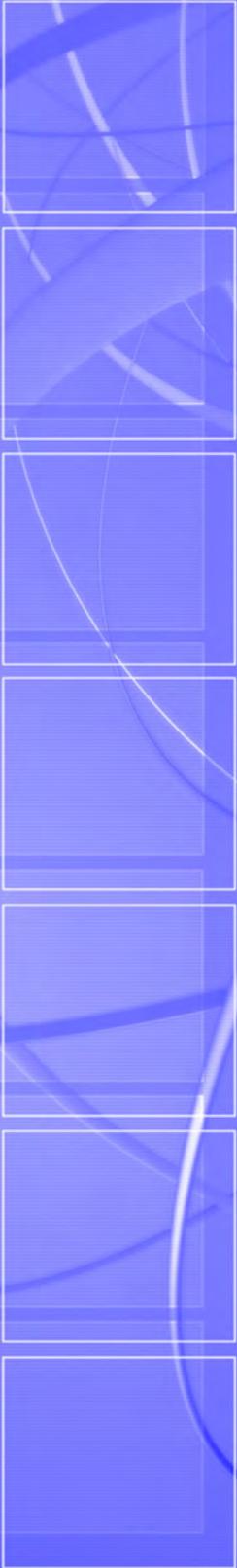


**CITY OF
MINNEOLA,
FLORIDA**

FINANCIAL REPORT

Year Ended September 30, 2017



INTRODUCTORY SECTION

CITY OF MINNEOLA, FLORIDA

FINANCIAL REPORT
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CITY OF MINNEOLA, FLORIDA

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CITY OF MINNEOLA, FLORIDA

LIST OF PRINCIPAL OFFICIALS

As of September 30, 2017

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Minneola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Minneola, Florida*, as of and for the year ended September 30, 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 Minneola's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and pension disclosures on page 3 through 12, and 55 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2018 on our consideration of *City of Minneola's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *City of Minneola's* internal control over financial reporting and compliance.

McDiarmid Davis & Company, LLC

Orlando, Florida
June 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the *City of Minneola, Florida* we offer readers of the *City of Minneola's* financial statements this narrative overview and analysis of the financial activities of the *City of Minneola* for the fiscal year ended September 30, 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 Minneola* exceeded its liabilities at the close of the most recent fiscal year by \$38,659,213 (net position). Of this amount, \$8,508,460 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$4,406,477.
- As of the close of the current fiscal year, the *City of Minneola's* governmental funds reported combined ending fund balances of \$12,118,055, an increase of \$3,033,958 in comparison with the prior year. Approximately 22% of this total amount, \$2,701,373, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,701,373, or 51% of total general fund expenditures.

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

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

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

Fund Financial Statements

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 27 - 54 of this report.

Required Supplementary Information (RSI) - RSI can be found on pages 55-56 of this report.

Government-Wide Financial Analysis

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the *City of Minneola*, assets exceeded liabilities by \$38,659,213 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 Minneola
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 12,350,587	\$ 9,266,472	7,170,516	\$ 5,827,024	\$ 19,521,103	\$ 15,093,496
Capital Assets	6,370,045	6,328,397	27,694,091	28,187,292	34,064,136	34,515,689
Total Assets	18,720,632	15,594,869	34,864,607	34,014,316	53,585,239	49,609,185
Deferred Outflows of Resources	885,919	778,021	379,681	333,439	1,265,600	1,111,460
Liabilities:						
Long term liabilities	144,443	136,101	12,151,517	12,601,284	12,295,960	12,737,385
Net pension liability	2,097,615	1,934,598	898,980	829,115	2,996,595	2,763,713
Other liabilities	232,532	182,375	482,853	728,624	715,385	910,999
Total Liabilities	2,474,590	2,253,074	13,533,350	14,159,023	16,007,940	16,412,097
Deferred Inflows of Resources	128,580	39,068	55,106	16,744	183,686	55,812
Net Position:						
Net investment in capital assets	6,370,045	6,328,397	15,575,574	15,615,517	21,945,619	21,943,914
Restricted	4,737,219	2,958,423	3,467,915	2,759,789	8,205,134	5,718,212
Unrestricted	5,896,117	4,793,928	2,612,343	1,796,682	8,508,460	6,590,610
Total Net Position	\$ 17,003,381	\$ 14,080,748	\$ 21,655,832	\$ 20,171,988	\$ 38,659,213	\$ 34,252,736

\$21,945,619 (57%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

Net position that are subject to external restrictions as to how they may be used total \$8,205,134 (21%). The remaining balance of *unrestricted net position* (\$8,508,460 or 22%) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$4,406,477 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 Minneola
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	\$ 2,035,122	\$ 1,680,417	\$ 3,531,205	\$ 3,181,586	\$ 5,566,327	\$ 4,862,003
Operating grants and contributions	311,320	279,528	-	-	311,320	279,528
Capital grants and contributions	946,506	160,260	1,703,583	1,352,781	2,650,089	1,513,041
General revenues -						
Property taxes	2,827,615	2,517,860	-	-	2,827,615	2,517,860
Other taxes	1,322,902	1,299,969	-	-	1,322,902	1,299,969
Intergovernmental	1,027,324	940,481	200,004	720,151	1,227,328	1,660,632
Investment income and miscellaneous	52,616	27,892	1,414	810	54,030	28,702
Total revenues	<u>8,523,405</u>	<u>6,906,407</u>	<u>5,436,206</u>	<u>5,255,328</u>	<u>13,959,611</u>	<u>12,161,735</u>
Expenses:						
General government	2,049,485	1,758,904	-	-	2,049,485	1,758,904
Public safety	2,654,635	2,548,023	-	-	2,654,635	2,548,023
Roads and streets	342,780	347,064	-	-	342,780	347,064
Stormwater	169,558	190,292	-	-	169,558	190,292
Culture and recreation	334,370	354,487	-	-	334,370	354,487
Physical environment	62,856	64,761	-	-	62,856	64,761
Community redevelopment	57,642	12,000	-	-	57,642	12,000
Utility	-	-	3,881,808	3,552,782	3,881,808	3,552,782
Total expenses	<u>5,671,326</u>	<u>5,275,531</u>	<u>3,881,808</u>	<u>3,552,782</u>	<u>9,553,134</u>	<u>8,828,313</u>
Increase (Decrease) in Net Position Before Transfers	<u>2,852,079</u>	<u>1,630,876</u>	<u>1,554,398</u>	<u>1,702,546</u>	<u>4,406,477</u>	<u>3,333,422</u>
Transfers	<u>70,554</u>	<u>90,709</u>	<u>(70,554)</u>	<u>(90,709)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>2,922,633</u>	<u>1,721,585</u>	<u>1,483,844</u>	<u>1,611,837</u>	<u>4,406,477</u>	<u>3,333,422</u>
Net Position - October 1	<u>14,080,748</u>	<u>12,359,163</u>	<u>20,171,988</u>	<u>18,560,151</u>	<u>34,252,736</u>	<u>30,919,314</u>
Net Position - September 30	<u>\$ 17,003,381</u>	<u>\$ 14,080,748</u>	<u>\$ 21,655,832</u>	<u>\$ 20,171,988</u>	<u>\$ 38,659,213</u>	<u>\$ 34,252,736</u>

