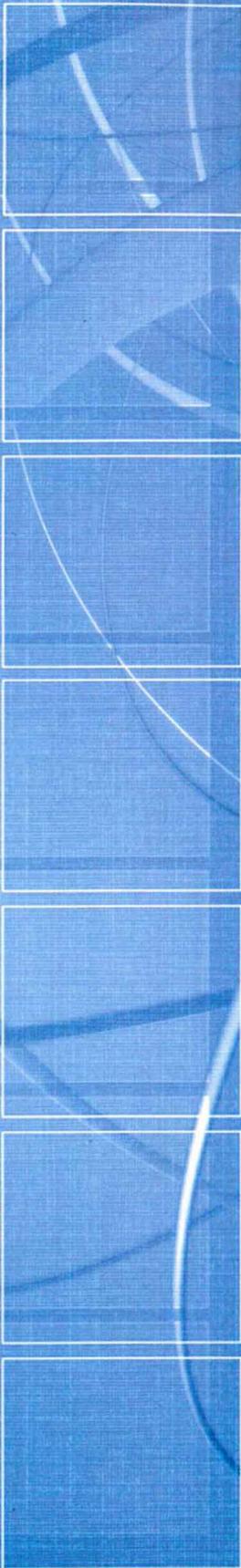


**CITY OF
FRUITLAND PARK,
FLORIDA**

**ANNUAL
FINANCIAL REPORT**

Year Ended September 30, 2017



INTRODUCTORY SECTION

CITY OF FRUITLAND PARK, FLORIDA

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CITY OF FRUITLAND PARK, FLORIDA

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June 19, 2018

To the Honorable Mayor, Members of the City Commission, and Citizens of the City of Fruitland Park, Florida:

The Comprehensive Annual Financial Report (CAFR) for the City of Fruitland Park, Florida, for the fiscal year ended September 30, 2017 is hereby submitted pursuant to Florida Statutes Chapter 218.39 and Chapter 10.550 of the Rules of the Auditor General of the State of Florida. State law requires an annual financial audit of local government entities be completed no later than nine months after the end of the fiscal year. This CAFR is published to fulfill this requirement for the fiscal year ended September 30, 2017 and to provide our citizens, city commission, city staff, creditors and other interested parties with detailed information concerning the financial condition and activities of the City.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, which is based on a comprehensive framework of internal controls established for this purpose. Because the cost of the internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

We believe that the City's internal accounting controls adequately

safeguard assets and provide reasonable assurance of proper recording of financial transactions. In addition, we believe the information contained in this report is presented in a manner designed to fairly set forth the financial position and results of operation of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a maximum understanding of the City's financial affairs are included.

The City of Fruitland Park maintains budgetary controls to ensure compliance with legal provisions contained in the annual appropriated budget approved by the City Commission. Annual budgets are legally adopted for the activities of the General Fund, Redevelopment Fund, Capital Projects Fund, Utility Fund and the Recreation Programs Fund. Budgets are controlled at the department level and total expenditures may not legally exceed appropriations for each budgeted department without Commission approval. Encumbrance accounting is utilized to reserve the encumbered portion of the appropriation.

The City of Fruitland Park's financial statements have been audited in accordance with generally accepted auditing standards by McDermitt Davis., Certified Public Accountants and Advisors. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Fruitland Park are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and



disclosures in the financial statements; assessing the accounting principles used and estimates made by management; and evaluating the overall financial statement presentation. McDirmit Davis concluded, based upon the audit, that there is reasonable basis for rendering an unmodified (“clean report”) opinion that the City of Fruitland Park’s financial statements for the fiscal year ending September 30, 2017, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor’s report is located at the front of the financial section of this report.

Management’s Discussion and Analysis (MD&A), immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A provides “financial highlights” and interprets the financial report by analyzing trends and by explaining changes, fluctuations and variances in the financial data. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the City

The City of Fruitland Park is operated under a Commission-Manager form of government. Policymaking and legislative authorities are vested in the City Commission that consists of a Mayor and four other Commission members. The Mayor presides over commission meetings and public ceremonies. The Commission is non-partisan and the members are elected to four year

staggered terms. The City Commission is responsible, among other things, for passing ordinances, adopting the budget, appointing boards, and hiring the City Manager, City Finance Director, City Clerk, City Attorney and the City Auditor. The City Manager is responsible for carrying out the policies of the Commission, overseeing the day-to-day operations and appointing department heads.

The City of Fruitland Park, incorporated in 1927, is located in central Florida. It is empowered by Florida Statute to extend its corporate limits by annexation, which it does from time to time. Fruitland Park has a population of 7,291 and a land area of approximately 7.29 square miles. It has 66.8 miles of street. The Villages added an additional 17.8 miles of streets. The City’s property tax millage rate is \$3.9863 per \$1000 for fiscal year 2017, the same as last year’s millage.

The City of Fruitland Park provides a full range of services to its residents. These services include a public library, police and fire protection, the construction and maintenance of local streets and infrastructure, and recreational and cultural activities and events. The City also maintains and operates water and sewer utilities. Garbage collection and disposal services are provided by way of an exclusive franchise agreement with Waste Management Inc.

The annual budget serves as the foundation for the City of Fruitland Park’s financial planning and control. All department heads are required to submit



requests for appropriation to the City Manager. The City Manager uses these requests as a basis for developing a proposed budget and then presents the proposed budget to the City Commission for review. The City Commission is required to hold two public hearings, one on the proposed budget and a second to adopt a final budget by no later than September 30th, the close of the fiscal year. The City Manager and Department Heads may transfer resources within a department as necessary; however transfers between departments require special approval (budget amendment by resolution) from the City Commission. The City of Fruitland Park utilizes an encumbrance accounting system to maintain budgetary control. These encumbrances lapse at year-end.

Local economy

Fruitland Park, which is located in northwest Lake County, is essentially residential in character and its economy is primarily centered in retail trade and service industries. Fruitland Park is located in the triangle between Leesburg, Lady Lake and The Villages, the largest residential retirement community in the state.

Evidence of growth has begun to show all over the City of Fruitland Park. One of the most visible signs of this event is taking place on the north western boundaries of the City. In 2008, approximately 989 acres of property was annexed into the City of Fruitland Park. This development is referred to as the "Pine Ridge Dairy". In May 2014, 780 of those acres were purchased by The Villages and approved

for development as the "Villages of Fruitland Park". The approved plan includes 2,055 residential homes, 3 recreation centers, and an 18-hole golf course. The residential home values will range from \$225,000 to over \$2,000,000. There were 309 certificates of occupancy issued in the Villages of Fruitland Park in FY2015, 656 issued in FY2016, and 919 issued in FY2017 for a total of 1,884 certificates of occupancy issued in the Villages of Pine Ridge Dairy. There was a total of 931 certificates of occupancy issued in Fruitland Park in FY2017.

The Villages is known for causing an economic domino effect to all of its surrounding areas. The City of Fruitland Park should experience a growth pattern similar to Lady Lake over the next 1-4 years. Several other parcels in Fruitland Park are making plans because of the growth brought by The Villages to develop commercial infrastructures such as warehouses, retail shops, apartments, family housing, and restaurants.

Lake County made a three phase expansion design for the City's second major thorough fare, County Road 466A, from two to four lanes in 2012. However, due to budget constraints the project was placed on hold. The County has now teamed up with the City of Fruitland Park and the Villages to get this roadway completed. Lake County completed construction on Phase I (from US Highway 27/441 to Sunny Court) in April 2017. The estimated cost of Phase 1 is \$2.3 million plus \$374,094 to relocate the utilities. The Villages handled all of the road construction in Phase 2 (from Windy



Acres to the Sumter County Line) in 2016, with an estimated cost of \$5.32 million. The City of Fruitland Park along with Lake County is currently soliciting the help of the State of Florida for Phase 3a, at 1.75 million (from Sunny Court to Janice Drive) and Phase 3b at 3.0 million (from Janice Drive to Windy Acres). The County is receiving 2.5 million in state funding to complete the project. There is a total of 3.05 miles of roadway that will be widened once the project is complete.

The Florida Department of Transportation began its construction on U.S. Highway 27/441 in Fruitland Park in 2011. This project expanded the City's main corridor from four to six lanes and was completed in June 2014. This expansion will also facilitate the expected growth.

There are 444 licensed businesses in Fruitland Park as of September 30, 2017. As previously stated, the City of Fruitland Park expects that number to grow because the area will be more attractive for several industries around the country.

Businesses looking to build or relocate in Lake County can take advantage of various incentives. Lake County's Department of Economic Growth and Redevelopment sponsors several Business Incentive programs.

Lake County's Business Opportunity Centers (BOC) offer full-service business support to all businesses in Lake County, regardless of size, industry or business cycle. Whether you are an entrepreneur with the next big idea or a successful business owner looking to take your

company to the next level, the Lake County BOC has a program or service designed to help you achieve your economic goals.

High Value Job Creation Program (HVJCP) is a new program designed to encourage and target industry businesses that offer significant economic benefit and create high-value jobs. This program provides a cash award for the creation of jobs that pay a minimum of 115% of the County's average annual wage.

The Artist Relocation Program (ARP) is designed to encourage arts and culture in downtown art districts by providing matching funds to new or relocating art businesses to offset building improvement costs.

Lake County along with Lake-Sumter State College, the Sumter County Economic Development Council, and other local economic development-oriented agencies established the Business Assistance Center; a partnership to help new and nurture existing businesses. This partnership provides small-business mentoring and is a resource when small businesses hit the inevitable bump or hurdle.

Affordable land and a pro-business approach contributes to the areas overall success in attracting new business. Large distributors such as Marriott, Domino's Pizza, Toyota and Goodyear Tire and Rubber Company have located in Lake County because of the central



location, which allows for easy and efficient distribution throughout the state.

Lake County's September 2017 unemployment rate was 7.5%. This is up 2.5% for the same time period last year. This rate is slightly higher than the state average of 6.5% and the same as the national average of 5.8% for the same period.

The taxable values for real and personal property has decreased 28.7% from 2008 to 2013, when property values were at its peak. Amendment 1 was approved in 2008 which limited growth in taxable values. Taxable values \$492,231,322 finally rose 186.6% from FY2016 (\$171,725,009) due to growth in the Villages.

Major Initiatives

The City of Fruitland Park is taking a proactive stance to promote the economic development in the area. The Commission is revitalizing the City for residents of all ages to enjoy. There were several properties acquired that will be used for recreational purposes in the future. Additionally, Community Redevelopment Agency funds were utilized to renovate Veterans Park, repair eight sidewalks, and repave nine streets.

The City purchased two Police mobile signs, Police Spillman software, a dump truck, a dump trailer, a loader with rake, 2 F-150s for Public Works, a new roof for the Library, and a windmill for the new Library with Sales Surtax funds in FY2017, and also leased 6 PD vehicles.

