



CITY OF AUBURNDALE, FLORIDA

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS
September 30, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**City of Auburndale
Management's Discussion and Analysis
September 30, 2016**

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

Financial Highlights

- The assets and deferred outflows of resources of the City of Auburndale exceeded its liabilities and deferred inflows of resources at September 30, 2016 by \$47,274,607 (net position). Of this amount, -\$6,025,249 is reported as unrestricted net position deficit mainly due to the accumulated other post-employment benefit (OPEB) liability and the City pension plans' net pension liabilities.
- The City's total net position increased by \$3,793,884 as a result of operations. The results of operations increased the governmental activities' net position by 16% and increased the business-type activities by 2%.
- As of September 30, 2016, the City of Auburndale's governmental funds reported combined ending fund balances of \$8,383,500, a decrease of \$2,979,336 in comparison with the prior year ending balance of \$11,362,836.
- The City of Auburndale's total net long-term liabilities increased by \$7,378,227 during the fiscal year.

UNDERSTANDING THE BASIC FINANCIAL STATEMENTS

The financial statements focus on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability. The statement of net position and statement of activities, seeks to give the user a combined overview of the City's financial position; eliminates interfund activities, and "other people's money", such as pension funds, which can mislead users when incorporated in a combined manner.

The reporting model requires the use of accrual accounting (which focuses on economic resources) at the top most level, while maintaining modified accrual accounting (which focuses on current financial resources – budget resources) at the individual fund level. The impact of long-term financial decisions can be more properly matched to the period in which the expense or revenue is more properly attributed. More fairness in presentation is achieved and the impacts of long-term decisions are promptly recorded as the transactions occur, as opposed to the traditional method of recording them when the bill is paid.

The MD&A is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements (pages 3-4) consist of a Statement of Net Position and a Statement of Activities. Both statements represent an overview of the City as a whole, separating its operations between governmental and business-type activities.

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The governmental activities of the City include general government, public safety, streets, sanitation, community redevelopment and parks and recreation.

The business-type activities of the City consist of the public utilities system. All information is presented utilizing the economic resource measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenue is earned and the expense attributed. fiduciary funds, such as pension trust funds, are excluded from the government-wide financial statements as they represent money and funds legally set aside for use by the employee groups they benefit. Florida law requires municipalities to fund pension plans on an actuarially sound basis; therefore, it is important for the user to study the fund financial statements as well as the notes to the financial statements.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual measure reported as net position. The focus of the statement of net position (the "unrestricted net position") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increase or decrease in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The City has three defined benefit pension plans established for the exclusive benefit of its employees and beneficiaries and one 401(a) money purchase plan for general employees, who were hired after October 1, 2006.

Fund Financial Statements

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

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

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Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two separate governmental funds – the general fund and the community redevelopment agency special revenue fund. Information is presented separately for each fund in the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and change in fund balances.

In September, following two public hearings the City adopts an annual appropriated budget each year. Budgetary comparison statements have been provided to demonstrate compliance with the budget (pages 51-52).

The basic governmental funds financial statements can be found on pages 5-8. The presentation is on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statements allow the demonstration of sources and uses and/or budgeting compliance for each fund.

Proprietary Funds - The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses an enterprise fund to account for its public utilities system. Internal Service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City does not utilize internal service funds. The basic proprietary fund financial statements can be found on pages 9-11 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on pages 12-13 of this report.

Notes to Financial Statements - The notes to financial statements, beginning on page 14, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – This report also presents certain required supplementary information related to the City's employee pension plans and other post-employment benefits (OPEB) obligations as well as budgetary comparison schedules for the general fund and community redevelopment agency special revenue fund. Required supplementary information can be found beginning on page 51 of this report.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's net position was \$47,274,607 compared to \$43,480,723 as of the end of the prior year.

The following table reflects the condensed statement of net position for the current year, as compared to the prior year. For more detailed information see the statement of net position on page 3.

| City of Auburndale, Florida's Net Position | | | | | | |
|---|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | \$ 9,685,928 | \$ 12,625,352 | \$ 12,611,546 | \$ 7,376,047 | \$ 22,297,474 | \$ 20,001,399 |
| Capital assets, net of depreciation | 44,338,964 | 38,559,459 | 52,865,611 | 53,745,651 | 97,204,575 | 92,305,110 |
| Total Assets | 54,024,892 | 51,184,811 | 65,477,157 | 61,121,698 | 119,502,049 | 112,306,509 |
| Deferred Outflows | 3,867,656 | 1,862,709 | 2,015,670 | 305,460 | 5,883,326 | 2,168,169 |
| Current and other liabilities | 1,296,947 | 1,410,179 | 2,083,963 | 2,098,730 | 3,380,910 | 3,508,909 |
| Long-term liabilities | 31,671,549 | 29,976,816 | 42,658,062 | 36,974,568 | 74,329,611 | 66,951,384 |
| Total Liabilities | 32,968,496 | 31,386,995 | 44,742,025 | 39,073,298 | 77,710,521 | 70,460,293 |
| Deferred Inflows | 372,960 | 497,586 | 27,287 | 36,076 | 400,247 | 533,662 |
| Net Position: | | | | | | |
| Net investment in capital assets | 28,374,983 | 24,941,977 | 18,750,657 | 19,380,925 | 47,125,640 | 44,322,902 |
| Restricted | 3,968,021 | 3,599,607 | 2,206,195 | 2,336,695 | 6,174,216 | 5,936,302 |
| Unrestricted | (7,791,912) | (7,378,645) | 1,766,663 | 600,164 | (6,025,249) | (6,778,481) |
| Total Net Position | \$ 24,551,092 | \$ 21,162,939 | \$ 22,723,515 | \$ 22,317,784 | \$ 47,274,607 | \$ 43,480,723 |

By far the largest portion of the City's net position, \$47,125,640 reflect its investment in capital assets (land, buildings, improvements, infrastructure, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$6,174,216, represents resources that are subject to external restrictions on how they may be used (debt service, reserves, and impact fees).

At the end of the current fiscal year, the City reported a negative unrestricted net position in the governmental activities of \$7,791,912 and positive balances in all other categories for both governmental activities and business-type activities.

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Statement of Activities – While net position of the City represents the difference between 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources, the statement of activities reports the changes in net position during the fiscal year using the economic resources measurement focus and accrual basis of accounting. The City has in place many charges that are designed to recover in part or in whole the cost of providing services. Florida case law prevents the City from recovering more than the cost of the services provided, except for proprietary activities. In the governmental activities, clearly the largest source of revenue comes from the ad valorem taxes at \$4,522,527 or 40.4% of total general revenue of \$11,180,896. Operating grants and contributions were received for the general government, library, police and fire department. Capital grants and contributions were received for the police, fire, streets and parks and recreation. The following table reflects the condensed statement of activities for the current year. For more detailed information see the statement of activities on page 4.

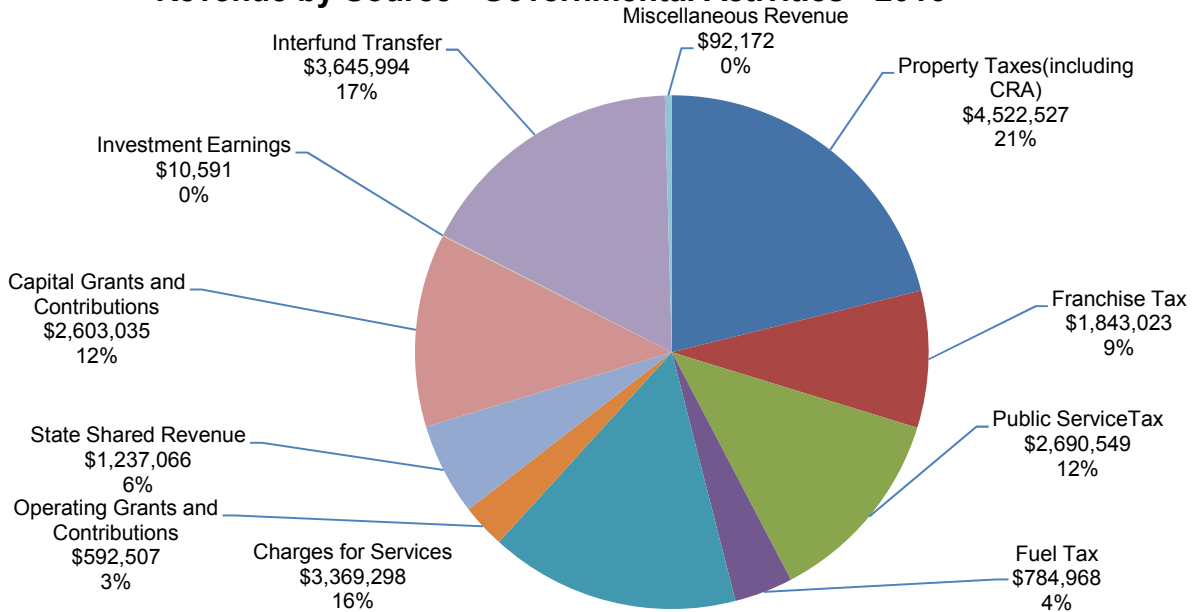
City of Auburndale, Florida's
Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 3,369,298 | \$ 3,381,546 | \$ 11,652,583 | \$ 10,499,197 | \$ 15,021,881 | \$ 3,381,546 |
| Operating grants and contributions | 592,507 | 542,434 | - | - | 592,507 | 542,434 |
| Capital grants and contributions | 2,603,035 | 2,161,175 | 1,711,098 | 2,287,466 | 4,314,133 | 4,448,641 |
| General Revenues: | | | | | | |
| Property taxes | 4,522,527 | 4,472,859 | - | - | 4,522,527 | 4,472,859 |
| Other taxes | 3,475,517 | 3,342,998 | - | - | 3,475,517 | 3,342,998 |
| Franchise fees | 1,843,023 | 1,601,373 | - | - | 1,843,023 | 1,601,373 |
| Other | 1,339,829 | 1,304,004 | 10,525 | 12,334 | 1,350,354 | 1,316,338 |
| Total Revenues | 17,745,736 | 16,806,389 | 13,374,206 | 12,798,997 | 31,119,942 | 19,106,189 |
| Expenses: | | | | | | |
| Governmental activities: | | | | | | |
| General government | 1,541,300 | 1,583,934 | - | - | 1,541,300 | 1,583,934 |
| Library | 608,175 | 599,672 | - | - | 608,175 | 599,672 |
| Police | 4,686,378 | 4,302,386 | - | - | 4,686,378 | 4,302,386 |
| Fire | 2,510,840 | 2,068,450 | - | - | 2,510,840 | 2,068,450 |
| Building and zoning | 527,735 | 729,585 | - | - | 527,735 | 729,585 |
| Public works administration | 688,754 | 186,997 | - | - | 688,754 | 186,997 |
| Sanitation | 1,442,658 | 1,303,631 | - | - | 1,442,658 | 1,303,631 |
| Streets | 1,067,386 | 1,139,286 | - | - | 1,067,386 | 1,139,286 |
| Parks and recreation | 4,173,904 | 3,894,033 | - | - | 4,173,904 | 3,894,033 |
| Community redevelopment | 85,082 | 72,708 | - | - | 85,082 | 72,708 |
| Interest on long-term debt | 671,365 | 502,661 | - | - | 671,365 | 502,661 |
| Business-type Activities: | | | | | | |
| Public utilities | - | - | 9,322,481 | 8,959,217 | 9,322,481 | 8,959,217 |
| Total Expenses | 18,003,577 | 16,383,343 | 9,322,481 | 8,959,217 | 27,326,058 | 25,342,560 |
| Increase (decrease) in net position before transfers | (257,841) | 423,046 | 4,051,725 | 3,839,780 | 3,793,884 | 4,262,826 |
| Transfers | 3,645,994 | 4,149,127 | (3,645,994) | (4,149,127) | - | - |
| Change in net position | 3,388,153 | 4,572,173 | 405,731 | (309,347) | 3,793,884 | 4,262,826 |
| Beginning net position | 21,162,939 | 23,616,905 | 22,317,784 | 23,852,279 | 43,480,723 | 47,469,184 |
| Restatement | - | (7,026,139) | - | (1,225,148) | - | (8,251,287) |
| Ending net position | \$ 24,551,092 | \$ 21,162,939 | \$ 22,723,515 | \$ 22,317,784 | \$ 47,274,607 | \$ 43,480,723 |

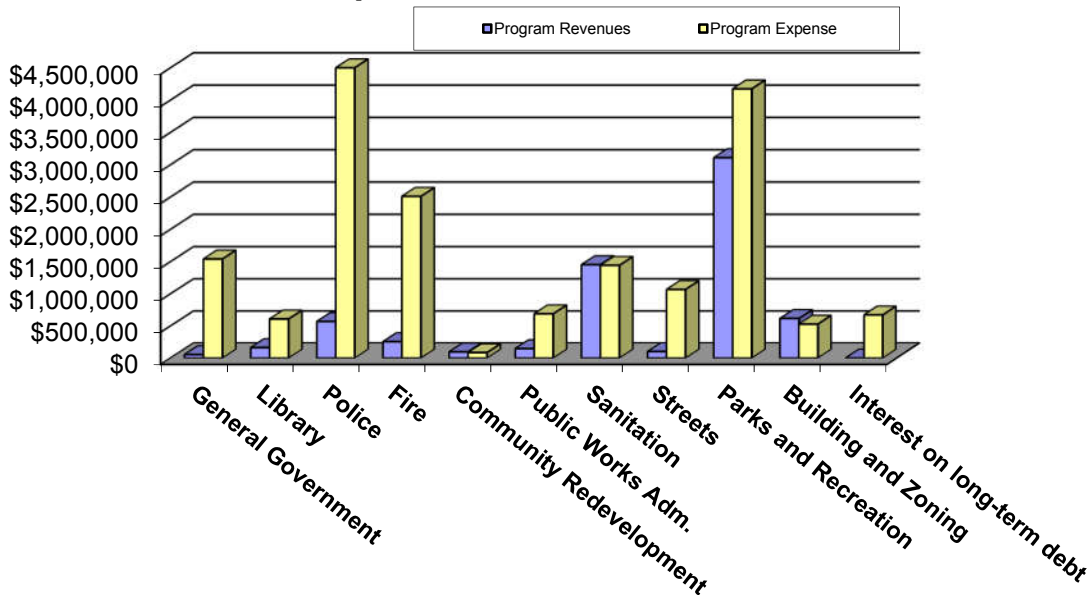
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Governmental Activities - Governmental activities' operations increased the City's net position by \$3,338,153 for the current year, as shown on page 4. Approximately 69% or \$14,826,890 of the governmental activities operations are funded by general revenue sources and transfers that are not attributable to any one particular activity. The City is dependent upon property taxes and taxes on utilities, both through franchise and through direct taxation of those utilities.