Governmental Activities - Governmental activities increased the *City of Minneola's* net position by \$2,922,633. The increase is due to increased charges for services, property taxes and infrastructure sur-taxes being dedicated to the general fund.

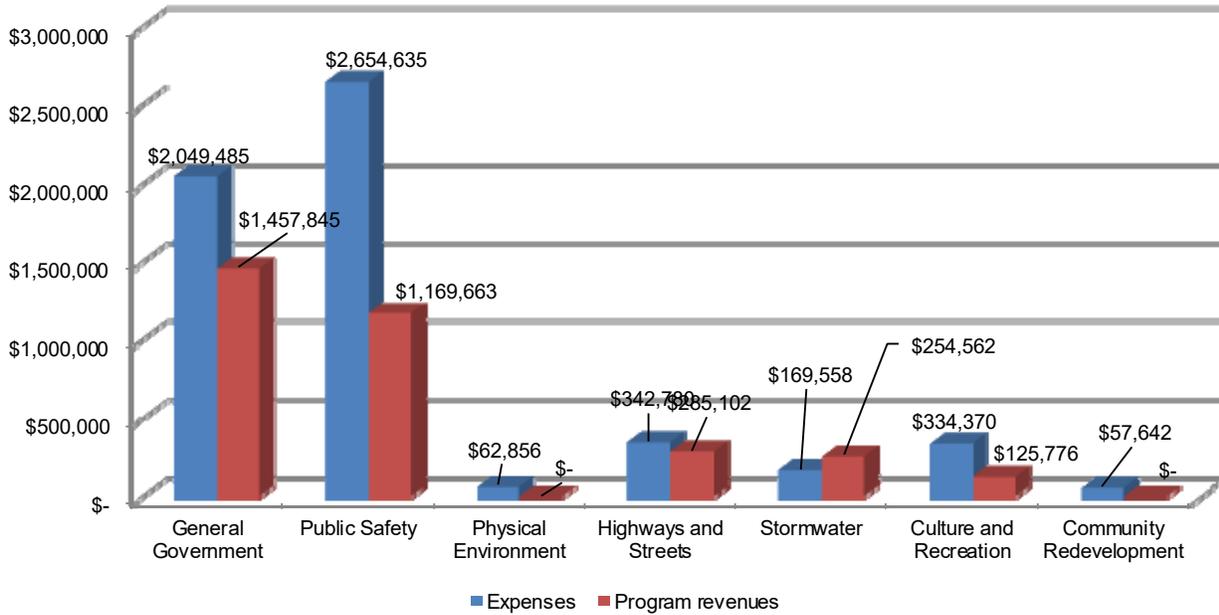
Business-Type Activities - Business-type activities increased the *City of Minneola's* net position by \$1,483,844 primarily due to increases in wastewater and sanitation services, along with increases in capital related grant revenues and impact fees.

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

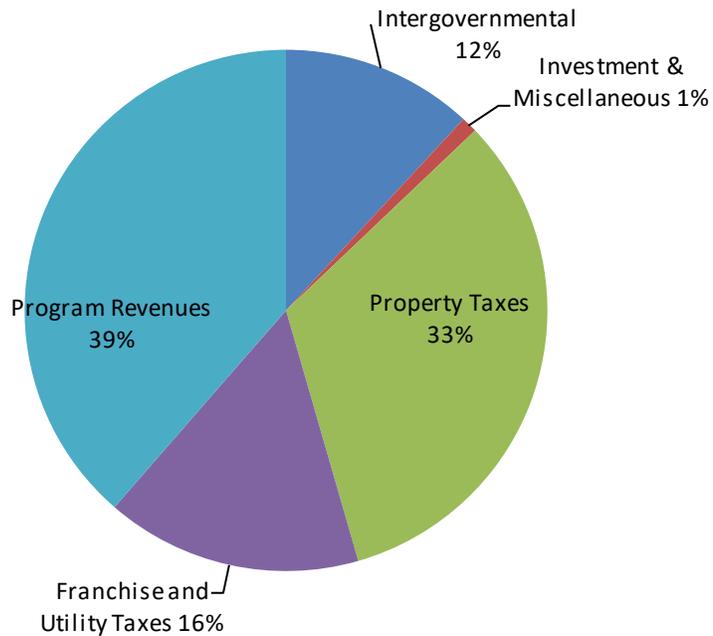
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