Long Term Financial Planning

Lake County voters renewed a One-Cent Discretionary Infrastructure Surtax on November 6, 2002 and again on November 3, 2015. The original tax, was authorized through December 31, 2017 and is now authorized through December 31, 2032, provides a funding source for infrastructure and capital projects. These funds were used to construct City Hall. The City would like to undertake one of several major Capital Improvement Projects which includes the construction of two major sewer lines along 466a and Shiloh plus a sewer line to Lady Lake.

At September 30, 2017 the unassigned fund balance in the General Fund was \$471,116. 1 month of current General Fund expenditures. This figure is under the "no less than one to two months of regular general fund operating expenditures" provided for in the Government Finance Officers Association's Appropriate Level of Unreserved Fund Balance recommendation. Also, it is less than the minimum range of the 3 months of operating expenditures informally established by the City for budgetary and planning purposes.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fruitland Park for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending September 30, 2013 but the City did not apply for the award for FY2015, FY2016



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and FY2017 due to a several month vacancy and changes for the Finance Director position and a new auditor. The City of Fruitland Park had received this prestigious award for fourteen consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

Jeannine Racine, City Finance Director

This report represents numerous hours of preparation and it would not have been possible without the dedicated efforts of the finance department staff. We would like to express our appreciation to staff members who assisted and contributed to the preparation of this report. Special recognition is given to finance department employees who worked diligently to ensure the timeliness and accuracy of this report. We also thank the Mayor and Commission Members for their interest and support in planning and conducting the operations of the City in a responsible and professional manner.

Respectfully Submitted,

Gary La Venia

Gary La Venia, City Manager

Jeannine Racine

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Commission
City of Fruitland Park, 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 Fruitland Park, Florida*, 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

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

Auditor's Responsibility

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

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

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

Opinions

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

MCDIRMIT DAVIS & COMPANY, LLC

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TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the pension disclosures on page 3 through 12, and 63 through 64 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 *City of Fruitland Park's* basic financial statements. The introductory section, and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2018 on our consideration of *City of Fruitland Park's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *City of Fruitland Park's* internal control over financial reporting and compliance.

McDiernit Davis & Company, LLC

Orlando, Florida
June 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the *City of Fruitland Park, Florida* we offer readers of the *City of Fruitland Park's* financial statements this narrative overview and analysis of the financial activities of the *City of Fruitland Park* for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the *City of Fruitland Park* exceeded its liabilities at the close of the most recent fiscal year by \$14,658,978 (net position). Of this amount, \$205,037 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,254,005.
- As of the close of the current fiscal year, the *City of Fruitland Park's* governmental funds reported combined ending fund balances of \$6,197,214, an increase of \$1,850,951 in comparison with the prior year. Approximately (7.6%) of this total amount, \$471,116, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$471,116, or (8.5%) of total general fund expenditures.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

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

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

Fund Financial Statements

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

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

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

The *City of Fruitland Park* maintains three individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Community Redevelopment Fund, and Capital Projects Fund which are considered to be major funds.

The *City of Fruitland Park* adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund, and the Community Redevelopment Fund to demonstrate compliance with this budget at pages 19 - 20. Budgetary comparison schedule for the Capital Projects fund is at page 65.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Proprietary Funds - *City of Fruitland Park* maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The *City of Fruitland Park* uses enterprise funds to account for Utility management and Recreation programs.

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

The basic proprietary fund financial statements can be found on pages 21 - 25 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 28 - 62 of this report.

Required Supplementary Information (RSI) - RSI can be found on pages 63 - 64 of this report.

Government-Wide Financial Analysis

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the *City of Fruitland Park*, assets exceeded liabilities by \$14,658,978 at the close of the most recent fiscal year. The following table reflects the condensed statement of net position for the current and prior year. For more detail see the Statement of Net Position on page 13.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

City of Fruitland Park
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 6,990,860	\$ 5,003,005	2,720,778	\$ 3,301,693	\$ 9,711,638	\$ 8,304,698
Capital Assets	4,458,639	4,381,326	6,283,705	5,129,089	10,742,344	9,510,415
Total Assets	11,449,499	9,384,331	9,004,483	8,430,782	20,453,982	17,815,113
Deferred Outflows	1,416,609	1,236,567	107,811	101,078	1,524,420	1,337,645
Liabilities:						
Long term liabilities	2,182,666	1,733,105	4,061,723	4,176,376	6,244,389	5,909,481
Other liabilities	794,199	657,556	200,704	168,513	994,903	826,069
Total Liabilities	2,976,865	2,390,661	4,262,427	4,344,889	7,239,292	6,735,550
Deferred inflows:	74,464	11,311	5,668	924	80,132	12,235
Net Position:						
Net investment in capital assets	4,211,022	4,177,487	3,930,652	3,329,022	8,141,674	7,506,509
Restricted	5,720,293	4,072,970	591,974	614,034	6,312,267	4,687,004
Unrestricted	(116,536)	(31,531)	321,573	242,991	205,037	211,460
Total Net Position	\$ 9,814,779	\$ 8,218,926	\$ 4,844,199	\$ 4,186,047	\$ 14,658,978	\$ 12,404,973

\$8,141,674 (56%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

Net position that are subject to external restrictions as to how they may be used total \$6,312,267 (43%). The remaining balance of *unrestricted net position* (\$205,037 or 1%) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$2,254,005 during the current fiscal year. The following table reflects the condensed Statement of Activities for the current year. For more detail see the Statement of Activities on page 14.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

City of Fruitland Park
Changes in Net Position

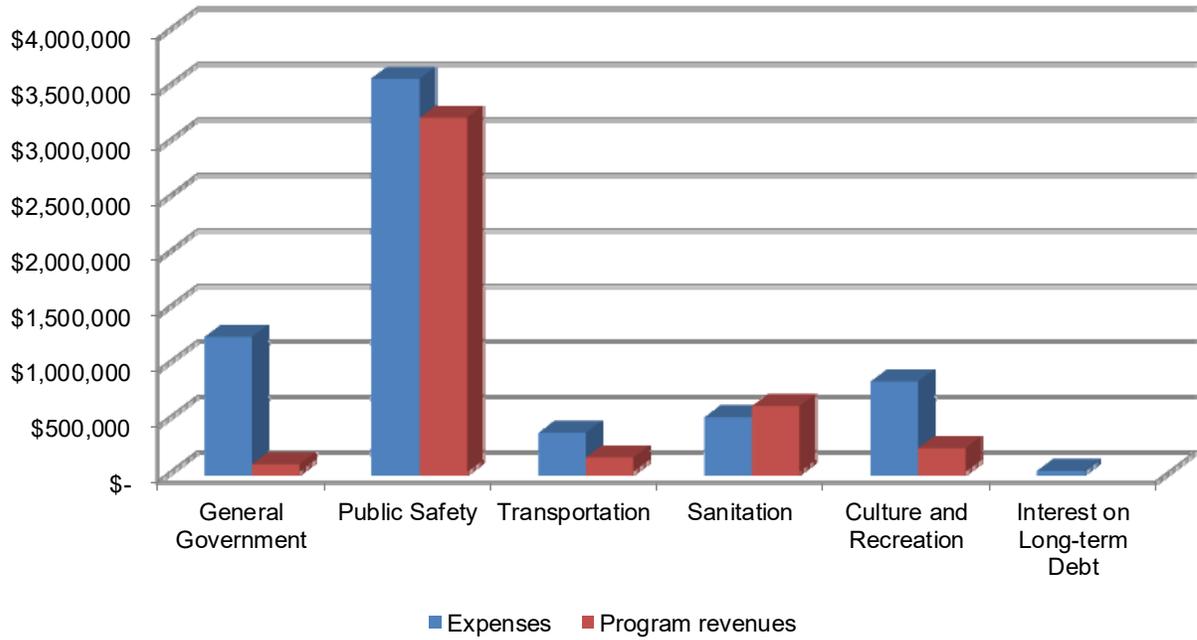
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues -						
Charges for services	\$ 3,045,938	\$ 3,092,756	\$ 946,671	\$ 811,870	\$ 3,992,609	\$ 3,904,626
Operating grants and contributions	209,836	225,174	-	-	209,836	225,174
Capital grants and contributions	974,208	996,949	904,997	433,074	1,879,205	1,430,023
General revenues -						
Property taxes	1,375,629	1,013,799	-	-	1,375,629	1,013,799
Franchise and utility Taxes	1,475,550	1,124,153	-	-	1,475,550	1,124,153
Intergovernmental	806,551	773,165	-	-	806,551	773,165
Investment income and miscellaneous	129,400	180,720	31,625	14,911	161,025	195,631
Total revenues	<u>8,017,112</u>	<u>7,406,716</u>	<u>1,883,293</u>	<u>1,259,855</u>	<u>9,900,405</u>	<u>8,666,571</u>
Expenses:						
General government	1,223,914	1,043,212	-	-	1,223,914	1,043,212
Public safety	3,550,072	3,097,472	-	-	3,550,072	3,097,472
Transportation	359,857	291,644	-	-	359,857	291,644
Sanitation	500,773	462,909	-	-	500,773	462,909
Culture and recreation	822,451	726,059	-	-	822,451	726,059
Interest on long-term debt	15,728	3,658	-	-	15,728	3,658
Utility	-	-	1,147,217	1,003,485	1,147,217	1,003,485
Recreation programs	-	-	26,388	32,561	26,388	32,561
Total expenses	<u>6,472,795</u>	<u>5,624,954</u>	<u>1,173,605</u>	<u>1,036,046</u>	<u>7,646,400</u>	<u>6,661,000</u>
Increase (Decrease) in Net Position Before Transfers	1,544,317	1,781,762	709,688	223,809	2,254,005	2,005,571
Transfers	<u>51,536</u>	<u>(302,389)</u>	<u>(51,536)</u>	<u>302,389</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	1,595,853	1,479,373	658,152	526,198	2,254,005	2,005,571
Net Position - October 1	<u>8,218,926</u>	<u>6,765,496</u>	<u>4,186,047</u>	<u>3,749,680</u>	<u>12,404,973</u>	<u>10,515,176</u>
Restatement of Net Position	-	(25,943)	-	(89,831)	-	(115,774)
Net Position - September 30	<u>\$ 9,814,779</u>	<u>\$ 8,218,926</u>	<u>\$ 4,844,199</u>	<u>\$ 4,186,047</u>	<u>\$ 14,658,978</u>	<u>\$ 12,404,973</u>

Governmental Activities - Governmental activities increased the *City of Fruitland Park's* net position by \$1,595,853. This was due to increases in Villages permitting revenues, franchise fees and utility taxes.

