

CITY OF FORT MEADE, FLORIDA



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS
SEPTEMBER 30, 2017**

**CITY OF FORT MEADE, FLORIDA
PRINCIPAL CITY OFFICIALS**

SEPTEMBER 30, 2017

CITY COMMISSION

Mayor, Commissioner
Rick Cochrane

Vice Mayor, Commissioner
Robert Elliott

Commissioner
James Watts

Commissioner
Barbara Manley

Commissioner
Maurice Nelson

APPOINTED OFFICIALS

City Manager
Fred Hilliard

City Attorney
Gray Robinson

City of Fort Meade, Florida

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position.....	15
Statement of Activities.....	16
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	20
Statement of Net Position – Proprietary Fund.....	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund.....	22
Statement of Cash Flows – Proprietary Fund.....	23
Statement of Fiduciary Net Position – Fiduciary Funds.....	24
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	25
Notes to Financial Statements.....	26
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	59
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Redevelopment Agency.....	60
Notes to Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual.....	61
Schedule of Changes in Net Pension Liability and Related Ratios – General Employees' Retirement Plan Pension Trust Fund.....	62
Schedule of Changes in Net Pension Liability and Related Ratios – Police Officers' Retirement Plan Pension Trust Fund.....	63
Schedule of Changes in Net Pension Liability and Related Ratios – Firefighters' Retirement Plan Pension Trust Fund.....	64
Schedule of Contributions – All Pension Trust Funds.....	65
Notes to Schedule of Contributions – All Pension Trust Funds	66
Schedule of Investment Returns – All Pension Trust Funds.....	67

City of Fort Meade, Florida

TABLE OF CONTENTS

Other Supplementary Information

Combining Statement of Net Position – Non-major Enterprise Funds.....	68
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Non-major Enterprise Funds.....	69
Combining Statement of Cash Flows – Non-major Enterprise Funds.....	70
Combining Statement of Fiduciary Net Position – Pension Trust Funds.....	71
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds.....	72
Budgetary Comparison Schedule – Stormwater Special Revenue Fund.....	73

GOVERNMENTAL AUDITING SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74
Independent Accountants' Report on Compliance with Florida Statute Section 218.415 – Investment of Public Funds.....	76
Management Letter	77
Managements' Response to Audit Findings.....	80



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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Meade, Florida (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Durvis, Gray and Company, LLP

June 18, 2018
Sarasota, Florida

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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

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

Financial Highlights

- The City's assets (plus deferred outflows of resources) exceeded its liabilities (plus deferred inflows of resources) at the close of fiscal year 2017 by \$14,599,002 (net position). Of this amount, \$3,873,501 (unrestricted net position) may be used to meet the City's ongoing obligations.
- The previously reported net position of the governmental activities was increased by \$893,071 and the previously reported net position of the business-type activities was decreased by \$893,071 to reflect a change in accounting principle related to the financial reporting of the stormwater management function. More information can be found in Note 15 of the notes to the financial statements.
- The City's total net position decreased by \$925,651 or 6% during the year. The restated net position for governmental activities decreased by \$398,078 or 6%, while the restated business-type activities' net position decreased by \$527,573 or 5%.
- Total combined revenues resulting from governmental activities and business-type activities decreased \$274,470 or 3% when compared to the prior year.
- Total combined expenses resulting from governmental activities and business-type activities increased \$124,100 or 1% when compared to the prior year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending total fund balances of \$2,113,332. Unassigned fund balance totaled \$473,782 as of September 30, 2017 which is 13% of total governmental fund expenditures for the year ended September 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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

Government-wide Financial Statements

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

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

The Statement of Net Position presents information on all the City's assets (plus deferred outflows of resources) and liabilities (plus deferred inflows of resources), with the difference between the two reported as net position. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increase or decrease in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Fund Financial Statements

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

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

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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

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

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

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

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

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

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

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

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary of Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the end of the current year, the City's net position was \$14,599,002. The following table reflects a summary of net position compared to the prior year. For additional information, see the statement of net position by referencing the table of contents of this report.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$2,295,099	\$1,748,043	\$3,842,773	\$4,084,744	\$ 6,137,872	\$ 5,832,787
Capital assets	4,843,197	4,852,759	10,201,963	11,150,791	15,045,160	16,003,550
Total assets	7,138,296	6,600,802	14,044,736	15,235,535	21,183,032	21,836,337
Deferred outflows	1,019,836	875,558	463,509	531,008	1,483,345	1,406,566
Current liabilities	185,445	182,105	1,324,593	871,731	1,510,038	1,053,836
Non-current liabilities	1,850,791	1,716,265	4,546,854	4,854,319	6,397,645	6,570,584
Total liabilities	2,036,236	1,898,370	5,871,447	5,726,050	7,907,683	7,624,420
Deferred inflows	100,071	51,158	59,621	42,672	159,692	93,830
Net position:						
Net investment in capital assets	3,760,600	3,682,394	5,881,277	6,677,481	9,641,877	10,359,875
Restricted	606,974	50,726	476,650	475,889	1,083,624	526,615
Unrestricted	1,654,251	1,793,712	2,219,250	2,844,451	3,873,501	4,638,163
Total net position	\$6,021,825	\$5,526,832	\$8,577,177	\$9,997,821	\$14,599,002	\$15,524,653

At September 30, 2017, approximately 66% of the City's net position reflects its investment in capital assets (land, buildings, improvements, infrastructure, vehicles and equipment) net of any related debt used to acquire those assets that is still outstanding, compared to 67% for the prior year. The City uses these capital assets to provide services to citizens; consequently, this component of net position is not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 7% of the City's net position represents resources that are subject to external restrictions on how they may be used. That compares to 3% in the prior year. The remaining balance of unrestricted net position, \$3,873,501 or 27% of the City's net position in 2017 may be used to meet the City's ongoing obligations to citizens and creditors. This is a decrease in unrestricted net position of \$764,662 or 16% for the year. Total net position of the City has decreased by \$925,651 or 6% for the year.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

Statement of Activities. The 2017 results of operations of the City of Fort Meade are presented in the statement of activities in a format that reports the net (expense) or revenues of its individual programs. The following table reflects a summary of the statement of activities compared to the prior year. The statement of activities can be found by referencing the table of contents of this report.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$ 337,600	\$ 159,865	\$7,515,921	\$7,994,797	\$ 7,853,521	\$ 8,154,662
Operating grants/contrib.	52,229	74,010	-	-	52,229	74,010
Capital grants/contrib.	9,096	4,149	1,125	500	10,221	4,649
<i>General revenues:</i>						
Property taxes - General	586,008	509,921	-	-	586,008	509,921
Property taxes - CRA	-	-	-	-	-	-
Pub svc tax/franchise fees	688,401	707,914	-	-	688,401	707,914
Transportation fuel taxes	349,893	348,393	-	-	349,893	348,393
State shared revenue	702,345	714,229	-	-	702,345	714,229
Other	39,848	77,158	55,861	21,861	95,709	99,019
Total revenues	2,765,420	2,595,639	7,572,907	8,017,158	10,338,327	10,612,797
Expenses:						
<i>Governmental activities:</i>						
General government	761,866	769,537	-	-	761,866	769,537
Law enforcement	1,269,887	1,273,177	-	-	1,269,887	1,273,177
Fire control	269,608	237,159	-	-	269,608	237,159
Building inspections	123,385	135,113	-	-	123,385	135,113
Stormwater	153,643	-	-	-	153,643	-
Roads and streets	425,862	406,121	-	-	425,862	406,121
Library	226,846	223,711	-	-	226,846	223,711
Recreation	139,887	136,499	-	-	139,887	136,499
Parks	463,146	381,785	-	-	463,146	381,785
Community redevelopment	287	-	-	-	287	-
Interest on long-term debt	49,081	51,662	-	-	49,081	51,662
<i>Business-type activities:</i>						
Electric	-	-	4,953,848	4,733,716	4,953,848	4,733,716
Water	-	-	519,110	463,232	519,110	463,232
Sewer	-	-	1,205,604	1,481,339	1,205,604	1,481,339
Stormwater	-	-	-	161,060	-	161,060
Solid waste	-	-	298,447	274,009	298,447	274,009
Mobile home park	-	-	403,471	411,758	403,471	411,758
Total expenses	3,883,498	3,614,764	7,380,480	7,525,114	11,263,978	11,139,878
Transfers in (out)	720,000	1,504,199	(720,000)	(1,504,199)	-	-
Change in Net Position	(398,078)	485,074	(527,573)	(1,012,155)	(925,651)	(527,081)
Net position - Beginning	5,526,832	5,041,758	9,997,821	11,009,976	15,524,653	16,051,734
Restatement	893,071	-	(893,071)	-	-	-
Net position - Ending	\$6,021,825	\$5,526,832	\$8,577,177	\$9,997,821	\$14,599,002	\$15,524,653

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

Governmental activities

On the actual statement of activities, general revenues including transfers are reported separately after the total net expenses of the City's functions, ultimately arriving at the change in net position for the year. The City has in place fees and charges that are designed to recover in part or in whole the cost of providing services. In 2017, operating grants and contributions were received for the general government, library and roads & streets functions. In 2017, capital grants and contributions were received for law enforcement, stormwater and recreation functions.

During 2017, governmental activities net position increased by \$494,993 which consisted of an increase of \$893,071 related to a change in accounting principle and a decrease of \$398,078 due to the results of operations. The results of operations in 2016 was an increase in net position of \$485,074. The main reason for the decline in the results of operations from 2016 to 2017 was a decrease in transfers from the business-type activities of \$784,199. The business-type activities transferred \$720,000 to the governmental activities in 2017 and \$1,504,199 in 2016.

Overall, total revenues-governmental activities were up \$169,781 or 7%, total expenses were up \$268,734 or 7%. Following are key changes in the statement of activities from 2016 to 2017:

- Charges for service increased \$177,735 or 111% in 2017 compared to 2016. This was due to a change in accounting principle related to the reporting of the stormwater function in the governmental activities in 2017 while it was reported as a business-type activity in prior years.
- Capital grants and contributions were up \$4,947 in 2017 compared to 2016..
- Property taxes are up \$76,087 or 15% in 2017 compared to 2016. The City's millage rate increased from 5.6484 in 2016 to 6.2458 in 2017, and valuations were up in the City as a whole due to the continued improvement in the economy.
- Remaining program and general revenues were down \$88,988 for various reasons.

On the expense side:

- Parks expenses increased by \$81,361 or 21% in 2017 compared to 2016.
- Stormwater expenses increased from \$161,060 in 2016 when it was reported as a function in the business-type activities to \$153,643 in 2017 when it was reported as a function in the governmental activities, a decrease of \$7,417.
- Remaining program expenses increased by \$33,730 in 2017 compared to 2016.

Business-type activities

Business-type activities experienced a decrease in net position of \$1,420,644 which consisted of a decrease of \$893,071 related to a change in accounting principle and a decrease of \$527,573 due to the results of operations. The results of operations in 2016 was a decrease in net position of \$1,012,155. In main reason for the increase in the results of operations from 2016 to 2017 was a decrease in transfers to the governmental activities of \$784,199.

- Revenues decreased \$444,251 or 6% from 2016 to 2017, and expenses decreased by \$144,634 or 2%.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

- Charges for services revenue decreased by \$478,876 or 6%. Charges for services in the sewer fund were down \$202,931 and the stormwater charges for service declined from \$185,366 in 2016 to zero in 2017 with the change in accounting principle related to reporting the activity of the stormwater function in the governmental activities in 2017 while it was reported as a business-type activity in prior years.
- Operating income for all business-type activities were down \$344,519 or 51% for the year. The decline was mainly due to increased electric fund operating expenses associated with the City's response to Hurricane Irma that struck the City on September 9, 2017.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported a combined fund balance of \$2,113,332. Of this amount, \$1,028,898 or 49% is non-spendable, \$610,652 or 29% is legally restricted for specific purposes, and \$473,782 or 22% is unassigned and available for spending at the City's discretion. Following is a discussion of individual major governmental funds.

General Fund. The general fund is the chief operating fund of the City. At year end, unassigned and assigned fund balance of the general fund totaled \$473,782, and total fund balance was \$1,521,574. This represents 13% and 42% respectively, of total general fund expenditures for the year ended September 30, 2017.

In the General Fund, the change in fund balance for the year declined from an increase of \$631,166 in 2016 to a decrease of \$12,553 in 2017, a decline of \$643,719. Following is a summary of the changes from 2016 to 2017:

- Revenues were up \$10,831 or <1%. The revenue category that was up the most was tax revenue, which increased \$55,353 or 4%. The revenue category that declined the most was "other" revenue, which declined \$68,735 due to a decline in contributions and miscellaneous revenue.
- Expenditures are down \$129,649 or 3%. The expenditure categories that changed the most include culture/recreation, which is up \$61,452 or 9% and capital outlay, which is down \$204,921 or 81%. Culture/recreation increased mainly due to increased payroll costs in the parks function and capital outlay decreased due to lower expenditures for projects, improvements and equipment purchases.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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

At year end, total fund balance in the CRA Fund totaled \$35,462.

