Statement of Activities for the current year. For more detail see the Statement of Activities on page 14.

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Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 1,620,862	\$ 2,035,122	\$ 3,892,024	\$ 3,531,205	\$ 5,512,886	\$ 5,566,327
Operating grants and contributions	349,703	311,320	-	-	349,703	311,320
Capital grants and contributions	1,259,530	946,506	1,189,009	1,703,583	2,448,539	2,650,089
General revenues:						
Property taxes	3,551,836	2,827,615	-	-	3,551,836	2,827,615
Other taxes	1,387,035	1,322,902	-	-	1,387,035	1,322,902
Intergovernmental	987,320	1,027,324	-	200,004	987,320	1,227,328
Investment income and miscellaneous	76,876	52,616	263	1,414	77,139	54,030
Total revenues	9,233,162	8,523,405	5,081,296	5,436,206	14,314,458	13,959,611
Expenses:						
General government	1,890,071	2,049,485	-	-	1,890,071	2,049,485
Public safety	2,764,476	2,654,635	-	-	2,764,476	2,654,635
Roads and streets	403,470	342,780	-	-	403,470	342,780
Stormwater	173,847	169,558	-	-	173,847	169,558
Culture and recreation	346,810	334,370	-	-	346,810	334,370
Physical environment	77,123	62,856	-	-	77,123	62,856
Community redevelopment	130,589	57,642	-	-	130,589	57,642
Utility	-	-	4,265,798	3,881,808	4,265,798	3,881,808
Total expenses	5,786,386	5,671,326	4,265,798	3,881,808	10,052,184	9,553,134
Increase (decrease) in net position before transfers	3,446,776	2,852,079	815,498	1,554,398	4,262,274	4,406,477
Transfers	121,712	70,554	(121,712)	(70,554)	-	-
Increase (decrease) in net position	3,568,488	2,922,633	693,786	1,483,844	4,262,274	4,406,477
Net position, October 1	17,003,381	14,080,748	21,655,832	20,171,988	38,659,213	34,252,736
Net position, September 30	\$ 20,571,869	\$ 17,003,381	\$ 22,349,618	\$ 21,655,832	\$ 42,921,487	\$ 38,659,213

Governmental Activities

Governmental activities increased the *City of Minneola's* net position by \$3,568,488. The increase is primarily due to a \$467,850 increase in property taxes and a \$413,350 increase in infrastructure sur-taxes being dedicated to the general fund.

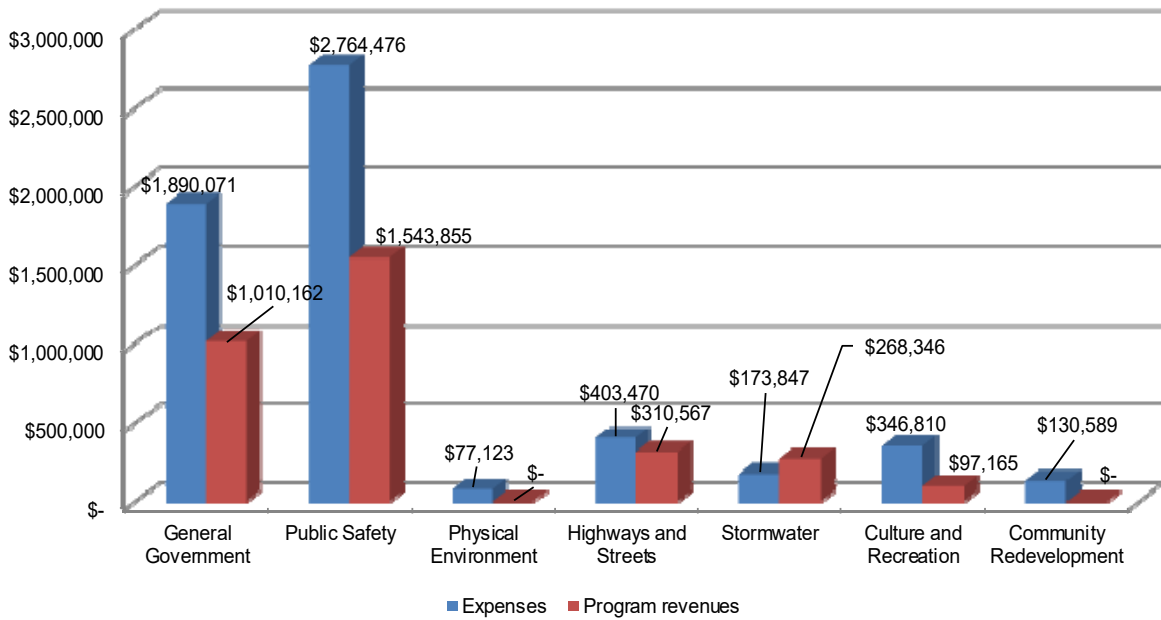
Business-Type Activities

Business-type activities increased the *City of Minneola's* net position by \$693,786 primarily due to increases in wastewater and sanitation services.

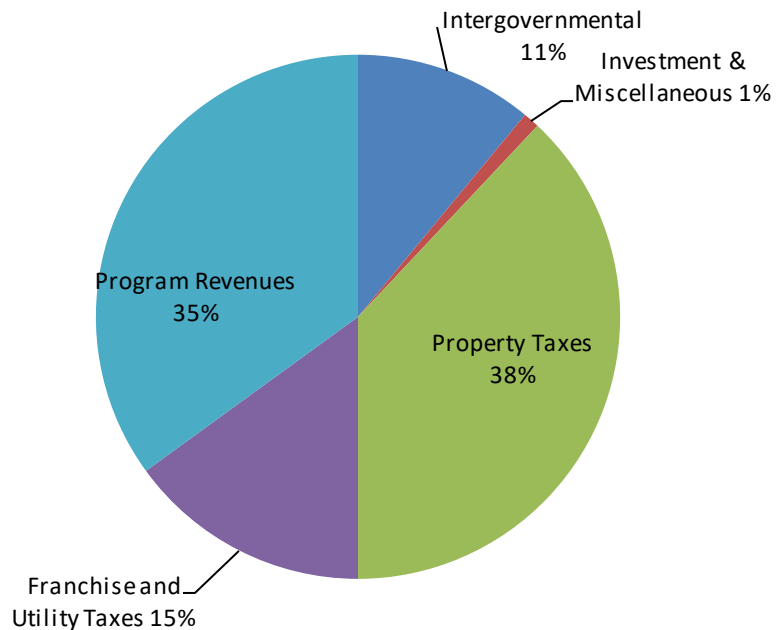
The following series of bar and pie charts relay in pictorial form the revenues and expenses for each of the governmental and business-type activities as well as the revenue "source" for each.