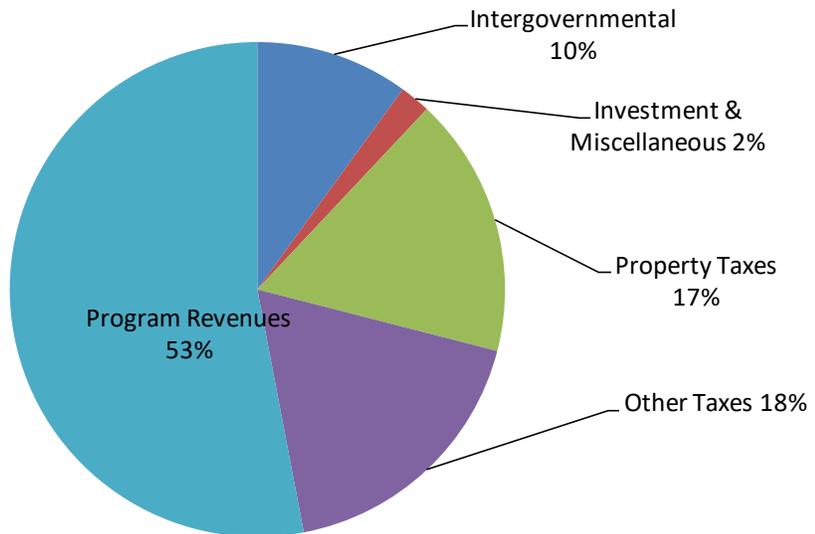
Business-Type Activities - Business-type activities increased the *City of Fruitland Park's* net position by \$658,152 primarily due to Developer contributions for the Villages, as well as an increase in grant revenues received.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Expenses and Program Revenues - Governmental Activities

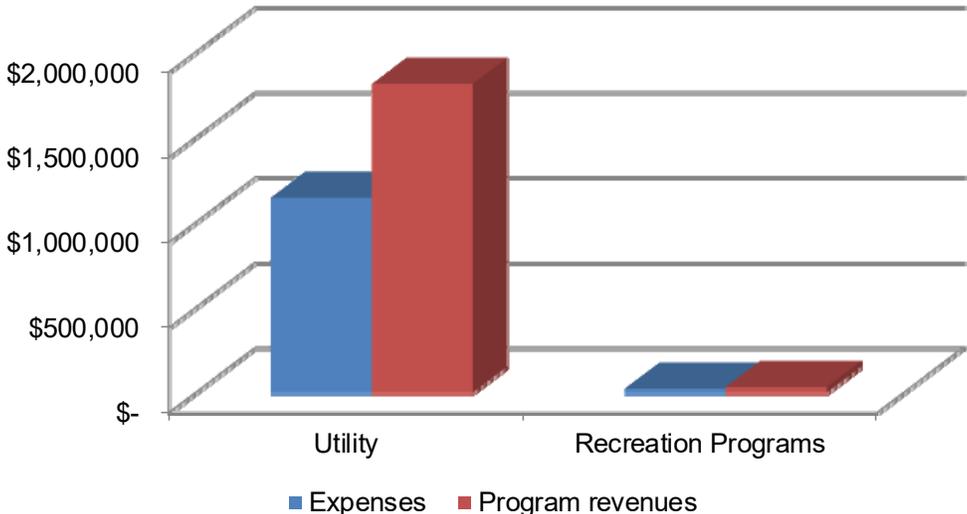


Revenue by Source - Governmental Activities

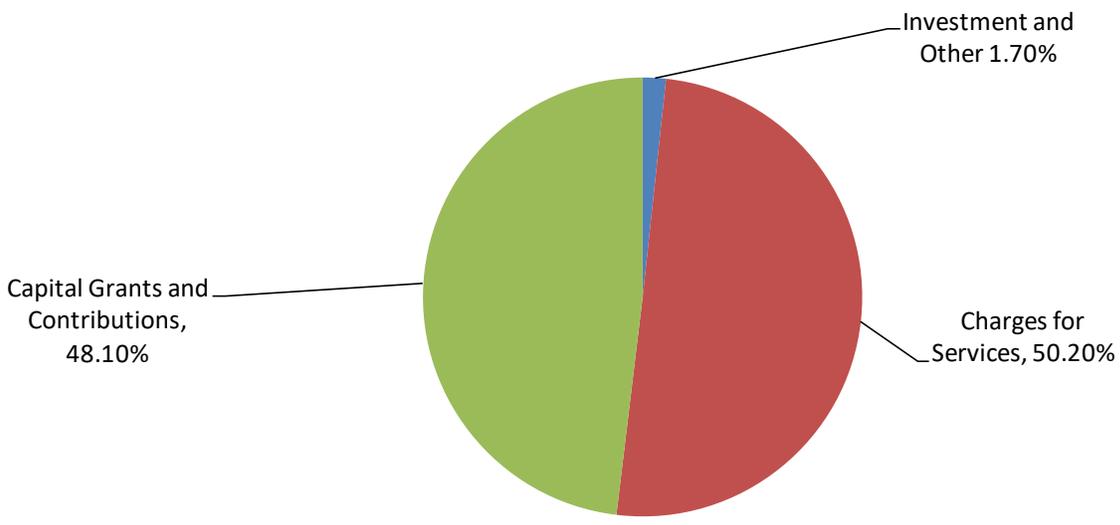


MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Expenses and Program Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the *City of Fruitland Park's* governmental funds reported combined ending fund balances of 6,197,214, an increase of \$1,850,951 in comparison with the prior year. However, most of the fund balances are restricted or committed, so there is only \$471,116 available for spending at the City's discretion.

The general fund is the chief operating fund of the *City of Fruitland Park*. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$471,116, while total fund balance was \$5,475,330. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 5.5% while total fund balance is 99.3% of total General Fund expenditures.

The fund balance of the general fund increased by \$2,038,899 during the current fiscal year.

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

Unrestricted net position of the proprietary funds at the year-end amounted to \$321,573. The total increase in net position for these funds was \$658,152. Other factors concerning the finances of these two funds have already been addressed in the discussion of the *City of Fruitland Park's* business-type activities.

General Fund Budgetary Highlights

During the year, actual revenues were \$576,199 more than budgeted revenues and actual expenditures were \$1,612,072 less than budgeted expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Capital Asset and Debt Administration

Capital Assets - The *City of Fruitland Park's* investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$10,727,091 (net of accumulated depreciation), for an increase of \$1,216,676 from the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 12.79% (a 1.76% increase for governmental activities, and 22.21% increase for business-type activities).

City of Fruitland Park
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,313,703	\$ 1,313,703	\$ 354,952	\$ 339,699	\$ 1,668,655	\$ 1,653,402
Construction in Progress	24,575	-	1,548,646	342,533	1,573,221	342,533
Buildings	1,562,897	1,630,885	74,741	81,237	1,637,638	1,712,122
Improvements	239,483	214,060	-	-	239,483	214,060
Machinery and Equipment	840,845	722,834	129,230	147,707	970,075	870,541
Infrastructure	477,136	499,844	4,073,415	4,076,511	4,550,551	4,576,355
Intangibles	-	-	102,721	141,402	102,721	141,402
Total	\$ 4,458,639	\$ 4,381,326	\$ 6,283,705	\$ 5,129,089	\$ 10,742,344	\$ 9,510,415

Additional information on the *City of Fruitland Park's* capital assets can be found in Note 8 of this report.

Long-Term Debt - At the end of the current fiscal year, the *City of Fruitland Park* had total debt outstanding of \$4,160,550. This debt includes bonds payable and notes payable. Additional information on long-term debt can be found in Note 9 of this report.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Capital Leases	\$ 247,617	\$ 203,839	\$ -	\$ -	\$ 247,617	\$ 203,839
Notes Payable	-	-	3,912,933	4,049,775	3,912,933	4,049,775
	\$ 247,617	\$ 203,839	\$ 3,912,933	\$ 4,049,775	\$ 4,160,550	\$ 4,253,614

The *City of Fruitland Park's* total debt decreased by \$93,064 (2.19%) during the current fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Next Year's Budget and Rates

At September 30, 2017, the unassigned fund balance in the General Fund is only \$471,116 so none was budgeted for appropriations in 2018. The City is expecting to incur enough revenues in 2018 to cover expenditures.

Requests for Information

This financial report is designed to provide a general overview of the *City of Fruitland Park's* finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Finance Director, *City of Fruitland Park*, 506 W. Berkman Street, Fruitland Park, Florida 34731.

BASIC FINANCIAL STATEMENTS

CITY OF FRUITLAND PARK, FLORIDA

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 6,317,321	\$ 2,743	\$ 6,320,064
Investments	400,000	-	400,000
Receivables, net	53,819	111,429	165,248
Due from other governments	213,915	250,000	463,915
Inventories	2,673	80,855	83,528
Prepays	3,132	1,296	4,428
Restricted cash and cash equivalents	-	2,274,455	2,274,455
Capital Assets:			
Capital assets not being depreciated	1,338,278	1,903,598	3,241,876
Capital assets being depreciated, net of accumulated depreciation	3,120,361	4,380,107	7,500,468
Total assets	<u>11,449,499</u>	<u>9,004,483</u>	<u>20,453,982</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of pension earnings	<u>1,416,609</u>	<u>107,811</u>	<u>1,524,420</u>
LIABILITIES:			
Accounts payable and accrued expenses	462,685	30,494	493,179
Due to other governmental agencies	18,097	-	18,097
Accrued interest	553	23,530	24,083
Deposits payable	1,314	146,680	147,994
Unearned revenue	311,550	-	311,550
Noncurrent liabilities:			
Due within one year	102,756	270,247	373,003
Due in more than one year	2,079,910	3,791,476	5,871,386
Total liabilities	<u>2,976,865</u>	<u>4,262,427</u>	<u>7,239,292</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of pension earnings	<u>74,464</u>	<u>5,668</u>	<u>80,132</u>
NET POSITION:			
Net investment in capital assets	4,211,022	3,930,652	8,141,674
Restricted for:			
Capital Improvements	3,148,361	546,670	3,695,031
Community redevelopment	126,496	-	126,496
Debt service	-	45,304	45,304
Cemetery care	83,280	-	83,280
Police	4,399	-	4,399
Stormwater	290,259	-	290,259
Building Inspections	1,996,988	-	1,996,988
Police/Fire fee refunds	70,510	-	70,510
Unrestricted	(116,536)	321,573	205,037
Total net position	<u>\$ 9,814,779</u>	<u>\$ 4,844,199</u>	<u>\$ 14,658,978</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental Activities						
General Government	\$ 1,223,914	\$ -	\$ -	\$ (1,149,206)	\$ -	\$ (1,149,206)
Public Safety	3,550,072	15,049	862,822	(350,976)	-	(350,976)
Transportation	359,857	7,206	-	(223,475)	-	(223,475)
Sanitation	500,773	600,056	-	99,283	-	99,283
Culture and Recreation	822,451	42,743	111,386	(602,711)	-	(602,711)
Interest on Long-term debt	15,728	-	-	(15,728)	-	(15,728)
Total governmental activities	6,472,795	3,045,938	974,208	(2,242,813)	-	(2,242,813)
Business-type activities:						
Water	1,147,217	910,404	904,997	-	668,184	668,184
Recreation Programs	26,388	36,267	-	-	9,879	9,879
Total business-type activities	1,173,605	946,671	904,997	-	678,063	678,063
Total primary government	\$ 7,646,400	\$ 3,992,609	\$ 1,879,205	(2,242,813)	678,063	(1,564,750)
General Revenues:						
Property taxes				1,375,629	-	1,375,629
Franchise and utility taxes				585,572	-	585,572
Intergovernmental				806,551	-	806,551
Public service taxes				889,978	-	889,978
Unrestricted investment earnings				43,948	31,625	75,573
Miscellaneous				85,452	-	85,452
Transfers				51,536	(51,536)	-
Total general revenues and transfers				3,838,666	(19,911)	3,818,755
Change in net position				1,595,853	658,152	2,254,005
Net Position - beginning				8,218,926	4,186,047	12,404,973
Net Position - ending				\$ 9,814,779	\$ 4,844,199	\$ 14,658,978

