

**EXHIBIT B - 2017 FINANCIAL STATEMENT**

**LAKELAND AREA MASS TRANSIT DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEARS ENDED  
SEPTEMBER 30, 2017 AND 2016**

**LAKELAND AREA MASS TRANSIT DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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**TABLE OF CONTENTS**

Page

**INTRODUCTORY SECTION**

Letter of Transmittal ..... i – v

**FINANCIAL SECTION**

Independent Auditor’s Report ..... 1 – 3

Management’s Discussion and Analysis ..... 4 – 11

Basic Financial Statements

Statements of Net Position..... 12

Statements of Revenues, Expenses and Changes in Net Position..... 13

Statements of Cash Flows..... 14 and 15

Notes to Financial Statements ..... 16 – 36

Required Supplementary Information

Schedules of Proportionate Share of the Net Pension Liability –  
Florida Retirement System Pension Plan ..... 37

Schedules of District Contributions – Florida Retirement System Pension Plan..... 38

Schedules of Proportionate Share of the Net Pension Liability –  
Retiree Health Insurance Subsidy Program ..... 39

Schedules of District Contributions – Retiree Health Insurance Subsidy Program ..... 40

Supplementary Information

Schedule of Revenues and Expenses – Polk County Transit Services..... 41

**COMPLIANCE SECTION**

Schedule of Expenditures of Federal Awards and State Financial Assistance ..... 42

Note to Schedule of Expenditures of Federal Awards and State Financial Assistance ..... 43

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* ..... 44 and 45

Independent Auditor’s Report on Compliance for Each Major Federal Program  
and State Project and on Internal Control Over Compliance Required by the  
Uniform Guidance and Chapter 10.550 Rules of the Auditor General..... 46 – 48

Schedule of Findings and Questioned Costs ..... 49 – 51

Management Letter ..... 52 – 54

Independent Accountant’s Report on Compliance with Section 218.415,  
Florida Statutes ..... 55

## **INTRODUCTORY SECTION**

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February 28, 2018

Mr. John Hall, Board Chair and  
Members of the Board of Directors of the  
Lakeland Area Mass Transit District  
Citizens of our Service Area

Dear Board Chair, Board Members and Citizens:

State law requires that all independent special districts publish each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and 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 by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Financial Report of the Lakeland Area Mass District, a/k/a Citrus Connection (the "District"), for the fiscal year ended September 30, 2017.

This financial report is indicative of the District management's continued commitment to provide high quality, complete, concise, and reliable financial information on the District.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to provide the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefit, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's basic financial statements have been audited by Mauldin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the District for the fiscal year ended September 30, 2017, are free from material misstatement.

The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements; evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified, "clean" opinion that the District's financial statements for the fiscal year ended September 30, 2017, are fairly presented in conformity with GAAP. The independent auditors' report is located in front of the report.

The independent audit of the financial statements of the District was part of a broader, mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the basic financial statements, but also on the District's internal control and compliance with legal requirements, with special emphasis on internal control and legal requirements involving the administration of federal and state grant awards. These reports are included in the supplementary information section of this report.

Government Accounting Standards require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. This year's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the District**

The Lakeland Area Mass Transit District, operating and also known as Citrus Connection or LAMTD, was created as a body politic and corporate under Chapter 163, Part V, Sections 163.567, et seq., Florida Statutes, on June 16, 1980. It was originally chartered for the purpose of providing mass transit service to the City of Lakeland, (the "City") and the unincorporated areas of Polk County, Florida (the "County").

The District's Board of Directors is comprised of two directors appointed by the Polk County Board of Commissioners, and three Directors from the City of Lakeland. The Authority is governed by its 5-member Board of Directors ("Board"), which makes decisions, designates management, significantly influences operations and maintains primary fiscal responsibility.

The District is identified as an "Independent Special District" as described in Section 189.403, Florida Statutes, and is authorized to levy an ad valorem tax of up to one-half mill (.50) on the taxable value of real and tangible personal property within the jurisdiction of the City of Lakeland. Chapter 165.570, Florida Statutes, allows the District to levy up to one mill, subject to public referendum. The District's ad valorem taxes are reviewed as part of the annual assessment of Polk County, which levies its taxes on November 1. Collection of taxes begins in November of each year and continues through the following March. Taxes become delinquent on April 1 and tax certificates placing liens on the property are sold May 31.

Additional revenues and funding are received from passenger fares, other revenue services and grants from the U.S. Government and the State of Florida. Located in Polk County, Florida, on the west coast of the state, the District is a regional provider of mass transportation services primarily within Polk County.

### **Services and Ridership**

The District provides virtually all public transportation services in the Lakeland incorporated area. These services include fixed route, paratransit, and specialized services. The District maintains over 10 ADA bus stops, 68 shelters, 1 transit terminal, 1 Park and Ride Facility and a fleet of 51 fixed route, and paratransit vehicles.

Fiscal year 2017 ridership which includes both the District and Polk County ridership, is as follows:

- Fixed Route: 1,252,509 (a decrease of 4% compared to fiscal year 2016)
- Paratransit: 93,702 (an increase of 5.5% compared to fiscal year 2016)

### **Management**

The District is managed by an Executive Director who acts in accordance with the direction, goals and policies articulated by the Board. The Executive Director is responsible for the District's daily operations and directly supervises the core personnel who lead the organization: finance, safety, bus operations, maintenance, administration and marketing. Additionally, there are departments that support these functions.

### **Budget**

The Board is required to adopt an annual operating budget prior to the beginning of each fiscal year. The budget serves as a policy document, an operation's guide, a financial plan and a communication device. The process for developing the District's budget begins with budget review and planning in March through May; through a series of meetings and analysis, a balanced operating budget and a prioritized capital budget are produced. The District may not spend more than the approved operating budget, with the Board having to approve increases to the budget. The Executive Director and the Chief Financial Officer may permit movement of funds within the approved budget.

The District Board's adopted fiscal year 2018 operating and capital budget total \$10.4 million. This adopted budget allows the District to continue to provide the same level of service in fiscal year 2018 as was delivered in fiscal year 2017.

## **Factors Affecting Financial Condition**

The District is experiencing the continued effect of the national economic downturn resulting in a continued decrease of revenue for operations and capital, while the demand for service increases. The District's ability to fund its operations, and this increased service demand, is heavily dependent on a millage levy generated from property taxes. Property tax revenues have shown significant increase from the decline in prior years to \$3,935,922 and \$3,691,580 for fiscal year 2017 and 2016, respectively. The District's millage rate in 2017 and 2016 was .5000.

In lieu of having ample property taxes to fund operations, the District has chosen to shift Federal 5307 formula funding, intended for capital improvements such as vehicles, facilities and equipment, to fund operational cost.

## **Long-Range Financial Planning**

The District has seen a significant challenge in maintaining the current level of service to the community due to the national and regional economic down-turn. While the economic conditions have reduced available revenue to provide service delivery, those same conditions drive the need and use of those services higher. To ensure the District maintains, and can support increases in that service demand in the future, prudent long-range financial planning is critical. Over the past year, the District has worked diligently to reduce its overall operating costs. As of September 30, 2017, the District's unrestricted net position totaled \$6.7 million, which is inclusive of the Board's requirement of maintaining an operating reserve for positive cash flow and contingency planning. In the coming year, the District will look at solidifying and building its reserves, examine a multi-year operating and capital budgeting process, and continue to work on reducing overall expenses through gains in efficiency and productivity.

## **Major Initiatives**

- With the failure of the My Ride Consolidated Transit Development Plan (TDP) referendum in November 2014 to raise one percent in sales tax with one half (1/2) of the proceeds from the transportation surtax to the Transit Authority (Polk Transit Authority) to be used for transit services, the District was forced to reduce services in fiscal year 2015.
- In fiscal year 2015, the District reduced transit services totaling \$1.477 million or 13.5% of the fiscal year budget due to fiscal constraints and to facilitate a balanced budget in fiscal year 2015-16 with funding for capital expenses for bus purchases.
- For fiscal year 2016, the District began to address the capital funding needs for bus and vehicle replacements. In doing so \$680,000 was designated for debt service to finance a lease purchase program for vehicle replacements.
- The District joined the Florida Retirement System (FRS) effective October 1, 2015, to provide a sustainable retirement plan for the work force for employee retention, employee's retirement and to address the need for a permanent retirement plan for the first time.