Note that the first graph depicts governmental program-specific revenues and expenses. For this graph, the revenue does not include property taxes, utility taxes, intergovernmental revenue, investment income or miscellaneous revenue. This chart is intended to show the amount of program expenses funded by specific program revenues.

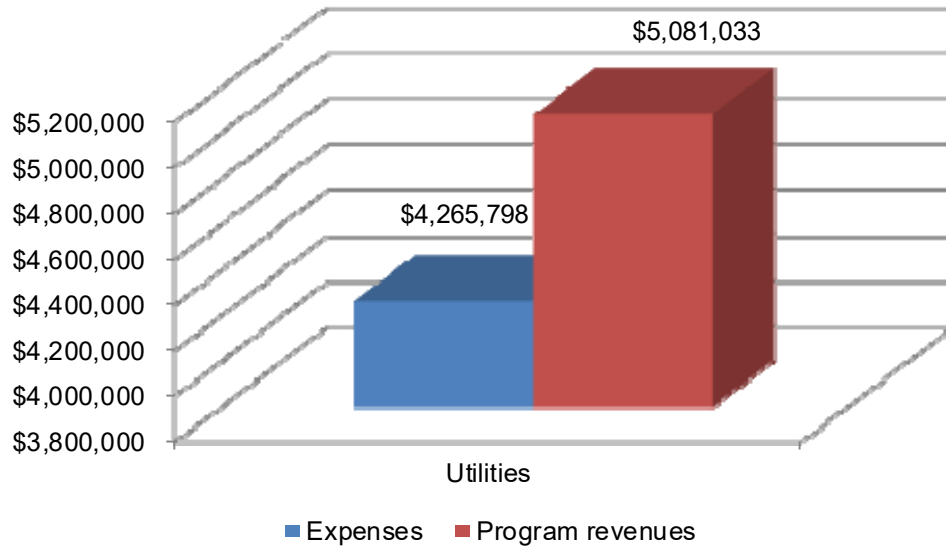
Expenses and Program Revenues - Governmental Activities



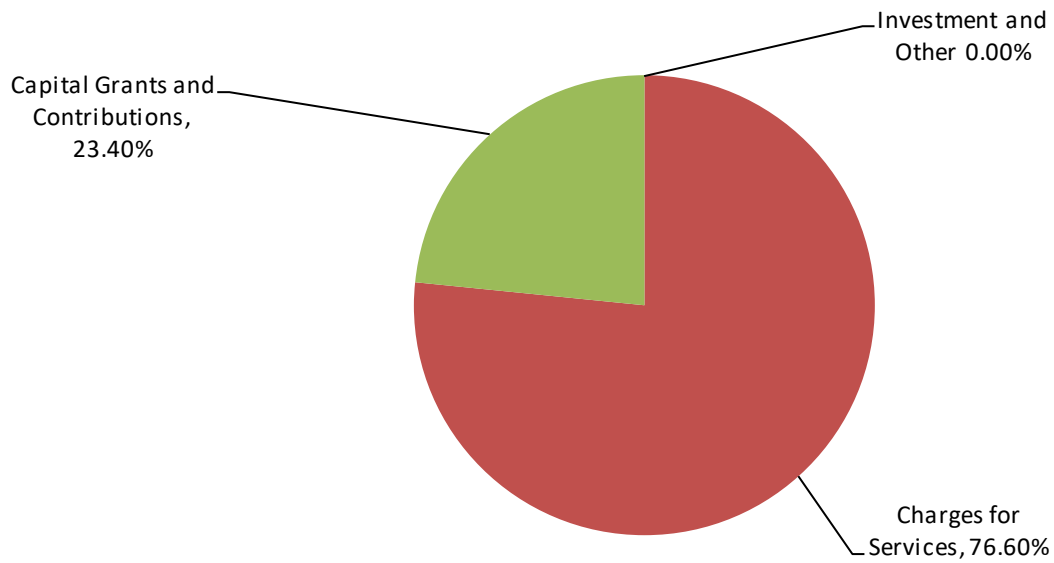
Revenue by Source - Governmental Activities



Expenses and Program Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the *City of Minneola* used fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

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

As of the end of the current fiscal year, the *City of Minneola's* governmental funds reported combined ending fund balances of \$15,793,497, an increase of \$3,675,442 in comparison with the prior year. Approximately 18% or \$2,778,273 of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed for such purposes as debt service, capital projects, inventories and prepaid costs.

The general fund is the chief operating fund of the *City of Minneola*. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,778,273 while total fund balance was \$12,523,123. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 51% and 232% respectively, of total General Fund expenditures.

The fund balance of the general fund increased by \$2,096,655 during the current fiscal year.

Proprietary Funds

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

Unrestricted net position of the proprietary funds at the year-end amounted to \$2,408,937. The total increase in net position for this fund was \$693,786. Other factors concerning the finances of these three funds have already been addressed in the discussion of the *City of Minneola's* business-type activities.

General Fund Budgetary Highlights

During the year, actual revenues were \$322,669 more than budgeted revenues and actual expenditures were \$3,286,508 less than budgeted expenditures.

Capital Asset and Debt Administration

Capital Assets

The *City of Minneola's* investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$34,266,756 (net of accumulated depreciation), for an increase of \$202,620 from the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 0.59% (a 0.55% increase for governmental activities, and 0.06% increase for business-type activities).

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,139,408	\$ 2,116,908	\$ 304,026	\$ 304,026	\$ 2,443,434	\$ 2,420,934
Construction in progress	-	-	1,242,249	-	1,242,249	-
Buildings	1,880,512	1,849,954	-	-	1,880,512	1,849,954
Improvements / infrastructure	1,188,931	1,325,678	26,152,208	27,259,643	27,341,139	28,585,321
Machinery and equipment	1,196,276	1,077,505	163,146	130,422	1,359,422	1,207,927
Total	\$ 6,405,127	\$ 6,370,045	\$ 27,861,629	\$ 27,694,091	\$ 34,266,756	\$ 34,064,136

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

Long-Term Debt

At the end of the current fiscal year, the *City of Minneola* had total debt outstanding of \$11,653,071. This debt includes notes payable. Additional information on long-term debt can be found in Note 6 of this report.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Notes payable	\$ -	\$ -	\$ 11,653,071	\$ 12,118,517	\$ 11,653,071	\$ 12,118,517
	\$ -	\$ -	\$ 11,653,071	\$ 12,118,517	\$ 11,653,071	\$ 12,118,517

The *City of Minneola's* total debt decreased by \$465,446 (4%) during the current fiscal year. The City's governmental activities are debt-free.

