

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016







**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

of the

**CITY OF LAKELAND, FLORIDA**

for the

**FISCAL YEAR ENDED SEPTEMBER 30, 2016**



Prepared by the  
**FINANCE DEPARTMENT**

MICHAEL C. BROSSART, CPA  
Finance Director

DEIDRA M. JOSEPH  
Assistant Finance Director



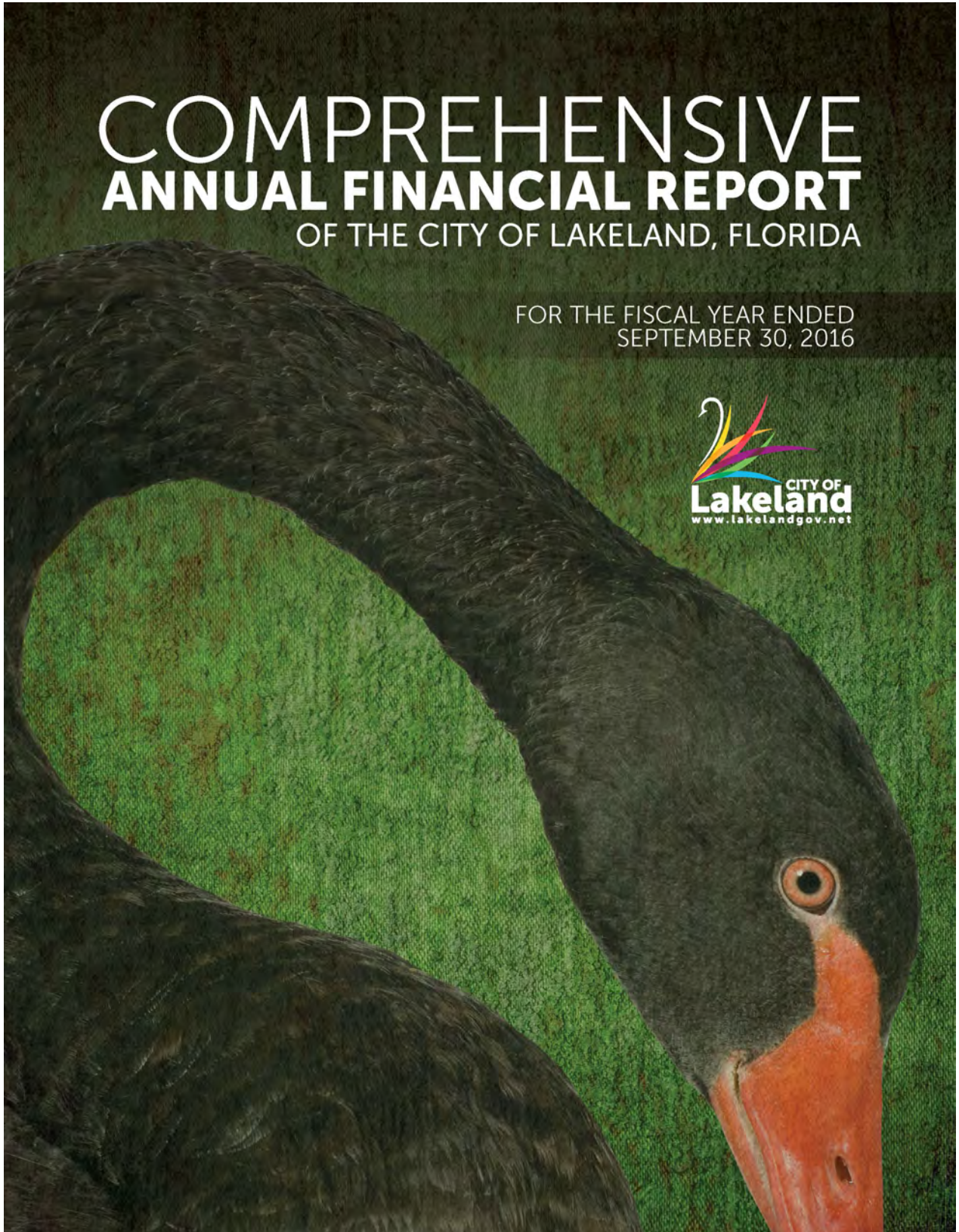
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## INTRODUCTORY SECTION

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016





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March 23, 2017

Honorable Mayor, Members of the City Commission and Citizens of the City of Lakeland, Florida:

It is our pleasure to submit this Comprehensive Annual Financial Report for the City of Lakeland, Florida for the fiscal year ended September 30, 2016. The organization, form and contents of this report plus the accompanying financial statements and statistical tables are prepared in accordance with the requirements of Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, and the Governmental Finance Officers Association.

This report has been prepared by the Finance Department of the City of Lakeland, which assumes full responsibility for the completeness and accuracy of the information presented herein. In an effort to provide assurance that financial data incorporated into this report is as accurate as possible, the Finance Department has adopted internal control procedures which are intended to insure that financial transactions are recorded in a manner that is consistent with generally accepted accounting principles. These internal control procedures are also intended to prevent loss of assets due to theft or mismanagement. This internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

Florida Statutes require that all municipalities in the State conduct an annual financial audit of the books and records, performed by an independent certified public accountant. The City has contracted with the firm of Crowe Horwath LLP to conduct the audit for the year ended September 30, 2016. The auditor's report, which indicates that the financial statements included in this document are free from material misstatement and are fairly presented in conformity with accounting principles generally accepted in the United States of America appears on page B-1 of this document.

The report titled Management's Discussion and Analysis is intended to provide a narrative explanation of the results of operations and financial condition of the City. It should be read in conjunction with this transmittal letter in order to provide a general overview of the City's finances. This report starts on page C-1 of this bound document.

### **Profile of the City of Lakeland**

Located between two major urban areas – Tampa Bay and Orlando – Lakeland enjoys the quality of life characteristics of smaller cities, while affording easy access and the amenities of larger metropolitan areas. Lakeland's current permanent population estimate as of September 2016 is 102,507 residents. The City limits include approximately 75 square miles.

The City is governed by a seven member City Commission. This Commission employs a full-time City Manager to run the day-to-day operations of the entity. Page A-5 of this report graphically presents the Organization Chart for the City. The services provided by the Lakeland government are extremely diverse, ranging from traditional police, fire, public works, and an extensive parks and recreation system to utility services including electric power generation and supply, treated water, wastewater treatment, stormwater, solid waste collection, municipal parking facilities, an airport, convention center and 27-hole golf course.

Annual operating budgets are formally adopted by the City Commission. Legally authorized appropriations are prepared based on total expenses by fund and department. Any variation between the budgeted expenses and actual expenses at the fund and departmental level of detail must be authorized by the City Commission by affirmative action throughout the year.

Lakeland derives its name from the 28,000 acres of 38 named lakes and numerous smaller lakes, ranging in size from 2.5 acres (Lake Blanton) to 2,272 acres (Lake Parker).

Lakeland boasts many unique features, including the world's largest one-site collection of Frank Lloyd Wright-designed buildings at Florida Southern College. Lakeland hosts Florida's largest aircraft convention – the Sun'n Fun EAA Fly-In – which draws more than 140,000 people and 4,000 aircraft to Lakeland Linder Regional Airport.

Lakeland is the spring home of the Detroit Tigers who have been training in Lakeland since 1934. The organization has a year round presence and operates one of their minor league teams, developmental squads and rehabilitative facilities in Lakeland. Lakeland and the Tigers recently signed another 20-year contract which stands as the longest spring training agreement between a City and a Major League team in history.



## Profile of the City of Lakeland (continued)

### Local Economy

Lakeland is home to the headquarters of Publix Super Markets, which was founded in nearby Winter Haven by Mr. George Jenkins in 1930. Publix operates 1,143 grocery stores in Florida, Georgia, South Carolina, North Carolina, Alabama, Tennessee and Virginia and is the largest employee-owned grocery chain in the United States. It is a Fortune 100 company with \$34 billion in retail sales in 2016 and employs over 200,000 people. The total taxable value of real property owned by Publix within the Lakeland city limits is approximately \$275 million.

The City also boasts the fifth largest hospital in the state and the busiest single-site Emergency Department in the state – Lakeland Regional Health, a 849-bed not-for profit hospital; and the Watson Clinic, which provides over 800,000 outpatient visits annually.

The growing improvement in the economy continued to impact the Lakeland/Polk County area favorably during 2016. According to the Polk County Property Appraiser, property valuations are on the rise in Lakeland with an estimated 13.5% increase in taxable assessed value in the 5-year period from 2012-2016. This percent increase represents a net year over year increase of \$605,264,542.

Residential construction in Lakeland continues to gain strength and interest. Lakeland issued 256 single family permits in 2016, which represents a 25% increase from the previous year. Single Family residential construction activity in Lakeland has increased 111% since the post-recession low established in 2012. Based on the rise and fall of the single family residential market in Lakeland, it is widely believed that a healthy market in Lakeland could support 150-200 new single family permits per year. As we begin to exceed the top end of that number, Lakeland's market is demonstrating a great deal of core strength as the market signals an expanding pattern for residential development. Prior to the housing crash, Lakeland averaged more than 350 single family permits per year from 2002-2008. Inflated values and accessible financing drove up the volume of housing units as prices rose to a seemingly sudden and unmanageable peak. Understanding the combined cyclical effects of a historic recession and stagnant unemployment, economists are now finally seeing a recovery in Lakeland's residential real estate market that is both consistent and sustainable.

Total retail megawatt sales (MWh) sales were up 2.3% in FY2016 compared to FY2015. Retail electric sales revenue, excluding fuel, averaged \$59.06 per 1,000 KWh in FY2016 compared to \$59.14 in FY 2015. The retail customer base experienced a 1.17% growth for FY2016.

Unemployment rates for the Lakeland-Winter Haven MSA averaged 5.6 percent for the twelve months that ended December 31, 2016, while rates for just the City of Lakeland dropped to 5.2 percent. These rates remain consistent than the national average and just slightly higher than Florida rate during the same period. Though not numerically significant, each of these rates indicate a continued decrease that signifies the strength of Lakeland's local job market.

Lakeland has been able to maintain cash reserve levels within its General Fund at approximately 19.4 percent of annual spending. Total spending within the General Fund was up 3.8% compared to the previous year. It is expected that cash reserves will be used to replace continuing lower than normal levels of tax revenue collections over the next couple of years.

As we have seen in previous years, Lakeland's industrial market continued to expand in 2016. Several new projects were completed as Lakeland added approximately 1.3 million square feet of new industrial space. A great amount of this new construction was speculative, which points to an external confidence in Lakeland's market and the region as a whole. Lakeland has a history for recruiting high quality value added users to speculative buildings constructed, so we will look forward to more job growth in 2017. The Lakeland MSA added approximately 3,185 new jobs in 2016, which helped further decrease the City's already low unemployment rate.

Significant business and institutional development investments completed within the City in 2016 totaled more than \$100 million and committed to the creation of approximately 600 new jobs. As proof of Lakeland's evolving economy, a few of the examples below highlight the City's downtown, industrial and educational growth.

Lakeland's downtown got a residential boom in 2016 with the completion of the NoBay project. This mixed use development, within the northern core of downtown, added 55 new residential apartments and 10,000 square feet of additional retail space. The project represented a \$7 million capital investment.

For the second year in a row, Publix has leased office space in the downtown core for their growing IT Department. Last year they leased 30,000 square feet in the downtown Bank of America Building and this year they leased an additional 20,000 square feet in the Downtown Lakeland Ledger Building. Together, Publix has invested nearly \$7 million which has in turn brought 300 additional high wage jobs to downtown Lakeland. Adding to their growing downtown presence, in November of 2016 Publix purchased the 24,500 square foot Florida Citrus Mutual Building for a reported \$3.1 million.

Colorado Boxed Beef relocated their corporate headquarters to Lakeland with the purchase of the 215,000 square foot US Foods facility just east of Lakeland's downtown. This impactful \$8,700,000 redevelopment project will add 210 jobs to Lakeland and will further serve as an anchor to the East Main District, on the east side of downtown's Lake Mirror.

## **Profile of the City of Lakeland (continued)**

### **Local Economy (continued)**

Seefried Properties out of Atlanta recently completed the 275,000 square foot Bridgewater Commerce Center which is located within the Bridgewater Development at the corner of SR33 and I-4. This \$8 million speculative industrial building is currently available for lease.

Haverty's Home Furnishings completed a 110,000 square foot expansion that added 10 new jobs and represented a \$13 million capital investment.

The Ruthven's completed a 131,000 square foot speculative industrial building at the Ruthven Parkway Commerce Center on Drain Field Road across from the Lakeland Linder Airport. This 47-acre site was platted for 440,000 square feet, of which the next 97,000 square foot building will be completed in early 2017.

With regards to higher education, Florida Southern College completed and welcomed students into the new \$20 million Becker Building on the shores of Lake Hollingsworth. This three story 40,000 square foot building will house the Barney Barnett School of Business and Free Enterprise.

Southeastern University completed their \$22 million Buena Vida Buildings. Made up of two five-story structures totaling 125,000 square feet, the buildings will feature facility offices, classrooms supporting the Business College and the College of Arts and Media, student dorm rooms and two restaurants.

Finally, the state's 12<sup>th</sup> and newest public university, Florida Polytechnic University continues to add buildings in support of their growing student population. In July of 2016 the University finished their second on campus residence hall at a capital cost of \$22 million. This 5-story 132,000 square foot dorm will house 543 students. Also under construction, the University is building a \$2 million Aquatics and Wellness Center that add to the on-campus amenities for students.

### **Long-term financial planning**

The City prepares a ten year capital improvements plan that identifies both capital improvements and related revenue sources anticipated for the next ten annual budget cycles. Capital requirements of enterprise operations – typically utility operations such as electric, water, wastewater and solid waste, are financed from capital reserves accumulated within those enterprise operations and obtained from the users of those services through the imposition of user fees. Capital requirements of general governmental operations are financed primarily from the proceeds from gasoline taxes and the proceeds of an operating lease between the City of Lakeland and a not-for-profit entity that operates the City-owned hospital facility.

Impact Fees are also assessed on new construction within the Water and Wastewater utilities to provide a source of financing for the capital costs associated with growth. The City also levies similar impact fees to offset a portion of the capital costs of Transportation improvements, Parks and Recreation Facilities, and Public Safety.

### **Relevant financial policies**

The City finances a portion of general governmental operating costs from the proceeds of transfers to the General Fund from various utility operations – primarily from an electric utility operation. These transfers finance approximately 23% of the operating costs for general governmental operations within Lakeland.

## Reporting Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeland, Florida, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, of which its contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our current report continues to conform to Certificate of Achievement for Excellence in Financial Reporting Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

## Acknowledgements

The preparation of the Comprehensive Annual Financial Report (CAFR) could not be achieved without many extra hours of work on the part of Finance Department staff. The City is fortunate to have such a fine group of professionals who are highly skilled and complete all tasks accurately and within schedule.

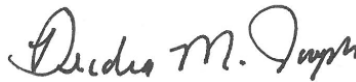
We would like to thank John Zuercher, Director of Internal Audit; Barbara Henry, Accountant III, Brent McLain, Accountant III, and Mark Meeks, Supervisor of Utility Finance and Accounting for their efforts in assisting the external auditors in completing the audit, and for preparation of the CAFR. Their respective roles in coordinating the work of accountants and other professionals have proven to be invaluable to the report preparation process. We would also like to thank the external auditors, Crowe Horwath LLP, for their cooperation and assistance during the audit process.

We would like to express appreciation to the City Manager, his staff, and the City Commission for their continued support of the Finance Department and for the leadership they have provided to make Lakeland such an exceptional community. This report reflects the favorable financial condition of the City, and we are proud to submit it to you for your review.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Michael Brossart", with a long horizontal line extending to the right.

Michael Brossart, CPA  
Finance Director

A handwritten signature in dark ink, appearing to read "Deidra M. Joseph", written in a cursive style.

Deidra Joseph  
Assistant Finance Director



CITY OF LAKELAND  
ORGANIZATION CHART  
2016

**CITIZENS OF THE CITY OF LAKELAND**

**OPERATING BOARDS**

American Public Power Assoc. Policy Makers Council  
Central Florida Congress of Regional Managers  
Central Florida Development Council  
Central Florida Partnership  
Central Florida Regional Planning Council  
Florida City & County Management Association  
Florida League of Cities  
Florida League of Mayors  
International City/County Management Association  
Lakeland Area Mass Transit District  
Lakeland Downtown Development Authority  
Lakeland Vision  
National League of Cities  
Polk Regional Water Cooperative Committee  
Polk Transit Authority  
Polk Vision  
Sun 'n Fun Board of Directors  
Transportation Planning Organization  
Tourist Development Council  
United States Conference of Mayors

**MAYOR AND CITY COMMISSION**

R. Howard Wiggs (Mayor)  
Jim Malless      Justin M. Troller  
Bill Read        Phillip E. Walker  
Don R. Selvage   Edie L. Yates

**CITY ATTORNEY**  
Timothy McCausland

**CITY MANAGER**  
Anthony J. Delgado

**MUNICIPAL BOARDS & COMMITTEES**

Affordable Housing Advisory  
Affordable Housing Review  
Airport Advisory Board  
Beautification Board  
Citizen's Advisory Committee  
Civil Service  
Code Enforcement Board  
Community Redevelopment Area Advisory Board  
Employee's Pension Board  
Enterprise Zone Development Agency  
Firefighter's Pension Trust – Board of Trustees  
Historic Preservation Board  
Housing Authority Board  
Mayor's Council on the Arts  
Nuisance Abatement Board  
Planning and Zoning Board  
Police Officer's Retirement Fund  
Public Employee Relations Commission  
Utility Committee  
Zoning Board of Adjustment and Appeals

**ASSISTANT CITY MANAGER**  
Shawn Sherrouse

**DEPUTY CITY MANAGER**  
Brad Johnson

**COMMUNITY DEVELOPMENT**  
Jim Studiale

**INTERNAL AUDIT**  
John Zuercher

**COMMUNICATIONS**  
Kevin Cook

**AIRPORT**  
Gene Conrad

**PARKS & RECREATION**  
Bob Donahay

**FIRE**  
Gary Ballard

**OFFICE of MGMT & BUDGET**  
Kindle Bowden

**ELECTRIC UTILITY**  
Joel Ivy

**INFORMATION SECURITY**  
Josh Wilson

**PUBLIC WORKS**  
Heath Frederick

**INFORMATION TECHNOLOGY**  
Terry Brigman

**RETIREMENT SERVICES**  
Dana Blydenburgh

**FINANCE**  
Michael C. Brossart

**HUMAN RESOURCES**  
Mark Farrington

**RISK MANAGEMENT**  
Karen Lukhaub

**WATER UTILITY**  
Robert Conner

**POLICE**  
Lawrence Giddens

**THE LAKELAND CENTER**  
Tony Camarillo

**CITY OF LAKELAND, FLORIDA**

**CITY OFFICIALS**

**COMMISSION-MANAGER FORM OF GOVERNMENT**

**CITY COMMISSION**

R. Howard Wiggs, Mayor

Jim Malless

Justin M. Troller

Bill Read

Phillip E. Walker

Donald R. Selvage

Edie L. Yates

**CITY MANAGER**

Anthony J. Delgado

**FINANCE DIRECTOR**

Michael C. Brossart, CPA

**CITY ATTORNEY**

Timothy J. McCausland

**CITY CLERK**

Kelly S. Koos



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Lakeland  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO





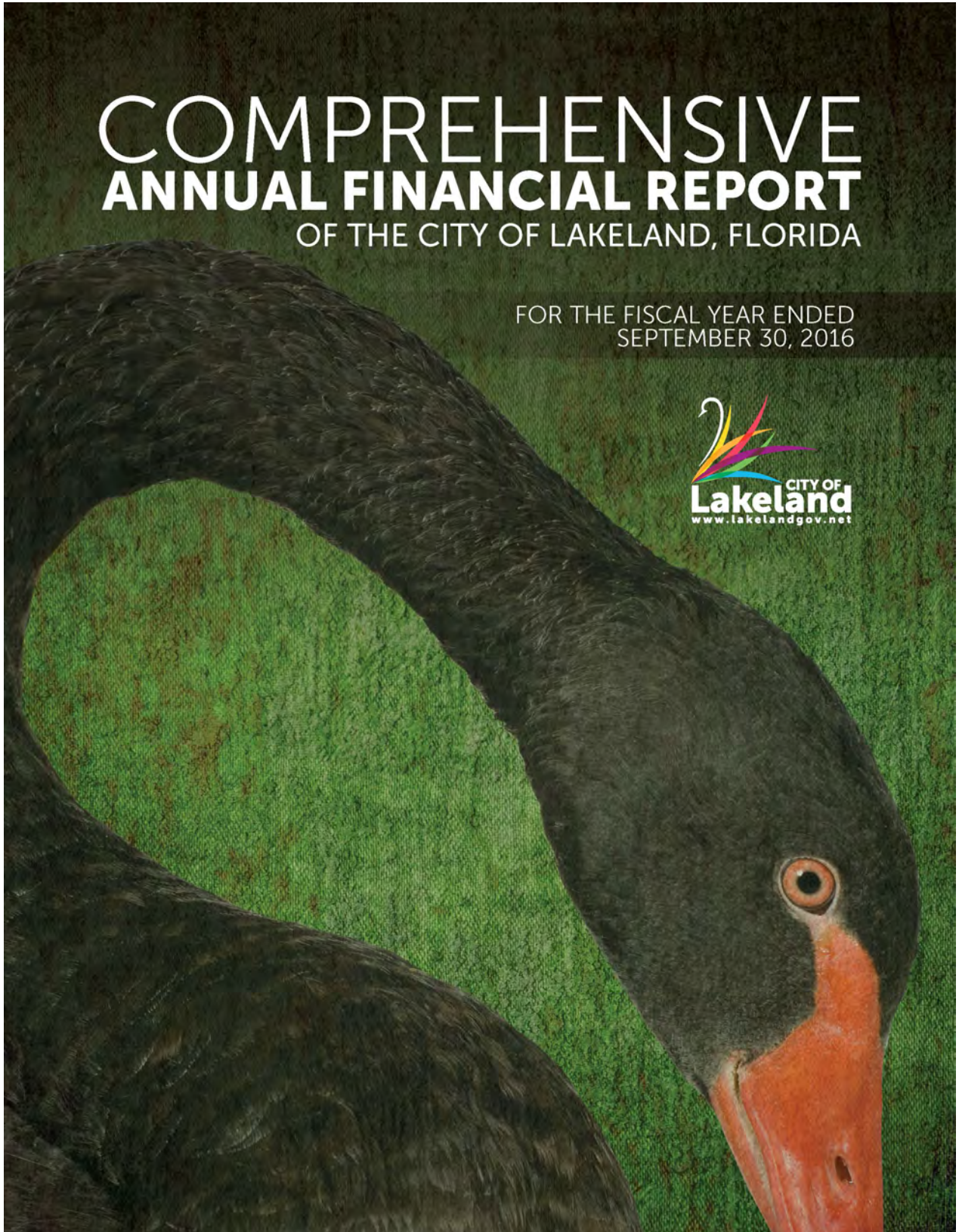
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## FINANCIAL SECTION

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016







## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Commissioners  
and City Manager  
City of Lakeland, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeland, Florida (the "City"), 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 did not audit the financial statements of the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida (a pension trust fund included in aggregate remaining fund information) and the City of Lakeland Firefighters' Retirement System (a pension trust fund included in aggregate remaining fund information), which represent the percentages of assets, net position, and revenues of the pension and other employee benefit trust fund type listed below.

	Assets	Net Position	Revenues
Aggregate Remaining Fund Information:			
Pension and Other Employee Benefit Trusts			
Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida	14.75%	14.77%	14.88%
City of Lakeland Firefighters' Retirement System	11.87%	11.89%	9.88%
	<u>26.62%</u>	<u>26.66%</u>	<u>24.76%</u>

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida and the City of Lakeland Firefighters' Retirement System, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida and the City of Lakeland Firefighters' Retirement System were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 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**

As discussed in Note 2 to the financial statements, in February 2015 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72, *Fair Value Measurement and Application*. Statement 72 is effective for the City's fiscal year ending September 30, 2016. Statement 72 provides guidance for determining, applying, and disclosing fair value measurements. As a result, the investment footnote disclosure has been expanded to include fair value measurement information. Our opinion is 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, budgetary comparison schedules, schedule of changes in the City's net pension liability and related ratios, schedule of contributions from employers and other contributing entities, and schedule of funding progress on pages C-1 through C-17, F-1 through F-2, and F-3 through F-7 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements, schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

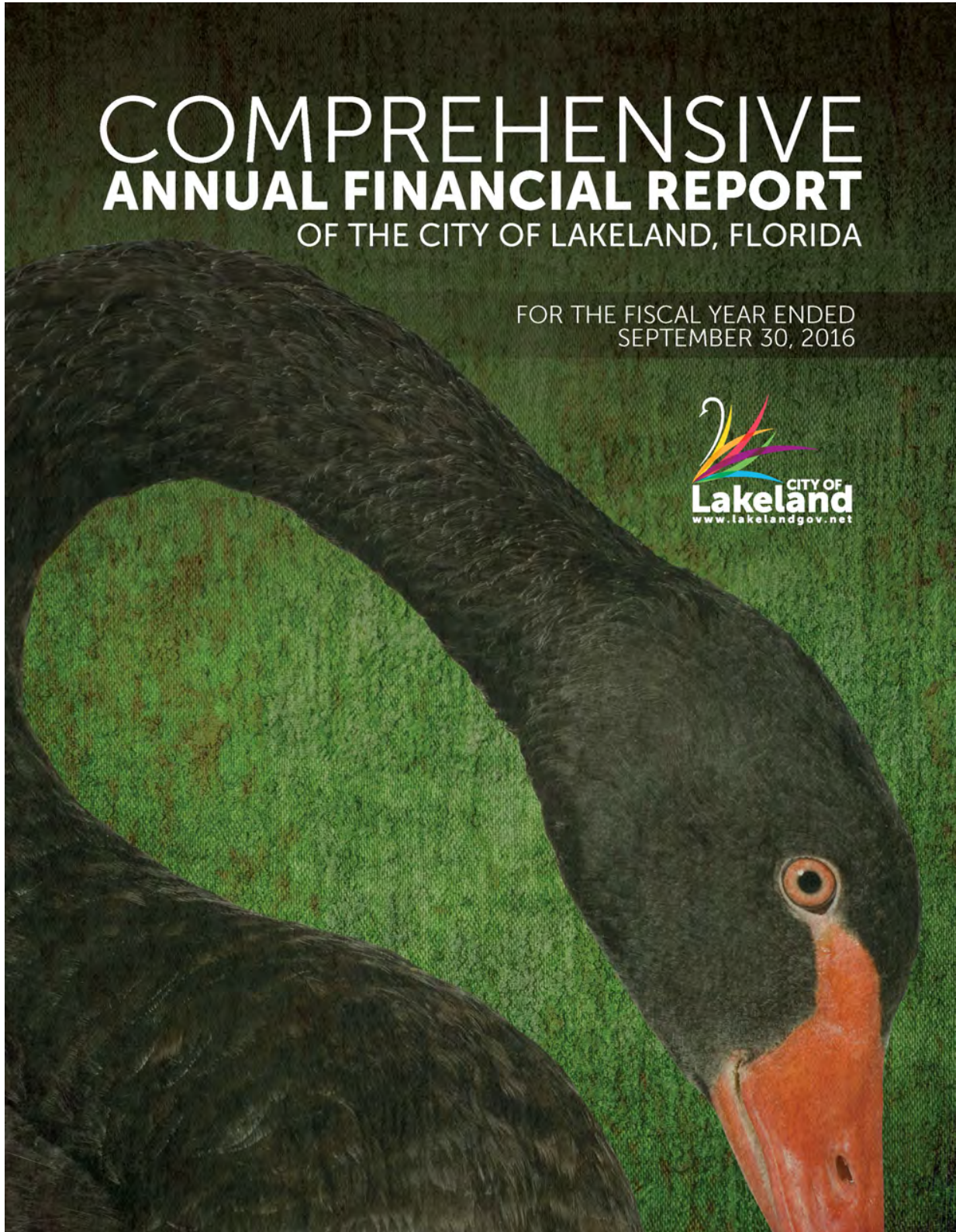
Lakeland, Florida  
March 23, 2017



MANAGEMENT'S DISCUSSION  
AND ANALYSIS

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**  
OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016





**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

The Management's Discussion and Analysis section provides a narrative overview of the City of Lakeland's (City's) financial activities for fiscal year ending September 30, 2016. This discussion is broken down into three components:

- An overview of the financial statements, consisting of a narrative description of the type of information provided within the Comprehensive Annual Financial Report (which begins on page D-1 of this bound document).
- A concise, condensed financial report that summarizes the results of operations of the City as a whole.
- A narrative financial analysis of the City's overall financial condition and results of operations, supported by additional consolidated information about specific services provided by the City.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The City's basic financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The nature of these three components of the report is described as follows:

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

There are two financial statements in this section that address the financial position and results of operations of the City taken as a whole: The Statement of Net Position and the Statement of Activities.

These two financial statements are prepared using the "full accrual" method (basis) of accounting. This is the same accounting method used by most private-sector companies to determine whether they earn a profit in any given year, and to measure the net worth of the company as of the end of the year.

The statement of net position (page D-2 and D-3) is similar to a balance sheet in that it separately identifies the assets (what the City owns) from the liabilities (what the City owes) and the net difference between the two. Cash, receivables, land, buildings and equipment are examples of assets. Bonds, notes, and payables are examples of liabilities. The increase or decrease in net positions from one year to the next indicates whether the City's financial position is improving or deteriorating.

The statement of activities (pages D-4 and D-5) explains how or why the net position has increased or decreased during the year. The statement of activities resembles a profit and loss statement because it compares the total expenses of the government to the total revenues, with the difference between the two, equaling the increase or decrease in net position over the course of the year.

Under the full accrual basis of accounting, some cash flows into the city and some of the cash flows out are not considered operating revenues or operating expenses and accordingly do not appear on the statement of activities. For example, under the full accrual basis of accounting, the purchase of capital assets (e.g. equipment, land, buildings that have a useful life beyond one year) is not shown as an operating expense on the Statement of Activities.