- In light of the failure of the My Ride referendum in 2014, the District entered into a local inter-governmental agreement with Polk County to provide transit services for the Polk County transit service area resulting in the District now being the sole provider of fixed route and paratransit services and to incrementally add other services. The three-year agreement for the period October 1, 2015 through September 30, 2018, is an attempt to address a consolidated effort to provide transit services County wide. The agreement totals for the first two years were \$6.5 million and \$6.1 million, respectively. The fiscal year 2018 agreement totals \$5.6 million.

### **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department and the District organization. We wish to express our appreciation to all members of the organization who assisted and contributed to the preparation of this report. Credit also must be given to the governing Board of Directors for its unflinching support for maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



Tom Phillips  
Executive Director



David Persaud, MPA, CGFM, CPE  
Chief Financial Officer



## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of the  
Lakeland Area Mass Transit District  
Lakeland, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the **Lakeland Area Mass Transit District** (the "District") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of September 30, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 11), the Schedule of Proportionate Share of the Net Pension Liability – Florida Retirement System, Schedules of District Contributions – Florida Retirement System, Schedule of Proportionate Share of the Net Pension Liability – Retiree Health Insurance Subsidy, and Schedules of District Contributions – Retiree Health Insurance Subsidy (on pages 37 through 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Letter of Transmittal and Schedule of Revenue and Expenses, Polk County Transit Services are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and by Section 215.97, Florida Statutes, and is also not a required part of the basic financial statements of the District.

The Schedule of Revenue and Expenses, Polk County Transit Services and the Schedule of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenue and Expenses, Polk County Transit Services and the Schedule of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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The financial statements of the Lakeland Area Mass Transit District as of and for the year ended September 30, 2016, were audited by other auditors, whose report dated May 15, 2017, expressed an unmodified opinion on those statements. The report of the other auditors dated May 15, 2017, stated that the supplementary information for the year ended September 30, 2016, was subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In their opinion, the supplementary information was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended September 30, 2016.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bradenton, Florida  
February 28, 2018

The image shows a handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

# LAKELAND AREA MASS TRANSIT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the Annual Financial Report of the Lakeland Area Mass Transit District d/b/a Citrus Connection (the "District") presents management's analysis of the District's financial performance during the fiscal years that ended on September 30, 2017 and 2016, respectively. Please read it in conjunction with the financial statements, which follow this section.

### Financial Highlights

#### Fiscal Year 2017

- Operating revenues decreased by 41%, or \$2.7 million, from fiscal year 2016. This was due to decreases in customer fares, and Polk County local funding for transit services.
- Non-Operating revenues increased \$4.5 million or 52.6%. This was due to increases in property taxes, and federal and state operating grants.
- Operating expenses increased by 7.8%, or \$1.3 million, from fiscal year 2016. This was due in part to the agreement with the County to operate County Transit Services and the District increases in operating expenses in several areas.
- Total assets increased \$1.7 million or 8.6% due to increases in accounts receivable and capital assets.
- Total liabilities increased by \$.98 million or 13.4%. This was due to an increase in pension liabilities of \$1.8 million and decrease in accrued liability payable to Polk County.
- Current liabilities decreased by \$.78 million or 37.5%, from fiscal year 2016, due to a decrease in refund to the County for operating expenses coming in under budget.
- Overall net position increased by 11.6%, or \$1.8 million from fiscal year 2016, primarily due to an increase in capital assets.

#### Fiscal Year 2016

- Operating revenues increased by 134%, or \$3.8 million, from fiscal year 2015. This was due to increases in customer fares, local and other contract services and advertising revenues.
- Non-Operating revenues increased \$.75 million or 9.7%. This was due to increases on property taxes, and federal and state operating grants.
- Operating expenses increased by 56%, or \$5.8 million, from fiscal year 2015. This was due in part to the agreement with the County for \$5.5 million to operate County Transit Services and the District increases in operating expenses.
- Total assets increased \$3.5 million or 21% due to increase in cash and pension assets.
- Total liabilities increased by \$6.6 million. This was due to a new capital lease purchase of \$1.2 million relating to bus purchase and GASB 68 pension liabilities.
- Current liabilities increased by \$1.65 million, from fiscal year 2015, due to a refund to the County for operating expenses coming in under budget and increase in accounts payable.
- Overall net position increased by .2%, or \$34,259 from fiscal year 2015.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of two parts: Financial Statements and Notes to the Financial Statements. The report also contains supplementary information in addition to the financial statements themselves.

### Required Financial Statements

The financial statements of the District report information about the District using full accrual accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the District's assets, liabilities, deferred outflows and inflows of resources and net position, and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for computing the rate of return, evaluation of the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Position. These statements measure the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all costs through its customer fares, contract services, and operating subsidies, as well as its profitability and credit worthiness. The final required financial statement for each year is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

### Financial Analysis of the District

Our analysis of the District begins below with the Financial Statements. One of the most important questions asked about the District's finances is "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in them. You can think of the District's net position - difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources - as one way to measure financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, regulation, and new or changed government legislation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Net Position

To begin our analysis, a summary of the District's Statements of Net Position is presented below.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current assets	\$ 9,564,414	\$ 11,131,776	\$ 6,902,960
Other assets	-	-	132,740
Capital assets	<u>11,907,797</u>	<u>8,634,653</u>	<u>9,249,370</u>
Total assets	<u>21,472,211</u>	<u>19,766,429</u>	<u>16,285,070</u>
Deferred outflows of resources	<u>4,551,632</u>	<u>3,196,584</u>	<u>-</u>
Current liabilities	<u>1,285,422</u>	<u>2,057,245</u>	<u>400,997</u>
Noncurrent liabilities	<u>1,449,462</u>	<u>1,529,495</u>	<u>284,508</u>
Net pension liability	<u>5,547,234</u>	<u>3,719,914</u>	<u>-</u>
Total liabilities	<u>8,282,118</u>	<u>7,306,654</u>	<u>685,505</u>
Deferred inflows of resources	<u>296,590</u>	<u>22,535</u>	<u>-</u>
Net position			
Net investment in capital assets	<u>10,697,373</u>	<u>8,634,653</u>	<u>9,249,370</u>
Unrestricted	<u>6,747,762</u>	<u>6,999,171</u>	<u>6,350,195</u>
Total net position	<u>\$ 17,445,135</u>	<u>\$ 15,633,824</u>	<u>\$ 15,599,565</u>

The Statements of Net Position show the change in assets, liabilities, deferred outflows of resources, deferred inflows of resources and the resulting net position. Net position may serve, over time, as a useful indicator of a government's overall financial position.

During fiscal year 2017, Net Position increased \$1.8 million or 11.6% compared to fiscal year 2016. The increase is attributable to the increase in total assets of \$1.7 million, primarily from an increase in capital assets (Park and Ride Facility, New Modular Office Building, The Avail System and Vehicles). The total liabilities likewise increased \$.98 million due to an increase in the net pension liability and a decrease in current liabilities.