Economic Factors and Next Year's Budget and Rates

- The average unemployment rate for the state is 3.2% and 3.7% for the nation.
- Average inflation nationally as indicated by the consumer price index is 2.1%

These factors were considered in preparing the City budget for the 2018-2019 year. The City adopted the 2018 - 2019 budget at its September 25, 2018 meeting. The 2018 - 2019 General Fund budget includes a millage rate of 6.1900.

Requests for Information

This financial report is designed to provide a general overview of the *City of Minneola's* finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to City of Minneola, Finance Manager, Post Office Drawer 678, Minneola, Florida 34755, (352) 394-3598.

Basic Financial Statements

City of Minneola, Florida
Statement of Net Position
September 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 13,701,011	\$ 5,213,341	\$ 18,914,352
Receivables, net	191,364	26,853	218,217
Internal balances	1,963,304	(1,963,304)	-
Due from other governments	133,045	273,335	406,380
Prepaid costs	58,152	29,536	87,688
Restricted cash and cash equivalents	-	4,106,992	4,106,992
Capital Assets:			
Capital assets not being depreciated	2,139,408	1,546,275	3,685,683
Capital assets being depreciated, net of accumulated depreciation	4,265,719	26,315,354	30,581,073
Total assets	22,452,003	35,548,382	58,000,385
Deferred Outflows:			
Pension earnings	983,494	421,499	1,404,993
Liabilities:			
Accounts payable and accrued expenses	139,231	563,315	702,546
Due to other governmental agencies	112,548	-	112,548
Accrued interest	-	148,996	148,996
Deposits payable	1,600	163,001	164,601
Noncurrent liabilities:			
Due within one year:			
Compensated absences	42,610	13,001	55,611
Notes payable	-	477,962	477,962
Due in more than one year:			
Compensated absences	85,071	14,917	99,988
Notes payable	-	11,175,109	11,175,109
Net pension liability	2,260,869	968,947	3,229,816
Total liabilities	2,641,929	13,525,248	16,167,177
Deferred Inflows:			
Pension earnings	221,699	95,015	316,714
Net Position:			
Net investment in capital assets	6,405,127	16,208,558	22,613,685
Restricted	7,131,699	3,732,123	10,863,822
Unrestricted	7,035,043	2,408,937	9,443,980
Total net position	\$ 20,571,869	\$ 22,349,618	\$ 42,921,487

Statement of Activities

For the Year Ended September 30, 2018

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities:							
General Government	\$ 1,890,071	\$ 1,010,162	\$ -	\$ -	\$ (879,909)	\$ -	\$ (879,909)
Public Safety	2,764,476	338,683	5,090	1,200,082	(1,220,621)	-	(1,220,621)
Physical Environment	77,123	-	-	-	(77,123)	-	(77,123)
Highways and streets	403,470	-	310,567	-	(92,903)	-	(92,903)
Stormwater	173,847	268,346	-	-	94,499	-	94,499
Culture and Recreation	346,810	3,671	34,046	59,448	(249,645)	-	(249,645)
Community Redevelopment	130,589	-	-	-	(130,589)	-	(130,589)
Total governmental activities	5,786,386	1,620,862	349,703	1,259,530	(2,556,291)	-	(2,556,291)
Business-type activities:							
Utility	4,265,798	3,892,024	-	1,189,009	-	815,235	815,235
Total business-type activities	4,265,798	3,892,024	-	1,189,009	-	815,235	815,235
Total primary government	\$ 10,052,184	\$ 5,512,886	\$ 349,703	\$ 2,448,539	(2,556,291)	815,235	(1,741,056)
General Revenues:							
Property taxes					3,551,836	-	3,551,836
Franchise and utility taxes					1,387,035	-	1,387,035
Intergovernmental					987,320	-	987,320
Unrestricted investment earnings					253	263	516
Miscellaneous					76,623	-	76,623
Transfers:					121,712	(121,712)	-
Total general revenues and transfers					6,124,779	(121,449)	6,003,330
Change in net position					3,568,488	693,786	4,262,274
Net position, beginning					17,003,381	21,655,832	38,659,213
Net position, ending					\$ 20,571,869	\$ 22,349,618	\$ 42,921,487

City of Minneola, Florida
Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Stormwater Special Revenue Fund	Community Redevelopment Funds	Impact Fee Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 11,323,037	\$ -	\$ 2,377,974	\$ -	\$ 13,701,011
Receivables	186,711	4,653	-	-	191,364
Due from other governments	133,045	-	-	-	133,045
Prepaid costs	42,461	1,943	13,748	-	58,152
Due from other funds	1,671,126	610,649	-	584,027	2,865,802
Total assets	\$ 13,356,380	\$ 617,245	\$ 2,391,722	\$ 584,027	\$ 16,949,374
Liabilities:					
Accounts payable	\$ 135,082	\$ 4,149	\$ -	\$ -	\$ 139,231
Due to other governments	112,548	-	-	-	112,548
Due to other funds	584,027	32,073	286,398	-	902,498
Deposits payable	1,600	-	-	-	1,600
Total liabilities	833,257	36,222	286,398	-	1,155,877
Fund Balances:					
Nonspendable:					
Prepays	42,461	-	-	-	42,461
Restricted:					
Street repairs	872,939	-	-	-	872,939
Confiscation funds	32,858	-	-	-	32,858
Permitting expenditures	2,249,181	-	-	-	2,249,181
Police education	5,053	-	-	-	5,053
Infrastructure	1,866,344	-	-	-	1,866,344
Community redevelopment	-	-	2,105,324	-	2,105,324
Committed:					
Cemetery care	5,032	-	-	-	5,032
Rails/trails	1,527	-	-	-	1,527
Tree replacement	33,855	-	-	-	33,855
Fire protection capital expenditures	-	-	-	351,734	351,734
Parks capital expenditures	-	-	-	154,108	154,108
Police protection capital expenditures	-	-	-	78,185	78,185
Stormwater management	-	581,023	-	-	581,023
Assigned:					
Fire truck replacement	450,000	-	-	-	450,000
Fire department relocation	2,746,000	-	-	-	2,746,000
Park master plan	30,000	-	-	-	30,000
Library relocation	250,000	-	-	-	250,000
City Hall remodel	500,000	-	-	-	500,000
Fire station #2	659,600	-	-	-	659,600
Unassigned	2,778,273	-	-	-	2,778,273
Total fund balances	12,523,123	581,023	2,105,324	584,027	15,793,497
Total liabilities and fund balances	\$ 13,356,380	\$ 617,245	\$ 2,391,722	\$ 584,027	\$ 16,949,374