On the other hand, the full accrual accounting method recognizes certain expenses that may not be funded or budgeted by the City within a given year, such as non-cash expenses like depreciation of capital assets and costs that may be incurred in one accounting cycle but are not paid until some future year.

In many cases, this full accrual method of accounting is very different than the accounting process used to budget and measure the cost of government. The annual budgets for most governmental operations only include provision for cash outlays that will actually occur in a given year – which would include disbursements for capital assets, and excludes non-cash expenses such as depreciation or expenses paid out in future years. However, the Government Accounting Standards Board ("GASB") requires that a version of the financial activity for all aspects of the city be prepared using the full accrual basis in order to provide the ability to evaluate the financial status of the city in a manner that is compatible with accounting standards normally adopted within the private sector. Hence, the Government-Wide Financial Statements on pages D-2 thru D-5 are prepared on a full accrual basis.

CITY OF LAKE LAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)**

The information in each of these two statements is separated into two categories as follows:

**Governmental activities** – This portion of the government-wide financial report represents those activities undertaken by the government which cannot, based on practical considerations, be financed by the imposition of a user fee assessed directly and exclusively against the users of those activities. These activities include the services provided by Police and Fire Departments; Public Works (road and drainage construction and maintenance); the Parks & Recreation Department; libraries; growth management; public utilities (such as street lighting); and administrative functions. Because these activities do not lend themselves to recovery of costs through a direct user charge, they are financed primarily from the proceeds of property taxes, sales taxes, franchise fees, interest income, intergovernmental revenues, and state and federal grants.

**Business-type activities** – This portion of the government-wide financial report includes those activities such as the Electric, Water, Wastewater, and Solid Waste Utilities. The cost of providing these services is directly recovered from a user charge assessed against the users of those services. This category also includes the operations of the City's Lakeland Center, the Parking System, the Lakeland Linder Regional Airport and the Cleveland Heights Golf Course.

This category also includes activities within internal service funds – which provide services such as fleet management, information technology, and self-insurance of certain risks to city departments at cost. The value of assets, liabilities and the operating activities of these internal funds are accounted for as Business-type activities, less an allocation of those assets, liabilities and current year operations based on the relative portion of those services that are provided to Governmental activities.

**CITY OF LAKELAND, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)**

The following condensed information is derived from the Government-Wide Financial Statements for the City of Lakeland:

CONDENSED STATEMENT OF NET POSITION (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
Current assets	\$ 99,022	\$ 82,044	\$ 231,399	\$ 221,620	\$ 330,421	\$ 303,664
Asset Apportionments	10,385	9,842	156,970	136,234	167,355	146,076
Restricted assets	46,434	69,806	39,434	36,447	85,868	106,253
Capital assets	277,833	253,466	1,098,451	1,091,385	1,376,283	1,344,851
Other noncurrent assets	-	-	1,289	862	1,289	862
Total assets	433,674	415,158	1,527,543	1,486,548	1,961,217	1,901,706
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources related to pensions	33,408	8,904	35,320	10,632	68,728	19,536
Loss on fuel hedge	-	-	349	-	349	-
Decrease in fair value of interest rate swaps	-	-	36,696	47,953	36,696	47,953
Unamortized loss (gain) on refunding	38	45	37,756	19,466	37,795	19,511
Total deferred outflows of resources	33,446	8,949	110,121	78,051	143,567	87,000
<b>LIABILITIES</b>						
Current liabilities	19,900	14,171	76,529	75,749	96,429	89,920
Apportioned Asset liabilities	-	-	13,169	12,479	13,169	12,479
Restricted liabilities	177	-	17,893	17,296	18,070	17,296
Deferred credits	-	-	43,782	49,004	43,782	49,004
Accrued liabilities, less current portion	119,933	93,871	139,349	117,919	259,282	211,790
Long term debt payable, less current portion	64,845	73,611	554,664	548,106	619,510	621,717
Total liabilities	204,854	181,653	845,387	820,553	1,050,242	1,002,206
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources related to pensions	1,607	3,692	1,307	1,958	2,914	5,650
Over-recovery of fuel	-	-	20,302	13,057	20,302	13,057
Gain on hedges	-	-	-	5,366	-	5,366
Unearned revenue	131	7	427	1,106	558	1,113
Contributions in aid of construction	-	-	45,592	46,113	45,592	46,113
Total deferred inflows of resources	1,739	3,699	67,627	67,600	69,366	71,299
<b>NET POSITION</b>						
Net investment in capital assets	219,338	212,572	556,124	536,302	775,462	748,874
Restricted	46,258	32,774	21,541	19,151	67,799	51,925
Unrestricted	(5,069)	(6,591)	146,985	120,993	141,915	114,402
Total net position	\$ 260,527	\$ 238,755	\$ 724,650	\$ 676,446	\$ 985,177	\$ 915,201



**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)**

**Governmental activities:**

Current Assets consist predominantly of \$39 million of cash and investments, \$24.5 million of receivables, and \$22 million of assets held within internal balances of the City. In the aggregate, this represents an increase of \$17 million in the value of current assets during 2016.

Asset Apportionments represents assets that are designated by the City Commission for certain specific uses – as opposed to current assets, which generally can be used to finance the cost of any general governmental operations. Apportioned assets are comprised of approximately \$4.1 million in assets related to Stormwater Utilities Fund, \$233.1 thousand set aside to fund contributions to cultural and community agencies, \$4.9 million set aside to pay current obligations, including debt obligations, \$2.3 million set aside to pay future obligations, \$1.8 million set aside to pay for future capital expansion, and \$2.1 million in cash designated for maintaining recreation facilities.

Restricted Assets are legally restricted for expenses for certain purposes. These consist predominately of \$13.4 million in assets held within Community Redevelopment Districts, \$1.2 million in assets held for community development, \$1 million in assets held in trust for law enforcement; \$11 million of unspent impact fees, \$16 million in unspent bond proceeds to finance capital projects, \$4.6 million in assets held from transportation, and approximately \$4.4 million held in a fund that is used to provide perpetual maintenance of cemetery plots sold by the City. In the aggregate, there was a \$23 million decrease in the change in the value of these restricted assets from 2015 to 2016.

Current Liabilities represent obligations payable from Current Assets that are likely to be settled within the next year. These consist of approximately \$1.4 million in amounts owed to vendors, \$5.4 million in undistributed payroll obligations accrued during the last pay period of the fiscal year, \$4.9 million of principal due on long term debt and notes on October 1, and \$1.7 million of federal grant proceeds that will be expended on a major road construction project within the next year.

Restricted and Apportioned Liabilities represent obligations payable from Restricted and Apportioned Assets that are likely to be settled within the next year.

Accrued Liabilities represent payroll-related obligations that are not likely to be settled within the next year. This includes approximately \$5 million in unpaid sick and vacation time, \$89.5 million representing the actuarially accrued liability for pension benefits payable to employees during retirement, and approximately \$25.5 million representing the actuarially accrued liability for health insurance benefits payable to employees during retirement. This obligation is the result of a state of Florida mandate, which requires that any city which offers health insurance coverage to retired employees must provide that coverage at the same health insurance premium rates applied to active employees. Since the population of retired employees is prone to higher medical costs than the population of active employees, there is an implied subsidy built into that retiree health insurance premium. The liability of \$24.8 million represents that portion of the actuarially determined value of that implied subsidy payable in future years that has been accrued since the beginning of fiscal year 2008. That liability increased by approximately \$4.4 million since 2014.

Long term debt payable decreased by approximately \$8.8 million from 2015 to 2016, predominantly because of the repayment of a variety of internal loans issued to finance road, park, and facility improvements. The dollar value of those outstanding loans was approximately \$68.8 million as of the end of 2016. Those loans are supported by two fixed interest revenue bonds. The City's long term capital plan calls for the repayment of a little over \$26.9 million of these loans within the course of the next five years.

**Business-type activities:**

Current Assets consist predominantly of \$115.8 million of cash and investments, \$26.8 million of receivables, and \$35.5 million of inventories; less approximately \$22 million representing the estimated value of those assets held within internal service funds of the City that are allocable to governmental activities. In the aggregate, these assets increased \$10 million during 2016. There was an increase of \$9 million within Electric Utilities system – as a result of increase in liquidity from operations; there was a \$8.4 million increase within the Internal Loan Fund – as a result of net the repayment/issuance of loans during the year; and there was a \$1.3 million increase in the Solid Waste Fund resulting from an increase in liquidity from operations.

Asset Apportionments represents assets that are designated by the City Commission for certain specific uses – as opposed to current assets, which generally can be used to finance the cost of any general governmental operation. Apportioned assets are comprised of approximately \$41.3 million in assets committed to repaying bonded debt of utility operations, \$104.7 million committed to financing the cost of capital improvements, \$34 million in assets held for vehicle replacements, and \$21.5 million in assets held by funds used to self-insure the city against certain risks.

**CITY OF LAKELAND, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)**

**Business-type activities (continued):**

Restricted Assets are legally restricted for expenses for certain purposes. These consist predominately of \$17.6 million in customer deposits collected by utility operations, \$10 million of unspent water and wastewater impact fees, and \$12.2 million in unspent bond proceeds. This class of assets increased approximately \$3 million during the year, predominantly from expenditures of bonds proceeds related to new debt issuances.

Current Liabilities represent obligations payable from Current Assets that are likely to be settled within the next year. These consist of approximately \$17.2 million in amounts owed to vendors, \$5.6 million in obligations accrued during the last pay period of the fiscal year, \$41.3 million in bonded debt and loans principal and interest payable on October 1, 2016, and approximately \$1.1 million in advance customer deposits held by the Lakeland Center fund for events that have not yet occurred.

Restricted and Apportioned Liabilities represent obligations payable from Restricted and Apportioned Assets. These consist of approximately \$18.2 in obligations of the city's self-insurance program, and \$17.6 million in customer deposits.

Accrued Liabilities represents obligations that are not likely to be settled within the next year. This includes approximately \$6.8 million in unpaid sick and vacation time, \$7 million in profits earned on settlement of a natural gas purchase agreement, approximately \$102 million representing the actuarially accrued liability for pension benefits, and approximately \$30.6 million representing the actuarially accrued liability for health insurance benefits payable to employees during retirement. This obligation is the result of a state of Florida mandate, which requires that any city which offers health insurance coverage to retired employees must provide that coverage at the same health insurance premium rates applied to active employees. Since the population of retired employees is prone to higher medical costs than the population of active employees, there is an implied subsidy built into that retiree health insurance premium. The liability of \$24.8 million represents that portion of the actuarially determined value of that implied subsidy payable in future years that has been accrued since the beginning of fiscal year 2008.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Ratio of capital assets to related debt:

	Total Governmental Activities	Electric Utility	Water & Wastewater Utility	Other Business-type Activities
Capital assets	\$ 277,832,512	\$ 656,497,441	\$ 283,508,229	\$ 158,445,276
Related long term debt	(58,494,330)	(444,633,289)	(88,819,699)	(2,517,326)
Net investment in capital assets	<u>\$ 219,338,182</u>	<u>\$ 211,864,152</u>	<u>\$ 194,688,530</u>	<u>\$ 155,927,950</u>
FY 2016 Ratio	4.75	1.48	3.19	62.94
FY 2015 Ratio	3.25	1.44	3.16	38.22

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)**

**Capital assets**

This investment in capital assets includes land, buildings, improvements, machinery and equipment, plant, distribution and generation facilities, and infrastructure. The total book value of capital assets as of September 30, 2016 was \$1,376,283,458 which represents a net increase of \$31,433,279 for the year.

Gross capital spending for the year exceeded \$93 million. Major capital asset additions during the current fiscal year included the following:

- \$ 4.3 million of land, right of way, and construction for roadway projects
- \$ 27.9 million in parks and recreation facility improvements
- \$ 225 thousand in public facility improvements
- \$ 438 thousand in public safety facility improvements
- \$ 1.4 million in Stormwater system improvements.
- \$ 9.7 million for new vehicles.
- \$ 4.0 million for computers and software; system upgrades
- \$ 3.3 million for improvements at the city-owned airport
- \$ 7.0 million in water and wastewater system improvements.
- \$31.2 million in electric transmission, distribution, and generation improvements.

Additional information regarding the capital assets of the City can be found in Note 4 of the basic financial statements.

**Long-term debt**

As of September 30, 2016, the City of Lakeland's total bonded debt outstanding was \$611 million. This represents a net decrease of \$14 million compared to 2015. During the year, the City made scheduled retirements of debt of approximately \$152 million. There was also \$149 million of additional debt issued to finance water/wastewater capital projects and to refund electric utility debt.

The majority of the long-term debt outstanding represents revenue bonds issued by the Electric and Water/Wastewater Utilities. Payment of annual principal and interest on this outstanding debt is secured by a lien on the net operating revenues of those operations. Revenue bond obligations issued for the benefit of governmental activities are paid from amounts accumulated in legally required sinking funds maintained in the debt service fund. The City has no general obligation bonded debt outstanding.

The City does not have any debt limitations that could affect the financing of planned facilities or services. Additional information regarding the long-term debt of the City can be found in Note 6 of the basic financial statements.

**CITY OF LAKELAND, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)**

**GOVERNMENT-WIDE STATEMENT OF REVENUES, EXPENSES AND INCREASE IN NET POSITION**

CHANGES IN NET POSITION (in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	\$ 19,079	\$ 18,294	\$ 381,200	\$ 390,695	\$ 400,279	\$ 408,989
Operating grants and contributions	9,713	7,073	56	40	9,769	7,113
Capital grants and contributions	2,153	2,256	16,040	21,078	18,193	23,334
General Revenues						
Property taxes	30,912	23,935	-	-	30,912	23,935
Utility, fuel, and franchise taxes	20,510	20,085	-	-	20,510	20,085
Tourism taxes	-	-	320	318	320	318
State shared revenues	9,093	8,456	-	-	9,093	8,456
Rents and royalties	28,255	12,900	-	-	28,255	12,900
Investment earnings	7,329	2,028	10,776	5,494	18,105	7,522
Miscellaneous	6,906	2,511	2,862	1,284	9,768	3,795
Total revenues	133,950	97,538	411,254	418,909	545,204	516,447
<b>Program expenses</b>						
General government	30,452	14,927	-	-	30,452	14,927
Public safety	62,767	58,029	-	-	62,767	58,029
Physical environment	7,981	11,448	-	-	7,981	11,448
Transportation	16,542	11,953	-	-	16,542	11,953
Economic environment	4,666	3,913	-	-	4,666	3,913
Human services	162	165	-	-	162	165
Culture/recreation	22,312	22,695	-	-	22,312	22,695
Interest on long-term debt	1,353	1,507	-	-	1,353	1,507
Electric	-	-	252,576	272,298	252,576	272,298
Water and wastewater	-	-	42,993	43,347	42,993	43,347
Parking	-	-	1,043	907	1,043	907
Lakeland Center	-	-	8,843	8,982	8,843	8,982
Lakeland Linder Regional Airport	-	-	8,946	7,851	8,946	7,851
Solid Waste	-	-	12,058	12,235	12,058	12,235
Cleveland Heights Golf Course	-	-	2,534	2,437	2,534	2,437
Total expenses	146,235	124,637	328,993	348,057	475,228	472,694
Excess before extraordinary items and transfers	(12,285)	(27,099)	82,261	70,852	69,976	43,753
Transfers	34,057	32,672	(34,057)	(32,672)	-	-
<b>Increase in net position</b>	21,772	5,573	48,204	38,180	69,976	43,753
Net position, beginning of year	238,755	313,160	676,446	722,294	915,201	1,035,454
Prior period adjustment	-	(79,978)	-	(84,028)	-	(164,006)
Net position, end of year	\$ 260,527	\$ 238,755	\$ 724,650	\$ 676,446	\$ 985,177	\$ 915,201

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)**

**Governmental Activities – Revenues, Expenses and increase in net position**

This combined amount of tax revenue from all sources (property tax, sales tax and utility taxes) was up 15% compared to the prior year due to higher than expected tax revenue collections and the increase in the millage rate. Total spending on governmental activities was up 17.3% due to increased spending relating public safety and economic environment. Overall, the City's reliance on taxes as a source of revenue decreased slightly from 42.1% in 2015 to 41.4% in 2016 due to the one-time receipt of \$15 million in hospital lease revenues. For 2016, the City's property tax millage rate was increased to 5.5644 mills.

Other operating revenue sources consist of grants, certain lease proceeds, and amounts collected directly from users of city services.

In the aggregate, total revenues collected in FY 2016 were up 37.3% compared to 2015. Property tax revenues increased as a result of the millage rate increase and rents and royalties increased as a result of the additional \$15 million lease payment.

Total governmental expenses for 2016 were 17.31% higher compared to 2015. Direct payroll costs were higher during 2016 (\$79 million) compared to 2015 by 22%, as a result of the cost of living adjustment, merit increases, increased insurance costs and the one-time payment to the pension plan of \$15 million.

Altogether, direct revenues of the governmental activities are not sufficient to pay all related expenses. The City has historically addressed the difference by relying on a portion of profits earned from certain business-type activities – namely electric, water, wastewater, and solid waste utility services - to finance a portion of the cost of general governmental activities. These subsidies are embedded in the net amount shown as "Transfers" on the Statement of Activities. For FY 2016, these transfers amounted to a net \$34.1 million. This represents approximately 23% of the operating cost of general governmental activities.

**Business-type Activities – Revenues, Expenses and increase in net position**

In the aggregate, the cost of operating the business-type activities of the City is fully recovered from user charges. Those revenues also provide excess amounts available to subsidize a portion of the cost of general governmental activities and amounts necessary to finance the majority of capital improvements. The City-operated Electric Utility is the largest of the operations accounted for within the business-type activities.

Contributions and grants from other governments increased 40% during the year – predominantly the result of the increase in capital grants and contributions for airport and water utilities operations.

Overall profitability of these business-type activities increased from \$70.9 million (before transfers) in fiscal 2015 to \$82.3 million for 2016.

Of these profits, \$34 million was transferred to help finance the cost of general governmental activities. In the aggregate, this transfer of profits from these business type activities represented 12.23% of gross operating revenues of these business type entities (excluding revenues associated with recovering the cost of fuel used to generate electricity).

**Other Post Employment Benefit costs**

As previously mentioned, the Statement of Net Position of both the governmental and business-type operations includes approximately \$56.0 million in liabilities associated with post-employment health insurance benefits payable to retired city employees. Also included in both governmental and business-type expenses is approximately \$12.6 million of cost associated with the increase in the unfunded portion of those OPEB costs. This cost and increase in liabilities is attributable to the fact that the City does not actuarially fund the implied cost associated with the state mandate to establish a uniform premium rate applying to both retired and active participants in the self-insured health insurance program. In lieu of funding the cost of this program in advance, the City will continue to address this cost on a "pay as you go basis", by offsetting the annual value of that implied subsidy for retired employees with increases in the cost of health insurance assessed against active employees – and paid by both the City (as the employer) and active employees themselves.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)**

**Pension Costs**

Also included in the Statement of Net Position of both the governmental and business-type operations are approximately \$191.5 million in liabilities associated with retirement benefits payable to city employees. Also, included in both governmental and business-type expenses is approximately \$24.0 million in pension expenses.

**FUND FINANCIAL STATEMENTS**

This is the second section of the basic financial statements, which starts on page D-6. It presents information in more detail, centered on individual "Funds". For record keeping and reporting purposes, the City separates many of its unique operations into separate accounting "companies" called funds. Separating the record keeping into individual funds enables the City to maintain accounting control over resources and expenses that are dedicated to specific activities. The City also uses fund accounting to separate financial transactions as needed to ensure compliance with finance-related legal requirements imposed on the City by other governments and bond covenants.

All the funds of the City can be divided into three types: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds**

There are two types of financial statements presented for governmental funds – a balance sheet (showing assets, liabilities, and the difference between the two – technically referred to as "fund balance") and a statement of revenues, expenditures, and changes in fund balance (which is similar to a profit or loss statement). The balance sheet appears on page D-6 and the statement of revenues, expenditures, and changes in fund balance is on page D-8.

For purposes of preparing the financial statements for the governmental funds within this section of the report, the basis of accounting used to measure the value of assets, liabilities, revenues and expenditures on more of a "pay as you go" basis – which is the method used to budget for these types of governmental operations. Under this accounting method, the balance sheet only includes working capital assets (cash, investments, receivables) and liabilities that are generally payable within a short period of time. The statement of revenues, expenditures, and changes in fund balance only shows all cash inflows and outflows that actually occur within a given year.

This accounting method is different than the full accrual method used to prepare the Government-Wide Financial Statements. The reason for this different accounting approach is that the activities in these funds are not financed from charges for services. As a result, there is no emphasis placed on measuring annual "net profit or loss" resulting from those operations. Instead, the accounting focuses on whether there will be enough cash flows available in a given year to finance the costs of providing services. The emphasis is much more focused on activities occurring within a one-year budget period rather than the long-term. This methodology is referred to as the "modified accrual" basis of accounting.

A reconciliation schedule is provided within these fund financial statements to identify differences between the modified accrual basis of accounting used in these fund financial statements and the full accrual basis of accounting used in the government wide statements.

The City has two major governmental funds; the General Fund and the Public Improvement Fund. The General Fund serves as a "catch-all" used to capture the day-to-day operating costs associated with a variety of different programs and activities that are not financed from charges for services and other fees. The Public Improvement Fund is used to finance a variety of capital and maintenance projects and debt service related to governmental activities of the City. These funds appear in own separate columns on the fund financial statements. All of the other governmental funds of the City are consolidated into a single column of information labeled Other Governmental Funds. The activities in this column generally represent the cost of transportation capital improvements required to support general governmental activities, plus certain activities that are legally required to be accounted for separately from the "catch-all" activities reported in the General Fund.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FUND FINANCIAL STATEMENTS (continued)**

**Proprietary funds**

Those services provided by the City which are classified as business-type activities in the government-wide financial statements, are labeled as proprietary funds within the fund financial statements. The basis of accounting used within these statements is the full accrual basis of accounting, wherein all assets, liabilities, and net position related to a given activity, as well as transactions, events, or interfund activity of the period that affect net position (economic resources measurement) regardless of the timing of related cash flows (accrual basis of accounting).

The major proprietary funds of the City are the Lakeland Electric Utility Fund and the Water and Wastewater Utility Fund. Information for these two funds is presented in two separate columns within the fund financial statements. The remaining proprietary funds of the City that account for user-financed services provided to the general public are consolidated into a single column labeled Other Enterprise Funds within these statements.

In addition, there is a separate column on these financial statements which consolidates the activities that are provided exclusively to support operations of the City government itself, such as a motor pool, centralized purchasing and warehousing, and a self-insurance financing pool. These services are provided to the various City functions on a cost recovery basis. These are labeled Internal Service Funds within the fund financial statements.

The balance sheet (showing assets, liabilities, and the difference between the two) for the proprietary funds appears on pages D-10 and D-11 and a statement of revenues, expenses, and changes in net position (which is similar to a profit or loss statement) is on page D-14.

**Fiduciary funds**

The City also maintains separate funds called fiduciary funds, which account for the activities of the City's pension funds, private-purpose trust funds, and agency funds. These activities benefit private parties such as retired City employees and other governmental entities. The fact that these services are not provided to the general public mandates their accounting in this separate section of the report. The balance sheet and statement of changes in fiduciary net position appears on pages D-18 and D-19, respectively.

The following section of this letter discusses the results of operations for the three major funds of the City in more detail.

**General Fund**

The General Fund is used to account for the majority of the governmental activities of the City, including activities of the Police and Fire Departments; Public Works (road and drainage construction and maintenance); the Parks & Recreation Department; libraries; growth management; public utilities (such as street lighting); and administrative functions. These activities are financed from a combination of taxes, user fees, and transfers of a portion of the operating profits earned by the business-type activities operated by the City.

A summary of the operations of this fund, including a comparison to the approved budget, is as follows:

**CITY OF LAKELAND, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FUND FINANCIAL STATEMENTS (continued)**

**General Fund (continued)**

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Amended Budget	2016 Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 41,620,335	\$ 41,620,335	\$ 42,424,066	\$ 803,731
Licenses and permits	3,510,450	3,800,300	4,289,098	488,798
Intergovernmental	10,141,557	10,669,320	11,289,776	620,456
Charges for services	3,765,148	4,591,101	4,247,190	(343,911)
Fines and forfeits	1,440,920	2,085,610	2,525,373	439,763
Miscellaneous	2,217,973	2,974,096	2,800,108	(173,988)
Total revenues	<u>62,696,383</u>	<u>65,740,762</u>	<u>67,575,611</u>	<u>1,834,849</u>
<b>EXPENDITURES</b>				
General government:	12,019,239	13,426,862	11,345,683	2,081,179
Public safety:	59,089,159	60,811,860	58,458,875	2,352,985
Physical environment:	5,963,950	6,113,812	6,055,955	57,857
Transportation:	5,292,606	5,787,484	5,121,120	666,364
Economic environment:	1,364,908	1,907,238	1,907,238	-
Human services:	107,123	87,442	87,075	367
Culture/Recreation:	18,662,104	21,547,852	18,881,581	2,666,271
Capital outlay	135,198	926,161	181,240	744,921
Debt Service	244,863	244,863	242,661	2,202
Total expenditures	<u>102,879,150</u>	<u>110,853,574</u>	<u>102,281,428</u>	<u>8,572,146</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(40,182,767)</u>	<u>(45,112,812)</u>	<u>(34,705,817)</u>	<u>10,406,995</u>
<b>NET TRANSFERS (TO) FROM OTHER FUNDS</b>	<u>39,123,978</u>	<u>39,291,595</u>	<u>40,006,635</u>	<u>715,040</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,058,789)</u>	<u>\$ (5,821,217)</u>	<u>\$ 5,300,818</u>	<u>\$ 11,122,035</u>

The schedule above shows the budget that was originally adopted for the General Fund as well as the "Final Budget".

Actual revenues in the aggregate were about 2.8% more than the final budget, with some significant variances within individual categories. Intergovernmental revenue, which includes grants and state shared revenue, were \$620 thousand greater than budget - \$533 thousand in state shared revenues were collected over the amount budgeted and federal, state, and local grant revenues were \$87 thousand higher than the amount budgeted.

Fines and forfeits revenues were up \$440 thousand from the previous year as a result of stagnant revenues relating from revenues from red light cameras installed at certain intersections within the City.

Miscellaneous revenues were \$174 thousand less than the budget, primarily as a result of investment revenues that were less than projections by approximately \$347 thousand and \$173 thousand in miscellaneous revenues that were more than projections.

**CITY OF LAKELAND, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FUND FINANCIAL STATEMENTS (continued)**

**General Fund (continued)**

Spending was significantly below budget, and in fact was only \$3.8 million (3.8%) more than the amount expended in fiscal 2015. This was the result of intensive efforts to hold down spending wherever possible in response to projected decreases in revenues. The increase was a result of a 1.5% across the board increase in payroll and related merit and health insurance increases.

For the year ended September 30, 2016 the City realized an increase in fund balance within the General Fund of \$5.3 million – which falls in line with the anticipated revenue increases and spending increases for fiscal years 2015 thru 2016. Total unrestricted reserves at the end of the year were \$22.7 million, of which \$3.2 million was appropriated to balance the 2017 budget.

**Public Improvement Fund**

The Public Improvement Fund is now a major fund of the City due to the \$39 million received in hospital lease revenues, which includes a one-time payment of \$15 million in addition to the \$25 million in capital expenditures related to the Marchant Stadium Renovation Project. The Public Improvement Fund is used to finance a variety of capital and maintenance projects and debt service related to governmental activities of the City, including activities of the Police and Fire Departments; Public Works (road and drainage construction and maintenance); the Parks & Recreation Department; libraries; growth management; public utilities (such as street lighting); and general governmental City facilities. These activities are financed primarily from the hospital lease revenues and impact fee revenues.

A summary of the operations of this fund, including a comparison to the approved budget, is as follows:

<div><div><div>+</div></div><div><b><u>PUBLIC IMPROVEMENT FUND</u></b></div><div><b>STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE</b></div><div><b>FOR THE YEAR ENDED SEPTEMBER 30, 2016</b></div></div>				
	Original Budget	Final Amended Budget	2016 Actual	Variance
<b>REVENUES</b>				
Intergovernmental	738,655	781,525	515,724	(265,801)
Charges for services	400,000	400,000	479,625	79,625
Miscellaneous	19,003,580	41,577,315	45,744,569	4,167,254
Total revenues	20,142,235	42,758,840	46,739,918	3,981,078
<b>EXPENDITURES</b>				
General government:	5,984,000	16,153,308	15,756,465	396,843
Public safety:	72,000	321,901	206,908	114,993
Physical environment:	70,400	171,880	80,535	91,345
Transportation:	50,000	50,000	50,000	-
Culture/Recreation:	535,302	807,136	564,953	242,183
Capital outlay	41,000,268	45,641,472	28,581,244	17,060,228
Debt Service	4,878,247	6,295,213	6,295,213	-
Total expenditures	52,590,217	69,440,910	51,535,318	17,905,592
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(32,447,982)</u>	<u>(26,682,070)</u>	<u>(4,795,400)</u>	<u>21,886,670</u>
<b>NET TRANSFERS (TO) FROM OTHER FUNDS</b>	<u>(5,696,505)</u>	<u>(5,809,152)</u>	<u>(6,339,365)</u>	<u>(530,213)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (38,144,487)</u></u>	<u><u>\$ (32,491,222)</u></u>	<u><u>\$ (11,134,765)</u></u>	<u><u>\$21,356,457</u></u>

The schedule above shows the budget that was originally adopted for the Public Improvement Fund as well as the "Final Budget".

Actual revenues in the aggregate were about 9% more than the final budget, due an additional \$2.6 million in interest income received over the amount budgeted and an additional \$1.6 million in investment revenue.

**CITY OF LAKELAND, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FUND FINANCIAL STATEMENTS (continued)**

**Public Improvement Fund (continued)**

Spending was significantly below budget (26%) due to \$17.9 million in unspent bond proceeds relating to the Marchant Stadium Project not completed at year end.


For the year ended September 30, 2016 the City realized a decrease in in fund balance within the Public Improvement Fund of \$26.7 million to capital expenditures related to the bond issue received in the prior year. Total unrestricted reserves at the end of the year were \$19.7 million, of which \$9.2 million was appropriated to balance the 2017 budget.