During fiscal year 2016, Net Position increased \$34,259 to \$15.6 million compared to fiscal year 2015. Net Investment in Capital Assets decreased \$615,000. The decrease in total net position is due primarily to the increase in depreciation and no significant increase in capital assets.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Revenues, Expenses, and Changes in Net Position is listed below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Passenger fares and contractual revenues for transit service	\$ 1,945,346	\$ 2,270,043	\$ 1,472,318
Winter Haven transit service	-	-	1,167,513
Polk County Transit Services contract revenue	1,785,494	4,133,861	-
Advertising	126,648	153,731	155,249
Total operating revenue	<u>3,857,488</u>	<u>6,557,635</u>	<u>2,795,080</u>
Operating expenses:			
Salaries and wages	7,265,642	6,787,731	4,552,568
Employee benefits	3,298,433	3,068,791	1,835,440
Fuel and lubricants	858,315	757,485	847,259
Depreciation	1,328,709	1,156,721	1,090,688
Materials, supplies, and maintenance	1,266,960	1,806,936	814,599
Insurance	239,454	246,549	237,765
Professional services	572,841	440,283	258,747
Utilities	204,466	183,937	126,703
Lease expense	-	5,123	817
Office expense	167,192	180,814	101,123
Travel and meetings	71,930	56,461	46,448
Uniforms	32,480	22,750	13,658
Advertising	87,966	72,151	102,280
Florida Retirement System expense	746,327	545,865	-
Training and education	13,323	13,075	3,124
Miscellaneous	932,327	285,556	301,982
Repairs and maintenance	283,050	477,980	20,324
Total operating expenses	<u>17,369,415</u>	<u>16,108,208</u>	<u>10,353,525</u>
Operating loss	<u>(13,511,927)</u>	<u>(9,550,573)</u>	<u>(7,558,445)</u>
Non-operating revenues (expenses):			
Property taxes	3,935,922	3,691,580	3,468,727
Federal and state operating grants	8,543,816	4,484,669	3,966,428
Investment income	60,637	19,584	1,455
Unrealized gain on investments	-	-	16,321
Interest expense	(33,476)	(31,279)	-
Gain on disposal of capital assets	7,336	5,737	600
CRA contribution	(160,948)	(139,136)	(143,692)
Miscellaneous revenue	563,536	430,748	402,371
Total non-operating revenues, net	<u>12,916,823</u>	<u>8,461,903</u>	<u>7,712,210</u>
Net income (loss) before before capital contributions	<u>(595,104)</u>	<u>(1,088,670)</u>	<u>153,765</u>
Capital contributions	<u>2,406,415</u>	<u>1,122,929</u>	<u>594,270</u>
Change in net position	<u>1,811,311</u>	<u>34,259</u>	<u>748,035</u>
Net position, beginning of year	<u>15,633,824</u>	<u>15,599,565</u>	<u>14,851,530</u>
Net position, end of year	<u>\$ 17,445,135</u>	<u>\$ 15,633,824</u>	<u>\$ 15,599,565</u>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Financial Analysis of the District (Continued)

A summary of the significant changes in revenues and expenses for fiscal years 2017 and 2016 is provided below:

#### Revenues

- Passenger fares decreased 14% due to decline in ridership.
- Advertising revenues decreased 18% due to decrease in advertising contracts.
- Polk County Transit Services revenues decreased 57% due to the District assuming all the County's grant billings for grant revenues.
- Property taxes increased 6.6% and federal and state grants increased 91% due to the county grants.

#### Expenses

- Salaries, wages and fringe benefits increased 7.2% due to a 2.25% wage increase and increase in FRS and pension expenses, plus full year cost for the transportation disadvantaged program.
- Fuel expenses increased 13% due to increase in fuel price and consumption.
- Materials, supplies and maintenance decreased 30% as a result of reduced parts usage.
- Florida Retirement expenses (FRS) increased 37% for accrued pension expense.
- Miscellaneous expenses increased 227% due to additional grant reimbursements to Polk County.
- Repairs and maintenance expenses decreased 41% due to demolition expenses and decrease in vehicle repairs.

### Intergovernmental Agreement with Polk County and the State of Florida

The District entered into an interlocal agreement for fiscal year 2016 with Polk County to provide transit services for fixed route and paratransit services for the County service area. The total expenses for the fiscal year totaled \$5.2 million. The District also contracted with the Florida Commission for the Transportation Disadvantaged for providing transit disadvantaged services for the Polk County service area. The total expenses for the six-month period totaled \$.5 million.

The District reported \$10.4 million in total operating expenses during fiscal year 2016, for a grand total of \$16.1 million in operating expenses.

The District agreement with Polk County for fiscal year 2017 resulted in expenses totaling \$5.7 million, an increase of \$.3 million or 5.6%. The Transportation Disadvantaged expenses for fiscal year 2017 totaled \$1 million, which is an increase of \$.5 million or 92%; compared to fiscal year 2016. This increase is the result of a full fiscal year of expenses, compared to 6 months in the last fiscal year for this program.

The Lakeland Area Mass Transit District expenses totaled \$10.6 million, an increase of \$2 million compared to fiscal year 2016, for a grand total of \$17.3 million in operating expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Capital Assets

At the end of fiscal years 2017 and 2016, the District had a broad range of capital assets, consisting of land, buildings and shelters, revenue vehicles, and equipment.

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 1,902,250	\$ 1,902,250
Construction in progress	135,191	91,328
Buildings	6,291,428	5,292,476
Rolling stock	12,186,461	10,679,556
Shop and support equipment	3,335,636	2,881,142
Office furnishings and equipment	2,179,471	1,927,403
Less accumulated depreciation	<u>(14,122,640)</u>	<u>(14,139,502)</u>
Capital assets, net	<u>\$ 11,907,797</u>	<u>\$ 8,634,653</u>

At the end of fiscal year 2017, capital assets increased \$3.3 million or 38%. Significant additions to capital assets were as follows:

- Park and ride construction \$.84 million and purchase of a modular building \$.14 million.
- Rolling stock buses \$2.8 million.
- Shop equipment \$.5 million and office equipment \$.26 million.
- Avail technology for Smart Card Fare Systems \$.26 million.

For additional information on the District's capital assets, please see financial statement Note 4, Capital Assets.

### Long-Term Liabilities

The District (as Lessee) has entered into a Lease Agreement with Banc of America Public Capital Acquisition (BAPCC), a subsidiary of Bank of America for financing the acquisition of three heavy duty buses in fiscal year 2016. The amount financed is \$1,357,500 with an interest rate of 2.6482% for twelve years. The proceeds of the lease \$1,357,500 is placed in an escrow account for payment of the buses. These lease agreements qualify as capital lease for accounting purposes and are recorded at the present value of the future minimum lease payments at the inception date. The debt service payments for principal and interest at September 30, 2017, totaled \$132,174.

For additional information on the District's Long-term liabilities, please see financial statement Note 6, Long-Term Liabilities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Operating Passenger Fares for Transit Service

In fiscal year 2017, ridership decreased 3.4% as compared to fiscal year 2016, and passenger fare revenue decreased 14.3% as compared to fiscal year 2016. This decrease was due to the end of the Polytechnic University Contract and decrease in ridership.

In fiscal year 2016, ridership decreased 2.2% compared to fiscal year 2015, and passenger fare revenue for fiscal year 2016 decreased 16.4% compared to fiscal year 2015.

	Fixed Route	Demand Response	WHAT Contract	Total
<u>Ridership</u>				
FY 2017	\$ 1,252,509	\$ 93,702	\$ -	\$ 1,346,211
FY 2016	1,304,808	88,809	-	1,393,617
FY 2015	1,073,008	69,268	282,689	1,424,965
FY 2014	1,215,338	85,569	346,103	1,647,010
<u>Riders Per Hour</u>				
FY 2017	15.00	1.82	11.89	
FY 2016	14.64	1.77	16.41	
FY 2015	16.54	2.90	18.92	
FY 2014	16.02	2.84	23.97	
<u>Operational Cost Per Revenue Hour</u>				
FY 2017	106.94			
FY 2016	122.49			
FY 2015	89.45			
FY 2014	86.29			

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Fiscal Year 2018 Outlook**

The District has operated at a net operating deficit for six of the past eleven fiscal years, funded by prior year accumulated reserves. This had resulted in recurring negative cash flows from operations. While these conditions would normally raise the concern as to the ability to continue operations, several steps were taken in fiscal year 2011 to eliminate the operating deficit.

- A reduction in service was implemented in July 2011 in order to align the Districts operating costs with its revenues.
- A balanced operating budget was approved for fiscal years 2014 through 2018, which included increased revenues and decreased expenditures.
- During fiscal year 2015, the District reduced services by \$1.5 million or 13.5%.
- Polk Transit has legislative authority to levy ad valorem taxes. Based on feedback received through a number of public outreach efforts and from local stakeholders and leadership, a sales tax is considered a better option for funding public transportation services in Polk County. Sales tax benefit include spending flexibility, revenue generated shared across multiple groups, and the opportunity to offset existing mileage rates being assessed for public transportation.
- The agreement between the District and Polk County Government completed its second year with improved efficiency in shared resources.
- Overall, the District continues to be dependent on property tax revenues as the only dedicated local revenues for public transit services. This has contributed to limited service expansion.
- The District has designated \$.68 million in the fiscal year 2018 budget for capital related expenses.