Expenses and Program Revenues - Governmental Activities

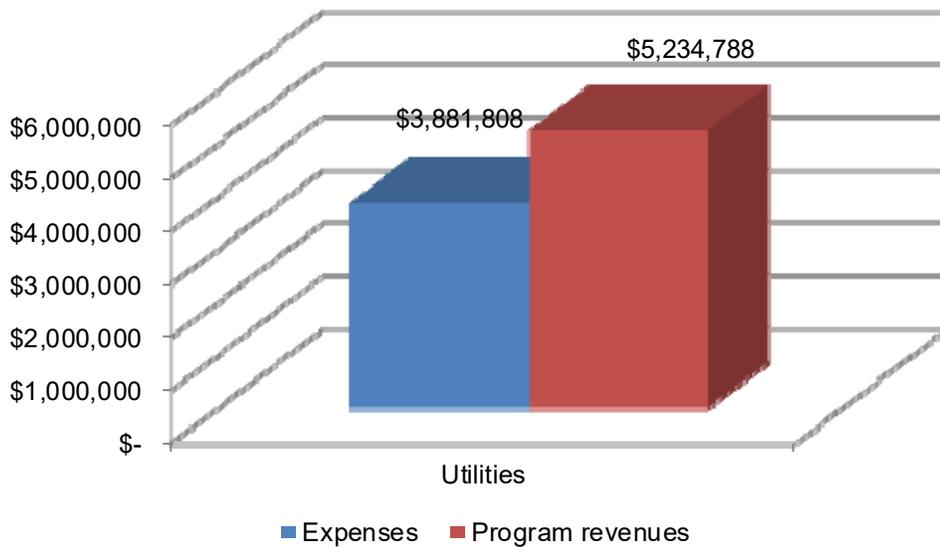


Revenue by Source - Governmental Activities

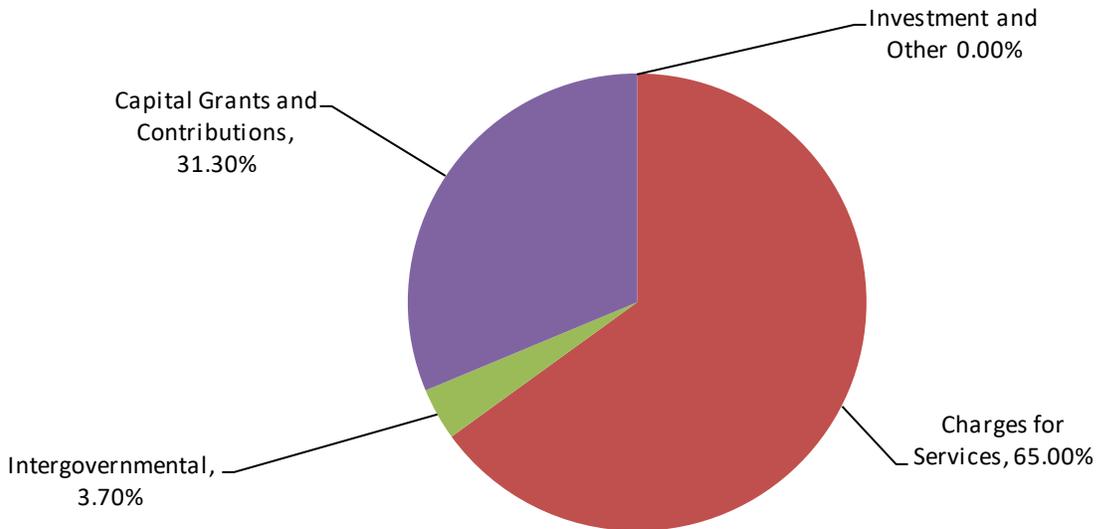


MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 Minneola* used fund accounting to ensure and demonstrate compliance with finance-related requirements.

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

As of the end of the current fiscal year, the *City of Minneola's* governmental funds reported combined ending fund balances of \$12,118,055, an increase of \$3,033,958 in comparison with the prior year. Approximately 22% or \$2,701,373 of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed for such purposes as debt service, capital projects, inventories and prepaid costs.

The general fund is the chief operating fund of the *City of Minneola*. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,701,373 while total fund balance was \$10,426,468. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 51% and 195% respectively, of total General Fund expenditures.

The fund balance of the general fund increased by \$2,266,200 during the current fiscal year.

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

Unrestricted net position of the proprietary funds at the year-end amounted to \$2,612,343. The total increase in net position for this fund was \$1,483,844. Other factors concerning the finances of these three funds have already been addressed in the discussion of the *City of Minneola's* business-type activities.

General Fund Budgetary Highlights

During the year, actual revenues were \$1,180,738 more than budgeted revenues and actual expenditures were \$966,583 less than budgeted expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Capital Asset and Debt Administration

Capital Assets - The *City of Minneola's* investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$34,064,136 (net of accumulated depreciation), for a decrease of \$451,553 from the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was 1.31% (a 0.66% decrease for governmental activities, and 1.75% decrease for business-type activities).

City of Minneola
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,116,908	\$ 2,116,908	\$ 304,026	\$ 304,026	\$ 2,420,934	\$ 2,420,934
Buildings	1,849,954	1,876,765	-	-	1,849,954	1,876,765
Improvements / Infrastructure	1,325,678	1,465,719	27,259,643	27,782,876	28,585,321	29,248,595
Machinery and Equipment	1,077,505	869,005	130,422	100,390	1,207,927	969,395
Total	<u>\$ 6,370,045</u>	<u>\$ 6,328,397</u>	<u>\$ 27,694,091</u>	<u>\$ 28,187,292</u>	<u>\$ 34,064,136</u>	<u>\$ 34,515,689</u>

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

Long-Term Debt - At the end of the current fiscal year, the *City of Minneola* had total debt outstanding of \$12,571,775. This debt includes bonds payable and notes payable. Additional information on long-term debt can be found in Note 6 of this report.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Notes Payable	\$ -	\$ -	\$ 12,118,517	\$ 12,571,775	\$ 12,118,517	\$ 12,571,775
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,118,517</u>	<u>\$ 12,571,775</u>	<u>\$ 12,118,517</u>	<u>\$ 12,571,775</u>

The *City of Minneola's* total debt decreased by \$453,258 (4%) during the current fiscal year. The City's governmental activities are debt-free.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Economic Factors and Next Year's Budget and Rates

- The average unemployment rate for the state is 4.2% and 4.4% for the nation.
- Average inflation nationally as indicated by the consumer price index is 2.1%

These factors were considered in preparing the City budget for the 2017-2018 year. The City adopted the 2017 - 2018 budget at its September 19, 2017 meeting. The 2017 - 2018 General Fund budget includes a millage rate of 6.2795.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF MINNEOLA, FLORIDA

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 10,315,480	\$ 4,645,162	\$ 14,960,642
Receivables, net	155,574	26,430	182,004
Internal balances	1,721,805	(1,721,805)	-
Due from other governments	114,910	201,123	316,033
Prepaid costs	42,818	27,292	70,110
Restricted cash and cash equivalents	-	3,992,314	3,992,314
Capital Assets:			
Capital assets not being depreciated	2,116,908	304,026	2,420,934
Capital assets being depreciated, net of accumulated depreciation	4,253,137	27,390,065	31,643,202
Total assets	<u>18,720,632</u>	<u>34,864,607</u>	<u>53,585,239</u>
DEFERRED OUTFLOWS:			
Pension earnings	<u>885,919</u>	<u>379,681</u>	<u>1,265,600</u>
LIABILITIES:			
Accounts payable and accrued expenses	130,299	159,988	290,287
Due to other governmental agencies	100,733	-	100,733
Accrued interest	-	148,996	148,996
Deposits payable	1,500	173,869	175,369
Noncurrent liabilities:			
Due within one year			
Compensated absences	-	16,393	16,393
Notes payable	-	465,446	465,446
Due in more than one year			
Compensated absences	144,443	16,607	161,050
Notes payable	-	11,653,071	11,653,071
Net pension liability	2,097,615	898,980	2,996,595
Total liabilities	<u>2,474,590</u>	<u>13,533,350</u>	<u>16,007,940</u>
DEFERRED INFLOWS:			
Pension earnings	<u>128,580</u>	<u>55,106</u>	<u>183,686</u>
NET POSITION:			
Net investment in capital assets	6,370,045	15,575,574	21,945,619
Restricted	4,737,219	3,467,915	8,205,134
Unrestricted	5,896,117	2,612,343	8,508,460
Total net position	<u>\$ 17,003,381</u>	<u>\$ 21,655,832</u>	<u>\$ 38,659,213</u>