**Lakeland Electric**

The Lakeland Electric Fund is used to account for the generation and delivery of electric power to residential and commercial customers in the greater Lakeland area. The service territory for Lakeland Electric is a predefined, 245.8 square mile area, encompassing all of the incorporated City limits and the surrounding area. The utility serves approximately 126,775 retail customers. The retail customer base increased by 1.3% during 2016, after increasing slightly by 1.1% in 2015 and 0.9% in 2014 and decreasing slightly during the preceding three years prior to 2013.

A summation of the results of operations for Lakeland Electric is as follows:

DEPARTMENT OF ELECTRIC UTILITIES  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FISCAL YEARS ENDED SEPTEMBER 30, 2016, 2015 AND 2014

	2016	2015	2014
OPERATING REVENUES			
Sales of energy - retail	\$ 283,301,838	\$ 296,954,882	\$ 295,627,476
Sales of energy and capacity sales - wholesale	5,788,651	5,521,230	3,839,947
All other operating revenue	7,461,974	7,026,779	6,870,428
	<u>296,552,463</u>	<u>309,502,891</u>	<u>306,337,851</u>
OPERATING EXPENSES			
Fuel and Purchased Power	109,465,695	124,527,810	134,396,178
Generation	26,370,034	27,858,840	23,567,654
Transmission and distribution	23,859,751	23,405,248	22,349,317
Customer service and accounting	7,041,335	6,583,313	6,726,310
Administrative and general	26,093,101	31,603,732	29,583,554
Depreciation 	41,783,960	40,734,055	39,481,370
	<u>234,613,876</u>	<u>254,712,998</u>	<u>256,104,383</u>
OPERATING INCOME	61,938,587	54,789,893	50,233,468
NON-OPERATING ACTIVITY:			
Investment and other income	6,795,111	4,227,177	15,548,798
Interest on debt	(17,994,932)	(18,786,050)	(21,578,344)
Loss on disposal of fixed assets	(389,796)	-	-
Transfers to other funds	(30,678,309)	(29,505,534)	(25,517,236)
	<u>(42,267,926)</u>	<u>(44,064,407)</u>	<u>(31,546,782)</u>
CHANGE IN NET POSITION	<u>\$ 19,670,661</u>	<u>\$ 10,725,486</u>	<u>\$ 18,686,686</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FUND FINANCIAL STATEMENTS (continued)**

**Lakeland Electric (continued)**

As seen in the condensed financial information contained on the preceding page, the net position of Lakeland Electric increased by \$19.7 million during fiscal year 2016, which was more than the \$10.7 million increase reported in 2015. Operating income during fiscal year 2016 was \$61.9 million, which was \$7.1 million more than in 2015. As discussed further in this narrative, fiscal year 2016 had a more favorable variance in non-operating activity over the previous year.

Lakeland Electric's 2016 retail megawatt hour (MWh) sales were up 2 percent from the previous fiscal year. The increased sales volume was driven by warmer than normal weather and a modest 1.3 percent increase in the customer base. Fiscal year 2016 was the Lakeland's warmest, on average, in more than a decade. Non-fuel operating revenue improved by \$3.6 million from the previous fiscal year, with \$3.1 million of the increase attributable to residential customers.

Non-operating revenue increased by \$2.6 million from the previous fiscal year. The majority of the increase was related to the fair value adjustment on Lakeland Electric's share of the City's pooled investments. In 2016, an unrealized gain of \$0.3 million was recognized in accordance with GASB Statement No. 68. Operating expenses of the previous fiscal year (2015) also included a \$3.6 million impairment loss expense associated with McIntosh Unit 1. Total operating and maintenance costs (excluding fuel, gross receipts tax, and depreciation) averaged \$24.84 per retail MWh in 2016, compared to \$27.19 in 2015.

Lakeland Electric's nonfuel operating expenses, excluding gross receipts tax and depreciation, were \$75.9 million in 2016, compared to \$81.6 million in 2015, representing an overall decrease of (\$5.7) million or (7) percent. Administrative and General Expenses were (\$5.1) million lower than the previous year mostly as the result of a reduction in the pension liability as recognized in accordance with GASB Statement No. 68. Operating expenses of the previous fiscal year (2015) also included a \$3.6 million impairment loss expense associated with McIntosh Unit 1. Total operating and maintenance costs (excluding fuel, gross receipts tax, and depreciation) averaged \$24.84 per retail MWh in 2016, compared to \$27.19 in 2015.

Fuel and purchased power expense decreased by (\$15.5) million in 2016, in spite of the increased volume of retail MWh sales. The main driver was an (18) percent annual decline in Lakeland Electric's average cost of natural gas. Lakeland Electric's coal tonnage burned increased by 15 percent as its average price of coal decreased by (4) percent. Wholesale power purchases decreased annually by (16) percent in 2016 because of improved system reliability.

Lakeland Electric recovers fuel costs from retail customers in the form of a fuel charge that is subject to revision, quarterly, based on a forecast of fuel costs for the following twelve months. As of September 30, 2016, the retail fuel charge was \$34.25 per MWh, compared to \$43.85 twelve months earlier. The fuel recovery balance represents, on an accrual basis, the cumulative difference between fuel expenses incurred to serve retail load and fuel revenues realized. Lakeland Electric began 2016 with a cumulative over-recovered fuel position of \$13.1 million. A City of Lakeland ordinance provides for a fuel reserve balance of up to 15 percent of annual budgeted fuel costs (a maximum of \$20.3 million in FY2016) to offset costs associated with fuel inventories and prepaid fuel hedging. The cumulative fuel over-recovery as of September 30, 2016 was \$20.3 million. A regulatory liability was recognized to the extent that the fuel reserve was over-funded (\$6.4 million). See Note 1 D, Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity.

Lakeland Electric recovers environmental compliance costs from retail customers in the form of an environmental compliance charge which is set annually, with the objective of achieving a zero cumulative recovery balance at the end of the subsequent budget year. An environmental compliance rate of \$2.532 per MWh was in effect during 2016, compared to \$3.327 in 2015. Lakeland Electric had a cumulative over-recovered environmental compliance cost balance of \$0.5 million, classified as a regulatory liability, as of the end of 2016. Based on sales and environmental compliance expense projections, no rate change was recommended for 2017.



**CITY OF LAKELAND, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FUND FINANCIAL STATEMENTS (continued)**

**Lakeland Electric (continued)**

Lakeland Electric recovers energy conservation charges in a similar manner to environmental compliance charges. The conservation charge is currently a flat fee of 50¢ per month per customer. Lakeland Electric had a cumulative over-recovered energy conservation charge balance of \$0.3 million, classified as a regulatory liability, as of the end of 2016.

Lakeland Electric provides a dividend to the City of Lakeland's General Fund in the form of monthly cash transfers. The total amount of the dividend in 2016 was \$29.6 million, compared to \$29.0 million in 2015. The dividend rate of \$9.68 per MWh is consistent with the mean reported by comparable municipal utilities in the State of Florida.

Lakeland Electric has historically funded the cost of capital improvements through a combination of bond financing and cash generated from retail utility rates. Capital spending during 2016 was financed by funding provided by the Series 2016 Revenue and Refunding Bonds, with the exception of a \$1.9 million appropriation funded by the Emergency Repair Fund. Remaining proceeds from the 2016 bonds will provide funding for capital projects during 2017 until fully exhausted during the second quarter of the fiscal year.

Capital spending (net of contributions in aid of construction) totaled \$32.8 million in 2016 compared to \$35.4 million during fiscal year 2015 and \$37.6 million in 2014. Capital expenditures during 2016 included \$15.3 million for energy supply projects, \$15.9 million for energy delivery projects, and \$1.6 million for building improvements and equipment. Net capital spending is projected to average more than \$40 million over the next four years.

Depreciation expense has exceeded capital spending during recent fiscal years resulting in a gradual decline in the balance of net plant assets. Depreciation expense, net of amortization of contributions in aid of construction, was \$41.8 million in 2016 compared to \$40.8 million in 2015.

Lakeland Electric recorded contributions in aid of construction from outside the Department in the amount of \$2.5 million during fiscal year 2016, which was approximately the same amount as in the previous year. These amounts are included in the *Plant in Service* balance in the Statements of Net Position.

**Water and Wastewater Utility**

A summation of the results of operations for the combined Water and Wastewater Utility is as follows:

**WATER AND WASTEWATER UTILITIES FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
YEAR ENDED SEPTEMBER 30, 2016 AND 2015**

	2016			2015
	Water	Wastewater	Total	
Operating revenues:				
Charges for services	\$ 28,250,226	\$ 28,991,167	\$ 57,241,393	\$ 54,359,528
Operating expenses:				
Personal services	7,386,494	4,647,439	12,033,933	12,034,093
Other operating expenses	7,599,842	11,964,232	19,564,074	19,203,375
Depreciation	4,026,940	4,121,147	8,148,087	9,219,918
Total operating expenses	19,013,276	20,732,818	39,746,094	40,457,386
Operating income (loss)	9,236,950	8,258,349	17,495,299	13,902,142
Nonoperating revenues (expenses):				
Investment revenue	1,570,968	990,050	2,561,018	1,473,964
Miscellaneous revenue	557,344	1,035,621	1,592,965	73,929
Interest expense	(2,124,026)	(609,655)	(2,733,681)	(2,768,392)
Loss on disposal of capital assets	5	(19,286)	(19,281)	(7,165)
Capital grants and contributions	3,361,463	4,124,378	7,485,841	8,503,551
	3,365,754	5,521,108	8,886,862	7,275,887
Income before transfers	12,602,704	13,779,457	26,382,161	21,178,029
Transfers to Other Funds	(6,003,266)	(3,359,352)	(9,362,618)	(8,129,147)
Change in net position	\$ 6,599,438	\$ 10,420,105	\$ 17,019,543	\$ 13,048,882

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FUND FINANCIAL STATEMENTS (continued)**

**Wastewater**

The Wastewater utility system implemented a rate increase of 5%.

Total gallons of water sold, upon which the majority of wastewater operating revenues are based, were 6.441 billion gallons. Residential wastewater revenues are capped at 12,000 gallons per customer/per month. In the aggregate, operating revenues increased 7.05% due to the 5% rate increase and an additional 1,390 customers. Pretreatment revenues from high strength commercial waste decreased by 2.9% over FY 15.

Operating expenses excluding depreciation were down 1.5% primarily due to the slight decrease in non-capital related operating costs.

Unrestricted net current assets increased by \$2.8 million over the course of the year, now totaling \$8.1 million. This was the result of increases in operating revenues while operating expenses decreased – operating cash flows were as follows:

Operating income (excluding non-cash items)	\$12,380,000
Investment and Other Income (excluding designated and restricted assets)	2,280,000
Debt Service Transfers from rates	(2,700,000)
Capital Funded from rates	(5,800,000)
Transfers to Other Funds	<u>(3,360,000)</u>
Net	<u>\$2,800,000</u>

Unrestricted cash liquidity is \$7.9 million – up from \$5.5 million in 2015. The increase in the unrestricted cash component of this liquidity is the result of increases in operating revenues and decreases in operating expenses for the year, as documented above.

Net position restricted and designated for capital improvements increased from \$16.1 to \$17.2 million during the year – the result of a \$1.3 million grant receivable related to capital grant projects and debt proceeds for capital improvements not completed during the year.

**Water**

The Water utility system implemented a 2.5% increase on volume charges and a 5% increase on base charges for FY 16.

Water revenues are based on the measured flow of water sales into each customer's facility. Total sales volume for the water system tends to fluctuate significantly from year to year – due in some degree to changes in weather patterns that affect the amount of water sold for irrigation purposes. Over the past several years, Water Utilities across the state have seen consistent and significant declines- due partially to the introduction of tiered rate structures that encourage conservation, and also due to the slowdown in the economy. Total gallons of water sold in FY 16 were 6.441 billion gallons, up slightly by 0.011% in FY 16 from FY 15.

Operating expenses (excluding depreciation) increased 4.2% for the year due to increased payroll and operational costs. Interest costs of debt also remained virtually the same over the previous year. There was no change in the system financed \$1.0 million in debt service costs from impact fee revenues in 2016 from 2015.

Unrestricted net current assets decreased from \$16.54 million in 2015 to \$14.0 million in 2016. Excluding non-cash items such as depreciation, amortization, and OPEB expenses, the system earned an operating profit of approximately \$13.6 million. Of that amount, \$4.1 million was transferred to sinking funds to finance debt service obligations, and \$5.2 million was transferred to the General Fund as a dividend payment. The utility transferred \$4.3 million from revenues to finance capital improvements for the year.

The value of net position restricted and designated for financing capital improvements increased from \$14.5 million to \$23.8 million for the year, which was the result of the remaining funds available from the transfer from operations and debt proceeds for capital improvements not completed during the year.

**CITY OF LAKELAND, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, property tax rates, fees and charges for services. Local governments also rely upon a limited number of other taxes (gasoline, utilities, etc.), federal, local, and state grants, and state shared revenues to fund governmental activities. The FY 2017 Budget is a representation of the City's Strategic/Business Operating Plan by allocating resources through service prioritization based on strategic alignment with the City of Lakeland Outcomes. Furthermore, the 2017 Budget was developed utilizing a number of cost containment and budget reductions. The level of taxes, fees, and charges for services will have a bearing on the City's ability to provide public safety, parks and recreation, cultural and community services, economic development, and other services to its citizens. However, the City has implemented a number of fiscal strategies that allowed the City to be better positioned to weather the current economic challenges.

The adopted operating budget for FY 2017 is \$577 million or 8.87% higher than the FY 2016 adopted budget of \$530 million. The General Fund Budget for FY 2017 is \$115 million or 7.5% higher than the 2016 adopted budget of \$107 million.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Lakeland's finances and was prepared by the Finance Department of the City. This report also contains general information on the blended component unit, Lakeland Community Redevelopment Agency, of the City of Lakeland. Requests for additional information should be addressed to the Finance Director at 228 South Massachusetts Ave, Lakeland, FL 33801.



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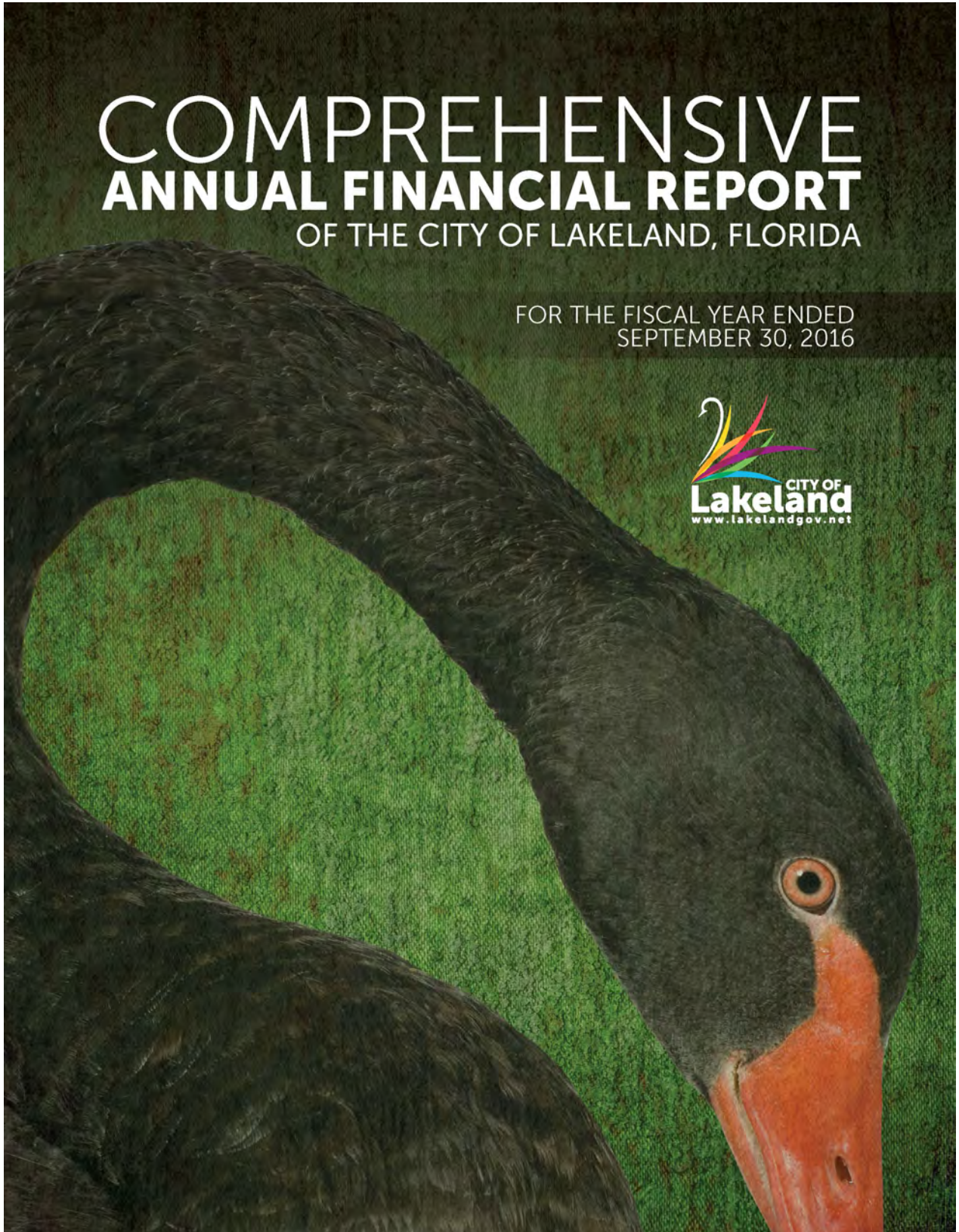


## BASIC FINANCIAL STATEMENTS

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016









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CITY OF LAKELAND, FLORIDA

**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 39,037,818	\$ 115,751,510	\$ 154,789,328
Fuel hedge	—	3,289,947	3,289,947
Receivables, net	24,457,183	45,088,488	69,545,671
Internal balances	22,026,529	(22,026,529)	—
Due from fiduciary fund	138	—	138
Due from other governments	919,713	3,784,602	4,704,315
Inventory	—	35,512,847	35,512,847
Prepaid expenses	10,101	229,130	239,231
Asset apportionments (including \$54,076,428 of cash and cash equivalents), set aside for:			
Current portion of bonds payable	4,913,215	28,392,542	33,305,757
Accrued interest payable	—	12,912,364	12,912,364
Accrued liabilities	189,159	7,669,148	7,858,307
Restricted assets (including \$8,263,169 of cash and cash equivalents), set aside for:			
Accrued interest payable	—	25,898	25,898
Accrued liabilities	7,468,302	768,969	8,237,271
Total current assets	<u>99,022,158</u>	<u>231,398,916</u>	<u>330,421,074</u>
Noncurrent assets:			
Asset apportionments:			
Other asset apportionments (including \$164,513,851 of cash and cash equivalents & \$1,689,781 of investments)	<u>10,384,912</u>	<u>156,969,920</u>	<u>167,354,832</u>
Restricted assets:	<u>46,434,833</u>	<u>39,434,304</u>	<u>85,869,137</u>
(including \$77,735,075 of cash and cash equivalents & \$4,532,029 of investments)			
Capital assets:			
Land	56,163,027	48,113,538	104,276,565
Construction in process	39,303,787	26,688,711	65,992,498
Facilities and equipment in service	372,133,107	2,019,617,719	2,391,750,826
Less accumulated depreciation	(189,767,409)	(995,969,022)	(1,185,736,431)
Total capital assets	<u>277,832,512</u>	<u>1,098,450,946</u>	<u>1,376,283,458</u>
Other noncurrent assets:			
Deposits	—	1,445	1,445
Regulatory asset	—	1,287,642	1,287,642
	<u>—</u>	<u>1,289,087</u>	<u>1,289,087</u>
Total noncurrent assets	<u>334,652,257</u>	<u>1,296,144,257</u>	<u>1,630,796,514</u>
Total assets	<u>433,674,415</u>	<u>1,527,543,173</u>	<u>1,961,217,588</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	33,408,002	35,319,969	68,727,971
Loss on fuel hedge	—	348,521	348,521
Decrease in fair value of interest rate swaps	—	36,695,648	36,695,648
Unamortized loss on refunding	38,289	37,756,499	37,794,788
Total deferred outflows of resources	<u>33,446,291</u>	<u>110,120,637</u>	<u>143,566,928</u>

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION, CONTINUED  
SEPTEMBER 30, 2016

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,365,518	\$ 17,208,931	\$ 18,574,449
Accrued liabilities	5,387,896	5,622,397	11,010,293
Accrued interest payable	15,383	21,106	36,489
Notes and loans payable	231,653	2,672,530	2,904,183
Deposits payable	146,857	1,235,097	1,381,954
Due to fiduciary fund	182,083	-	182,083
Payable from apportioned assets	5,102,374	48,974,054	54,076,428
Payable from restricted assets:			
Accrued interest payable	-	25,898	25,898
Accrued liabilities	7,468,302	768,969	8,237,271
Total current liabilities	<u>19,900,066</u>	<u>76,528,982</u>	<u>96,429,048</u>
Other liabilities:			
Liabilities payable from apportioned assets	-	13,169,000	13,169,000
Restricted liabilities	177,004	17,893,356	18,070,360
Interest rate swap	-	36,695,648	36,695,648
Regulatory liability	-	7,086,148	7,086,148
Accrued liabilities, less current portion	4,965,663	6,826,738	11,792,401
Net pension liability	89,512,599	101,951,284	191,463,883
Net OPEB obligation	25,454,677	30,571,323	56,026,000
Notes and loans payable, less current portion	961,201	29,100,644	30,061,845
Revenue bonds payable, less current portion	63,884,050	481,128,193	545,012,243
Unamortized bond premium	-	44,435,479	44,435,479
Revenue bonds payable, plus unamortized bond premium	<u>63,884,050</u>	<u>525,563,672</u>	<u>589,447,722</u>
Total other liabilities	<u>184,955,194</u>	<u>768,857,813</u>	<u>953,813,007</u>
Total liabilities	<u>204,855,260</u>	<u>845,386,795</u>	<u>1,050,242,055</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	1,607,463	1,306,750	2,914,213
Over-recovery of fuel	-	20,301,603	20,301,603
Unearned revenue	131,257	426,889	558,146
Contributions in aid of construction	-	45,591,950	45,591,950
Total deferred inflows of resources	<u>1,738,720</u>	<u>67,627,192</u>	<u>69,365,912</u>
<b>NET POSITION</b>			
Net investment in capital assets	<u>219,338,182</u>	<u>562,480,632</u>	<u>781,818,814</u>
Restricted for:			
Expendable:			
Debt service	1,119,000	-	1,119,000
Capital improvement	11,457,500	21,540,948	32,998,448
Transportation	2,892,124	-	2,892,124
Law enforcement	1,007,045	-	1,007,045
Grant programs - community development	323,964	-	323,964
CRA	13,061,447	-	13,061,447
Impact fee programs	11,015,885	-	11,015,885
Donations received	948,717	-	948,717
Nonexpendable:			
Endowments	4,432,147	-	4,432,147
	<u>46,257,829</u>	<u>21,540,948</u>	<u>67,798,777</u>
Unrestricted	<u>(5,069,285)</u>	<u>140,628,243</u>	<u>135,558,958</u>
Total net position	<u>\$ 260,526,726</u>	<u>\$ 724,649,823</u>	<u>\$ 985,176,549</u>

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities				
General government	\$ 30,451,530	\$ 1,828,094	\$ 3,479,113	\$ —
Public safety	62,767,315	7,495,330	2,231,629	—
Physical environment	7,981,243	5,178,153	488,448	—
Transportation	16,541,996	1,606,156	345,714	1,117,657
Economic environment	4,665,615	—	1,908,168	20,432
Human services	162,184	—	—	—
Culture/recreation	22,312,077	2,970,870	1,259,962	1,014,930
Interest on long-term debt	1,352,883	—	—	—
Total governmental activities	<u>146,234,843</u>	<u>19,078,603</u>	<u>9,713,034</u>	<u>2,153,019</u>
Business-type activities:				
Electric	252,575,808	296,552,463	—	—
Water and Wastewater	42,993,126	57,241,393	—	7,485,841
Parking	1,042,575	784,689	—	—
Lakeland Center	8,842,716	5,423,307	55,845	—
Lakeland Linder Regional Airport	8,945,961	4,491,436	—	8,553,792
Solid Waste	12,058,132	15,417,836	—	—
Cleveland Heights Golf Course	2,534,521	1,289,155	—	—
Total business-type activities	<u>328,992,839</u>	<u>381,200,279</u>	<u>55,845</u>	<u>16,039,633</u>
Total primary government	<u>\$ 475,227,682</u>	<u>\$ 400,278,882</u>	<u>\$ 9,768,879</u>	<u>\$ 18,192,652</u>
General revenues:				
Taxes				
Property taxes				
Franchise taxes				
Motor fuel taxes				
Utility taxes				
Tourism taxes				
State shared revenues (unrestricted)				
Payments from Lakeland Regional Medical Center				
Investment earnings				
Miscellaneous				
Transfers (to)/from other funds				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (25,144,323)	\$ —	\$ (25,144,323)
(53,040,356)	—	(53,040,356)
(2,314,642)	—	(2,314,642)
(13,472,469)	—	(13,472,469)
(2,737,015)	—	(2,737,015)
(162,184)	—	(162,184)
(17,066,315)	—	(17,066,315)
(1,352,883)	—	(1,352,883)
(115,290,187)	—	(115,290,187)
—	43,976,655	43,976,655
—	21,734,108	21,734,108
—	(257,886)	(257,886)
—	(3,363,564)	(3,363,564)
—	4,099,267	4,099,267
—	3,359,704	3,359,704
—	(1,245,366)	(1,245,366)
—	68,302,918	68,302,918
(115,290,187)	68,302,918	(46,987,269)
30,912,106	—	30,912,106
242,656	—	242,656
5,436,168	—	5,436,168
14,831,215	—	14,831,215
—	319,440	319,440
9,093,120	—	9,093,120
28,254,750	—	28,254,750
7,330,101	10,776,341	18,106,442
6,904,306	2,862,238	9,766,544
34,057,221	(34,057,221)	—
137,061,643	(20,099,202)	116,962,441
21,771,456	48,203,716	69,975,172
238,755,270	676,446,107	915,201,377
\$ 260,526,726	\$ 724,649,823	\$ 985,176,549

## CITY OF LAKELAND, FLORIDA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,903,692	\$ 34,736,513	\$ 32,081,358	\$ 94,721,563
Cash with paying agents	—	4,913,215	—	4,913,215
Investments	1,954	1,689,781	4,530,075	6,221,810
Receivables, net	24,457,213	1,197	1,185,955	25,644,365
Due from other funds	1,845,907	—	—	1,845,907
Due from other governments	919,713	—	1,384,309	2,304,022
Prepaid expenditures	10,101	—	160	10,261
Total assets	<u>\$ 55,138,580</u>	<u>\$ 41,340,706</u>	<u>\$ 39,181,857</u>	<u>\$ 135,661,143</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 849,985	\$ 5,047,638	\$ 1,138,972	\$ 7,036,595
Accrued liabilities	5,314,224	89,055	126,885	5,530,164
Deposits payable	141,857	5,000	177,004	323,861
Due to other funds	182,083	—	87	182,170
Unearned revenue	—	131,257	1,859,499	1,990,756
Total liabilities	<u>6,488,149</u>	<u>5,272,950</u>	<u>3,302,447</u>	<u>15,063,546</u>
<b>Deferred inflows of resources:</b>				
Deferred revenue	24,215,304	—	978,911	25,194,215
Total deferred inflows of resources	<u>24,215,304</u>	<u>—</u>	<u>978,911</u>	<u>25,194,215</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepays	10,101	—	160	10,261
Cemetery endowment	—	—	4,402,584	4,402,584
Permanent fund principal	—	—	29,476	29,476
	<u>10,101</u>	<u>—</u>	<u>4,432,220</u>	<u>4,442,321</u>
<b>Restricted for:</b>				
CRA	—	—	12,224,212	12,224,212
Law enforcement	1,007,045	—	—	1,007,045
Impact fee programs	—	—	11,015,885	11,015,885
Transportation	—	—	2,884,309	2,884,309
Capital improvement	—	11,457,500	—	11,457,500
Donations received	749,555	—	199,162	948,717
Debt service	—	1,119,000	—	1,119,000
Grant programs - community development	—	—	199,213	199,213
	<u>1,756,600</u>	<u>12,576,500</u>	<u>26,522,781</u>	<u>40,855,881</u>
<b>Committed to:</b>				
Working Capital	—	1,818,335	—	1,818,335
Stormwater	—	—	3,954,698	3,954,698
	<u>—</u>	<u>1,818,335</u>	<u>3,954,698</u>	<u>5,773,033</u>
<b>Assigned to:</b>				
Subsequent year's expenditures	6,681,590	—	—	6,681,590
Cultural activities	233,122	—	—	233,122
Recreational facilities	2,088,867	—	—	2,088,867
Debt service	—	2,289,820	—	2,289,820
Capital projects	—	19,383,101	—	19,383,101
	<u>9,003,579</u>	<u>21,672,921</u>	<u>—</u>	<u>30,676,500</u>
Unassigned	13,664,847	—	(9,200)	13,655,647
Total fund balances	<u>24,435,127</u>	<u>36,067,756</u>	<u>34,900,499</u>	<u>95,403,382</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 55,138,580</u>	<u>\$ 41,340,706</u>	<u>\$ 39,181,857</u>	<u>\$ 135,661,143</u>

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



CITY OF LAKELAND, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

Total Fund Balances - Total Governmental Funds \$ 95,403,382

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$ 467,599,921	
Less accumulated depreciation	<u>(189,767,409)</u>	277,832,512

The value of certain assets are not recorded in the governmental fund financial statements, because such amounts normally are not convertible to cash on a timely enough basis to pay for the current period's expenditures. These assets consist of the following:

Revenues collected more than 60 days from year end.	25,194,215
---	------------

Deferred outflows of resources related to pensions (see Note 13).	33,408,002
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Certain long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Accrued liability for compensated absences.	(4,965,663)
---	-------------

Net pension liability attributable to employee salaries financed from government fund types (see Note 13).	(89,512,599)
--	--------------

Deferred inflows of resources related to pensions (see Note 13).	(1,607,463)
--	-------------

Net OPEB Obligation attributable to retiree benefits financed from governmental fund types.	(25,454,677)
---	--------------

Bonds, loans and notes payable.	\$ (69,990,119)	
Unamortized loss on refunding	<u>38,289</u>	(69,951,830)

Internal Service Funds are used to account for certain operating costs that are common to all City funds, such as the cost of vehicles, insurance, and centralized purchasing. These costs are allocated to the individual funds on a pro-rata basis, however the assets of these Internal Service Funds are recognized within the business-type activities component of the Government-wide Statement of Net Position. The Internal Service Funds operated at a gain for the fiscal year. The cumulative pro-rata share of these gains attributable to governmental activities has been included in the allocation of costs to the governmental activities, resulting in an uncollected receivable from the business type activities.