### **Request for Information**

This financial report is designed to provide a general overview of Lakeland Area Mass Transit District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Lakeland Area Mass Transit District, 1212 George Jenkins Blvd., Lakeland, Florida, 33815.

**LAKELAND AREA MASS TRANSIT DISTRICT**

**STATEMENTS OF NET POSITION  
SEPTEMBER 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,177,245	\$ 2,390,738
Investments	3,891,607	5,449,814
Investments - restricted by Board	470,115	1,911,714
Accounts receivable, net	132,397	219,015
Due from other governments	3,437,194	521,414
Inventory	311,963	353,806
Prepaid expenses	143,893	285,275
Total current assets	9,564,414	11,131,776
<b>Noncurrent assets</b>		
Capital assets - nondepreciable	2,037,441	1,993,578
Capital assets - depreciable, net	9,870,356	6,641,075
Total noncurrent assets	11,907,797	8,634,653
Total assets	21,472,211	19,766,429
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	4,551,632	3,196,584
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	682,247	770,115
Accrued liabilities	70,136	151
Deposits held	-	1,029
Due to other governments	336,004	1,111,417
Unearned revenue	20,000	-
Compensated absences	75,691	75,835
Capital lease payable, current	101,344	98,698
Total current liabilities	1,285,422	2,057,245
<b>Noncurrent liabilities</b>		
Compensated absences, less current portion	340,382	319,071
Capital lease payable, less current portion	1,109,080	1,210,424
Net pension liability	5,547,234	3,719,914
Total noncurrent liabilities	6,996,696	5,249,409
Total liabilities	8,282,118	7,306,654
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	296,590	22,535
<b>NET POSITION</b>		
Net investment in capital assets	10,697,373	8,634,653
Unrestricted	6,747,762	6,999,171
Total net position	\$ 17,445,135	\$ 15,633,824

The accompanying notes are an integral part of these financial statements.

**LAKELAND AREA MASS TRANSIT DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating revenues</b>		
Passenger fares and contractual revenues for transit service	\$ 1,945,346	\$ 2,270,043
Polk County Transit Services contract revenue	1,785,494	4,133,861
Advertising	126,648	153,731
Total operating revenues	<u>3,857,488</u>	<u>6,557,635</u>
<b>Operating expenses</b>		
Salaries and wages	7,265,642	6,787,731
Employee benefits	3,298,433	3,068,791
Fuel and lubricants	858,315	757,485
Depreciation	1,328,709	1,156,721
Materials, supplies, and maintenance	1,266,960	1,806,936
Insurance	239,454	246,549
Professional services	572,841	440,283
Utilities	204,466	183,937
Lease expense	-	5,123
Office expense	167,192	180,814
Travel and meetings	71,930	56,461
Uniforms	32,480	22,750
Advertising	87,966	72,151
Florida Retirement System expense	746,327	545,865
Training and education	13,323	13,075
Miscellaneous	932,327	285,556
Repairs and maintenance	283,050	477,980
Total operating expenses	<u>17,369,415</u>	<u>16,108,208</u>
Operating loss	<u>(13,511,927)</u>	<u>(9,550,573)</u>
<b>Non-operating revenues (expenses)</b>		
Property taxes	3,935,922	3,691,580
Federal and state operating grants	8,543,816	4,484,669
Investment income	60,637	19,584
Interest expense	(33,476)	(31,279)
Gain on disposal of capital assets	7,336	5,737
CRA contribution	(160,948)	(139,136)
Miscellaneous revenue	563,536	430,748
Total non-operating revenues, net	<u>12,916,823</u>	<u>8,461,903</u>
<b>Net loss before capital contributions</b>	(595,104)	(1,088,670)
<b>Capital contributions</b>	<u>2,406,415</u>	<u>1,122,929</u>
<b>Change in net position</b>	1,811,311	34,259
<b>Net position, beginning of year</b>	<u>15,633,824</u>	<u>15,599,565</u>
<b>Net position, end of year</b>	<u>\$ 17,445,135</u>	<u>\$ 15,633,824</u>

The accompanying notes are an integral part of these financial statements.

**LAKELAND AREA MASS TRANSIT DISTRICT**

**STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 3,964,106	\$ 7,309,083
Other operating receipts (payments)	368,598	285,875
Payments to suppliers	(5,293,656)	(4,177,383)
Payments to employees	(10,590,656)	(7,539,305)
Net cash used in operating activities	<u>(11,551,608)</u>	<u>(4,121,730)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Federal and state grant receipts	5,628,036	7,989,692
Property tax revenues received	3,935,922	3,691,580
Net cash provided by non-capital financing activities	<u>9,563,958</u>	<u>11,681,272</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions - federal and state	2,406,415	910,577
Capital contributions - other	-	212,352
Proceeds from sale of capital assets	7,336	5,737
Principal payment of capital lease liability	(98,698)	-
Interest payment on capital lease liability	(33,476)	-
Acquisition of capital assets	(4,567,863)	(542,004)
Net cash provided by (used in) capital and related financing activities	<u>(2,286,286)</u>	<u>586,662</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	60,637	19,584
Net cash provided by investing activities	<u>60,637</u>	<u>19,584</u>
Increase (decrease) in cash and cash equivalents	(4,213,299)	8,165,788
<b>Cash and cash equivalents:</b>		
Beginning of year	9,752,266	1,586,478
End of year	<u>\$ 5,538,967</u>	<u>\$ 9,752,266</u>
Classified in the Statement of Net Position as:		
Current assets - cash	\$ 1,177,245	\$ 2,390,738
Current assets - investments	3,891,607	5,449,814
Current assets - investments - restricted by Board	470,115	1,911,714
	<u>\$ 5,538,967</u>	<u>\$ 9,752,266</u>

**LAKELAND AREA MASS TRANSIT DISTRICT**

**STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (13,511,927)	\$ (9,550,573)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,328,709	1,156,721
Miscellaneous income	529,546	-
CRA contribution	(160,948)	-
(Increase) decrease in:		
Accounts receivable	86,618	774,443
Due from other governments	-	(22,996)
Inventory	41,843	3,152
Prepaid expenses	141,382	(189,909)
Deferred outflows of resources	(1,355,048)	(3,196,584)
Increase (decrease) in:		
Accounts payable	(87,868)	552,738
Accrued liabilities	69,985	2,317,217
Deposits	(1,029)	-
Due to other governments	(775,413)	-
Unearned revenue	20,000	-
Accrued compensated absences	21,167	291,612
Net pension liability	1,827,320	22,535
Deferred inflows of resources	274,055	3,719,914
Net cash used in operating activities	\$ (11,551,608)	\$ (4,121,730)
 <b>Schedule of non-cash capital and related financing activities:</b>		
Contribution of capital assets	\$ 33,990	\$ -

The accompanying notes are an integral part of these financial statements.



# LAKELAND AREA MASS TRANSIT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General: The Lakeland Area Mass Transit District (the "District") was created by Ordinance 80-13 of the Board of County Commissioners of Polk County and 2205 of the City of Lakeland, Florida, under the authority of Chapter 125, Florida Statutes. It is a special taxing district created for the purpose of establishing, operating, and maintaining a public mass transit system within the territorial boundaries of the District, which has been expanded from its original boundaries several times by voter referendum.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

The District is accounted for as an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

There are no component units of the District, and the District is not included as a component unit of any other government.

The District uses the accrual basis of accounting. Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting also relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. The District has adopted the uniform system of accounts prescribed by the Federal Transit Administration, U.S. Department of Transportation.

Cash, Cash Equivalents and Investments: Cash, cash equivalents and investments consist of amounts on deposit with the State Board of Administration and are recorded at cost which is the same as market for this type of investment. For the statement of cash flow purposes, this investment is treated as a cash equivalent because there is no stated maturity and the funds are available on demand.