- Revenues were zero in 2017 and 2016.
- Expenditures decreased by \$2,583 or 90% in 2017 compared to 2016.

Proprietary Funds. The City's proprietary funds provide essentially the same type of information found in the government-wide financial statements, but presented by fund, and is in more detail. The City's proprietary funds consist of five enterprise funds. The financial statements for the three major enterprise funds and the financial statements for the two non-major enterprise funds can be found by referencing the table of contents of this report. An overall picture of the operating results of the combined enterprise funds was addressed above in the discussion of the City's business-type activities. Following are the highlights of the changes from 2016 to 2017, by major fund:

- In the electric fund, the change in net position declined from an increase of \$22,858 in 2016 to a decrease of \$412,822 in 2017, a decline of \$435,680. The decline was attributable to a 2% decline in operating revenues and a 5% increase in operating expenses. The enterprise fund transferred \$100,000 to the water fund and \$30,000 to the sewer fund in 2017 and did not make a transfer to the water and sewer fund in 2016.
- In the water fund, the change in net position improved from an increase of \$78,403 in 2016 to an increase of \$146,629 in 2017, an improvement of \$68,226. Charges for services increased by \$23,579 or 4% and operating expenses increased by \$54,730 or 13%.
- In the sewer fund, the change in net position improved from a decrease of \$351,114 in 2016 to a decrease of \$248,353 in 2017, an improvement of \$102,791. Charges for services decreased by \$202,931 or 18% and operating expenses decreased \$266,291 or 20%.
- In the combined Non-Major Funds, the change in net position improved from a decrease of \$786,608 in 2016 to a decrease of \$13,027 in 2017, an improvement of \$773,581. Operating revenues increased by \$6,218 or 1%, and operating expenses increased \$16,151 or 2%. In 2016, the City closed the natural gas utility fund and transferred the assets of that fund to the general fund in the amount of \$884,199. Combining statements can be found by referencing the table of contents of this report under the "Other Supplementary Information" section of the financial statements.

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

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

The three pension plans reported \$6,392,862 of net position restricted for pension benefits at September 30, 2017. This is an increase of \$461,249 or 8% for the year. The combined funds reported net investment income of \$752,757 for 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund actual to budget comparison can be found by referencing the table of contents of this report. The original 2017 general fund budget anticipated an increase in fund balance of \$44,056 during 2017. Amendments to the original budget during 2017 increased anticipated revenues and increased anticipated expenditures and included the following:

- The original budget for revenues and expenditures was increased by \$15,886 to reflect increased library revenues and the related expenditures of the library function.

Actual results for 2017 reduced beginning fund balance by \$12,553 which was \$56,609 lower than the anticipated change in fund balance of \$44,056 discussed above. Actual revenues came in \$202,037 or 7% less than the final amended budget. Expenditures came in \$145,428 or 4% lower than the final amended budget, spread across all departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets includes land, buildings and improvements, infrastructure, and equipment, net of accumulated depreciation. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, totals \$15,045,160 (net of accumulated depreciation), a decrease of \$958,390 for the current year. Governmental net additions were \$405,541, book value of disposed assets was \$344, and depreciation was \$414,759 for a net decrease of \$9,562. Business-type net additions were \$38,127, depreciation was \$606,945 and stormwater capital assets were transferred to the governmental activities with a book value of \$380,010 for a net increase of \$948,828. Following is a schedule of capital assets at the end of the current and prior year:

Capital Assets Activity						
(net of accumulated depreciation)						
as of September 30,						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 856,731	\$ 856,731	\$ 345,838	\$ 345,838	\$ 1,202,569	\$ 1,202,569
Buildings and improvements	1,045,412	1,134,282	9,282,051	9,802,126	10,327,463	10,936,408
Equipment	496,205	545,565	481,176	562,617	977,381	1,108,182
Infrastructure	2,443,349	2,696,191	-	-	2,443,349	2,696,191
Construction in progress	1,500	-	92,898	60,200	94,398	60,200
Total	<u>\$4,843,197</u>	<u>\$5,232,769</u>	<u>\$10,201,963</u>	<u>\$10,770,781</u>	<u>\$15,045,160</u>	<u>\$16,003,550</u>

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

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

Outstanding Debt. At the end of the year, the City had total outstanding debt of \$5,403,283 (excluding accrued compensated absences and net pension liabilities) compared to \$5,643,675 at the previous year end, a decrease of \$240,392 due to regular principal payments of \$240,392. The following is a summary of the outstanding debt:

Outstanding Debt						
as of September 30,						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue notes	\$1,053,495	\$1,127,734	\$ 4,179,361	\$ 4,265,642	\$ 5,232,856	\$ 5,393,376
Notes and leases payable	29,102	42,631	141,325	207,668	170,427	250,299
Total	<u>\$1,082,597</u>	<u>\$1,170,365</u>	<u>\$ 4,320,686</u>	<u>\$ 4,473,310</u>	<u>\$ 5,403,283</u>	<u>\$ 5,643,675</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

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

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

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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

Hurricane Irma

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

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

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

JDC Progress

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

EcoGen Progress

In 2012, US EcoGen announced their intent to construct a Biomass Power Plant in the City on reclaimed property. Undertaking a project of this magnitude during a major economic downturn, presented major obstacles. Today this project is moving forward, to build a 65 Megawatt facility at a cost \$360 million dollars! EcoGen has an approved power purchase agreement with Duke Energy from the Florida Public Service Commission and approvals from the environmental agencies such as the US EPA, FDEP, and Army Corp of Engineers.

EcoGen purchased the property for the facility and finalized the project's financing. The two-year construction phase for this facility will introduce 200+/- temporary workers into the City. Once operations, the company will employ about 50 workers on-site, with an additional 50 support personnel members off-site. The successful completion of this project will be a major increase in the community's tax base and employment opportunities.

CITY OF FORT MEADE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

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

Budget Goals

The Budget Goals for Fiscal Year 2017-2018 were as follows:

- Outpost Project: The feasibility and marketing studies are both complete, which outline potential opportunities and provide a path for development. In addition, the financial support of the Polk County Sports Marketing Group and \$5 million-dollar commitment to leverage private funds, helped to provide a solid foundation for this project. When combined with the completion of the 2.4-mile trail, funded by the Florida Department Transportation at a cost of \$770,000, this project is off to a great start to expand the community's recreational and economic opportunities.
- Electrical System – The City is reevaluating its Contract Rate of Demand (CROD), purchasing limits from the Florida Municipal Power Agency (FMPA). The City's Demand Side Management generating capacity can also be used to reduce power cost for the community.
- Water System – The Water System has an annual CIP increase of 2.5%. This rate increase allows the water system to increase both the operating and system's Reserve Fund annually. This approach prevents the City Commission and the residents from experiencing rate shock, when rates are required to be adjusted to cover increasing costs.
- Water & Sewer Expansion - The City Commission identified an area on US Highway 17 North in the City, as a potential commercial growth area. Chastain-Skillman completed the design, plans, and specifications for the system. The staff will be working to secure funding for the project.
- Waste Water System – The Waste Water System has an annual CIP increase of 2.5%. This rate increase allows the waste water system to increase both the operating and system's Reserve Fund annually. This approach prevents the City Commission and the residents from experiencing rate shock, when rates are required to be adjusted to cover increasing costs. The City is still in litigation with Biosolids to reduce their impact on the system.
- C.D.B.G. – The Florida Department of Economic Opportunity awarded the City a Community Development Block Grant in the amount of \$700,000, to be used to rebuild Cherokee Lift Station.
- Stormwater System – The Stormwater Revenue is now collected as a non-ad valorem tax assessment, to ensure that all properties pay for the system's improvements and maintenance.
- Watershed Management Program – The City is working with the Southwest Florida Water Management District to develop a Watershed Management Program. This program will help the City develop flood risk information for watersheds and achieve flood protection.
- Fire Assessment Fee - The City Commission evaluated the implementation of a Fire Assessment Fee for the upcoming Budget year FY 2018-19. The assessment is still in the discussion phase. If approved, this will be established as an assessment fee on the tax bill, with standard collection with the Polk County Tax Collector.

REQUEST FOR INFORMATION

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

CITY OF FORT MEADE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 489,655	\$ 2,378,741	\$ 2,868,396
Receivables, current:			
Customer accounts, net	40,574	1,268,067	1,308,641
Intergovernmental	69,500	-	69,500
Franchise and public service taxes	46,946	-	46,946
Inventory and prepaids	36,661	292,887	329,548
Internal balances	992,237	(992,237)	-
Restricted assets:			
Equity in pooled cash and cash equivalents	619,526	895,315	1,514,841
Capital assets:			
Non-depreciable	858,231	438,736	1,296,967
Depreciable, net	3,984,966	9,763,227	13,748,193
TOTAL ASSETS	7,138,296	14,044,736	21,183,032
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,019,836	463,509	1,483,345
LIABILITIES			
Accounts payable and accrued expenses	138,745	709,470	848,215
Accrued wages	38,160	37,896	76,056
Due to other governments	4,862	-	4,862
Accrued interest payable	3,678	14,924	18,602
Customer deposits	-	403,741	403,741
Long-term obligations:			
Due within one year	91,549	158,562	250,111
Due in more than one year	1,759,242	4,546,854	6,306,096
TOTAL LIABILITIES	2,036,236	5,871,447	7,907,683
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	100,071	59,621	159,692
NET POSITION			
Net investment in capital assets	3,760,600	5,881,277	9,641,877
Restricted for:			
Debt service	6,446	275,878	282,324
Law enforcement purposes	8,770	-	8,770
Community redevelopment	35,462	-	35,462
Stormwater management	556,296	-	556,296
Water and sewer system improvements	-	200,772	200,772
Unrestricted	1,654,251	2,219,250	3,873,501
TOTAL NET POSITION	\$ 6,021,825	\$ 8,577,177	\$ 14,599,002

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF ACTIVITIES
For the year ended September 30, 2017

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grant and Contributions	Capital Grant and Contributions	Governmental	Business-Type	Total
					Activities	Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 761,866	\$ 44,455	\$ 380	\$ -	\$ (717,031)	\$ -	\$ (717,031)
Law enforcement	1,269,887	74,564	-	9,096	(1,186,227)	-	(1,186,227)
Fire control	269,608	245	-	-	(269,363)	-	(269,363)
Building inspections	123,385	43,898	-	-	(79,487)	-	(79,487)
Stormwater	153,643	163,950	-	-	10,307	-	10,307
Roads and streets	425,862	-	14,070	-	(411,792)	-	(411,792)
Library	226,846	6,761	37,779	-	(182,306)	-	(182,306)
Recreation	139,887	1,952	-	-	(137,935)	-	(137,935)
Parks	463,146	1,775	-	-	(461,371)	-	(461,371)
Community redevelopment	287	-	-	-	(287)	-	(287)
Interest on long-term debt	49,081	-	-	-	(49,081)	-	(49,081)
Total governmental activities	3,883,498	337,600	52,229	9,096	(3,484,573)	-	(3,484,573)
Business-type activities							
Electric	4,953,848	5,220,779	-	-	-	266,931	266,931
Water	519,110	564,614	-	1,125	-	46,629	46,629
Sewer	1,205,604	927,196	-	-	-	(278,408)	(278,408)
Mobile home park	298,447	387,161	-	-	-	88,714	88,714
Solid waste	403,471	416,171	-	-	-	12,700	12,700
Total business-type activities	7,380,480	7,515,921	-	1,125	-	136,566	136,566
TOTAL PRIMARY GOVERNMENT	\$ 11,263,978	\$ 7,853,521	\$ 52,229	\$ 10,221	(3,484,573)	136,566	(3,348,007)
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					586,008	-	586,008
Public service taxes and franchise fees					688,401	-	688,401
Fuel taxes levied for transportation purposes					349,893	-	349,893
State shared revenue					702,345	-	702,345
Investment earnings					639	305	944
Miscellaneous					26,779	55,556	82,335
Gain on disposal of capital assets					12,430	-	12,430
TRANSFERS					720,000	(720,000)	-
Total general revenues and transfers					3,086,495	(664,139)	2,422,356
CHANGE IN NET POSITION					(398,078)	(527,573)	(925,651)
NET POSITION, beginning of year					5,526,832	9,997,821	15,524,653
Restatement (Note 15)					893,071	(893,071)	-
NET POSITION, beginning of year, as restated					6,419,903	9,104,750	15,524,653
NET POSITION, end of year					\$ 6,021,825	\$ 8,577,177	\$ 14,599,002