Revenue by Source - Governmental Activities - 2016

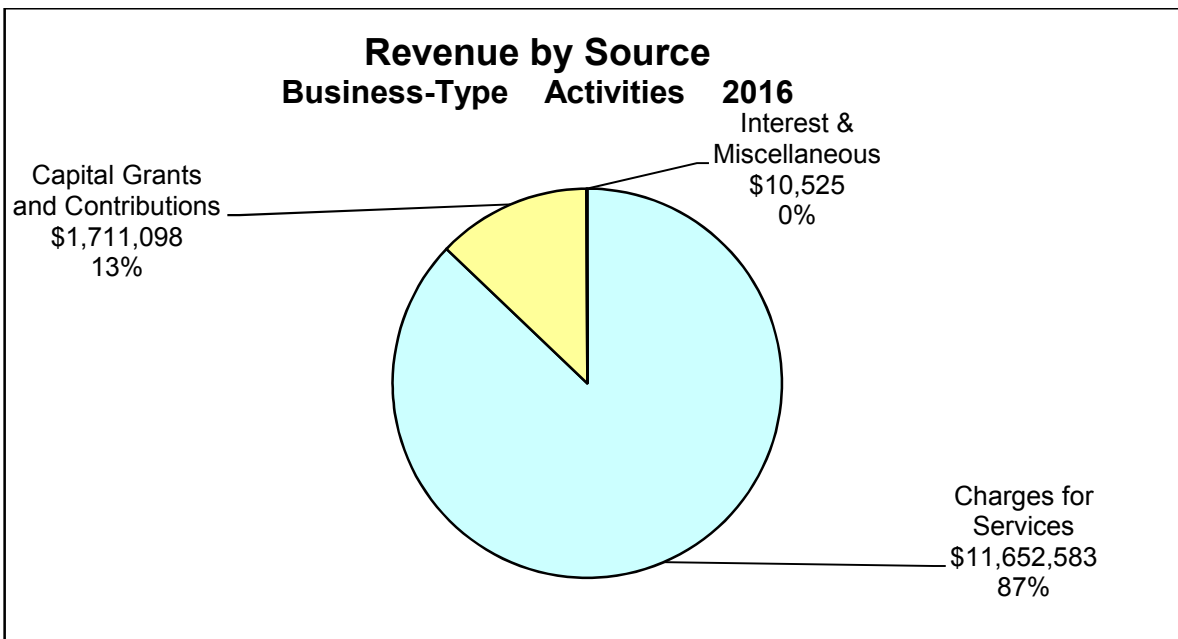
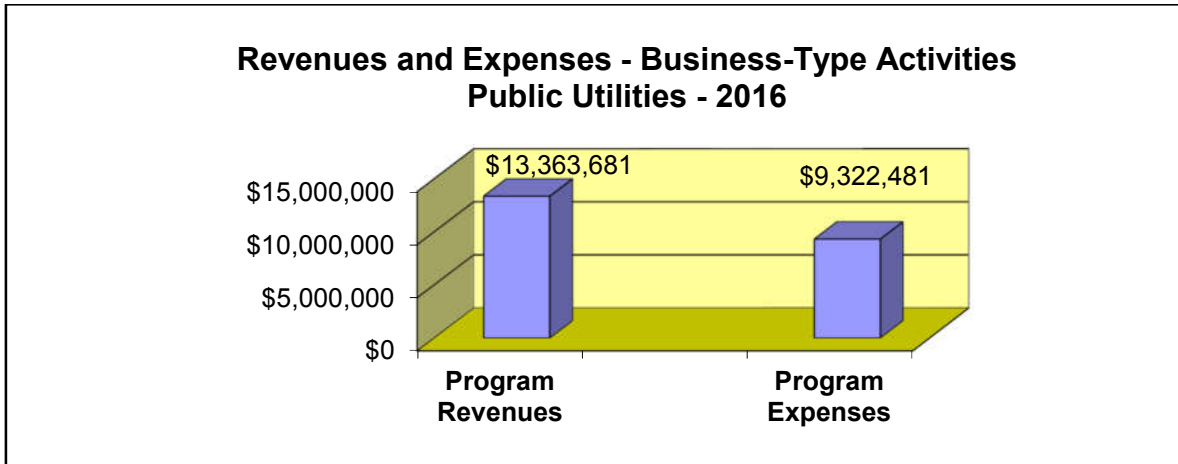


Revenues and Expenses - Governmental Activities - 2016



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Business-type activities - Business-type activities decreased the City's net position by \$405,731.



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FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of September 30, 2016, the City's governmental funds reported combined ending fund balances of \$8,383,500 (page 5). Of this total, the unassigned fund balance amount is \$4,206,045 and is the amount available for spending at the City's discretion. The remainder of fund balance, \$4,177,455, is restricted as indicated and not available for new spending because funds have already been committed. The combined total fund balance in fiscal year 2015 was \$11,362,836.

The general fund is the chief operating fund of the City. At September 30, 2016, the unassigned fund balance of the general fund was \$4,206,045, while the total fund balance was \$6,970,081. The general fund's unassigned fund balance has increased from \$142,776 in fiscal year 2016. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. During the current fiscal year, the assigned and unassigned fund balance of the City's general fund was 26% of current year expenditures, excluding capital outlay, compared to 23% in the prior year. Capital outlay was removed from the 2016 calculation because the amount was significant (28% of 2016 expenditures) and the majority was funded by bond proceeds received in the prior period.

The Community Redevelopment Agency (CRA) was created with Ordinance No. 772, in June of 1992. The CRA Board was restructured to include the City Commission and two City residents, with Ordinance No. 1117, in July of 2003. An amendment to the redevelopment plan extended the time certain for completing all redevelopment financed by increment revenue for 30 years from the date of Resolution No. 2005-11 (adopted May 2, 2005). In November of each year, the CRA entertains public comment on new projects to be included in the Board's adopted capital improvements program. The CRA receives property tax increment funds from the County and City, which combined were \$913,452. Total fund balance at year end equals \$1,413,419, an increase of \$156,261 during the current fiscal year.

Major CRA projects this year include: PK Avenue improvements (\$194,000), Lake Avenue improvements (\$156,876), Streetscaping (\$252,415), and City reimbursement for labor (\$82,017). The CRA spent \$757,846 during the year.

As a look forward at CRA collections, the 2016/2017 fiscal year budget projected revenues of \$3,742,322. For the PK Avenue Project, we anticipate reimbursement funds of \$1,300,000 from the Water Management District. The Carry Over Prior Year budget is \$1,411,822. The tax increment collection from the County in December 2016 was \$641,056 and the City tax increment was \$403,237 for a total of \$1,044,293.

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Enterprise Fund - The City's Public Utilities system provided operating income of \$4,144,473 that resulted in a primary Net Revenue Bond Coverage of 2.53. Last year the Operating Income was \$3,123,848 with Net Revenue Bond Coverage of 2.10. City Resolution Number 95-10 requires the City to maintain net revenues sufficient to cover 1.05 times the bond service requirement. The principal and interest amounts paid during the year, as used in the debt service coverage calculation, totaled \$2,659,026.

In August 2016, Raftelis Financial Consultants, Inc., RFC, completed the financial feasibility of proposed financing for the City's water and sewer utility systems. The opinion letter to the City was based upon the Forecast Statement of Debt Service Coverage for Water and Sewer and the Summary of Significant Forecast Assumptions. The forecast reflected expected financial conditions during each of the six fiscal years September 30, 2016 through September 30, 2021.

The Raftelis Report provides a thorough review of projected water and wastewater revenues compared to the City's Two-Year Budget, Five-Year Capital Improvement Plan, operational expenses, transfers, estimated inflation of 1.6%, and debt service requirements. A rate adjustment of 3% in FY 2017 and a 2% adjustment for the following four years was suggested to meet the balance of proposed expenses and revenues required.

Per the Raftelis Report, the City provided water and sewer service to the residents within the City limits and also serves residents in surrounding communities within Polk County. During FY 2016 the City served an average of 11,395 water customers and 7,899 sewer customers and has experienced modest customer growth since FY 2011. The Water and Sewer System includes seven deep production wells, three water production/treatment facilities, two wastewater treatment facilities, and a network of piping ranging in size from 2 inches to 16 inches in diameter. The City has a potable water consumptive use permit (Permit Number 7119 issued August 1, 2014 and expires April 3, 2034) with the Southwest Florida Water Management District to withdraw up to 7,036,300 gallons per day (average daily use) and a peak day withdrawal of 8,162,100 gallons per day. The City also participates in the Polk County Water Cooperative pursuant to an Interlocal Agreement established in 2016. The City may participate in future water supplies and related projects with the Polk County Water Cooperative in the future.

The City's two water reclamation facilities are permitted by the Florida Department of Environmental and Protection ("FDEP"). The two facilities are:

- Allred Wastewater Treatment Plant (Facility ID: FL0021466)
- Regional Wastewater Treatment Facility (Facility ID: FLA016559)

The Allred and Regional facilities have a permitted capacity of 1.400 and 1.600 MGD, respectively.

Prior to the adoption of the FY 2016-2017 annual budget and prior to the Water and Sewer Revenue Bonds Series 2016 refinancing of debt service and previous bond issues, City Staff reviewed and adjusted various rates and fees including utility late fees. Review and adjustment of current water and sewer rates were delayed until completion of the feasibility rate study. Raftelis Financial Consultants Inc. had previously performed a revenue sufficiency review of the City's water and wastewater revenue in 2003 and again in 2012.

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On September 29, 2016, the City issued the Water and Sewer Revenue Bonds, Series 2016. The bonds provided advance refunding for the Water and Sewer Series 2007 and 2009 bonds, the revolving line of credit loan, and additional funds for capital improvements. The new bonds mature annually on December 1 of each year through December 1, 2046, with interest payable semi-annually at rates ranging from 2% to 4%.

For fiscal year 2015/2016 the Capital Improvements for the Water and Sewer Fund related to the various departments:

- Water Capital Improvements: Water Improvements of \$3,606; Motor Equipment of \$45,734;
- Allred Wastewater Treatment Improvements: Capital Improvements of \$166,337; Influent Lift Station Rehab of \$342,805; Florida Poly University Reuse Line of \$339,213; Florida Poly University Reuse Tank of \$756,180; Allred/Calpine Improvements of \$5,858; Capital Equipment of \$14,451; and Motor Equipment of \$20,143
- Administrative Capital Improvements: Motor Equipment of \$29,731
- Regional Wastewater Treatment: Capital Improvements of \$25,110; Regional Sprayfield of \$29,000; and Capital Equipment of \$7,088.

The Florida Poly Reuse Tank construction began in FY 2016, with bids requested in February 2016, and completion in late fall 2016. The funding for this project and other projects came from a Line of Credit from CenterState Bank in the amount of \$5 million for projects in FY 2015. The Line of Credit was refinanced into the Water and Sewer Series 2016 Bonds.

Fiduciary Funds - The General Employee Pension Fund funding requirement was \$1,226,212 for the current year. This represents a \$14,765 increase over prior year funding of \$1,211,447. The General Employee Pension Board hired an independent actuary to prepare the valuations beginning in 2008 and hired a pension attorney in 2009. Pension Plan assets are managed by the General Employee Pension Board of Trustees with the assistance of an investment advisor. The Defined Benefit Plan has a blended multiplier of 2.75% for all years prior to October 1, 2003 and 2.5% for all years after October 1, 2003. Employees under the Defined Benefit Plan contribute 2% of salary. The data from the General Employee Pension Actuarial Report as of October 1, 2015 shows 157 total members, 85 retirees or beneficiaries currently receiving benefits, 15 terminated vested employees, and 57 active participants.

Effective October 1, 2006, the City implemented a Defined Contribution Plan for all new hires and froze the current enrollment into the General Employee Defined Benefit Plan. The City now has a 401A Plan administered through the International City/County Management Association (ICMA) and contributes 8% to the employee's account. The employees contribute 2% of salary and have a five-year vesting period for the Plan. For fiscal year 2015-2016, the total cost of the 401A Plan, net of participant forfeitures of \$28,576, was \$149,880. As of September 30, 2016 there were 55 active participants in this Plan and no retirees for the Plan.

The Fire Pension Fund is funded by State contributions, employee contributions, return on investments, and a City contribution to make the funds actuarially sound. The City and State contributed \$357,985 for the current fiscal year and \$400,852 for the prior fiscal year. Ordinance Numbers 1275 and 1328 modified the Plan: the employee contributes 9.1% of salary for the Pension benefit, provides for eligible retirement with 25 years of service regardless of age, provides an additional supplemental benefit for every year of service for future retirees, and increased the Fire Pension multiplier to 3.5%.

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The supplemental benefit is subject to adjustment based upon the actual state funding received. Normal retirement is age 55 with 10 years of service. The Plan is administered by the Firefighter Pension Board. Per the Firefighter Pension Actuarial Report as of October 2015, the participant data is: 37 participants, 11 retirees or beneficiaries currently receiving benefits, 6 vested terminated employees, and 20 active participants.

The Police Pension Fund is funded by State contributions, employee contributions, return on investments, and a City contribution to make the funds actuarially sound. The City and State contributed \$582,809 for the current fiscal year and \$555,870 for the prior year. Ordinance No. 1421 increased the employee contribution to 5.6% of salary and Ordinance No. 1256 modified the Plan benefits, which provides for eligible retirement with 20 years of service regardless of age, and provides an additional supplemental benefit for every year of service for future retirees. The supplemental benefit is subject to adjustment based upon the actual state funding received. Normal retirement is age 55 with 10 years of service. The Plan is administered by the Police Pension Board and the current pension multiplier for the Police Pension is 3.25%. Per the Police Officer Actuarial Report as of October 2014, the participant data is: 69 participants, 23 retirees currently receiving benefits, 12 vested terminated employees, and 34 active participants.

Note 8, beginning on page 35, will provide more information regarding the City's three pension trust funds.

ANALYSIS OF SIGNIFICANT BUDGET VARIANCES

Budget variance reporting is only included for the General Fund and Community Redevelopment Authority and appear on pages 51-52. For the General Fund, the difference between budgeted resources and outflows amounted to a positive \$684,000. On a budgetary basis, the net change in fund balance for the General Fund was a positive \$1,838,476, which is \$1,154,476 more than budgeted. Summarized below are the significant Budgetary Variances accompanied by an explanation:

GENERAL FUND REVENUE COMPARISON:

- Taxes collections were \$8,811,084 and \$27,084 more than the Final Budget of \$8,784,000.
- Charges for Services collections were \$2,796,434 and \$52,504 more than the Final Budget of \$2,743,930.

EXPENSE COMPARISON:

- Public Safety expenses were \$5,167,323 and provided a negative variance of \$55,510, when compared to the Final Budget of \$5,111,813.
- Capital Outlay expenses were \$6,182,458 and provided a positive variance of \$53,474, when compared to the Final Budget of \$6,235,932.
- Budgeted Contingency Reserve expenses were \$0 and provided a positive variance of \$1,078,176, when compared to the Final Budget of \$1,078,176.

COMMUNITY REDEVELOPMENT AGENCY COMPARISON:

- The Community Redevelopment Agency Tax line-item completed the year with total collections of \$913,452, which was a positive variance of \$52 compared to the Final Budget of \$913,400.
- Economic Environment expenses were \$153,417 and provided a positive variance of \$141,183, when compared to the Final Budget of \$294,600.
- The Community Redevelopment Agency expenses for the year were \$757,846 and provided a positive variance of \$156,261 when compared to the Final budget of \$913,900.
- The Community Redevelopment Agency net change in fund balance was a positive \$156,261.

**City of Auburndale
Management's Discussion and Analysis
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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016 amounts to \$97,204,575 (net of accumulated depreciation). The capital assets increased from \$92,305,110 in 2015. This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles, and equipment, as shown in Note 5 of the financial statements beginning on page 28.

| City of Auburndale, Florida's Capital Assets (net of depreciation) | | | | | | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 6,426,539 | \$ 5,311,039 | \$ 11,188,910 | \$ 11,188,910 | \$ 17,615,449 | \$ 16,499,949 |
| Buildings | 29,630,973 | 24,308,631 | 39,305,035 | 41,738,408 | 68,936,008 | 66,047,039 |
| Vehicles & equipment | 3,977,481 | 3,578,006 | 783,028 | 726,475 | 4,760,509 | 4,304,481 |
| Infrastructure | 4,244,595 | 4,348,439 | - | - | 4,244,595 | 4,348,439 |
| Construction in progress | 59,376 | 1,013,344 | 1,588,638 | 91,858 | 1,648,014 | 1,105,202 |
| Total | \$ 44,338,964 | \$ 38,559,459 | \$ 52,865,611 | \$ 53,745,651 | \$ 97,204,575 | \$ 92,305,110 |

Long-term Debt - At the end of the current fiscal year, the governmental activities had total bonds and notes payable outstanding of \$15,963,981. The long-term debt balances are: \$5,070,000 for Public Improvements Series 2011 Lake Myrtle Sports Complex reimbursable from Polk County, \$2,720,000 for Public Improvement Series 2009 B to complete Lake Myrtle Sports Complex, \$3,760,000 for the 2006 Public Safety Bonds, \$4,500,000 Capital Improvement 2015 (Lake Myrtle Baseball Expansion), and -\$86,019 of net unamortized premiums (discounts). The Series 2011 and 2015 (Lake Myrtle Sports Complex) are fully funded through an Interlocal Agreement with Polk County and use of the 5th-cent tourist tax. The 2011 funds were used to construct the Lake Myrtle Park Sports Complex and the 2015 funds were used to construct four new Baseball Fields and a concession stand. The Series 2009 debt was issued on October 20, 2009 and reimbursed the City for funds expended during the construction completion of the Lake Myrtle Park Sports Complex.

As shown in Note 6, beginning on page 30, the business-type activities had total bonds and notes payable outstanding of \$39,720,079. The long-term debt balances are: \$35,000 for the 2003 Water and Sewer Bond, \$9,000,000 for the 2006 Water and Sewer Bonds, and \$29,695,000 for the 2016 Water and Sewer Bonds and net unamortized premiums (discounts) of \$990,079.

In the current year, the City issued the Series 2016, Water and Sewer Bonds to advance refund the Series 2007 and 2009 bond issues and to fully refund the revolving line of credit. This bond issue also provided an additional \$6,000,000 in funds for water and sewer system improvements. The refunded bonds and the line of credit had an outstanding principal amount of \$25,083,102 at the date of issuance of the Series 2016 bonds. The cash flow to service the new debt to maturity was \$3,315,441 less than the cash flow to service the old debt resulting in an economic gain on the refunding of \$2,539,775, discounted at 2.9%.

Additional information on the City's long-term debt can be found beginning on page 30 of the notes to financial statement section of this report.

**City of Auburndale
Management's Discussion and Analysis
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FUTURE CAPITAL PROJECTS AND FUNDING

Refinance of Public Improvements Bonds

The City completed the refinance of Public Improvement Revenue Bonds 2016 on October 13, 2016. The Authorizing Resolution No. 2016-08 provided issuance of Revenue Bonds for the refunding of the City's outstanding Public Improvement (General Fund) Revenue Bonds, Series 2006, and Series 2009. The revenue source for the Bond Issue comes from non-ad valorem revenues of the General Fund.