Florida Statute 218.415 and the District's investment policy authorize the District to invest surplus funds in certain investments. These investments include the Local Government Surplus Funds Trust Fund, an investment pool administered by the State Board Administration (SBA), under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On December 4, 2007, based on recommendations from an outside financial advisor, the SBA restructured the Pool into two separate pools. Pool A, subsequently renamed the LGIP pool, consisted of all money market appropriate assets. The LGIP pool is considered a Securities and Exchange Commission (SEC) "2a7-like" fund with the fair value of the investment equal to the account balance. A 2a7-like fund is not registered with the SEC as an investment company, but has a policy that it will and does operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, the rules governing money market funds. Thus, the pool operates essentially as a money market fund, but is classified as an external investment pool.

Receivables: Receivables are generally attributable to services provided by the District. An allowance for uncollectible accounts is estimated and no amounts were recorded based on management's judgment that all receivables are fully collectible.

Due from Other Governments: Due from other governments represents amounts due to the District from federal and state agencies under expenditure-driven grant agreements, and from the Polk Transit Authority ("PTA"), a related entity, under an interlocal agreement providing for the reimbursement of costs borne by the District on the PTA's behalf, and for the providing of transit services in the Winter Haven area pursuant to a Transit Operators Agreement.

Inventory: The inventory of spare parts is valued at the lower of cost or market. Cost is determined by using the average cost method.

Property and Equipment: Property and equipment acquired by the District are recorded at historical cost. Property and equipment purchased with an original value of \$500 or more is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Rolling Stock	5 - 12 years
Shop and support equipment	3 - 10 years
Office furnishings and equipment	3 - 15 years

Routine maintenance and repairs are charged against operations as incurred. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in operations.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions: In the statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position reports 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 deferred outflows of resources reported in the District's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the District's contributions and proportionate share of contributions, and the District's contributions subsequent to the measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports 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 deferred inflows of resources reported in the District's statement of net position represent the difference between expected and actual economic experience and the net difference between projected and actual earnings on Florida Retirement System Pension investments, relating to the Florida Retirement System Pension Plan. These amounts will be recognized as reductions in pension expense in future years.

Net Position: Net position presents the difference between assets and deferred outflows, and liabilities and deferred inflows in the statements of net position. Net position is reported as restricted when there are legal limitations imposed on their use by laws or regulations of other governments or external restrictions by creditors and granters. Unrestricted net position may be designated for specific purposes at the option of the Board of Directors.

Net investment in Capital Assets: This category consists of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes: Property taxes become due and payable on November 1 of each year. Polk County, Florida, bills and collects the property taxes pertaining to the District. For the fiscal years ended September 30, 2017 and September 30, 2016, the District levied .5000 mills. A 4% discount is allowed if the taxes are paid in November with the discount declining by 1% each month thereafter. Taxes become delinquent on April 1 of each year. The levy date for property taxes for the current year was October 31 and the lien date is January 1.

Federal and State Operating Grants: Proceeds from federal and state operating grants to assist in financing operating deficits are recognized as revenue in the fiscal year to which they apply.

Accordingly, revenues are recognized when the related costs are incurred as opposed to when the funds are actually received.

Federal and state operating grants are subject to special audit. Such audits could result in claims against the District for disallowed costs or noncompliance with grantor restrictions.

Compensated Absences: The amounts of unpaid vacation and sick leave accumulated by District employees are accrued as expenses when incurred. At year end, the total available sick leave and vacation hours are multiplied by the current pay rate to determine the accrued liability. Sick leave is limited such that a percentage of accrued sick time, ranging from 0% to 60%, is paid based on years of full-time employment, and the maximum amount to be paid to any single employee shall not exceed \$9,000. The District has separated that portion of the liability that is expected to be paid from current assets and has classified that estimate as a current liability and the remainder as non-current.

Management Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Restricted Funds: When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources when they are needed.

Operating Revenue: Consists of revenues relating to the normal operations of the District such as fares, contracted services, and advertising.

Non-Operating Revenues: The District classifies revenues which are directly related to operating its public mass transit system as operating. All other revenues are classified as non-operating, including property taxes and grants.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications: Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. These reclassifications had no effect on previously reported net position or increases in net position.

Non-Operating Expenses: The District classifies expenses which are directly related to operating its public mass transit system as operating. All other expenses are classified as non-operating.

Charitable Contributions: The District is not designated as a "qualified" organization under section 501 (c) of the Internal Revenue Code. However, contributions made for the purpose of supporting the District's community bus shelter program qualify as a tax-deductible contribution under other provisions of the Internal Revenue Code. The District recognizes charitable contributions in the period received as "contributed capital" for financial reporting purposes.

### NOTE 2. CASH AND INVESTMENTS

As of September 30, 2017 and 2016, the aggregate carrying amounts of the District's deposits were \$1,177,245 and \$2,390,738, respectively, and the aggregate bank balances were \$1,297,548 and \$2,480,938, respectively, of which \$250,000 was covered by federal depository insurance.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Florida Statutes require deposits by governmental units in a financial institution be collateralized. The State of Florida maintains control over the collateral requirements and authorizes certain financial institutions to act as depositories for governmental units ("Qualified Public Depositories"). The District maintains all accounts in Qualified Public Depositories.

Cash Equivalents and Investments: The types of investments in which the District may invest are governed by several forms of legal and contractual provisions. The District may invest in direct obligations of the Federal Government, interest bearing time deposits, obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank or obligations guaranteed by the Government National Mortgage Association or the Federal National Mortgage Association. The District may also invest reserve funds with the Florida State Board of Administration.

As of September 30, 2017 and 2016, the District is invested in the State Investment Pool and the fair value of these investments were \$4,361,722 and \$7,361,528, respectively, with maturities of less than one year.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Funds are invested in the SBA's local governments pooled investment account. The rate of interest fluctuates daily. The interest rate on September 30, 2017, was 1.36%. The interest rate on September 30, 2016, was 0.78%. The SBA account is divided into two funds. Fund A is accounted for as an SEC 2a7-like fund. The District carries these investments at amortized cost, which approximates fair value in accordance with GASB 79. The SBA's duties related to the Local Government Surplus Funds Trust Funds are defined in Sections 218.40-218.41, Florida Statutes. The Executive Director is authorized to use all investment authority included in Section 215.47, Florida Statutes, and is responsible for all internal measurements, regulation and rules defined in these sections of the Florida Statutes.

Fund B was created on December 1, 2007, as a result of the liquidity crisis beginning in the late summer of 2007. Fund B's liquid cash holdings have been distributed as they become available from maturities, sales, investment interest and other income received from the assets in Fund B. On September 5, 2014, the SBA transferred the final portion of original principal for all fund participants to Florida PRIME. As a result, the District has no principal balance in Fund B.

Interest Rate Risk: As a means of limiting its exposure to fair market value losses arising from interest rates, the District's investment policy requires at least one quarter of the District's investment portfolio to be maturities of less than one year. Investment maturities are limited as follows:

<u>Maturity</u>	<u>Maximum Investment</u>
1 - 3 years	75%
3 - 5 years	30%
5 - 10 years	20%
10 - 20 years	10%

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. Investments in the State Board of Administration investment pool are 100% of the District's investments.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Cash and investments are reported in the accompanying statements of net position as of September 30, 2017 and 2016:

	2017	2016
Current assets as reported in the Statement of Net Position:		
Cash	\$ 1,177,245	\$ 2,390,738
Investments	3,891,607	5,449,814
Investments - restricted by Board	470,115	1,911,714
	\$ 5,538,967	\$ 9,752,266
Cash	\$ 1,177,245	\$ 2,390,738
Investments - State Board of Administration	4,361,722	7,361,528
	\$ 5,538,967	\$ 9,752,266

Credit Risk: At September 30, 2017 and 2016, the District had investments in the State Board of Administration in the amounts of \$4,361,722 and \$7,361,528. The rating for these investments as of September 30, 2017 and 2016, was AAAM.

Fair Value Measurement: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has no investments for which fair value measurement should be disclosed at September 30, 2017 and 2016, as its only investment is in the state investment pool, which is carried at amortized cost in accordance with applicable Governmental Accounting Standards Board (GASB) Standards.