City of Minneola, Florida
**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position**
September 30, 2018

Total Fund Balance, governmental funds	\$	15,793,497
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		6,405,127
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Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		761,795
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Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds

Compensated absences	(127,681)	
Net pension liability	(2,260,869)	(2,388,550)

Net Position of Governmental Activities in the Statement of Net Position	\$	<u>20,571,869</u>
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City of Minneola, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Stormwater fund	Community Redevelopment Funds	Impact Fee Fund	Total Governmental Funds
Revenues:					
Taxes:					
Property	\$ 2,409,446	\$ -	\$ 1,142,390	\$ -	\$ 3,551,836
Franchise and utility	1,387,035	-	-	-	1,387,035
Licenses and permits	937,489	-	-	-	937,489
Intergovernmental	2,434,208	-	-	-	2,434,208
Charges for services	387,151	268,346	-	-	655,497
Fees and fines	16,418	-	-	-	16,418
Impact fees	-	-	-	171,183	171,183
Investment earnings	253	-	-	-	253
Miscellaneous	79,243	-	-	-	79,243
Total revenues	7,651,243	268,346	1,142,390	171,183	9,233,162
Expenditures:					
Current:					
General government	1,874,840	-	-	-	1,874,840
Public safety	2,720,913	-	-	-	2,720,913
Physical environment	105,484	145,463	-	-	250,947
Highways and Streets	472,249	-	-	-	472,249
Culture and recreation	229,894	-	-	-	229,894
Community redevelopment	-	-	130,589	-	130,589
Total expenditures	5,403,380	145,463	130,589	-	5,679,432
Excess (deficiency) of revenues over expenditures	2,247,863	122,883	1,011,801	171,183	3,553,730
Other Financing Sources (Uses):					
Transfers in	121,712	-	-	272,920	394,632
Transfers out	(272,920)	-	-	-	(272,920)
Total other financing sources (uses)	(151,208)	-	-	272,920	121,712
Net change in fund balances	2,096,655	122,883	1,011,801	444,103	3,675,442
Fund balances, beginning	10,426,468	458,140	1,093,523	139,924	12,118,055
Fund balances, ending	\$ 12,523,123	\$ 581,023	\$ 2,105,324	\$ 584,027	\$ 15,793,497

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2018

Net Change in Fund Balances - total governmental funds: \$ 3,675,442

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

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

Expenditures for Capital Assets	450,129	
Less: current year depreciation	<u>(407,240)</u>	42,889

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net position		(7,807)
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Change in compensated absences		16,762
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Cash pension contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore, decreased net position.

		<u>(158,798)</u>
Change in net position of governmental activities	\$	<u><u>3,568,488</u></u>

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund**

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 2,350,395	\$ 2,350,395	\$ 2,409,446	\$ 59,051
Franchise and utility	1,269,891	1,269,891	1,387,035	117,144
Licenses and Permits	1,052,000	1,052,000	937,489	(114,511)
Intergovernmental	2,027,576	2,027,576	2,434,208	406,632
Charges for Services	348,358	348,358	387,151	38,793
Fees and Fines	8,533	8,533	16,418	7,885
Impact fees	228,160	228,160	-	(228,160)
Investment Earnings	20	20	253	233
Miscellaneous	51,185	51,185	79,243	28,058
Total revenues	7,336,118	7,336,118	7,651,243	315,125
Expenditures:				
Current:				
General government	2,129,709	2,129,709	1,874,840	254,869
Public safety	5,687,881	5,687,881	2,720,913	2,966,968
Physical environment	81,190	81,190	105,484	(24,294)
Highways and streets	636,129	636,129	472,249	163,880
Culture and recreation	427,899	427,899	229,894	198,005
Total expenditures	8,962,808	8,962,808	5,403,380	3,559,428
Excess (deficiency) of revenues over expenditures	(1,626,690)	(1,626,690)	2,247,863	3,874,553
Other Financing Sources:				
Transfers In	114,168	114,168	121,712	7,544
Transfers Out	-	-	(272,920)	(272,920)
Total other financing sources	114,168	114,168	(151,208)	(265,376)
Net change in fund balances	(1,512,522)	(1,512,522)	2,096,655	3,609,177
Fund balance, beginning	10,426,468	10,426,468	10,426,468	-
Fund balance, ending	\$ 8,913,946	\$ 8,913,946	\$ 12,523,123	\$ 3,609,177

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual - Stormwater Special Revenue Fund

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 270,000	\$ 270,000	\$ 268,346	\$ (1,654)
Total revenues	270,000	270,000	268,346	(1,654)
Expenditures:				
Current:				
Physical Environment	270,001	270,001	145,463	124,538
Total expenditures	270,001	270,001	145,463	124,538
Excess (deficiency) of revenues over expenditures	(1)	(1)	122,883	122,884
Net change in fund balances	(1)	(1)	122,883	122,884
Fund balance, beginning	458,140	458,140	458,140	-
Fund balance, ending	\$ 458,139	\$ 458,139	\$ 581,023	\$ 122,884

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Community Redevelopment Fund**

For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property Taxes	\$ 1,148,361	\$ 1,148,361	\$ 1,142,390	\$ (5,971)
Total revenues	1,148,361	1,148,361	1,142,390	(5,971)
Expenditures:				
Current:				
Community redevelopment	2,099,305	2,099,305	130,589	1,968,716
Total expenditures	2,099,305	2,099,305	130,589	1,968,716
Excess (deficiency) of revenues over expenditures	(950,944)	(950,944)	1,011,801	1,962,745
Net change in fund balances	(950,944)	(950,944)	1,011,801	1,962,745
Fund balance, beginning	1,093,523	1,093,523	1,093,523	-
Fund balance, ending	\$ 142,579	\$ 142,579	\$ 2,105,324	\$ 1,962,745

City of Minneola, Florida
Statement of Net Position
Proprietary Funds
September 30, 2018

	Enterprise Fund	
		Utility
Assets:		
Current assets:		
Cash and cash equivalents	\$	5,213,341
Accounts receivable, net		26,853
Due from other funds		36,570
Due from other governments		273,335
Prepaid costs		29,536
Restricted cash and cash equivalents		4,106,992
Total current assets		9,686,627
Noncurrent assets:		
Capital assets:		
Land		304,026
Construction in progress		1,242,249
Water and wastewater system		37,297,041
Machinery and equipment		472,396
Less accumulated depreciation		(11,454,083)
Total noncurrent assets		27,861,629
Total assets		37,548,256
Deferred Outflows:		
Pension earnings		421,499
		421,499