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2017

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Non-major: Stormwater Fund</u>	<u>Total</u>
ASSETS				
Equity in pooled cash and cash equivalents	\$ 489,655	\$ 35,462	\$ 565,170	\$ 1,090,287
Receivables, net				
Customer accounts, net	40,574	-	-	40,574
Intergovernmental	69,500	-	-	69,500
Franchise and public service taxes	46,946	-	-	46,946
Inventory	8,772	-	-	8,772
Prepaid expenditures	27,889	-	-	27,889
Advances to other funds	992,237	-	-	992,237
Restricted assets:				
Equity in pooled cash and cash equivalents	18,894	-	-	18,894
TOTAL ASSETS	<u>\$ 1,694,467</u>	<u>\$ 35,462</u>	<u>\$ 565,170</u>	<u>\$ 2,295,099</u>
LIABILITIES				
Accounts payable	132,854	-	5,891	138,745
Accrued wages and benefits	35,177	-	2,983	38,160
Due to other governments	4,862	-	-	4,862
TOTAL LIABILITIES	<u>172,893</u>	<u>-</u>	<u>8,874</u>	<u>181,767</u>
FUND BALANCE				
Nonspendable:				
Inventory	8,772	-	-	8,772
Prepays	27,889	-	-	27,889
Interfund balances	992,237	-	-	992,237
Restricted for:				
Law enforcement trust fund	8,770	-	-	8,770
Debt service	10,124	-	-	10,124
Community redevelopment	-	35,462	-	35,462
Stormwater management	-	-	556,296	556,296
Unassigned	473,782	-	-	473,782
TOTAL FUND BALANCES	<u>1,521,574</u>	<u>35,462</u>	<u>556,296</u>	<u>2,113,332</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,694,467</u>	<u>\$ 35,462</u>	<u>\$ 565,170</u>	<u>\$ 2,295,099</u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2017

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,113,332
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	4,843,197
Deferred outflows of resources represent an consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	1,019,836
Deferred inflows of resources represent an increase in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.	(100,071)
Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in governmental funds.	(3,678)
Long-term liabilities (including bonds, notes and leases payable, compensated absences liability and net pension liabilities) are not due and payable in the current period and, therefore are not reported in the governmental funds. This is the amount of the long-term liabilities	(1,850,791)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 6,021,825

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUND
For the year ended September 30, 2017

	General Fund	Community Redevelopment Agency	Non-major: Stormwater Fund	Total
REVENUES:				
Taxes	\$ 1,534,818	\$ -	\$ -	\$ 1,534,818
Licenses, permits and special assessments	146,477	-	163,435	309,912
Intergovernmental revenue	767,829	-	-	767,829
Charges for services	10,488	-	-	10,488
Fines and forfeitures	83,348	-	-	83,348
Interfund service charges	255,000	-	-	255,000
Other	58,511	-	515	59,026
Total revenues	<u>2,856,471</u>	<u>-</u>	<u>163,950</u>	<u>3,020,421</u>
EXPENDITURES:				
General government	936,680	-	-	936,680
Public safety	1,580,292	-	-	1,580,292
Physical environment	-	-	109,350	109,350
Economic environment	-	287	-	287
Transportation	165,339	-	-	165,339
Culture/recreation	720,701	-	-	720,701
Capital outlay	48,903	-	4,052	52,955
Debt service	137,109	-	-	137,109
Total expenditures	<u>3,589,024</u>	<u>287</u>	<u>113,402</u>	<u>3,702,713</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(732,553)</u>	<u>(287)</u>	<u>50,548</u>	<u>(682,292)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	720,000	-	-	720,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>720,000</u>	<u>-</u>	<u>-</u>	<u>720,000</u>
NET CHANGE IN FUND BALANCE	<u>(12,553)</u>	<u>(287)</u>	<u>50,548</u>	<u>37,708</u>
FUND BALANCE, beginning of year, as previously reported	1,534,127	35,749	-	1,569,876
Restatement (Note 15)	-	-	505,748	505,748
FUND BALANCE, beginning of year, as restated	<u>1,534,127</u>	<u>35,749</u>	<u>505,748</u>	<u>2,075,624</u>
FUND BALANCE, end of year	<u>\$ 1,521,574</u>	<u>\$ 35,462</u>	<u>\$ 556,296</u>	<u>\$ 2,113,332</u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2017

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 37,708**

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

This is the amount of capital assets recorded in the current period.	25,531
This is the amount of depreciation recorded in the current period.	(414,759)
This is the book value of dispositions recorded in the current period.	(344)

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

This is the repayment of bond principal reported as expenditures in governmental funds.	87,768
This is the change in accrued interest payable on long-term obligations.	260
This is the change in accrued compensated absences during the year.	(9,388)

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

This amount represents the change in deferred inflows related to pensions.	(46,486)
This amount represents the change in deferred outflows related to pensions.	114,081
This amount represents the change in the net pension liability.	(192,449)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (398,078)**

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUND
September 30, 2017

	Business Type Activities - Enterprise Funds				Total
	Electric Fund	Water Fund	Sewer Fund	Non-major Funds	
ASSETS					
Current assets:					
Equity in pooled cash and cash equivalents	\$ 1,667,100	\$ 404,473	\$ -	\$ 307,168	\$ 2,378,741
Receivables:					
Customers, net	990,733	79,058	139,597	58,679	1,268,067
Inventory and prepaids	247,182	44,166	1,539	-	292,887
Total current assets	<u>2,905,015</u>	<u>527,697</u>	<u>141,136</u>	<u>365,847</u>	<u>3,939,695</u>
Noncurrent assets:					
Restricted assets:					
Equity in pooled cash and cash equivalents	291,892	218,514	384,909	-	895,315
Capital assets:					
Non-depreciable	-	181,727	246,145	10,864	438,736
Depreciable, net	3,480,385	1,640,132	4,410,607	232,103	9,763,227
Total noncurrent assets	<u>3,772,277</u>	<u>2,040,373</u>	<u>5,041,661</u>	<u>242,967</u>	<u>11,097,278</u>
Total assets	<u>6,677,292</u>	<u>2,568,070</u>	<u>5,182,797</u>	<u>608,814</u>	<u>15,036,973</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	<u>270,676</u>	<u>36,772</u>	<u>156,061</u>	<u>-</u>	<u>463,509</u>
LIABILITIES					
Current liabilities:					
Accounts payable	580,008	42,709	40,748	46,005	709,470
Accrued wages	12,886	4,076	19,652	1,282	37,896
Bonds and notes payable, current	52,729	31,798	74,035	-	158,562
Total current liabilities	<u>645,623</u>	<u>78,583</u>	<u>134,435</u>	<u>47,287</u>	<u>905,928</u>
Noncurrent liabilities:					
Liabilities payable from restricted assets:					
Customer deposits	291,892	76,225	35,624	-	403,741
Interest payable	-	3,953	10,971	-	14,924
Advance from other funds	-	166,316	825,921	-	992,237
Compensated absences	12,615	5,539	7,764	-	25,918
Net pension liability	209,536	28,466	120,810	-	358,812
Bonds and notes payable, noncurrent portion	54,875	1,082,445	3,024,804	-	4,162,124
Total noncurrent liabilities	<u>568,918</u>	<u>1,362,944</u>	<u>4,025,894</u>	<u>-</u>	<u>5,957,756</u>
Total liabilities	<u>1,214,541</u>	<u>1,441,527</u>	<u>4,160,329</u>	<u>47,287</u>	<u>6,863,684</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	<u>34,817</u>	<u>4,730</u>	<u>20,074</u>	<u>-</u>	<u>59,621</u>
NET POSITION					
Net investment in capital assets	3,372,781	707,616	1,557,913	242,967	5,881,277
Restricted for:					
Debt retirement	-	65,980	209,898	-	275,878
Utility system improvements (expendable)	-	72,356	128,416	-	200,772
Unrestricted	2,325,829	312,633	(737,772)	318,560	2,219,250
Total net position	<u>\$ 5,698,610</u>	<u>\$ 1,158,585</u>	<u>\$ 1,158,455</u>	<u>\$ 561,527</u>	<u>\$ 8,577,177</u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION – PROPRIETARY FUND
September 30, 2017

	Business Type Activities - Enterprise Funds					Total
	Electric Fund	Water Fund	Sewer Fund	Stormwater Fund	Non-major Funds	
OPERATING REVENUES:						
Charges for services	\$ 5,220,779	\$ 564,614	\$ 927,196	\$ -	\$ 803,332	\$ 7,515,921
Total operating income	<u>5,220,779</u>	<u>564,614</u>	<u>927,196</u>	<u>-</u>	<u>803,332</u>	<u>7,515,921</u>
OPERATING EXPENSES:						
Personnel services	541,794	122,625	372,179	-	22,021	1,058,619
Purchased power	3,326,775	-	-	-	-	3,326,775
Operating expenses	862,296	226,083	441,347	-	666,701	2,196,427
Depreciation	216,322	120,231	257,196	-	13,196	606,945
Total operating expenses	<u>4,947,187</u>	<u>468,939</u>	<u>1,070,722</u>	<u>-</u>	<u>701,918</u>	<u>7,188,766</u>
OPERATING INCOME (LOSS)	<u>273,592</u>	<u>95,675</u>	<u>(143,526)</u>	<u>-</u>	<u>101,414</u>	<u>327,155</u>
NONOPERATING REVENUE (EXPENSE)						
Investment revenue	250	-	55	-	-	305
Interest expense	(6,661)	(50,171)	(134,882)	-	-	(191,714)
Other, net	49,997	-	-	-	5,559	55,556
Total nonoperating revenues (expense)	<u>43,586</u>	<u>(50,171)</u>	<u>(134,827)</u>	<u>-</u>	<u>5,559</u>	<u>(135,853)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>317,178</u>	<u>45,504</u>	<u>(278,353)</u>	<u>-</u>	<u>106,973</u>	<u>191,302</u>
CAPITAL CONTRIBUTIONS						
Impact fees	-	1,125	-	-	-	1,125
Total capital contributions	<u>-</u>	<u>1,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,125</u>
TRANSFERS IN (OUT)	<u>(730,000)</u>	<u>100,000</u>	<u>30,000</u>	<u>-</u>	<u>(120,000)</u>	<u>(720,000)</u>
CHANGE IN NET POSITION	<u>(412,822)</u>	<u>146,629</u>	<u>(248,353)</u>	<u>-</u>	<u>(13,027)</u>	<u>(527,573)</u>
NET POSITION, beginning of year, as previously reported	6,111,432	1,011,956	1,406,808	893,071	574,554	9,997,821
Restatement (Note 15)	-	-	-	(893,071)	-	(893,071)
NET POSITION, beginning of year, as restated	6,111,432	1,011,956	1,406,808	-	574,554	9,104,750
NET POSITION, end of year	<u>\$ 5,698,610</u>	<u>\$ 1,158,585</u>	<u>\$ 1,158,455</u>	<u>\$ -</u>	<u>\$ 561,527</u>	<u>\$ 8,577,177</u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
For the year ended September 30, 2017