### NOTE 3. ASSETS RESTRICTED BY THE BOARD

The District has established long range plans concerning bus replacement in the event the federal and state capital assistance grants are no longer available. As part of the plan, management has set aside certain assets that would be used to fund this project. The Board evaluates the plan on an annual basis. The assets set aside for reserves as of September 30, 2017 and 2016, consist of the following:

	2017	2016
Investments - restricted by Board	\$ 470,115	\$ 1,911,714

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land and land improvements	\$ 1,902,250	\$ -	\$ -	\$ 1,902,250
Construction in progress	91,328	43,863	-	135,191
Total	<u>1,993,578</u>	<u>43,863</u>	<u>-</u>	<u>2,037,441</u>
Capital assets, being depreciated:				
Buildings	5,292,476	998,952	-	6,291,428
Rolling stock	10,679,556	2,844,247	(1,337,342)	12,186,461
Shop and support equipment	2,881,142	454,494	-	3,335,636
Office furnishings and equipment	1,927,403	260,297	(8,229)	2,179,471
Total	<u>20,780,577</u>	<u>4,557,990</u>	<u>(1,345,571)</u>	<u>23,992,996</u>
Less accumulated depreciation	(14,139,502)	(1,328,709)	1,345,571	(14,122,640)
Total capital assets, being depreciated, net	6,641,075	3,229,281	-	9,870,356
Total capital assets, net	<u>\$ 8,634,653</u>	<u>\$ 3,273,144</u>	<u>\$ -</u>	<u>\$ 11,907,797</u>

Capital assets activity for the year ended September 30, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,902,250	\$ -	\$ -	\$ 1,902,250
Construction in progress	219,795	-	(128,467)	91,328
Total	<u>2,122,045</u>	<u>-</u>	<u>(128,467)</u>	<u>1,993,578</u>
Capital assets, being depreciated:				
Buildings	5,162,059	130,417	-	5,292,476
Rolling stock	10,396,187	283,369	-	10,679,556
Shop and support equipment	2,832,221	48,921	-	2,881,142
Office furnishings and equipment	1,719,639	207,764	-	1,927,403
Total	<u>20,110,106</u>	<u>670,471</u>	<u>-</u>	<u>20,780,577</u>
Less accumulated depreciation	(12,982,781)	(1,156,721)	-	(14,139,502)
Total capital assets, being depreciated, net	7,127,325	(486,250)	-	6,641,075
Total capital assets, net	<u>\$ 9,249,370</u>	<u>\$ (486,250)</u>	<u>\$ (128,467)</u>	<u>\$ 8,634,653</u>



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. DEFINED BENEFIT PENSION PLANS

#### Florida Retirement System (FRS)

General Information: Substantially all of the District's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating town or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available 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 Web site:

[www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided (Continued): Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

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

Contributions: Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2016 through June 30, 2017, and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular—7.52% and 7.92%; Special Risk Administrative Support—28.06% and 34.63%; Special Risk—22.57% and 23.27%; Senior Management Service—21.77% and 22.71%; Elected Officers'—42.47% and 45.50%; and DROP participants—12.99% and 13.26%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods July 1, 2016 through June 30, 2017, and from July 1, 2017 through September 30, 2017.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions (Continued): The District's contributions, including employee contributions, to the Pension Plan totaled \$292,302 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 District reported a liability of \$3,321,280 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 District's September 30, 2017, proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.01122838%, which was an increase of .00330945% from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$807,608. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 304,814	\$ 18,398
Changes of assumptions	1,116,185	-
Net difference between projected and actual earnings on pension plan investments	-	82,310
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,199,622	-
Employer contributions subsequent to the measurement date	77,138	-
Total	\$ 2,697,759	\$ 100,708

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The deferred outflows of resources related to the Pension Plan, totaling \$77,138 resulting from District 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, 2017. 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:

Year ended September 30:		
2018	\$	412,256
2019		697,969
2020		560,190
2021		305,362
2022		461,249
Thereafter		82,887

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

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.0%	3.00%	3.00%	1.70%
Fixed income	18.0%	4.70%	4.60%	4.60%
Global equity	53.0%	8.10%	6.80%	17.20%
Real estate	10.0%	6.40%	5.80%	12.00%
Private equity	6.0%	11.50%	7.80%	30.00%
Strategic investments	12.0%	6.10%	5.60%	11.10%
Total	<u>100.0%</u>			
Assumed inflation - mean		2.60%		1.90%

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.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the District'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:

Sensitivity of the Net Position Liability to Changes in the Discount Rate			
Fiscal Year	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
2017	\$ 6,011,317	\$ 3,321,280	\$ 1,087,934

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 District reported a payable in the amount of \$0 for outstanding contributions to the Pension Plan.

#### **HIS Plan**

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

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

Contributions: The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the HIS contribution for the period October 1, 2015 through September 30, 2017, was 1.66%. The District contributed 100% of its statutorily required contributions for the current and preceding three years. The District's contributions, including employee contributions, to the Pension Plan totaled \$110,175 for the fiscal year ended September 30, 2017.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At September 30, 2017, the District reported a liability of \$2,225,954 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 District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.020817974% which was an increase of .0060566% from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the District recognized pension expense of \$444,660. In addition the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 4,635
Changes of assumptions	312,893	192,481
Net difference between projected and actual earnings on pension plan investments	-	(1,234)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,514,653	-
Employer contributions subsequent to the measurement date	26,327	-
<b>Total</b>	<b>\$ 1,853,873</b>	<b>\$ 195,882</b>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The deferred outflows of resources related to the HIS Plan, totaling \$26,327 resulting from District 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year ended September 30:	
2018	\$ 339,408
2019	339,175
2020	339,063
2021	330,019
2022	313,613
Thereafter	(29,614)

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

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.58%

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.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following represents the District's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate:

Sensitivity of the Net Position Liability to Changes in the Discount Rate			
Fiscal Year	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
2017	\$ 2,540,108	\$ 2,225,954	\$ 1,964,281

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 District reported a payable in the amount of \$0 for outstanding contributions to the HIS Plan.

#### **Deferred Compensation Plan**

The District offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan was created, and may be amended by the Board of Directors. The plan is available to all employees and permits employees to defer part of their wages. All contributions under this plan are discretionary. The District provides no matching employer contribution. Payments from the deferred compensation plan are not available to employees until after termination, retirement, death or unforeseeable emergency.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. LONG TERM LIABILITIES

Long-term liability activity for the fiscal years ended September 30, 2017 and 2016, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Fiscal year ended September 30, 2017					
Capital lease payable	\$ 1,309,122	\$ -	\$ (98,698)	\$ 1,210,424	\$ 101,344
Net pension liability	3,719,914	4,648,394	(2,821,074)	5,547,234	-
Compensated absences	394,906	599,768	(578,601)	416,073	75,691
	<u>\$ 5,423,942</u>	<u>\$ 5,248,162</u>	<u>\$ (3,498,373)</u>	<u>\$ 7,173,731</u>	<u>\$ 177,035</u>
Fiscal year ended September 30, 2016					
Capital lease payable	\$ -	\$ 1,357,500	\$ (48,378)	\$ 1,309,122	\$ 98,698
Net pension liability	-	3,719,914	-	3,719,914	-
Compensated absences	336,002	374,908	(316,004)	394,906	75,835
	<u>\$ 336,002</u>	<u>\$ 5,452,322</u>	<u>\$ (364,382)</u>	<u>\$ 5,423,942</u>	<u>\$ 174,533</u>

The District's long-term liabilities consist of the non-current portion of accumulated unpaid vacation and sick pay and, a capital lease obligation and net pension liability.

Capital Lease: In fiscal year 2016, the District (as Lessee) entered into a Lease Agreement with Banc of America Public Capital Acquisition (BAPCC), a subsidiary of Bank of America for financing the acquisition of three heavy duty buses. The amount financed is \$1,357,500 with an interest rate of 2.6482% for twelve years.