	Enterprise Fund
	Utility
Liabilities	
Current Liabilities:	
Accounts payable	563,315
Due to other funds	1,999,874
Accrued interest payable	148,996
Customer deposits payable	163,001
Compensated absences	13,001
Notes and loans payable - current	477,962
Total current liabilities	3,366,149
Noncurrent Liabilities:	
Compensated absences	14,917
Net pension liability	968,947
Notes and loans payable	11,175,109
Total noncurrent liabilities	12,158,973
Total liabilities	15,525,122
Deferred Inflows:	
Pension earnings	95,015
	95,015
Net Position:	
Net investment in capital assets	16,208,558
Restricted	3,732,123
Unrestricted	2,408,937
Total net position	\$ 22,349,618

City of Minneola, Florida
**Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Funds**
For the Year Ended September 30, 2018

	Enterprise Fund
	Utility
Revenues:	
Charges for services	\$ 3,863,662
Other operating revenue	28,362
Total operating revenues	3,892,024
Operating Expenses:	
Personal services	900,775
Contract services	1,352,788
Operating expenses	295,941
Utility services	172,325
Repairs and maintenance	125,945
Insurance	99,639
Depreciation	997,762
Total operating expenses	3,945,175
Operating income (loss)	(53,151)
Nonoperating Revenues (Expenses):	
Interest and investment income	263
Interest expense	(320,623)
Total nonoperating revenue (expenses)	(320,360)
Income before transfers	(373,511)
Capital contributions	183,063
Impact fees	1,005,946
Transfers Out	(121,712)
Change in net position	693,786
Total net position, beginning	21,655,832
Total net position, ending	\$ 22,349,618

City of Minneola, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	<u>Utility</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 3,880,733
Payments to suppliers	(1,645,555)
Payments to employees	(837,799)
	<u>1,397,379</u>
Cash Flows from Noncapital	
Financing Activities:	
Net operating transfers out	(121,712)
Intergovernmental revenue	110,851
Increase in due to other funds	241,499
	<u>230,638</u>
Cash Flows from Capital and Related	
Financing Activities:	
Purchase of capital assets	(1,165,300)
Impact Fees	1,005,946
Principal paid on long-term debt	(465,446)
Interest paid on long-term debt	(320,623)
	<u>(945,423)</u>
Cash Flows from Investing Activities:	
Investment income	<u>263</u>
	<u>263</u>
Net Increase in Cash and Cash Equivalents	682,857
Cash and cash equivalents, beginning	<u>8,637,476</u>
Cash and cash equivalents, ending	<u>\$ 9,320,333</u>
Classified As:	
Cash and cash equivalents	\$ 5,213,341
Restricted cash and cash equivalents	<u>4,106,992</u>
Total	<u>\$ 9,320,333</u>

	<u>Utility</u>
Reconciliation of Operating Income to	
Net Cash Provided (Used) By Operating Activities	
Operating income (loss)	\$ (53,151)
Adjustments Not Affecting Cash:	
Depreciation and amortization	<u>997,762</u>
Change in Assets and Liabilities:	
Increase in accounts receivable	(423)
Increase in prepaids	(2,244)
Increase in accounts payable	403,327
Decrease in compensated absences	(5,082)
Increase in deferred outflows	(41,818)
Increase in deferred inflows	39,909
Increase in net pension liability	69,967
Decrease in customer deposits	<u>(10,868)</u>
Total adjustments	<u>1,450,530</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,397,379</u></u>

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The *City of Minneola*, Florida ("the City") was incorporated on November 23, 1925, under a Special act of 1925 of the State of Florida, Chapter 11620, and operates under the council-manager form of government.

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, the City has one blended component unit as follows:

The City of Minneola Community Redevelopment Agency Fund

The *City of Minneola* created the Community Redevelopment Agency in April of 2013. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Notification to affected taxing agency was done in compliance with Chapter 163.346, Part III, Florida Statutes. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area. The City Council, being the duly elected governmental body for the designated area, passed Ordinance 2014-05, which established the *City of Minneola* as the Redevelopment Agency for the purpose of carrying out the community redevelopment programs and plans within the area. The Community Redevelopment Agency consists of two separate redevelopment areas, the Minneola Mountain Area and the Minneola Downtown Area. The Council adopted a community development redevelopment plan through Resolution 2013-03 and 2014-06. Through Ordinance 2014-06 the City established the Community Redevelopment Trust Fund to account for all transactions generated by this special revenue fund.

Government-Wide and Fund Financial Statements

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The government reports the following funds:

Major Governmental Funds

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

Stormwater Special Revenue Fund - a special revenue fund established to collect monthly fees for the repair, maintenance and replacement of the City's stormwater system. Fees collected are restricted to these activities and cannot be used for any other purposes.

Community Redevelopment Fund - was established as a dependent taxing district. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area.

Impact Fee Fund - a capital projects fund established to account for Parks, Police and Fire Impact fees. Fees collected are restricted to these activities and cannot be used for any other purpose.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Proprietary Funds

Utility Fund - used to account for the fiscal activity of the City's water and wastewater services to residential and commercial customers and operates in a manner similar to private business enterprises. Costs, including depreciation are financed primarily through user charges.

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

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

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

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

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

Deposits and Investments

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

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

Receivables and Payables

Water, sewer, and sanitation charges are recognized when billed. The Utility Fund maintains the direct write-off method of bad debt recognition due to the immateriality of the amounts.

Intergovernmental receivables represent amounts due from other governments for shared revenues and taxes collected for the City that are measurable and available.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The statutory maximum tax rates which may be assessed by the City are as follows:

Ad valorem millage	10 mills
Utility tax	10%

Prepaid Items

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

Restricted Assets

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the year ended September 30, 2018.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

<u>Assets</u>	<u>Years</u>
Buildings and systems	40
Improvements	15 - 40
Water lines	10 - 50
Equipment	3 - 10
Intangible Assets	10 - 15

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave. Since the City's policy is to pay all vacation when employees separate from service, these amounts are accrued when incurred in the government-wide and proprietary fund financial statements. Unused sick leave will be paid on a pro-rata basis provided the retiring employee has completed at least ten years of continuous full-time service to the City, or a resigning employee must have at least fifteen years of continuous full-time service. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For governmental activities, compensated absences are generally liquidated by the general fund.

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category for the year ended September 30, 2018, deferred outflows of pension earnings.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category for the year ended September 30, 2018, deferred inflows of pension earnings.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumptions

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

The five classifications of fund balances in highest restriction order are as follows:

Nonspendable - represents amounts that cannot be spent because they are not in a spendable form or are amounts that are legally or contractually required to remain intact.