	Business Type Activities - Enterprise Funds				
	Electric Fund	Water Fund	Sewer Fund	Non-major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	\$ 5,181,949	\$ 561,763	\$ 982,327	\$ 802,071	\$ 7,528,110
Payments to suppliers	(3,917,099)	(190,992)	(424,846)	(660,149)	(5,193,086)
Payments for salaries and benefits	(504,071)	(104,102)	(345,261)	(21,986)	(975,420)
Net cash flows from operating activities	<u>760,779</u>	<u>266,669</u>	<u>212,220</u>	<u>119,936</u>	<u>1,359,604</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers (to) from other funds, net of change in due to/from	(730,000)	100,000	12,207	(120,000)	(737,793)
Increase (decrease) in deposits	7,625	624	1,470	-	9,719
Net cash flows from noncapital financing activities	<u>(722,375)</u>	<u>100,624</u>	<u>13,677</u>	<u>(120,000)</u>	<u>(728,074)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets, net of related payables	-	(19,670)	(18,457)	-	(38,127)
Principal paid on notes, bonds and lease obligations	(50,667)	(30,389)	(71,568)	-	(152,624)
Interest paid on borrowings and other debt costs	(6,661)	(50,231)	(135,139)	-	(192,031)
Capital contributions and impact fees received, net of change in related receivables	-	1,125	-	-	1,125
Net cash flows from capital and related financing activities	<u>(57,328)</u>	<u>(99,165)</u>	<u>(225,164)</u>	<u>-</u>	<u>(381,657)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on invested funds	250	-	55	-	305
Other income	49,997	-	-	5,559	55,556
Net cash flows from investing activities	<u>50,247</u>	<u>-</u>	<u>55</u>	<u>5,559</u>	<u>55,861</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,323	268,128	788	5,495	305,734
CASH AND CASH EQUIVALENTS, beginning of year	1,927,669	354,859	384,121	301,673	2,968,322
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,958,992</u>	<u>\$ 622,987</u>	<u>\$ 384,909</u>	<u>\$ 307,168</u>	<u>\$ 3,274,056</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 273,592	\$ 95,675	\$ (143,526)	\$ 101,414	\$ 327,155
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	216,322	120,231	257,196	13,196	606,945
(Increase) decrease in inventory and prepaids	45,631	(4,698)	(234)	-	40,699
(Increase) decrease in accounts receivable	(38,830)	(2,851)	55,131	(1,261)	12,189
Increase (decrease) in accounts payable	226,341	39,789	16,735	6,552	289,417
Increase (decrease) in accrued wages and compensated absences	(7,330)	6,500	(3,480)	35	(4,275)
(Increase) decrease in deferred outflows related to pensions	(995)	22,165	16,132	-	37,302
Increase (decrease) in deferred inflows related to pensions	13,145	(6)	6,237	-	19,376
Increase (decrease) in net pension liability	32,903	(10,136)	8,029	-	30,796
Net cash flows from operating activities	<u>\$ 760,779</u>	<u>\$ 266,669</u>	<u>\$ 212,220</u>	<u>\$ 119,936</u>	<u>\$ 1,359,604</u>
As shown in the Accompanying Financial Statements					
Equity in pooled cash and cash equivalents	\$ 1,667,100	\$ 404,473	\$ -	\$ 307,168	\$ 2,378,741
Restricted equity in pooled cash and cash equivalents	291,892	218,514	384,909	-	895,315
Total cash and cash equivalents	<u>\$ 1,958,992</u>	<u>\$ 622,987</u>	<u>\$ 384,909</u>	<u>\$ 307,168</u>	<u>\$ 3,274,056</u>
Noncash financing and investing activities:					
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
September 30, 2017

	Pension Trust Funds
ASSETS	
Receivables, net	
City	\$ 39,398
Total receivables	<u>39,398</u>
Investments, at fair value:	
Cash and short-term money market funds	25,414
Fixed income securities	2,465,145
Equity securities	<u>3,862,905</u>
Total investments	<u>6,353,464</u>
Total assets	<u>6,392,862</u>
NET POSITION	
Restricted for pension benefits	<u>\$ 6,392,862</u>

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
For the year ended September 30, 2017

	Pension Trust Funds
ADDITIONS	
Contributions:	
City	\$ 279,144
Total contributions	279,144
Investment income:	
Investment income	775,314
Less investment expenses	(22,557)
Net investment income	752,757
Total additions	1,031,901
DEDUCTIONS	
Administrative expenses:	
Legal	23,571
Actuarial	17,776
Travel, training and other	2,674
Total administrative expenses	44,021
Payments to retirees and participants	526,631
Total deductions	570,652
CHANGE IN NET POSITION	461,249
NET POSITION, beginning of year	5,931,613
NET POSITION, end of year	\$ 6,392,862

The accompanying notes are an integral part of these financial statements

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

B. BASIS OF PRESENTATION

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The City does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

Governmental Funds:

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

Reported as Major Governmental Funds:

- **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Most of the essential governmental services such as public safety, public works, street construction and maintenance, culture and recreation, and general administration are provided by the general fund.

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

- **Community Redevelopment Agency** (the "CRA") is a special revenue fund and accounts for the incremental ad valorem taxes generated within the CRA district to be used to improve the CRA area. In order to comply with the audit requirements of Section 163.387(8), Florida Statutes, the City electively added the CRA as a major fund. The CRA receives the incremental ad valorem taxes generated in future years by the increase in property values in the redevelopment area. The CRA's property taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy.

Reported as Non-Major Governmental Funds:

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

Proprietary Funds:

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

Reported as Major Enterprise Funds:

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

Reported as Non-Major Enterprise Funds:

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

Effective October 1, 2016, the City moved the stormwater management function from an enterprise fund to a special revenue fund. See Note 15 for more information.

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Fiduciary Funds:

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges of the City's enterprise activities, which are quasi-external transactions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The general fund charged \$255,000 to user departments in certain enterprise funds for indirect services provided by general fund departments. At the fund level, these charges are reported as a revenue in the general fund (interfund service charges). In the entity-wide statement of activities this revenue is netted against general government activity expenses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

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

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

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

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

CASH AND INVESTMENTS:

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

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

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

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

RECEIVABLES AND UNEARNED REVENUES - All receivables are reported at their gross value reduced by the estimated portion that is expected to be uncollectible. As of September 30, 2017, the allowance for doubtful accounts totaled \$29,123 for the governmental activities and \$249,494 for the business-type Activities. In the fund financial statements, recognition of governmental fund-type revenues is deferred until they become measurable and available, in accordance with the modified accrual basis of accounting. Estimated unbilled revenues from the general, electric, water, sewer and stormwater funds are recognized at the end of each fiscal year on a pro rata basis and totaled \$398,685 as of September 30, 2017.

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

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

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

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

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

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., utility systems and roads), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial estimated useful life in excess of one year and individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

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

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

INTEREST COSTS - Interest costs are capitalized when incurred on debt when the proceeds of which were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2017.

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

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

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

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

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

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

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

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

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

EQUITY CLASSIFICATIONS -

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

- a. *Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* - Consists of restricted assets reduced by liabilities related to those assets. Net position is reported as restricted only when restricted by outside parties or enabling legislation.
- c. *Unrestricted net position* - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

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

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

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Committed — This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2017.

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

Unassigned — all other spendable amounts.

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

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

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Polk County Property Appraiser and the Polk County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10.00 mills. The City's millage rate for fiscal year ended September 30, 2017 was 6.2458.

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

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

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

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

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

NOTE 3 - BUDGETARY LAW AND PRACTICE

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

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

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

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

Deficit Fund Balance or Net Position of Individual Funds - As of September 30, 2017, no individual fund had a deficit fund balance or net position deficit.

Excess of Expenditures Over Budget Appropriations in Individual Funds - For the year ended September 30, 2017, no budgetary fund had an excess of expenditures over appropriations.

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS

At September 30, 2017, the carrying amount of the City's deposits and investments (excluding pension trust funds) is summarized below:

Equity in pooled cash and cash equivalents:	
Cash on hand	\$ 1,040
Cash deposits in financial institutions:	
Insured or fully collateralized bank deposits	<u>4,382,197</u>
Total equity in pooled cash and cash equivalents	<u><u>\$ 4,383,237</u></u>
Investments:	
None	<u><u>\$ -</u></u>

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

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

The City has contracted with the Florida Municipal Pension Trust Fund (FMPTF) to be the custodian and investment manager for the pension trusts' investments and has adopted the FMIvT's investment policy for its pension trust funds. There were no significant investment policy changes during the year ended September 30, 2017. The FMPTF is established as a trust whereby governmental entities with employee pension plans may elect to join the trust (becoming a participating employer), and with the trust providing the plans with administrative and investment services for the benefit of participating employers, participating employees and beneficiaries. All employee pension plan assets with the FMPTF are included in the trust's Master Trust Fund. Employee pension plan assets are invested by the FMPTF through the Florida Municipal Investment Trust (FMIvT) for the benefit of participating employers, participating employees and beneficiaries.

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

The City selected an investment allocation ratio of not to exceed 60% of the pension trusts' assets invested in equity securities (pooled equity funds managed by FMLvT) and 40% in fixed income securities (pooled fixed income funds managed by FMLvT). Within this 60/40 ratio, the FMLvT has target percentages of how it allocates a participant's investments among the various pooled accounts that it maintains for its participants. Redemptions from the FMLvT are permitted one per month upon advance written notification.

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

Authorized Investments	Maximum Portfolio Concentration	Maximum Maturity	Maximum Issuer Concentration	Lowest Permitted S&P Rating
City of Fort Meade:				
U.S. Government securities	100%	5 years	10%	
U.S. Government Agency securities	100%	5 years	10%	
Government Sponsored Enterprises	75%	5 years	10%	AAA
State or local government obligations	30%	5 years	10%	AAA
Corporate notes of any U.S. company	30%	1 year	5%	AA-
Commercial paper of any U.S. company	30%	1 year	50%	A1+
Non-negotiable interest bearing deposits in qualified public depositories	50%	1 year	10%	
Intergovernmental investment pools	75%	1 day	75%	AAAm
Florida Local Government Surplus Funds Trust Fund	50%	1 day	25%	AAAm
Money market mutual funds (registered investment companies)	50%	1 day	25%	AAAm
Repurchase agreements 102% secured by securities of the U.S. Government, its Agencies or Instrumentalities	50%	1 day	25%	
Overall portfolio limitations:				
Overall portfolio total average duration limitation cannot exceed		5 years		
Minimum portfolio invested in daily liquid investments		25%		
Pension Plans (FMLvT investment policy):				
Repurchase agreements	Not Limited	60days		
Direct obligations of the U.S. Treasury	Not Limited			
State Board of Administration or State Treasurer authorized investments	Not Limited			
Commercial paper issued in the U.S.	Not Limited	270 days		A+
Bankers' acceptances	Not Limited	270 days		AA
Negotiable certificates of deposit	Not Limited	2 years	\$5 million	A
U.S. Government Agency securities	Not Limited			
Money market master mutual funds, limited to temporary funds	Temp Funds			A
Mortgage obligations guaranteed by U.S.	Not Limited			AAA
Corporate fixed income securities issued by U.S. company	Not Limited		3%	
Asset backed securities issued by U.S.	Not Limited			A
State, municipal county governments	Not Limited			A
Commingled government investment trusts	Not Limited			
Guaranteed investment contracts with highest rated companies	Not Limited			A
Investment agreements with financial institutions	Not Limited		\$10 million	
Equity assets	60%			
Florida Municipal Investment Trust (FMLvT) portfolios	Not Limited			
Target Allocations:				
60% equity securities, 40% fixed income securities				

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

As of September 30, 2017, the fair value of the City's pension plan investments with the FMIvT were as follows:

General Employees Pension Trust Fund:

FMIvT Cash Fund	\$ 19,084
FMIvT Broad Market High Quality Bond Fund	749,034
FMIvT Core Plus Fund	1,102,082
FMIvT High Quality Growth Fund	381,673
FMIvT Diversified Small to Mid Cap Fund	524,801
FMIvT Russell 1000 Enhanced Index Fund	1,111,623
FMIvT International Blend Fund	505,717
FMIvT Diversified Value Fund	376,902
Total	<u>\$ 4,770,916</u>

Police Officers' Pension Trust Fund:

FMIvT Cash Fund	\$ 4,819
FMIvT Broad Market High Quality Bond Fund	189,152
FMIvT Core Plus Fund	278,307
FMIvT High Quality Growth Fund	96,383
FMIvT Diversified Small to Mid Cap Fund	132,527
FMIvT Russell 1000 Enhanced Index Fund	280,716
FMIvT International Blend Fund	127,708
FMIvT Diversified Value Fund	95,178
Total	<u>\$ 1,204,790</u>

Firefighters' Pension Trust Fund:

FMIvT Cash Fund	\$ 1,511
FMIvT Broad Market High Quality Bond Fund	59,308
FMIvT Core Plus Fund	87,262
FMIvT High Quality Growth Fund	30,221
FMIvT Diversified Small to Mid Cap Fund	41,553
FMIvT Russell 1000 Enhanced Index Fund	88,018
FMIvT International Blend Fund	40,042
FMIvT Diversified Value Fund	29,843
Total	<u>\$ 377,758</u>

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

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

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

Investment Type	Fitch Rating	Fair Value	Effective Duration	Weighted Average Maturity
General Employees Pension Trust Fund:				
Cash and short-term money market	Not Rated	19,084	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AAf/S4	749,034	4.74	6.10
FMIvT Core Plus Fixed Income Fund	Not Rated	1,102,082	2.24	7.40
		<u>\$ 1,870,200</u>		
Police Officers' Pension Trust Fund:				
Cash and short-term money market	Not Rated	4,819	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AAf/S4	189,152	4.74	6.10
FMIvT Core Plus Fixed Income Fund	Not Rated	278,307	2.24	7.40
		<u>\$ 472,278</u>		
Firefighters' Pension Trust Fund:				
Cash and short-term money market	Not Rated	1,511	0.00	0.00
FMIvT Broad Market High Quality Bond Fund	AAf/S4	59,308	4.74	6.10
FMIvT Core Plus Fixed Income Fund	Not Rated	87,262	2.24	7.40
		<u>\$ 148,081</u>		