Road Improvements

In FY 15/16, the City reserved \$500,000 toward the Street Resurfacing project to be completed in FY 16/17. The bid for the FY 16/17 Resurfacing Project was awarded to Preferred Materials, Inc. in the amount of \$982,695. Also, the resurfacing project of US Highway 92 from Walker Road to Havendale Boulevard has worked its way through the Florida Department of Transportation's Five-Year Tentative Work Program and scheduled for construction in February 2017. The City's resurfacing includes all of the intersecting side streets of Highway 92 as part of the City's 5-Year Capital Improvement Program. The current FY 2016-2017 Budget allocates \$1,000,000 toward the City's resurfacing project.

Proposed Future Funding for Lake Myrtle Borrowing

City Staff and County Staff are working on additional revenues to reimburse the City for improvements related to the 2009 Public Improvement Borrowing of \$4,000,000. County Staff has suggested that additional Tourist Tax dollars may come available to offset this expense. This would be a similar arrangement to the existing \$12 million debt service in which the City is reimbursed by the County for principal and interest payments.

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The City of Auburndale, Florida is located in Polk County. It encompasses approximately 22.16 square miles or 14,186 acres. The City was incorporated in 1911 and has a 2015 estimated population of 14,832 according to the Bureau of Economic and Business Research University of Florida. Auburndale's economic base primarily consists of light industry, business and agriculture. Through planned growth, Auburndale has attracted many major enterprises. Principal industries within the Utility Service area include: container manufacturers, plastic pipe manufacturing, distilleries, food and consumer goods distribution centers, farm machinery and many other industries and businesses.

The City is governed by a Mayor and a four member City Commission who are elected at large to serve staggered four-year terms. For the Fiscal Year 2015-2016 members of the Commission are as follows:

| <u>Name</u> | <u>Position</u> | <u>Term Expires</u> |
|-----------------------|-----------------|---------------------|
| Timothy Pospichal | Mayor | December 2017 |
| Richard Hamann | Commissioner | December 2019 |
| James Moody | Commissioner | December 2017 |
| Jack Myers | Commissioner | December 2017 |
| William Sterling, Jr. | Commissioner | December 2019 |

**City of Auburndale
Management's Discussion and Analysis
September 30, 2016**

Administration of the operations of the City is carried out by a City Manager who is appointed by the Commissioners and who is an employee of the City. The present City Manager is Robert R. Green, appointed City Manager in April 1991. For Fiscal Year 2015-2016, there were 175 budgeted employees.

The City is a desirable location for both residences and businesses. The "leading indicators" of growth, such as requests for building permits, site plan approvals for new developments and redevelopment, and requests for land use and zoning changes, have all been very strong, indicating the outlook for continued growth is favorable. The City's Community Development Department has received many compliments from the business community for their business-friendly working relationship with contractors.

In the conduct of municipal government, various lawsuits, commitments, and contingencies will arise. However, the City has no known current lawsuits that are considered to pose any significant loss to the City.

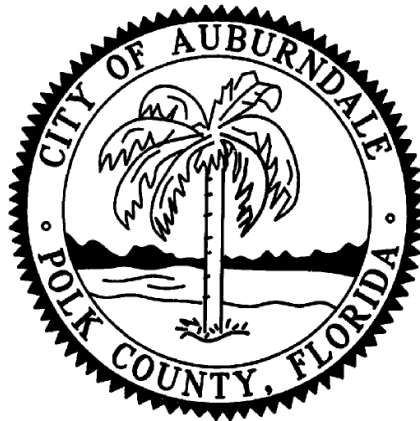
The City continues to annex property to improve the tax base. As a policy, the City does not provide utility service without the property owner signing an annexation agreement. The annexation agreement provides that the property will be annexed whenever the property does become contiguous with the City limits. For the current fiscal year, the City annexed 897 acres for a total of 14,186 acres.

The City has a vibrant Parks and Recreation Department and with the completion of the Auburndale Community Center (Gym), the City has provided even more recreational programs for the public. The partnership at the Lake Myrtle Sports Complex with Polk County Sports Marketing and Florida Youth Soccer has worked well over the past few years. Through the partnership with Polk County Board of County Commissioners, four additional collegiate baseball fields were constructed at the Lake Myrtle Sports Complex for play to begin February 2016.

The area road networks continue to be improved including State Road 559, the I-4 Interchange at SR559, County Road 559A, and Berkley Road. The much anticipated Main Street to Recker Highway fly-over extension was opened in January 2012. The improvement was funded by the Florida Department of Transportation and desired by the City Commission for well over 30 years. The beautification on Main Street from Bridgers Avenue to Highway 92 with pavers and Medjool palms has enhanced the entry way into the Downtown.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Auburndale's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City of Auburndale, Finance Department, P. O. Box 186, Auburndale, FL 33823, call 863-968-5133, or email slowrance@auburndalefl.com.



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission
City of Auburndale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Auburndale, Florida as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburndale, Florida, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and continues to value certain investments using a market approach and has enhanced disclosures regarding these investments. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents (collectively, the "required supplementary information") be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburndale, Florida's basic financial statements. The miscellaneous statistics section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The miscellaneous statistics section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2017, on our consideration of the City of Auburndale, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Auburndale, Florida's internal control over financial reporting and compliance.

Other Reporting Required by Chapter 10.550, Rules of the Auditor General

In accordance with *Chapter 10.550, Rules of the Auditor General*, we have also issued our report dated April 7, 2017 on our examination of compliance with requirements of Section 218.415, *Florida Statutes*. The purpose of that report is to describe the scope of our examination and the issuance of an opinion on the City of Auburndale, Florida's compliance with requirements of Section 218.415, *Florida Statutes*.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
April 7, 2017

CITY OF AUBURNDALE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
as of September 30, 2016

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 5,599,290 | \$ 2,530,182 | \$ 8,129,472 |
| Receivables, current: | | | |
| Customer accounts, net | 212,351 | 1,491,726 | 1,704,077 |
| Intergovernmental | 746,046 | 432,267 | 1,178,313 |
| Franchise and public service taxes | 364,205 | | 364,205 |
| Inventory | 16,360 | | 16,360 |
| Restricted assets: | | | |
| Cash and cash equivalents | 2,747,676 | 8,044,479 | 10,792,155 |
| Capital assets: | | | |
| Non-depreciable | 6,485,915 | 12,777,548 | 19,263,463 |
| Depreciable, net | 37,853,049 | 40,088,063 | 77,941,112 |
| Unamortized bond insurance | | 112,892 | 112,892 |
| TOTAL ASSETS | 54,024,892 | 65,477,157 | 119,502,049 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - loss on refunding | | 1,436,862 | 1,436,862 |
| Deferred outflows related to pensions | 3,867,656 | 578,808 | 4,446,464 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | 57,892,548 | 67,492,827 | 125,385,375 |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | 468,335 | 301,050 | 769,385 |
| Construction costs payable | | 409,852 | 409,852 |
| Accrued pension contributions payable | 635,538 | | 635,538 |
| Payable from restricted assets: | | | |
| Accrued interest payable | 193,074 | 158,806 | 351,880 |
| Customer deposits | | 1,214,255 | 1,214,255 |
| Long-term liabilities: | | | |
| Due within one year | 1,410,000 | 740,000 | 2,150,000 |
| Due in more than one year | 30,261,549 | 41,918,062 | 72,179,611 |
| TOTAL LIABILITIES | 32,968,496 | 44,742,025 | 77,710,521 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 372,960 | 27,287 | 400,247 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | 33,341,456 | 44,769,312 | 78,110,768 |
| NET POSITION | | | |
| Net investment in capital assets | 28,374,983 | 18,750,657 | 47,125,640 |
| Restricted for: | | | |
| Debt retirement | 1,357,065 | 1,269,877 | 2,626,942 |
| Community redevelopment | 1,413,419 | | 1,413,419 |
| Recreation improvements | 340,318 | | 340,318 |
| Fire rescue and safety | 336,663 | | 336,663 |
| Law enforcement | 163,855 | | 163,855 |
| Stormwater improvements | 356,701 | | 356,701 |
| Water and sewer improvements | | 936,318 | 936,318 |
| Unrestricted | (7,791,912) | 1,766,663 | (6,025,249) |
| TOTAL NET POSITION | \$ 24,551,092 | \$ 22,723,515 | \$ 47,274,607 |

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2016

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| PRIMARY GOVERNMENT: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 1,541,300 | \$ 54,106 | \$ | \$ | \$ (1,487,194) | \$ | \$ (1,487,194) |
| Library | 608,175 | 34,665 | 127,747 | | (445,763) | | (445,763) |
| Police | 4,686,378 | 143,676 | 330,627 | 94,966 | (4,117,109) | | (4,117,109) |
| Fire | 2,510,840 | | 129,033 | 126,304 | (2,255,503) | | (2,255,503) |
| Building and zoning | 527,735 | 615,783 | | | 88,048 | | 88,048 |
| Public works administration | 688,754 | 55,889 | | 91,221 | (541,644) | | (541,644) |
| Sanitation | 1,442,658 | 1,453,496 | | | 10,838 | | 10,838 |
| Streets | 1,067,386 | 98,630 | | 2,130 | (966,626) | | (966,626) |
| Parks and recreation | 4,173,904 | 913,053 | 5,100 | 2,191,414 | (1,064,337) | | (1,064,337) |
| Community redevelopment | 85,082 | | | 97,000 | 11,918 | | 11,918 |
| Interest on long-term debt | 671,365 | | | | (671,365) | | (671,365) |
| Total governmental activities | 18,003,577 | 3,369,298 | 592,507 | 2,603,035 | (11,438,737) | | (11,438,737) |
| Business-type activities: | | | | | | | |
| Water and sewer utility | 9,322,481 | 11,652,583 | | 1,711,098 | | 4,041,200 | 4,041,200 |
| Total business-type activities | 9,322,481 | 11,652,583 | | 1,711,098 | | 4,041,200 | 4,041,200 |
| TOTAL PRIMARY GOVERNMENT | \$ 27,326,058 | \$ 15,021,881 | \$ 592,507 | \$ 4,314,133 | (11,438,737) | 4,041,200 | (7,397,537) |
| GENERAL REVENUES: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 3,609,075 | | 3,609,075 |
| Property taxes, levied for community redevelopment | | | | | 913,452 | | 913,452 |
| Franchise taxes | | | | | 1,843,023 | | 1,843,023 |
| Public service taxes | | | | | 2,690,549 | | 2,690,549 |
| Fuel taxes levied for transportation purposes | | | | | 784,968 | | 784,968 |
| State shared revenue | | | | | 1,237,066 | | 1,237,066 |
| Investment earnings | | | | | 10,591 | 2,420 | 13,011 |
| Miscellaneous | | | | | 92,172 | 8,105 | 100,277 |
| Transfers | | | | | 3,645,994 | (3,645,994) | |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | 14,826,890 | (3,635,469) | 11,191,421 |
| CHANGE IN NET POSITION | | | | | 3,388,153 | 405,731 | 3,793,884 |
| NET POSITION - beginning of year | | | | | 21,162,939 | 22,317,784 | 43,480,723 |
| NET POSITION - end of year | | | | | \$ 24,551,092 | \$ 22,723,515 | \$ 47,274,607 |

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
as of September 30, 2016

| | General Fund | Community Redevelopment Agency | Total |
|--|-------------------------|---|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,180,827 | \$ 1,418,463 | \$ 5,599,290 |
| Receivables, net | | | |
| Customer accounts, net | 202,018 | | 202,018 |
| Intergovernmental | 649,046 | 97,000 | 746,046 |
| Franchise and public service taxes | 364,205 | | 364,205 |
| Inventory | 16,360 | | 16,360 |
| Restricted assets: | | | |
| Cash and cash equivalents | 2,747,676 | | 2,747,676 |
| TOTAL ASSETS | \$ 8,160,132 | \$ 1,515,463 | \$ 9,675,595 |
| LIABILITIES AND FUND BALANCE | | | |
| Accounts payable | \$ 319,278 | \$ 5,044 | \$ 324,322 |
| Accrued payroll | 144,013 | | 144,013 |
| Pension contributions payable | 635,538 | | 635,538 |
| TOTAL LIABILITIES | 1,098,829 | 5,044 | 1,103,873 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenues | 91,222 | 97,000 | 188,222 |
| FUND BALANCE | | | |
| Non-spendable inventory | 16,360 | | 16,360 |
| Restricted for: | | | |
| Bond retirement | 1,550,139 | | 1,550,139 |
| Recreation improvements | 340,318 | | 340,318 |
| Fire rescue and safety | 336,663 | | 336,663 |
| Law enforcement | 163,855 | | 163,855 |
| Stormwater improvements | 356,701 | | 356,701 |
| Community redevelopment | | 1,413,419 | 1,413,419 |
| Unassigned | 4,206,045 | | 4,206,045 |
| TOTAL FUND BALANCE | 6,970,081 | 1,413,419 | 8,383,500 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 8,160,132 | \$ 1,515,463 | \$ 9,675,595 |

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
as of September 30, 2016

| | |
|---|-----------------------------|
| FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ 8,383,500 |
| Amounts reported for Governmental Activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. | 44,338,964 |
| Accounts receivable that were not available were not recorded as assets/revenue in the governmental funds. | 10,333 |
| Revenues not received within the "availability" period are deferred at the fund level and recognized in the statement of activities | 188,222 |
| Deferred outflows related to pensions represent a consumption of net position or fund balance that applies to a future period(s) and, therefore are not reported in the governmental funds. | 3,867,656 |
| Deferred inflows related to pensions represent an increase in net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds. | (372,960) |
| Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in governmental funds. | (193,074) |
| Long-term liabilities (including certain accounts payable, compensated absences and unfunded post employment and pension obligations) are not payable from current resources and therefore they are not reported in the governmental funds. | <u>(31,671,549)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 24,551,092</u> |

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
for the year ended September 30, 2016

| | General Fund | Community Redevelopment Agency | Total |
|--|-------------------------|---|---------------------|
| REVENUES | | | |
| Taxes | \$ 8,811,084 | \$ 913,452 | \$ 9,724,536 |
| Licenses and permits | 514,573 | | 514,573 |
| Intergovernmental revenue | 3,065,077 | | 3,065,077 |
| Charges for services | 2,796,434 | | 2,796,434 |
| Fines and forfeitures | 36,088 | | 36,088 |
| Other | 446,280 | 655 | 446,935 |
| Total revenues | <u>15,669,536</u> | <u>914,107</u> | <u>16,583,643</u> |
| EXPENDITURES | | | |
| General government | 1,402,263 | | 1,402,263 |
| Public safety | 6,766,450 | | 6,766,450 |
| Physical environment | 2,195,151 | | 2,195,151 |
| Economic environment | | 153,417 | 153,417 |
| Transportation | 698,266 | | 698,266 |
| Culture/recreation | 3,388,715 | | 3,388,715 |
| Capital outlay | 6,182,459 | 604,429 | 6,786,888 |
| Debt service | 1,817,823 | | 1,817,823 |
| Total expenditures | <u>22,451,127</u> | <u>757,846</u> | <u>23,208,973</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(6,781,591)</u> | <u>156,261</u> | <u>(6,625,330)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in (out) | 3,645,994 | | 3,645,994 |
| Total other financing sources | <u>3,645,994</u> | | <u>3,645,994</u> |
| NET CHANGE IN FUND BALANCE | <u>(3,135,597)</u> | <u>156,261</u> | <u>(2,979,336)</u> |
| FUND BALANCE - beginning of year | <u>10,105,678</u> | <u>1,257,158</u> | <u>11,362,836</u> |
| FUND BALANCE - end of year | <u>\$ 6,970,081</u> | <u>\$ 1,413,419</u> | <u>\$ 8,383,500</u> |

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
for the year ended September 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (2,979,336)**

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

| | |
|--|-------------|
| This is the amount of capital assets recorded in the current period. | 7,610,332 |
| This is the depreciation expense for the current period | (1,818,256) |
| This is the gain or loss on capital assets disposed during the year | (12,571) |

| | |
|---|-------|
| This is the change in receivables for revenues accrued when earned in the government-wide statement of net position but not accrued in the governmental funds | 3,870 |
|---|-------|

Revenues not received within the "availability" period are not reported as revenues at the fund level and are recognized as revenue in the statement of activities.

| | |
|---|---------|
| This represents the change caused by the "availability" criterion | 188,222 |
|---|---------|