Restricted - represents amounts that are externally restricted by creditors, grantors, contributors, or laws or regulations of other governments and can be enforceable by external parties. Restrictions can be imposed by law through constitutional provisions or enabling legislation.

Committed - represents amounts that arise when the City's highest level of decision-making authority, the City Council, imposes constraints on the use of resources by appropriate formal action which is by city ordinance. These accounts cannot be used for another purpose unless the governing body first removes the original constraint by formal action. These amounts include resources set aside to satisfy contractual obligations.

Assigned - represents amounts that are intended to be used for a specified purpose but that are neither restricted or committed. The decision to assign these amounts can be made at any level of decision-making authority in the City to whom the City Council delegates assignment authority. Assigned fund balance is the residual fund balance category of any governmental fund except the general fund.

Unassigned - the residual fund balance classification for the general fund. It represents spendable general fund assets that are not restricted, committed or assigned to specific purposes.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

1. Prior to the end of the fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The general summary of the budget and notice of public hearing is published in the local newspaper. Prior to October 1, budgets are legally enacted through passage of an ordinance.
4. The level of classification detail at which expenditures may not legally exceed appropriations is the department level.
5. Appropriations lapse at the close of the fiscal year to the extent they have not been expended.
6. Budgets are adopted for the general fund and special revenue funds on a basis consistent with accounting principles generally accepted in the United States of America. Budgets are also adopted for the enterprise funds; however, this data is not presented under generally accepted accounting principles.

Expenditures in Excess of Appropriations

Expenditures in various departments of the General Fund exceeded appropriations, however the total expenditures of the General Fund were less than budgeted appropriations for the year ended September 30, 2018.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

At year-end, the carrying amount of the City's deposits was \$23,021,344 and the bank balance was \$23,625,085. Petty cash funds of \$5,500 are not on deposit with a financial institution.

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

Investments

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

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the City's own data in measuring unobservable inputs. The City had no investments as defined by GASB Statement No. 72 as of September 30, 2018.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

The City does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The City policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2018, all of the City's bank deposits were in qualified public depositories.

NOTE 4 RECEIVABLES

Receivables as of year end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Stormwater Fund	Utility Fund	Total
Receivables:				
Accounts	\$ 186,711	\$ 16,094	\$ 140,289	\$ 343,094
Less allowance for uncollectible accounts	-	(11,441)	(113,436)	(124,877)
	<u>\$ 186,711</u>	<u>\$ 4,653</u>	<u>\$ 26,853</u>	<u>\$ 218,217</u>

NOTE 5 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,116,908	\$ 22,500	\$ -	\$ 2,139,408
Total capital assets, not being depreciated	<u>2,116,908</u>	<u>22,500</u>	<u>-</u>	<u>2,139,408</u>
Capital assets, being depreciated:				
Buildings	2,792,103	109,392	-	2,901,495
Improvements/infrastructure	2,711,304	5,285	(4,055)	2,712,534
Machinery and equipment	2,562,300	312,952	(318,376)	2,556,876
Total capital assets, being depreciated	<u>8,065,707</u>	<u>427,629</u>	<u>(322,431)</u>	<u>8,170,905</u>
Less accumulated depreciation for:				
Buildings	(942,149)	(78,834)		(1,020,983)
Improvements/infrastructure	(1,385,626)	(142,032)	4,055	(1,523,603)
Machinery and equipment	(1,484,795)	(186,374)	310,569	(1,360,600)
Total accumulated depreciation	<u>(3,812,570)</u>	<u>(407,240)</u>	<u>314,624</u>	<u>(3,905,186)</u>
Total capital assets, being depreciated, net	<u>4,253,137</u>	<u>20,389</u>	<u>(7,807)</u>	<u>4,265,719</u>
Government activities capital assets, net	<u>\$ 6,370,045</u>	<u>\$ 42,889</u>	<u>\$ (7,807)</u>	<u>\$ 6,405,127</u>

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 304,026	\$ -	\$ -	\$ 304,026
Construction in progress	-	1,242,249	-	1,242,249
Total capital assets, not being depreciated	304,026	1,242,249	-	1,546,275
Capital assets, being depreciated:				
Improvements/infrastructure	37,493,471	98,449	(294,879)	37,297,041
Machinery and equipment	504,910	57,581	(90,095)	472,396
Total capital assets, being depreciated	37,998,381	156,030	(384,974)	37,769,437
Less accumulated depreciation for:				
Improvements/infrastructure	(10,233,828)	(972,905)	61,900	(11,144,833)
Machinery and equipment	(374,488)	(24,857)	90,095	(309,250)
Total accumulated depreciation	(10,608,316)	(997,762)	151,995	(11,454,083)
Total capital assets, being depreciated, net	27,390,065	(841,732)	(232,979)	26,315,354
Business-type activities capital assets, net	\$ 27,694,091	\$ 400,517	\$ (232,979)	\$ 27,861,629

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 82,973
Public safety	121,612
Highways and streets	76,611
Stormwater	29,336
Physical environment	16,251
Culture and recreation	80,457
Total depreciation expense, governmental activities	\$ 407,240
Business-type Activities:	
Utilities	\$ 997,762
Total depreciation expense, business type activities	\$ 997,762

NOTE 6 LONG-TERM DEBT

Notes Payable

In May 2005, the City executed a State Revolving Fund loan agreement for wastewater collection, transmission and reuse improvements. The final amendment #4 dated in April 2011 provides for total funding of \$16,876,398 and a revised loan period of 30 years with an interest rates of 2.75 percent to 2.65 percent. The note is secured by gross revenues, together with reuse revenues and impact fees, from the yearly operation of the sewer system after operation and maintenance expense and the satisfaction of all yearly payment obligations on account of any senior obligation issued. Total principal and interest remaining to be paid on this series is \$14,935,327. For the fiscal year, principal and interest paid on this series was \$786,070 and total pledged revenue was \$1,861,308.