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016 (as restated)	Increases	Decreases	Balance September 30, 2017
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 856,731	\$ -	\$ -	\$ 856,731
Construction in process	-	1,500	-	1,500
Total capital assets, not being depreciated	<u>856,731</u>	<u>1,500</u>	<u>-</u>	<u>858,231</u>
Capital assets, being depreciated:				
Buildings and improvements	3,151,004	-	(536)	3,150,468
Equipment	1,997,334	24,031	(39,425)	1,981,940
Infrastructure:				
Road network	<u>10,293,736</u>	<u>-</u>	<u>-</u>	<u>10,293,736</u>
Total capital assets, being depreciated	<u>15,442,074</u>	<u>24,031</u>	<u>(39,961)</u>	<u>15,426,144</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,016,722)	(88,526)	192	(2,105,056)
Equipment	(1,451,769)	(73,391)	39,425	(1,485,735)
Infrastructure:				
Road network	<u>(7,597,545)</u>	<u>(252,842)</u>	<u>-</u>	<u>(7,850,387)</u>
Total accumulated depreciation	<u>(11,066,036)</u>	<u>(414,759)</u>	<u>39,617</u>	<u>(11,441,178)</u>
Total capital assets being depreciated, net	<u>4,376,038</u>	<u>(390,728)</u>	<u>(344)</u>	<u>3,984,966</u>
Governmental activities capital assets, net	<u>\$ 5,232,769</u>	<u>\$ (389,228)</u>	<u>\$ (344)</u>	<u>\$ 4,843,197</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 345,838	\$ -	\$ -	\$ 345,838
Construction-in-progress	60,200	32,698	-	92,898
Total capital assets, not being depreciated	<u>406,038</u>	<u>32,698</u>	<u>-</u>	<u>438,736</u>
Capital assets, being depreciated:				
Buildings, utility plant and improvements	19,283,725	-	-	19,283,725
Equipment	1,685,949	5,429	(36,785)	1,654,593
Total capital assets, being depreciated	<u>20,969,674</u>	<u>5,429</u>	<u>(36,785)</u>	<u>20,938,318</u>
Less accumulated depreciation for:				
Buildings, utility plant and improvements	(9,481,599)	(520,075)	-	(10,001,674)
Equipment	(1,123,332)	(86,870)	36,785	(1,173,417)
Total accumulated depreciation	<u>(10,604,931)</u>	<u>(606,945)</u>	<u>36,785</u>	<u>(11,175,091)</u>
Total capital assets being depreciated, net	<u>10,364,743</u>	<u>(601,516)</u>	<u>-</u>	<u>9,763,227</u>
Business-type activities capital assets, net	<u>\$ 10,770,781</u>	<u>\$ (568,818)</u>	<u>\$ -</u>	<u>\$ 10,201,963</u>

The October 1, 2016 balances have been restated to reflect the effects of the City changing the reporting of the stormwater management function from the business-type activities to the governmental activities. The October 1, 2016 balances of the governmental activities' depreciable capital assets were increased by \$380,010 to reflect the net book value of the stormwater management function's equipment, buildings and improvements. The business-type activities have been reduced by the same amount to reflect the change in reporting. See Note 15 for more detail.

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 6 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$	44,905
Law enforcement		2,330
Fire control		24,231
Building inspections		4,169
Stormwater		37,134
Roads and streets		254,023
Library		4,578
Recreation		15,949
Parks		27,440
Total depreciation expense - governmental activities	\$	<u>414,759</u>

Business-type Activities:

Electric	\$	216,322
Water		120,231
Sewer		257,196
Mobile home park		13,196
Total depreciation expense - business-type activities	\$	<u>606,945</u>

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2017:

	Balance October 1, 2016 (as restated)	Increases	Decreases	Balance September 30, 2017	Amounts Due within One Year
<u>Governmental Activities:</u>					
Long-term debt:					
5th Cent Local Option Fuel Tax					
Revenue Notes, Series 2011	\$ 1,127,734	\$ -	\$ (74,239)	\$ 1,053,495	\$ 77,350
Installment notes and leases payable	42,631	-	(13,529)	29,102	14,199
Total long-term debt	<u>1,170,365</u>	<u>-</u>	<u>(87,768)</u>	<u>1,082,597</u>	<u>91,549</u>
Other liabilities:					
Net pension liability	525,949	192,449	-	718,398	-
Compensated absences	40,408	9,388	-	49,796	-
Total other liabilities	<u>566,357</u>	<u>201,837</u>	<u>-</u>	<u>768,194</u>	<u>-</u>
Total long-term obligations	<u>\$ 1,736,722</u>	<u>\$ 201,837</u>	<u>\$ (87,768)</u>	<u>1,850,791</u>	<u>\$ 91,549</u>
Less amounts due in one year				<u>(91,549)</u>	
Total noncurrent obligations due in more than one year				<u>\$ 1,759,242</u>	
<u>Business-type Activities:</u>					
Long-term debt:					
Revenue bonds and certificates:					
Water and Sewer, Series 1982	\$ 69,077	\$ -	\$ (13,816)	\$ 55,261	\$ 13,816
Water and Sewer, Series 2005A	2,432,000	-	(44,052)	2,387,948	45,924
Water and Sewer, Series 2005B	664,000	-	(12,010)	651,990	12,520
Water System, Series 2009	1,100,565	-	(16,403)	1,084,162	17,120
Installment notes and leases payable	207,668	-	(66,343)	141,325	69,182
Total long-term debt	<u>4,473,310</u>	<u>-</u>	<u>(152,624)</u>	<u>4,320,686</u>	<u>158,562</u>
Other liabilities:					
Net pension liability	328,016	30,796	-	358,812	-
Compensated absences	32,536	-	(6,618)	25,918	-
Total other liabilities	<u>360,552</u>	<u>30,796</u>	<u>(6,618)</u>	<u>384,730</u>	<u>-</u>
Total long-term obligations	<u>\$ 4,833,862</u>	<u>\$ 30,796</u>	<u>\$ (159,242)</u>	<u>4,705,416</u>	<u>\$ 158,562</u>
Less amounts due in one year				<u>(158,562)</u>	
Total noncurrent obligations due in more than one year				<u>\$ 4,546,854</u>	

The October 1, 2016 balances have been restated to reflect the effects of the City changing the reporting of the stormwater management function from the business-type activities to the governmental activities. The October 1, 2016 balances of the governmental activities' other long-term liabilities were increased by \$20,457 to reflect the stormwater management function's net pension liability and compensated absences payable. The business-type activities have been reduced by the same amount to reflect the change in reporting. See Note 15 for more detail.

Notes to Long-Term Obligations Table

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Interest Included as Direct Expense:

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

Bonds and notes outstanding at September 30, 2017, consisted of the following for governmental and business-type activities:

<u>Governmental activities</u>	<u>Purpose</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Long-term debt:					
5th Cent Local Option Fuel Tax Revenue Notes, Series 2011					
	1	2028	4.190%	\$ 1,450,000	\$ 1,053,495
Installment notes and leases payable:					
Equipment lease					
	2	2019	4.950%	71,161	<u>29,102</u>
Total governmental activities					<u>\$ 1,082,597</u>
<u>Business-type activities</u>					
Long-term debt:					
Revenue bonds and certificates:					
Water and Sewer, Series 1982					
	3	2021	5.000%	\$ 525,000	\$ 55,261
Water and Sewer, Series 2005A					
	4	2045	4.250%	2,751,000	2,387,948
Water and Sewer, Series 2005B					
	5	2045	4.250%	750,000	651,990
Water System, Series 2009					
	6	2048	4.375%	1,209,309	1,084,162
Installment notes and leases payable:					
Equipment lease					
	7	2019	3.990%	174,299	60,295
Equipment lease					
	8	2019	3.990%	110,472	38,215
Equipment lease					
	2	2019	4.950%	92,979	<u>42,815</u>
Total business-type activities					<u>\$ 4,320,686</u>

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

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

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

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

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

<u>Pledged Revenue</u>	<u>Revenue Pledged Through</u>	<u>Total Principal and Interest Outstanding</u>	<u>Current Year Principal and Interest Paid</u>	<u>Current Year Net Revenue</u>	<u>Percentage of Net Revenues to Principal and Interest Paid</u>
Water and sewer revenues combined	9/1/2045	\$ 5,312,309	\$ 204,609	\$ 329,631	161.10%
Water system revenue only	9/1/2048	\$ 2,000,830	\$ 64,553	\$ 215,906	334.46%
5th Cent local option gas tax revenue	9/1/2028	\$ 1,336,400	\$ 121,491	\$ 121,653	100.13%

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Annual debt service requirements as of September 30, 2017, are as follows:

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 91,549	\$ 44,141	\$ 158,562	\$ 185,141
2019	95,492	40,901	164,755	178,255
2020	83,967	37,524	95,984	171,105
2021	87,485	34,006	99,500	166,898
2022	91,151	30,340	89,350	162,541
2023-2027	516,346	91,108	507,471	751,987
2028-2032	116,607	4,886	625,728	633,730
2033-2037	-	-	771,547	487,910
2038-2042	-	-	951,359	308,100
2043-2047	-	-	794,883	94,555
2048-2052	-	-	61,547	2,694
Total	\$ 1,082,597	\$ 282,906	\$ 4,320,686	\$ 3,142,916

Interest costs for the governmental activities totaled \$49,081 for the year ended September 30, 2017. Interest and other debt service costs incurred in the business-type activities totaled \$191,714 for the same period, none of which was capitalized.

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 8 – RESTRICTED FUND BALANCE/NET POSITION

The general fund, water fund and sewer fund, each had revenue bonds outstanding at September 30, 2017. The ordinances authorizing the issuance of these bonds require that monies be set aside in separate restricted accounts for the payment of bond principal and interest, and to create reserves until the maturity of the bond issued. In addition, customer deposits and impact fees are also restricted in accordance with applicable laws and regulations. Various funds/activities reported the following restricted fund balances and restricted net position, as of September 30, 2017:

	Restricted Fund Balance	Restricted Net Position
Governmental Funds/Activities		
Law enforcement	\$ 8,770	\$ 8,770
Community redevelopment	35,462	35,462
5th Cent revenue bond debt service	10,124	6,446
Stormwater management	556,296	556,296
Total	\$ 610,652	\$ 606,974
Enterprise Funds/Business-type Activities		
Water Fund:		
2009 sinking fund		\$ 1,427
2009 bond reserve		64,553
Restricted for debt service		65,980
Water impact fees restricted for system improvements		72,356
Total		\$ 138,336
Sewer Fund:		
1982 sinking fund		\$ 1,152
1982 bond reserve		16,579
2005A and 2005B sinking fund		4,870
2005A and 2005B reserve		187,297
Restricted for debt service		209,898
Sewer impact fees restricted for system improvements		128,416
Total		\$ 338,314

NOTE 9 – INTERFUND TRANSACTIONS

Due to/due froms are expected to be repaid shortly after year end. Advances are not expected to be repaid out of current resources. At September 30, 2017, the balance in due from/to and advances to other funds consisted of the following:

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

There are no formal repayment terms related to the interfund advances above.

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 9 – INTERFUND TRANSACTIONS (cont...)

Interfund transfers for the year ending September 30, 2017 consisted of:

Interfund transfers to the governmental funds:

Receiving Fund	Paying Fund	Amount
General fund	Electric fund	\$ 600,000
General fund	Mobile home park fund	100,000
General fund	Solid waste fund	20,000
Total governmental funds transfers in		\$ 720,000

Interfund transfers between enterprise funds:

Receiving Fund	Paying Fund	Amount
Water fund	Electric fund	\$ 100,000
Sewer fund	Electric fund	30,000
Total transfers between enterprise funds		\$ 130,000

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

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

Under GASB No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", the basic premise is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the active employees provide their services. By State Statute, all of the City's retirees may, at the retiree's cost, elect to purchase health insurance at the rates currently offered by the City to its active employees. Because of this state mandate, there is an assumed implicit cost to the City by virtue of the fact that the cost to the retiree is a blended rate which presumably would be less than the rate the retiree would have to pay if private coverage were arranged. The City currently has only one retiree receiving coverage, which has only a minimal effect on its premium rates. Accordingly, no liability for any future payments has been recorded. It is possible that conditions could change whereby the City may have some cost in the future which would be evaluated at that time.

Upcoming Pronouncements - GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, including the recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For each qualifying plan providing postemployment benefits other than pensions, employers are required to report the difference between the actuarial OPEB liability and the related plan's fiduciary net position as the net OPEB liability on the statement of net position. Additionally, Statement No. 75 sets forth note disclosure and required supplementary disclosure requirements for defined contribution OPEB. Statement No. 75 is effective for financial statements of the City as of September 30, 2018. The City is currently evaluating the impact that implementation of this Statement will have on its financial statements.