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2017

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 5,765,008	\$ 40,246	\$ 512,067	\$ 6,317,321
Investments	200,000	100,000	100,000	400,000
Accounts receivable, net	53,819	-	-	53,819
Due from other governments	174,861	-	39,054	213,915
Inventories	2,673	-	-	2,673
Prepaid costs	3,132	-	-	3,132
Total assets	<u>\$ 6,199,493</u>	<u>\$ 140,246</u>	<u>\$ 651,121</u>	<u>\$ 6,990,860</u>
LIABILITIES:				
Accounts payable	\$ 309,478	\$ 13,000	\$ 55,733	\$ 378,211
Accrued liabilities	84,474	-	-	84,474
Due to other governments	18,097	-	-	18,097
Deposits payable	564	750	-	1,314
Unearned revenue	311,550	-	-	311,550
Total liabilities	<u>724,163</u>	<u>13,750</u>	<u>55,733</u>	<u>793,646</u>
FUND BALANCES:				
Nonspendable	5,805	-	-	5,805
Restricted	4,624,870	126,496	595,388	5,346,754
Committed	373,539	-	-	373,539
Unassigned	471,116	-	-	471,116
Total fund balances	<u>5,475,330</u>	<u>126,496</u>	<u>595,388</u>	<u>6,197,214</u>
Total Liabilities and Fund Balances	<u>\$ 6,199,493</u>	<u>\$ 140,246</u>	<u>\$ 651,121</u>	<u>\$ 6,990,860</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

September 30, 2017

Total Fund Balance, governmental funds	\$ 6,197,214
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	4,458,639
Deferred inflows and outflows of resources related to pension earning are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting	1,342,145
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(2,183,219)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 9,814,779</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes:				
Property	\$ 1,156,520	\$ 219,109	\$ -	\$ 1,375,629
Franchise and utility	1,475,550	-	-	1,475,550
Fees and fines	18,417	-	-	18,417
Licenses and permits	2,304,030	-	-	2,304,030
Intergovernmental	732,694	-	404,630	1,137,324
Impact fees	862,822	-	-	862,822
Charges for services	696,950	-	-	696,950
Investment earnings	35,032	2,152	6,764	43,948
Miscellaneous	102,442	-	-	102,442
Total revenues	<u>7,384,457</u>	<u>221,261</u>	<u>411,394</u>	<u>8,017,112</u>
EXPENDITURES:				
Current:				
General government	869,890	5,825	-	875,715
Public safety	3,104,480	-	-	3,104,480
Transportation	281,696	-	-	281,696
Sanitation/ other utility	500,773	-	-	500,773
Culture and recreation	757,750	-	-	757,750
Debt service:				
Principal	-	-	72,083	72,083
Interest	-	-	15,989	15,989
Capital Outlay	-	259,236	465,836	725,072
Total expenditures	<u>5,514,589</u>	<u>265,061</u>	<u>553,908</u>	<u>6,333,558</u>
Excess (deficiency) of revenues over expenditures	<u>1,869,868</u>	<u>(43,800)</u>	<u>(142,514)</u>	<u>1,683,554</u>
OTHER FINANCING SOURCES (USES):				
Capital Lease	-	-	115,861	115,861
Transfers in	169,031	-	-	169,031
Transfers out	-	(45,059)	(72,436)	(117,495)
Total other financing sources (uses)	<u>169,031</u>	<u>(45,059)</u>	<u>43,425</u>	<u>167,397</u>
Net change in fund balances	2,038,899	(88,859)	(99,089)	1,850,951
Fund balances - beginning	3,436,431	215,355	694,477	4,346,263
Fund balances - ending	<u>\$ 5,475,330</u>	<u>\$ 126,496</u>	<u>\$ 595,388</u>	<u>\$ 6,197,214</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2017

Net Change in Fund Balances - total governmental funds:	\$ 1,850,951
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays were less than depreciation in the current period.	78,050
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net position	(737)
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.	(43,778)
Cash pension contributions reported in the funds were more than the calculated pension expense on the statement of activities, and therefore increased net position	(275,462)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	<u>(13,171)</u>
Change in net position of governmental activities	<u>\$ 1,595,853</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property taxes	\$ 1,150,160	\$ 1,157,060	\$ 1,156,520	\$ (540)
Franchise and utility	1,065,484	1,307,284	1,475,550	168,266
Fees and Fines	23,148	17,948	18,417	469
Licenses and Permits	1,283,737	1,471,925	2,304,030	832,105
Intergovernmental	1,605,963	1,639,963	732,694	(907,269)
Impact fees	395,676	395,676	862,822	467,146
Charges for Services	708,087	689,887	696,950	7,063
Investment Earnings	5,007	33,507	35,032	1,525
Miscellaneous	215,026	95,008	102,442	7,434
Total revenues	<u>6,452,288</u>	<u>6,808,258</u>	<u>7,384,457</u>	<u>576,199</u>
EXPENDITURES:				
Current:				
General government	991,598	926,428	869,890	56,538
Public safety	3,139,329	3,350,447	3,104,480	245,967
Transportation	287,111	526,883	281,696	245,187
Sanitation/ other utility	607,875	607,875	500,773	107,102
Culture and recreation	1,715,158	1,715,028	757,750	957,278
Total expenditures	<u>6,741,071</u>	<u>7,126,661</u>	<u>5,514,589</u>	<u>1,612,072</u>
Excess (deficiency) of revenues over expenditures	<u>(288,783)</u>	<u>(318,403)</u>	<u>1,869,868</u>	<u>2,188,271</u>
OTHER FINANCING SOURCES:				
Transfers In	<u>288,783</u>	<u>318,403</u>	<u>169,031</u>	<u>(149,372)</u>
Total other financing sources	<u>288,783</u>	<u>318,403</u>	<u>169,031</u>	<u>(149,372)</u>
Net change in fund balances	-	-	2,038,899	2,038,899
Fund Balance - beginning	<u>3,436,431</u>	<u>3,436,431</u>	<u>3,436,431</u>	<u>-</u>
Fund Balance - ending	<u>\$ 3,436,431</u>	<u>\$ 3,436,431</u>	<u>\$ 5,475,330</u>	<u>\$ 2,038,899</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT SPECIAL REVENUE FUND**

For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property Taxes	\$ 224,475	\$ 224,475	\$ 219,109	\$ (5,366)
Investment Earnings	1,077	1,077	2,152	1,075
Total revenues	<u>225,552</u>	<u>225,552</u>	<u>221,261</u>	<u>(4,291)</u>
EXPENDITURES:				
Current:				
General government	25,236	7,670	5,825	1,845
Capital Outlay	233,000	250,566	259,236	(8,670)
Total expenditures	<u>258,236</u>	<u>258,236</u>	<u>265,061</u>	<u>(6,825)</u>
Excess (deficiency) of revenues over expenditures	<u>(32,684)</u>	<u>(32,684)</u>	<u>(43,800)</u>	<u>(11,116)</u>
OTHER FINANCING USES:				
Transfers Out	<u>(45,059)</u>	<u>(45,059)</u>	<u>(45,059)</u>	<u>-</u>
Total other financing uses	<u>(45,059)</u>	<u>(45,059)</u>	<u>(45,059)</u>	<u>-</u>
Net change in fund balances	<u>(77,743)</u>	<u>(77,743)</u>	<u>(88,859)</u>	<u>(11,116)</u>
Fund Balance - beginning	<u>215,355</u>	<u>215,355</u>	<u>215,355</u>	<u>-</u>
Fund Balance - ending	<u>\$ 137,612</u>	<u>\$ 137,612</u>	<u>\$ 126,496</u>	<u>\$ (11,116)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2017

	Enterprise Funds		
	Utility Fund	Recreation Programs Fund	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 400	\$ 2,343	\$ 2,743
Accounts receivable, net	111,429	-	111,429
Due from other governments	250,000		250,000
Prepaid items	1,296		1,296
Inventories	80,855	-	80,855
Restricted cash and cash equivalents	167,907		167,907
Total current assets	<u>611,887</u>	<u>2,343</u>	<u>614,230</u>
Noncurrent assets:			
Restricted cash and cash equivalents	2,106,548		2,106,548
Capital assets:			
Land	354,952	-	354,952
Construction in progress	1,548,646	-	1,548,646
Buildings	243,408	-	243,408
Infrastructure	6,731,714	-	6,731,714
Intangible assets	346,296	-	346,296
Machinery and equipment	501,991	-	501,991
Less accumulated depreciation	<u>(3,443,302)</u>	<u>-</u>	<u>(3,443,302)</u>
Net Capital assets	<u>6,283,705</u>	<u>-</u>	<u>6,283,705</u>
Total noncurrent assets	<u>8,390,253</u>	<u>-</u>	<u>8,390,253</u>
Total assets	<u>9,002,140</u>	<u>2,343</u>	<u>9,004,483</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of pension earnings	<u>107,811</u>	<u>-</u>	<u>107,811</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