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

| | |
|---|-----------|
| This is the repayment of bond principal reported as an expenditure in governmental funds | 1,215,000 |
| This is the change in accrued interest payable on long-term obligations | (38,948) |
| This amount represents amortization of bond discounts. | (29,593) |
| This is the change in accrued compensated absences during the year | (14,185) |
| This is the net change in the net pension related inflow/outflows and net liability during the year | 40,797 |
| This is the change in the net OPEB liability during the year | (777,179) |

| | |
|--|-----------------------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 3,388,153</u></u> |
|--|-----------------------------------|

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
as of September 30, 2016

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 2,530,182 |
| Customer accounts receivable, net | 1,491,726 |
| Due from other governments | 432,267 |
| Total current assets | <u>4,454,175</u> |
| Noncurrent assets: | |
| Restricted assets: | |
| Cash and cash equivalents | 8,044,479 |
| Capital assets: | |
| Non-depreciable | 12,777,548 |
| Depreciable, net | 40,088,063 |
| Unamortized bond insurance | 112,892 |
| Total noncurrent assets | <u>61,022,982</u> |
| TOTAL ASSETS | <u>65,477,157</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows - loss on refunding | 1,436,862 |
| Deferred outflows related to pensions | 578,808 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 67,492,827</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 264,812 |
| Construction costs payable | 409,852 |
| Accrued payroll | 36,238 |
| Bonds and notes payable, current portion | 740,000 |
| Total current liabilities | <u>1,450,902</u> |
| Noncurrent liabilities: | |
| Compensated absences | 213,609 |
| Post employment obligation payable | 1,190,105 |
| Net pension liability | 1,534,269 |
| Payable from restricted assets: | |
| Accrued interest payable | 158,806 |
| Customer deposits | 1,214,255 |
| Bonds and notes payable, noncurrent portion | 38,980,079 |
| Total noncurrent liabilities | <u>43,291,123</u> |
| TOTAL LIABILITIES | <u>44,742,025</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 27,287 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | <u>44,769,312</u> |
| NET POSITION | |
| Net investment in capital assets | 18,750,657 |
| Restricted for: | |
| Debt retirement | 1,269,877 |
| Sewer improvements | 684,350 |
| Water improvements | 251,968 |
| Unrestricted | 1,766,663 |
| TOTAL NET POSITION | <u>\$ 22,723,515</u> |

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
for the year ended September 30, 2016

| | Enterprise Fund |
|---|-----------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 11,652,583 |
| Total charges for services | <u>11,652,583</u> |
| OPERATING EXPENSES | |
| Personal services | 1,423,995 |
| Operating expenses | 3,499,656 |
| Depreciation | <u>2,584,459</u> |
| Total operating expenses | <u>7,508,110</u> |
| OPERATING INCOME | <u>4,144,473</u> |
| NONOPERATING REVENUE (EXPENSE) | |
| Interest revenue | 2,420 |
| Other nonoperating revenue | 8,105 |
| Interest expense | <u>(1,814,371)</u> |
| Total nonoperating revenues (expenses) | <u>(1,803,846)</u> |
| Income (loss) before contributions and transfers | <u>2,340,627</u> |
| CAPITAL CONTRIBUTIONS | |
| Capital grants and contributions | 443,311 |
| Impact fees | <u>1,267,787</u> |
| Total capital contributions | <u>1,711,098</u> |
| TRANSFERS IN (OUT) | <u>(3,645,994)</u> |
| Change in net position | 405,731 |
| TOTAL NET POSITION - beginning of year | <u>22,317,784</u> |
| TOTAL NET POSITION - end of year | <u><u>\$ 22,723,515</u></u> |

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the year ended September 30, 2016

| | <u>Enterprise Fund</u> |
|---|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 11,426,977 |
| Payments to suppliers | (3,578,119) |
| Payments for salaries and benefits | (1,304,642) |
| Net cash flows from operating activities | <u>6,544,216</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers (to) from other funds, net of change in due to | (3,645,994) |
| Net cash flows from noncapital financing activities | <u>(3,645,994)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and construction of capital assets, net of change in construction payables | (1,389,423) |
| Proceeds from sale of capital assets | 16,386 |
| Proceeds of borrowings | 31,135,804 |
| Principal paid on notes, bonds and lease obligations | (27,323,451) |
| Interest paid on borrowings | (2,087,953) |
| Contributions for utility system improvements | 45,547 |
| Impact fees received | 1,267,787 |
| Net cash flows from capital and related financing activities | <u>1,664,697</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Earnings on invested funds | 2,420 |
| Net cash flows from investing activities | <u>2,420</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 4,565,339 |
| CASH AND CASH EQUIVALENTS, beginning of year | 6,009,322 |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 10,574,661</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ 4,144,473 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 2,584,459 |
| (Increase) decrease in accounts receivable | (297,559) |
| Increase (decrease) in accounts payable | (78,463) |
| Increase (decrease) in accrued payroll | 21,869 |
| (Increase) decrease in compensated absences liability | 10,977 |
| Increase (decrease) in customer deposits | 71,953 |
| (Increase) decrease in OPEB liability | 177,427 |
| (Increase) decrease in pension related elements | (90,920) |
| Net cash flows from operating activities | <u>\$ 6,544,216</u> |
| Noncash financing and investing activities: | |
| Book value of equipment disposed | <u>\$ 8,281</u> |

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
as of September 30, 2016

| | Employee Benefit Plans |
|---|---------------------------------------|
| ASSETS | |
| Receivables: | |
| Accrued income | \$ 29,655 |
| Contributions receivable | 635,538 |
| Total receivables | <u>665,193</u> |
| Investments, at fair value: | |
| Short term money market | 407,780 |
| Fixed income investments | 12,722,207 |
| Equity securities | <u>20,179,851</u> |
| Total investments | <u>33,309,838</u> |
| Total assets | <u>33,975,031</u> |
| NET POSITION - restricted for pension benefits | <u>\$ 33,975,031</u> |

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**
for the year ended September 30, 2016

| | Employee Benefit Plans |
|---|---------------------------------------|
| ADDITIONS | |
| Contributions: | |
| City | \$ 1,849,443 |
| Plan members | 215,759 |
| State of Florida | 317,563 |
| Total contributions | <u>2,382,765</u> |
| Investment income | <u>2,641,972</u> |
| Less investment expenses: | |
| Performance evaluation | 61,875 |
| Custodial fees | 20,649 |
| Investment management | 50,016 |
| Total investment expenses | <u>132,540</u> |
| Net investment income (loss) | <u>2,509,432</u> |
| Total additions | <u>4,892,197</u> |
| DEDUCTIONS | |
| Administrative expenses | 132,759 |
| Benefit and termination payments | <u>2,645,429</u> |
| Total deductions | <u>2,778,188</u> |
| NET INCREASE (DECREASE) | 2,114,009 |
| NET POSITION - beginning of year | <u>31,861,022</u> |
| NET POSITION - end of year | <u><u>\$ 33,975,031</u></u> |

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The **City of Auburndale, Florida** (the "City") is a municipal corporation governed by a board of five elected commissioners and was established in 1911 by a special act of the Florida legislature, laws of the State of Florida Chapter 8324. The City was subsequently reincorporated by a special act in 1925, Chapter 10301.

The accompanying financial statements present the City's primary government and component units based on the financial benefit/burden criteria in GASB Cod. Sec. 1200. Certain component units, although legally separate, are presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds and account groups are combined with those of the primary government for financial reporting purposes. These entities include: (1) the Municipal Firefighters' Pension Trust Fund established pursuant to Florida Statute chapter 175 and Ordinance No. 799, (2) the Municipal Police Officers' Pension Trust Fund established pursuant to Florida Statute chapter 185 and Ordinance No. 823, (3) the General Employees' Pension Trust Fund, restated by Resolution 2000-20, (4) the Other Post Employment Benefits Trust (OPEB Trust) established pursuant to City Ordinance 1294, and (5) the Auburndale Community Redevelopment Agency (the "CRA") which was created by City Ordinance No. 772 pursuant to Florida Statutes chapter 163. All of the component units issue separate component unit financial statements except the OPEB Trust and the CRA, which may be obtained by contacting the City's Finance Department.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

B. BASIC FINANCIAL STATEMENTS

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

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

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

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Cod. Sec. 2200 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. Due to the City's fund structure, there were no non-major funds. The various funds are reported by type within the financial statements. The following fund types and funds are used and reported by the City:

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

B. BASIC FINANCIAL STATEMENTS (cont...)

a) Governmental Funds:

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

- **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Auburndale Community Redevelopment Agency** (the "CRA") was created by City Ordinance No. 772 pursuant to Florida Statutes chapter 163. Due to its profile in the community, the City electively added the Auburndale CRA as a major fund. The CRA has the power to levy taxes or appropriate funds to preserve and enhance the designated CRA district which includes the downtown Auburndale area. The CRA receives the incremental ad valorem taxes generated in future years by the increase in property values in the redevelopment area. The CRA's property taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The CRA's Board members consist of the City Commission and two appointed citizens.

b) Proprietary Funds:

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

- **Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City has one *Enterprise Fund* which accounts for the activities associated with providing potable water and sewer collection, treatment and disposal services to area residents.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

B. BASIC FINANCIAL STATEMENTS (cont...)

c) Fiduciary Funds:

- Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The City's fiduciary funds are presented in the fiduciary fund financial statements by type (i.e. employee benefit plans). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City's employee benefit plans are comprised of three *Pension Trust Funds* which accumulate resources to provide retirement benefits to City employees and one Other Post Employment Benefit Trust which accumulates resources for payment of retiree health benefits. The three pension trust funds are the Police Officers' Pension Trust Fund, Firefighters' Pension Trust Fund, and the General Employees' Pension Trust Fund.

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

The government-wide financial statements, the proprietary fund financial statements and the fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions (grants) and voluntary nonexchange transactions (donations) resources are reported as liabilities until the eligibility requirements are met and as deferred inflows if received before time requirements are met.

Operating revenues shown for proprietary operations generally result from producing or providing goods and services such as water and sewer. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services.

All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING (cont...)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. Revenues received prior to meeting the available criterion are reported as deferred inflows. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise and public service taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Property taxes are billed and collected within the same period in which the taxes are levied. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. All other revenue items are considered to be measurable and available only when cash is received by the government.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

CASH AND CASH EQUIVALENTS - The City maintains a central pooled cash account that is used by all operating funds of the City and its component unit CRA. In addition, deposits and investments are separately held by the pension trust funds. Interest income earned in the pooled cash and investments account is allocated to the funds. Each fund's equity in pooled cash is recorded on its respective balance sheet in the caption "cash and cash equivalents." Amounts, if any, reported as deficits in pooled cash do not represent actual overdrawn balances in any bank account, but merely represent a negative cash balance in the particular fund and are reported in the financial statements as interfund receivables or payables. The financial statement caption "cash and cash equivalents" includes all deposits with banks and financial institutions including certificates of deposit and all highly-liquid investments (with original maturities of three months or less), including repurchase agreements.

INVESTMENTS - Investments are reported at fair value which is the price that would be received to sell an investment in an orderly transaction between market participants. Purchases and sales of investments are reflected on trade dates. Net realized gains or losses on sales of investments are based on the cost of investments applied on a first-in, first-out basis and are reflected in current operating results.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (cont...)

CUSTOMER ACCOUNTS RECEIVABLE - The City accrues unbilled service of its enterprise fund, which represents the estimated value of service from the last billing date to year end and totaled \$221,237 at September 30, 2016. A reserve for doubtful accounts is maintained in the enterprise fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2016, such reserve totaled \$4,000.

INTERFUND RECEIVABLES AND PAYABLES - To the extent any interfund balances exist, management anticipates they will be settled in cash as opposed to a permanent transfer.

INVENTORIES - Inventories in governmental and enterprise funds consist of expendable supplies held for consumption and are recorded at the lower of cost or market computed on a average cost basis.

CAPITAL ASSETS - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, infrastructure and furniture and equipment. Capital assets are defined by City resolution as tangible property with an individual cost of \$1,000 or improvements having an initial cost of \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at date of gift, if donated. Major additions (over \$10,000) are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

| | <u>Years</u> |
|----------------------------|--------------|
| Utility plant in service | 15-35 |
| Buildings and improvements | 10-40 |
| Machinery and equipment | 3-20 |
| Infrastructure: | |
| Streets | 80 |
| Road resurfacing | 10-15 |
| Sidewalks | 40 |
| Drainage | 50 |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (cont...)

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues that are deferred as an inflow of resources in the period that the amounts become available.

RESTRICTED ASSETS - Include cash and investments that are legally restricted to specific uses by external parties. The City generally uses restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

CONNECTION FEES AND IMPACT FEES - Connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received which reserve capacity in the City's future water and sewer facilities are reported as capital contributions when the requirements of the developer agreements are met by the City.

INTEREST COSTS - Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The enterprise fund incurred a total interest cost of \$1,843,322 of which \$28,951 was capitalized.

LONG-TERM OBLIGATIONS - In the government-wide financial statements and proprietary fund types statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts and bond insurance acquired with the proceeds of the bonds are amortized over the life of the bonds. Debt issuance costs are reported as expenses in the period incurred. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. Bond insurance costs are reported, net of amortization as and asset.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (cont...)

LONG-TERM OBLIGATIONS (cont...) - For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is the shorter. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

COMPENSATED ABSENCES - The City's policies permit employees to accumulate vacation and sick time up to certain limits and to be compensated for these upon termination of employment. The liability for these compensated absences is recorded as long-term in the government-wide statements and in the proprietary fund financial statement because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable from expendable available financial resources.

INTERFUND TRANSFERS - Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the Government-wide Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

ON-BEHALF PAYMENTS FOR FRINGE BENEFITS - The City receives on-behalf payments from the State of Florida to be used for Municipal Police Officers' Pension Plan and Municipal Firefighters' Pension Plan contributions which totaled \$189,955 and \$127,608, respectively, for the fiscal year ended September 30, 2016. Such payments are recorded as intergovernmental revenue and public safety expenses/expenditures in the government-wide and general fund financial statements, but are not budgeted and therefore are not included in the general fund budgetary basis financial statements.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (cont...)

EQUITY CLASSIFICATIONS -

Government-wide Statements - Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - Consists of capital assets, including certain restricted assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - Consists of resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$6,174,216 of restricted net position, of which \$3,547,274 is restricted by enabling legislation.
- c) Unrestricted net position - Consists of the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance Classification in Governmental Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form such as inventories, prepaid items and noncurrent receivables (including noncurrent interfund advances) or (b) are legally or contractually required to be maintained intact. The City has non spendable inventory.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified police education fines and forfeitures and building and permitting fees as being restricted because their use is restricted by State Statute. The City has also classified its various impact fees and stormwater resources as restricted as their use is restricted by local ordinances. Debt service resources are to be used for future servicing of the revenue notes and are restricted through debt covenants. Resources provided for capital projects are classified as restricted when the resources for the projects are restricted by the grantor (e.g. Federal, State or local governments) or lender for funding of specific projects.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY (cont...)

EQUITY CLASSIFICATIONS -

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2016.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. The City had no assigned resources as of September 30, 2016.

Unassigned: All other spendable amounts.

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

The City Commission has established the targeted minimum reserve balance in the City's general fund unassigned fund balance equal to 17% of the general fund's current fiscal year operating expenditures and transfers out budgeted for the fund. For purposes of this calculation, the current fiscal year budget shall be the budget as originally adopted by ordinance on or before September 30 for the subsequent fiscal year. If, at the end of any fiscal year, the actual amount of "unassigned fund balance" falls below the targeted levels set forth herein, a plan shall be established to achieve the target by adding a designated amount to the budget to cover the deficiency over a period not to exceed five (5) fiscal years. In the event that the "unassigned fund balance" exceeds the amounts set forth herein, the excess may be utilized for any lawful purpose. Appropriation of the minimum reserve balances, once met, shall require the approval of the City Commission by inclusion in the approved annual budget (and revisions thereto). Compliance with the provisions of the minimum fund balance policy shall be reviewed as a part of the annual budget adoption process and the amounts of non-spendable, restricted, committed, assigned and unassigned fund balance shall be determined during this process. Any changes to the targeted amounts established herein must be approved by the City Commission.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, the County, independent districts and the County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2016, was 4.2657. All taxes are due and payable on November 1 (levy date) of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTE 3 - BUDGETARY LAW AND PRACTICE

The budget is adopted by Ordinance on a City-wide basis for all City funds on or before October 1 of each year as required by State Statute. City Ordinance establishes the legal level of budgetary control at the individual fund level. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations subject to notification of the City Commission. Budgets for all funds are adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes.

NOTE 4 - DEPOSITS AND INVESTMENTS

The captions on the government-wide statement of net position for "cash and cash equivalents", both restricted and unrestricted, are comprised of the following:

| | |
|--|-----------------------------|
| Cash and cash equivalents: | |
| Cash on hand | \$ 4,730 |
| Bank deposits in qualified public depositories | <u>18,916,897</u> |
| Total cash and cash equivalents | <u><u>\$ 18,921,627</u></u> |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS (cont...)