20,180,847

Net Position of Governmental Activities.	<u><u>\$ 260,526,726</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF LAKELAND, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 42,424,066	\$ —	\$ 8,998,079	\$ 51,422,145
Licenses and permits	4,289,098	—	—	4,289,098
Intergovernmental	11,289,776	515,724	3,341,983	15,147,483
Charges for services	4,247,190	479,625	7,537,317	12,264,132
Fines and forfeits	2,525,373	—	—	2,525,373
Miscellaneous	2,800,108	45,744,569	4,309,858	52,854,535
Total revenues	<u>67,575,611</u>	<u>46,739,918</u>	<u>24,187,237</u>	<u>138,502,766</u>
<b>EXPENDITURES</b>				
Current:				
General government	11,345,683	15,756,465	1,667,476	28,769,624
Public safety	58,458,875	206,908	65,765	58,731,548
Physical environment	6,055,955	80,535	666,909	6,803,399
Transportation	5,121,120	50,000	7,149,209	12,320,329
Economic environment	1,907,238	—	2,206,688	4,113,926
Human services	87,075	—	75,109	162,184
Culture/recreation	18,881,581	564,953	43,564	19,490,098
Capital outlay	181,240	28,581,244	7,836,329	36,598,813
Debt service	242,661	6,295,213	2,799,284	9,337,158
Total expenditures	<u>102,281,428</u>	<u>51,535,318</u>	<u>22,510,333</u>	<u>176,327,079</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,705,817)</u>	<u>(4,795,400)</u>	<u>1,676,904</u>	<u>(37,824,313)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term debt	—	7,470	—	7,470
Transfers from other funds	44,275,393	361,580	647,444	45,284,417
Transfers to other funds	(4,268,758)	(6,708,415)	(1,233,441)	(12,210,614)
Total other financing sources and (uses)	<u>40,006,635</u>	<u>(6,339,365)</u>	<u>(585,997)</u>	<u>33,081,273</u>
Net change in fund balances	5,300,818	(11,134,765)	1,090,907	(4,743,040)
FUND BALANCE, beginning of year	19,134,309	47,202,521	33,809,592	100,146,422
FUND BALANCE, end of year	<u>\$ 24,435,127</u>	<u>\$ 36,067,756</u>	<u>\$ 34,900,499</u>	<u>\$ 95,403,382</u>

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

CITY OF LAKELAND, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds \$ (4,743,040)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital outlay	\$ 36,598,813	
Depreciation expense	<u>(11,745,051)</u>	24,853,762

The book value of assets disposed of during the year are not reported as an expenditure in the governmental funds, however it is recognized as a component of gain or loss on the disposition of capital assets in the statement of activities. (507,129)

Proceeds from issuance of long-term debt is recorded as a revenue in the governmental funds, but the proceeds result in an additional liability in the statement of net position. (7,470)

Repayment of bond principal is recorded as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 7,764,067

Amortization of bond premium is not reported as an expenditure in the government funds, but the amortization reduces long-term liabilities in the statement of net position. (6,381)

Repayment of principal on other long-term debt is recorded as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 223,964

No current period expenditures is recognized in connection with debt service interest payment due the 1st day of the following fiscal year. 2,625

Some of the assets capitalized this year were donated from private, third parties. The value of these donations are not recorded as revenues in the governmental funds because they do not represent available, spendable resources. However, these are recognized as Capital Grants and Contributions in the statement of activities. 20,432

Contributions to certain pension plans use current financial resources and are recorded in full as expenditures in the governmental funds, however a portion of these disbursements increase the net pension liability in the statement of activities. 3,624,018

Contributions to the retiree benefits do not use current financial resources and are not recorded in full as expenditures in the governmental funds, however these disbursements increase the net OPEB obligation in the statement of activities. (3,132,995)

Certain deferred revenues that do not provide current financial resources are not reported as revenues in the governmental funds, but are included in the statement of activities. (7,512,342)

In the governmental funds, personnel costs are measured by the amount of financial resources used, which does not include the increase in accrued, compensated absences. These expenses are recorded in the statement of activities. 34,956

The revenue and expenses of the Internal Service Funds are reported as a component of proprietary funds and accordingly are not recognized in the governmental funds. A portion of these net revenues and expenses are recorded as governmental activities in the statement of activities. 1,156,989

Change in net position of governmental activities. \$ 21,771,456

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2016

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 57,371,795	\$ 21,444,762	\$ 6,723,196	\$ 85,539,753	\$ 30,211,757
Fuel hedge	3,289,947	—	—	3,289,947	—
Receivables	41,749,329	2,678,091	1,772,761	46,200,181	548
Less allowance for uncollectibles	(736,931)	(94,627)	(280,683)	(1,112,241)	—
Due from other funds	—	—	—	—	6,884,369
Due from other governments	—	—	3,714,354	3,714,354	70,248
Inventory	33,137,545	1,299,435	20,310	34,457,290	1,055,557
Prepaid expenses	—	2,103	225,202	227,305	1,825
Asset apportionments set aside for:					
Current portion of bonds payable	20,875,000	3,373,757	1,245,000	25,493,757	2,898,785
Accrued interest payable	9,086,747	1,506,411	11,582	10,604,740	2,307,624
Due to other funds	—	—	—	—	2,204,372
Accrued liabilities	—	625,518	—	625,518	7,043,630
(including \$51,178,426 of cash and cash equivalents)					
Restricted assets, set aside for:					
Accrued interest payable	25,898	—	—	25,898	—
Accrued liabilities	768,969	—	—	768,969	—
(including \$794,867 of cash and cash equivalents)					
Total current assets	165,568,299	30,835,450	13,431,722	209,835,471	52,678,715
Noncurrent assets:					
Asset apportionments:					
Advances to other funds, less current portion	—	—	—	—	1,089,237
Other asset apportionments (including \$153,779,886 of cash and cash equivalents.)	73,316,038	30,927,097	456,595	104,699,730	50,065,818
	73,316,038	30,927,097	456,595	104,699,730	51,155,055
Restricted assets:	21,864,972	17,114,635	436,076	39,415,683	18,621
(including \$38,238,384 of cash and cash equivalents)					
Capital assets:					
Land	15,595,265	12,552,087	19,956,214	48,103,566	9,972
Construction in process	8,591,770	10,199,008	6,354,068	25,144,846	1,543,865
Facilities and equipment in service	1,322,510,938	431,573,383	170,767,058	1,924,851,379	94,766,340
Less accumulated depreciation	(690,200,532)	(170,816,249)	(82,846,972)	(943,863,753)	(52,105,269)
Total capital assets	656,497,441	283,508,229	114,230,368	1,054,236,038	44,214,908
Other noncurrent assets:					
Deposits	—	—	1,445	1,445	—
Advances to other funds, less current portion	—	—	—	—	22,726,415
Regulatory asset	1,287,642	—	—	1,287,642	—
Total other noncurrent assets	1,287,642	—	1,445	1,289,087	22,726,415
Total noncurrent assets	752,966,093	331,549,961	115,124,484	1,199,640,538	118,114,999
Total assets	918,534,392	362,385,411	128,556,206	1,409,476,009	170,793,714
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Loss on fuel hedge	348,521	—	—	348,521	—
Deferred outflows of resources related to pensions	20,290,620	5,573,016	3,565,915	29,429,551	5,890,418
Decrease in fair value of interest rate swaps	36,695,648	—	—	36,695,648	—
Unamortized loss on refunding	34,931,160	1,881,925	228,376	37,041,461	715,038
Total deferred outflows of resources	92,265,949	7,454,941	3,794,291	103,515,181	6,605,456

CITY OF LAKE LAND, FLORIDA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS, CONTINUED  
SEPTEMBER 30, 2016

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 15,037,580	\$ 411,123	\$ 1,339,315	\$ 16,788,018	\$ 420,913
Accrued liabilities	3,514,453	843,547	476,049	4,834,049	788,348
Due to other funds	—	—	2,930,582	2,930,582	3,595,097
Accrued interest payable	—	—	13,917	13,917	7,189
Notes and loans payable	328,184	2,070,253	274,093	2,672,530	—
Deposits payable	—	—	1,157,987	1,157,987	77,110
Payable from apportioned assets:					
Accrued liabilities	—	625,518	—	625,518	7,043,630
Current portion of bonds payable	20,875,000	3,373,757	1,245,000	25,493,757	2,898,785
Accrued interest payable	9,086,747	1,506,411	11,582	10,604,740	2,307,624
Due to other funds	—	—	—	—	2,204,372
Payable from restricted assets:					
Accrued interest payable	25,898	—	—	25,898	—
Accrued liabilities	768,969	—	—	768,969	—
Total current liabilities	<u>49,636,831</u>	<u>8,830,609</u>	<u>7,448,525</u>	<u>65,915,965</u>	<u>19,343,068</u>
Other liabilities:					
Liabilities payable from apportioned assets					
Advances from other funds, less current portion	—	—	—	—	1,401,178
Other liabilities payable from apportioned assets	—	—	—	—	13,169,000
Restricted liabilities	14,909,828	2,578,244	405,284	17,893,356	—
Accrued liabilities, less current portion	4,169,330	1,104,708	499,720	5,773,758	1,052,980
Advances from other funds, less current portion	—	—	13,482,079	13,482,079	8,932,395
Interest rate swap	36,695,648	—	—	36,695,648	—
Net pension liability	58,777,353	15,570,125	10,296,220	84,643,698	17,307,586
Net OPEB obligation	17,945,523	4,811,178	3,033,443	25,790,144	4,781,179
Regulatory liability	7,086,148	—	—	7,086,148	—
Notes and loans payable, less current portion	139,045	28,084,990	876,609	29,100,644	—
Revenue bonds payable, less current portion	387,725,000	58,096,881	350,000	446,171,881	34,956,312
Unamortized bond premium	33,012,771	3,561,344	—	36,574,115	7,861,364
Total other liabilities	<u>560,460,646</u>	<u>113,807,470</u>	<u>28,943,355</u>	<u>703,211,471</u>	<u>89,461,994</u>
Total liabilities	<u>610,097,477</u>	<u>122,638,079</u>	<u>36,391,880</u>	<u>769,127,436</u>	<u>108,805,062</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources related to pensions	753,373	199,568	131,970	1,084,911	221,839
Over-recovery of fuel	20,301,603	—	—	20,301,603	—
Unearned revenue	398,321	—	28,568	426,889	—
Contributions in aid of construction	45,591,950	—	—	45,591,950	—
Total deferred inflows of resources	<u>67,045,247</u>	<u>199,568</u>	<u>160,538</u>	<u>67,405,353</u>	<u>221,839</u>
<b>NET POSITION</b>					
Net investment in capital assets	211,864,152	194,688,530	111,713,042	518,265,724	44,214,908
Restricted					
Capital improvement	6,955,144	14,536,391	30,792	21,522,327	18,621
Unrestricted	114,838,321	37,777,784	(15,945,755)	136,670,350	24,138,740
Total net position	<u>\$ 333,657,617</u>	<u>\$ 247,002,705</u>	<u>\$ 95,798,079</u>	<u>\$ 676,458,401</u>	<u>\$ 68,372,269</u>

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

CITY OF LAKELAND, FLORIDA

RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET POSITION  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

Net position - business-type activities:

Enterprise Funds	\$ 676,458,401
Internal Service Funds	<u>68,372,269</u>
	<u>744,830,670</u>

Amounts reported for business-type activities in the statement of net position are different because:

Internal Service Funds are recognized within the business-type activities component of the Government-Wide Statement of Net Position, however the revenues and expenses of Internal Service Funds are allocated to the governmental and proprietary fund-types on a pro-rata basis. The Internal Service Funds operated at a gain for the fiscal year resulting in an unpaid liability to the governmental activities in the Government-Wide Statement of Net Position.

(20,180,847)

Net Position of Business-type Activities	<u><u>\$ 724,649,823</u></u>
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The accompanying notes are an integral part of the financial statements.





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CITY OF LAKELAND, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
OPERATING REVENUES					
Charges for services	\$ 296,552,463	\$ 57,241,393	\$ 27,406,423	\$ 381,200,279	\$ 73,002,864
OPERATING EXPENSES					
Personal services	39,039,354	12,033,933	9,194,582	60,267,869	14,468,775
Other operating expenses	153,790,562	19,564,074	17,874,169	191,228,805	50,465,883
Depreciation	41,783,960	8,148,087	5,505,160	55,437,207	9,199,070
Total operating expenses	234,613,876	39,746,094	32,573,911	306,933,881	74,133,728
Operating income (loss)	61,938,587	17,495,299	(5,167,488)	74,266,398	(1,130,864)
NONOPERATING REVENUES (EXPENSES)					
Property and other taxes	—	—	319,440	319,440	—
Federal, state and local grants	—	—	55,845	55,845	309,078
Investment revenue	5,987,716	3,181,004	310,443	9,479,163	3,075,002
Net increase (decrease) in the fair value of investments and cash equivalents	293,448	(619,986)	194,106	(132,432)	253,068
Interest income on internal loans	—	—	—	—	2,872,460
Miscellaneous revenue	513,947	1,592,965	755,326	2,862,238	117,792
Rebate on fuel taxes	—	—	—	—	164,567
Interest expense	(17,626,744)	(2,843,480)	(736,964)	(21,207,188)	(5,594,681)
Amortization	(368,188)	109,799	(38,063)	(296,452)	344,865
Gain (loss) on disposal of capital assets	(389,796)	(19,281)	(1,108)	(410,185)	1,044,937
Total nonoperating revenue (expenses)	(11,589,617)	1,401,021	859,025	(9,329,571)	2,587,088
Income (loss) before contributions and transfers	50,348,970	18,896,320	(4,308,463)	64,936,827	1,456,224
Capital grants and contributions	—	7,485,841	8,553,792	16,039,633	—
Transfers from other funds	—	—	5,790,539	5,790,539	2,946,383
Transfers to other funds	(30,678,309)	(9,362,618)	(1,700,911)	(41,741,838)	(67,063)
Total contributions and transfers	(30,678,309)	(1,876,777)	12,643,420	(19,911,666)	2,879,320
Change in net position	19,670,661	17,019,543	8,334,957	45,025,161	4,335,544
NET POSITION, beginning of year	313,986,956	229,983,162	87,463,122	631,433,240	64,036,725
NET POSITION, end of year	\$ 333,657,617	\$ 247,002,705	\$ 95,798,079	\$ 676,458,401	\$ 68,372,269

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

CITY OF LAKE LAND, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION OF THE PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Change in net position - business-type activities:

Enterprise Funds	\$ 45,025,161
Internal Service Funds	<u>4,335,544</u>
	<u>49,360,705</u>

Amounts reported for business-type activities in the statement of activities are different because:

Internal Service Funds are recognized within the business-type activities component of the Government-Wide Statement of Activities, however the revenues and expenses of Internal Service Funds are allocated to the governmental and proprietary fund-types on a pro-rata basis. A portion of the net revenues and expenses of the Internal Service Funds for the year are recorded within the Governmental Activities on the Government-Wide Statement of Activities.

(1,156,989)

Change in net position of business-type activities

\$ 48,203,716

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities				
	Enterprise Funds				
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 307,176,468	\$ 58,786,543	\$ 28,083,139	\$ 394,046,150	\$ 12,486,136
Receipts for interfund services	—	—	—	—	60,560,800
Payments for interfund services	(13,702,590)	(4,632,629)	(5,494,440)	(23,829,659)	(1,585,678)
Payments to suppliers	(131,230,071)	(15,297,027)	(15,330,092)	(161,857,190)	(48,254,219)
Payments to employees	(41,020,519)	(12,585,955)	(9,552,423)	(63,158,897)	(14,918,943)
Cash flows provided by (used in) operating activities	121,223,288	26,270,932	(2,293,816)	145,200,404	8,288,096
Cash flows from noncapital financing activities:					
Proceeds from local grants	—	—	55,845	55,845	—
Interest paid on customer deposits	(722,130)	(65,882)	(16,575)	(804,587)	—
Transfers from other funds	—	—	6,163,576	6,163,576	—
Transfers to other funds	(30,678,309)	(8,684,987)	(1,700,911)	(41,064,207)	(67,063)
Cash flows provided by (used in) noncapital financing activities	(31,400,439)	(8,750,869)	4,501,935	(35,649,373)	(67,063)
Cash flows from capital and related financing activities:					
Interest received on internal loans	—	—	—	—	2,864,990
Proceeds from repayment of interfund loans	—	—	—	—	22,469,773
Proceeds from issuance of interfund loans	—	—	—	—	350,151
Payments on interfund loans	—	—	(6,957,822)	(6,957,822)	(15,511,950)
Taxes received for payments on long-term debt	—	—	319,440	319,440	—
Issuance of interfund loans	—	—	—	—	(350,151)
Interest paid on long-term debt issued to finance capital assets	(15,454,423)	(3,258,270)	(751,679)	(19,464,372)	(5,581,755)
Proceeds from issuance of long-term debt	16,269,713	10,600,000	—	26,869,713	—
Repayments on and maturities of long-term debt - governmental funds	—	—	—	—	7,764,067
Proceeds from grants received on interest payments	—	—	—	—	309,078
Debt issue costs	(674,950)	—	—	(674,950)	—
Payments on and maturities of long-term debt	(27,370,619)	(4,678,840)	(1,380,600)	(33,430,059)	(8,977,000)
Transfers from other funds for capital purposes	—	—	795,014	795,014	2,946,383
Proceeds from capital grant programs	—	—	11,575,161	11,575,161	—
Capital contributions from others	—	8,206,634	—	8,206,634	—
Proceeds from sale of capital assets	—	—	—	—	1,258,548
Purchase of capital assets	(32,555,681)	(12,415,483)	(12,263,227)	(57,234,391)	(13,543,140)
Cash flows provided by (used in) capital financing activities	(59,785,960)	(1,545,959)	(8,663,713)	(69,995,632)	(6,001,006)

## CITY OF LAKELAND, FLORIDA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS, CONTINUED  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
Cash flows from investing activities:					
Investment revenue	\$ 6,418,094	\$ 2,673,176	\$ 327,018	\$ 9,418,288	\$ 3,075,002
Net increase (decrease) in the fair value of cash equivalents	293,448	(24,327)	194,106	463,227	253,068
Proceeds from sale and maturity of investment securities	—	2,848,183	—	2,848,183	—
Cash flows provided by (used in) investing activities	6,711,542	5,497,032	521,124	12,729,698	3,328,070
Net increase (decrease) in cash and cash equivalents	36,748,431	21,471,136	(5,934,470)	52,285,097	5,548,097
Cash and cash equivalents, beginning of year	145,419,076	53,467,020	14,806,919	213,693,015	88,216,864
Cash and cash equivalents, end of year	<u>\$ 182,167,507</u>	<u>\$ 74,938,156</u>	<u>\$ 8,872,449</u>	<u>\$ 265,978,112</u>	<u>\$ 93,764,961</u>
Classified as:					
Current	\$ 57,371,795	\$ 21,444,762	\$ 6,723,196	\$ 85,539,753	\$ 30,211,757
Apportioned	103,277,786	36,432,766	1,713,177	141,423,729	63,534,583
Restricted	21,517,926	17,060,628	436,076	39,014,630	18,621
Total	<u>\$ 182,167,507</u>	<u>\$ 74,938,156</u>	<u>\$ 8,872,449</u>	<u>\$ 265,978,112</u>	<u>\$ 93,764,961</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities					
Operating income (loss)	\$ 61,938,587	\$ 17,495,299	\$ (5,167,488)	\$ 74,266,398	\$ (1,130,864)
Depreciation	41,783,960	8,148,087	5,505,160	55,437,207	9,199,070
Rebate on fuel taxes	—	—	—	—	164,567
Miscellaneous revenue	513,947	1,592,965	755,326	2,862,238	117,792
(Increase) decrease in receivables, net	4,387,814	(181,215)	(178,399)	4,028,200	(210,982)
Decrease in due from other governments	—	—	—	—	(27,305)
(Increase) decrease in inventory	1,419,413	(150,190)	1,386	1,270,609	(224,686)
Decrease in prepaid expenses	—	(2,103)	(13,497)	(15,600)	(1,825)
(Increase) in deferred outflows related to pensions	(14,161,060)	(3,949,295)	(2,492,180)	(20,602,535)	(4,085,507)
Increase in fair value of derivative	6,935,098	—	—	6,935,098	—
Increase (decrease) in accounts payable	603,195	(231,215)	(3,016,441)	(2,644,461)	(538,018)
Increase (decrease) in accrued liabilities	(60,832)	156,099	10,442	105,709	144,072
Increase in deferred regulatory revenue	6,035,114	—	—	6,035,114	—
Increase in deposits payable	165,115	127,249	179,823	472,187	48,550
(Decrease) in unearned revenue	(477,985)	—	(12,287)	(490,272)	—
Increase in net pension liability	10,516,079	2,785,710	1,842,135	15,143,924	3,096,568
Increase in deferred inflows related to pensions	(375,257)	(99,406)	(65,736)	(540,399)	(110,498)
Increase in net OPEB obligation	2,000,100	578,947	357,940	2,936,987	598,018
Increase in estimated liability for unpaid claims	—	—	—	—	1,249,144
Net cash provided by (used by) operating activities	<u>\$ 121,223,288</u>	<u>\$ 26,270,932</u>	<u>\$ (2,293,816)</u>	<u>\$ 145,200,404</u>	<u>\$ 8,288,096</u>
Noncash investing, capital, or financing transactions:					
Capital grants and contributions not received, a noncash capital activity	\$ —	\$ —	\$ 3,714,354	\$ 3,714,354	\$ —
Proceeds from refunding used for the defeasement of debt	120,789,907				
Developer contributed assets, a noncash capital activity	520,553	3,458,128	—	3,978,681	—
Capitalized interest	725,754	540,229	4,256	1,270,239	—
Asset transfer from other funds, a noncash capital activity	—	(677,631)	677,631	—	—
	<u>\$ 122,036,214</u>	<u>\$ 3,320,726</u>	<u>\$ 4,396,241</u>	<u>\$ 8,963,274</u>	<u>\$ —</u>

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2016

	Pension and Other Employees Benefit Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 10,788,616	\$ 12,999,811
Investments:		
Mutual Funds	391,207,998	—
US Government Obligations	54,462,873	—
Foreign Obligations	428,632	—
Corporate Asset Backed Securities	2,640,733	—
Corporate Notes and Bonds	41,479,128	—
Municipal Bonds	1,136,373	—
Corporate Stocks	218,856,061	—
Consolidated Fund	9,564,007	—
Prepaid expenses	2,347	—
Receivables:		
Accrued interest receivable	557,432	—
Unsettled investment sales	3,861,835	—
Due from employees	363,234	—
Due from employer	789,586	—
Due from other funds	182,083	—
Due from other governments	776,564	—
Total assets	<u>737,097,502</u>	<u>\$ 12,999,811</u>
LIABILITIES		
Accounts payable	734,133	\$ —
Unsettled investment purchases	776,365	—
Due to other governmental units	—	12,999,811
Due to other funds	138	—
Total liabilities	<u>1,510,636</u>	<u>\$ 12,999,811</u>
NET POSITION		
Net Position Restricted for DROP benefits	25,949,305	
Net Position Restricted for OPEB benefits	6,535,062	
Restricted for pension benefits and other purposes	703,102,499	
Total net position	<u>\$ 735,586,866</u>	

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



CITY OF LAKELAND, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Pension and Other Employees Benefit Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 35,054,948
Plan Members	10,785,596
On-behalf payments - State of Florida	1,573,050
Total contributions	<u>47,413,594</u>
Net investment income:	
Net increase in the fair value of the investments	40,312,563
Interest and dividends	12,348,134
Investment advisor fee	(2,926,075)
Net investment income	<u>49,734,622</u>
Miscellaneous income:	
Lawsuit settlement proceeds	86,432
Total additions, net	<u>97,234,648</u>
DEDUCTIONS	
Benefits paid	53,035,298
Refunds, former plan members	1,011,252
Administrative expenses	151,093
Other	835,908
Transfers to other funds	1,824
Total deductions	<u>55,035,375</u>
Net increase (decrease) in restricted net position	42,199,273
NET POSITION, beginning of year	693,387,593
NET POSITION, end of year	<u>\$ 735,586,866</u>

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



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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

There are significant differences in the financing and operating environments between private and public sector entities, resulting in the unique application of accounting principles to government entities. The primary difference is the lack of a profit motive in many aspects of governmental operations, focusing instead on the best and most effective use of limited resources. Nevertheless, the GASB has endeavored to provide financial reporting standards that both satisfy the accounting needs that are unique to government entities, and disclose financial information that is prepared on a basis more comparable to the more widely understood accounting practices adopted by the private sector.

In response to achieving these dual objectives, the Financial Statements include:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the City's overall financial position and results of operations.
- Fund financial statements that focus on individual, "major" funds of the City, with only non-major funds presented in aggregate totals. The traditional accounting policies and procedures that are unique to governmental operations are utilized within these financial statements.
- Government-wide financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.). These statements are intended to provide accounting data that is prepared using uniform application of the same accounting and debt policies adopted by entities in the private sector.

**A. Reporting Entity**

The City of Lakeland, Florida (City) is a political subdivision of the State of Florida incorporated under the authority of the Laws of Florida, Chapter 4096 adopted in 1891. The City operates under a commission-manager form of government and provides the following services: public safety, transportation, electric, water, stormwater, solid waste, wastewater treatment, culture/recreation, public improvements, planning and zoning, and general administration.

Component Units - These financial statements represent the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. There are three specific tests for determining whether a particular legally separate entity is a component unit of a primary government: 1) appointment of a majority of the unit's governing board, accompanied by the potential imposition of will or ongoing financial burden, 2) fiscal dependence on the primary government, and 3) the potential that exclusion would result in misleading financial reporting. Blended component units, although legally separate entities, are in substance part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The City does not report any discretely presented component units.

Blended Component Unit

The Lakeland Community Redevelopment Agency (CRA) was established in 1979 by the City of Lakeland, Florida (the City) under the provisions of Section 163.340, Florida Statutes. The board of directors of the Agency is comprised of seven members of the City Commission of the City. The City has operational responsibility for the LCRA. Although legally separate, the CRA is blended in the City's financial statements in accordance with the criteria for blending set by GASB 14, as amended by GASB 39 and GASB 61. The City has created a total of four Community Redevelopment Areas; Downtown (1979), Dixieland (2001), Midtown (2001), and Williams (2002). The purpose of the Agency is to eliminate blight and slum conditions within the redevelopment area of the Agency pursuant to the redevelopment plans of the Agency for new residential and commercial activity.

Financial information for the Lakeland Community Redevelopment Agency (CRA) is blended in the Financial Statements of the City. Copies of separately issued financial statements for the CRA may be obtained from the City's Finance Department.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-wide and Fund Financial Statements, and their underlying Basis of Accounting**

The City's basic financial statements are presented in two separate and distinct formats. These consist of government-wide statements (reporting the City as a whole using full accrual accounting policies) and fund financial statements (focusing on individual major funds and utilizing the traditional basis of accounting used by local governments for different types of funds). The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units.

Both the government-wide and fund financial statements categorize activities as either governmental or business-type based on their nature and funding practices. The City's planning and zoning, police and fire protection, parks and recreation, public works, and general governmental functions are classified as governmental activities since they generally cannot pass the full cost of providing those services directly to the users of those services in the form of a user fee. The electric, water, wastewater, solid waste, parking, airport, civic center and golf course activities are classified as business type activities because they are able to assess user fees intended to satisfy at least the majority of their annual operating costs. The Public Improvement Fund is used to finance a variety of capital and maintenance projects and debt service related to governmental activities of the City, including activities of the Police and Fire Departments; Public Works (road and drainage construction and maintenance); the Parks & Recreation Department; libraries; growth management; public utilities (such as street lighting); and general governmental City facilities. These activities are financed primarily from the hospital lease revenues and impact fee revenues. The primary government is reported separately from the legally separate component units for which the City is financially accountable.

**Government-wide Statements** In the Government-wide Statement of Net Position, both the government and business-type activities are presented on a consolidated basis in separate columns. This statement is prepared using the *economic resources* measurement focus, meaning all assets and liabilities (including capital assets and long-term debt) are included in the Statement of Net Position. This accounting methodology is more consistent with the methodology used for business accounting in the private sector than "traditional" governmental accounting methodology.

Within this statement, the net position of the City (assets minus liabilities) are reported in three separate components – net investment in capital assets; restricted net position; and unrestricted net position. Whenever possible, the City utilizes restricted resources first to satisfy financial obligations.

Because different measurement focuses and bases of accounting are used in the government-wide statement of net position than in governmental fund statements, amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted net position* in the statement of net position.

The Government-wide Statement of Activities reports the degree to which the gross expenses, including depreciation, of the significant governmental and business-type functions provided by the City, are financed by the program revenues and the operating and capital grants directly related to the costs of providing each function. The statement then reports the extent to which the resulting net costs of these functions (gross expenses less directly-related program revenues and grants) are financed by general revenues of the City (i.e. taxes, interest income, etc.). This statement is prepared using the *full accrual* basis of accounting, which determines the timing of the recording of revenues and expenditures/expenses. Under this basis of accounting, revenues are recorded when earned, and expenses are recorded when an obligation is incurred. These accounting methods are also more consistent with the methodologies used for business accounting in the private sector than "traditional" governmental accounting methodology.