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

CITY OF MINNEOLA, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government							
Governmental Activities							
General Government	\$ 2,049,485	\$ 1,457,845	\$ -	\$ -	\$ (591,640)	\$ -	\$ (591,640)
Public Safety	2,654,635	317,817	-	851,846	(1,484,972)	-	(1,484,972)
Physical Environment	62,856	-	-	-	(62,856)	-	(62,856)
Highways and streets	342,780	-	285,102	-	(57,678)	-	(57,678)
Stormwater	169,558	254,562	-	-	85,004	-	85,004
Culture and Recreation	334,370	4,898	26,218	94,660	(208,594)	-	(208,594)
Community Redevelopment	57,642	-	-	-	(57,642)	-	(57,642)
Total governmental activities	<u>5,671,326</u>	<u>2,035,122</u>	<u>311,320</u>	<u>946,506</u>	<u>(2,378,378)</u>	<u>-</u>	<u>(2,378,378)</u>
Business-type activities:							
Utility	<u>3,881,808</u>	<u>3,531,205</u>	<u>-</u>	<u>1,703,583</u>	<u>-</u>	<u>1,352,980</u>	<u>1,352,980</u>
Total business-type activities	<u>3,881,808</u>	<u>3,531,205</u>	<u>-</u>	<u>1,703,583</u>	<u>-</u>	<u>1,352,980</u>	<u>1,352,980</u>
Total primary government	<u>\$ 9,553,134</u>	<u>\$ 5,566,327</u>	<u>\$ 311,320</u>	<u>\$ 2,650,089</u>	<u>(2,378,378)</u>	<u>1,352,980</u>	<u>(1,025,398)</u>
General Revenues:							
Property taxes					2,827,615	-	2,827,615
Franchise and utility taxes					1,322,902	-	1,322,902
Intergovernmental					1,027,324	200,004	1,227,328
Unrestricted investment earnings					100	1,414	1,514
Miscellaneous					52,516	-	52,516
Transfers					70,554	(70,554)	-
Total general revenues and transfers					<u>5,301,011</u>	<u>130,864</u>	<u>5,431,875</u>
Change in net position					2,922,633	1,483,844	4,406,477
Net Position - beginning					14,080,748	20,171,988	34,252,736
Net Position - ending					<u>\$ 17,003,381</u>	<u>\$ 21,655,832</u>	<u>\$ 38,659,213</u>

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

CITY OF MINNEOLA, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2017

	<u>General Fund</u>	<u>Stormwater Special Revenue Fund</u>	<u>Community Redevelopment Funds</u>	<u>Impact Fee Fund</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and cash equivalents	\$ 9,078,011	\$ -	\$ 1,237,469	\$ -	\$ 10,315,480
Receivables	152,837	2,737	-	-	155,574
Due from other governments	114,910	-	-	-	114,910
Prepaid costs	29,075	1,054	12,689	-	42,818
Due from other funds	1,420,375	494,917	-	139,924	2,055,216
Total assets	<u>\$ 10,795,208</u>	<u>\$ 498,708</u>	<u>\$ 1,250,158</u>	<u>\$ 139,924</u>	<u>\$ 12,683,998</u>
LIABILITIES:					
Accounts payable	\$ 126,583	\$ 3,716	\$ -	\$ -	\$ 130,299
Due to other governments	100,733	-	-	-	100,733
Due to other funds	139,924	36,852	156,635	-	333,411
Deposits payable	1,500	-	-	-	1,500
Total liabilities	<u>368,740</u>	<u>40,568</u>	<u>156,635</u>	<u>-</u>	<u>565,943</u>
FUND BALANCES:					
Nonspendable					
Prepays	29,075	-	-	-	29,075
Restricted					
Street repairs	779,647	-	-	-	779,647
Confiscation funds	18,966	-	-	-	18,966
Permitting expenditures	2,066,019	-	-	-	2,066,019
Police education	4,067	-	-	-	4,067
Infrastructure	774,997	-	-	-	774,997
Community redevelopment	-	-	1,093,523	-	1,093,523
Committed					
Cemetery care	5,012	-	-	-	5,012
Rails/trails	1,527	-	-	-	1,527
Tree replacement	30,765	-	-	-	30,765
Fire protection capital expenditures	272,920	-	-	-	272,920
Parks capital expenditures	-	-	-	94,660	94,660
Police protection capital expenditures	-	-	-	45,264	45,264
Stormwater management	-	458,140	-	-	458,140
Assigned					
Fire truck replacement	450,000	-	-	-	450,000
Fire department relocation	2,512,100	-	-	-	2,512,100
Park master plan	30,000	-	-	-	30,000
Library relocation	250,000	-	-	-	250,000
City Hall remodel	500,000	-	-	-	500,000
Unassigned	2,701,373	-	-	-	2,701,373
Total fund balances	<u>10,426,468</u>	<u>458,140</u>	<u>1,093,523</u>	<u>139,924</u>	<u>12,118,055</u>
Total Liabilities and Fund Balances	<u>\$ 10,795,208</u>	<u>\$ 498,708</u>	<u>\$ 1,250,158</u>	<u>\$ 139,924</u>	<u>\$ 12,683,998</u>

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

CITY OF MINNEOLA, FLORIDA

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

September 30, 2017

Total Fund Balance, governmental funds		\$ 12,118,055
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		6,370,045
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.		757,339
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds		
Compensated absences	(144,443)	
Net pension liability	(2,097,615)	<u>(2,242,058)</u>
Net Position of Governmental Activities in the Statement of Net Position		<u>\$ 17,003,381</u>