DEPOSITS IN FINANCIAL INSTITUTIONS - Cities in Florida are required by State Statute Chapter 280 - "Security for Public Deposits Act", to deposit operating funds only with financial institutions who are members of the State of Florida collateral pool ("qualified public depositories"). The State of Florida collateral pool is a multiple financial institution collateral pool with the ability to make additional assessments to satisfy the claims of governmental entities if any member financial institution fails. This ability provides protection which is similar to depository insurance. All of the City's bank deposits were in qualified public depositories.

INVESTMENTS - The types of investments in which the City may invest are governed by State Statutes and City policy. According to State Statutes, the City is authorized to invest in the following instruments: direct obligations issued or unconditionally guaranteed by the US Government, collateralized or federally-insured 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 and repurchase agreements. In addition to the above types of investment, City policy allows investments in prime commercial paper, state and local government obligations, and statewide investment pools. The City Commission may also authorize by resolution, certain other types of investments in connection with the issuance of debt. These would be one-time investments not otherwise permitted by the City policy. The City's employee benefit plans are authorized by City Ordinances to invest in corporate stocks and bonds subject to certain limitations and held deposits and investment securities during the year.

Investments - Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. 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.

| | September 30, 2016 | Quoted Prices in Active Markets for Identical Assets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
|---|-----------------------|--|---|--|
| General Employees' Pension Plan, Investments at fair value | | | | |
| Short-term money market | \$ 207,474 | \$ 207,474 | \$ | \$ |
| U.S. Government securities | 1,651,619 | 1,651,619 | | |
| U.S. Government agency securities | 587,154 | 587,154 | | |
| Mortgage/asset backed securities | 763,875 | | 763,875 | |
| Fixed income mutual fund | 683,056 | 683,056 | | |
| Corporate and foreign bonds | 2,793,837 | | 2,793,837 | |
| Equity mutual funds | 9,999,735 | 9,999,735 | | |
| Total investments at fair value | <u>\$ 16,686,750</u> | <u>\$ 13,129,038</u> | <u>\$ 3,557,712</u> | <u>\$</u> |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS (cont...)

Investments - Fair Value (cont...)

| | September 30, 2016 | Quoted Prices in Active Markets for Identical Assets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
|---|-----------------------|--|---|--|
| Police Officers' Pension Plan, Investments at fair value | | | | |
| Short-term money market | \$ 103,297 | \$ 103,297 | \$ | \$ |
| Fixed income mutual funds | 3,798,396 | 3,798,396 | | |
| Equity securities | 6,347,271 | 6,347,271 | | |
| Total investments at fair value | <u>\$ 10,248,964</u> | <u>\$ 10,248,964</u> | <u>\$</u> | <u>\$</u> |
| | | | | |
| | September 30, 2016 | Quoted Prices in Active Markets for Identical Assets Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
| Firefighters' Pension Plan, Investments at fair value | | | | |
| Short-term money market | \$ 85,394 | \$ 85,394 | \$ | \$ |
| Fixed income mutual funds | 2,444,270 | 2,444,270 | | |
| Equity securities | 3,832,845 | 3,832,845 | | |
| Total investments at fair value | <u>\$ 6,362,509</u> | <u>\$ 6,362,509</u> | <u>\$</u> | <u>\$</u> |

Investments in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Certificates of deposit, government bonds, government asset backed securities, taxable municipal bonds and corporate bonds and notes in the Level 2 of the fair value hierarchy are valued by surveying various market makers and dealers, as well as data from the new issue market. Foreign bonds in Level 2 of the fair value hierarchy are valued using a discounted cash-flow model using a benchmark yield plus a maturity spread to discount coupon and principal cash flows.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS (cont...)

Information related to interest rate and credit risk for the City's fixed income investments at September 30, 2016 is summarized below (information marked NA is not available and information marked N/A is not applicable to this type of investment):

| <u>Issuer/Issue</u> | <u>S&P Rating</u> | <u>Fair Value</u> | <u>Weighted Average Duration (WAD)</u> |
|---|---------------------------|-----------------------|--|
| OPEB Trust: | | | |
| Short term money market funds | Not Rated | <u>\$ 11,615</u> | NA |
| General Employees' Pension Plan: | | | |
| Short term money market funds | Not Rated | \$ 207,474 | WAD 0.09 years |
| U. S. Government | AA+ | 1,651,619 | WAD 4.10 years |
| U. S. Government agencies | AA+ | 587,154 | WAD 0.24 years |
| Mortgage/asset backed securities | AA+ | 763,875 | WAD 3.12 years |
| Fixed income mutual fund | Not Rated | 683,056 | WAD 0.38 years |
| Corporate and foreign bonds | BBB to AA+ | <u>2,793,837</u> | WAD 3.59 years |
| | | <u>\$ 6,687,015</u> | |
| Police Officers' Pension Plan: | | | |
| Short term money market funds | AAAm | \$ 103,297 | WAD 0.00 years |
| Fixed income mutual funds | Not Rated | <u>3,798,396</u> | WAD 4.75 years |
| | | <u>\$ 3,901,693</u> | |
| Fire Fighters' Pension Plan: | | | |
| Short term money market funds | AAAm | \$ 85,394 | WAD 0.00 years |
| Fixed income mutual funds | Not Rated | <u>2,444,270</u> | WAD 4.75 years |
| | | <u>\$ 2,529,664</u> | |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 5 - CAPITAL ASSETS

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

| | Balance October 1, 2015 | Reclass- ifications | Additions | Deletions | Balance September 30, 2016 |
|--|-------------------------------|------------------------|---------------------|--------------------|----------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 4,204,759 | \$ | \$ 1,115,500 | \$ | \$ 5,320,259 |
| Infrastructure - land | 1,106,280 | | | | 1,106,280 |
| Construction in process | 1,013,344 | (5,872,823) | 4,918,855 | | 59,376 |
| Total non-depreciable capital assets | <u>\$ 6,324,383</u> | <u>\$ (5,872,823)</u> | <u>\$ 6,034,355</u> | <u>\$</u> | <u>\$ 6,485,915</u> |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | \$ 32,647,174 | \$ 5,872,823 | \$ 366,226 | \$ | \$ 38,886,223 |
| Equipment | 10,343,402 | | 1,066,475 | (327,605) | 11,082,272 |
| Infrastructure: | | | | | |
| Road network | 8,394,764 | | 143,276 | | 8,538,040 |
| Sidewalks | 325,445 | | | | 325,445 |
| Stormwater drainage | 556,550 | | | | 556,550 |
| Total | <u>52,267,335</u> | <u>5,872,823</u> | <u>1,575,977</u> | <u>(327,605)</u> | <u>59,388,530</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (8,338,543) | | (916,707) | | (9,255,250) |
| Equipment | (6,765,396) | | (654,429) | 315,034 | (7,104,791) |
| Infrastructure: | | | | | |
| Road network | (4,669,955) | | (227,887) | | (4,897,842) |
| Sidewalks | (96,421) | | (8,102) | | (104,523) |
| Stormwater drainage | (161,944) | | (11,131) | | (173,075) |
| Total accumulated depreciation | <u>(20,032,259)</u> | | <u>(1,818,256)</u> | <u>315,034</u> | <u>(21,535,481)</u> |
| Depreciable capital assets, net | <u>32,235,076</u> | <u>\$ 5,872,823</u> | <u>(242,279)</u> | <u>(12,571)</u> | <u>\$ 37,853,049</u> |
| Governmental activities capital assets, net | <u>\$ 38,559,459</u> | <u>\$</u> | <u>\$ 5,792,076</u> | <u>\$ (12,571)</u> | <u>\$ 44,338,964</u> |
| <u>Business-type activities:</u> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 11,188,910 | \$ | \$ | \$ | \$ 11,188,910 |
| Construction in process | 91,858 | | 1,496,780 | | 1,588,638 |
| Total non-depreciable capital assets | <u>\$ 11,280,768</u> | <u>\$</u> | <u>\$ 1,496,780</u> | <u>\$</u> | <u>\$ 12,777,548</u> |
| Capital assets being depreciated: | | | | | |
| Utility plant | \$ 74,269,692 | \$ | \$ 16,000 | \$ | \$ 74,285,692 |
| Equipment | 2,008,474 | 8,864 | 199,920 | (73,051) | 2,144,207 |
| Total | <u>76,278,166</u> | <u>8,864</u> | <u>215,920</u> | <u>(73,051)</u> | <u>76,429,899</u> |
| Less accumulated depreciation for: | | | | | |
| Utility plant | (32,531,284) | 2,761 | (2,452,134) | | (34,980,657) |
| Equipment | (1,281,999) | (14,549) | (132,325) | 67,694 | (1,361,179) |
| Total accumulated depreciation | <u>(33,813,283)</u> | <u>(11,788)</u> | <u>(2,584,459)</u> | <u>67,694</u> | <u>(36,341,836)</u> |
| Capital assets being depreciated, net | <u>42,464,883</u> | <u>(2,924)</u> | <u>(2,368,539)</u> | <u>(5,357)</u> | <u>40,088,063</u> |
| Business-type activities capital assets, net | <u>\$ 53,745,651</u> | <u>\$ (2,924)</u> | <u>\$ (871,759)</u> | <u>\$ (5,357)</u> | <u>\$ 52,865,611</u> |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 5 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions for the year ended September 30, 2016:

Governmental Activities:

| | |
|--|---------------------|
| General government | \$ 25,629 |
| Library | 28,070 |
| Police | 208,807 |
| Fire | 154,663 |
| Building and zoning | 3,507 |
| Public works | 8,100 |
| Sanitation | 84,193 |
| Fleet maintenance | 2,021 |
| Streets | 331,650 |
| Parks and recreation | 971,616 |
| Total depreciation expense - governmental activities | <u>\$ 1,818,256</u> |

Business-type Activities:

| | |
|---|---------------------|
| Water and sewer | \$ 2,584,459 |
| Total depreciation expense - business-type activities | <u>\$ 2,584,459</u> |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2016:

| | Balance October 1, 2015 | Additions | Reductions | Balance September 30, 2016 | Amounts Due within One Year |
|--|-------------------------------|----------------------|------------------------|----------------------------------|-----------------------------------|
| Governmental Activities | | | | | |
| Long-term debt: | | | | | |
| Bonds and notes payable: | | | | | |
| Public Improvements, Series 2011 | \$ 5,845,000 | \$ | \$ (775,000) | \$ 5,070,000 | \$ 795,000 |
| Public Improvements, Series 2009 B | 2,960,000 | | (240,000) | 2,720,000 | 250,000 |
| Public Improvements, Series 2006 | 3,960,000 | | (200,000) | 3,760,000 | 205,000 |
| Capital Improvement, Series 2015 | 4,500,000 | | | 4,500,000 | 160,000 |
| Less deferred amounts: Premiums (discounts), net | (115,612) | | 29,593 | (86,019) | |
| Total bonds and notes payable | 17,149,388 | | (1,185,407) | 15,963,981 | 1,410,000 |
| Other liabilities: | | | | | |
| Unfunded post employment benefits | 4,518,596 | 777,179 | | 5,295,775 | |
| Net pension liability | 7,404,002 | 2,088,776 | | 9,492,778 | |
| Compensated absences: | | | | | |
| Vacation | 345,504 | | (4,072) | 341,432 | |
| Sick | 559,326 | 18,257 | | 577,583 | |
| Total compensated absences | 904,830 | 18,257 | (4,072) | 919,015 | |
| Total other liabilities | 12,827,428 | 2,884,212 | (4,072) | 15,707,568 | |
| Total long-term liabilities | <u>\$ 29,976,816</u> | <u>\$ 2,884,212</u> | <u>\$ (1,189,479)</u> | 31,671,549 | <u>\$ 1,410,000</u> |
| Less amount due in one year | | | | (1,410,000) | |
| Net long-term debt due after one year | | | | <u>\$ 30,261,549</u> | |
| Business-type Activities | | | | | |
| Long-term debt: | | | | | |
| Bonds and notes payable: | | | | | |
| Water and Sewer, Series 2003 | \$ 775,000 | \$ | \$ (740,000) | \$ 35,000 | \$ 35,000 |
| Water and Sewer, Series 2006 | 9,290,000 | | (290,000) | 9,000,000 | 705,000 |
| Water and Sewer, Series 2007 | 22,125,000 | | (22,125,000) | | |
| Water and Sewer, Series 2009 | 1,480,000 | | (1,480,000) | | |
| Revolving Line of Credit 2014 | 1,270,844 | 327,258 | (1,598,102) | | |
| Water and Sewer, Series 2016 | | 29,695,000 | | 29,695,000 | |
| Less deferred amounts: Premiums (discounts), net | (524,638) | 1,113,546 | 401,171 | 990,079 | |
| Total bonds and notes payable | 34,416,206 | 31,135,804 | (25,831,931) | 39,720,079 | 740,000 |
| Other liabilities: | | | | | |
| Unfunded post employment benefits | 1,012,678 | 177,427 | | 1,190,105 | |
| Net pension liability | 1,343,052 | 191,217 | | 1,534,269 | |
| Compensated absences: | | | | | |
| Vacation | 126,568 | 7,473 | | 134,041 | |
| Sick | 76,064 | 3,504 | | 79,568 | |
| Total compensated absences | 202,632 | 10,977 | | 213,609 | |
| Total other liabilities | 2,558,362 | 379,621 | | 2,937,983 | |
| Total long-term liabilities | <u>\$ 36,974,568</u> | <u>\$ 31,515,425</u> | <u>\$ (25,831,931)</u> | 42,658,062 | <u>\$ 740,000</u> |
| Less amount due in one year | | | | (740,000) | |
| Net long-term debt due after one year | | | | <u>\$ 41,918,062</u> | |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - LONG TERM OBLIGATIONS (cont...)

Notes to Long-Term Obligations Table

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

Interest Included as Direct Expense:

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

Governmental Activities:

- Public Improvement Refunding Bonds Series 2011 - These bonds were issued June 9, 2011 to refund the 2008 and 2007 Series Public Improvement Bonds, the proceeds of which were used to finance the cost of the acquisition and construction of the Lake Myrtle Sports Complex. The notes mature serially on December 1 of each year through December 1, 2021 with interest ranging from 2% to 4% and require the maintenance of a debt service sinking account. The County will pay the City annually such amounts of its tourist tax receipts to pay the principal and interest on these bonds as they become due.
- Public Improvement Series 2009B - These revenue bonds were issued on October 9, 2009 to fund the Lake Myrtle sports complex expansion. The bonds are secured by a pledge of residential and commercial sanitation and refuse collection revenues. The bonds mature serially on December 1 of each year through 2024, with interest at 4.45% payable semiannually on June 1 and December 1. These bonds require the maintenance of a debt service sinking account.
- Public Improvement Refunding Revenue Bonds, Series 2006 - These revenue bonds were issued March 1, 2006 to refund the Public Improvement, Series 1999 revenue bonds originally issued to fund the construction of new police and fire facilities. The bonds are repayable from non-ad valorem revenues. The bonds mature serially on December 1 of each year through December 1, 2029, with interest ranging from 3.25% to 4.375% payable semiannually on June 1 and December 1. The 2006 bonds require the maintenance of a principal and interest sinking account and a bond reserve account.
- Capital Improvement Revenue Note, Series 2015 - These notes were issued August 25, 2015 to fund new baseball fields at Lake Myrtle sports complex and are repayable from non-ad valorem revenues and mature serially on December 1 of each year through December 2035 with interest at 3.345% payable semiannually on June 1 and December 1. The County will pay the City annually such amounts of its tourist tax receipts to pay the principal and interest on these bonds as they become due.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Business-Type Activities:

Water and Sewer Revenue Bonds - The water and sewer revenue certificates series 2003, 2006, 2007, 2009 and 2016 are secured by the net revenues of the water and sewer system and require the maintenance of a debt service sinking account, the 2003 Series requires a bond reserve of \$404,050, and the 2006 Series requires a renewal and replacement reserve of \$250,000.

- Water and Sewer Revenue Bonds Series 2003 - The Series 2003 bonds were issued September 3, 2003 to refund the 1993 issue, the proceeds of which were used to fund water and sewer systems improvements. The bonds mature serially on December 1 of each year through December 1, 2016, with interest at 4% payable semiannually on June 1 and December 1 of each year.
- Water and Sewer Revenue Bonds Series 2006 - These bonds were issued December 1, 2006, to refund the 1995 Series, the proceeds of which were used to fund water and sewer systems improvements, and mature serially on December 1 of each year through December 2025, with interest ranging from 5.25% to 5.375% payable semiannually on June 1 and December 1 of each year.
- Water and Sewer Revenue Bonds Series 2007 - These bonds were issued April 1, 2007, to fund water and sewer system improvements and were refunded in 2016.
- Water and Sewer Revenue Bonds Series 2009 - These bonds were issued October 20, 2009, to fund sewer system improvements and were refunded in 2016.
- Water and Sewer Revenue Bonds Series 2016 - These bonds were issued September 29, 2016 to advance refund the Water and Sewer Series 2007 and 2009 bonds and the Revolving line of credit and to provide additional funds for improvements to the water and sewer systems. The refunded bonds and line of credit had an outstanding principal amount of \$25,083,102. \$24,762,853 was transferred to an escrow account for repayment of the refunded bonds. The new bonds mature serially on December 1 of each year through December 1, 2046 with interest payable semi-annually at rates ranging from 2% to 4% The advance refunding is reported as a defeasance of the old debt resulting in the removal of the defeased debt from the City's books and the new debt being added. The difference between the reacquisition price and the net carrying amount of the old debt totaled \$1,436,862 and is reported as a deferred outflow and is being amortized over the life of the bonds. The cash flow to service the new debt to maturity was \$3,315,441 less than the cash flow to service the old debt resulting in an economic gain on the refunding of \$2,539,775 discounted at 2.9%.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Business-Type Activities:

- Revolving Line of Credit 2014 - The City had a \$5 million revolving line-of-credit agreement with a local bank dated September 30, 2016 secured by non-advalorem revenues which was paid off in 2016.