Administrative fees are charged by the General Fund to other funds, which are eliminated (reducing the revenue and expense of the General Fund) to recover the direct costs of providing services to those funds (i.e., finance, personnel, legal, technology management, etc.). All other internal transactions related to services provided by internal service funds of the City to other functions within the City are also eliminated, insuring the related expenses appear only once and are categorized within the appropriate functional activity.

**Fund Financial Statements** These statements report information at a higher level of detail, focusing on separate reporting of individual major funds, rather than consolidating financial data into two very broad categories of governmental and business-type activities. Those funds that are considered non-major are consolidated into a single column.

The financial transactions of the City are reported in individual funds within the City's accounting system. Each fund is accounted for by providing a separate, self-balancing set of accounts comprised of the assets, deferred outflows, liabilities, deferred inflows, reserves, fund equity, revenues and expenditures/expenses of each fund. GASB 34, as amended by GASB 65, sets forth the minimum criteria used to determine whether the individual funds are considered major versus non-major. The criteria are based on the value of assets and deferred outflows, liabilities and deferred inflows, revenues and expenditures/expenses of each fund in relation to all funds taken as a whole. Based on these criteria, the City's major funds are the General Fund, Public Improvement Fund, Electric Utility Fund, and Water/Wastewater Utility Fund. Detailed information on these funds is provided in the basic financial statements and the Management's Discussion and Analysis section.

Within the fund financial statements, funds are also classified into fund types. A different basis of accounting is applied to the various fund types, based on the nature of the financial information needed to sustain the types of services provided. The various funds are classified based on fund types as follows:

NOTES TO FINANCIAL STATEMENTS

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-wide and Fund Financial Statements, and their underlying Basis of Accounting (continued)**

**Governmental Funds** Within the fund financial statements, the accounting policies applied to governmental funds is intended to capture only those transactions that will occur in the short-term, and the ability to finance those activities as needed. The financial focus applied to governmental funds is called the *modified accrual* basis of accounting. Revenues are susceptible to accrual in the accounting period in which they become available and measurable, which generally means those revenues that are collected within 60 days after year end. The City accrues an asset equal to the value of all material revenue to which it is entitled. Intergovernmental revenues included in this accrual are recognized as revenue while all other types are deferred. Major sources of revenue meeting the availability criterion include investment earnings, federal, state, and local grants, State shared revenues, and the City's share of State collected taxes. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions are un-matured interest on general long-term debt, which is recognized when due, and the long-term portion of accumulated unpaid vacation and sick pay, which is recognized when paid.

Within governmental fund types, assets and liabilities are recorded using the *flow of current financial resources* measurement focus, meaning only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

The governmental fund types utilized by the City are broken down as follows:

General Fund – used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds – account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds – account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Funds – account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

**Proprietary Funds** Within the fund financial statements, the financial focus for proprietary funds is identical to the full accrual, "private sector" focus applied within the government-wide statements. Revenues are recognized when they are earned and expenses are recognized when they are incurred, without application of the "measurable and available" criteria applied to governmental funds. Accordingly, full recognition is given to capital assets (and depreciation thereof) and all long-term liabilities. The emphasis is on recovering the costs of supplying needed services over the long-term from user fees charged directly to the persons using those services.

The proprietary fund types utilized by the City are broken down as follows:

Enterprise Funds – account for operations for which a fee is charged to external users for goods or services, i.e., parking, recreation, airport, and solid waste services provided to residents in geographic areas served by the City.

The City reports the following major proprietary funds:

Department of Electric Utilities – accounts for operations in which fees are charged to external users for electric services provided within the City of Lakeland's service area.

Water and Wastewater Utilities – accounts for operations in which fees are charged to external users for water and wastewater services provided within the City of Lakeland's service area.

Internal Service Funds – account for operations for which a fee is charged to internal users for goods or services. This includes the administrative cost of purchasing and acquisition; the purchase, maintenance and fueling of motorized equipment used by various City departments; the cost of self-insured risk programs administered by the City; the cost of purchasing and maintaining custody of supplies and materials used by the City; the cost of purchasing and maintaining computers, networks, and software used by the City; the maintenance of City facilities; and an internal loan program. To the extent possible, the ultimate costs of these services are reported in the appropriate functional activity.

**Fiduciary Funds** Within the fund financial statements, fiduciary fund types are used to report assets that are held in trust or in an agency capacity by the City on behalf of designated beneficiaries. These consist of pension and other post-employment benefit funds maintained on behalf of retired City employees; and an agency fund used to accumulate impact fee revenues collected on behalf of Polk County, Florida. The same financial focus applied to proprietary funds types is applied to fiduciary fund types.

Because the assets accounted for within fiduciary funds types cannot be used to address activities or obligations of the City, the activities of these funds are not incorporated into the government-wide financial statements.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budget Policy and Budgetary Data**

The City prepares an annual operating budget for the General Fund, certain Special Revenue Funds and Capital Projects Funds (i.e. Transportation Fund, Public Improvement Fund, Community Development Fund, State Housing Initiatives Partnership Program, Neighborhood Stabilization Fund, the Stormwater Fund, and the Lakeland Community Redevelopment Agency Fund). These budgets are prepared on the modified accrual basis of accounting. As of September 30, 2016, there were no material violations of budgetary requirements.

**D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

**1. Cash and Cash Equivalents:**

The City has defined cash and cash equivalents to include cash on hand, demand deposits, cash with paying agents, money market funds, as well as each Fund's equity in pooled cash.

The various funds of the City have combined their resources into an investment pool for the purpose of maximizing investment earnings on daily cash balances. The investment pool is comprised of money market funds, time deposits, notes; bonds, other securities, and accrued interest. These investments are recorded at fair value. Revenue from pooled cash and investments is allocated on the basis of the participation by each fund. Each fund's pro-rata share of pooled cash and investments is included in the caption "cash and cash equivalents". These amounts are also considered a cash equivalent because each fund can withdraw cash at any time without prior notice or penalty.

**2. Investments Owned by Individual Funds**

Investments owned by individual funds, comprised of time deposits, notes, bonds, and other securities, are reported at fair value. Amounts invested in money market funds are reported at fair value. Fixed income, equity and equity securities are reported at the last reported sales price. Revenue from investments owned by the individual funds is recorded in the respective fund as it is earned.

**3. Receivables**

Receivables are generally attributable to services provided by the City, amounts due to the City under expenditure driven grant agreements with other governments, and accrued interest on investments. Receivables recorded in governmental fund types may be offset by deferred revenues or a restriction of fund balance depending on the revenue recognition criteria applied to those funds. The components of receivable balances include due from customers, due from commercial customers, due from vendors, due from other governments, interest receivable, and miscellaneous receivables, including liquidated damages. Receivables are reported net of allowances for uncollectible where applicable.

The balances of accounts receivable in the governmental and proprietary funds are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Unrestricted:		
Due from:		
Taxpayers	\$ 582,807	\$ -
Customers	23,868,737	45,088,488
Employees	5,639	-
	<u>24,457,183</u>	<u>45,088,488</u>
Apportioned:		
Due from:		
Customers	165,468	1,715,516
Restricted:		
Due from:		
Customers	1,021,714	296,047
	<u>\$ 25,644,365</u>	<u>\$ 47,100,051</u>

**4. Due To/From Other Funds**

Amounts receivable from, or payable to, other funds are reflected in the accounts of the fund until liquidated. Activity between funds that are representative of lending/borrowing arrangements outstanding at year end are referred to as either "due to/from other funds" (i.e. current portion) or "advances to/from other funds (i.e. non-current portion)". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances".

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)**

**5. Inventories and Prepaid Items**

Inventories are valued at cost in governmental funds. In all other funds, inventories are stated at the lower of cost or market using the weighted average method. Inventory and prepaid items are recorded as expenditures (expenses) when actually used in both governmental and proprietary funds.

**6. Apportioned and Restricted Assets**

The City has established long-range plans concerning some of its proprietary funds, internal loan funds and capital funds. As part of the plan to achieve its objectives, the City's elected officials have apportioned certain assets that will be used to fund the cost of expansion of enterprise fund infrastructure, monies accumulated to finance replacement of capital assets at the end of their useful life, funds apportioned for payment of self-insured liability claims, and amounts set aside to pay currently maturing principal and interest on long-term debt. These assets and related liabilities are separate from other assets of the City and appear on the financial statements under the heading "asset apportionments" and "liabilities payable from apportioned assets". Because these apportionments do not represent legal restrictions imposed by parties external from the local government, the net value of asset apportionments minus liabilities is included in the unrestricted section of net position on the Statement of Net Position.

Revenue bond ordinances and certain other agreements with parties outside the City require the restriction of certain fund assets for specific purposes such as sinking and reserve accounts required to secure bonded debt; renewal, repair, expansion, and construction funds (bond proceeds) set aside to finance recurring and future capital improvements; meter deposit funds held on behalf of utility customers; and proceeds from impact fees collected for the purpose of financing utility system capacity improvements. These assets and the related liabilities are classified separately from other assets and liabilities, appearing in the accompanying statement of net position under the heading "restricted assets", "liabilities payable from restricted assets", and "restricted net position".

In cases in which both unrestricted and restricted assets are available to finance an expense or program, the City's policy is to utilize restricted assets first whenever possible.

The balances of restricted asset accounts in the governmental and business-type activities are as follows:

	Governmental Activities	Business-Type Activities
Debt service	\$ 1,119,000	\$ -
Capital improvements	15,975,867	22,605,151
Transportation	4,593,381	-
Customer deposits	172,488	17,624,020
Law enforcement	1,020,783	-
CRA	13,412,938	-
Grant Programs - Community development	1,211,929	-
Endowments - nonspendable	4,631,309	-
Donations received	749,555	-
Impact fees	11,015,885	-
	<u>\$ 53,903,135</u>	<u>\$ 40,229,171</u>

**7. Capital Assets**

Capital equipment purchased with an original value of \$1,500 or more, and additions, improvements and other capital outlays, having an original cost of \$2,500 or more that significantly extend the useful lives are capitalized. Utility plant is capitalized at cost. Capital assets used in governmental fund type operations are accounted for in the government-wide statements, rather than in the fund financial statements. Routine maintenance, repairs, renewals and replacement costs are charged against operations.

Infrastructure assets consisting of certain improvements and additions such as roads, sidewalks and drainage systems having an original cost of \$25,000 or more are capitalized.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their acquisition value on the date donated.



**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)**

**7. Capital Assets (continued)**

The depreciation on assets, where disclosed, is provided using the straight-line method over the following estimated useful lives:

Land improvements	10 - 45 years
Buildings	15 - 50 years
Improvements, other than buildings	10 - 45 years
Improvements, sewer lines	40 - 90 years
Office machines	5 - 15 years
Communications equipment	5 - 10 years
Motor vehicles	4 - 20 years
Furnishings and fixtures	5 - 25 years
Maintenance equipment, tools	5 - 15 years
Roads and alleys	10 - 50 years
Easements and right of ways	10 - 50 years
Sidewalks	25 - 50 years
Storm drainage	25 - 100 years
Utility plant	25 - 35 years

Depreciation expense on assets used in governmental activities is included in the expenses of each governmental function on the government-wide Statement of Activities. Depreciation on general infrastructure assets is included within the expenses of the most relevant function.

**8. Bond Discounts, Bond Premiums, and Issuance Costs**

In the governmental funds, bond discounts and bond premiums are treated as period costs in the year of issue. Bond premiums and discounts are shown as an "Other Financing Source/Use".

In proprietary funds (and for governmental activities, in the government-wide statements) bond discounts and bond premiums are amortized over the term of the bonds using the straight line method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bonds payable.

Issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

**9. Unearned Revenues**

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Unearned revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. Revenue cannot be recognized until it has been earned and is available for finance expenditures of the current period. Revenue that is earned but not available is reported as a deferred inflow of resources until such time as the revenue becomes available. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet or statement of net position and the revenue is recognized.

In the proprietary funds (and for governmental activities in the government-wide statements), unearned revenue is reported regardless of its availability.

**10. Compensated Absences**

Within the government-wide Statement of Net Position, the City accrues all accumulated unpaid vacation and sick leave when earned by the employee. Within the fund financial statements, the non-current portion of this liability payable from governmental funds is not recorded, since it would not be paid from expendable available financial resources. Compensated absences are reported in governmental funds only if they have matured.

NOTES TO FINANCIAL STATEMENTSNOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)****11. Inter-fund Activity**

Inter-fund activity is reported as loans, provided services, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**12. Fund Equity**

The implementation of GASB 54 was intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

GASB 54 differentiates how the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent in governmental funds. Fund balance shall be composed of non-spendable, restricted, committed, assigned, and unassigned amounts. These classifications reflect the nature of the funds and provide clarifications and hierarchies on the level of restrictions placed on the fund balances (i.e. internal or external restriction requirements).

The City uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For further details of the various fund balance classifications refer to note 12.

**13. Deferred Inflows/Outflows of Resources**

Within the Basic Financial Statements certain items that were previously reported as assets and liabilities are recognized as outflows of resources or inflows of resources because they result in the use of resources in the current period for the benefit of future periods. The unamortized loss on refunding of debt and deferred hedging derivative outflows are classified as a deferred outflow of resources. Unearned revenues recognized in governmental fund statements, contributions in aid of construction, and deferred hedge derivative inflows of resources are classified as deferred inflows of resources. Deferred revenues related to governmental funds represent the recording of assets such as property tax receivables, lease receivables, and mortgage receivables, relating to revenues not available in the accounting period.

Lakeland Electric receives nonrefundable payments from consumers and developers for extension of electric services, and funds received from developers and customers for assets owned and maintained by Lakeland Electric. Through the use of regulatory accounting, contributions in aid of construction and fuel reserve balance are recorded as deferred inflows of resources, and amortized over the life of the corresponding assets.

The deferred inflows and outflows of resources balances presented in the Statement of Net position as of September 30, 2016 are as follows:

Deferred outflows of resources:	
Unamortized (gain) loss on refunding of debt, beginning balance	\$ 19,510,846
New debt issue	21,822,907
Amortization	(3,442,766)
Debt refunding	(96,199)
Unamortized (gain) loss on refunding of debt, ending balance	37,794,788
Unrealized loss on hedges	348,521
Decrease in fair value of interest rate swaps	36,695,648
Deferred outflows of resources related to pensions	68,727,971
Total deferred outflows of resources	<u>\$ 143,566,928</u>
Deferred inflows of resources:	
Contributions in aid of construction	\$ 45,591,950
Fuel reserve balance	20,301,603
Deferred inflows of resources related to pensions	2,914,213
Unearned revenue	558,146
Total deferred inflows of resources	<u>\$ 69,365,912</u>

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)**

**14. Derivatives and Hedging Activities**

Derivatives have a market value, require no initial investment, and may be net settled. The City follows GASB 53, Accounting and Financial Reporting for Derivative Instruments. Under GASB 53, derivatives are either categorized as hedging derivative instruments or investment derivatives. Hedging derivative instruments are associated with specific hedging transactions wherein the intent is to significantly reduce risks. Changes in fair value of hedges are reported as either deferred inflows or deferred outflows in the statement of net position. For accounting purposes, in order to qualify as a hedge, the relationship between the derivative and the underlying asset must result in a hedge that is "effective" in mitigating risk. If the hedge transaction is considered "ineffective" the valuation of the instrument is considered investment income or loss on the Statements of Revenues, Expenses and Changes in Net Position. GASB 53 outlines five methods for evaluating hedge effectiveness:

- Consistent Critical Terms
- Synthetic Instrument
- Dollar Offset
- Regression Analysis
- Other Quantitative Methods

**Fuel Hedges:**

For purposes of performing hedge effectiveness testing, Lakeland Electric can use any or all of the evaluation methods and is not limited to using the same method from period to period. Therefore, if the result of any one prescribed evaluation method indicates the hedge is ineffective, Lakeland Electric may apply another method to verify effectiveness. In addition, the calculations for effectiveness may be based on either a life-to-date period or be limited to the immediately preceding annual accounting period.

During a depressed natural gas market, the costs of the fuel hedge program can become more significant. To achieve its goals of minimizing volatility in both cash flow and fuel rates to the ratepayers, Lakeland Electric hedges at various volumes for a rolling 30-month forward period with emphasis on upside protection through the purchase of swaps. When a swap is placed, at or near the same time, a put option will be placed to provide opportunity to participate in a downward market. Swaps should be placed at no more than a \$1/MMBTU above market and option premiums at \$0.50/MMBTU resulting in a maximum cost of \$1.50/MMBTU. Each quarter, when a fuel rate change is proposed, the next 12 months of forecasted volumes will be approximately 63 percent hedged as follows:

1st quarter will be 100 percent hedged  
2nd quarter will be 75 percent hedged  
3rd quarter will be 50 percent hedged  
4th quarter will be 25 percent hedged

Fuel related derivative transactions are executed in accordance with the fuel hedging policies established by Lakeland Electric's Energy Risk Management Oversight Committee. The primary objective of these policies is to minimize exposure to natural gas price volatility for cash flow and fuel rate stabilization purposes. The Committee has a defined organizational structure and responsibilities, which include approving all brokerage relationships, counterparty credit worthiness, specific fuel volumes and financial limits in addition to overall policy compliance. Acquisition of these hedge transactions are managed by The Energy Authority (TEA) based on a contractual relationship created in March 2007. TEA performs the front and back office functions associated with such trades in accordance with overall hedging policies developed jointly by TEA and the aforementioned oversight committee of Lakeland Electric. The recording of fuel derivatives, when appropriate, is included on the Statement of Net Position as either an asset or liability measured at fair value. Related gains and/or losses are deferred and recognized in the specific period in which the derivative is settled and included as part of Fuel and Purchased Power costs in the Statement of Revenues, Expenses and Changes in Net Position. The premiums associated with the purchase of options are expensed upon expiration of the option. Premiums associated with unexpired options are embedded in the valuation table displayed later in this note. The valuation of market changes for contracts entered into within Lakeland Electric's Risk Management Program resulted in a net increase of \$5,886,576 to the cost of fuel during the fiscal year ended September 30, 2016, which was approximately 5 percent of the total fuel cost.

Lakeland Electric's natural gas swaps and options have been evaluated using the regression analysis method cited above. According to this method, all of Lakeland Electric's derivatives were considered to be effective. Consequently, the R-Squared relationship between the derivative based on the NYMEX index as related to physical natural gas prices based on purchased gas from Florida Gas Transmission Zones 1, 2 and 3 was 0.8 or higher with a slope between -0.8 and -1.25 with a 95 percent confidence. In addition, the effectiveness of options was assessed consistent with the objective of the derivative instrument as mentioned in the goals of hedging above. With GASB compliance, the open swaps and options valuation of \$348,521 includes mark-to-market of the swaps and both intrinsic and extrinsic mark-to-market of the options.

NOTES TO FINANCIAL STATEMENTSNOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)****14. Derivatives and Hedging Activities (continued)****Derivate Instruments:**Natural Gas Derivative Instruments

Lakeland Electric uses Over-the-Counter (OTC) swaps, put options, swing-swaps and fixed price firm physical purchases of natural gas as tools to stabilize the cost of natural gas that will be needed by the utility in the future. Any gain or loss of the value of these derivatives are ultimately rolled into the price of natural gas burned, offsetting the volatility in the price of that fuel. These derivative instruments are classified in Level 2 of the fair value hierarchy using the market approach of valuation. Derivative instruments classified as Level 2 receive clearing house prices, which are based on models that reflect the contractual terms of the derivatives. As of September 2016, Lakeland Electric had the following options, swaps and physical contracts outstanding in the following amounts, covered fiscal year 2016 and beyond:

<u>Fiscal Year</u>	<u>Options</u>	<u>Swaps</u>	<u>Market Value</u>
2017	\$ 11,530,000	\$ 2,850,000	\$ (200,831)
2018	3,450,000	2,250,000	(92,967)
2019	1,000,000	400,000	(54,723)
	<u>\$ 15,980,000</u>	<u>\$ 5,500,000</u>	<u>\$ (348,521)</u>

Interest Rate Swaps

An interest rate swap is a derivative whose value and terms are derived from a specified financial index (SIFMA). In the case of the interest rate swaps employed by the City of Lakeland, the intent is two-fold. First to achieve an all-in financing cost (representing interest payments to bondholders combined with net interest payments and receipts on the derivatives) that is less than the financing cost associated with traditional fixed rate bonds based on market conditions at the time of each bond issue. The second objective is to minimize the interest rate risk associated with the inherent volatility associated with "naked" variable rate debt. Under the terms of these interest rate swaps, the City of Lakeland pays an amount to a counterparty that is based on a specified notional amount (which closely approximates the outstanding principal amount of the related bonds) times a specified fixed interest rate. In exchange, the counterparty makes a payment to the City that is based on the same notional amount times a variable rate of interest. When the variable and fixed components of the interest rate swaps are combined with the variable cash payments made by the City to the actual bondholders, the end result is a net fixed rate of interest.

In the case of Lakeland's interest rate swaps, effectiveness testing measures the extent to which the terms of the interest rate swaps insulated the City from changes in the market rate of interest payable on the bonds. The City of Lakeland's interest rate swaps have been evaluated using all of the methods cited above except the dollar-offset method. All of the interest rate swaps employed by the City have passed at least one of the effectiveness tests prescribed by the GASB 53. Accordingly, the market values of the derivatives are recorded as offsetting items on the balance sheet i.e. recognition of changes in fair market value are deferred.

Note 6 F- Interest Rate Swaps, refers to the fair value of interest swap derivatives, which are evaluated for effectiveness using the same criteria required for fuel hedge derivatives under GASB 53.

The interest rate swaps are classified in Level 2 of the fair value hierarchy using the market approach to valuation. Derivative instruments classified as Level 2 receive clearing house prices, which are based on models that reflect the contractual terms of the derivatives. The fair value of all of Lakeland Electric's derivatives as of September 30, 2016 was as follows:

<u>Derivatives</u>	
Interest rate swaps	\$ (36,695,648)
Prepaid fuel	3,289,947
Fuel hedges	(348,521)
	<u>\$ (33,754,222)</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)**

**15. Regulatory Assets and Liabilities**

GASB accounting guidance for regulated operations requires the recognition of revenues provided either before or after the costs are incurred, as assets or liabilities, in accordance with rate actions of the City Commission.

Unamortized debt issue costs

Lakeland Electric treats unamortized debt issuance costs as a regulatory asset, as allowed by GASB No. 62 for regulated operations that recover their debt issuance costs through rates. These costs are amortized, using the effective interest method, over the life of the related debt.

	<u>September 30,</u> <u>2016</u>
Beginning Balance	\$ 860,206
Additions	930,179
Less	
Amortization	(247,514)
Deletions	(255,229)
Ending Balance	<u>\$ 1,287,642</u>

Environmental compliance and conservation charges

GASB accounting guidance for regulated operations requires the recognition of revenues provided either before or after the cost is incurred as assets or liabilities in accordance with rate actions of the City Commission. The regulatory assets/liabilities below represent the amounts due from, or (payable to) retail customers.

	<u>September 30,</u> <u>2016</u>
<u>Environmental compliance charge recovery:</u>	
Beginning regulatory (liability) asset balance	\$ (905,627)
Charges recovered through rates	7,605,221
Less environmental compliance expenses	8,045,674
Ending regulatory (liability) balance	<u>\$ (465,174)</u>

	<u>September 30,</u> <u>2016</u>
<u>Energy conservation charge recovery:</u>	
Beginning regulatory (liability) asset balance	\$ (145,407)
Charges recovered through rates	708,577
Less environmental compliance expenses	595,055
Ending regulatory (liability) asset balance	<u>\$ (258,929)</u>

Fuel charges

As of September 30, 2016, a cumulative over-recovery of fuel charges, in excess of the long-term fuel reserve balance (deferred inflow of resources) established by the City Commission on 2015, is classified as a regulatory liability, calculated as follows:

	<u>September 30,</u> <u>2016</u>
Fuel reserve balance	\$ 20,301,603
Cumulative over-recovery of fuel charges	26,663,648
Ending fuel reserve balance	<u>\$ (6,362,045)</u>

**CITY OF LAKELAND, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Revenues, Expenditures, and Expenses**

Substantially all governmental fund revenues are accrued. Property taxes, which are levied annually based on the value of real property and tangible personal property as assessed on January 1 and are collected from November through the following March. Accordingly, these revenues are recognized in the same fiscal period in which payment is collected.

Revenues of proprietary funds types are categorized as either operating or non-operating. Operating revenues represent the user charges that are assessed directly to the persons benefiting from the service provided by that fund. All other revenues, including grant revenues and capital contributions, are classified as non-operating.

In the Government-wide Statement of Activities, revenue that is derived directly from the program itself or from outside sources if restricted to a specific program is called program revenue. Program revenue is classified as either charges for services, operating grants or capital grants. Charges for services is revenue received by a particular function for the services that it provides to both entities outside of the City and to other City functions. Operating grant revenues come from other government entities to support the operation costs of particular functions and also from the earnings of permanent funds that are legally restricted to a particular function. Capital grants come from other government entities for the purpose of constructing or purchasing capital assets.

All revenues included in the classification of operating revenues, in proprietary fund types, are pledged as security for revenue bonds to the extent such indebtedness exists within each fund type, except for the indebtedness of the Lakeland Center Fund. The debt of the Lakeland Center Fund is secured by a pledge of the utility tax revenues accounted for within the General Fund.

Unearned revenues that are received prior to revenue recognition are classified as liabilities.

**1. Property Taxes:**

The millage rate levied by the City for the fiscal year ended September 30, 2016 was 5.5644 mills. Current tax collections for the City were approximately 99.57% of the total levy. The property tax calendar provides for the tax revenue to be billed and collected within the applicable fiscal year.

The property tax calendar for revenues billed, received, and accrued for fiscal year ended September 30, 2016 is as follows:

Lien date	January 1, 2015
Levy date	January 1, 2015
Certificate of Taxable Value (DR-420)	July 25, 2015
Final public hearing to adopted proposed millage rate	September 15, 2015
Certificate of Final Taxable Value (DR-422)	October 8, 2015
Beginning of fiscal year for tax assessment	October 1, 2015
Due Dates	November 1, 2015 through March 31, 2016
Delinquent date	April 1, 2016
Tax certificate sale	On or before June 1, 2016

**2. Indirect Expenses**

Within the government-wide Statement of Activities, indirect expenses are not allocated to the functions of governmental activities. All expenses represent only direct expenses of each function.

**3. Expenses**

Expenses of proprietary funds types are categorized as either operating or non-operating. Operating expenses represent personal services, other expenses incurred in the normal operations of the proprietary fund, and depreciation expense. All other expenses are classified as non-operating.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Use of Estimates**

Management has made estimates and assumptions relating to the reporting of assets and liabilities in conformity with GAAP. Actual results may differ.

**G. Amortization**

Bond discounts and premiums are amortized over the life of the issue using the straight line method for all funds with the exception of Lakeland Electric which uses the effective interest rate method. The City considered the effective interest method of amortizing bond discounts and determined that no material difference results from the continued use of the straight-line method. GASB 65, which was implemented by the City for FY2013, generally requires that unamortized debt issuance costs be expensed in the current period. However, Lakeland Electric elects to follow accounting for regulated operations under GASB 62, which allows debt issuance costs to be classified as a regulatory asset, and recovered through rates over the life of the associated debt.

**H. Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investment values are measured consistent with the market approach to valuation using prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Debt and equity securities classified as Level 1 were valued using quoted prices as of September 30 (or the most recent market close date if the markets were closed on September 30) in active markets. from the custodian bank's primary external pricing vendors.

Debt and equity securities classified as Level 2 are evaluated prices from the custodian bank's external pricing vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data, collateral attributes, broker bids, new issue pricings, other observable market information, or alternative pricing source, such as investment managers, if information is not available from the primary vendors.

Debt and equity securities classified as Level 3 are prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source.

There are sixteen alternate investment securities, including nine private equity funds with some exposure to special situations and seven joint venture real estate funds that invest in real estate assets such as commercial office buildings, retail properties, multi-family residential properties, or developments. These securities are valued based on annual external and/or quarterly internal appraisals and are classified as Level 3. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Fair Value Hierarchy (continued)**

The following table illustrates investment holdings by the fair value hierarchy.

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Treasury Notes	\$ 1,883,996	\$ 1,883,996	\$ -	\$ -
US Treasury Bonds	7,268,606	7,268,606	-	-
US Government Backed Bonds	1,701,252	-	1,701,252	-
Federal Farm Credit Bank	6,453,704	-	6,453,704	-
Federal Home Loan Bank	7,997,951	-	7,997,951	-
Federal Home Loan Mortgage Corporation	1,544,976	-	1,544,976	-
Federal National Mortgage Association	289,310	-	289,310	-
Federal Agencies Mortgage Backed	163,944,445	-	163,944,445	-
Municipal Bonds	67,674,714	-	67,674,714	-
Corporate Notes and Bonds	148,224,123	-	132,436,393	15,787,730
Corporate Mortgage Backed Securities	2,640,733	-	2,640,733	-
Corporate Stocks	259,679,495	216,233,152	37,388,343	6,058,000
Foreign Stocks	1,432,027	-	1,432,027	-
Foreign Securities	26,434,580	-	26,434,580	-
SBA LGIP (Fund A)	8	8	-	-
Money Market Funds	17,289,666	8,622,919	8,666,747	-
Mutual Funds	362,808,599	148,834,624	33,846,759	180,127,216
Comingled Trust Funds	34,904,257	-	34,904,257	-
Accrued Interest Receivable	2,950,733	2,950,733	-	-
Total Investments	<u>\$ 1,115,123,175</u>	<u>\$ 385,794,038</u>	<u>\$ 527,356,191</u>	<u>\$ 201,972,946</u>

**NOTE 2 – ACCOUNTING AND REPORTING CHANGES**

**New Accounting Pronouncements**

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application* during fiscal year 2016. The objective of this statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation techniques should be applied consistently; maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. This Statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs-other than quoted prices-included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. This Statement requires disclosures to be made about the fair value measurements, the level of fair value hierarchy, and the valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value and requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The City has implemented GASB 72 for the fiscal year ending September 30, 2016. These new disclosures were added to Note 1 – Summary of Significant Accounting Policies Section H – Fair Value Measurement.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – ACCOUNTING AND REPORTING CHANGES (continued)

**New Accounting Pronouncements (continued)**

The City implemented Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in fiscal year 2016. This Statement establishes requirements for defined benefits pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions* and also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. Implementation of GASB 73 had no effect on the financial statements of the City.