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

CITY OF MINNEOLA, FLORIDA

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

For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Stormwater fund</u>	<u>Community Redevelopment Funds</u>	<u>Impact Fee Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes:					
Property	\$ 2,205,514	\$ -	\$ 622,101	\$ -	\$ 2,827,615
Franchise and utility	1,322,902	-	-	-	1,322,902
Licenses and permits	1,392,019	-	-	-	1,392,019
Intergovernmental	2,010,556	-	-	-	2,010,556
Charges for services	372,883	254,562	-	-	627,445
Fees and fines	14,896	-	-	-	14,896
Impact fees	131,585	-	-	139,924	271,509
Investment earnings	100	-	-	-	100
Miscellaneous	56,363	-	-	-	56,363
Total revenues	<u>7,506,818</u>	<u>254,562</u>	<u>622,101</u>	<u>139,924</u>	<u>8,523,405</u>
EXPENDITURES:					
Current:					
General government	2,052,603	-	-	-	2,052,603
Public safety	2,645,717	-	-	-	2,645,717
Physical environment	43,491	154,590	-	-	198,081
Highways and Streets	321,834	-	-	-	321,834
Culture and recreation	284,124	-	-	-	284,124
Community redevelopment	-	-	57,642	-	57,642
Total expenditures	<u>5,347,769</u>	<u>154,590</u>	<u>57,642</u>	<u>-</u>	<u>5,560,001</u>
Excess (deficiency) of revenues over expenditures	<u>2,159,049</u>	<u>99,972</u>	<u>564,459</u>	<u>139,924</u>	<u>2,963,404</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	107,151	-	-	-	107,151
Transfers out	-	-	(36,597)	-	(36,597)
Total other financing sources (uses)	<u>107,151</u>	<u>-</u>	<u>(36,597)</u>	<u>-</u>	<u>70,554</u>
Net change in fund balances	2,266,200	99,972	527,862	139,924	3,033,958
Fund balances - beginning	8,160,268	358,168	565,661	-	9,084,097
Fund balances - ending	<u>\$ 10,426,468</u>	<u>\$ 458,140</u>	<u>\$ 1,093,523</u>	<u>\$ 139,924</u>	<u>\$ 12,118,055</u>

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

CITY OF MINNEOLA, 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: \$ 3,033,958

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

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

Expenditures for Capital Assets	403,619	
Less: current year depreciation	<u>(358,274)</u>	45,345

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net position	(3,697)
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Change in compensated absences	(8,342)
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Cash pension contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore, decreased net position.

<u>(144,633)</u>

Change in net position of governmental activities

<u>\$ 2,922,631</u>

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

CITY OF MINNEOLA, 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	\$ 2,163,828	\$ 2,169,670	\$ 2,205,514	\$ 35,844
Franchise and utility	1,269,891	1,269,891	1,322,902	53,011
Licenses and Permits	486,273	486,273	1,392,019	905,746
Intergovernmental	1,776,274	1,776,274	2,010,556	234,282
Charges for Services	347,206	347,206	372,883	25,677
Fees and Fines	8,733	8,733	14,896	6,163
Impact fees	228,160	228,160	131,585	(96,575)
Investment Earnings	-	-	100	100
Miscellaneous	39,873	39,873	56,363	16,490
Total revenues	<u>6,320,238</u>	<u>6,326,080</u>	<u>7,506,818</u>	<u>1,180,738</u>
EXPENDITURES:				
Current:				
General government	1,533,615	2,228,621	2,052,603	176,018
Public safety	3,796,390	3,220,811	2,645,717	575,094
Physical environment	77,209	88,088	43,491	44,597
Highways and streets	446,867	459,837	321,834	138,003
Culture and recreation	454,418	316,995	284,124	32,871
Total expenditures	<u>6,308,499</u>	<u>6,314,352</u>	<u>5,347,769</u>	<u>966,583</u>
Excess (deficiency) of revenues over expenditures	<u>11,739</u>	<u>11,728</u>	<u>2,159,049</u>	<u>2,147,321</u>
OTHER FINANCING SOURCES:				
Transfers In	<u>95,000</u>	<u>95,000</u>	<u>107,151</u>	<u>12,151</u>
Total other financing sources	<u>95,000</u>	<u>95,000</u>	<u>107,151</u>	<u>12,151</u>
Net change in fund balances	106,739	106,728	2,266,200	2,159,472
Fund Balance - beginning	<u>8,160,268</u>	<u>8,160,268</u>	<u>8,160,268</u>	<u>-</u>
Fund Balance - ending	<u>\$ 8,267,007</u>	<u>\$ 8,266,996</u>	<u>\$ 10,426,468</u>	<u>\$ 2,159,472</u>

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

CITY OF MINNEOLA, FLORIDA

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

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 232,945	\$ 232,945	\$ 254,562	\$ 21,617
Total revenues	232,945	232,945	254,562	21,617
EXPENDITURES:				
Current:				
Physical Environment	232,944	238,607	154,590	84,017
Total expenditures	232,944	238,607	154,590	84,017
Excess (deficiency) of revenues over expenditures	1	(5,662)	99,972	105,634
Net change in fund balances	1	(5,662)	99,972	105,634
Fund Balance - beginning	358,168	358,168	358,168	-
Fund Balance - ending	\$ 358,169	\$ 352,506	\$ 458,140	\$ 105,634

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

CITY OF MINNEOLA, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT 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	\$ 615,602	\$ 615,602	\$ 622,101	\$ 6,499
Intergovernmental	-	-	-	-
Total revenues	<u>615,602</u>	<u>615,602</u>	<u>622,101</u>	<u>6,499</u>
EXPENDITURES:				
Current:				
Community redevelopment	<u>94,105</u>	<u>94,105</u>	<u>57,642</u>	<u>36,463</u>
Total expenditures	<u>94,105</u>	<u>94,105</u>	<u>57,642</u>	<u>36,463</u>
Excess (deficiency) of revenues over expenditures	<u>521,497</u>	<u>521,497</u>	<u>564,459</u>	<u>42,962</u>
OTHER FINANCING SOURCES:				
Transfers Out	<u>-</u>	<u>-</u>	<u>(36,597)</u>	<u>(36,597)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>(36,597)</u>	<u>(36,597)</u>
Net change in fund balances	521,497	521,497	527,862	6,365
Fund Balance - beginning	<u>565,661</u>	<u>565,661</u>	<u>565,661</u>	<u>-</u>
Fund Balance - ending	<u>\$ 1,087,158</u>	<u>\$ 1,087,158</u>	<u>\$ 1,093,523</u>	<u>\$ 6,365</u>