Pledged Revenues:

The City has pledged certain future revenues, net of operation and maintenance expenses, for payment of debt. The following table provides a summary of the pledged revenues for the City's outstanding debt issues for which specific revenues have been pledged:

| Pledged Revenue | Revenue Pledged Through | Total Principal and Interest Outstanding | Current Year Principal and Interest Paid | Current Year Net Revenue | Percentage of Net Revenues to Principal and Interest Paid |
|-------------------------------|-------------------------------|--|--|-----------------------------|---|
| Water and sewer revenue | 12/01/2046 | \$ 56,211,940 | \$ 2,659,025 | \$ 6,731,352 | 253% |
| Sanitation and refuse revenue | 12/01/2024 | \$ 3,299,390 | \$ 366,380 | \$ 1,453,496 | 397% |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Maturities:

Annual requirements to repay all long-term bonds and notes payable as of September 30, 2016, were as follows:

| Fiscal Year Ending | Governmental Activities | | Business-type Activities | |
|--|-------------------------|---------------------|--------------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2017 | \$ 1,410,000 | \$ 559,139 | \$ 740,000 | \$ 1,099,057 |
| 2018 | 1,450,000 | 516,809 | 1,210,000 | 1,361,981 |
| 2019 | 1,500,000 | 469,704 | 1,265,000 | 1,312,369 |
| 2020 | 1,550,000 | 418,033 | 1,310,000 | 1,260,456 |
| 2021 | 1,600,000 | 361,219 | 1,365,000 | 1,203,688 |
| 2022 - 2026 | 4,620,000 | 1,096,883 | 7,605,000 | 5,042,750 |
| 2027 - 2031 | 2,505,000 | 456,711 | 8,325,000 | 3,630,469 |
| 2032 - 2036 | 1,415,000 | 121,173 | 10,015,000 | 1,903,587 |
| 2037 - 2041 | | | 5,205,000 | 475,513 |
| 2042 - 2046 | | | 1,385,000 | 158,353 |
| 2047 - 2051 | | | 305,000 | 4,766 |
| Less unamortized: bond premium (discount) | (86,019) | | 990,079 | |
| Total | <u>\$ 15,963,981</u> | <u>\$ 3,999,671</u> | <u>\$ 39,720,079</u> | <u>\$ 17,452,989</u> |

NOTE 7 - INTERFUND TRANSACTIONS

Interfund transactions are summarized below:

Interfund transfers for the year ending September 30, 2016 consisted of:

| Receiving Fund | Paying Fund | Amount |
|----------------|-----------------|---------------------|
| General Fund | Enterprise Fund | <u>\$ 3,645,994</u> |

The transfer from the Enterprise Fund to the General Fund is a budgeted annual operating transfer to finance services accounted for in the General Fund.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 - PENSION TRUST FUNDS

Plan Descriptions - The City of Auburndale contributes to three single-employer defined benefit pension plans: the General Employees Pension Trust Fund, the Municipal Police Officers' Pension Trust Fund, and the Municipal Firefighters' Pension Trust Fund. Each plan provides retirement and disability benefits to plan members and beneficiaries. The plans are established by City Ordinance and the benefits and contribution requirements can be amended by the City Commission through ordinance. All three plans are administered by separate boards of trustees who are either appointed by the City Commission or elected by the plan members. It is the City's policy to annually fund the annual required contribution amount for each plan. Contributions are also provided to the Firefighters' and Police Officers' plans by the State of Florida from a tax collected on insurance premiums. Each plan issues a publicly available financial report that includes financial statements and required supplementary information (RSI) for that plan. Those reports may be obtained by contacting the City of Auburndale Finance Department, P.O. Box 186, Auburndale, FL 33823.

Benefits - The City's pension plans provide retirement and disability benefits. Benefits for all members vest after 10 years of service. Retirement benefits for general employee members are calculated at 2.75% (2.5% if hired after October 1, 2003) of average compensation multiplied by years of creditable service. Normal retirement is the earlier of age 55 with 10 years of service or age 52 with 25 years of service. The Plan is closed for employees hired on or after October 1, 2006. Benefits for police officers are 3.5% and firefighters are 3.75% of average final compensation multiplied by years of creditable service. Normal retirement is the earlier of age 55 with 10 years of service or attainment of 20 (25 for firefighters) years of credited service.

Contributions - It is the City's policy to annually fund the actuarially determined required contributions representing the difference between the actuarially determined amount and the contributions of plan members.

| | <u>General Employees'</u> | <u>Police Officers'</u> | <u>Fire- fighters'</u> |
|-------------------------------------|-------------------------------|-----------------------------|----------------------------|
| Contribution rates | | | |
| City | 47.29% | 35.00% | 42.92% |
| Plan members | 2.00% | 5.60% | 9.10% |
| Actuarially determined contribution | \$1,226,212 | \$582,809 | \$354,517 |
| Contributions made | \$1,226,212 | \$582,809 | \$357,985 |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 - PENSION TRUST FUNDS (cont...)

Plan Membership - Participant data for the City pension plans as of the current actuarial valuation date was as follows:

| | as of October 1, 2015 | | |
|-----------------------------------|-----------------------|---------------------|--------------------|
| | General Employees' | Police Officers' | Fire- fighters' |
| Retirees and beneficiaries | | | |
| currently receiving benefits | 85 | 23 | 11 |
| Active employees in the DROP plan | | 2 | 2 |
| Terminated vested employees | 15 | 12 | 6 |
| Active Employees: | | | |
| Vested | 49 | 13 | 6 |
| Nonvested | 8 | 19 | 12 |
| Totals | <u>157</u> | <u>69</u> | <u>37</u> |

Net Pension Liability - The components of the changes in the net pension liability, combined and individually for all three plans, for the year ended September 30, 2016, is shown below. The net pension liability as of September 30, 2016 for financial reporting purposes was determined by actuarial valuations as of October 1, 2015 updated to September 30, 2016.

| | Combined All Pension Trust Funds | | |
|--|----------------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at September 30, 2015 | \$ 41,351,463 | \$ 32,604,411 | \$ 8,747,052 |
| Changes for the year: | | | |
| Service cost | 803,016 | | 803,016 |
| Interest | 3,114,011 | | 3,114,011 |
| Employee buyback | 17,731 | | 17,731 |
| Change in excess state money | 9,769 | | 9,769 |
| Changes of benefit terms | 211,371 | | 211,371 |
| Differences between expected and actual experience | 164,340 | | 164,340 |
| Contributions - employer | | 1,937,687 | (1,937,687) |
| Contributions - State of Florida | | 230,482 | (230,482) |
| Contributions - employee | | 218,821 | (218,821) |
| Net investment income (loss) | | (224,125) | 224,125 |
| Benefit payments and refunds | (2,794,891) | (2,794,891) | |
| Administrative expenses | | (122,602) | 122,602 |
| Net changes | <u>1,525,347</u> | <u>(754,628)</u> | <u>2,279,975</u> |
| Balances at September 30, 2016 | <u>\$ 42,876,810</u> | <u>\$ 31,849,783</u> | <u>\$ 11,027,027</u> |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 - PENSION TRUST FUNDS (cont...)

| General Employees' Pension Trust Fund | | | |
|--|------------------------------------|--|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at September 30, 2015 | \$ 21,570,078 | \$ 16,243,563 | \$ 5,326,515 |
| Changes for the year: | | | |
| Service cost | 264,889 | | 264,889 |
| Interest | 1,581,148 | | 1,581,148 |
| Employee buyback | 17,731 | | 17,731 |
| Contributions - employer | | 1,211,447 | (1,211,447) |
| Contributions - employee | | 72,890 | (72,890) |
| Net investment income (loss) | | (163,438) | 163,438 |
| Benefit payments and refunds | (1,505,997) | (1,505,997) | |
| Administrative expenses | | (35,301) | 35,301 |
| Net changes | 357,771 | (420,399) | 778,170 |
| Balances at September 30, 2016 | \$ 21,927,849 | \$ 15,823,164 | \$ 6,104,685 |

| Police Officers' Pension Trust Fund | | | |
|--|------------------------------------|--|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at September 30, 2015 | \$ 11,709,939 | \$ 9,976,816 | \$ 1,733,123 |
| Changes for the year: | | | |
| Service cost | 351,180 | | 351,180 |
| Interest | 907,055 | | 907,055 |
| Change in excess state money | 4,550 | | 4,550 |
| Changes of benefit terms | 16,945 | | 16,945 |
| Differences between expected and actual experience | 82,678 | | 82,678 |
| Contributions - employer | | 438,270 | (438,270) |
| Contributions - State of Florida | | 117,600 | (117,600) |
| Contributions - employee | | 91,074 | (91,074) |
| Net investment income (loss) | | (37,482) | 37,482 |
| Benefit payments and refunds | (609,037) | (609,037) | |
| Administrative expenses | | (41,683) | 41,683 |
| Net changes | 753,371 | (41,258) | 794,629 |
| Balances at September 30, 2016 | \$ 12,463,310 | \$ 9,935,558 | \$ 2,527,752 |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 - PENSION TRUST FUNDS (cont...)

| | Firefighters' Pension Trust Fund | | |
|--|---|------------------------------------|------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balances at September 30, 2015 | \$ 8,071,446 | \$ 6,384,032 | \$ 1,687,414 |
| Changes for the year: | | | |
| Service cost | 186,947 | | 186,947 |
| Interest | 625,808 | | 625,808 |
| Change in excess state money | 5,219 | | 5,219 |
| Changes of benefit terms | 194,426 | | 194,426 |
| Differences between expected and actual experience | 81,662 | | 81,662 |
| Contributions - employer | | 287,970 | (287,970) |
| Contributions - State of Florida | | 112,882 | (112,882) |
| Contributions - employee | | 54,857 | (54,857) |
| Net investment income (loss) | | (23,205) | 23,205 |
| Benefit payments and refunds | (679,857) | (679,857) | |
| Administrative expenses | | (45,618) | 45,618 |
| Net changes | 414,205 | (292,971) | 707,176 |
| Balances at September 30, 2016 | \$ 8,485,651 | \$ 6,091,061 | \$ 2,394,590 |

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

| | General Employees' | Police Officers' | Fire-fighters' |
|------------------------------------|---|---|---|
| Actuarial valuation date | October 1, 2014. updated to September 30, 2015 | October 1, 2014. updated to September 30, 2015 | October 1, 2014. updated to September 30, 2015 |
| Inflation | 3.00% | 3.00% | 3.00% |
| Projected salary increases | 3.5% to 5.0% | 5.75% | 6.00% |
| Investment rate of return | 7.50% | 7.75% | 7.75% |
| Discount rate | 7.50% | 7.75% | 7.75% |
| Mortality rates | RP 2000 | RP 2000 | RP 2000 |
| Date of actuarial experience study | 2004-2013 | 1993-2009 | 1987-2009 |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 - PENSION TRUST FUNDS (cont...)

Long-term Expected Rate of Return on Pension Plan Investments - Best estimates of arithmetic real rates of return for each major asset class and the target asset allocations for each of the pension plans as of September 30, 2016, are summarized in the following table.

| <u>Asset Class</u> | <u>Long-term Expected Real Rates of Return</u> | | |
|---------------------------|--|---------------------------|-------------------------|
| | <u>General Employees</u> | <u>Police Pension</u> | <u>Fire Pension</u> |
| Domestic Equity | 7.50% | 7.50% | 7.50% |
| International Equity | 8.50% | 8.50% | 8.50% |
| Broad Market Fixed Income | 2.50% | 2.50% | 2.50% |
| Non-core Fixed Income | 2.50% | | |
| | <u>Target Asset Allocations</u> | | |
| Domestic Equity | 45.00% | 45.00% | 45.00% |
| International Equity | 15.00% | 15.00% | 15.00% |
| Broad Market Fixed Income | 35.00% | 40.00% | 40.00% |
| Non-core Fixed Income | 5.00% | | |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 - PENSION TRUST FUNDS (cont...)

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension -
For the year ended September 30, 2016, the City recognized pension expense of \$2,035,288. At September 30, 2016, deferred outflows of resources and deferred inflows of resources related to pensions, combined and individually for all three plans, was as follows:

| | <u>Combined All Pension Trust Funds</u> | |
|---|--|---|
| | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> |
| Difference between expected and actual experience | \$ | \$ 127,338 |
| Change in assumption | | |
| City contributions made subsequent to the measurement date of September 30, 2015 | | 2,167,027 |
| Net difference between projected and actual earnings on pension plan investments | <u>400,247</u> | <u>2,152,099</u> |
| Total | <u>\$ 400,247</u> | <u>\$ 4,446,464</u> |

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2015 will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense in the following periods:

| | |
|--------------------|---------------------|
| September 30, 2017 | \$ 441,611 |
| September 30, 2018 | 441,610 |
| September 30, 2019 | 441,611 |
| September 30, 2020 | 554,358 |
| September 30, 2021 | |
| Thereafter | <u>\$ 1,879,190</u> |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 - PENSION TRUST FUNDS (cont...)

| | General Employees' Pension | |
|---|-------------------------------------|--------------------------------------|
| | Deferred Inflows of Resources | Deferred Outflows of Resources |
| Difference between expected and actual experience | \$ | \$ |
| Change in assumption | | |
| City contributions made subsequent to the measurement date of September 30, 2015 | | 1,226,235 |
| Net difference between projected and actual earnings on pension plan investments | 107,307 | 1,097,655 |
| Total | <u>\$ 107,307</u> | <u>\$ 2,323,890</u> |

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2015 will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense in the following periods:

| | |
|--------------------|-------------------|
| September 30, 2017 | \$ 238,644 |
| September 30, 2018 | 238,644 |
| September 30, 2019 | 238,645 |
| September 30, 2020 | 274,415 |
| September 30, 2021 | |
| Thereafter | |
| | <u>\$ 990,348</u> |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 - PENSION TRUST FUNDS (cont...)

| | Police Officers' Plan | |
|---|-------------------------------------|--------------------------------------|
| | Deferred Inflows of Resources | Deferred Outflows of Resources |
| Difference between expected and actual experience | \$ | \$ 62,008 |
| Change in assumption | | |
| City contributions made subsequent to the measurement date of September 30, 2015 | | 582,807 |
| Net difference between projected and actual earnings on pension plan investments | 179,786 | 648,432 |
| Total | <u>\$ 179,786</u> | <u>\$ 1,293,247</u> |

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2015 will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense in the following periods:

| | |
|--------------------|-------------------|
| September 30, 2017 | \$ 122,849 |
| September 30, 2018 | 122,848 |
| September 30, 2019 | 122,849 |
| September 30, 2020 | 162,108 |
| September 30, 2021 | |
| Thereafter | |
| | <u>\$ 530,654</u> |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 - PENSION TRUST FUNDS (cont...)

| | Firefighters' Plan | |
|---|-------------------------------------|--------------------------------------|
| | Deferred Inflows of Resources | Deferred Outflows of Resources |
| Difference between expected and actual experience | \$ | \$ 65,330 |
| Change in assumption | | |
| City contributions made subsequent to the measurement date of September 30, 2015 | | 357,985 |
| Net difference between projected and actual earnings on pension plan investments | 113,154 | 406,012 |
| Total | <u>\$ 113,154</u> | <u>\$ 829,327</u> |

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2015 will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense in the following periods:

| | |
|--------------------|-------------------|
| September 30, 2017 | \$ 80,118 |
| September 30, 2018 | 80,118 |
| September 30, 2019 | 80,117 |
| September 30, 2020 | 117,835 |
| September 30, 2021 | |
| Thereafter | |
| | <u>\$ 358,188</u> |

Discount Rate - a rate of 7.5% for the General Employees' Plan and 7.75% for both the Police and Firefighters' plans was used to measure the total pension liability of each of the three Plans as of September 30, 2016, which is the measurement date for financial reporting purposes. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 - PENSION TRUST FUNDS (cont...)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City as of the measurement date (September 30, 2015), calculated using the current discount rates discussed above for each plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate used by each plan.

| | Current Discount Rate | Net Pension Liability at Measurement Date | | |
|------------------------------|-----------------------------|--|---------------------|--------------------|
| | | 1% Decrease | Current Discount | 1% Increase |
| General Employees | 7.50% | \$8,601,869 | \$6,104,685 | \$3,988,734 |
| Police Officers | 7.75% | 3,995,815 | 2,527,752 | 1,304,801 |
| Firefighters | 7.75% | 3,361,762 | 2,394,590 | 1,582,194 |
| City's Net Pension Liability | | <u>\$15,959,446</u> | <u>\$11,027,027</u> | <u>\$6,875,729</u> |

The following presents the net pension liability of the City as of the measurement date (September 30, 2015), calculated using the current discount rates discussed above for each plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate used by each plan.

| | Current Discount Rate | Net Pension Liability at Financial Reporting Date | | |
|---|-----------------------------|--|---------------------|--------------------|
| | | 1% Decrease | Current Discount | 1% Increase |
| General Employees | 7.50% | \$11,193,194 | \$8,380,464 | \$6,015,043 |
| Police Officers | 7.75% | 4,412,119 | 2,748,442 | 1,377,130 |
| Firefighters | 7.75% | 3,485,324 | 2,440,407 | 1,571,981 |
| City's Net Pension Liability | | <u>\$19,090,637</u> | <u>\$13,569,313</u> | <u>\$8,964,154</u> |
| Change in City's net pension liability between measurement date and reporting date | | <u>\$3,131,191</u> | <u>\$2,542,286</u> | <u>\$2,088,425</u> |

The only significant event to impact the measurement of the net pension liability from September 30, 2015 (measurement date), and the City's reporting date, September 30, 2016 is that the pension plans' changed the assumed rates of mortality to the assumptions used by the Florida Retirement System.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS PLAN

Plan Description - On October 15, 2007, the City Commission enacted Ordinance 1294 establishing the Other Post Employment Benefits Trust (the OPEB Trust) for accumulating funds and paying for post employment health, life and dental insurance premiums for eligible retired employees. The OPEB Trust is a single-employer defined benefit health care plan administered by the City which provides medical (including vision), dental and life insurance to eligible retirees and their spouses and beneficiaries. Ordinance 1294 assigned the authority to establish and amend plan benefit provisions to the City Commission.