The City implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* in fiscal year 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements in this Statement: (1) raise the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasize the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) require the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of GASB 76 had no effect on the financial statements of the City.

The City implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* in fiscal year 2016. The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool(s) to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB 79 had no effect on the financial statements of the City.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions for this Statement are effective for the City's fiscal year ending September 30, 2017. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions for this Statement are effective for the City's fiscal year ending September 30, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to require disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. Tax abatements are widely used by state and local governments, particularly to encourage economic development. The provisions for this Statement are effective for the City's fiscal year ending September 30, 2017. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In December 2015 the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions for this Statement are effective for the City's fiscal year ending September 30, 2017. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements for the financial presentation of component units for all state and local governments which was established in GASB Statement No. 14, *The Financial Reporting*. The provisions for this Statement are effective for the City's fiscal year ending September 30, 2017. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

NOTES TO FINANCIAL STATEMENTSNOTE 2 – ACCOUNTING AND REPORTING CHANGES (continued)**New Accounting Pronouncements (continued)**

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonable estimable. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**A. Deposits**

The carrying amount of the amounts on deposit in banks, financial institutions, and cash on hand as of September 30, 2016 is as follows:

	<u>Primary Government</u>
Demand Deposits	\$ 48,952,691
Cash with Paying Agents	45,097,262
Cash on Hand	<u>20,973</u>
Total Deposits	<u>\$ 94,070,926</u>
Balance per bank	<u>\$ 55,837,139</u>

All balances are collateralized with securities held by the pledging financial institutions but not in the name of the City of Lakeland. This collateral consists of insurance provided by the FDIC and securities held by the State of Florida Public Deposit Security Trust Fund.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**A. Deposits (continued)**

Custodial Credit Risk Custodial credit risk is the risk that in the event of a bank failure, the City of Lakeland's deposits may not be returned. Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* requires deposits by governmental units in a financial institution be collateralized. The City of Lakeland's policy, in accordance with Florida Statutes, also requires the use of only authorized dealers and institutions and qualified public depositories, meeting the standards as set forth by the State of Florida and the Securities and Exchange Commission's Rule 15c3-1. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name. As of September 30, 2016, \$55,837,139 and \$45,097,262 of the City of Lakeland's bank balance and paying agent deposits were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Primary Government</u>
Insured	\$ 591,325
Collateralized:	
Collateral held by the pledging financial institutions not in the City's name:	
Banking institutions	55,245,814
Cash with paying agents	<u>45,097,262</u>
Total Deposits	<u>\$ 100,934,401</u>

**B. Cash Equivalents and Investments**

Pooling of Cash and Investments Except for cash in certain restricted and special funds, the City will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation in each investment pool and in accordance with GAAP.

The City of Lakeland's cash investment pool is considered to be a cash equivalent for reporting purposes because it is an internally managed mutual fund which allows individual funds and sub-funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty.

Pooled Investments – Swap Transaction

As of September 30, 2016, the City had \$100 million in investment swaps outstanding.

Investments Several forms of legal and contractual provisions govern the types of investments in which the City may directly invest. Allowable investments consist of US Government obligations, US Government agency or instrumentality obligations, and the obligations of federal government sponsored enterprises (GSE's), which have a liquid market with a readily determinable market value; securities whose timely payment of principal and interest are fully guaranteed by any of the above; certificates of deposits and other evidences of deposit at financial institutions, provided that any such investments shall be in a qualified public depository (as defined in Chapter 280 of the Florida Statutes) and/or covered by FDIC insurance; investment-grade obligations of state and local governments and public authorities; repurchase agreements whose underlying purchased securities consist of the foregoing; guaranteed investment contracts (GIC's) which are collateralized by the foregoing; dollar denominated money market mutual funds regulated by the SEC; local government investment pools either state administered or through joint powers statutes and other intergovernmental agreement legislation; High grade corporate debt consisting of dollar denominated debt obligations of domestic or foreign corporations, for foreign sovereignties issued in the US or foreign markets rated in the highest tier by a nationally recognized rating agency. Any such longer-term investments in this category shall be rated investment grade or better by at least two nationally recognized rating agencies, one of which shall be Moody's or Standard & Poor's; and any other qualified investment permitted under Florida Statutes in effect. The SBA is part of the Local Government Surplus Funds Trust Fund which is governed by Chapter 19-7 of the Florida Administrative Code. The pension trust funds are also authorized for investment in corporate stocks and bonds, money market funds and other qualified securities.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. All trades, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Safekeeping receipts or other evidence of ownership will be audited on a semi-annual basis with a variance report issued to the Investment Administrator.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

The following investments and maturities, held by the various funds of the City as of September 30, 2016, are collateralized by registered securities held by the City or its agents in the City's name:

Investment Type	Reported Amount		Investment Maturities (in years)		
	Fair Value				
	Primary Government	Less than 1	1-5	6-10	More than 10
US Treasury Notes	\$ 1,883,996	\$ -	\$ 683,215	\$ 1,200,781	\$ -
US Treasury Notes /Bonds (1)	7,268,606	-	-	-	7,268,606
US Government Backed Bonds	1,701,252	6,730	-	728,263	966,259
Federal Farm Credit Bank	6,453,704	-	6,453,704	-	-
Federal Home Loan Bank	7,997,951	4,519,927	3,478,024	-	-
Federal Home Loan Mortgage Corporation	1,544,976	-	156,353	-	1,388,623
Federal National Mortgage Association	289,310	-	101,091	188,219	-
Federal Agencies Mortgage Backed	163,944,445	323,133	1,440,178	5,027,450	157,153,684
Municipal Bonds	67,674,714	-	11,590,115	20,237,382	35,847,217
Corporate Notes and Bonds	148,224,123	14,099,201	32,893,600	47,165,417	54,065,905
Corporate Mortgage Backed Securities	2,640,733	-	-	-	2,640,733
Corporate Stocks (1)	259,679,495	259,679,495	-	-	-
Foreign Stocks	1,432,027	1,432,027	-	-	-
Foreign Securities	26,434,580	2,007,000	6,524,221	9,548,959	8,354,400
Sub-total	697,169,912	282,067,513	63,320,501	84,096,471	267,685,427

Other investments are evidenced by securities that exist in physical or book entry form and thus cannot be held in the City's name or are invested in external investment pools. The breakdown of these investments, held as of September 30, 2016, is as follows:

Investment Type	Reported Amount		Investment Maturities (in years)		
	Fair Value				
	Primary Government	Less than 1	1-5	6-10	More than 10
State Board of Administration (2)					
LGIP (Fund A)	8	8	-	-	-
Money Market Funds (2)	17,289,666	17,289,666	-	-	-
Mutual Funds (2)	362,808,599	362,808,599	-	-	-
Comingled Trust Funds (2)	34,904,257	34,904,257	-	-	-
Accrued Interest Receivable (3)	2,950,733	2,950,733	-	-	-
Sub-total	417,953,263	417,953,263	-	-	-
Total Investments	\$ 1,115,123,175	\$ 700,020,776	\$ 63,320,501	\$ 84,096,471	\$ 267,685,427

- (1) The following investments in the Pension Funds had net transactions that had been executed but not settled as of September 30, 2016: Corporate stocks balance includes \$2,706,665 in net transactions and US Treasury Bonds of \$191,732.
- (2) The rate of return on the money market funds, commingled trust funds, and mutual funds fluctuates during the year based on market conditions. Also, there is no stated maturity date for this type of investment. These funds may be invested, withdrawn, or reinvested at the discretion of the City.
- (3) Represents accrued interest accounted for within the internally managed investment pool. This asset is allocated to participating funds on a pro-rata basis and is included within the investment caption.

NOTES TO FINANCIAL STATEMENTSNOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**B. Cash Equivalents and Investments (continued)**

Interest Rate Risk Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The City utilizes the "segmented time distribution" method as a measure of interest rate risk.

The fair values of the City of Lakeland's fixed maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into a decrease in the fair values of those instruments. Fair values of interest rate-sensitive instruments may be affected by the credit worthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other market conditions.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City of Lakeland's investment policy structures the investment portfolio to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City of Lakeland's investment policy limits the length of maturities of investment securities held by funds of the City, except Pension Funds or any other monies invested under separate ordinance, resolution, policy, or agreement. Unless a portion of the investment is matched to a specific cash flow and invested in cash equivalent investments, the City will not directly invest in securities maturing more than ten (10) years from the date of purchase or in accordance with state and local statutes and ordinances. However, reserve funds and non-operating funds with longer-term investment horizons may be invested in securities exceeding ten (10) years, if, in the judgment of the Investment Administrator, any such investments are sufficiently liquid to provide for expected use of such funds. The investment maturity limits and actual limits of investments held by funds of the City as of September 30, 2016, except for the aforementioned funds, are as follows:

<u>Maturity Limitations</u>	<u>% of Total Maximum</u>	<u>% of Total</u>
0-1 years	100%	4.75%
1-3 years	75%	2.36%
3-5 years	50%	5.11%
5-10 years*	25%	14.35%
10 + years*	0%	73.43%

\* Except as provided for in section IV.7.b of the Investment Policy.

The investments with the 10 + year investment horizon are held by non-operating funds of the City. Section IV.7.b of the policy provides for investment horizons exceeding ten years for reserve funds and non-operating funds if, in the judgment of the Investment Administrator, any such investments are sufficiently liquid to provide for unexpected use of such funds. The investments with securities exceeded investment horizons are held by non-operating funds with longer-term investment horizons and Section IV of the policy provides discretion for investment terms for the Investment Administrator. The City owns a significant amount of mortgage-backed debt that have long legal maturities. However, these bonds actually have relatively short average lives.

Custodial Credit Risk Custodial credit risk, for an investment, is the risk that, in the event of the failure of the counterparty, the City of Lakeland will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of September 30, 2016, the City of Lakeland held \$17,289,666, \$362,808,599, and \$34,904,257 in Money Market Funds, Mutual Funds, and Commingled Trust Funds respectively. These investments are held by an investment's counterparty, not in the name of the City. The City of Lakeland's investment policy limits the investment in Money Market Funds and Mutual Funds, including Commingled Trust Funds, to 10% of total investments in each.

Foreign Currency Risk Foreign currency risk, for an investment, is the risk associated with currency fluctuations when an investment is denominated in a foreign currency.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

The Employee Pension Fund held \$112,165,796 (21.32%) in fixed income and equity investments of foreign issuers of non-US companies. The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2016, the Employee Pension Fund held the following fixed income and equity investments in non-U.S. companies and/or investments denominated in a foreign currency:

Foreign Investments:

Mutual Funds:	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
PIMCO DIVERSIFIED INCOME FUND INSTITUTIONAL CLASS #106	\$ 14,068,701	USD	N/A
TEMPLETON GLOBAL TOTAL RETURN FUND CLASS R6	12,854,036	USD	N/A
TS&W INTERNATIONAL LARGE CAP EQUITY TRUST	27,024,959	USD	N/A
WCM FOCUSED INTERNATIONAL GROWTH FUND LP	29,358,134	USD	N/A
LEE MUNDER EMERGING MARKETS	28,827,801	USD	N/A
Total Mutual Funds	<u>112,133,631</u>		
Corporate Stocks:	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
Non-US Companies:			
CANADIAN SOLAR INC COM STK USD0	32,165	USD	N/A
Total Corporate Stocks	<u>32,165</u>		
Total Foreign Investments	<u>\$ 112,165,796</u>		

The Municipal Police Officers' Pension Plan held \$19,109,803 (17.63%) in fixed income and equity investments of foreign issuers or non-US companies. The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2016, the fund held the following investments in foreign securities:

Foreign Investments:

Mutual Funds:	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
TEMPLETON GLOBAL TOTAL RETURN-R6	\$ 4,094,431	USD	N/A
IVA INTERNATIONAL FUND	2,679,473	USD	N/A
TRANSAMERICA INTERNATIONAL EQUITY-IS	5,086,574	USD	N/A
VANGUARD TOTAL INTL STOCK INDEX-INST	6,820,694	USD	N/A
Total Mutual Funds	<u>18,681,172</u>		
Corporate Bonds:	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
Non-US Companies:			
KINGDOM OF JORDAN AID	216,340	USD	06/30/25
ETHIOPIAN LEASING 2012 ETHAIR	172,241	USD	05/12/26
SHIRE ACQ INV IRELAND DA SHPLN	40,050	USD	09/23/21
Total Corporate Bonds	<u>428,631</u>		
Total Foreign Investments	<u>\$ 19,109,803</u>		



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

The City of Lakeland Firefighters' Retirement System held \$12,871,704 (14.89%) in foreign securities. The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2016, the fund held the following investments in foreign securities:

Foreign Investments:

Mutual Funds:	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
INTERNATIONAL FIXED INCOME - EB	\$ 4,302,827	USD	N/A
AMERICAN EUROPACIFIC GROWTH FUND	4,283,549	USD	N/A
LITMAN GREGORY MASTERS	4,285,328	USD	N/A
Total Mutual Funds	<u>12,871,704</u>		

Total Foreign Investments	<u>\$ 12,871,704</u>
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The investments of the City's Perpetual Care Cemetery Fund, Survivor's Benefit Fund, the Baldwin Book Fund, and the Retiree Health Healthcare Trust Fund were pooled into the Consolidated Investment Fund. Section I.2 of the investment policy provides that the funds covered under the policy can be "pooled" for investment purposes to maximize earnings and to minimize associated fees. The Consolidated Investment Fund held \$1,858,338 (11.78%) in fixed income investments and \$1,399,862 (8.87%) in equity investments of foreign issuers or non-US companies. Non-international fund managers held 20.65% in foreign companies. The investment policy for this fund, excluding international fund managers, limits the investments in foreign securities up to 5% of the fair market value of the equity assets held by the fund. The investment policy also limits fixed income investments of non-US issuers to 10% of total fixed income investments. As of September 30, 2016, the fund held the following investments in foreign securities (including international fund managers):

Foreign Investments:

Mutual Funds:	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
FIDELITY ADVISOR EMERGING MRKTS INC CL I	\$ 433,736	USD	N/A
TEMPLETON INCOME TR GLOBAL BD FD ADVISOR CL	225,427	USD	N/A
WISDOMTREE EMERGING ETF MARKETS HIGH DIVIDEND FD	565,842	USD	N/A
BLACKROCK FDS EMERGING MKT LONG/SHORT EQUITY FD INSTL SHS	44,599	USD	N/A
BLACKROCK FUNDS GLOBAL LONG/SHORT CR FD INSTITUTIONAL	67,162	USD	N/A
EATON VANCE MUTUAL FDS TRUST GLOBAL MACRO ABSLT RETURN ADVTG FD CL I	104,678	USD	N/A
JOHN HANCOCK FDS II GLOBAL ABSOLUTE RETURN STRATEGIES FD CL I	112,174	USD	N/A
ISHARES JP MORGAN ETF USD EMERGING MAKETS BOND	43,485	USD	N/A
ISHARES MSCI GERMANY ETF	14,212	USD	N/A
SPDR EURO STOXX 50 ETF	30,565	USD	N/A
VANGUARD INTL EQUITY ETF INDEX FDS FTSE EMERGING MKTS ETF	103,144	USD	N/A
VANGUARD FTSE ETF DEVELOPED MARKETS ETF	<u>113,314</u>	USD	N/A
Total Mutual Funds	<u>1,858,338</u>		

NOTES TO FINANCIAL STATEMENTSNOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**B. Cash Equivalents and Investments (continued)**

Corporate Stocks:	Market Value	\$ Denomination	Maturity
Non-US Companies:			
ACTELION LTD UNSPONSORED ADR	\$ 16,552	USD	N/A
ALLIANCE GLOBAL GROUP INC-UNSPONSORED ADR	10,126	USD	N/A
AMBEV SA ADR SPONSORED ADR	11,754	USD	N/A
ANHEUSER BUSCH INBEV SA/NV-SPONSORED ADR	79,503	USD	N/A
AON PLC CLASS A	78,293	USD	N/A
ASSTEAD GROUP PLC UNSPONSORED ADR	9,817	USD	N/A
ASML HOLDING NV NY REGISTRY SHS NEW 2012	24,327	USD	N/A
ASSA ABLOY AB-ADR	24,430	USD	N/A
ASSOC BRITISH FOODS LTD ADR NEW	9,001	USD	N/A
AUTOHOME INC-ADR	46,851	USD	N/A
BANCA MEDIOLANUM SPA ADR	7,887	USD	N/A
BB SEGURIDADE ADR PARTICIPACOES S/A	19,761	USD	N/A
BHP BILLITON LTD SPON ADR	22,592	USD	N/A
BRITISH AMERN TOB PLC SPON ADR	34,976	USD	N/A
CANADIAN NATL RY CO	14,911	USD	N/A
CANADIAN PACIFIC RAILWAY LTD	17,561	USD	N/A
CAPGEMINI SA-ADR	9,933	USD	N/A
CARLSBERG AS-B SPONSORED ADR	12,942	USD	N/A
CIA SANEAMENTO BASICO DE-ADR	9,510	USD	N/A
COMPAGNIE FINANCIERE RICHEMONT SA-UNSPON ADR	7,472	USD	N/A
COMPASS GRP PLC SPON ADR 1 RCPT=1 ORD SHRS	20,672	USD	N/A
CONTINENTAL AG SPON ADR	9,145	USD	N/A
DAIWA HOUSE IND LTD COMM ADRS JAPAN	30,743	USD	N/A
ENI S P A ADR SPON ADR	16,485	USD	N/A
ESTACIO PARTICIPACOES SA SPONSORED ADR	8,916	USD	N/A
FANUC CORP UNSPONSORED ADR	12,167	USD	N/A
GEA GROUP AG-SPON ADR	11,108	USD	N/A
INFORMA PLC SPON ADR 1 RCPT=2 ORD SHRS	16,594	USD	N/A
JAPAN TOBACCO INC ADR UNSPON 1 RCPT=.5 ORD SHRS	25,047	USD	N/A
KASIKORNBANK PUB CO LTD UNSPONSORED ADR	12,478	USD	N/A
KBC GROEP NV-UNSPN ADR	9,218	USD	N/A
KDDI CORP-UNSPONSORED ADR	26,620	USD	N/A
KOC HOLDING AS-UNSPON ADR	12,548	USD	N/A
MAKITA CORPORATION ADR NEW 11/76	25,647	USD	N/A
MOBILE TELESYSTEMS-PJSC SPON ADR	6,043	USD	N/A
MR PRICE GROUP LTD SPONSORED ADR	8,820	USD	N/A
NESTLE S A REG ADR	58,317	USD	N/A
NOVARTIS AG SPON ADR	74,222	USD	N/A
NOVO NORDISK A S ADR	37,972	USD	N/A

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

Corporate Stocks (continued):	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
Non-US Companies (continued):			
PERUSAHAAN PERSEROAN PERSERO PT INDONESIA TELEKOMUNIKASI	\$ 29,538	USD	N/A
PRUDENTIAL PLC SPON ADR	31,103	USD	N/A
RED ELECTRICA CORPORACION SA	15,351	USD	N/A
RELX PLC ADR SPON 1 RCPT=1 ORD SHRS	17,436	USD	N/A
ROCHE HOLDINGS LTD ADR	39,672	USD	N/A
ROYAL DUTCH SHELL PLC ADR CL A	18,826	USD	N/A
RYANAIR HLDGS PLC SPONSORED ADR NEW	12,455	USD	N/A
RYOHIN KEIKAKU CO UNSP ADR	13,645	USD	N/A
SEVEN & I HOLDINGS ADR	17,017	USD	N/A
SOFTBANK GROUP CORP UNSPON ADR	17,321	USD	N/A
SONY CORP ADR NEW	18,232	USD	N/A
SUMITOMO MITSUI FINL GROUP INC SPON ADR	19,467	USD	N/A
SWEDBANK AB-ADR	15,082	USD	N/A
TAIWAN SEMICONDUCTOR MFG CO LTD ADR	52,951	USD	N/A
TELENOR ASA-ADS	11,652	USD	N/A
TENCENT HOLDINGS LTD-UNSP ADR	21,492	USD	N/A
TEVA PHARMACEUTICAL ADR INDS LTD	17,806	USD	N/A
TOTAL S.A. SPONS ADR	23,134	USD	N/A
TURKCELL ILETISIM HIZMETLERI	13,976	USD	N/A
UNILEVER PLC SPONS ADR	21,093	USD	N/A
VINCI S.A.-ADR	18,742	USD	N/A
VIVENDI SA UNSPONSORED ADR	9,833	USD	N/A
WOLSELEY PLC JERSEY SPONSORED ADR 2013	19,306	USD	N/A
WOLTERS KLUWER N V SPONSORED ADR	19,799	USD	N/A
WORLDPAY GRP PLC ADR UNSPON ADR	13,972	USD	N/A
Total Corporate Stocks	<u>1,399,862</u>		
Total Foreign Investments	<u>\$ 3,258,200</u>		

NOTES TO FINANCIAL STATEMENTSNOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**B. Cash Equivalents and Investments (continued)**

The Pooled Investment Fund held \$26,005,948 (6.92%) in fixed income investments of foreign issuers or non-US companies. The investment policy for this fund allows investments in High grade corporate debt consisting of U.S. dollar denominated debt obligations of domestic or foreign corporations, or foreign sovereignties issued in the U.S. or in foreign markets. As of September 30, 2016, the fund held the following investments in foreign securities:

## Foreign Investments:

## Corporate Bonds:

## Non-US Companies:

	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
ELECTRICITE DE FRANCE 144A PRIV PLCMT	\$ 6,354,400	USD	01/29/49
CREDIT SUISSE AG MED TERM NOTE	2,000,000	USD	05/29/30
EMBRAER NETHERLANDS BV	1,256,250	USD	06/15/25
ENSCO PLC DTD	1,462,700	USD	03/15/25
SEAGATE HDD CAYMAN	1,417,500	USD	01/01/25
RIO OIL FINANCE TRUST	1,693,787	USD	07/06/24
LATAM AIR 2015-1 PTT B	934,325	USD	11/15/23
LATAM AIR 2015-1 PTT B	75,303	USD	11/15/23
ISRAEL ELECTRIC CORP LTD 144A PRIV PLCMT	1,197,500	USD	06/21/23
ODBRCHT OFFSHRE DRLL FIN	474,802	USD	10/01/22
ODBRCHT OFFSHRE DRLL FIN	241,675	USD	10/01/22
SCHAHIN II FINAN CO SPV	406,536	USD	09/25/22
AIR CANADA 2013-1B PTT 144A PRIV PLCMT	4,138,404	USD	05/15/21
BRASKEM FINANCE LTD SER REGS	1,048,200	USD	04/15/21
DORIC NIMROD AIR 2013-1 144A PRIV PLCMT	1,297,566	USD	11/30/19
XSTRATA FINANCE CANADA 144A PRIV PLCMT	2,007,000	USD	11/15/16
Total Corporate Bonds	<u>26,005,948</u>		

## Total Foreign Investments

\$ 26,005,948

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

Credit Risk Credit risk is the risk of loss due to the failure of the security issuer or other counterparty.

The purpose of the City of Lakeland's investment policy is to minimize credit risk by limiting investments in securities that have higher credit risks, pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The City of Lakeland's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, with the exception of the Employee Pension Fund, the Municipal Police Officers' Pension Fund, the Firefighters' Retirement System Fund, the Baldwin Book Fund, the Survivor's Benefit Fund, The Cemetery Perpetual Care Fund, the Public Improvement Endowment Fund, and the Consolidated Pooled Fund, had the following S&P and Moody's aggregate uninsured credit quality ratings:

S&P Rating	Cost	% of Total	Market	% of Total
AAA	\$ 3,529,274	0.93%	\$ 3,529,274	0.94%
AA+ to AA-	145,509,556	38.25%	148,001,332	39.54%
A+ to A-	33,480,748	8.80%	34,256,074	9.15%
BBB+ to BBB-	88,830,483	23.35%	88,702,413	23.70%
BB+ to BB-	21,947,541	5.77%	19,876,448	5.31%
Below BB-	14,032,221	3.69%	9,549,924	2.55%
NR	73,079,430	19.21%	70,409,040	18.81%
	<u>\$ 380,409,253</u>	<u>100.00%</u>	<u>\$ 374,324,505</u>	<u>100.00%</u>

Moody's Rating	Cost	% of Total	Market	% of Total
Aaa	\$ 117,181,040	30.80%	\$ 118,388,323	31.63%
Aa1 to Aa3	14,080,000	3.70%	14,301,791	3.82%
A1 to A3	25,552,184	6.72%	27,390,355	7.32%
Baa1 to Baa3	102,266,903	26.88%	102,635,930	27.42%
Ba1 to Ba3	16,361,380	4.30%	15,174,008	4.05%
Below Ba3	19,993,934	5.26%	14,939,099	3.99%
NR	84,973,812	22.34%	81,494,999	21.77%
	<u>\$ 380,409,253</u>	<u>100.00%</u>	<u>\$ 374,324,505</u>	<u>100.00%</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

Per the City's investment policy, investments in Certificates of Deposits must be in a qualified public depository and/or be covered by FDIC insurance. As of September 30, 2016, all Certificates of Deposits were FDIC insured. As of September 30, 2016, the City's investments had the following credit quality ratings:

S&P Rating	US Government Agency Obligations		Corporate Bonds		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total
AAA	\$ -	0.00%	\$ -	0.00%	\$ 1,704,274	26.51%
AA+ to AA-	116,684,050	78.88%	2,682,643	2.11%	-	0.00%
A+ to A-	-	0.00%	24,205,027	19.00%	-	0.00%
BBB+ to BBB-	-	0.00%	70,511,125	55.33%	-	0.00%
BB+ to BB-	-	0.00%	6,109,396	4.79%	-	0.00%
Below BB-	-	0.00%	2,526,893	1.98%	-	0.00%
NR	31,236,620	21.12%	21,396,688	16.79%	4,723,500	73.49%
	<u>\$ 147,920,670</u>	<u>100.00%</u>	<u>\$ 127,431,772</u>	<u>100.00%</u>	<u>\$ 6,427,774</u>	<u>100.00%</u>

S&P Rating	Foreign Securities		Municipal Bonds	
	Market	% of Total	Market	% of Total
AAA	\$ -	0.00%	\$ 1,825,000	2.74%
AA+ to AA-	-	0.00%	28,634,639	43.04%
A+ to A-	-	0.00%	10,051,047	15.11%
BBB+ to BBB-	12,527,554	48.17%	5,663,734	8.51%
BB+ to BB-	7,364,028	28.32%	6,403,024	9.62%
Below BB-	2,410,264	9.27%	4,612,767	6.93%
NR	3,704,102	14.24%	9,348,130	14.05%
	<u>\$ 26,005,948</u>	<u>100.00%</u>	<u>\$ 66,538,341</u>	<u>100.00%</u>

Moody's Rating	US Government Agency Obligations		Corporate Bonds		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ 116,684,050	78.88%	\$ -	0.00%	\$ 1,704,274	26.51%
Aa1 to Aa3	-	0.00%	-	0.00%	-	0.00%
A1 to A3	-	0.00%	-	0.00%	-	0.00%
Baa1 to Baa3	14,086,585	9.52%	69,456,227	54.50%	-	0.00%
Ba1 to Ba3	-	0.00%	6,571,817	5.16%	-	0.00%
Below Ba3	-	0.00%	6,381,222	5.01%	-	0.00%
NR	17,150,035	11.60%	45,022,506	35.33%	4,723,500	73.49%
	<u>\$ 147,920,670</u>	<u>100.00%</u>	<u>\$ 127,431,772</u>	<u>100.00%</u>	<u>\$ 6,427,774</u>	<u>100.00%</u>

Moody's Rating	Foreign Securities		Municipal Bonds	
	Market	% of Total	Market	% of Total
Aa1 to Aa3	\$ -	0.00%	\$ 14,301,791	21.49%
A1 to A3	-	0.00%	27,390,356	41.16%
Baa1 to Baa3	12,273,966	47.20%	6,819,151	10.25%
Ba1 to Ba3	7,452,482	28.65%	1,149,708	1.73%
Below Ba3	2,179,177	8.38%	6,378,699	9.59%
NR	4,100,323	15.77%	10,498,636	15.78%
	<u>\$ 26,005,948</u>	<u>100.00%</u>	<u>\$ 66,538,341</u>	<u>100.00%</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

The City of Lakeland's investment policy requires the following Standard & Poor's (S&P) or Moody's uninsured credit quality ratings for fixed income securities of the Employee Pension Fund, the Municipal Police Officers' Pension Fund, the City of Lakeland Firefighters' Retirement System Fund, the Public Improvement Endowment Fund, and the Consolidated Investment Fund:

Investment Class	S & P Rating	Moody's Rating	Maximum %
Employee Pension Fund			
Fixed Income	BBB	Baa	20%
Fixed Income	Less than BBB	Less than Baa	10%
Fixed Income - Single Issuer	BBB or lower	Baa or lower	2%
Municipal Police Officers' Pension Fund			
Money Market Funds	BBB or higher	Baa or higher	85%
Firefighters' Retirement System Fund			
Money Market Funds	A-1	P-1	
Fixed Income	BBB or higher	Baa or higher	
Consolidated Investment Fund			
Commercial Paper	A-1	P-1	
Money Market Funds	A-1	P-1	
Fixed Income	BBB	Baa	20%
Fixed Income	Less than BBB	Less than Baa	10%
Fixed Income - Single Issuer	BBB or lower	Baa or lower	2%

As of September 30, 2016, the City of Lakeland's Employee Pension Fund's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, had the following S&P and Moody's aggregate credit quality ratings:

S&P Rating	Cost	% of Total	Market	% of Total
AAA	\$ 7,966,085	9.86%	\$ 7,966,085	9.65%
AA+ to AA-	44,610,018	55.18%	45,752,468	55.45%
A+ to A-	10,842,009	13.41%	10,987,865	13.32%
BBB+ to BBB-	17,424,773	21.55%	17,801,010	21.58%
	<u>\$ 80,842,885</u>	<u>100.00%</u>	<u>\$ 82,507,428</u>	<u>100.00%</u>