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

CITY OF MINNEOLA, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2017

	<u>Enterprise Fund</u>
	<u>Utility</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 4,645,162
Accounts receivable, net	26,430
Due from other funds	36,570
Due from other governments	201,123
Prepaid costs	27,292
Restricted cash and cash equivalents	3,992,314
Total current assets	<u>8,928,891</u>
Noncurrent assets:	
Capital assets:	
Land	304,026
Water and wastewater system	37,493,471
Machinery and equipment	504,910
Less accumulated depreciation	(10,608,316)
Total noncurrent assets	<u>27,694,091</u>
Total assets	<u>36,622,982</u>
DEFERRED OUTFLOWS	
Pension earnings	<u>379,681</u>
	<u>379,681</u>

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

	<u>Enterprise Fund</u>
	<u>Utility</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	159,988
Due to other funds	1,758,375
Accrued interest payable	148,996
Customer deposits payable	173,869
Compensated absences	16,393
Notes and loans payable - current	465,446
Total current liabilities	<u>2,723,067</u>
Noncurrent Liabilities:	
Compensated absences	16,607
Net pension liability	898,980
Notes and loans payable	11,653,071
Total noncurrent liabilities	<u>12,568,658</u>
Total liabilities	<u>15,291,725</u>
DEFERRED INFLOWS	
Pension earnings	55,106
	<u>55,106</u>
NET POSITION:	
Net investment in capital assets	15,575,574
Restricted	3,467,915
Unrestricted	2,612,343
Total net position	<u>\$ 21,655,832</u>

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

CITY OF MINNEOLA, FLORIDA

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

For the Year Ended September 30, 2017

	Enterprise Fund
	Utility
REVENUES:	
Charges for Services	\$ 3,520,838
Other operating revenue	10,367
Total operating revenues	<u>3,531,205</u>
OPERATING EXPENSES:	
Personal Services	842,857
Contract Services	1,090,901
Operating Expenses	274,821
Utility Services	168,406
Repairs and Maintenance	105,740
Insurance	95,674
Depreciation	976,170
Total operating expenses	<u>3,554,569</u>
Operating income (loss)	<u>(23,364)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest and Investment Income	1,414
Infrastructure surtax	200,004
Interest Expense	<u>(327,239)</u>
Total nonoperating revenue (expenses)	<u>(125,821)</u>
Income before transfers	(149,185)
Capital contributions	184,420
Impact Fees	1,519,163
Transfers In	36,597
Transfers Out	<u>(107,151)</u>
Change in net position	1,483,844
Total Net Position - beginning	20,171,988
Total Net Position - ending	<u>\$ 21,655,832</u>

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

CITY OF MINNEOLA, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	<u>Utility</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 3,687,428
Payments to suppliers	(1,954,572)
Payments to employees	(777,381)
Net cash provided by operating activities	<u>955,475</u>
Cash Flows from Noncapital Financing Activities:	
Net operating transfers out	(70,554)
Intergovernmental revenue	239,479
Increase in due from other funds	1,156,136
Increase in due to other funds	(767,221)
Net cash provided by noncapital financing activities	<u>557,840</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(482,969)
Impact Fees	1,519,163
Principal paid on long-term debt	(453,258)
Interest paid on long-term debt	(332,811)
Net cash provided (used) by capital and related financing activities	<u>250,125</u>
Cash Flows from Investing Activities:	
Investment income	1,414
Net cash provided by investing activities	<u>1,414</u>
Net Increase in Cash and Cash Equivalents	1,764,854
Cash and Cash Equivalents - beginning	<u>6,872,622</u>
Cash and Cash Equivalents - ending	<u><u>\$ 8,637,476</u></u>
Classified As:	
Cash and cash equivalents	\$ 4,645,162
Restricted cash and cash equivalents	3,992,314
Total	<u><u>\$ 8,637,476</u></u>

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

	<u>Utility</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities	
Operating income (loss)	\$ (23,364)
Adjustments Not Affecting Cash:	
Depreciation and amortization	976,170
Change in Assets and Liabilities:	
Decrease in accounts receivable	179,417
Increase in prepaids	(2,025)
Decrease in accounts payable	(217,005)
Increase in compensated absences	3,491
Increase in deferred outflows	(46,242)
Increase in deferred inflows	38,362
Increase in net pension liability	69,865
Decrease in customer deposits	(23,194)
Total adjustments	<u>978,839</u>
Net Cash Provided by Operating Activities	<u>\$ 955,475</u>

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

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

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

The *City of Minneola* Community Redevelopment Agency Fund

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

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following funds:

Major Governmental Funds

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

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

Major Proprietary Funds

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

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 utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

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 the alternative guidance provided in 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

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

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

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

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

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

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

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

Ad valorem millage	10 mills
Utility tax	10%

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. Prepaid Items

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

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 \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the year ended September 30, 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 and systems	40
Improvements	15 - 40
Water lines	10 - 50
Equipment	3 - 10
Intangible Assets	10 - 15

6. Compensated Absences

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

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 qualifies for reporting in this category for the year ended September 30, 2017, deferred outflows of pension earnings.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category for the year ended September 30, 2017, 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 (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

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

B. *Expenditures in Excess of Appropriations*

Expenditures in the Community Redevelopment Fund exceeded appropriations for the year ended September 30, 2017. These over expenditures were funded by available fund balance.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 3 - Deposits and Investments:

Deposits

At year-end, the carrying amount of the City's deposits was \$18,952,956 and the bank balance was \$19,258,567. Petty cash funds of \$5,500 are not on deposit with a financial institution.

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

Investments

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

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the City's own data in measuring unobservable inputs. The City had no investments as defined by GASB Statement No. 72 as of September 30, 2017.

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

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

CITY OF MINNEOLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 3 - Deposits and Investments (Continued):

Investments (Continued):

The City does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The City policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2017, all of the City's bank deposits were in qualified public depositories.