For employees hired prior to 10/1/1996 or employees hired after that date with 20 years or more of service at retirement, the City pays 100% of the active premium rate up to age 65 then 100% of the Medicare Advantage premium and health reimbursement account fee. Employees retiring with less than 20 years of service at retirement can continue their coverage and their spouses coverage under the City's group policy at the active employee rates but must pay 100% of the cost of the insurance. The Plan also pays 100% of the active employee premium rate up to age 65 then 100% of the Medicare Advantage premium and health reimbursement account fee for spouses of employees who retired prior to 10/1/1996. Retirees who reside in locations where there is no coverage within the City group insurance network may opt out of the coverage and receive a cash reimbursement equal to the active employee premium rate instead of the coverage; or if Medicare eligible, \$200 per month.

The City charges both the active employee and retired employee groups an equal, blended premium rate. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated using age adjusted premiums that approximate costs for retirees separately from those for active employees. The use of age adjusted premiums results in the inclusion of an implicit rate subsidy in the actuarial accrued liability. The City's annual required contribution rate in effect for the year ended September 30, 2016 was 20.3% of covered payroll.

Participant data as of the most recent actuarial valuation:

| | <u>October 1, 2015</u> |
|--|----------------------------|
| Retirees and beneficiaries currently receiving benefits: | |
| Pre-Medicare | 21 |
| Post-Medicare | 33 |
| Covered spouses receiving benefits: | |
| Pre-Medicare | - |
| Post-Medicare | 4 |
| Active Employees: | |
| Vested | 24 |
| Nonvested | <u>135</u> |
| Totals | <u><u>217</u></u> |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

Annual OPEB Cost and Net OPEB Obligation - The following table summarizes activity related to the City's OPEB obligation for the year ended September 30, 2016:

| | |
|--|----------------------------|
| Annual required contribution | \$ 1,399,407 |
| Interest on net OPEB obligation | 221,251 |
| Adjustment to required contribution | <u>(245,966)</u> |
| Annual OPEB cost | 1,374,692 |
| Actual employer contributions made | <u>(420,086)</u> |
| Total employer contributions (actual costs) | <u>(420,086)</u> |
| Change in net OPEB obligation | 954,606 |
| Net OPEB obligation (asset), beginning of year | <u>5,531,274</u> |
| Net OPEB obligation (asset), end of year | <u><u>\$ 6,485,880</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are shown below for the years indicated.

| <u>Year Ended September 30</u> | <u>Annual OPEB Cost</u> | <u>Actual Employer Contributions</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation</u> |
|--|---------------------------------|--|-----------------------------------|------------------------------------|
| 2016 | \$ 1,374,692 | \$ 420,086 | \$ 31% | \$ 6,485,880 |
| 2015 | \$ 1,093,885 | \$ 394,609 | \$ 36% | \$ 5,531,274 |
| 2014 | \$ 1,030,866 | \$ 373,473 | \$ 36% | \$ 4,831,998 |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

Funded Status and Funding Progress - Information as to the funding progress of the OPEB Trust is presented below. The funded status of the plan shows whether the actuarial value of plan assets as of the most recent actuarial valuation is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial accrued liability for benefits is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) -Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Portion (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|------------------------------------|----------------------------|---------------------------|---|
| 10/01/2015 | \$ 11,239 | \$ 15,341,957 | \$ 15,330,718 | 0.10% | \$ 6,685,673 | 229.31% |

Funding Policy - The contribution requirements of the City and plan members are established and may be amended by the City Commission. These contributions are neither guaranteed nor mandatory. The City has retained the right to unilaterally modify its payments toward retiree health care benefits.

Actuarial Methods and Assumptions - Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

Actuarial Methods and Assumptions (cont...)

The entry age normal actuarial cost method (level percent of pay) was used in the October 1, 2015 valuation. The actuarial assumptions included a 4.0% valuation interest rate and \$9,000 in administrative expenses annually. The annual health care cost trend rate is 8.0% in 2016, 8.75% in 2017, decreasing down to the ultimate rate of 4.0% in 2073. Both the rate of return and the health care cost trend rate include an assumed inflation rate of 3% and a salary scale ranging between 3.5% to 6.0% depending on age and classification. The actuarial valuation of assets was set at market value of investments as of the measurement date. The initial unfunded actuarial accrued liability (UAAL) as of October 1, 2007, is being amortized as a level percentage of projected payroll over a closed period of 30 years from October 1, 2007.

Condensed Financial Statements - The OPEB Trust does not issue a separate report and its condensed financial statements for the year ended September 30, 2016, are presented below:

| | |
|--|-----------------------|
| | OPEB Trust |
| ASSETS | |
| Short-term money market | \$ 11,615 |
| TOTAL ASSETS | <u>11,615</u> |
| NET POSITION HELD IN TRUST FOR OPEB | <u>\$ 11,615</u> |
| | |
| | OPEB Trust |
| ADDITIONS | |
| Investment income (loss) | \$ 887 |
| Less investment expenses: | |
| Custodial fees | <u>511</u> |
| Total investment expenses | <u>511</u> |
| Net investment income (loss) | <u>376</u> |
| Total additions | <u>376</u> |
| DEDUCTIONS | |
| Benefit payments | <u> </u> |
| Total deductions | <u> </u> |
| NET INCREASE | 376 |
| NET POSITION - beginning of year | <u>11,239</u> |
| NET POSITION - end of year | <u>\$ 11,615</u> |

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

Summary of Significant Accounting Policies:

Basis of Accounting - The financial statements shown above are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which they are remitted to the OPEB Trust. Benefits are recognized when paid.

Investments - Investments are reported at fair value as determined by the investment custodian. The City has contracted with the Florida Municipal Pension Trust Fund (FMIvT) to be the custodian and investment manager for the OPEB Trust's investments. Subject to the provision of the FMIvT's investment policy, the City selected an investment allocation ratio of not to exceed 60% of the OPEB Trust's assets invested in equity securities (pooled equity funds managed by FMIvT) and 40% in fixed income securities (pooled fixed income funds managed by FMIvT). Within this 60/40 ratio, the FMIvT has target percentages of how it allocates a participant's investments among the various pooled accounts that it maintains for its participants. Within certain limitations, FMIvT's investment policy allows for investments in: repurchase agreements; direct obligations of the US Treasury; authorized investments purchased by or through the State Board of Administration; commercial paper issued in the US by any corporation with a rating of A1/A+ or better; bankers acceptances with a rating of at least AA; non-negotiable certificates of deposit in Florida Qualified Public Depositories; obligations of agencies or instrumentalities of the Federal government; money market mutual master trust funds regulated by the SEC; mortgage obligations guaranteed by the US Government; and FMIvT portfolios.

All of the Trust's investments are evidenced by shares of the applicable investment pools and are not exposed to custodial credit risk and are excluded from the concentration risk disclosure.

NOTE 10 - OTHER EMPLOYEE BENEFITS PLANS

Effective October 1, 2006, the City closed its defined benefit general employee pension plan for employees not already participating in that plan and instituted a defined contribution 401(a) money purchase plan for employees hired on or after October 1, 2006, whereby the City contributes 8% of gross pay with the employee contributing 2%. The total cost of this plan to the City, net of participant forfeitures of \$28,576, was \$149,880 for the year ended September 30, 2016.

The City offers its employees a deferred compensation plan created pursuant to Internal Revenue Code Section 457. The Plan is available to all employees and permits them to defer a portion of their salary until future years. The assets are held in trust for each participant who is free to direct their investments to a variety of mutual fund offerings. Participation in the plan is optional.

The City has a cafeteria and flexpay plan whereby employees can elect to receive a cash subsidy or use it to pay for dependent health, dental and life insurance premiums with before tax dollars. The City's subsidy is fixed and ranges from \$98 to \$234 per month per employee depending on the employee's health insurance needs and the total cost for the year was \$189,636.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 11 - MAJOR CUSTOMERS

In the City's enterprise fund (business-type activities), approximately 17% of the City's water and sewer revenue, is represented by sales to one industrial customer. With respect to the ad-valorem (property taxes) taxes the City's largest taxpayer represents 23% of its ad-valorem taxes and the second largest represents 13%.

NOTE 12 - COMMITMENTS & CONTINGENCIES

Risk Management:

Commercial insurance protection with normal deductibles is in place to limit the City's exposure from losses arising from liability and property and equipment damages. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2016 or the two previous years. The City's workers compensation coverage is provided through a non-assessable program; in the event the insurance company were declared insolvent, the City would only be responsible for its own claims and not the claims of other insured entities under the program.

Unemployment Claims:

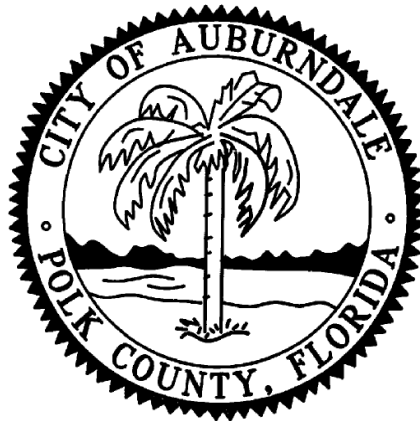
The City has elected to reimburse the State directly for its unemployment claims rather than participate in the State insurance fund for this purpose. As a result, the cost for unemployment claims is deducted when paid. Such costs have been insignificant in the past and no provision for potential claims has been made in the financial statements.

Litigation:

The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of carrying out its public service. Management believes that any losses not covered by insurance which may ultimately be incurred as a result of the suits and claims will not be material, with the exception of attorney's fees which are not determinable.

Construction Projects:

As of September 30, 2016, the City had construction commitments of \$880,800 related to water and wastewater system improvements.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AUBURNDALE, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Unaudited)
for the year ended September 30, 2016

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|---|---|
| | Original | Final | | |
| RESOURCES (inflows): | | | | |
| Taxes | \$ 8,271,500 | \$ 8,784,000 | \$ 8,811,084 | \$ 27,084 |
| Licenses and permits | 320,600 | 500,300 | 514,573 | 14,273 |
| Intergovernmental revenue | 2,819,530 | 2,739,030 | 2,747,514 | 8,484 |
| Charges for services | 2,720,330 | 2,743,930 | 2,796,434 | 52,504 |
| Fines and forfeitures | 48,000 | 48,000 | 36,088 | (11,912) |
| Miscellaneous revenues | 218,400 | 432,200 | 446,280 | 14,080 |
| Other sources - transfers in | 3,645,994 | 3,645,994 | 3,645,994 | |
| Prior year surplus appropriated | 5,500,000 | 4,974,100 | 4,974,073 | (27) |
| Amounts available for appropriations | 23,544,354 | 23,867,554 | 23,972,040 | 104,486 |
| CHARGES TO APPROPRIATIONS (outflows): | | | | |
| General government | 1,052,554 | 1,052,554 | 1,052,871 | (317) |
| Public safety | 5,401,213 | 5,111,813 | 5,167,323 | (55,510) |
| Physical environment | 1,537,988 | 1,595,688 | 1,611,913 | (16,225) |
| Transportation | 587,424 | 560,324 | 554,904 | 5,420 |
| Culture/recreation | 2,556,167 | 2,765,567 | 2,763,743 | 1,824 |
| Unallocated general services | 2,974,825 | 2,966,725 | 2,982,529 | (15,804) |
| Capital outlay | 6,826,932 | 6,235,932 | 6,182,458 | 53,474 |
| Debt service | 1,780,975 | 1,816,775 | 1,817,823 | (1,048) |
| Budgeted contingency reserve | 142,276 | 1,078,176 | | 1,078,176 |
| Total charges to appropriations | 22,860,354 | 23,183,554 | 22,133,564 | 1,049,990 |
| EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS | \$ 684,000 | \$ 684,000 | \$ 1,838,476 | \$ 1,154,476 |

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:

Resources (inflows):

| | |
|---|----------------------|
| Actual amounts (budgetary basis) "resources (inflows)" from the budgetary comparison schedule above | \$ 23,972,040 |
| Differences - budget to GAAP: | |
| Receipt of on-behalf payments for pension benefits | 317,563 |
| Prior year surplus reappropriated as a budgetary resource | (4,974,073) |
| Total revenues and other sources reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 19,315,530</u> |

Charges to appropriations (outflows):

| | |
|---|----------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule above | \$ 22,133,564 |
| Differences - budget to GAAP: | |
| Payment of on-behalf payments for pension benefits | 317,563 |
| Total expenditures and other uses as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 22,451,127</u> |

See Independent Auditor's Report

CITY OF AUBURNDALE, FLORIDA
BUDGETARY COMPARISON SCHEDULE -
COMMUNITY REDEVELOPMENT AGENCY (Unaudited)
for the year ended September 30, 2016

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-------------------------|--------------|---|---|
| | Original | Final | | |
| RESOURCES (inflows): | | | | |
| Taxes | \$ 827,500 | \$ 913,400 | \$ 913,452 | \$ 52 |
| Other | 113,000 | 500 | 655 | 155 |
| Amounts available for appropriations | 940,500 | 913,900 | 914,107 | 207 |
| CHARGES TO APPROPRIATIONS (outflows): | | | | |
| Economic environment | 549,500 | 294,600 | 153,417 | 141,183 |
| Capital outlay | 566,000 | 619,300 | 604,429 | 14,871 |
| Total charges to appropriations | 1,115,500 | 913,900 | 757,846 | 156,054 |
| EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS | <u>(175,000)</u> | | <u>156,261</u> | <u>\$ 156,261</u> |
| Prior year fund balance reappropriation | 175,000 | | | |
| NET CHANGE IN FUND BALANCE | <u>\$</u> | <u>\$</u> | <u>\$ 156,261</u> | |

See Independent Auditor's Report

CITY OF AUBURNDALE, FLORIDA**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

General Employees Pension Trust Fund

September 30, 2016

The following information presents the changes in net pension liability for the General Employees' pension plan:

| | General Employees Pension Plan | | |
|--|---------------------------------------|-------------------------------|-------------------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2014 |
| Total pension liability | | | |
| Service cost | \$ 238,594 | \$ 264,889 | \$ 246,408 |
| Interest | 1,608,169 | 1,581,148 | 1,544,414 |
| Differences between expected and actual experience | 508,735 | | |
| Changes of assumptions | 2,541,856 | | |
| Employee buy-back | | 17,731 | |
| Benefit payments and refunds | (1,448,376) | (1,505,997) | (1,133,034) |
| Net change in total pension liability | 3,448,978 | 357,771 | 657,788 |
| Total pension liability, beginning | 21,927,849 | 21,570,078 | 20,912,290 |
| Total pension liability, ending | <u>\$ 25,376,827</u> | <u>\$ 21,927,849</u> | <u>\$ 21,570,078</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | 1,226,212 | 1,211,447 | 1,179,108 |
| Contributions - State of Florida | | | |
| Contributions - employee | 51,856 | 72,890 | 57,658 |
| Net investment income | 1,375,125 | (163,438) | 1,292,623 |
| Benefit payments and refunds | (1,448,376) | (1,505,997) | (1,133,034) |
| Administrative expenses | (31,618) | (35,303) | (31,563) |
| Net change in plan fiduciary net position | 1,173,199 | (420,401) | 1,364,792 |
| Plan fiduciary net position, beginning | 15,823,164 | 16,243,565 | 14,878,773 |
| Plan fiduciary net position, ending | <u>\$ 16,996,363</u> | <u>\$ 15,823,164</u> | <u>\$ 16,243,565</u> |
| Net pension liability | <u>\$ 8,380,464</u> | <u>\$ 6,104,685</u> | <u>\$ 5,326,513</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 66.98% | 72.16% | 75.31% |
| Covered payroll | \$ 2,592,799 | \$ 2,781,826 | \$ 2,882,921 |
| Net pension liability as a percentage of covered payroll | 323.22% | 219.45% | 184.76% |

Notes to Schedule:

There have been no changes in benefits

For the measurement date September 30, 2016, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System.