The future minimum lease payments under the capital lease and the present value of the net minimum lease payments as of September 30, 2017, are as follows:

Fiscal year ending	
2018	\$ 132,174
2019	132,174
2020	132,174
2021	132,174
2022	132,174
2023 - 2027	660,869
2028	66,087
Total minimum lease payments	<u>1,387,826</u>
Less amounts representing interest	<u>(177,402)</u>
Present value of future minimum lease payments	1,210,424
Less current maturities	<u>(101,344)</u>
	<u>\$ 1,109,080</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6. LONG TERM LIABILITIES (CONTINUED)

The following is an analysis of capital assets leased under capital leases as of September 30, 2017:

Vehicles	\$ 1,357,500
Less accumulated depreciation	(35,909)
Carrying value	<u>\$ 1,321,591</u>

The District reported \$35,909 in depreciation expense on the above leased assets as of September 30, 2017.

### NOTE 7. GOVERNMENT COMBINATIONS AND DISPOSALS

Lakeland Area Mass Transit District is a separate Independent Special Service District created by Polk County and City of Lakeland Ordinances with a Taxing Authority approved through voter referendum. Under an intergovernmental agreement between the District and the Polk County Government, the District will combine its Transit Services Operations with Polk County for the purpose of providing public transit services to the Polk County citizens. On October 1, 2015, the Polk County Government transferred its public transit services operations to the District. The Polk County Government transferred \$33,990 in assets to the District during the fiscal year ended 2017.

The District has evaluated the impact of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and determined that there is no measurable and tangible financial impact on the District finances.

### NOTE 8. FEDERAL AWARDS, STATE, AND LOCAL FINANCIAL ASSISTANCE

The Polk County Government has agreed under an agreement dated September 20, 2016, to pay the District \$6,118,564 for the second year under the interlocal agreement for providing transit services. At the end of fiscal year September 30, 2017, and the completion of the District annual audited financial statements, the District will rebate to Polk County Government any remaining funds over and above the cost of providing the transit services. In the event the cost of the transit services exceeds the amount paid to the District, the Polk County Government will reimburse the District the additional costs of providing the services. There are no deferred outflow of resources or deferred inflow of resources associated with the District's transit service operations. The current interlocal agreement expires on September 30, 2017, with a new agreement for the next three years. At September 30, 2017 and 2016, the District owed Polk County \$336,004 and \$1,111,417, respectively, which is included in due to other governments in the accompanying statements of net position.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 8. FEDERAL AWARDS, STATE, AND LOCAL FINANCIAL ASSISTANCE (CONTINUED)**

Operating Grants: For each fiscal year, the District applies for an operating assistance grant from the Federal Transit Administration and the Florida Department of Transportation to assist in defraying the operating costs of the transit system. The maximum amount receivable under these grants is 50% of the operating deficit incurred during the respective fiscal year. For purposes of determining the amount of these deficits, proceeds from other federal awards and state financial assistance, expenditures reimbursable under the other federal awards and state financial assistance, property tax revenues, and depreciation expense are not considered. The District has recognized non-operating revenue of \$8,543,816 and \$4,484,669 in fiscal years 2017 and 2016, respectively, under these grants.

Capital Grants and Contributions: The District has recognized \$2,406,415 and \$1,122,929 as capital grants and contributions for fiscal years 2017 and 2016, respectively, relating to the reimbursed portion of eligible costs that are capitalized as property and equipment.

### **NOTE 9. COMMITMENTS AND CONTINGENCIES**

The District had one active construction project as of September 30, 2017, and two as of September 30, 2016. The amounts committed to these projects is \$135,191 and \$88,028 as of September 30, 2017 and 2016, respectively.

### **NOTE 10. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and workers' compensation claims. These risks are covered by property and casualty insurance purchased from an independent third party. Settled claims from these risks have not exceeded the District's property and casualty coverage for the past three fiscal years.

### **NOTE 11. OTHER POSTEMPLOYMENT BENEFITS**

The District has determined that any liability for other postemployment benefits is immaterial. As such, no liability has been recorded pursuant to GASB 43.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 12. RELATED PARTIES

The District has one related party with which transactions occurred during fiscal years 2017 and 2016; the Polk Transit Authority (the "Authority"). The transactions consist of the reimbursement of expenses incurred by the District on behalf of the Authority. The reimbursed costs include office expenses and labor costs associated with shared employee responsibilities. The reimbursement was authorized by both Boards of Directors and is pursuant to an interlocal agreement between the entities. The amount of reimbursable costs for fiscal years 2017 and 2016, respectively, was \$678 and \$1,321.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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LAKELAND AREA MASS TRANSIT DISTRICT

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FLORIDA RETIREMENT SYSTEM PENSION PLAN  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,

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	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.011228%	0.007919%
District's proportionate share of the net pension liability	\$ 3,321,280	\$ 1,999,537
District's covered-employee payroll	\$ 6,691,593	\$ 6,195,524
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.6%	32.3%
Plan fiduciary net position as a percentage of the total pension liability	83.9%	84.9%

Note: This schedule will present 10 years of information once it is accumulated.

**LAKELAND AREA MASS TRANSIT DISTRICT**

**SCHEDULES OF DISTRICT CONTRIBUTIONS**  
**FLORIDA RETIREMENT SYSTEM PENSION PLAN**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

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	<b>2017</b>	2016
Contractually required contribution	\$ 292,302	\$ 193,116
Contributions in relation to the contractually required contribution	(292,302)	(193,116)
Contribution deficiency (excess)	\$ -	\$ -
 District's covered employee payroll	 \$ 6,691,593	 \$ 6,195,524
 Contributions as a percentage of covered employee payroll	 4.4%	 3.1%

Note: This schedule will present 10 years of information once it is accumulated.



LAKELAND AREA MASS TRANSIT DISTRICT

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30,

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	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.020818%	0.014761%
District's proportionate share of the net pension liability	\$ 2,225,954	\$ 1,720,377
District's covered-employee payroll	\$ 6,691,593	\$ 6,195,524
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.3%	27.8%
Plan fiduciary net position as a percentage of the total pension liability	1.6%	1.0%

Note: This schedule will present 10 years of information once it is accumulated.

**LAKELAND AREA MASS TRANSIT DISTRICT**

**SCHEDULES OF DISTRICT CONTRIBUTIONS**

**RETIREE HEALTH INSURANCE SUBSIDY PROGRAM**

**FOR THE FISCAL YEARS ENDED SEPTEMBER 30,**

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	<b>2017</b>	2016
Contractually required contribution	\$ 110,175	\$ 75,661
Contributions in relation to the contractually required contribution	(110,175)	(75,661)
Contribution deficiency (excess)	\$ -	\$ -
District's covered employee payroll	\$ 6,691,593	\$ 6,195,524
Contributions as a percentage of covered employee payroll	1.6%	1.2%

Note: This schedule will present 10 years of information once it is accumulated.

## **SUPPLEMENTARY INFORMATION**

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**LAKELAND AREA MASS TRANSIT DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**POLK COUNTY TRANSIT SERVICES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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<b>Operating revenues</b>	
FTA operating grant	\$ 2,121,498
FDOT operating grants	1,635,873
City contribution	208,085
Fares	128,378
PCTS	1,914,340
<b>Total operating revenues</b>	<u>6,008,174</u>
 <b>Operating expenses</b>	
Labor expenses	3,083,837
Contract expenses	601,095
Operating expenses	1,987,238
<b>Total operating expenses</b>	<u>5,672,170</u>
 Net increase (decrease) in revenue over (under) expenses	 <u><u>\$ 336,004</u></u>