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 11 – PENSION TRUST FUNDS

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

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

	as of October 1, 2016		
	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Fire- Fighters' Pension Trust Fund
Inactive plan members or beneficiaries currently receiving benefits	21	5	9
Inactive plan members entitled to but not yet receiving benefits	18	7	7
Active plan members	36	-	20
Total	75	12	36

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

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Contributions - It is the City's policy to fund annually the actuarially determined required contributions representing the difference between the actuarially determined amount and the contributions of Plan members, if any. Contributions shown below were made in accordance with actuarially determined contribution requirements from the October 1, 2016, valuation. These contributions were for normal cost and to amortize any unfunded actuarial accrued liability, then adjusted for the frequency of payments and an assumed increase in covered payroll. Contributions expressed in dollars and as a percent of total payroll of active participants were as follows:

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Fire- Fighters' Pension Trust Fund
Contribution rates:			
City	22.2%	N/A	26.4%
Plan members	0.0%	0.0%	0.0%
Actuarially determined contribution	\$ 196,391	\$ 27,063	\$ 22,972
Contributions made	\$ 236,582	\$ 23,448	\$ 19,114

Investments and Rate of Return - The Plans' investment policy and information related to concentrations and custodial and credit risk is discussed in Note 4 to the financial statements. For the year ended September 30, 2017, the gross money-weighted rate of return adjusted for the changing amounts actually invested, for the each of the Plans was as follows:

	General Employees'	Police Officers'	Fire Fighters'
Money-Weighted Rate of Return	13.41%	13.56%	13.14%

Deferred Retirement Option Program (DROP) - The City permits its pension plan participants to elect to receive retirement benefits while still employed and receiving a salary. Eligibility is 30 years of service and attainment of the earlier of age 62 or normal retirement. The participant's retirement benefits are credited into an individual member account and paid out to the member upon termination or retirement not to exceed a period of up to 36 months. Amounts credited to the members' DROP accounts earn interest at 6% and remain in the pension plans' net position until paid out. Amounts held in DROP accounts as of September 30, 2017 were as follows:

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Net Pension Liability – The components of the changes in the net pension liability for all three pension trust funds for the year ended September 30, 2017 are shown below. The net pension liability as of September 30, 2017 for financial reporting purposes was determined by actuarial valuations as of October 1, 2016 updated to September 30, 2017 (the measurement date).

General Employees’ Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2016	\$ 4,971,286	\$ 4,325,519	\$ 645,767
Changes for the year:			
Service cost	80,887	-	80,887
Interest	342,263	-	342,263
Difference between actual and expected experience	95,641	-	95,641
Change in assumptions	373,615	-	373,615
Contributions - City	-	236,582	(236,582)
Net investment income	-	559,921	(559,921)
Benefit payments, including refunds of employee contributions	(308,763)	(308,763)	-
Administrative expense	-	(28,154)	28,154
Other charges	5,532	-	5,532
Net changes	589,175	459,586	129,589
Balances at September 30, 2017	<u>\$ 5,560,461</u>	<u>\$ 4,785,105</u>	<u>\$ 775,356</u>

Police Officers’ Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2016	\$ 1,381,628	\$ 1,242,995	\$ 138,633
Changes for the year:			
Service cost	-	-	-
Interest	93,323	-	93,323
Difference between actual and expected experience	100,344	-	100,344
Changes of assumptions	62,090	-	62,090
Contributions - City	-	23,448	(23,448)
Net investment income	-	151,276	(151,276)
Benefit payments, including refunds of employee contributions	(181,252)	(181,252)	-
Administrative expense	-	(8,228)	8,228
Other charges	1,007	-	1,007
Net changes	75,512	(14,756)	90,268
Balances at September 30, 2017	<u>\$ 1,457,140</u>	<u>\$ 1,228,239</u>	<u>\$ 228,901</u>

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Firefighters’ Pension Plan:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2016	\$ 432,664	\$ 363,099	\$ 69,565
Changes for the year:			
Service cost	7,842	-	7,842
Interest	29,804	-	29,804
Difference between actual and expected experience	1,643	-	1,643
Changes of assumptions	20,001	-	20,001
Contributions - City	-	19,114	(19,114)
Net investment income	-	41,560	(41,560)
Benefit payments, including refunds of employee contributions	(36,347)	(36,616)	269
Administrative expense	-	(7,639)	7,639
Other charges	(3,135)	-	(3,135)
Net changes	19,808	16,419	3,389
Balances at September 30, 2017	<u>\$ 452,472</u>	<u>\$ 379,518</u>	<u>\$ 72,954</u>

Net Pension Liability - The components of the net pension liability for each of the plans as of September 30, 2017, were as follows:

General Employees’ Pension Plan:

Total pension liability	\$ 5,560,461
Plan fiduciary net position	(4,785,105)
Net pension liability (asset)	<u>\$ 775,356</u>
Plan fiduciary net position as a percentage of the total pension liability	86%

Police Officers’ Pension Plan:

Total pension liability	\$ 1,457,140
Plan fiduciary net position	(1,228,239)
Net pension liability (asset)	<u>\$ 228,901</u>
Plan fiduciary net position as a percentage of the total pension liability	84%

Firefighters’ Pension Plan:

Total pension liability	\$ 452,472
Plan fiduciary net position	(379,518)
Net pension liability (asset)	<u>\$ 72,954</u>
Plan fiduciary net position as a percentage of the total pension liability	84%

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

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

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund
Actuarial valuation date	October 1, 2016	October 1, 2016	October 1, 2016
Measurement date	September 30, 2017	September 30, 2017	September 30, 2017
Inflation	2.92%	2.92%	2.92%
Projected salary increases	3.00%	NA	3.00%
Investment rate of return	7.00%	7.00%	7.00%
Discount rate	7.00%	7.00%	7.00%
Mortality rates	RP 2000, Combined	RP 2000, Generational	RP 2000, Generational
Date of actuarial experience study	NA	NA	NA

Discount Rate - 7.00% per annum (2.92% per annum is attributable to long-term inflation) was used to measure the total pension liability which rate was the same for all three plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.00% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return on Pension Plan Investments - was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 are summarized in the following table. Each of the three pension plans uses the same money manager and target asset allocations so the information presented is the same for each of the three plans.

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Current Discount Rate	Net Pension Liability		
		1% Decrease	Current Discount	1% Increase
General Employees'	7.00%	\$ 1,401,557	\$ 775,356	\$ 247,734
Police Officers'	7.00%	385,201	228,901	96,855
Firefighters'	7.00%	124,771	72,954	29,522
City's Net Pension Liability		<u>\$ 1,911,529</u>	<u>\$ 1,077,211</u>	<u>\$ 374,111</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension - For the year ended September 30, 2017, the City recognized pension expense of \$501,952 consisting of pension expense for the general employees' pension plan of \$399,824, the police officers' pension plan \$53,901 and the firefighters' pension plan of \$48,227. At September 30, 2017, the City reported deferred outflows and deferred inflows of resources related to pensions, combined and individually for all three plans, was as follows:

Combined All Pension Trust Funds:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 207,356	\$ 30,371
Change in assumptions	1,275,989	-
Difference between projected and actual earnings on Plan investments	-	129,321
Total	<u>\$ 1,483,345</u>	<u>\$ 159,692</u>

General Employees' Pension Trust Fund:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70,406	\$ 30,371
Change in assumptions	931,189	-
Difference between projected and actual earnings on Plan investments	-	98,464
Total	<u>\$ 1,001,595</u>	<u>\$ 128,835</u>

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Police Officers’ Pension Trust Fund:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	130,402	\$ -
Change in assumptions	275,212	-
Difference between projected and actual earnings on Plan investments	-	24,463
Total	\$ 405,614	\$ 24,463

Firefighters’ Pension Trust Fund:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,548	\$ -
Change in assumptions	69,588	-
Difference between projected and actual earnings on Plan investments	-	6,394
Total	\$ 76,136	\$ 6,394

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

Year ending September 30,	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Fire- Fighters' Pension Trust Fund	Total
2018	\$ 229,644	\$ 23,230	\$ 18,734	\$ 271,608
2019	229,644	23,231	18,735	271,610
2020	126,849	681	12,343	139,873
2021	40,100	3,663	9,189	52,952
2022	94,815	18,817	10,741	124,373
Thereafter	151,708	311,529	-	463,237
	\$ 872,760	\$ 381,151	\$ 69,742	\$ 1,323,653

NOTE 12 - EMPLOYEE FLEX BENEFIT PLAN

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

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 13 - RISK MANAGEMENT

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

NOTE 14 - COMMITMENT AND CONTINGENCIES

Grants - During the 2017 fiscal year, the City received, and recorded revenues related to various grants. These grants are for specific purposes and are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement for expenditures disallowed under the terms of the grants. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

Legal Proceedings - The City entered into a stipulated agreement effective June 12, 2015 with Biosolids Distribution Services, LLC., a Minnesota Limited Liability Corporation (Biosolids), which operated a biosolids recycling facility in the City. In prior years, the City had alleged that the facility was a source of odor pollution, was operated without valid permits or licenses, and had not paid the City required impact fees. Biosolids argued that the odor was being managed, their permits were valid, and that the City had approved their operation of the facility. The stipulated agreement required Biosolids to cease all business at their facility and to remove any equipment within eighteen months of the effective date of the agreement. During this time, Biosolids is required to pay the City the appropriate monthly sewer charges as outlined in the stipulated agreement. In November 2016, the City filed a second lawsuit against Biosolids which seeks to recover unpaid electricity and sewer charges. Biosolids filed a counterclaim asking the Court to rule that the City's sewer rates were invalid. The counterclaim was dismissed with prejudice. The City is proceeding with a motion for summary judgement on its claims. The aforementioned issue is not expected to have a material effect in future years. Other legal actions in which the City may be involved, in the opinion of management, will not have a material effect on the financial statements of the City.

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

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

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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

Power Contracts - The City currently purchases the majority of its electric power for resale to its customers, under the terms of an All-Requirements Contract with the Florida Municipal Power Agency (FMPA). FMPA was created pursuant to Section 163.01 and Chapter 361, Part II, Florida Statutes (The Interlocal Act and The Joint Power Act) to, among other things, provide a means for the Florida municipal electric utilities to cooperate with each other to provide for their present and projected energy needs. The City had been a member of FMPA for some time prior to 2000, and occupies one of the seats on the FMPA Board and the FMPA Executive Committee. Under terms of the Contract which currently extends through 2041, the City has no direct ownership interest in any of the assets of FMPA but would be entitled to receive its share of the remaining assets of the FMPA, after all obligations have been paid, in the event the FMPA is ever terminated in the future. The FMPA debt obligations, while not parsed to particular participants or allocated in shares, are the responsibilities of all participating members.

On July 14, 2009 the City of Fort Meade notified FMPA of its intention to convert its purchase of power from the FMPA All-Requirements Project to a contract rate of delivery (CROD) pursuant to section 3 of the All-Requirements Power Supply Project Contract between FMPA and the City of Fort Meade. The CROD became effective January 1, 2015 but no alternative power purchases were required in 2017. Additionally, the City entered into a contract with Duke Energy whereby any excess power required to be taken from FMPA is re-marketed and the City receives a credit for the energy sold. As a participant in the Florida Municipal Power Agency's All Requirements Project, the City of Fort Meade has pledged its electric utility revenues to secure payment of the electricity purchased from the FMPA.

Hurricanes - In September 2017, most of the state of Florida was affected by Hurricane Irma, including the City. The President of the United States and the Governor of Florida declared most of the State a designated disaster area and issued relief to the State through public assistance grants, coordinated by FEMA. Expenses were incurred by the City for hurricane preparedness, debris removal, repairs, and other hurricane-related costs; most of which occurred in fiscal year 2018. The City is working with state and federal liaisons to recover these costs. No estimate for the anticipated revenues is known as of the date of this report.