Annual debt service requirements to maturity on the notes payable are as follows:

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2019	\$ 477,962	\$ 308,108
2020	490,814	295,256
2021	504,012	282,058
2022	517,565	268,505
2023	531,482	254,587
2024-2028	2,879,631	1,050,719
2029-2033	3,288,194	642,155
2034-2037	2,963,411	180,868
Total	\$ 11,653,071	\$ 3,282,256

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 145,443	\$ -	\$ (17,762)	\$ 127,681	42,610
Net pension liability	2,097,615	163,254	-	2,260,869	-
Governmental activity long-term liabilities	\$ 2,243,058	\$ 163,254	\$ (17,762)	\$ 2,388,550	\$ 42,610
Business-Type Activities					
Notes payable - SRF Loans	\$ 12,118,517	\$ -	\$ (465,446)	\$ 11,653,071	\$ 477,962
Compensated absences	33,000	-	(5,082)	27,918	13,001
Net pension liability	898,980	69,967	-	968,947	-
Business-type activity long-term liabilities	\$ 13,050,497	\$ 69,967	\$ (470,528)	\$ 12,649,936	\$ 490,963

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances at September 30, 2018 are as follows:

Receivable Fund:	Payable Fund				
	General	Community Redevelopment	Stormwater	Utility	Total
General	\$ -	\$ 249,828	\$ 32,073	\$ 1,389,225	\$ 1,671,126
Stormwater	-	-	-	610,649	610,649
Impact fee	584,027	-	-	-	584,027
Utility	-	36,570	-	-	36,570
	<u>\$ 584,027</u>	<u>\$ 286,398</u>	<u>\$ 32,073</u>	<u>\$ 1,999,874</u>	<u>\$ 2,902,372</u>

Additionally, the Utility fund transferred \$121,712 to the General Fund for the sanitation fee, and the General Fund transferred \$272,920 to the impact fee fund for fire impact fees received in prior years.

NOTE 8 EMPLOYEE BENEFIT PLANS

Florida Retirement System

The City contributes to the Florida Retirement System (FRS), a multiple-employer, cost-sharing, defined-benefit pension plan administered by the State of Florida, for the City's authorized permanent, full-time and part-time employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. State Statutes authorizes the State to establish and amend all plan provisions. The State of Florida issues a publicly available report that includes financial statements and required supplementary information for FRS. The report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website:

www.dms.myflorida.com/workforce_operations/retirement/publications.

Plan Descriptions

The FRS offers a choice between a defined-benefit plan (Pension Plan) or a defined-contribution plan (Investment Plan) which is administered by the State Board of Administration (SBA). In addition, a Health Insurance Subsidy plan (HIS) is offered to assist retired members of any state-administered retirement system in paying the costs of health insurance.

1. The Pension Plan members are eligible for retirement after vesting, which occurs at six (6) years of creditable service for regular members enrolled prior to July 1, 2011 and eight (8) years of creditable service if enrolled on or after July 1, 2011. Normal retirement age is attained at the earlier of thirty (30) or (33) years of creditable service, regardless of age, or retirement at age sixty-two (62) or (65) with at least (6) or (8) years of creditable service if enrolled prior to July 1, 2011 or on or after July 1, 2011 respectively. Early retirement may be taken any time after vesting; however, there is a five percent (5%) benefit reduction for each year prior to normal retirement age. Members are also eligible for inline-of-duty or regular disability benefits if permanently and totally disabled and unable to work. Benefits are computed on the basis of age, average final compensation, and service credit.

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

In addition to the above benefits, the Deferred Retirement Option Program (DROP) allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants. The employer contribution at fiscal year ended September 30, 2018 is 14.03%.

2. The Investment Plan provides for vesting after one year of creditable service. Under this plan, the employer makes contributions to a participant's account, and the participant directs where the contributions are invested among the plan's investment funds. Upon termination, vested participants receive amounts accumulated in their investment accounts.

3. Health Insurance Subsidy (HIS) Program is established by Chapter 112, Florida Statutes and provides insurance subsidy payments to persons who are retired under a state-administered retirement system, or a beneficiary who is a spouse or financial dependent entitled to receive benefits under a state-administered retirement system except those individuals who are pension recipients under Section 121.40, 237.08(18)(a) and 250.22, Florida Statutes, or recipients of health insurance coverage under Section 110.1232, Florida Statutes or any other special pension or relief act are not eligible for such pension payments. A person is deemed retired from a state-administered retirement system when he or she terminated employment with all employers participating in the Florida Retirement System and:
 - a) for a member of the Investment Plan, the participant meets the age or service requirements to qualify for normal retirement per Section 121.021(29), Florida Statutes and meets the definition of retiree in Section 121.4501(2), Florida Statutes or
 - b) for a member of the Pension Plan or any employee who maintains creditable service under the pension plan and the investment plan, the member begins drawing retirement benefits from the pension plan. Any person retiring on or after July 1, 2011, as a member of the Florida Retirement System, including a member of the investment plan, must satisfy the vesting requirements for his or her membership class as administered under Chapter 121, Florida Statutes. Any person retiring due to disability must qualify for a regular or in-line-of-duty disability benefit per provisions under Chapter 112, Florida Statutes.

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida legislature. Employer contributions are a percentage of gross compensation for all active FRS members. At fiscal year ended September 30, 2018, the contribution rate was 1.66% of payroll pursuant to Section 62.

The HIS plan provides monthly payment assistance to retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Department of Management Services, Division of Retirement. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payment is at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare. Terms of the benefits provided by the plan may be amended only by the State Legislature with a change in the Statutes governing the plan.

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

Contributions

The FRS has many classes of membership. Employer contribution rates are set by law. Rates below include the appropriate retirement contribution rate, 1.66 percent HIS contribution rate, 0.06 percent administrative/educational fee and any applicable UAL rates. These classes, with descriptions and weighted average contribution rates in effect during the period ended September 30, 2018, are as follows:

Regular Class - members not qualifying for other classes (11.26% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 10.92% [includes 3% employee contribution from October 1, 2017 through June 30, 2018.]

Senior Management Service Class - members of senior management who do not elect the optional annuity retirement program (27.06% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 25.71% [includes 3% employee contribution] from October 1, 2017 through June 30, 2018.)

Special Risk Class - members employed as law enforcement officers, firefighters, or correctional officers and meet the criteria set to qualify for this class (27.50% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 26.27% [includes 3% employee contribution] from October 1, 2017 through June 30, 2018.)

Elected State Officer's Class - certain elected City officials (51.70% [includes 3% employee contribution] from July 1, 2018 through September 30, 2018 and 48.50% [includes 3% employee contribution] from October 1, 2017 through June 30, 2018.)

Pension Plan

The City's contributions, including employee contributions, to the Pension Plan totaled \$249,448 for the fiscal year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability of \$2,517,016 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .00836 percent, which was an increase of .00048 percent from its proportionate share measured as of June 30, 2017.