	Enterprise Funds		
	Recreation Programs		
	Utility Fund	Fund	Total
LIABILITIES:			
Current Liabilities:			
Accounts payable	20,423	540	20,963
Salaries payable	9,531	-	9,531
Accrued interest payable	23,530	-	23,530
Customer deposits payable	146,680	-	146,680
Compensated absences	1,715	-	1,715
Notes and loans payable - current	268,532	-	268,532
Total current liabilities	<u>470,411</u>	<u>540</u>	<u>470,951</u>
Noncurrent Liabilities:			
Compensated absences	6,858	-	6,858
Net pension liability	140,217	-	140,217
Notes and loans payable	3,644,401	-	3,644,401
Total noncurrent liabilities	<u>3,791,476</u>	<u>-</u>	<u>3,791,476</u>
Total liabilities	<u>4,261,887</u>	<u>540</u>	<u>4,262,427</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of pension earnings	<u>5,668</u>	<u>-</u>	<u>5,668</u>
NET POSITION:			
Net investment in capital assets	3,930,652	-	3,930,652
Restricted for capital improvements	546,670	-	546,670
Restricted for debt service	45,304	-	45,304
Unrestricted	319,770	1,803	321,573
Total net position	<u>\$ 4,842,396</u>	<u>\$ 1,803</u>	<u>\$ 4,844,199</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	Enterprise Funds		
	Utility Fund	Recreation Programs Fund	Total
REVENUES:			
Charges for Services	\$ 808,910	\$ 35,637	\$ 844,547
Other Operating Revenues	101,494	630	102,124
Total operating revenues	<u>910,404</u>	<u>36,267</u>	<u>946,671</u>
OPERATING EXPENSES:			
Personal Services	430,711	-	430,711
Other Operating Expenses	351,275	26,388	377,663
Depreciation	258,366	-	258,366
Total operating expenses	<u>1,040,352</u>	<u>26,388</u>	<u>1,066,740</u>
Operating income (loss)	<u>(129,948)</u>	<u>9,879</u>	<u>(120,069)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest and Investment Income	31,550	75	31,625
Interest Expense	(106,865)	-	(106,865)
Total nonoperating revenue (expenses)	<u>(75,315)</u>	<u>75</u>	<u>(75,240)</u>
Income (loss) before transfers	(205,263)	9,954	(195,309)
Capital Contributions	695,000	-	695,000
Impact Fees	209,997	-	209,997
Transfers In	81,406	-	81,406
Transfers Out	(120,000)	(12,942)	(132,942)
Change in net position	661,140	(2,988)	658,152
Total Net Position - beginning	4,181,256	4,791	4,186,047
Total Net Position - ending	<u>\$ 4,842,396</u>	<u>\$ 1,803</u>	<u>\$ 4,844,199</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	<u>Utility</u>	<u>Recreation Programs</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers	\$ 916,792	\$ 36,267	\$ 953,059
Payments to suppliers	(376,977)	(26,548)	(403,525)
Payments to employees	(414,062)	-	(414,062)
Net cash provided (used) by operating activities	<u>125,753</u>	<u>9,719</u>	<u>135,472</u>
Cash Flows from Noncapital Financing Activities:			
Net operating transfers out	(120,000)	(12,942)	(132,942)
Net operating transfers in	81,406	-	81,406
Net cash provided (used) by noncapital financing activities	<u>(38,594)</u>	<u>(12,942)</u>	<u>(51,536)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(967,982)	-	(967,982)
Impact Fees	209,997	-	209,997
Principal paid on long-term debt	(136,842)	-	(136,842)
Interest paid on long-term debt	(87,448)	-	(87,448)
Net cash provided (used) by capital and related financing activities	<u>(982,275)</u>	<u>-</u>	<u>(982,275)</u>
Cash Flows from Investing Activities:			
Investment income	31,550	75	31,625
Net cash provided by investing activities	<u>31,550</u>	<u>75</u>	<u>31,625</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(863,566)	(3,148)	(866,714)
Cash and Cash Equivalents - beginning	3,138,421	5,491	3,143,912
Cash and Cash Equivalents - ending	<u>\$ 2,274,855</u>	<u>\$ 2,343</u>	<u>\$ 2,277,198</u>
Classified As:			
Cash and cash equivalents	\$ 400	\$ 2,343	\$ 2,743
Restricted cash and cash equivalents	2,274,455	-	2,274,455
Total	<u>\$ 2,274,855</u>	<u>\$ 2,343</u>	<u>\$ 2,277,198</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

	<u>Utility</u>	<u>Recreation Programs</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities			
Operating income (loss)	\$ (129,948)	\$ 9,249	\$ (120,699)
Adjustments Not Affecting Cash:			
Depreciation and amortization	258,366	-	258,366
Change in Assets and Liabilities:			
Decrease (increase) in accounts receivable	(6,812)	-	(6,812)
Increase (decrease) in accounts payable	3,285	(160)	3,125
Increase (Decrease) in accrued liabilities	(3,551)	-	(3,551)
Increase in compensated absences	502	-	502
Increase in inventory	(28,987)	-	(28,987)
Increase in net pension liability	21,687	-	21,687
Increase in deferred outflows	(6,733)	-	(6,733)
Increase in deferred inflows	4,744	-	4,744
Increase in customer deposits	13,200	-	13,200
Total adjustments	<u>255,701</u>	<u>(160)</u>	<u>255,541</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 125,753</u>	<u>\$ 9,089</u>	<u>\$ 134,842</u>
Noncash Capital and Financing Activities:			
Contributed assets	<u>\$ 445,000</u>	<u>\$ -</u>	<u>\$ 445,000</u>
Total	<u>\$ 445,000</u>	<u>\$ -</u>	<u>\$ 445,000</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF FRUITLAND PARK, FLORIDA

STATEMENT OF FUDICIARY NET POSITION
FIDUCIARY FUNDS

September 30, 2017

	Firemen's Retirement Trust Fund
	<hr/>
ASSETS:	
Cash and Cash Equivalents	\$ 171,848
Investments:	
Mutual funds	369,873
Total Investments	<hr/> 369,873
Total assets	<hr/> \$ 541,721 <hr/> <hr/>
LIABILITIES:	
Accounts Payable	<hr/> \$ -
Total liabilities	<hr/> - <hr/> <hr/>
NET POSITION:	
Net position restricted for pensions	<hr/> \$ 541,721 <hr/> <hr/>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

Note 1 - Summary of Significant Accounting Policies:

A. Reporting Entity:

The *City of Fruitland Park*, Florida ("the City") is a political subdivision of the state of Florida located in Lake County. The *City of Fruitland Park* was created by charter in 1927. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire and building inspections), roads and streets, culture (library) and recreation, planning and zoning, and water, sewer and garbage utility service. Except for a few customers, utility services are provided only within the incorporated boundaries of the City.

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

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

The City of Fruitland Park Community Redevelopment Fund

The *City of Fruitland Park* created the Community Redevelopment Agency in March of 1995. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Notification to affected taxing agency was done in compliance with Chapter 163.346, Part III, Florida Statutes. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area. The City Commission, being the duly elected governmental body for the designated area, passed Resolution 95-012, which established the *City of Fruitland Park* as the Redevelopment Agency for the purpose of carrying out the community redevelopment programs and plans within the area and adopted a community development redevelopment plan. Through Ordinance 95-001 the City established the Community Redevelopment Trust Fund to account for all transactions generated by this special revenue fund. In September 2006, the City adopted Resolution 2006-022 to expand the CRA boundaries, and modified the redevelopment plan.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

B. Government-Wide and Fund Financial Statements:

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

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

The government reports the following funds:

Major Governmental Funds

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

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

The *Capital Projects Fund* is a capital projects fund used to account for the acquisition or construction of major capital facilities. The fund also accounts for discretionary sales surtax revenues that are legally restricted for expenditure on infrastructure and related debt.

Major Proprietary Funds

Utility Fund is used to account for the operations of the City's water and sewer utility operations, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

Recreation Programs Fund is used for the receipt of recreation program fees and related direct costs associated with each recreation program (except for activities of the City's municipal swimming pool) sponsored by the City.

Fiduciary Funds

Firemen's Retirement Trust Fund is a pension trust fund that accounts for the accumulation of resources for pension benefit payments to qualified City volunteer firefighters.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued):

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

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

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

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

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

1. Deposits and Investments

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

***D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance
(Continued):***

2. Receivables and Payables

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

***D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance
(Continued):***

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City's capitalization policy as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the year ended September 30, 2017.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (Continued):

5. Capital Assets (Continued):

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

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Improvements	10-20
Infrastructure	20-50
Equipment	5-10
Intangible Assets	10

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. Since the City's policy is to pay all vacation benefits when employees separate from service, these amounts are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For governmental activities, compensated absences are generally liquidated by the general fund.

7. Long-Term Obligations

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

***D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance
(Continued):***

8. Deferred Outflows/Inflows of Resources

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

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

9. Net Position Flow Assumptions

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

10. Fund Balance Flow Assumptions

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued):

***D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance
(Continued):***

11. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the city's highest level of decision-making authority. The Commission is the highest level of decision-making authority for the city that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the city for specific purposes but do not meet the criteria to be classified as committed. The commission has maintained authority to assign fund balance. The commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF FRUITLAND PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements:

A. *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Positions:*

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Capital Lease	\$	(247,617)
Accrued Interest Payable		(553)
Compensated Absences		(92,622)
Net Pension Liability		<u>(1,842,427)</u>
Net Adjustment to Reduce Fund Balance - <i>total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u>(2,183,219)</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

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

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net positions of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital Outlay	\$ 450,632
Depreciation Expense	<u>(372,582)</u>
Net Adjustment to Increase Net Changes in Fund Balances - <i>total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ 78,050</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Capital Lease	\$ (115,861)
Principal repayment	<u>72,083</u>
Net Adjustment to Decrease Net Changes in Fund Balances - <i>total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ (43,778)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated Absences	\$ (13,432)
Accrued Interest Payable	<u>261</u>
Net Adjustment to Decrease Net Changes in Fund Balances - <i>total governmental funds</i> to arrive at changes in <i>net position of governmental activities</i>	<u>\$ (13,171)</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 3 - Stewardship, Compliance, and Accountability:

A. *Budgetary Information:*

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

- (1) Prior to the end of the fiscal year, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public workshops are held where the Commission, City Manager and department heads refine budget detail items. Public hearings are held to obtain taxpayer comments. The budget is then enacted through passage of a resolution no later than September 30.
- (3) Appropriations are authorized by resolution at the major department level. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets.
- (4) The City Manager is authorized to transfer budgeted amounts between line items within any department; however, any revisions that alter the total expenditures of a department must be approved by a majority vote of the City Commission.
- (5) Formal budgetary integration is employed as a management control device during the year for governmental funds. Total budgeted appropriations within a governmental fund type may not be exceeded legally.
- (6) Encumbrance accounting is currently employed by the City. Encumbrances outstanding at year end do not constitute expenditures or liabilities and are not reported as committed or assigned fund balances. All appropriations and encumbrances lapse at year end.