Note 4 - Receivables:

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

	<u>General Fund</u>	<u>Stormwater Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Receivables:				
Accounts	\$ 152,837	\$ 12,960	\$ 131,228	\$ 297,025
Less allowance for uncollectible accounts	-	(10,223)	(104,798)	(115,021)
	<u>\$ 152,837</u>	<u>\$ 2,737</u>	<u>\$ 26,430</u>	<u>\$ 182,004</u>

CITY OF MINNEOLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 5 - 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	\$ 2,116,908	\$ -	\$ -	\$ 2,116,908
Total capital assets, not being depreciated	<u>2,116,908</u>	<u>-</u>	<u>-</u>	<u>2,116,908</u>
Capital assets, being depreciated:				
Buildings	2,744,513	47,590	-	2,792,103
Improvements/Infrastructure	2,711,304	-	-	2,711,304
Machinery and equipment	2,214,694	356,029	(8,423)	2,562,300
Total capital assets, being depreciated	<u>7,670,511</u>	<u>403,619</u>	<u>(8,423)</u>	<u>8,065,707</u>
Less accumulated depreciation for:				
Buildings	(867,748)	(74,401)	-	(942,149)
Improvements/Infrastructure	(1,245,585)	(140,041)	-	(1,385,626)
Machinery and equipment	(1,345,689)	(143,832)	4,726	(1,484,795)
Total accumulated depreciation	<u>(3,459,022)</u>	<u>(358,274)</u>	<u>4,726</u>	<u>(3,812,570)</u>
Total capital assets, being depreciated, net	<u>4,211,489</u>	<u>45,345</u>	<u>(3,697)</u>	<u>4,253,137</u>
Government activities capital assets, net	<u>\$ 6,328,397</u>	<u>\$ 45,345</u>	<u>\$ (3,697)</u>	<u>\$ 6,370,045</u>

CITY OF MINNEOLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 5 - Capital Assets (Continued):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 304,026	\$ -	\$ -	\$ 304,026
Total capital assets, not being depreciated	<u>304,026</u>	<u>-</u>	<u>-</u>	<u>304,026</u>
Capital assets, being depreciated:				
Improvements/Infrastructure	37,058,726	434,745	-	37,493,471
Machinery and equipment	456,686	48,224	-	504,910
Total capital assets, being depreciated	<u>37,515,412</u>	<u>482,969</u>	<u>-</u>	<u>37,998,381</u>
Less accumulated depreciation for:				
Improvements/Infrastructure	(9,275,850)	(957,978)	-	(10,233,828)
Machinery and equipment	(356,296)	(18,192)	-	(374,488)
Total accumulated depreciation	<u>(9,632,146)</u>	<u>(976,170)</u>	<u>-</u>	<u>(10,608,316)</u>
Total capital assets, being depreciated, net	<u>27,883,266</u>	<u>(493,201)</u>	<u>-</u>	<u>27,390,065</u>
Business-type activities capital assets, net	<u>\$ 28,187,292</u>	<u>\$ (493,201)</u>	<u>\$ -</u>	<u>\$ 27,694,091</u>

CITY OF MINNEOLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 5 - Capital Assets (Continued):

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 70,225
Public safety	112,140
Highways and streets	54,014
Stormwater	27,361
Physical environment	14,781
Culture and recreation	79,753
Total Depreciation Expense - governmental activities	<u>\$ 358,274</u>
Business-type Activities:	
Utilities	\$ 976,170
Total Depreciation Expense - business type activities	<u>\$ 976,170</u>

Note 6 - Long-Term Debt:

Notes Payable

In May 2005, the City executed a State Revolving Fund loan agreement for wastewater collection, transmission and reuse improvements. The final amendment #4 dated in April 2011 provides for total funding of \$16,876,398 and a revised loan period of 30 years with an interest rates of 2.75 percent to 2.65 percent. The note is secured by gross revenues, together with reuse revenues and impact fees, from the yearly operation of the sewer system after operation and maintenance expense and the satisfaction of all yearly payment obligations on account of any senior obligation issued. Total principal and interest remaining to be paid on this series is \$15,721,397. For the fiscal year, principal and interest paid on this series was \$780,497 and total pledged revenue was \$2,366,232.

CITY OF MINNEOLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 6 - Long-Term Debt (Continued):

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

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2018	\$ 465,446	\$ 320,624
2019	477,962	308,108
2020	490,814	295,256
2021	504,012	282,058
2022	517,565	268,505
2023-2027	2,804,224	1,126,125
2028-2032	3,202,088	728,261
2033-2037	3,656,406	273,943
Total	<u>\$ 12,118,517</u>	<u>\$ 3,602,880</u>

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 136,101	\$ 9,342	\$ -	\$ 145,443	47,630
Net pension liability	1,934,598	163,017	-	2,097,615	-
Governmental activity long-term liabilities	<u>\$ 2,070,699</u>	<u>\$ 172,359</u>	<u>\$ -</u>	<u>\$ 2,243,058</u>	<u>\$ 47,630</u>
Business-Type Activities					
Notes payable - SRF Loans	\$ 12,571,775	\$ -	\$ (453,258)	\$ 12,118,517	\$ 465,446
Compensated absences	29,509	3,491	-	33,000	16,393
Net pension liability	829,115	69,865	-	898,980	-
Business-type activity long-term liabilities	<u>\$ 13,430,399</u>	<u>\$ 73,356</u>	<u>\$ (453,258)</u>	<u>\$ 13,050,497</u>	<u>\$ 481,839</u>

CITY OF MINNEOLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 7 - Interfund Receivables, Payables and Transfers:

Interfund receivable and payable balances at September 30, 2017 are as follows:

Due From:	Due to				Total
	General	Community Redevelopment	Stormwater	Utility	
General	\$ -	\$ 120,065	\$ 36,852	\$ 1,263,458	\$ 1,420,375
Stormwater	-	-	-	494,917	494,917
Impact Fee	139,924	-	-	-	139,924
Utility	-	36,570	-	-	36,570
	<u>\$ 139,924</u>	<u>\$ 156,635</u>	<u>\$ 36,852</u>	<u>\$ 1,758,375</u>	<u>\$ 2,091,786</u>

Additionally, the Utility fund transferred \$107,151 to the General Fund for the sanitation fee, and the Community Redevelopment Fund transferred \$36,597 for capital projects.

Note 8 - Employee Benefit Plans:

Florida Retirement System

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 8 - Employee Benefit Plans (Continued):

Florida Retirement System (Continued)

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

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

In addition to the above benefits, the Deferred Retirement Option Program (DROP) allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants. The employer contribution at fiscal year ended September 30, 2017 is 13.26%.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 8 - Employee Benefit Plans (Continued):

Florida Retirement System (Continued)

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

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida legislature. Employer contributions are a percentage of gross compensation for all active FRS members. At fiscal year ended September 30, 2017, the contribution rate was 1.66% of payroll pursuant to Section 62.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 8 - Employee Benefit Plans (Continued):

Florida Retirement System (Continued)

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

Senior Management Service Class - members of senior management who do not elect the optional annuity retirement program (25.71% [includes 3% employee contribution] from July 1, 2017 through September 30, 2017 and 24.77% [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% [includes 3% employee contribution] from October 1, 2016 through June 30, 2017.)