## COMPLIANCE SECTION

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LAKELAND AREA MASS TRANSIT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Agency / Program	Federal CFDA or State CSFA Number	Agency Grant Number	Expenditures	Passed through to Subrecipients
<b>U.S. Department of Transportation:</b>				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit Formula Grant	20.507	FL-2016-010	\$ 1,959,068	\$ -
Federal Transit Formula Grant	20.507	FL-2017-054	1,402,100	-
Federal Transit Formula Grant	20.507	FL-2017-095	1,079,151	-
Federal Transit Capital				
Improvement Grant	20.500	FL-04-0108	17,576	-
Federal Transit Capital				
Improvement Grant	20.500	FL-2016-006	385,058	-
Federal Transit Capital				
Improvement Grant	20.526	FL-34-0011	799,361	-
Total Federal Transit Cluster			5,642,314	-
Transit Services Program Cluster				
FTA Enhanced Mobility of				
Senior & ADA	20.513	FL-16-0038	162,767	-
FTA Enhanced Mobility of				
Senior & ADA	20.513	FL-16-0041-LAMTD	3,164	-
FTA Enhanced Mobility of				
Senior & ADA	20.513	G0B06	12,530	-
FTA Job Access and				
Reverse Commute	20.516	AQ379	136,368	-
FTA New Freedom Program				
	20.521	AQ407	99,406	-
Total Transit Services Program Cluster			414,235	-
FTA Rural Formula Grant	20.509	AQR07	685,185	-
Total U.S. Department of Transportation			6,741,734	-
<b>Total Federal Expenditures</b>			<b>\$ 6,741,734</b>	<b>\$ -</b>
<b>State Commission for Transit Disadvantaged (CTD)</b>				
Transportation Disadvantaged Trips and				
Equipment Program				
Transportation Disadvantaged Program	55.001	G0C02	\$ 849,751	\$ -
Transportation Disadvantaged Program	55.001	G0M75	240,094	-
Total Transportation Disadvantaged Trips			1,089,845	-
and Equipment Program				
<b>Florida Department of Transportation</b>				
Public Transit Block Grant Program	55.010	AQQ77	886,152	-
Public Transit Block Grant Program	55.010	G0924	714,915	-
State Park and Ride Lot Program	55.011	AQH55	676,176	-
State Public Transit Corridor Program	55.013	G0907	818,136	-
Enhanced Mobility of Senior & ADA	N/A	FL-16-0038	20,346	-
Enhanced Mobility of Senior & ADA	N/A	FL-16-0041-LAMTD	395	-
Total Florida Department of Transportation			3,116,120	-
<b>Total State Financial Assistance</b>			<b>\$ 4,205,965</b>	<b>\$ -</b>

# LAKELAND AREA MASS TRANSIT DISTRICT

## NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The Schedule of Expenditures of Federal Awards and State Financial Assistance is prepared using the accrual basis of accounting.

#### **Measurement Focus**

The determination of when an award is expended is based on when the activity related to the award occurred.

#### **Program Type Determination**

Type A programs are defined as federal programs with federal expenditures exceeding the larger of \$750,000 or 3% of total federal expenditures. The threshold of \$750,000 was used in distinguishing between Type A and Type B programs.

#### **Method of Major Program Selection**

The risk based approach was used in the selection of federal programs to be tested as major programs. The District did not qualify as a low-risk auditee for the fiscal year ended September 30, 2017.

#### **De-Minimis Indirect Cost Rate**

During the year ended September 30, 2017, the District did not use the de-minimis indirect cost rate.



**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***

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**To the Board of Directors of the  
Lakeland Area Mass Transit District  
Lakeland, Florida**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lakeland Area Mass Transit District (the "District") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 28, 2018. The financial statements of the Lakeland Area Mass Transit District as of and for the year ended September 30, 2016, were audited by other auditors, whose report dated May 15, 2017, expressed an unmodified opinion on those statements.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



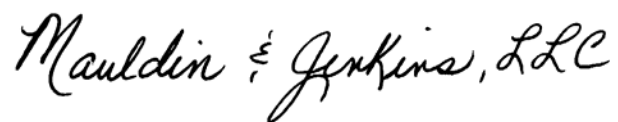
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**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida  
February 28, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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**To the Board of Directors of the  
Lakeland Area Mass Transit District  
Lakeland, Florida**

**Report on Compliance For Each Major Federal Program and State Project**

We have audited the Lakeland Area Mass Transit District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs and state projects for the year ended September 30, 2017. The District's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state projects.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis of our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the District's compliance.

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**Opinion on Each Major Federal Program and State Project**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2017.

**Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Bradenton, Florida  
February 28, 2018

*Mauldin & Jenkins, LLC*

**LAKELAND AREA MASS TRANSIT DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**SECTION I**  
**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
 Material weaknesses identified? \_\_\_ Yes  X  No

Significant deficiency identified not considered  
 to be material weaknesses? \_\_\_ Yes  X  None reported

Noncompliance material to financial statements noted? \_\_\_ Yes  X  No

**Federal Awards**

Internal control over major programs:  
 Material weaknesses identified? \_\_\_ Yes  X  No

Significant deficiencies identified not considered  
 to be material weaknesses? \_\_\_ Yes  X  None reported

Type of auditor's report issued on compliance for  
 major programs Unmodified

Any audit findings disclosed that are required to  
 be reported in accordance with the Uniform  
 Guidance? \_\_\_ Yes  X  No

Identification of major program:

CFDA Number  
 20.500, 20.507 and 20.526

Name of Federal Program or Cluster  
 U.S. Department of Transportation; Federal  
 Transit Administration; Federal Transit Cluster

CSFA Number  
 55.001  
 55.010  
 55.011  
 55.013

Name of State Program  
 Transportation Disadvantaged Program  
 Public Transit Block Grant Program  
 State Park and Ride Lot Program  
 State Public Transit Corridor Program

**LAKELAND AREA MASS TRANSIT DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**SECTION I**  
**SUMMARY OF AUDIT RESULTS**

Dollar threshold used to distinguish between  
Federal Type A and Type B programs: \$750,000  
State Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported

**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported

**SECTION IV**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS**

**2016-001 Financial Statement Preparation**

Criteria: The District's financial statements are required to be reported in accordance with US Generally Accepted Accounting Principles (GAAP).

Condition: The District's financial statements provided to the auditor contained multiple errors related to the preparation in conformity with GAAP.

Status: Resolved.

**2016-002 Cash Disbursements**

Criteria: Strong internal controls require observable documentation of internal control activities related to financial reporting.

**LAKELAND AREA MASS TRANSIT DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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**SECTION IV**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS (CONTINUED)**

**2016-002 Cash Disbursements (Continued)**

Condition: The District's documentation of internal control activities performed over cash disbursements did not include observable evidence of the review of the disbursement related controls for certain disbursements.

Status: Resolved.

**2016-003 Capital Asset Capitalization**

Criteria: 2 CFR section 200.33 of the Uniform Guidance states that equipment is defined as tangible personal property, including technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000. The non-federal entity must follow 2 CFR section 200.313(c) through (e) to ensure equipment purchased with grant funds is properly tracked and maintained.

Condition: The District purchased multiple quantities of radios which were in excess of the District's capitalization threshold of \$500. The radios were expensed rather than capitalized and not identified as assets purchased with grant funds.

Status: Resolved.

**2016-004 Expenditure Tracking**

Criteria: 2 CFR section 200.302(b)(1) requires that the financial management system of each non-federal entity provide for the following: Identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received. Federal program and federal award identification must include, as applicable, the CFDA title and number, federal award identification number and year, name of the federal agency, and name of the pass-through entity, if any.

Condition: The District does not maintain expenditure tracking in the general ledger in order to track expenditures by grant for reporting purposes.

Status: Resolved.



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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**To the Board of Directors of the  
Lakeland Area Mass Transit District  
Lakeland, Florida**

### **Report on the Financial Statements**

We have audited the financial statements of the Lakeland Area Mass Transit District (the "District") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated February 28, 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

### **Other Reports and Schedule**

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 Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 28, 2018, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Appropriate corrective action was taken to address findings 2016-001 through 2016-004 and management letter comments 2016-005 through 2016-007 reported in the prior year financial statements and management letter.



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### **Official Title and Legal Authority**

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

### **Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District 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 District. It is management's responsibility to monitor the District'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.

### **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the District 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.

### **Special District Component Units**

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39 (3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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.

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**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 Board of Commissioners and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Bradenton, Florida  
February 28, 2018

*Mauldin & Jenkins, LLC*



## INDEPENDENT ACCOUNTANT'S REPORT

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**To the Board of Directors of the  
Lakeland Area Mass Transit District  
Lakeland, Florida**

We have examined the Lakeland Area Mass Transit District's (the "District") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District'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, accordingly, included examining, on a test basis, evidence about the District'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 District's compliance with specified requirements.

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

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

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
February 28, 2018