Moody's Rating	Cost	% of Total	Market	% of Total
Aaa	\$ 49,071,524	60.70%	\$ 50,043,541	60.65%
Aa1 to Aa3	1,078,407	1.33%	1,113,420	1.35%
A1 to A3	14,729,070	18.22%	15,007,690	18.19%
Baa1 to Baa3	15,963,884	19.75%	16,342,777	19.81%
	<u>\$ 80,842,885</u>	<u>100.00%</u>	<u>\$ 82,507,428</u>	<u>100.00%</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

As of September 30, 2016, the fair market values of the City of Lakeland's Employee Pension Fund's investment types had the following credit quality ratings:

S&P Rating	US Government		Corporate Bonds		Money Market Funds	
	Agency Obligations					
	Market	% of Total	Market	% of Total	Market	% of Total
AAA	\$ -	0.00%	\$ -	0.00%	\$ 7,966,086	100.00%
AA+ to AA-	42,077,455	100.00%	3,675,012	11.32%	-	0.00%
A+ to A-	-	0.00%	10,987,865	33.85%	-	0.00%
BBB+ to BBB-	-	0.00%	17,801,010	54.83%	-	0.00%
NR	-	0.00%	-	0.00%	-	0.00%
	<u>\$ 42,077,455</u>	<u>100.00%</u>	<u>\$ 32,463,887</u>	<u>100.00%</u>	<u>\$ 7,966,086</u>	<u>100.00%</u>

Moody's Rating	US Government		Corporate Bonds		Money Market Funds	
	Agency Obligations					
	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ 42,077,455	100.00%	\$ -	0.00%	\$ 7,966,086	100.00%
Aa1 to Aa3	-	0.00%	1,113,420	3.43%	-	0.00%
A1 to A3	-	0.00%	15,007,690	46.23%	-	0.00%
Baa1 to Baa3	-	0.00%	16,342,777	50.34%	-	0.00%
NR	-	0.00%	-	0.00%	-	0.00%
	<u>\$ 42,077,455</u>	<u>100.00%</u>	<u>\$ 32,463,887</u>	<u>100.00%</u>	<u>\$ 7,966,086</u>	<u>100.00%</u>

As of September 30, 2016, the City of Lakeland's Municipal Police Officers' Pension Fund's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, had the following aggregate S&P and Moody's uninsured credit quality ratings:

S&P Rating	Cost	% of Total	Market	% of Total
AAA	\$ 5,079,494	16.06%	\$ 5,104,961	15.81%
AA+ to AA-	13,814,586	43.69%	14,076,157	43.59%
A+ to A-	3,196,225	10.11%	3,296,562	10.21%
BBB+ to BBB-	2,059,005	6.51%	2,156,673	6.68%
NR	7,473,775	23.63%	7,661,512	23.71%
	<u>\$ 31,623,085</u>	<u>100.00%</u>	<u>\$ 32,295,865</u>	<u>100.00%</u>

Moody's Rating	Cost	% of Total	Market	% of Total
Aaa	\$ 18,175,103	57.47%	\$ 18,475,563	57.21%
Aa1 to Aa3	1,363,113	4.31%	1,398,623	4.33%
A1 to A3	2,926,730	9.26%	3,039,472	9.41%
Baa1 to Baa3	2,101,340	6.64%	2,185,710	6.77%
Ba1 to Ba3	140,431	0.44%	142,817	0.44%
NR	6,916,368	21.87%	7,053,680	21.84%
	<u>\$ 31,623,085</u>	<u>100.00%</u>	<u>\$ 32,295,865</u>	<u>100.00%</u>



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

As of September 30, 2016, the fair market values of the City of Lakeland's Police Officers' Pension Fund's investment types had the following credit quality ratings:

US Government						
S&P Rating	Agency Obligations		Corporate Bonds		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total
AAA	\$ -	0.00%	\$ 2,754,496	16.84%	\$ 1,994,794	100.00%
AA+ to AA-	12,385,418	100.00%	975,363	5.97%	-	0.00%
A+ to A-	-	0.00%	3,280,087	20.06%	-	0.00%
BBB+ to BBB-	-	0.00%	2,156,673	13.19%	-	0.00%
NR	-	0.00%	7,184,029	43.94%	-	0.00%
	<u>\$ 12,385,418</u>	<u>100.00%</u>	<u>\$ 16,350,648</u>	<u>100.00%</u>	<u>\$ 1,994,794</u>	<u>100.00%</u>

Foreign Securities			Municipal Bonds	
S&P Rating	Market	% of Total	Market	% of Total
AAA	\$ -	0.00%	\$ 355,670	31.30%
AA+ to AA-	-	0.00%	715,377	62.95%
A+ to A-	-	0.00%	16,475	1.45%
BBB+ to BBB-	40,051	9.34%	-	0.00%
NR	388,581	90.66%	48,851	4.30%
	<u>\$ 428,632</u>	<u>100.00%</u>	<u>\$ 1,136,373</u>	<u>100.00%</u>

US Government						
Moody's Rating	Agency Obligations		Corporate Bonds		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ 12,385,418	100.00%	\$ 3,836,836	23.46%	\$ 1,994,794	100.00%
Aa1 to Aa3	-	0.00%	987,012	6.04%	-	0.00%
A1 to A3	-	0.00%	3,022,997	18.49%	-	0.00%
Baa1 to Baa3	-	0.00%	2,185,710	13.37%	-	0.00%
Ba1 to Ba3	-	0.00%	142,817	0.87%	-	0.00%
NR	-	0.00%	6,175,276	37.77%	-	0.00%
	<u>\$ 12,385,418</u>	<u>100.00%</u>	<u>\$ 16,350,648</u>	<u>100.00%</u>	<u>\$ 1,994,794</u>	<u>100.00%</u>

Foreign Securities			Municipal Bonds	
Moody's Rating	Market	% of Total	Market	% of Total
\$	-	0.00%	\$ 258,516	22.75%
Aaa	-	0.00%	411,610	36.22%
Aa1 to Aa3	-	0.00%	16,475	1.45%
A1 to A3	40,051	9.34%	-	0.00%
Below Ba3	388,581	90.66%	449,772	39.58%
NR	<u>\$ 428,632</u>	<u>100.00%</u>	<u>\$ 1,136,373</u>	<u>100.00%</u>

**CITY OF LAKELAND, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

As of September 30, 2016, the City of Lakeland's Firefighters' Retirement System Fund's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, had the following aggregate S&P and Moody's uninsured credit quality ratings:

S&P Rating	Cost	% of Total	Market	% of Total
AAA	\$ 410,326	100.00%	\$ 410,326	100.00%
	<u>\$ 410,326</u>	<u>100.00%</u>	<u>\$ 410,326</u>	<u>100.00%</u>
Moody's Rating	Cost	% of Total	Market	% of Total
Aaa	\$ 410,326	100.00%	\$ 410,326	100.00%
	<u>\$ 410,326</u>	<u>100.00%</u>	<u>\$ 410,326</u>	<u>100.00%</u>

As of September 30, 2016, the fair market values of the City of Lakeland's Firefighters' Retirement System Fund's investment types had the following credit quality ratings:

Money Market Funds		
S&P Rating	Market	% of Total
AAA	\$ 410,326	100.00%
	<u>\$ 410,326</u>	<u>100.00%</u>

Money Market Funds		
Moody's Rating	Market	% of Total
Aaa	\$ 410,326	100.00%
	<u>\$ 410,326</u>	<u>100.00%</u>

As of September 30, 2016, the City of Lakeland's Consolidated Investment Fund's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, had following aggregate S&P and Moody's uninsured credit quality ratings:

S&P Rating	Cost	% of Total	Market	% of Total
AA+ to AA-	\$ 1,229,676	80.34%	\$ 1,253,895	79.81%
A+ to A-	123,197	8.05%	126,990	8.08%
BBB+ to BBB-	118,849	7.77%	127,610	8.12%
BB+ to BB-	38,894	2.54%	42,735	2.72%
NR	19,874	1.30%	19,874	1.27%
	<u>\$ 1,530,490</u>	<u>100.00%</u>	<u>\$ 1,571,104</u>	<u>100.00%</u>
Moody's Rating	Cost	% of Total	Market	% of Total
Aaa	\$ 720,842	47.10%	\$ 741,436	47.19%
Aa1 to Aa3	470,813	30.76%	470,813	29.97%
A1 to A3	240,166	15.69%	253,621	16.14%
Baa1 to Baa3	39,902	2.61%	42,626	2.71%
Ba1 to Ba3	38,894	2.54%	42,735	2.72%
NR	19,873	1.30%	19,874	1.27%
	<u>\$ 1,530,490</u>	<u>100.00%</u>	<u>\$ 1,571,104</u>	<u>100.00%</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

As of September 30, 2016, the Consolidated Investment Fund's investment types had the following credit quality ratings:

S&P Rating	US Government Agency Obligations		Corporate Bonds		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total
AA+ to AA-	\$ 741,436	100.00%	\$ 41,646	12.29%	\$ 470,812	95.95%
A+ to A-	-	0.00%	126,990	37.46%	-	0.00%
BBB+ to BBB-	-	0.00%	127,611	37.64%	-	0.00%
BB+ to BB-	-	0.00%	42,735	12.61%	-	0.00%
NR	-	0.00%	-	0.00%	19,874	4.05%
	<u>\$ 741,436</u>	<u>100.00%</u>	<u>\$ 338,982</u>	<u>100.00%</u>	<u>\$ 490,686</u>	<u>100.00%</u>

Moody's Rating	US Government Agency Obligations		Corporate Bonds		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ 741,436	100.00%	\$ -	0.00%	\$ -	0.00%
Aa1 to Aa3	-	0.00%	-	0.00%	470,812	95.95%
A1 to A3	-	0.00%	253,621	74.82%	-	0.00%
Baa1 to Baa3	-	0.00%	42,626	12.57%	-	0.00%
Ba1 to Ba3	-	0.00%	42,735	12.61%	-	0.00%
NR	-	0.00%	-	0.00%	19,874	4.05%
	<u>\$ 741,436</u>	<u>100.00%</u>	<u>\$ 338,982</u>	<u>100.00%</u>	<u>\$ 490,686</u>	<u>100.00%</u>

As of September 30, 2016, the City of Lakeland's Public Improvement Endowment Fund's investments in debt securities, other than obligations of the US government and obligations explicitly guaranteed by the US government, had following aggregate S&P and Moody's uninsured credit quality ratings:

S&P Rating	Cost	% of Total	Market	% of Total
AAA	\$ 17,617	7.24%	\$ 17,603	7.19%
AA+ to AA-	159,669	65.65%	160,519	65.56%
A+ to A-	32,584	13.40%	32,888	13.43%
BBB+ to BBB-	33,340	13.71%	33,831	13.82%
	<u>\$ 243,210</u>	<u>100.00%</u>	<u>\$ 244,841</u>	<u>100.00%</u>

Moody's Rating	Cost	% of Total	Market	% of Total
Aaa	\$ 145,337	59.76%	\$ 146,021	59.64%
Aa1 to Aa3	16,977	6.98%	16,989	6.94%
A1 to A3	47,500	19.53%	48,363	19.75%
Baa1 to Baa3	33,396	13.73%	33,468	13.67%
	<u>\$ 243,210</u>	<u>100.00%</u>	<u>\$ 244,841</u>	<u>100.00%</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

As of September 30, 2016, the Public Improvement Endowment Fund's investment types had the following credit quality ratings:

S&P Rating	US Government Agency Obligations		Corporate Bonds	
	Market	% of Total	Market	% of Total
AAA	\$ -	0.00%	\$ 17,603	13.07%
AA+ to AA-	110,200	100.00%	50,319	37.37%
A+ to A-	-	0.00%	32,888	24.43%
BBB+ to BBB-	-	0.00%	33,831	25.13%
	<u>\$ 110,200</u>	<u>100.00%</u>	<u>\$ 134,641</u>	<u>100.00%</u>

Moody's Rating	US Government Agency Obligations		Corporate Bonds	
	Market	% of Total	Market	% of Total
Aaa	\$ 110,200	100.00%	\$ 35,821	26.60%
Aa1 to Aa3	-	0.00%	16,989	12.62%
A1 to A3	-	0.00%	48,363	35.92%
Baa1 to Baa3	-	0.00%	33,468	24.86%
	<u>\$ 110,200</u>	<u>100.00%</u>	<u>\$ 134,641</u>	<u>100.00%</u>

**Concentration of Credit Risk** The City of Lakeland limits investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities) and continuously invests a portion of the portfolio in readily available funds such as local government investment pools, money market funds or overnight repurchase agreements.

The City of Lakeland's overall investment policy concentration limits and actual concentration limits in investment types for all funds, with the exception of Pension funds, the Survivors' Benefit Fund, the Baldwin Book Fund, the Cemetery Perpetual Care Fund, and the Consolidated Investment Fund as of September 30, 2016 are as follows:

<u>Type of Security (Market)</u>	<u>Maximum % of Total</u>	<u>% of Total</u>
US Government Obligations	100%	0.00%
Federal Agency & instrumentality Obligations	100%	37.82%
Local Government Investment Pools	100%	0.00%
Certificates of Deposits	25%	0.00%
Collateralized Repurchase Agreements	15%	0.00%
Other Investment Pools (rated "A" or better)	10%	0.00%
Mutual Funds	0%	0.40%
High Grade Corporate Debt	15%	42.38%
Investment Grade Obligations of State and Local Govts	15%	17.71%
Money Market Mutal Funds	N/A	1.71%

The investment in obligations of state and local governments exceeds the maximum percentage. However, Section IV 7b of the policy provides an increase to 30% for state and local government obligations if in the judgment of the Investment Administrator said obligations provides sufficient additional returns. Investment policy provides discretion for temporary variances due to market changes, etc., therefore, the High Grade Corporate Debt exceeds the maximum percentage. However, the percentages corrected in subsequent quarter due to changes in the market.. No investments in a single security exceeded 15% of the fixed income portfolio. No individual issue purchased exceeded 50% in relation to the total portfolio.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

**B. Cash Equivalents and Investments (continued)**

In the City of Lakeland's Consolidated Investment Fund accordance with the guidelines set forth by City Ordinance, the Investment Manager may invest in common stocks, long-term fixed income investments and cash equivalents. Fixed income securities may be US government and agency obligations, obligations guaranteed by US government, marketable corporate bonds and notes, GNMA's, US agency collateralized mortgage-back securities, debentures, hybrid securities, commercial paper, and CDs. Up to 10% of fixed income investments may consist of issuers not domiciled in the U.S. Policy allows for temporary variances due to market shifts and allows the administrator to bring investment allocations into compliance within a short term time frame. As of September 30, 2016, the Consolidated Investment Fund held investments within the following limits:

<u>Asset Class (Market)</u>	<u>Maximum%</u>	<u>Minimum%</u>	<u>Actual %</u>
Domestic Equity:			
Large Cap Equity	50%	30%	35%
Small Cap Equity	15%	7%	12%
International Equity	30%	15%	14%
Total Equity	75%	50%	67%
Total Fixed Income (Incl. Cash)	35%	25%	33%

In the City of Lakeland's Public Improvement Endowment Fund accordance with the guidelines set forth by City Ordinance, the Investment Manager may invest in common stocks, long-term fixed income investments and cash equivalents. Fixed income securities may be US government and agency obligations, obligations guaranteed by US government, marketable corporate bonds and notes, GNMA's, US agency collateralized mortgage-back securities, debentures, hybrid securities, commercial paper, and CDs. Up to 10% of fixed income investments may consist of issuers not domiciled in the U.S. Policy allows for temporary variances due to market shifts and allows the administrator to bring investment allocations into compliance within a short term time frame. As of September 30, 2016, the Consolidated Investment Fund held investments within the following limits:

<u>Asset Class (Market)</u>	<u>Maximum%</u>	<u>Minimum%</u>	<u>Actual %</u>
Domestic Equity:			
Large Cap Equity	50%	30%	30%
Small Cap Equity	15%	7%	19%
International Equity	30%	15%	15%
Total Equity	75%	50%	64%
Total Fixed Income (Incl. Cash)	35%	25%	36%

The Pension Board of Trustees (Board) employs professional Investment Management firms to invest the assets of the City of Lakeland's Employee Pension Fund. Assets shall be diversified to minimize overall portfolio risk consistent with the level of expected return and thereby improve the long-term return potential of assets. The performance of the Portfolio is compared to the return of a customized blended market index comprised of domestic and international equity, aggregate and international fixed income, real estate and alternatives investments. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances, the asset allocation will be rebalanced into the allowable range. As of September 30, 2016, no single company's fixed securities and common stock represented more than 3% and 5% respectively of the market value assets of the fund. The City of Lakeland's investment allocation limits and actual limits for the Employee Pension Fund as of September 30, 2016 are as follows:

<u>Asset Class (Market)</u>	<u>Maximum%</u>	<u>Minimum%</u>	<u>Actual %</u>
Domestic Equity	50%	35%	43%
International Equity	20%	10%	16%
Aggregate Fixed Income	40%	10%	21%
International Fixed	10%	0%	5%
Real Estate	15%	0%	10%
Alternative	15%	0%	5%

NOTES TO FINANCIAL STATEMENTSNOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**B. Cash Equivalents and Investments (continued)**

The Pension Board of Trustees (Board) maintains the City of Lakeland's Municipal Police Officers' Retirement Fund. In order to provide for a diversified portfolio, the board employs investment professionals to oversee and invest the assets of the Plan. The performance of the portfolio is compared to the return of a blended index comprised of Domestic Opportunistic Value, Domestic Opportunistic Growth, Domestic Core, International, Fixed Income, Global Fixed Income, Real Estate and Alternative Investments. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances, the asset allocation will be rebalanced into the allowable range. As of September 30, 2016, no single company's fixed securities and common stock represented more than 3% and 5% respectively of the value assets of the fund. The City of Lakeland's investment allocation limits and actual limits for the Lakeland Municipal Police Officers' Retirement Fund as of September 30, 2016 are as follows:

<u>Asset Class (Cost)</u>	<u>Maximum %</u>	<u>Minimum %</u>	<u>Actual %</u>
Domestic Opportunistic Value	25%	15%	10%
Domestic Opportunistic Growth	25%	15%	32%
Domestic Core	15%	0%	0%
International	20%	5%	13%
Fixed Income	30%	20%	24%
TIPS	7.5%	0%	0%
Global Fixed Income	7.5%	0%	4%
Real Return	15.0%	5%	9%
Real Estate	7.5%	0%	6%
Alternative	7.5%	0%	0%

The Pension Board of Trustees (Board) employs investment professionals to oversee and invest the assets of the City of Lakeland's Firefighters' Retirement System. In order to provide for a diversified portfolio, the Board engaged investment professionals to manage and administer the fund. The performance of the Portfolio is compared to the return of the policy indexed comprised of Domestic and International Equity, US Core and International Fixed Income, and Real Return Alternative Investments. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances, the asset allocation will be rebalanced into the allowable range. The City of Lakeland's investment allocation limits and actual limits for the Lakeland's Firefighters' Retirement System Fund as of September 30, 2016 are as follows:

<u>Asset Class (Market)</u>	<u>Maximum %</u>	<u>Minimum %</u>	<u>Actual %</u>
Domestic Equities	60%	30%	45%
International Equities	25%	5%	10%
US Core Fixed Income	30%	20%	25%
High Yield Fixed Income	10%	0%	0%
International Fixed Income	10%	0%	5%
REITs	8%	0%	2%
Real Return Alternatives	25%	0%	12%

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

Investments and deposits are classified in the Statement of Net Position and Statement of Fiduciary Net Position as follows:

	Governmental Activities	Business-type Activities	Pension and Employee Benefit Funds	Agency Funds	Total
<u>Unrestricted</u>					
Cash and cash equivalents	\$ 39,037,818	\$ 115,751,510	\$ -	\$ -	\$ 154,789,328
<u>Asset Apportionments</u>					
Cash and cash equivalents	8,718,752	164,774,265	-	-	173,493,017
Cash with paying agents	4,913,215	40,184,047	-	-	45,097,262
Investments	1,689,781	-	-	-	1,689,781
<u>Restricted Assets</u>					
Current					
Cash and cash equivalents	7,468,302	794,867	-	-	8,263,169
Non-current					
Cash and cash equivalents	39,496,691	38,238,384	10,788,616	12,999,811	101,523,502
Investments	4,532,029	-	719,775,805	-	724,307,834
	<u>\$ 105,856,588</u>	<u>\$ 359,743,073</u>	<u>\$ 730,564,421</u>	<u>\$ 12,999,811</u>	<u>\$ 1,209,163,893</u>
<u>Totals - all classifications</u>					
Cash and cash equivalents	\$ 94,721,563	\$ 319,559,026	\$ 10,788,616	\$ 12,999,811	\$ 438,069,016
Cash with paying agents	4,913,215	40,184,047	-	-	45,097,262
Investments	6,221,810	-	719,775,805	-	725,997,615
	<u>\$ 105,856,588</u>	<u>\$ 359,743,073</u>	<u>\$ 730,564,421</u>	<u>\$ 12,999,811</u>	<u>\$ 1,209,163,893</u>
<u>Totals - note disclosures</u>					
Total investments					\$ 1,115,123,175
Investments in transit - Pooled Investments					(30,208)
Total deposits					94,070,926
					<u>\$ 1,209,163,893</u>

**CITY OF LAKELAND, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 –CAPITAL ASSETS**

**A. Capital Activity**

Capital assets of the City as of September 30, 2016, consisted of the following:

	Balance September 30, 2015	Additions	Deletions	Balance September 30, 2016
<b>Governmental Activities</b>				
Non-depreciable assets				
Land	\$ 56,031,777	\$ 131,250	\$ -	\$ 56,163,027
Construction in process	10,290,150	30,539,133	1,525,496	39,303,787
Depreciable assets				
Buildings	126,943,243	1,989,956	265,606	128,667,593
Improvements, other than buildings	60,553,079	588,825	681,881	60,460,023
Infrastructure	143,112,439	3,096,096	-	146,208,535
Equipment	36,354,368	1,799,481	1,356,893	36,796,956
	<u>433,285,056</u>	<u>38,144,741</u>	<u>3,829,876</u>	<u>467,599,921</u>
Less accumulated depreciation				
Buildings	74,267,861	2,377,492	228,242	76,417,111
Improvements, other than buildings	29,654,635	2,143,906	284,199	31,514,342
Infrastructure	45,744,222	6,002,802	-	51,747,024
Equipment	30,152,891	1,220,851	1,284,810	30,088,932
	<u>179,819,609</u>	<u>11,745,051</u>	<u>1,797,251</u>	<u>189,767,409</u>
Net capital assets	<u>\$ 253,465,447</u>	<u>\$ 26,399,690</u>	<u>\$ 2,032,625</u>	<u>\$ 277,832,512</u>
<b>Business-type Activities</b>				
Non-depreciable assets:				
Land	\$ 48,067,163	\$ 46,375	\$ -	\$ 48,113,538
Construction in process	35,194,073	45,256,778	53,762,140	26,688,711
Depreciable assets:				
Buildings	132,442,718	11,379,356	-	143,822,074
Improvements	73,761,060	5,252,444	-	79,013,504
Machinery and equipment	128,441,750	14,807,412	14,512,899	128,736,263
Electric transmission and distribution	495,094,498	27,124,758	106,268	522,112,988
Water transmission and distribution	145,007,470	5,990,566	680,495	150,317,541
Pumping stations	30,801,123	848,564	-	31,649,687
Sewer lines	91,267,166	1,510,323	-	92,777,489
Sewer plants	65,600,450	8,437,378	-	74,037,828
Electric and water plant in service	794,077,693	8,681,189	5,608,537	797,150,345
	<u>2,039,755,164</u>	<u>129,335,143</u>	<u>74,670,339</u>	<u>2,094,419,968</u>
Less accumulated depreciation:				
Buildings	72,918,895	4,560,289	-	77,479,184
Improvements	35,391,957	2,672,171	-	38,064,128
Machinery and equipment	76,561,312	11,661,578	15,552,149	72,670,741
Electric transmission and distribution	183,981,278	14,599,600	60,598	198,520,280
Water transmission and distribution	45,169,476	2,787,797	2,864	47,954,409
Pumping stations	8,666,657	761,714	-	9,428,371
Sewer lines	30,548,078	1,994,529	-	32,542,607
Sewer plants	41,557,065	987,553	-	42,544,618
Electric and water plant in service	453,575,714	27,585,831	4,396,861	476,764,684
	<u>948,370,432</u>	<u>67,611,062</u>	<u>20,012,472</u>	<u>995,969,022</u>
Net capital assets	<u>\$ 1,091,384,732</u>	<u>\$ 61,724,081</u>	<u>\$ 54,657,867</u>	<u>\$ 1,098,450,946</u>



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 –CAPITAL ASSETS (continued)**

**B. Depreciation Expense**

Included in the government-wide Statement of Activities is depreciation expense for the year ended September 30, 2016, distributed to governmental and business-type functions as follows:

Governmental activities:	
General government	\$ 578,619
Public safety	1,177,036
Physical environment	1,265,844
Transportation, including depreciation of general infrastructure assets	5,138,066
Economic environment	338,802
Culture/recreation	3,246,684
Total depreciation expense - governmental activities	<u>\$ 11,745,051</u>
Business-type activities:	
Electric	\$ 44,758,745
Water and Wastewater	8,148,087
Parking	167,731
Lakeland Center	1,007,137
Lakeland Linder Regional Airport	3,908,461
Solid Waste	78,805
Cleveland Heights Golf Course	343,026
Internal Service Funds	9,199,070
	<u>67,611,062</u>
Contributions in aid of construction - Lakeland Electric Utilities	(2,974,785)
Total depreciation expense - business-type activities	<u>\$ 64,636,277</u>

**NOTE 5 –INTERFUND BALANCES AND TRANSFERS**

**A. Interfund Receivables and Payables**

Individual fund interfund receivables and payables at September 30, 2016 are presented in the following table.

	<u>Advances to and Due from other funds</u>			
<u>Advances from and Due to other funds</u>	<u>General Fund</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	<u>Totals</u>
Major Funds:				
General Fund	\$ -	\$ -	\$ 182,083	\$ 182,083
Internal Service Funds	-	16,133,042	-	16,133,042
Nonmajor Enterprise Funds	1,845,682	14,566,979	-	16,412,661
Nonmajor Governmental Funds	87	-	-	87
Fiduciary Funds	138	-	-	138
	<u>1,845,907</u>	<u>16,133,042</u>	<u>182,083</u>	<u>18,161,032</u>
Totals	<u>\$ 1,845,907</u>	<u>\$ 30,700,021</u>	<u>\$ 182,083</u>	<u>\$ 32,728,011</u>

The interfund balance of the Internal Service Funds represents the unpaid component of internal loans issued from an internal service fund to finance various capital and operating projects. Of this amount, \$23,815,652 is to be repaid over a period exceeding one year.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 –INTERFUND BALANCES AND TRANSFERS (Continued)**

**B. Interfund Transfers**

Interfund transfers for the year ending September 30, 2016 are presented in the following table:

Interfund Transfers From:	Interfund Transfers To:					Total
	General Fund	Public Improvement Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 135,173	\$ 47,444	\$ 3,267,908	\$ 818,233	\$ 4,268,758
Public Improvement Fund	4,800,000	-	-	1,745,000	163,415	6,708,415
Nonmajor Governmental Funds	303,440	226,407	600,000	100,000	3,594	1,233,441
Department of Electric Utilities	29,583,546	-	-	-	1,094,763	30,678,309
Water & Wastewater Utilities Fund	8,051,373	-	-	677,631	633,614	9,362,618
Nonmajor Enterprise Funds	1,535,210	-	-	-	165,701	1,700,911
Internal Service Funds	-	-	-	-	67,063	67,063
Fiduciary Funds	1,824	-	-	-	-	1,824
<b>Total</b>	<b>\$ 44,275,393</b>	<b>\$ 361,580</b>	<b>\$ 647,444</b>	<b>\$ 5,790,539</b>	<b>\$ 2,946,383</b>	<b>\$ 54,021,339</b>

The majority of transfers are made for the purpose of subsidizing recurring operating losses incurred within funds whose programs and activities do not generate sufficient dedicated revenues to finance those costs in their entirety. Transfers to the Internal Service Funds are intended to finance capital acquisitions accounted for in internal service funds. There are no other significant transfers occurring on a routine basis.

**NOTE 6 – LONG-TERM LIABILITIES**

**A. Totals by Activity**

The following is a summary of long-term obligation transactions of the City for the year ended September 30, 2016. Additional details are provided on subsequent pages.

	Balance October 1, 2015	Incurred	Satisfied	Balance September 30, 2016	Amount Due within One Year
<b>Governmental Activities:</b>					
Notes and loans payable	\$ 1,416,818	\$ -	\$ 223,964	\$ 1,192,854	\$ 231,653
Revenue bonds payable	76,553,862	-	7,756,597	68,797,265	4,913,215
Net pension liability	66,548,266	31,833,984	8,869,651	89,512,599	-
Net OPEB obligation	22,321,682	5,994,887	2,861,892	25,454,677	-
Compensated absences	6,523,700	22,828	56,383	6,490,145	1,524,482
<b>Total Governmental Activities:</b>	<b>173,364,328</b>	<b>37,851,699</b>	<b>19,768,487</b>	<b>191,447,540</b>	<b>6,669,350</b>
<b>Business-type Activities:</b>					
Notes and loans payable	34,695,342	-	2,922,168	31,773,174	2,672,530
Revenue bonds payable	512,590,138	149,250,000	152,319,403	509,520,735	28,392,542
Net pension liability	83,710,793	29,065,407	10,824,916	101,951,284	-
Net OPEB obligation	27,036,318	6,764,113	3,229,108	30,571,323	-
Compensated absences	8,169,419	133,669	461,414	7,841,674	1,014,936
Accreted interest payable	(11)	-	(11)	-	-
<b>Total Business-type Activities:</b>	<b>666,201,999</b>	<b>185,213,189</b>	<b>169,756,998</b>	<b>681,658,190</b>	<b>32,080,008</b>
	<b>\$ 839,566,327</b>	<b>\$ 223,064,888</b>	<b>\$ 189,525,485</b>	<b>\$ 873,105,730</b>	<b>\$ 38,749,358</b>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

**A. Totals by Activity (continued)**

Revenue bond obligations issued for the benefit of governmental activities are paid from amounts accumulated in legally required sinking funds maintained in the debt service fund. Loans issued for the benefit of governmental activities are not secured by one specific revenue pledge. These obligations are repaid directly from various revenue sources accounted for within special revenue funds.