B. *Expenditures in Excess of Appropriations:*

Expenditures in various departments of the Community Redevelopment Fund exceeded appropriations. These over expenditures were funded by greater than anticipated revenues and available fund balance.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 4 - Budget Basis of Accounting:

The General Fund, Community Redevelopment Fund, and the Capital Projects fund budgets are prepared on a budgetary basis, whereby encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. In addition, the city includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures. Also, the City does not budget for capital outlay expenditures and other financing sources related to the acquisition of assets through capital leases.

For the 2017 fiscal year, the following adjustments were necessary to convert Capital Projects Fund expenditures on the GAAP basis to the budgetary basis:

	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Capital Projects Fund		
GAAP Basis	\$ 553,908	\$ 43,425
Nonbudgeted Capital Lease Transactions	<u>(115,861)</u>	<u>(115,861)</u>
Budgetary Basis	<u>\$ 438,047</u>	<u>\$ (72,436)</u>

Note 5 - Deposits and Investments:

Deposits

At year-end, the carrying amount of the City's deposits was \$1,386,777 and the bank balance was \$2,534,661. Petty cash funds of \$980 are not on deposit with a financial institution.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 5 - Deposits and Investments (Continued):

Investments

The City's investment policies are governed by State Statutes and City ordinances. City ordinance allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized investments are:

1. U.S. Government obligations, U.S. Government agency obligations, and U.S. Government instrumentality obligations;
2. Canadian Government obligation (payable in local currency);
3. Certificates of Deposit;
4. Savings and loan association deposits;
5. Prime bankers acceptances;
6. Prime commercial paper;
7. Investment-grade obligations of state, provincial and local governments and public authorities;
8. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of domestic securities;
9. Statewide investment pools;
10. Mutual funds;
11. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida interlocal Cooperation Act, as provided as provided in F.S. § 163.01;
12. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
13. Savings accounts in state-certified qualified public depositories, as defined in F.S. § 280.02;
14. Certificates of deposit in state-certified qualified public depositories, as defined in F.S. § 280.02;
15. Direct obligations of the U.S. Treasury;
16. Federal agencies and instrumentalities.

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The City's investment policy does not specifically address interest rate risk.

Credit Risk. The City's investment policy limits its investments to the State Board of Administration investment pool, certificates of deposit, highly rated money market funds, government obligation, and mutual funds. The City's mutual bond fund investments are not rated. The State Board of Administration investment pool is not rated by any nationally recognized statistical rating agency.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 5 - Deposits and Investments (Continued):

Investments (Continued):

Custodial Credit Risk. Custodial risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2017, none of the Trust investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

The State Board of Administration (SBA) Local Government Investment Pool (LGIP), operated by the Florida State Board of Administration, is a "2a-7 like" pool in accordance with GASB 31; therefore, it is not presented at fair value but at its actual pooled share price which approximates fair value. The LGIP is not a registrant with the SEC; however, the State of Florida does provide regulatory oversight.

Investments held by the City at September 30, 2017 are detailed below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Avg. Maturity</u>
LGIP:			
Florida Prime	\$7,207,742	AAAm	51 days
Florida Prime-Pension Fund	171,848	AAAm	51 days
Certificates of deposit	400,000	N/A	N/A
	<u>\$7,779,590</u>		

Fair Value

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

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted prices for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the City's own data in measuring unobservable inputs.

CITY OF FRUITLAND PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 5 - Deposits and Investments (Continued):

The City has the following recurring fair value measurements as of September 30, 2017:

<u>Investments Valued by Fair Value Level</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Pension Mutual Funds	\$ 369,873	\$ -
	<u>\$ 369,873</u>	<u>\$ 369,873</u>

Note 6 - Receivables:

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

	<u>General Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Receivables:			
Accounts	\$ 53,819	\$ 119,184	\$ 173,003
Less allowance for uncollectible accounts	-	(7,755)	(7,755)
	<u>53,819</u>	<u>\$ 111,429</u>	<u>\$ 165,248</u>

CITY OF FRUITLAND PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 7 - Capital Assets:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,313,703	\$ -	\$ -	\$ 1,313,703
Construction in progress	-	24,575	-	24,575
Total capital assets, not being depreciated	1,313,703	24,575	-	1,338,278
Capital assets, being depreciated:				
Buildings	2,610,353	-	-	2,610,353
Improvements	880,400	54,540	-	934,940
Machinery and equipment	2,045,019	371,517	(119,312)	2,297,224
Infrastructure	681,226	-	-	681,226
Total capital assets, being depreciated	6,216,998	426,057	(119,312)	6,523,743
Less accumulated depreciation for:				
Buildings	(979,468)	(67,988)	-	(1,047,456)
Improvements	(666,340)	(29,117)	-	(695,457)
Machinery and equipment	(1,322,185)	(252,769)	118,575	(1,456,379)
Infrastructure	(181,382)	(22,708)	-	(204,090)
Total accumulated depreciation	(3,149,375)	(372,582)	118,575	(3,403,382)
Total capital assets, being depreciated, net	3,067,623	53,475	(737)	3,120,361
Government activities capital assets, net	\$ 4,381,326	\$ 78,050	\$ (737)	\$ 4,458,639

CITY OF FRUITLAND PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 7 - Capital Assets (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	339,699	\$ 15,253	\$ -	\$ 354,952
Construction in progress	342,533	1,388,363	(182,250)	1,548,646
Total capital assets, not being depreciated	<u>682,232</u>	<u>1,403,616</u>	<u>(182,250)</u>	<u>1,903,598</u>
Capital assets, being depreciated:				
Buildings	243,408	-	-	243,408
Infrastructure	6,549,464	182,250	-	6,731,714
Machinery and equipment	492,625	9,366	-	501,991
Intangible assets	346,296	-	-	346,296
Total capital assets, being depreciated	<u>7,631,793</u>	<u>191,616</u>	<u>-</u>	<u>7,823,409</u>
Less accumulated depreciation for:				
Buildings	(162,171)	(6,496)	-	(168,667)
Improvements/Infrastructure	(2,472,953)	(185,346)	-	(2,658,299)
Machinery and equipment	(344,918)	(27,843)	-	(372,761)
Intangible assets	(204,894)	(38,681)	-	(243,575)
Total accumulated depreciation	<u>(3,184,936)</u>	<u>(258,366)</u>	<u>-</u>	<u>(3,443,302)</u>
Total capital assets, being depreciated, net	<u>4,446,857</u>	<u>(66,750)</u>	<u>-</u>	<u>4,380,107</u>
Business-type activities capital assets, net	<u>\$ 5,129,089</u>	<u>\$ 1,336,866</u>	<u>\$ (182,250)</u>	<u>\$ 6,283,705</u>

CITY OF FRUITLAND PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 7 - Capital Assets (Continued):

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 57,662
Public safety	195,151
Transportation	59,942
Culture and recreation	59,827
Total Depreciation Expense - governmental activities	<u>\$ 372,582</u>
Business-type Activities:	
Utility	\$ 258,366
Total Depreciation Expense - business type activities	<u>\$ 258,366</u>

Note 8 - Leases:

Capital Leases - The City has entered into lease agreements as lease for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets		
Machinery and equipment	\$ 375,335	\$ -
Less: Accumulated depreciation	(71,193)	-
Total	<u>\$ 304,142</u>	<u>\$ -</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017 were as follows:

Year Ending September 30	Governmental Activities	Business-type Activities
2018	\$ 98,379	\$ -
2019	98,379	-
2020	67,080	-
2021	10,310	-
Total Minimum Lease Payments	274,148	-
Less: Amount representing interest	(26,531)	-
	<u>\$ 247,617</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 9 - Long-Term Debt:

State Revolving Fund Loans

On September 17, 2001, the City entered into a loan agreement with the State of Florida Department of Environmental Protection under the Clean Water State Revolving Fund (SRF) loan program. The purpose of the loan was to provide funding for preconstruction planning and engineering activities for a sewer utility system for the City's highway commercial corridor. Maximum borrowing under this agreement was \$237,108. All preconstruction activities have been completed, and all loan disbursements have been received.

Interest accrues on the outstanding balance at a rate of 3.16% per year. Semi-annual loan payments of \$8,165 are due each February 15 and August 15 through February 15, 2026. Total principal and interest remaining to be paid on this series is \$138,805. For the year ended September 30, 2017, principal and interest paid on this series was \$16,330. The net revenue of the water and sewer utility is pledged as security for repayment and totaled \$249,965 in 2017.

On March 29, 2005, the City entered into a second loan agreement with the State under the Clean Water SRF loan program. The purpose of the loan was to provide funding for construction of a sewer utility system, consisting of a 98,000 gallons per day wastewater treatment plant and a low-pressure sewer collection system along the City's highway commercial corridor. Maximum borrowing under this agreement is \$2,393,745. All loan disbursements have been received. The total amount borrowed was \$1,937,529.

Semi-annual loan payments of \$76,589 began on August 15, 2006. Beginning February 15, 2010, the semi-annual loan payments were reduced to \$60,669, and continue each February 15 and August 15 thereafter through February 15, 2026. Total principal and interest remaining to be paid on this series is \$1,031,377. For the year ended September 30, 2017, principal and interest paid on this series was \$121,338. The net revenue of the water and sewer utility is pledged as security for repayment and totaled \$249,965 in 2017.

Florida Department of Transportation Note

On May 2, 2011 the City Signed a promissory note with the State of Florida Department of Transportation (FDOT) in the amount of \$913,460. In exchange the City agreed to have FDOT move water and sewer utility lines out of State highway right-of-way in order to allow FDOT to complete a highway widening project. The note carries a 0% interest rate and is payable in 30 equal annual installments beginning October 15, 2014. The amount of the note was an estimate of the utility construction cost, and the note states that in the event that the actual cost of the utility relocation work is different, that a new promissory note will be executed for the actual cost amount. The note is secured by gross revenues of the water and sewer utility.

At September 30, 2013, the utility work was complete, and the City recorded estimated costs of \$619,882. The highway project was completed in June 2014, and FDOT adjusted the note to the actual costs of \$425,588.

Total principal and interest remaining to be paid on this series is \$368,843. For the fiscal year, principal paid on this series was \$28,375 and total pledged revenue was \$1,151,951.

CITY OF FRUITLAND PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 9 - Long-Term Debt (Continued):

2016 Capital Improvement Revenue Note

In January 2016, the City issued a Capital Improvement Revenue Note Series 2016 in the amount of \$2,500,000, at an interest rate of 2.33 percent, provided for the cost of acquiring and constructing improvements to the City's Wastewater System and related improvements. The note is secured by infrastructure sales surtax received by the City and recorded in the Capital Projects Fund.

Total principal and interest remaining to be paid on this series is \$2,783,852. For the fiscal year, principal and interest paid on this series was \$58,250 and total pledged revenue was \$404,630.