CITY OF FORT MEADE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2016, the City changed the reporting of the stormwater management function from an enterprise fund to a special revenue fund because stormwater fees are now a special assessment against real estate parcels, included on the tax bill, rather than a charge for services on utility bill. Because enterprise funds are reported on the economic resources measurement focus and the accrual basis of accounting and special revenue funds are reported on the current financial resources measurement focus and the modified accrual basis of accounting, this change in reporting is considered a change in accounting principle. The previously reported net position of the governmental activities and the business-type activities / stormwater enterprise fund as well as the beginning fund balance of the stormwater special revenue fund have been restated to reflect the change in accounting principle as noted below:

	Net Position			Fund Balance
	Governmental Activities	Business-type Activities	Stormwater Enterprise Fund	Stormwater Special Revenue Fund
As previously reported	\$ 5,526,832	\$ 9,997,821	\$ 893,071	\$ -
Equity in pooled cash and cash equivalents	492,459	(492,459)	(492,459)	492,459
Accounts receivable, net	20,151	(20,151)	(20,151)	20,151
Accounts payable and accrued wages	(6,862)	6,862	6,862	(6,862)
Capital assets, net	380,010	(380,010)	(380,010)	-
Net pension liability	(19,778)	19,778	19,778	-
Pension related deferred outflows and inflows of resources	27,770	(27,770)	(27,770)	-
Compensated absences payable	(679)	679	679	-
As restated	<u>\$ 6,419,903</u>	<u>\$ 9,104,750</u>	<u>\$ -</u>	<u>\$ 505,748</u>

Due to the measurement focus and basis of accounting differences, the special revenue fund balance restatement was \$387,323 less than the net position restatement reflecting the net capital assets (\$380,010), net pension liability and pension related deferred inflows and outflows of resources (\$7,992) and accumulated compensated absences payable (\$679) that are not reported in governmental funds.

NOTE 16 – SUBSEQUENT EVENT

On May 29, 2018, the City executed a promissory note and loan agreement with a local bank in the amount of \$750,000 which is scheduled to mature June 1, 2024 and bears interest at 3.4% per annum. The promissory note requires interest-only payments for one year then principal and interest payments thereafter based upon a 20-year amortization with a balloon payment due at the maturity date of June 1, 2024. The promissory note is secured by the City's communication services tax, solid waste franchise fees and half-cent sales tax revenues. The proceeds from the loan to repair various City buildings and improvements that were damaged by Hurricane Irma.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – GENERAL FUND
for the year ended September 30, 2017

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts (GAAP	Final Budget Favorable
			basis)	(Unfavorable)
REVENUES:				
Taxes	\$ 1,490,195	\$ 1,490,195	\$ 1,534,818	\$ 44,623
Licenses and permits	120,237	120,237	146,477	26,240
Intergovernmental revenue	765,738	781,624	767,829	(13,795)
Charges for services	8,800	8,800	10,488	1,688
Fines and forfeitures	85,000	85,000	83,348	(1,652)
Interfund service charges	510,000	510,000	255,000	(255,000)
Other	62,652	62,652	58,511	(4,141)
Total revenues	<u>3,042,622</u>	<u>3,058,508</u>	<u>2,856,471</u>	<u>(202,037)</u>
EXPENDITURES:				
General government:				
Legislative	75,224	75,224	89,330	(14,106)
Executive	111,497	111,497	164,656	(53,159)
Finance	529,338	529,338	459,662	69,676
Planning	77,501	77,501	50,104	27,397
Other general government	192,397	192,397	195,034	(2,637)
Public safety:				
Police	1,257,660	1,257,660	1,240,719	16,941
Fire	208,720	208,720	232,993	(24,273)
Inspections	125,380	125,380	121,564	3,816
Transportation - streets	316,626	316,626	286,906	29,720
Culture/recreation:				
Library	214,346	230,232	210,152	20,080
Recreation	130,410	130,410	119,478	10,932
Parks	479,467	479,467	418,426	61,041
Total expenditures	<u>3,718,566</u>	<u>3,734,452</u>	<u>3,589,024</u>	<u>145,428</u>
EXCESS (DEFICIENCY) OF REVENUE OVER				
(UNDER) EXPENDITURES				
	<u>(675,944)</u>	<u>(675,944)</u>	<u>(732,553)</u>	<u>(56,609)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	720,000	720,000	720,000	-
Total other financing sources (uses)	<u>720,000</u>	<u>720,000</u>	<u>720,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 44,056</u>	<u>\$ 44,056</u>	<u>\$ (12,553)</u>	<u>\$ (56,609)</u>

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – COMMUNITY REDEVELOPMENT AGENCY FUND
for the year ended September 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
None	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Economic environment	11,000	11,000	287	10,713
Total expenditures	11,000	11,000	287	10,713
NET CHANGE IN FUND BALANCE	<u>\$ (11,000)</u>	<u>\$ (11,000)</u>	<u>\$ (287)</u>	<u>\$ 10,713</u>

CITY OF FORT MEADE, FLORIDA

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

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

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

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

The following departments reported expenditures in excess of budgeted appropriations for 2017 in the general fund:

Department:	Budgeted Amounts		Actual Amounts (GAAP basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government:				
Legislative	75,224	75,224	89,330	(14,106)
Executive	111,497	111,497	164,656	(53,159)
Other general government	192,397	192,397	195,034	(2,637)
Public safety:				
Fire	208,720	208,720	232,993	(24,273)

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

	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability				
Service cost	\$ 80,887	\$ 74,627	\$ 120,880	\$ 54,173
Interest	342,263	289,888	352,438	338,837
Change in assumptions	373,615	854,987	-	-
Difference between expected and actual experience	95,641	(39,575)	-	-
Benefit payments, including refunds of employee contributions	(308,763)	(425,529)	(290,965)	(203,762)
Other	5,532	(97)	-	-
Net change in total pension liability	589,175	754,301	182,353	189,248
Total pension liability, beginning	4,971,286	4,216,985	4,034,632	3,845,384
Total pension liability, ending (a)	<u>\$ 5,560,461</u>	<u>\$ 4,971,286</u>	<u>\$ 4,216,985</u>	<u>\$ 4,034,632</u>
Plan fiduciary net position				
Contributions - City	\$ 236,582	194,344	\$ 211,212	\$ 168,984
Net investment income (loss)	559,921	332,639	(6,348)	335,315
Benefit payments, including refunds Of employee contributions	(308,763)	(425,529)	(221,451)	(203,762)
Administrative expenses	(28,154)	(26,270)	(21,732)	(37,664)
Net change in plan fiduciary net position	459,586	75,184	(38,319)	262,873
Plan fiduciary net position, beginning	4,325,519	4,250,335	4,288,654	4,025,781
Plan fiduciary net position, ending (b)	<u>\$ 4,785,105</u>	<u>\$ 4,325,519</u>	<u>\$ 4,250,335</u>	<u>\$ 4,288,654</u>
Net pension liability (asset) (a)-(b)	<u>\$ 775,356</u>	<u>\$ 645,767</u>	<u>\$ (33,350)</u>	<u>\$ (254,022)</u>
Plan fiduciary net position as a percentage of total pension liability	86.06%	87.01%	100.79%	106.30%
Covered payroll	\$ 1,064,675	\$ 1,012,380	\$ 1,130,621	\$ 1,045,343
Net pension liability as a percentage of covered payroll	72.83%	63.79%	Not Applicable	Not Applicable

Notes to Schedule:

Changes of Assumptions:

For measurement date September 30, 2017:

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

For measurement date September 30, 2016:

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

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

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

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

Notes to Schedule:

Changes of Assumptions:

For measurement date September 30, 2017:

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

For measurement date September 30, 2016:

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

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

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

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

Notes to Schedule:

Changes of Assumptions:

For measurement date September 30, 2017:

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

For measurement date September 30, 2016:

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

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

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

Year Ended September 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a % of Covered Payroll
General Employees' Pension Trust Fund:					
2017	\$ 196,391	\$ 236,582	\$ 40,191	\$ 1,064,675	22.22%
2016	\$ 185,943	\$ 194,344	\$ 8,401	\$ 1,012,380	19.20%
2015	\$ 201,031	\$ 211,212	\$ 10,181	\$ 1,130,621	18.68%
2014	\$ 168,984	\$ 168,984	\$ -	\$ 1,045,343	16.17%
2013	\$ 166,886	\$ 166,886	\$ -	\$ 1,186,956	14.06%
2012	\$ 195,849	\$ 195,849	\$ -	\$ 1,441,126	13.59%
2011	\$ 162,888	\$ 162,888	\$ -	\$ 1,532,342	10.63%
2010	\$ 149,901	\$ 150,077	\$ 176	\$ 1,693,871	8.86%
2009	\$ 146,734	\$ 146,734	\$ -	\$ 1,748,915	8.39%
2008	\$ 141,824	\$ 141,824	\$ -	Not Available	Not Applicable
Police Officers' Pension Trust Fund:					
2017	\$ 27,063	\$ 23,448	\$ (3,615)	Not Applicable	Not Applicable
2016	\$ 21,902	\$ -	\$ (21,902)	Not Applicable	Not Applicable
2015	\$ 23,985	\$ 52,583	\$ 28,598	Not Applicable	Not Applicable
2014	\$ 31,528	\$ 31,528	\$ -	Not Applicable	Not Applicable
2013	\$ 35,416	\$ 35,416	\$ -	Not Applicable	Not Applicable
2012	\$ 31,899	\$ 31,899	\$ -	Not Applicable	Not Applicable
2011	\$ 21,803	\$ 21,803	\$ -	Not Applicable	Not Applicable
2010	\$ -	\$ -	\$ -	Not Applicable	Not Applicable
2009	\$ -	\$ -	\$ -	Not Applicable	Not Applicable
2008	\$ -	\$ -	\$ -	Not Applicable	Not Applicable
Firefighters' Pension Trust Fund:					
2017	\$ 22,972	\$ 19,114	\$ (3,858)	\$ 86,938	21.99%
2016	\$ 21,565	\$ 21,565	\$ -	\$ 90,926	23.72%
2015	\$ 19,944	\$ 23,025	\$ 3,081	\$ 74,908	30.74%
2014	\$ 15,589	\$ 12,509	\$ (3,080)	\$ 65,337	19.15%
2013	\$ 11,048	\$ 11,440	\$ 392	\$ 70,574	16.21%
2012	\$ 13,123	\$ 16,378	\$ 3,255	\$ 99,381	16.48%
2011	\$ 14,783	\$ 14,783	\$ -	\$ 70,496	20.97%
2010	\$ 7,414	\$ 7,418	\$ 4	\$ 92,957	7.98%
2009	\$ 5,517	\$ 8,647	\$ 3,130	\$ 123,352	7.01%
2008	\$ 5,327	\$ 5,905	\$ 578	Not Available	Not Applicable

CITY OF FORT MEADE, FLORIDA

NOTES TO SCHEDULE OF CONTRIBUTIONS – ALL PENSION TRUST FUNDS

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

- Valuation Date: October 1, 2016 for fiscal year 2017 contributions.
- Actuarial cost method - General employees' and firefighters' retirement plans: Frozen initial liability cost method.
- Actuarial cost method – Police officers' retirement plan: Unit cost method (nominally).
- Amortization method – Level dollar amount over a period of up to 30 years for the general employees' and firefighters' retirement plan and 15 years for the police officers' retirement plan.
- Asset valuation method: The actuarial value of the assets is equal to the market value of assets, adjusted to reflect a five-year phase-in of the difference between the expected market value for each of the last five years.
- Inflation: no explicit inflation rate was used.
- Salary increases: General employees' and firefighters' retirement plans: 3.0%. This assumption is not applicable to the police officers' retirement plan.
- Investment rate of return: 7.5%.
- Retirement age: 100% retirement is assumed at the earliest of:

General Employees Retirement Plan

- (a) any age with 40 years of service
- (b) age 60 with 35 years of service
- (c) age 62 with 30 years of service
- (d) age 65 with 10 years of service
- (e) age 70

Firefighters' Retirement Plan

- (a) any age with 40 years of service
- (b) age 55 with 30 years of service
- (c) age 60 with 10 years of service
- (d) age 65

Police Officers' Retirement Plan

- (a) any age with 40 years of service
- (b) age 55 with 30 years of service
- (c) age 60 with 10 years of service
- (d) age 65

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

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

**Average Money-Weighted Rate of Return, gross of
Investment Expenses - Pension Trust Funds**

	General Employees'	Police Officers'	Fire Fighters'
For the year ended September 30:			
2014	8.40%	8.30%	8.50%
2015	0.11%	0.30%	0.11%
2016	8.35%	8.25%	7.97%
2017	13.41%	13.56%	13.14%

OTHER SUPPLEMENTARY INFORMATION

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF NET POSITION – NON-MAJOR ENTERPRISE FUNDS
as of September 30, 2017

	Business Type Activities - Non-Major Enterprise Funds		
	Mobile Home Park Fund	Solid Waste Fund	Total
ASSETS			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 215,829	\$ 91,339	\$ 307,168
Receivables:			
Customers, net	(611)	59,290	58,679
Total current assets	215,218	150,629	365,847
Noncurrent assets:			
Capital assets:			
Non-depreciable	10,864	-	10,864
Depreciable, net	232,103	-	232,103
Total noncurrent assets	242,967	-	242,967
Total assets	458,185	150,629	608,814
LIABILITIES			
Current liabilities:			
Accounts payable	11,540	34,465	46,005
Accrued wages	1,282	-	1,282
Total current liabilities	12,822	34,465	47,287
Total liabilities	12,822	34,465	47,287
NET POSITION			
Net investment in capital assets	242,967	-	242,967
Restricted for:			
Unrestricted	202,396	116,164	318,560
Total net position	\$ 445,363	\$ 116,164	\$ 561,527