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$197,166. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 213,229	\$ 7,739
Change of assumptions	822,439	-
Net difference between projected and actual earnings on pension plan investments	-	194,470
Changes in proportion and differences between city pension plan contributions and proportionate share of contributions	127,312	37,931
City pension plan contributions subsequent to the measurement date	<u>71,655</u>	<u>-</u>
Total	<u><u>\$ 1,234,635</u></u>	<u><u>\$ 240,140</u></u>

The deferred outflows of resources related to the Pension Plan, totaling \$71,655 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2019	\$ 337,064
2020	241,974
2021	54,142
2022	160,557
2023	109,215
Thereafter	19,888

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	2.90%	2.90%	1.80%
Fixed income	18.00%	4.40%	4.30%	4.00%
Global equity	54.00%	7.60%	6.30%	17.00%
Real estate	11.00%	6.60%	6.00%	11.30%
Private equity	10.00%	10.70%	7.80%	26.50%
Strategic investments	6.00%	6.00%	5.70%	8.60%
Total	100.00%			
Assumed inflation, mean			2.60%	1.90%

(1) As outlined in the pension plan's investment policy

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 4,593,660	\$ 2,517,016	\$ 792,241

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2018, the City reported a payable in the amount of \$32,633 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

HIS Plan

The City's contributions to the HIS Plan totaled \$36,736 for the fiscal year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability of \$712,800 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .00673 percent, which was an increase of .0005 percent from its proportionate share measured as of June 30, 2017.

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$29,690. In addition, the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,913	\$ 1,211
Change of assumptions	79,272	75,363
Net difference between projected and actual earnings on HIS Plan investments	430	-
Changes in proportion and differences between city HIS Plan contributions and proportionate share of contributions	69,880	-
City HIS Plan contributions subsequent to the measurement date	9,863	-
Total	<u>\$ 170,358</u>	<u>\$ 76,574</u>

The deferred outflows of resources related to the HIS Plan, totaling \$9,863 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2019	\$ 23,194
2020	23,158
2021	19,896
2022	13,849
2023	(578)
Thereafter	4,402

Actuarial Assumptions

The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	3.87%

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
City's proportionate share of the net pension liability	\$ 811,838	\$ 712,800	\$ 630,247

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At September 30, 2018, the City reported had no outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2017-18 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

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

The City's Investment Plan pension expense totaled \$47,845 for the fiscal year ended September 30, 2018.

NOTE 9 OTHER POST-EMPLOYMENT BENEFITS

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

NOTE 10 COMMITMENTS AND CONTINGENCIES

Litigation

The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2018. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

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 carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage during the past three years.

Required Supplementary Information

City of Minneola, Florida
Required Supplementary Information
Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.008356484%	0.007879691%	0.008105839%	0.007423495%
City's proportionate share of the net pension liability	\$ 2,517,016	\$ 2,331,560	\$ 2,046,731	\$ 958,848
City's covered-payroll	\$ 2,212,468	\$ 2,048,046	\$ 1,914,543	\$ 1,807,991
City's proportionate share of the net pension liability as a percentage of its covered-payroll	113.77%	113.84%	106.90%	53.03%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.006227144%	0.006227144%	0.006151890%	0.005846795%
City's proportionate share of the net pension liability	\$ 712,800	\$ 665,835	\$ 716,977	\$ 596,281
City's covered- payroll	\$ 2,212,468	\$ 2,048,046	\$ 2,048,046	\$ 1,807,991
City's proportionate share of the net pension liability as a percentage of its covered-payroll	32.22%	32.51%	35.01%	32.98%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

City of Minneola, Florida
Required Supplementary Information
Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 249,448	\$ 205,337	\$ 205,202	\$ 180,991
contributions in relation to the contractually				
required contribution	(249,448)	(205,337)	(205,202)	(180,991)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-payroll	\$ 2,212,468	\$ 2,048,046	\$ 1,914,543	\$ 1,807,991
Contributions as a percentage of covered-payroll	11.27%	10.03%	10.72%	10.01%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 36,736	\$ 34,004	\$ 31,776	\$ 22,350
Contributions in relation to the contractually				
required contribution	(36,736)	(34,004)	(31,776)	(22,350)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-payroll	\$ 2,212,468	\$ 2,048,046	\$ 1,914,543	\$ 1,807,991
Contributions as a percentage of covered-payroll	1.66%	1.66%	1.66%	1.24%

Other Reports

**INDEPENDENT AUDITOR'S 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**

The Honorable Mayor and City Council
City of Minneola, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *City of Minneola, Florida*, 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 January 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the *City of Minneola, Florida'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 *City of Minneola's* internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *City of Minneola'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 result of our tests disclosed instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*, and which are described in Appendix B.

City's Response to Findings

The *City of Minneola's* response to the findings identifies in our audit are included in this report. The City's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of City of Minneola in a separate letter dated January 15, 2020.

Purpose of this Report

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

McDiernit Davis & Company, LLC

Orlando, Florida
January 15, 2020

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Minneola, Florida

Report on the Financial Statements

We have audited the financial statements of the *City of Minneola, Florida*, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated January 15, 2020.

Auditor's 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 Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements accordance with Chapter 10.550, rules of the Auditor General. Disclosures in those reports, which are dated January 15, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i).1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no 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. This information has been disclosed in the notes to the financial statements.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the *City of Minneola, Florida'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 which 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 council members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

McDiernit Davis & Company, LLC

Orlando, Florida
January 15, 2020

ML18-1 - Timely Completion of Bank Reconciliations

Criteria - An effectively designed system of internal controls requires timely account reconciliations to mitigate the risk of material misstatement, whether due to fraud or error.

Condition - During the course of our audit, we noted that bank reconciliations were not being completed on a timely basis.

Cause - The employee that is responsible for the bank reconciliations was out for several months, and procedures were not in place to complete the reconciliations in their absence.

Effect - Several adjustments were required to adjust balances during the audit process, and material misstatements could go undetected.

Recommendation - We recommend the City implement procedures to insure bank reconciliations are completed on a timely basis, including cross-training other staff members, or hiring outside consultants to assist with the monthly reconciliation process.

Management Response:

The City has hired additional accounting personnel and will cross-train the individual to serve as back-up in the bank reconciliation process.

ML18-2 - Timely Completion Annual Audit

Criteria - Florida Statutes require the annual audit be submitted no later than 9 months after the end of the City's fiscal year.

Condition - The annual audit was not submitted to the state by June 30, 2019.

Cause - Several adjustments were not completed timely, resulting in the delay of the audit.

Effect - The audit was not able to be completed in a timely manner.

Recommendation - We recommend the City implement procedures to insure annual audits are completed in a timely manner.

Management Response:

The City has hired additional accounting personnel which will assist the Accounting Department in meeting the audit requirements timeline. In addition, the City has established a time schedule to meet the audit filing deadline.

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and City Council
City of Minneola, Florida

We have examined City of Minneola's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2018. 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 and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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, City of Minneola complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

MCDIRMIT DAVIS & COMPANY, LLC

Orlando, Florida
January 15, 2020