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

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2018	\$ 268,532	\$ 84,618
2019	419,501	76,695
2020	429,304	66,892
2021	439,345	56,851
2022	449,630	46,566
2023-2027	1,679,642	78,322
2028-2032	70,931	-
2033-2037	70,931	-
2038-2042	70,931	-
2043	14,186	-
Total	<u>\$ 3,912,933</u>	<u>\$ 409,944</u>

CITY OF FRUITLAND PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 9 - Long-Term Debt (Continued):

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017 was as follows:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Lease	\$ 203,839	\$ 115,861	\$ (72,083)	\$ 247,617	\$ 84,232
Compensated Absences	79,190	13,432	-	92,622	18,524
Net pension liability	1,450,076	392,351	-	1,842,427	-
Governmental activity long-term liabilities	<u>\$ 1,733,105</u>	<u>\$ 521,644</u>	<u>\$ (72,083)</u>	<u>\$ 2,182,666</u>	<u>\$ 102,756</u>
Business-Type Activities					
Notes payable -					
SRF Loan- Preconstruction	\$ 133,115	\$ -	\$ (12,219)	\$ 120,896	\$ 12,609
SRF Loan- Construction	1,019,445	-	(96,251)	923,194	98,692
FDOT Note	397,215	-	(28,372)	368,843	14,186
Capital Improvement Note	2,500,000	-	-	2,500,000	143,045
Total notes payable	<u>4,049,775</u>	<u>-</u>	<u>(136,842)</u>	<u>3,912,933</u>	<u>268,532</u>
Compensated absences	8,071	502	-	8,573	1,715
Net pension liability	118,530	22,845	(1,158)	140,217	-
Business-type activity long-term liabilities	<u>\$ 4,176,376</u>	<u>\$ 23,347</u>	<u>\$ (138,000)</u>	<u>\$ 4,061,723</u>	<u>\$ 270,247</u>

Note 10 - Interfund Receivables, Payables and Transfers:

Interfund transfers for the year ended September 30, 2017 are summarized below:

Transfers Out:	Transfers In		
	General Fund	Utility Fund	Total
Community Redevelopment	\$ 36,089	\$ 8,970	\$ 45,059
Capital Projects	-	72,436	72,436
Utility Fund	120,000	-	120,000
Recreation Programs	12,942	-	12,942
	<u>\$ 169,031</u>	<u>\$ 81,406</u>	<u>\$ 250,437</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan:

Florida Retirement System

Effective February 1, 2015, the City joined the State of Florida Retirement System (FRS) for the covered groups of Police and General Employees. The FRS is a cost-sharing multiple employer public employee retirement system administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

Early retirement benefits may also be provided; however, there is a reduction in benefits for each year prior to normal retirement. Generally, membership was compulsory for all full-time and part-time employees. There is a 3% requirement for employees to contribute to FRS effective July 1, 2011.

The 2007 Florida Legislature continued the uniform contribution rate system under which participating employers make uniform contributions to support the FRS Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.405, Florida Statutes, FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS defined benefit pension plan. Employers contribute based upon blended rates determined as a percentage of the total payroll for each class or subclass of FRS membership, regardless of which retirement plan individuals elect.

The State of Florida issues a report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, Tallahassee, Florida 32399-1560.

Funding Policy:

The FRS has ten (10) classes of membership. Only two (2) classes are applicable to the City's eligible employees. These two (2) classes, with descriptions and contribution rates in effect during the period ended September 30, 2017 are as follows:

Regular Class - Members not qualifying for other classes (10.92% [includes 3% employee contribution] from July 1, 2017 through September 30, 2017 and 10.52% [includes 3% employee contribution] from October 1, 2016 through June 30, 2017.)

Special Risk Class - Members employed as law enforcement officers, firefighters, or correctional officers and meet the criteria set to qualify for this class (26.27% [includes 3% employee contribution] from July 1, 2017 through September 30, 2017 and 25.57 [included 3% employee contribution] from October 1, 2016 through June 30, 2017.)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan (Continued):

Pension Plan (FRS)

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the period from October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular- 7.52% and 7.92%; Special Risk- 22.57% and 23.27%; and DROP participants – 12.99% and 13.26%.

These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan (Continued):

Pension Plan (FRS) (Continued)

The City's contributions, including employee contributions, to the Pension Plan totaled \$147,403 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2017, the City reported a liability of \$1,638,941 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was .005541 percent, which was an increase of .000663 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$402,210. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 150,415	\$ 9,079
Change of Assumptions	550,800	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	40,617
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	527,106	-
Pension Plan Contributions Subsequent to the Measurement Date	38,077	-
	\$ 1,266,398	\$ 49,696

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan (Continued):

Pension Plan (FRS) (Continued)

The deferred outflows of resources related to the Pension Plan, totaling \$38,077 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>		
2018	\$	214,274
2019		355,264
2020		287,274
2021		124,882
2022		149,606
Thereafter		47,325

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

CITY OF FRUITLAND PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan (Continued):

Pension Plan (FRS) (Continued)

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.00%	3.00%	1.80%
Fixed Income	18.00%	4.50%	4.40%	4.20%
Global Equities	53.00%	7.80%	6.60%	17.00%
Real Estate	10.00%	6.60%	5.90%	12.80%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	9.70%
Total	<u>100.00%</u>			
Assumed Inflation - Mean			2.60%	1.90%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 7.10%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	<u>Discount Rate Minus 1%</u>	<u>Current Discount Rate</u>	<u>Discount Rate Plus 1%</u>
	6.10%	7.10%	8.10%
City's Proportionate Share of Net Pension Liability (FRS)	\$ 2,966,385	\$ 1,638,941	\$ 536,859

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan (Continued):

Pension Plan (FRS) (Continued)

Payables to the Pension Plan - At September 30, 2017, the City does not have any payables for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

HIS Plan

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

Benefits Provided - For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017 was 1.66% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$17,292 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2017, the City reported a liability of \$343,703 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was .00321 percent, which was an increase of .000323 percent from its proportionate share measured as of June 30, 2016.

CITY OF FRUITLAND PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan (Continued):

HIS Plan (Continued)

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$67,644. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 48,313	\$ 29,720
Differences Between Expected and Actual Experience	-	716
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	191	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	205,255	-
Pension Plan Contributions Subsequent to the Measurement Date	4,263	-
	\$ 258,022	\$ 30,436

The deferred outflows of resources related to the HIS Plan, totaling \$4,263 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year Ended September 30,	
2018	\$ 47,134
2019	47,098
2020	47,081
2021	45,685
2022	31,176
Thereafter	5,149

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan (Continued):

HIS Plan (Continued)

Actuarial Assumptions - The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary Increases	3.25 %, average, including inflation
Municipal Bond Rate	3.58 % net of pension plan investment expense

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

Discount Rate Minus 1%	Current Discount Rate	Discount Rate Plus 1%
2.58%	3.58%	4.58%

City's Proportionate Share of Net Pension Liability (FRS)	\$ 392,210	\$ 343,703	\$ 303,299
--	------------	------------	------------

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan (Continued):

Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016-17 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, and Special Risk class 14.00%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

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

The City did not have any employees who participated in the Investment Plan during 2017.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan (Continued):

Municipal Firemen's Retirement Plan

The Municipal Firemen's Retirement Plan was established to conform to provisions of the Florida Statutes for all sworn firefighters. The Plan is a single-employer, defined benefit pension plan, and is administered by the City. There is no separately issued report on the Plan.

Firefighters attaining the age of 55 who have completed 10 or more creditable years of service or attaining the age of 52 who have completed 25 years of creditable service are entitled to annual benefits of 3% of their average final compensation times years of credited service. The Plan permits early retirement at the completion of 10 years of continuous service and attaining the age of 50 years. Active firefighters who retire disabled receive not less than 42% of their average monthly earnings at the time of disability.

Disability benefits are paid for ten years certain or life or recovery from disability. If a firefighter dies prior to retirement but has at least 10 years of contributing service, his or her beneficiary is entitled to the benefits payable to the firefighter at early or normal retirement age.

As of September 30, 2017, there was one retiree currently receiving benefits, and 1 terminated firefighter was entitled to benefits but not yet receiving them. Out of the 21 active volunteer firefighters, none have vested retirement benefits. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Effective January 1, 1995, each firefighter is required by local ordinance to contribute five percent of his/her compensation to the plan. The City also contributes five percent of each plan member's compensation to the Plan. Additionally, the Plan is funded by a 1% state excise tax on all fire insurance premiums collected from policyholders insuring property within City limits. For the year ended September 30, 2017, the City collected \$14,049 in fire insurance premium taxes, which are reported as revenue in the General Fund. The City is required by State statute to contribute these taxes to the plan within 5 days of receipt. The corresponding contribution to the pension fund is reported as a fire department expenditure in the General Fund.

The City's contribution requirements are not actuarially determined, and the actuarial implication of the City's funding policy has also not been determined. There were not changes during the year ended September 30, 2017 in the method used to calculate or establish contribution requirements. Most administrative costs of the Plan are absorbed by the General Fund.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 11 - Retirement Plan (Continued):

Municipal Firemen's Retirement Plan (Continued)

Actuarial valuations for the Plan are provided and paid for by the State of Florida Division of Retirement on a triennial basis. City management and the pension board of trustees do not believe the cost, which would have to be paid by the pension fund, of obtaining more frequent actuarial valuations or updates, is worth the benefit provided by current funding status information for this small pension fund. The latest actuarial valuation was performed as of October 1, 2013.

ICMA 401a Retirement Plan

Effective January 1, 1997, the city established, by resolution, a money purchase plan and trust called "the City of Fruitland Park 401-a Plan" in the form of the ICMA Retirement Corporation Prototype Money Purchase Plan and Trust. The plan is a defined contribution pension plan administered by the ICMA Retirement Corporation. The City Commission must authorize plan amendments to benefit provisions or the obligation to make contributions.

All full-time employees at least 18 years of age are eligible to participate in this plan once they have completed a 90-day period of service. An employee does not become vested in any benefits until the completion of five years of service, at which time the employee becomes 100% vested. At September 30, 2017 there were 12 members in the plan, 9 of which had vested benefits.

Contributions to the plan are made only by the City. The City will contribute a minimum of 2% of a participant's earnings, not including overtime or bonuses, into the plan. The City will contribute up to 5% into the plan, depending upon (and matching) a participant's contribution into the City's ICMA 457 deferred compensation plan.

Participant's separating from service with the City before the five year vesting period of service is complete forfeit their entire account balance in the plan. The City may use forfeited amounts to reduce the City's required payment of contributions for current plan participants. During the year ended September 30, 2017, the city did not use any forfeited amounts for payment of contributions for current plan participants. At September 30, 2017, the City has \$1,884 in forfeited amounts included in plan assets that could be used toward future contributions.