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

See Independent Auditor's Report

CITY OF AUBURNDALE, FLORIDA**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS****Municipal Police Officers' Pension Trust Fund****September 30, 2016**

The following information presents the changes in net pension liability for the Police Officers' pension plan:

| | Police Officers' Pension Plan | | |
|---|--------------------------------------|-------------------------------|-------------------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2014 |
| Total pension liability | | | |
| Service cost | \$ 373,191 | \$ 351,180 | \$ 364,059 |
| Interest | 957,531 | 907,055 | 849,820 |
| Change in excess State money | (74,166) | 4,550 | |
| Changes of benefit terms | | 16,945 | |
| Differences between expected and actual experience | 118,563 | 82,678 | |
| Changes of assumptions | 184,472 | | |
| Benefit payments and refunds | (814,201) | (609,037) | (349,828) |
| Net change in total pension liability | 745,390 | 753,371 | 864,051 |
| Total pension liability, beginning | 12,463,310 | 11,709,939 | 10,845,888 |
| Total pension liability, ending | <u>\$ 13,208,700</u> | <u>\$ 12,463,310</u> | <u>\$ 11,709,939</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | 392,854 | 438,270 | 459,488 |
| Contributions - State of Florida | 189,955 | 117,600 | 110,916 |
| Contributions - employee | 93,249 | 91,074 | 79,023 |
| Net investment income | 707,436 | (37,482) | 986,394 |
| Benefit payments and refunds | (814,201) | (609,037) | (349,828) |
| Administrative expenses | (44,593) | (41,681) | (35,838) |
| Net change in plan fiduciary net position | 524,700 | (41,256) | 1,250,155 |
| Plan fiduciary net position, beginning | 9,935,558 | 9,976,814 | 8,726,659 |
| Plan fiduciary net position, ending | <u>\$ 10,460,258</u> | <u>\$ 9,935,558</u> | <u>\$ 9,976,814</u> |
| Net pension liability | \$ 2,748,442 | \$ 2,527,752 | \$ 1,733,125 |
| Plan fiduciary net position as a percentage of the total pension liability | 79.19% | 79.72% | 85.20% |
| Covered payroll | \$ 1,665,166 | \$ 1,626,310 | \$ 1,517,015 |
| Net pension liability as a percentage of covered payroll | 165.06% | 155.43% | 114.25% |

Notes to Schedule:

For the year ended September 30, 2015, the supplemental benefit was increased from \$19.25 to \$20.00 per month for each year of credited service.

For the measurement date September 30, 2016, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System and the inflation assumption rate was changed from 3.0% to 2.5%.

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

See Independent Auditor's Report

CITY OF AUBURNDALE, FLORIDA**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Municipal Firefighters' Pension Trust Fund

September 30, 2016

The following information presents the changes in net pension liability for the Firefighters' pension plan:

| | Firefighters' Pension Plan | | |
|---|-----------------------------------|-------------------------------|-------------------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2014 |
| Total pension liability | | | |
| Service cost | \$ 183,379 | \$ 186,947 | \$ 148,322 |
| Interest | 660,928 | 625,808 | 608,158 |
| Change in excess State money | (43,172) | 5,219 | |
| Changes of benefit terms | 93,665 | 194,426 | |
| Differences between expected and actual experience | (263,873) | 81,662 | |
| Changes of assumptions | 213,476 | | |
| Benefit payments and refunds | (382,852) | (679,857) | (843,719) |
| Net change in total pension liability | 461,551 | 414,205 | (87,239) |
| Total pension liability, beginning | 8,485,651 | 8,071,446 | 8,158,685 |
| Total pension liability, ending | <u>\$ 8,947,202</u> | <u>\$ 8,485,651</u> | <u>\$ 8,071,446</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | 230,377 | 287,970 | 246,963 |
| Contributions - State of Florida | 127,608 | 112,882 | 106,823 |
| Contributions - employee | 70,654 | 54,857 | 79,065 |
| Net investment income | 426,495 | (23,205) | 650,566 |
| Benefit payments and refunds | (382,852) | (679,857) | (843,719) |
| Administrative expenses | (56,548) | (45,619) | (34,752) |
| Net change in plan fiduciary net position | 415,734 | (292,972) | 204,946 |
| Plan fiduciary net position, beginning | 6,091,061 | 6,384,033 | 6,179,087 |
| Plan fiduciary net position, ending | <u>\$ 6,506,795</u> | <u>\$ 6,091,061</u> | <u>\$ 6,384,033</u> |
| Net pension liability | <u>\$ 2,440,407</u> | <u>\$ 2,394,590</u> | <u>\$ 1,687,413</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 72.72% | 71.78% | 79.09% |
| Covered payroll | \$ 834,158 | \$ 951,460 | \$ 769,099 |
| Net pension liability as a percentage of covered payroll | 292.56% | 251.68% | 219.40% |

Notes to Schedule:

For the year ended September 30, 2015, the supplemental benefit was increased from \$16.73 to \$21.49 per month for each year of credited service.

For the measurement date September 30, 2016, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System and the inflation assumption rate was changed from 3.0% to 2.5%.

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

See Independent Auditor's Report

CITY OF AUBURNDALE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
General Employees Pension Trust Fund
September 30, 2016

The following information presents a schedule of contributions for the General Employees' Pension Plan:

| Year Ended September 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Excess (Deficiency) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|---|--|--|--------------------|--|
| 2016 | \$ 1,226,212 | \$ 1,226,212 | \$ - | \$ 2,592,799 | 47.29% |
| 2015 | \$ 1,211,447 | \$ 1,211,447 | \$ - | \$ 2,781,826 | 43.55% |
| 2014 | \$ 1,179,115 | \$ 1,179,115 | \$ - | \$ 2,882,926 | 40.90% |
| 2013 | \$ 1,124,500 | \$ 1,124,500 | \$ - | \$ 2,998,667 | 37.50% |
| 2012 | \$ 799,848 | \$ 799,848 | \$ - | \$ 3,112,198 | 25.70% |
| 2011 | \$ 790,443 | \$ 790,443 | \$ - | \$ 3,307,293 | 23.90% |
| 2010 | \$ 367,955 | \$ 367,955 | \$ - | \$ 3,471,273 | 10.60% |
| 2009 | \$ 693,551 | \$ 693,551 | \$ - | \$ 3,210,884 | 21.60% |
| 2008 | \$ 679,952 | \$ 679,952 | \$ - | \$ 3,469,143 | 19.60% |
| 2007 | \$ 981,456 | \$ 981,456 | \$ - | Not available | |

Notes to Schedule of Contributions:

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date - for the September 30, 2016 contributions, the valuation date was as of October 1, 2014.

Actuarial cost method - the entry age method is used.

Amortization method - level percentage of pay, closed.

Remaining amortization period - 16 years as of October 1, 2014.

Asset valuation method - four year average market value (net of fees).

Inflation - 3.0%

Salary increases - 3.5% to 5.0%

Investment rate of return - 7.5%

Retirement age - later of age 59 and current age.

Mortality - RP-2000 combined with scale AA

See Independent Auditor's Report

CITY OF AUBURNDALE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
Municipal Police Officers' Pension Trust Fund
September 30, 2016

The following information presents a schedule of contributions for the Police Officers' pension plan:

| Year Ended September 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Excess (Deficiency) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|---|--|--|--------------------|--|
| 2016 | \$ 582,808 | \$ 582,808 | \$ | \$ 1,665,166 | 35.00% |
| 2015 | \$ 551,319 | \$ 551,319 | \$ | \$ 1,626,310 | 33.90% |
| 2014 | \$ 570,398 | \$ 570,398 | \$ | \$ 1,517,015 | 37.60% |
| 2013 | \$ 513,224 | \$ 513,224 | \$ | \$ 1,483,306 | 34.60% |
| 2012 | \$ 442,163 | \$ 442,163 | \$ | \$ 1,546,023 | 28.60% |
| 2011 | \$ 464,991 | \$ 464,991 | \$ | \$ 1,535,612 | 30.28% |
| 2010 | \$ 391,895 | \$ 391,895 | \$ | \$ 1,671,141 | 23.45% |
| 2009 | \$ 334,934 | \$ 334,934 | \$ | \$ 1,579,757 | 21.20% |
| 2008 | \$ 237,435 | \$ 237,435 | \$ | \$ 1,470,281 | 16.15% |
| 2007 | \$ 207,991 | \$ 207,991 | \$ | \$ 1,446,102 | 14.38% |

Notes to Schedule of Contributions:

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date - for the September 30, 2016 contributions, the valuation date was as of October 1, 2014.

Actuarial cost method - the entry age method is used.

Amortization method - level percentage of pay, closed.

Remaining amortization period - 30 years as of October 1, 2014.

Asset valuation method - historical geometric four year average market value (net of fees).

Inflation - 3.0%

Salary increases - 5.75%

Investment rate of return - 7.75%

Retirement age - earlier of age 55 with 10 years of service or 20 years of credited service regardless of age.

Mortality - RP-2000 mortality table with no projection.

See Independent Auditor's Report

CITY OF AUBURNDALE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
Municipal Firefighters' Pension Trust Fund
September 30, 2016

The following information presents a schedule of contributions for the Firefighters' pension plan:

| Year Ended September 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Excess (Deficiency) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|---|--|--|--------------------|--|
| 2016 | \$ 354,517 | \$ 357,985 | \$ 3,468 | \$ 834,158 | 42.92% |
| 2015 | \$ 395,634 | \$ 395,634 | \$ | \$ 831,164 | 47.60% |
| 2014 | \$ 353,786 | \$ 353,786 | \$ | \$ 769,099 | 46.00% |
| 2013 | \$ 326,546 | \$ 326,546 | \$ | \$ 720,852 | 45.30% |
| 2012 | \$ 257,238 | \$ 257,238 | \$ | \$ 730,788 | 35.20% |
| 2011 | \$ 264,678 | \$ 264,678 | \$ | \$ 806,943 | 32.80% |
| 2010 | \$ 224,165 | \$ 216,063 | \$ (8,102) | \$ 754,766 | 28.63% |
| 2009 | \$ 216,769 | \$ 216,769 | \$ | \$ 755,203 | 28.70% |
| 2008 | \$ 143,976 | \$ 143,976 | \$ | \$ 837,062 | 17.20% |
| 2007 | \$ 127,469 | \$ 136,583 | \$ 9,114 | \$ 802,481 | 17.02% |

Notes to Schedule of Contributions:

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date - for the September 30, 2016 contributions, the valuation date was as of October 1, 2014.

Actuarial cost method - the entry age method is used.

Amortization method - level percentage of pay, closed.

Remaining amortization period - 30 years as of October 1, 2014.

Asset valuation method - historical geometric four year average market value (net of fees).

Inflation - 3.0%

Salary increases - 6.0%

Investment rate of return - 7.75%

Retirement age - earlier of age 55 with 10 years of service or 25 years of credited service regardless of age.

Mortality - RP-2000 mortality table with no projection.

See Independent Auditor's Report

CITY OF AUBURNDALE, FLORIDA
SCHEDULE OF FUNDING PROGRESS (Unaudited)
September 30, 2016

OPEB TRUST - SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) -Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Portion (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|------------------------------------|----------------------------|---------------------------|---|
| 10/01/2015 | \$ 11,239 | \$ 15,341,957 | \$ 15,330,718 | 0.10% | \$ 6,685,673 | 229.31% |
| 10/01/2014 | \$ na | \$ na | \$ na | na | \$ na | na |
| 10/01/2013 | \$ 11,294 | \$ 10,096,308 | \$ 10,085,014 | 0.11% | \$ 6,420,552 | 157.07% |
| 10/01/2012 | \$ na | \$ na | \$ na | na | \$ na | na |
| 10/01/2011 | \$ 9,548 | \$ 8,250,479 | \$ 8,240,931 | 0.12% | \$ 6,716,979 | 122.69% |
| 10/01/2010 | \$ 82,114 | \$ 14,465,835 | \$ 14,383,721 | 0.57% | \$ 6,521,339 | 220.56% |

An actuarial valuation was not done at 10/1/14 or 10/1/12

See Independent Auditor's Report

COMPLIANCE

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*

Honorable Mayor and Members of the City Commission
City of Auburndale, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Auburndale, Florida as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Auburndale, Florida's basic financial statements, and have issued our report thereon dated April 7, 2017.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Auburndale, Florida'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*.

Honorable Mayor and Members of the City Commission
City of Auburndale, Florida

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.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
April 7, 2017

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES

Honorable Mayor and Members of the City Commission
City of Auburndale, Florida

We have examined City of Auburndale, Florida's compliance with Section 218.415, Florida Statutes for the year ended September 30, 2016. Management is responsible for City of Auburndale, Florida's compliance with those requirements. Our responsibility is to express an opinion on City of Auburndale, Florida'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 City of Auburndale, Florida'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 City of Auburndale, Florida's compliance with specified requirements.

In our opinion, City of Auburndale, Florida complied, in all material respects, with the aforementioned requirements of Section 218.415, Florida Statutes for the year ended September 30, 2016.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
April 7, 2017

MANAGEMENT LETTER

MANAGEMENT LETTER

Honorable Mayor and Members of the City Commission
City of Auburndale, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Auburndale, Florida as of and for the year ended September 30, 2016, and have issued our report thereon dated April 7, 2017.

Auditor's Responsibility

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

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance with the requirements of Section 218.415, Florida Statutes in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 7, 2017, 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. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of the City of Auburndale, Florida, see footnote A of the summary of significant accounting policies in the notes to financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not City of Auburndale, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit of the financial statements of the City of Auburndale, Florida, the results of our tests did not indicate the City of Auburndale, Florida met any of the specified 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. It is management's responsibility to monitor the City of Auburndale, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Auburndale, Florida for the fiscal year ended September 30, 2016, 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, 2016. Our comparison of these two reports resulted in no material differences.

Other Matters

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

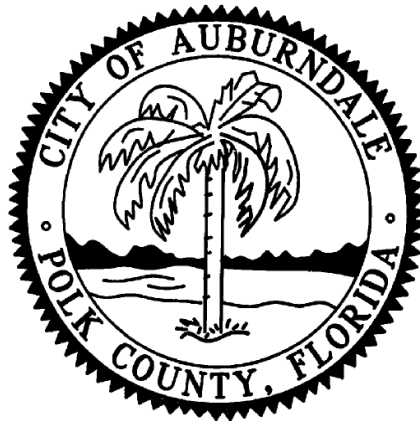
Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the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

Purpose of this Letter

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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
April 7, 2017



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MISCELLANEOUS STATISTICS

CITY OF AUBURNDALE, FLORIDA
MISCELLANEOUS STATISTICS (unaudited)
As of September 30, 2016

| | |
|--|-----------------------------|
| Date of incorporation | 1911 |
| Form of Government | Commission - Manager |
| Area | 22.16 miles or 14,186 acres |
| Population | 14,832 estimated |
| Fire protection: | |
| Number of stations | 1 |
| Number of firemen and officers (exclusive of volunteer firemen) | 20 |
| Police Protection: | |
| Number of stations | 1 |
| Number of policemen and officers | 35 |
| Municipal water departments: | |
| Total utility meters | 12,218 |
| Average daily consumption | 4.484 MGD |
| Sewers: | |
| Sanitary and storm sewers | 210 miles |
| Regional wastewater plant average flows | 1.153 MGD |
| Allred facility average flows | .847 MGD |
| Recreation and culture: | |
| Number of parks | 10 |
| Number of libraries | 1 |
| Number of volumes | 61,765 |
| Employees: | |
| Full-time service | 166 |
| Part-time service | 9 |
| Total | <u>175</u> |