CITY OF FORT MEADE, FLORIDA**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – NON-MAJOR ENTERPRISE FUNDS**
for the year ended September 30, 2017

	Business Type Activities - Non-Major Enterprise Funds		
	Mobile Home Park Fund	Solid Waste Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 387,161	\$ 416,171	\$ 803,332
Total operating income	<u>387,161</u>	<u>416,171</u>	<u>803,332</u>
OPERATING EXPENSES:			
Personnel services	22,021	-	22,021
Operating expenses	263,230	403,471	666,701
Depreciation	13,196	-	13,196
Total operating expenses	<u>298,447</u>	<u>403,471</u>	<u>701,918</u>
OPERATING INCOME	<u>88,714</u>	<u>12,700</u>	<u>101,414</u>
NONOPERATING REVENUE (EXPENSE)			
Other, net	5,559	-	5,559
Total nonoperating revenues (expense)	<u>5,559</u>	<u>-</u>	<u>5,559</u>
INCOME BEFORE TRANSFERS	<u>94,273</u>	<u>12,700</u>	<u>106,973</u>
TRANSFERS OUT	<u>(100,000)</u>	<u>(20,000)</u>	<u>(120,000)</u>
CHANGE IN NET POSITION	<u>(5,727)</u>	<u>(7,300)</u>	<u>(13,027)</u>
NET POSITION, beginning of year	451,090	123,464	574,554
NET POSITION, end of year	<u>\$ 445,363</u>	<u>\$ 116,164</u>	<u>\$ 561,527</u>

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF CASH FLOWS– NON-MAJOR ENTERPRISE FUNDS
for the year ended September 30, 2017

	Business Type Activities - Non-Major Enterprise Funds		
	Mobile Home Park Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 387,772	\$ 414,299	\$ 802,071
Payments to suppliers	(257,965)	(402,184)	(660,149)
Payments for salaries and benefits	(21,986)	-	(21,986)
Net cash flows from operating activities	107,821	12,115	119,936
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(100,000)	(20,000)	(120,000)
Net cash flows from noncapital financing activities	(100,000)	(20,000)	(120,000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Other income	5,559	-	5,559
Net cash flows from investing activities	5,559	-	5,559
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,380	(7,885)	5,495
CASH AND CASH EQUIVALENTS, beginning of year	202,449	99,224	301,673
CASH AND CASH EQUIVALENTS, end of year	\$ 215,829	\$ 91,339	\$ 307,168
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 88,714	\$ 12,700	\$ 101,414
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	13,196	-	13,196
(Increase) decrease in accounts receivable	611	(1,872)	(1,261)
Increase (decrease) in accounts payable	5,265	1,287	6,552
Increase (decrease) in accrued wages	35	-	35
Net cash flows from operating activities	107,821	12,115	119,936
As shown in the Accompanying Financial Statements			
Equity in cash and investments	\$ 215,829	\$ 91,339	\$ 307,168
Restricted equity in cash and investments	-	-	-
Total cash and cash equivalents	\$ 215,829	\$ 91,339	\$ 307,168
Noncash financing and investing activities:			
None	\$ -	\$ -	\$ -

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET POSITION – PENSION TRUST FUNDS
as of ended September 30, 2017

	Pension Trust Funds			Total
	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	
ASSETS				
Receivables, net				
City	\$ 14,189	\$ 23,449	\$ 1,760	\$ 39,398
Total receivables	14,189	23,449	1,760	39,398
Investments, at fair value:				
Cash and short-term money market funds	19,084	4,819	1,511	25,414
Fixed income securities	1,851,116	467,459	146,570	2,465,145
Equity securities	2,900,716	732,512	229,677	3,862,905
Total investments	4,770,916	1,204,790	377,758	6,353,464
Total assets	4,785,105	1,228,239	379,518	6,392,862
LIABILITIES				
Accrued benefits payable	-	-	-	-
Total Liabilities	-	-	-	-
NET POSITION				
Restricted for pension benefits	<u>\$ 4,785,105</u>	<u>\$ 1,228,239</u>	<u>\$ 379,518</u>	<u>\$ 6,392,862</u>

CITY OF FORT MEADE, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION – PENSION TRUST FUNDS
for the year ended September 30, 2017

	Pension Trust Funds			
	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
ADDITIONS				
Contributions:				
City	\$ 236,582	\$ 23,448	\$ 19,114	\$ 279,144
Total contributions	<u>236,582</u>	<u>23,448</u>	<u>19,114</u>	<u>279,144</u>
Investment income				
Investment income	572,288	156,797	46,229	775,314
Less investment expenses	(12,367)	(5,521)	(4,669)	(22,557)
Net investment income	<u>559,921</u>	<u>151,276</u>	<u>41,560</u>	<u>752,757</u>
Total additions	<u>796,503</u>	<u>174,724</u>	<u>60,674</u>	<u>1,031,901</u>
DEDUCTIONS				
Administrative expenses:				
Legal	17,297	4,868	1,406	23,571
Actuarial	8,888	2,813	6,075	17,776
Other fees	1,969	547	158	2,674
Total administrative expenses	<u>28,154</u>	<u>8,228</u>	<u>7,639</u>	<u>44,021</u>
Payments to retirees and participants	<u>308,763</u>	<u>181,252</u>	<u>36,616</u>	<u>526,631</u>
Total deductions	<u>336,917</u>	<u>189,480</u>	<u>44,255</u>	<u>570,652</u>
CHANGE IN NET POSITION	459,586	(14,756)	16,419	461,249
NET POSITION, beginning of year	<u>4,325,519</u>	<u>1,242,995</u>	<u>363,099</u>	<u>5,931,613</u>
NET POSITION, end of year	<u>\$ 4,785,105</u>	<u>\$ 1,228,239</u>	<u>\$ 379,518</u>	<u>\$ 6,392,862</u>

CITY OF FORT MEADE, FLORIDA
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL – STORMWATER SPECIAL REVENUE FUND
for the year ended September 30, 2017

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	\$ 182,450	\$ 182,450	\$ 163,435	\$ (19,015)
Other	-	-	515	515
Total revenues	<u>182,450</u>	<u>182,450</u>	<u>163,950</u>	<u>(18,500)</u>
EXPENDITURES:				
Physical environment	197,347	197,347	109,350	87,997
Capital outlay	4,333	4,333	4,052	281
Total expenditures	<u>201,680</u>	<u>201,680</u>	<u>113,402</u>	<u>88,278</u>
NET CHANGE IN FUND BALANCE	<u>\$ (19,230)</u>	<u>\$ (19,230)</u>	<u>\$ 50,548</u>	<u>\$ 69,778</u>



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GOVERNMENT AUDITING SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Meade, Florida (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2018.

Internal Control over Financial Reporting

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

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

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

Certified Public Accountants

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Curtis, Gray and Company, LLP

June 18, 2018
Sarasota, Florida

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

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

We have examined the City of Fort Meade's (the City) compliance with Section 218.415, *Florida Statutes*, during the fiscal year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2017.

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

Purvis, Gray and Company, LLP

June 18, 2018
Sarasota, Florida

Certified Public Accountants

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Fort Meade, Florida (the City) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 18, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 18, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report except as noted below:

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2015-16 FY Finding No.	2014-15 FY Finding No.
2017.1	2016.1	2015.1
2017.2	2016.3	2014.2

Official Title and Legal Authority

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

Certified Public Accountants

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

MANAGEMENT LETTER
(Continued)

Financial Condition and Management

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

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

- **2017.1 – Wastewater Fund Losses** – The City's wastewater fund has incurred losses before contributions and transfers of \$278,353 and \$351,114 for the fiscal years ended September 30, 2017 and 2016, respectively. The wastewater fund also has an interfund loan payable to the general fund of \$825,921 with insufficient unrestricted resources available to repay the loan, which may result in reclassification to a permanent transfer. During 2016, a supplemental wastewater rate study was completed to determine the impact of excessive industrial waste on wastewater operations. The study found that the wastewater system has had to incur significant additional operation and maintenance costs due to the wastewater discharged from the Biosolids Distributions Systems, LLC facility, which has led to significant operating losses in each of the previous two years. The City adjusted its rates for industrial customers during 2016. We recommend the City ensure that fees collected are sufficient to pay operating expenses and repay the interfund loan to the general fund, or that transfers be budgeted from other funds, as necessary.

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.

Annual Financial Report

Sections 10.554(1)(i)5.b. 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 the annual financial report for the City for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

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 offer the following observations and recommendations:

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

MANAGEMENT LETTER
(Concluded)

Additional Matters (Concluded)

- **2017.2 – Power Cost Adjustment (PCA) Tariff** – In our 2014 management letter, we noted that the City adopted a new PCA ordinance in August 2014 (Ordinance 14-09), but had not fully implemented it. One item was addressed in 2015 per our recommendation; the City began recovering certain “power related expenses” through the PCA. One additional item has been addressed per our recommendation; a definition of “power related expenses” has been determined. As of September 30, 2017, other provisions of the ordinance, for example the establishment of an interest-bearing account for rate stabilization, have not been implemented. We recommend the City prepare an internal policy memorandum clarifying guidance for the implementation of this ordinance. In addition, we recommend that the City formalize the methodology into a revised PCA rate tariff, filed with the Florida Public Service Commission.

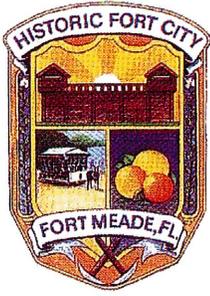
Purpose of this Letter

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

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

Davis, Gray and Company, LLP

June 18, 2018
Sarasota, Florida



June 19, 2018

City of Fort Meade
Attention: Mayor Cochrane and City Commissioners
8 West Broadway Street
Fort Meade, FL 33841

Subject: Fiscal Year 2017 Audit Findings

Dear Mayor Cochrane and City Commissioners,

Please see below the City's response to Fiscal Year 2017 audit findings as identified by Purvis Gray & Company.

2017.1 – Wastewater Fund Losses

The City's Wastewater Fund has incurred losses before contributions and transfers of \$351,114 and \$678,665 for the fiscal years ended September 30, 2016 and 2015, respectively. The Sewer Fund also has an interfund loan payable to the General Fund of \$843,714 with insufficient unrestricted resources available to repay the loan, which may result in reclassification to a permanent transfer. During 2016, a supplemental Wastewater Rate Study was completed to determine the impact of excessive industrial waste on wastewater operations. The study found that the wastewater system has had to incur significant additional operation and maintenance costs, due to the wastewater discharged from the Biosolids Distributions Systems, LLC facility, which has led to significant operating losses in each of the previous two years. The City adjusted its rates for industrial customers during 2016. We recommend the City ensure that fees collected are sufficient to pay operating expenses and repay the interfund loan to the General Fund, or that transfers be budgeted from other funds, as necessary.

RESPONSE: The amount of loss incurred in FY 2016 and FY 2017 were significantly less than that for 2015. The City is still in litigation with Biosolids Distributions Systems, LLC. Until the lawsuit has been settled, it is unclear if the City will be able to use the proceeds to offset a portion of the losses incurred. Once the settlement agreement has been reached, the City can make an informed decision, as to how to proceed with the repayment obligation.

2017.2 - Power Cost Adjustment (PCA) Tariff

On our 2014 management letter, we noted that the City adopted a new PCA Ordinance in August 2014 (Ordinance 14-09) but had not fully implemented it. One item was addressed in 2015 per our recommendation the City began recovering certain "power related expenses" through the PCA. However, a definition of "power related expenses" has not been determined and other provisions of the ordinance, for example the establishment of an interest-bearing account for rate stabilization, have not been implemented. We recommend the City prepare an internal policy memorandum clarifying guidance for the implementation of this ordinance. In addition, we recommended that the City formalize the methodology into a revised PCA rate tariff, filed with the Florida Public Service Commission.

RESPONSE: The City is working with the consultants, legal team, and City Commission to issue a clarification to Ordinance 14-09. This clarification will be presented to the City Commission for approval on June 26, 2018. This will achieve the following tasks:

- define “power related expenses.”
- create an internal compliance document that fully implements the new PCA tariff.
- review Ordinance 14-09, to ensure its provisions are applied.

Sincerely,



Breanna Smith, MBA CFE
Finance Director