During the year ended September 30, 2017, the City's payroll for the employees covered by this plan was \$637,969. The City contributed \$23,796 to the plan for the year ended September 30, 2017.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 12 - ICMA 457 Deferred Compensation Plan:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by ICMA Retirement Corporation. The plan permits participants to defer a portion of their salary until future years.

All of the City's employees are eligible to participate in the ICMA deferred compensation plan after completion of a three month probationary period upon their first date of employment. Participation is strictly on a voluntary basis. Participants become immediately 100% vested in contributions credited to their account.

The City does not make any contributions to this plan for participants who entered the plan after January 1, 1997. For those employees (1 as of September 30, 2017) participating in the plan on January 1, 1997, the City contributes a minimum of 2% and will match up to 5% of a participant's contribution into the plan.

Because the Plan Assets are held in trust for the exclusive benefit of plan participants and their beneficiaries, the Plan is not accounted for in the City's fund financials.

Note 13 - Other Post-Employment Benefits:

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

Note 14 - Commitments and Contingencies:

Litigation - The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2017. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

Risk Management - The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage during the past three years.

CITY OF FRUITLAND PARK, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 15 - Fund Balance:

At September 30, 2017 the City's governmental fund balances were as follows:

	<u>General Fund</u>	<u>Community Redevelopment</u>	<u>Capital Projects</u>	<u>Total</u>
Fund Balances				
Nonspendable				
Inventory	\$ 2,673	\$ -	\$ -	\$ 2,673
Prepaid	3,132	-	-	3,132
Spendable				
Restricted for:				
Police Education	-	-	-	-
Police drug forfeiture	3,373	-	-	3,373
Police donations	1,026	-	-	1,026
Public safety capital improvements	2,552,973	-	-	2,552,973
Building Inspections	1,996,988	-	-	1,996,988
Police and fire fee refunds	70,510	-	-	70,510
Community redevelopment	-	126,496	-	126,496
Infrastructure	-	-	595,388	595,388
Committed to:				
Cemetery care	83,280	-	-	83,280
Stormwater utility	290,259	-	-	290,259
Unassigned	471,116	-	-	471,116
	<u>\$ 5,475,330</u>	<u>\$ 126,496</u>	<u>\$ 595,388</u>	<u>\$ 6,197,214</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FRUITLAND PARK, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

Schedule of the City's Proportionate Share of Net Pension Liability
Florida Retirement System (FRS)
Last 10 Fiscal Years*

	2017	2016	2015
City's Proportion of the Net Pension Liability	0.005540833%	0.004877634%	0.002113934%
City's Proportionate Share of the Net Pension Liability	\$ 1,638,941	\$ 1,231,606	\$ 273,043
City's Covered-employee Payroll	\$ 1,048,564	\$ 929,056	\$ 815,906
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	156.30%	132.57%	33.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	84.88%	92.00%

Schedule of the City's Proportionate Share of Net Pension Liability
Health Insurance Subsidy (HIS)
Last 10 Fiscal Years*

	2017	2016	2015
City's Proportion of the Net Pension Liability	0.003214440%	0.002891564%	0.001195718%
City's Proportionate Share of the Net Pension Liability	\$ 343,703	\$ 337,000	\$ 121,944
City's Covered-employee Payroll	\$ 1,048,564	\$ 929,056	\$ 815,906
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	32.78%	36.27%	14.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	0.50%

*Information for prior years not available.

CITY OF FRUITLAND PARK, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

Schedule of City Contributions
Florida Retirement System (FRS)
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 147,403	\$ 125,279	\$ 80,126
Contributions in Relation to the			
Contractually Required Contribution	<u>(147,403)</u>	<u>(125,279)</u>	<u>(80,126)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-employee Payroll	 \$1,048,564	 \$ 929,056	 \$ 815,906
 Contributions as a Percentage of			
Covered-employee Payroll	 14.06%	 13.48%	 9.82%

Schedule of City Contributions
Health Insurance Subsidy (HIS)
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 17,292	\$ 15,422	\$ 15,422
Contributions in Relation to the			
Contractually Required Contribution	<u>(17,292)</u>	<u>(15,422)</u>	<u>(15,422)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-employee Payroll	 \$1,048,564	 \$ 929,056	 \$ 815,906
 Contributions as a Percentage of			
Covered-employee Payroll	 1.65%	 1.66%	 1.89%

*Information for prior years not available.

INDIVIDUAL FUND SCHEDULES

CITY OF FRUITLAND PARK, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND**

For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 396,432	\$ 396,432	\$ 404,630	\$ 8,198
Investment Earnings	2,206	2,206	6,764	4,558
Total revenues	<u>398,638</u>	<u>398,638</u>	<u>411,394</u>	<u>12,756</u>
EXPENDITURES:				
Debt Service:				
Principal	-	-	72,083	(72,083)
Interest	-	-	15,989	(15,989)
Capital Outlay	834,400	834,400	349,975	484,425
Total expenditures	<u>834,400</u>	<u>834,400</u>	<u>438,047</u>	<u>396,353</u>
Excess (deficiency) of revenues over expenditures	<u>(435,762)</u>	<u>(435,762)</u>	<u>(26,653)</u>	<u>409,109</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(130,687)</u>	<u>(130,687)</u>	<u>(72,436)</u>	<u>58,251</u>
Total other financing sources and uses	<u>(130,687)</u>	<u>(130,687)</u>	<u>(72,436)</u>	<u>58,251</u>
Net change in fund balances	(566,449)	(566,449)	(99,089)	467,360
Fund Balance - beginning	694,477	694,477	694,477	-
Fund Balance - ending	<u>\$ 128,028</u>	<u>\$ 128,028</u>	<u>\$ 595,388</u>	<u>\$ 467,360</u>

OTHER REPORTS

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

The Honorable Mayor and City Council
City of Fruitland Park, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *City of Fruitland Park, Florida*, 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 19, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Appendix A, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

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. We consider the deficiencies described in Appendix A to be significant deficiencies.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

McDiarmid Davis & Company, LLC

Orlando, Florida
June 19, 2018

MANAGEMENT LETTER

Honorable Mayor and City Council
 City of Fruitland Park, Florida

Report on the Financial Statements

We have audited the financial statements of the *City of Fruitland Park, Florida*, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 19, 2018.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements accordance with Chapter 10.550, rules of the Auditor General. Disclosures in those reports, which are dated June 19, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i).1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 #	2015-16FY Finding #	2014-15FY Finding #
17-1	16-2	N/A
17-2	16-3	N/A

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Official Title and Legal Authority

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

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate results of our determination as to whether or not the *City of Fruitland Park, Florida* has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the *City of Fruitland Park, Florida* 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 of Fruitland Park, Florida's* financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and report the results of our determination as to whether the annual financial report for the *City of Fruitland Park, Florida* 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 did not have any such findings.

Purpose of this Letter

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

McDiernit Davis & Company, LLC

Orlando, Florida
June 19, 2018

APPENDIX A - SIGNIFICANT DEFICIENCIES

For the Year Ended September 30, 2017

ML 17-1 - Pension Trust Fund

Finding - During our audit, it was noted that not all investments in the Firemen's Retirement Trust Fund were kept in a separate trust fund, and these funds were not invested in a qualified public depository.

Criteria - Florida Statutes Section 175.301 requires funds of the firefighter's pension trust fund to be deposited into a separate trust, or with the municipality in a qualified public depository.

Cause - Pension fund activity is not being appropriately transferred to the separate pension investment account.

Effect - City is not in compliance with Florida Statutes, and pension funds are not properly being segregated from City assets.

Recommendation - We recommend that the City appropriately deposit all contributions to the pension trust fund, as well as make payments to retirees from the pension trust fund.

ML17-2 - Pension Actuarial Valuations

Finding - During our audit, it was noted that not all investments in the Firemen's Retirement Trust obtains only triennial actuarial valuations.

Criteria - Governmental accounting standards require valuations to be done every two years. Additionally, GASB Statement No. 68, requires the City to report the net pension asset or liability on the City's financial statements.

Cause - The State funds the actuarial valuations of the plan, and has not performed a valuation on the updated pension accounting standards.

Effect - City is not in compliance with governmental accounting standards.

Recommendation - We recommend that the City consider obtaining a separate actuarial valuation to be in compliance with governmental accounting standards.



506 W. Berckman Street
Fruitland Park, FL 34731

Tel. (352) 360-6727
Fax. (352) 360-6686

June 22, 2018

Auditor General
State of Florida
401 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Re: City of Fruitland Park FYE September 30, 2017

Dear Auditor General,

The management comments related to fiscal year ending September 30, 2017 were received by both the City Manager and the Finance Director.

ML 17-1 Pension Trust Fund

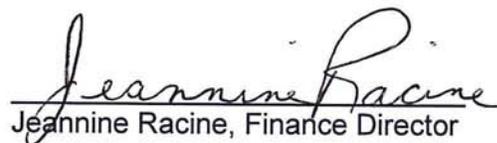
City has put a majority of the pension assets into Edward Jones Investments, approximately 90% of assets. A separate State Board of Administration account is maintained for liquidity as the city administers the pension program in house, approximately 10% of assets, are used for pension payments and refunds of contributions.

ML 17-2 Pension Actuarial Valuations

This pension is a very small pension for volunteer firefighters. It was decided that we would use the actuarial reports from the state that are produced triennial. The cost of an annual actuarial report would place a financial burden on this small trust.



Gary La Venia, City Manager



Jeannine Racine, Finance Director

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

The Honorable Mayor and City Council
City of Fruitland Park, Florida

We have examined City of Fruitland Park's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the 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 and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

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

McDirmit Davis & Company, LLC

Orlando, Florida
June 19, 2018

Honorable Mayor and City Council
City of Fruitland Park, Florida

We have audited the financial statements of *City of Fruitland Park* as of and for the year ended September 30, 2017, and have issued our report thereon dated June 19, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 13, 2017, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of *City of Fruitland Park* solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting, and other matters noted during our audit in a separate letter to you dated June 19, 2018.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

MCDIRMIT DAVIS & COMPANY, LLC

934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803

TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

MEMBERS: PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of significant accounting policies adopted by the City are described in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate for the allowance for doubtful accounts is based on historical loss levels, and an analysis of the individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimation for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's allocation of the net pension liability, deferred inflows/outflows and pension expense is based on the FRS contributions made. We evaluated the reasonableness of the allocation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting City of Fruitland Park's financial statements relate to revenue recognition as described in Note 1.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that were identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Accrue additional accounts payable of \$57,286
- Record capital lease proceeds and capital lease expenditures of \$115,861
- Accrue additional accrued interest payable of \$19,417

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to City of Fruitland Park's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated June 19, 2018.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Fruitland Park, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Fruitland Park's auditors.

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

Very truly yours,

McDiernit Davis & Company, LLC

Orlando, Florida
June 19, 2018