Elected State Officer's Class - certain elected City officials (48.50% [includes 3% employee contribution] from July 1, 2017 through September 30, 2017 and 45.47% [includes 3% employee contribution] from October 1, 2016 through June 30, 2017.)

Pension Plan

The City's contributions, including employee contributions, to the Pension Plan totaled \$205,337 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 \$2,330,760 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 .00788 percent, which was a decrease of .00023 percent from its proportionate share measured as of June 30, 2016.

CITY OF MINNEOLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 8 - Employee Benefit Plans (Continued):

Pension Plan (Continued)

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$389,066. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 213,908	\$ 12,911
Change of Assumptions	783,300	-
Net Difference Between Projected and Actual earnings on Pension Plan investments	-	57,762
Changes in Proportion and Differences Between City Pension Plan Contributions and Proportionate Share of Contributions	72,561	54,051
City Pension Plan Contributions Subsequent to the Measurement Date	<u>60,360</u>	<u>-</u>
Total	<u>\$ 1,130,129</u>	<u>\$ 124,724</u>

The deferred outflows of resources related to the Pension Plan, totaling \$60,360 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:

Fiscal Year Ending September 30:	<u>Amount</u>
2018	\$ 121,799
2019	322,303
2020	233,064
2021	56,053
2022	155,849
Thereafter	55,977

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 8 - Employee Benefit Plans (Continued):

Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	7.10%, 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:

<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 Equity	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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 8 - Employee Benefit Plans (Continued):

Pension Plan (Continued)

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>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
City's Proportionate Share of the Net Pension Liability	\$ 4,218,534	\$ 2,330,760	\$ 763,474

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

Payables to the Pension Plan - At September 30, 2017, the City reported a payable in the amount of \$36,387 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

HIS Plan

The City's contributions to the HIS Plan totaled \$34,004 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 \$665,835 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 .00623 percent, which was an increase of .00008 percent from its proportionate share measured as of June 30, 2016.

CITY OF MINNEOLA, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 8 - Employee Benefit Plans (Continued):

HIS Plan (Continued)

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$56,892. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,386
Change of Assumptions	93,594	57,575
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	369	-
Changes in Proportion and Differences Between City HIS Plan Contributions and Proportionate Share of Contributions	31,859	-
City HIS Plan Contributions Subsequent to the Measurement Date	9,649	-
Total	<u>\$ 135,471</u>	<u>\$ 58,961</u>

The deferred outflows of resources related to the HIS Plan, totaling \$9,649 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:

Fiscal Year Ending September 30:	<u>Amount</u>
2018	\$ 17,159
2019	17,089
2020	17,056
2021	14,014
2022	8,367
Thereafter	(6,824)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 8 - Employee Benefit Plans (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
Investment Rate of Return	3.58 %

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:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
City's Proportionate Share of the Net Pension Liability	\$ 759,806	\$ 665,835	\$ 587,562

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

Payables to the Pension Plan - At September 30, 2017, the City reported had no outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 8 - Employee Benefit Plans (Continued):

Investment Plan

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 8 - Employee Benefit Plans (Continued):

Investment Plan (Continued)

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's Investment Plan pension expense totaled \$61,854 for the fiscal year ended September 30, 2017.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2017

Note 9 - Other Post-Employment Benefits:

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

Note 10 - Commitments and Contingencies:

Litigation - The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MINNEOLA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

	2017	2016	2015
City's Proportion of the Net Pension Liability	0.007879691%	0.008105839%	0.007423495%
City's Proportionate Share of the Net Pension Liability	\$ 2,330,760	\$ 2,046,731	\$ 958,848
City's Covered-employee Payroll	\$ 2,048,046	\$ 1,914,543	\$ 1,807,991
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	113.80%	106.90%	53.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	84.88%	92.00%

	2017	2016	2015
City's Proportion of the Net Pension Liability	0.006227144%	0.006151890%	0.005846795%
City's Proportionate Share of the Net Pension Liability	\$ 665,835	\$ 716,977	\$ 596,281
City's Covered-employee Payroll	\$ 2,048,046	\$ 1,914,543	\$ 1,807,991
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	32.51%	37.45%	32.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	0.50%

CITY OF MINNEOLA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 205,337	\$ 205,202	\$ 180,991
Contributions in Relation to the Contractually Required Contribution	(205,337)	(205,202)	(180,991)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-employee Payroll	 \$ 2,048,046	 \$ 1,914,543	 \$ 1,807,991
 Contributions as a Percentage of Covered- employee Payroll	 10.03%	 10.72%	 10.01%

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 34,004	\$ 31,776	\$ 22,350
Contributions in Relation to the Contractually Required Contribution	(34,004)	(31,776)	(22,350)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-employee Payroll	 \$ 2,048,046	 \$ 1,914,543	 \$ 1,807,991
 Contributions as a Percentage of Covered- employee Payroll	 1.66%	 1.66%	 1.24%

OTHER REPORTS

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

The Honorable Mayor and City Council
City of Minneola, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *City of Minneola, Florida*, as of and for the year ended September 30, 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 26, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of City of Minneola in a separate letter dated June 26, 2018.

Purpose of this Report

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

McDiernit Davis & Company, LLC

Orlando, Florida
June 26, 2018

MANAGEMENT LETTER

Honorable Mayor and City Council
City of Minneola, Florida

Report on the Financial Statements

We have audited the financial statements of the *City of Minneola, Florida*, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 26, 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 26, 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.

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.

MCDIRMIT DAVIS & COMPANY, LLC

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Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.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 Minneola, Florida's* financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

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 communicate the results of our determination as to whether the annual financial report for the *City of Minneola, 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.

Other Matters

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

Purpose of this Letter

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

McDiarmid Davis & Company, LLC

Orlando, Florida
June 26, 2018

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

The Honorable Mayor and City Council
City of Minneola, Florida

We have examined City of Minneola's (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 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 Minneola complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

MCDIRMIT DAVIS & COMPANY, LLC

Orlando, Florida
June 26, 2018