Long-term obligations payable from the resources of business-type activities are paid from the net revenues generated by those activities.

Other long-term liabilities of governmental activities consisting of compensated absences are repaid as employees separate from service, using current revenues of the general fund as the funding source.

Long-term obligations are classified in the Statement of Net Position as follows:

	Governmental Activities	Business-type Activities	Total
<u>Current</u>			
Notes and loans payable	\$ 231,653	\$ 2,672,530	\$ 2,904,183
Payable from apportioned assets:			
Revenue bonds payable	4,913,215	28,392,542	33,305,757
Accrued Liabilities:			
Compensated absences	1,524,482	1,014,936	2,539,418
<u>Unrestricted</u>			
Notes and loans payable	961,201	29,100,644	30,061,845
Revenue bonds payable	63,884,050	481,128,193	545,012,243
Accrued liabilities:			
Compensated absences	4,965,663	6,826,738	11,792,401
Net pension liability	89,512,599	101,951,284	191,463,883
Net OPEB obligation	25,454,677	30,571,323	56,026,000
	<u>\$ 191,447,540</u>	<u>\$ 681,658,190</u>	<u>\$ 873,105,730</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

**B. Revenue Bonds**

Revenue bonds issued and outstanding as of September 30, 2016 are as follows:

<b>Purpose</b>	<b>Series</b>	<b>Issue Amount</b>	<b>Maturity Date</b>	<b>Interest Rates</b>	<b>Year-End Balances</b>
<b>Governmental Activities:</b>					
Capital Improvement Refunding Note	2012A	\$ 4,817,594	10/01/22	0.0175	\$ 4,817,594
Capital Improvement Revenue Bonds	2010A	12,998,589	10/01/23	3.00 to 5.00	12,998,589
Capital Improvement Revenue Bonds	2010C	7,870,159	10/01/28	5.929 to 6.029	7,870,159
Taxable Capital Improvement Refunding Revenue Note	2015	4,750,000	10/01/20	2.00 to 5.00	4,750,000
Capital Improvement Revenue Bonds	2015	38,360,923	10/01/36	2.00 to 5.00	38,360,923
<b>Total Governmental Activities:</b>					<b>68,797,265</b>
<b>Business Type Activities:</b>					
Capital Improvement Refunding Note	2012A	10,572,406	10/01/22	0.0175	7,615,406
Capital Improvement Refunding Note	2012B	1,625,000	10/01/17	0.0103	695,000
Capital Improvement Revenue Bonds	2010A	35,491,411	10/01/23	3.00 to 5.00	10,351,411
Capital Improvement Revenue Bonds	2010B	10,140,000	10/01/20	4.407	6,605,000
Capital Improvement Revenue Bonds	2010C	13,244,841	10/01/40	5.929 to 6.029	13,244,841
Taxable Capital Improvement Refunding Revenue Note	2015	250,000	10/01/20	2.00 to 5.00	250,000
Capital Improvement Revenue Bonds	2015	16,104,077	10/01/36	2.00 to 5.00	13,074,077
Water and Wastewater Capital Improvement Note	2015	10,600,000	10/01/25	2.42	10,600,000
Energy System Revenue and Refunding Bonds	2006	44,870,000	10/01/36	4.00 to 5.00	1,055,000
Energy System Revenue and Refunding Bonds	2016	138,650,000	10/01/36	2.00 to 5.00	138,650,000
Energy System Revenue and Refunding Bonds	2010	199,300,000	10/01/36	4.000 to 5.250	168,895,000
Energy System Refunding Bonds	2012	100,000,000	10/01/17	Variable rate	100,000,000
Water and Wastewater Revenue Refunding and Improvement	2002	72,755,000	10/01/33	3.50 to 5.00	5,000
Water and Wastewater Revenue Refunding and Improvement	2012A	37,325,000	10/01/32	.930 to 5.000	37,325,000
Water and Wastewater Revenue Refunding and Improvement	2012B	6,750,000	10/01/16	.930 to 5.000	1,155,000
<b>Total Business Type Activities:</b>					<b>509,520,735</b>
					<b>\$ 578,318,000</b>

**Capital Improvement Revenue and Refunding Bonds, Series 2010**

In September 2010, the City issued Capital Improvement Revenue and Refunding Bonds, Series A, B, & C in the amounts of \$48,490,000, \$10,140,000, and \$21,115,000 respectively to finance the cost of various capital improvements in the City, to refund, on a current basis, all of the City's outstanding Capital Improvement Revenue Bonds, Refunding Series 1997, and certain other outstanding indebtedness of the City (Sunshine Loans), and to pay certain costs and expenses related to the issuance of the Series 2010 Bonds. The Series 2010A bonds will mature on October 1, 2023. The Series 2010B bonds will mature on October 1, 2020. The Series 2010C bonds will mature on October 1, 2040. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total interest requirement of these bonds aggregate \$32,978,672.

The current refunding reduced the aggregate debt service requirement for the City from \$36.9 million to \$36.3 million over the remaining ten-year life of the bonds. The transaction also resulted in recognition of a loss on refunding of \$526,082, representing the difference in the carrying value of the new debt and the refunded debt, including the write-off and recognition of unamortized bond issue costs associated with each issue.

The Capital Improvement Revenue Bonds are secured by a covenant to budget and appropriate non-ad valorem revenues of the City in sufficient annual amounts to satisfy the debt service requirements on those bonds in each such fiscal year. The City pledged future non ad-valorem revenues to repay \$79,745,000 Capital Improvement Revenue and Refunding bonds. The total principal and interest remaining to be paid on the Capital Improvement Revenue bonds aggregate \$67,743,433.

The Capital Improvement bonds require the establishment of debt service reserve accounts and sinking funds to accumulate the funds needed to make annual debt service payments. Principal and Interest paid for the current year and total non-ad valorem revenues were \$11,874,457 and \$129,662,329 respectively.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

**B. Revenue Bonds (continued)**

**Capital Improvement Refunding Note, Series 2012**

In September 2013, the City issued Capital Improvement Refunding Notes, Series A, and B, in the amounts of \$15,983,000, and \$1,625,000 respectively to, to refund, on a current basis, all of the City's outstanding 2002 Utility Tax Revenue Refunding Bonds, Series A and B, and 2002 Tourist Development Series C and to pay certain costs and expenses relating to the issuance of the Series 2012 Bonds. A portion of the Series 2012A bonds matured on October 1, 2015 and the remainder of the Series 2012A bonds will mature on October 1, 2022. The Series 2012B bonds will mature on October 1, 2017. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total remaining principal and interest requirement of these bonds aggregate \$13,594,105.

**Taxable Capital Improvement Refunding Revenue Note, Series 2015**

In September 2015, the City issued a Taxable Capital Improvement Refunding Revenue Note, Series 2015, in the amount of \$5,000,000, to refund certain prior bonds which were issued to support a downtown redevelopment project and to pay certain costs and expenses relating to the issuance of the Series 2015 note. The series will mature on October 1, 2020. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total remaining principal and interest requirement of these bonds aggregate \$5,306,250.

**Capital Improvement Revenue Bonds, Series 2015**

In May, 2015, the City issued Capital Improvement Revenue Bonds, Series 2015, in the amount of \$51,465,000, to pay a variety of capital improvement projects within the City, including the renovation of Joker Marchant Stadium, the spring training facility for the Detroit Tigers professional baseball team and to pay certain costs and expenses relating to the issuance of the Series 2015 note. The series will mature on October 1, 2036. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total remaining principal and interest requirement of these bonds aggregate \$76,308,227.

**Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002**

In August 2002, the City issued the Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002 in the amount of \$72,755,000 to finance the cost of acquisition, construction, and installation of improvements to the City's water and sewer utility system, to refund, on a current basis, all of the City's outstanding Wastewater System Revenue Bonds, Refunding Series 1993, and to pay certain costs and expenses relating to the issuance of the Series 2002 Bonds. These bonds will mature on October 1, 2027 and October 1, 2033. Principal and interest payments are payable October 1 of each year. The total interest requirement for these bonds aggregate \$30,559,799.

The Series 2002 Bonds are secured by an irrevocable, valid, and binding lien and security interest in the gross revenues derived from the operation of the Water and Wastewater Systems, certain connection charges, moneys deposited into certain funds and accounts created by the Bond Ordinance and the earnings, therein, all in the manner and to the extent provided in the Bond Ordinance. In January 2012, the City refunding a majority of the Series 2002 Bonds with the issuance of the Series 2012 A & B Bonds. The total principal and interest remaining to be paid on the Water and Wastewater Revenue Refunding and Improvement Bonds is \$5,106. There was interest only paid for the current year and total net customer revenues were \$213 and \$29,020,892 respectively.

**Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012**

In January 2012, the City issued the Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A in the amount of \$37,325,000 to (i) refund a portion of the City's outstanding Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002, and (ii) pay certain costs and expenses relating to the issuance of the Series 2012A Bonds. These Bonds will mature on October 1, 2032. In January 2012, the City issued the Water and Wastewater Revenue Refunding Bonds, Series 2012B in the amount of \$6,750,000 to (i) refund a portion of the Series 2002 Bonds, and (ii) pay certain costs and expenses relating to the issuance of the Series 2012B Bonds. These Bonds will mature on October 1, 2016.

The Series 2012 Bonds are subject to optional and mandatory redemption payable October 1 of each year. Interest on the Series 2012 Bonds is payable on October 1 and April 1 of each year. The total principal and interest requirement for these bonds aggregate \$55,430,491.

The current refunding reduced the aggregate debt service requirement for the City from \$82.2 million to \$71.6 million over the remaining twenty-two-year life of the bonds. The transaction resulted in a recognized net gain on refunding of \$1,849,547, representing the difference in the carrying value of the new debt and the refunded debt, including the write-off and recognition of unamortized bond issue costs associated with each issue.

**CITY OF LAKELAND, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

**B. Revenue Bonds (continued)**

The Series 2012 Bonds are secured by an irrevocable, valid, and binding lien on and security interest in the gross revenues derived from the operation of the City's Water and Wastewater Utility system, certain connection charges, moneys deposited into certain funds and accounts created by the Bond Ordinance and the earnings thereon, on parity with the Series 2002 Bonds that matured on October 2012, and a portion of the Series 2002 Bonds that mature on October 1, 2016, all of which are not being refunded in connection with the issuance of the Series 2012 Bonds, all in the manner and to the extent provided in the Bond Ordinance. The total principal and interest remaining to be paid on the Series 2012 Bonds is \$55,430,491. Principal and interest paid for the current year and total net customer revenues were \$3,293,266 and \$29,020,892 respectively.

**Water and Wastewater Revenue Note, Series 2015**

In November 2015, the City issued the Water and Wastewater Revenue Note, Series 2015 in the amount of \$10,600,000 to finance the construction and acquisition of improvements to the City's Water and Wastewater Systems and to pay certain costs and expenses relating to the issuance of the Series 2015 note. The series will mature on October 1, 2025. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total remaining principal and interest requirement of these bonds aggregate \$12,440,026.

**Energy System Revenue and Refunding Bonds, Series 2006**

In August 2006, the City issued the Energy System Revenue and Refunding Bonds, Series 2006 in the amount of \$44,870,000 to finance certain capital improvements for the electric power system of the City, to refund, on a current basis, a portion of the City's outstanding Energy System Refunding Revenue Bonds, Series 1999B, and to pay certain costs and expenses related to the issuance of the Bonds. Prior to September 30, 2016, the Series 2006 Bonds were defeased in their entirety from a combination of refunding bond proceeds and Electric System cash.

**Energy System Refunding and Revenue Bonds, Series 2010**

In October 2010, the City issued the Energy System Revenue and Refunding Bonds, Series 2010 in the amount of \$199,300,000 to (1) finance certain capital improvements to the electric power system of the City, (2) to refund on a current basis, a portion of the City's outstanding Electric and Water Refunding Revenue Bonds, Series 1999A and to refund on an advance basis, all of the City's outstanding Energy System Revenue Bonds, Series 2001B, (3) to pay costs associated with the termination of a conditional bond warrant agreement, and (4) to pay certain costs and expenses related to the issuance of the Bonds. The bonds mature on October 1, 2036. Principal payments are payable October 1 of each year and interest payments are payable October 1 and April 1 of each year. The remaining principal and interest requirement for these bonds aggregate to \$246,115,188.

The current and advance refunding reduced the aggregate debt service requirement on the refunded bonds only nominally from \$308.2 million to \$308.0 million over the remaining twenty-five-year life of the bonds. The majority of the financial benefit of the transaction was monetized in January of 2007 when the City sold a warrant to Goldman Sachs for the price of \$7,680,000. That warrant gave Goldman Sachs the right to compel the City to refund the 1999A bonds. In addition to those proceeds, there was approximately \$2,200,000 in net cash proceeds from the refunding paid to the City to finance capital projects.

The transaction also resulted in recognition of a loss on refunding of \$13,165,887, representing the difference in the carrying value of the new debt and the refunded debt, including the write-off and recognition of unamortized bond issue costs associated with each issue, the write-off of unamortized loss on refunding from a previous refunding transaction associated with the 1999A bonds of \$1,222,088, and the monetization of \$7,680,000 of future decreases of debt service costs.

**Variable Rate Energy System Refunding Bonds, Series 2012**

In August 2012, the City issued the Variable Rate Energy System Refunding Bonds, Series 2012 in the amount of \$100,000,000 to (i) refund, on a current basis, the portion of the City's outstanding Variable Rate Energy System Refunding Bonds, Series 2009 (\$100,000,000) which matured on October 1, 2012 and (ii) pay certain costs and expenses related to the issuance of the Series 2012 Bonds. The bonds mature on October 1, 2017. Principal and interest payments are payable on October 1 of each year. The Bonds shall bear interest at the adjusted SIFMA rate for each maturity plus the per annum spread. The adjusted SIFMA rate shall never exceed an interest rate per annum equal to the lesser of the maximum rate permitted by law or 12%. The remaining principal and interest requirements for these bonds aggregate to \$108,174,782.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

**B. Revenue Bonds (continued)**

Variable Rate Energy System Refunding Bond, Series 2014

In April 2014, the City issued the Variable Rate Energy System Refunding Bond, Series 2014 in the amount of \$95,000,000 to refund on a portion of the City's outstanding Variable Rate Energy System Revenue and Refunding, Series 2009. The 2014 bonds were to mature on April 1, 2019. The bonds bear a variable rate of interest equal to the SIFMA index plus 0.58%. The principal of the bond was payable on April 1, 2019 and interest payments are payable on the first business day of each month. Although the 2014 bonds bear a variable rate of interest, they, along with a similar series of 2012 bonds, have been effectively converted to a fixed rate as a result of pre-existing interest rate swap agreements. There was no gain or loss on refunding of the debt. All of the Series 2014 bonds were refunded in February 2016 by the Series 2016 Revenue and Refunding bonds.

Energy System Revenue and Refunding Bonds, Series 2016

In February 2016, the City issued the Energy System Revenue and Refunding Bonds, Series 2016 in the amount of \$138,650,000. The Series 2016 bonds refunded all of the Series 2014 bonds, a portion of the outstanding Series 2006 bonds, and provided \$37.4 million in proceeds to fund Electric System capital projects. The Series 2016 bonds bear fixed interest rates ranging from 2.00% to 5.00%, and mature from October 1, 2016 through October 1, 2036. In concert with the refunding of the 2014 bonds, which were variable rate obligations, the City terminated portions of three associated floating-to-fixed interest rate swaps. The refunding portion of the transaction did not produce net present value savings or a material economic gain or loss. Rather, it was designed to restructure and simplify the Electric System's debt profile. The remaining principal and interest requirements for these bonds aggregate to \$193,456,406. See Footnote F regarding the interest rate swaps associated with the refunding.

The Electric and Energy bonds series are secured by a pledge of operating revenues of the Electric Utility. The total principal and interest remaining to be paid on all of the Electric Revenue Bonds is \$618,211,286. Principal and interest paid for the current year and total net customer revenues were \$31,485,569 and \$109,711,739 respectively.

As of September 30, 2016, the City is in compliance with all required covenants of the bond ordinances, including compliance with federal arbitrage regulations.

**C. Promissory Notes**

Outstanding loans as of September 30, 2016 are as follows:

<u>Lender</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Year-End Balance</u>
<b>Governmental Activities:</b>				
Nally Property	\$ 455,000	01/01/18	N/A	\$ 40,000
US Bancorp	1,280,000	02/10/22	3.070%	663,045
Key Financial	975,000	03/21/21	4.240%	489,809
<b>Total Governmental Activities:</b>				<u>1,192,854</u>
<b>Business Type Activities:</b>				
Caterpillar	1,572,285	02/05/18	2.600%	467,229
Wastewater Revolving Loan Program	1,649,093	10/15/36	1.690%	1,301,890
Wastewater Revolving Loan Program	42,734,405	09/30/28	2.960%	28,853,353
PNC	413,952	01/20/15	5.700%	452,465
US Bancorp	1,166,640	02/10/22	3.070%	698,237
<b>Total Business Type Activities:</b>				<u>31,773,174</u>
				<u><u>\$ 32,966,028</u></u>

The debt service requirements of promissory notes are not secured by pledges of any specific revenue sources of the City. Annual debt service payments are made from a variety of non-ad valorem revenues.

In March 1994, the City entered into an agreement with the State of Florida Department of Environmental Protection (FDEP) under a Federal program whereby the State would provide a low interest loan to the City to finance the cost of specified capital improvements to the wastewater system. The initial loan was executed in two installments carrying separate rates of interest, but with identical repayment terms. The loans carry a fixed interest rate of 2.36% and 2.59% and are to be repaid over a period of 20 years. A second loan was issued in January 2004 and has a fixed interest rate of 2.96% to be repaid over a period of 20 years. The loans are secured by a pledge of excess revenues of the wastewater system, and by a pledge of certain amounts, deposited into a loan amortization account and loan amortization reserve established by the City for the purpose of funding future debt service on the loans. Amounts required for deposit are classified as restricted assets.

As of September 30, 2016, the City is in compliance with all covenants of these loan agreements.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

**D. Conduit Debt**

The City has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. This includes bonds issued to provide financial assistance for the acquisition and construction of retirement and nursing home facilities having an unmatured principal balance of \$21,689,936 as of September 30, 2016; bonds issued to finance capital improvements at the Lakeland Regional Medical Center having an unmatured principal balance of \$319,415,000 as of September 30, 2016; and bonds issued to finance and refinance the acquisition, construction, and equipping of educational facilities located in the City of Lakeland having an unmatured principal balance of \$35,610,000 as of September 30, 2016.

Neither the City nor any political subdivision thereof is obligated in any manner for repayment of these bonds.

**E. Debt Service Requirement to Maturity**

The requirements to repay all long-term debt outstanding as of September 30, 2016 are summarized in the following table.

Year	Governmental Activities:		Business Type Activities:	
	Principal	Interest	Principal	Interest
2017	\$ 5,144,868	\$ 2,515,931	\$ 31,065,072	\$ 24,390,920
2018	7,891,600	2,214,905	29,109,375	21,922,618
2019	3,404,498	2,020,245	32,309,356	20,476,949
2020	2,945,587	1,863,622	31,818,464	19,067,321
2021	7,504,273	1,647,589	29,498,116	17,894,203
2022-2026	14,024,744	6,851,067	129,746,777	74,159,363
2027-2031	16,898,681	3,566,508	112,663,100	48,991,328
2032-2036	12,175,868	1,321,550	98,093,649	24,835,810
2037-2041	-	-	46,990,000	2,412,353
	<u>\$ 69,990,119</u>	<u>\$ 22,001,417</u>	<u>\$ 541,293,909</u>	<u>\$ 254,150,865</u>

**F. Interest Rate Swaps**

As a means to reduce borrowing costs, and to hedge the variable rate exposure related to certain bonds, the City has entered into a number of interest rate swap agreements.

An interest rate swap is a derivative i.e. a financial instrument whose value and terms are derived from a specified financial index (SIFMA). In the case of the interest rate swaps employed by the City of Lakeland, the intent is two-fold. First to achieve an all-in financing cost (representing interest payments to bondholders combined with net interest payments and receipts on the derivatives) that is less than the financing cost associated with traditional fixed rate bonds based on market conditions at the time of each bond issue. The second objective is to minimize the interest rate risk associated with the inherent volatility associated with "naked" variable rate debt. Under the terms of these interest rate swaps, the City of Lakeland pays an amount to a counterparty that is based on a specified notional amount (which closely approximates the outstanding principal amount of the related bonds) times a specified fixed interest rate. In exchange, the counterparty makes a payment to the City that is based on the same notional amount times a variable rate of interest. When the variable and fixed components of the interest rate swaps are combined with the variable cash payments made by the City to the actual bondholders, the end result is a net, fixed rate of interest. In February 2016, Lakeland Electric elected to terminate a portion of interest rate swaps associated with variable rate bonds, using legally available apportioned assets, at a cost of \$20,678,000.

In the case of the City's interest rate swaps, effectiveness testing measures the extent to which the terms of the interest rate swaps insulated the City from changes in the market rate of interest payable on the bonds. All of the interest rate swaps employed by the City have passed at least one of the effectiveness tests prescribed by the GASB 53. Accordingly, the market values of the derivatives are recorded as offsetting items on the balance sheet i.e. recognition of changes in fair market value are deferred. The fair value of Lakeland Electric's interest rate swaps as of September 30, 2016 was (\$36,695,648).



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – LONG-TERM LIABILITIES (continued)**

**F. Interest Rate Swaps (continued)**

**2004 Basis Swap**

As a means to reduce borrowing costs of a portion of the Electric and Water Refunding Revenue Bonds Series 1999A, the City entered into an interest rate swap in June 2004. On October 20, 2010, the City refunded a large portion of the Series 1999A bonds. The City has elected to apply the existing swap agreement to the related 2010 refunding bonds.

Under the swap agreement, the City pays CitiGroup Financial Products Inc. (the counterparty) a payment equal to the notional amount of the swap times an interest rate equal to the SIFMA Municipal Bond index. In return, the counterparty pays the City an amount equal to the notional amount times an interest rate equal to 68 percent of the three-month USD-LIBOR-BBA index, plus a spread of 0.46%. To the extent the relationship between SIFMA and LIBOR approximates a marginal tax rate of more than 33 percent; the net borrowing costs on the underlying debt will be reduced. During FY2016 the counterparty paid the City about \$0.9 million under the agreement, reducing the City's net borrowing cost by that amount. Since inception, the counterparty has paid the City approximately \$10.0 million, reducing the City's net borrowing cost since 2004, by that amount. Settlement payments to the City have been positive in each fiscal year since inception.

The notional amount of the swap amortizes, approximating the amount of the outstanding bonds. As of September 30, 2016, the outstanding notional amount of the swap was \$168,895,000. Settlement payments are made semi-annually. The City is exposed to counterparty credit risk because the swap had a positive fair value. The City is exposed to basis risk to the extent the relationship of SIFMA to LIBOR increases to greater than 33 percent. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, bankruptcy, or a rating downgrade by Moody's or S&P issued to either the City or the counterparty.

As of September 30, 2016 the swap had a fair market value of \$3,756,956.

**Variable Rate Hedges**

As a means to hedge the variable rate risk exposure related to certain variable rate Electric System bonds, the City has entered into several interest rate swap agreements. These agreements, which were entered into between 2001 and 2008, were related to certain prior variable rate debt, which has been refunded. The City has elected to apply the existing swap agreements to hedge the new variable rate refunding debt. In February 2016, the City issued the Energy System Revenue and Refunding Bonds, Series 2016 which, among other purposes, refunded all \$95,000,000 of the outstanding Series 2014 bonds, which were variable rate obligations. The City elected to terminate a like amount of three of the outstanding interest rate swaps associated with the variable rate bonds. The City made termination payments in the amount of \$20,678,000 to the respective counterparties, from Electric System cash, to effect the partial terminations. The existing swap agreements are summarized in the chart below.

Notional 9/30/2016	Counterparty	Start Date	Maturity Date	City Receives	City Pays	Fair Market Value 9/30/2016
30,000,000	Citigroup Global Markets Holdings, Inc.	03/23/06	10/01/35	SIFMA	4.28%	\$ (6,188,412)
24,772,000	Goldman Sachs Mitsui Marine Derivative Products, LP	03/23/06	10/01/35	SIFMA	4.28%	(11,076,795)
90,000,000	Citigroup Global Markets Holdings, Inc.	06/14/01	05/01/21	74.12% of 1 mo. LIBOR	SIFMA	(760,659)
47,860,000	Citigroup Global Markets Holdings, Inc.	01/22/03	10/01/37	67% of 1 mo. LIBOR	3.74%	(21,964,954)
1,520,000	Goldman Sachs Mitsui Marine Derivative Products, LP	07/30/08	10/01/37	67% of 1 mo. LIBOR	3.16%	(461,784)
						<u>\$ (40,452,604)</u>

**NOTES TO FINANCIAL STATEMENTS****NOTE 6 – LONG-TERM LIABILITIES (continued)****F. Interest Rate Swaps (continued)**

As a result of the swap agreements, the City will receive (on a combined basis) variable rate payments equal to between 67% and 74.125% of LIBOR times the notional amount of the swap agreements. The notional amount of the swap agreements roughly corresponds to the outstanding amount of the Series 2012 and 2014 variable rate bonds. In return, the City will make fixed rate payments of between 3.163% and 4.283% times the notional amount of the swap agreements. These agreements fix the variable rate exposure of the 2012 and 2014 bonds at the fixed rates noted above (plus the fixed rate spread paid on the bonds) to the extent that the variable rate payments received by the City under the swap agreements are equal to the variable rates paid by the City on the 2012 and 2014 Bonds. The City is subject to the basis risk between the LIBOR based variable rates it receives and the actual rates paid on the 2012 and 2014 bonds, which are based on SIFMA. Over time the variable rates paid and received are expected to be equivalent.

The swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, bankruptcy, or rating downgrades to either counterparty. As of September 30, 2016, the City was not subject to credit risk with its counterparties because the fair market values of the swap agreements were negative.

Accordingly, the market values of the derivatives are recorded as offsetting items on the balance sheet i.e. recognition of changes in fair market value are deferred (see Note 1 D14).

**G. Prior-year Defeasement of Debt**

In prior years, the City defeased certain special obligations bonds by transferring an existing escrow and pledging it to the payment of the new bonds. At September 30, 2016, \$49,620,775 of special obligation bonds outstanding are considered defeased. In addition, as a result of bond refunding activity in February, 2016 and a cash transaction in August, 2016, some \$37,365,000 of the Electric System's Series 2016 bonds were defeased and remained outstanding on September 30, 2016. Accordingly, the assets and the liability for the defeased bonds from both issues are not included in the City's financial statements.

**NOTE 7 – INTEREST EXPENSE**

All interest expense of governmental activities is disclosed separately from related functional expenses on the government-wide Statement of Activities. Interest expense of business-type activities is consolidated into the functional expense categories on the government-wide Statement of Activities. The total amount of interest charged to expenses and the total amount capitalized for the year ended September 30, 2016 is as follows:

	Governmental Activities	Business-type Activities
Amount charged to expense	\$ 1,352,883	\$ 26,801,869
Add: interest expense capitalized	-	1,270,239
Total	<u>\$ 1,352,883</u>	<u>\$ 28,072,108</u>

**NOTE 8 – LEASES**

The Lakeland Linder Regional Airport leases land and commercial and industrial space to a variety of tenants. These leases contain terms ranging from 1 to 60 years. Total revenue earned under these leases for the year ended September 30, 2016 was \$4,385,707. The City has leased the operations of the Lakeland Regional Medical Center to a private not-for-profit corporation. A new amendment was entered into in August 2015. Under the terms of this amendment, the lessee is to pay the City \$13,254,750 for fiscal year 2016 and \$13,254,750 plus a 2.75% annual escalation starting in fiscal year 2017 through fiscal year 2040. This lease expires in September 2040, and may be extended by mutual agreement. The amount recorded as lease revenues in the current year is \$39,154,750, which includes \$15,000,000 for consideration of the amended contract and \$10,900,000 for fiscal year 2015 true up lease revenue and is recorded as miscellaneous revenue in the Public Improvement Fund. The projected lease revenue on leases having initial or remaining terms of more than one year is as follows.

Fiscal Year	Airport	LRMC
2017	\$ 4,708,458	\$ 13,619,256
2018	4,567,491	13,993,786
2019	4,670,743	14,378,615
2020	4,778,374	14,774,027
2021	4,157,179	15,180,313
Thereafter	36,655,771	382,504,396
Total future minimum lease revenue	<u>\$ 59,538,016</u>	<u>\$ 454,450,393</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – LEASES (continued)**

Included in the description of long-term liabilities in Note 6 (PNC, Caterpillar Lease, and US Bancorp) is the carrying value of capital leases that the City has entered into for the acquisition of golf carts and maintenance for the benefit of the City-owned golf course, a coal loader at McIntosh Unit 3, and various HVAC Equipment purchases and installations at the Lakeland Center. Information about these leases is as follows:

Assets acquired under capital lease program:

Machinery and equipment:

Original cost	\$	4,781,238
Carrying value		3,330,654
Current depreciation expense		451,139

Lease obligations remaining to be paid:

Current	702,972
Long-Term	1,578,004
	<u>\$ 2,280,976</u>

Future minimum lease payments:

	Total	Interest	Net
2017	\$ 767,741	\$ 64,769	\$ 702,972
2018	571,925	45,674	526,251
2019	368,764	31,829	336,935
2020	253,919	23,876	230,043
2021	253,920	16,183	237,737
2022	255,265	8,227	247,038
	<u>\$ 2,471,534</u>	<u>\$ 190,558</u>	<u>\$ 2,280,976</u>

**NOTE 9 – DONOR RESTRICTED ENDOWMENTS**

The City is the recipient of donor-restricted endowments used to finance maintenance of a mausoleum located at a City-owned cemetery, to finance maintenance of City-owned cemeteries, and to purchase reading materials for the City-owned library system. Total assets held by the City for these endowments equaled \$4,432,060 as of September 30, 2016. The dollar value of these assets experienced a net increase of \$274,274 for the year ended September 30, 2016.

Funds are expended in accordance with the terms of the original endowments, which were established by City Ordinance. Expenditure of investment income and other appreciation is controlled by the City's Parks and Recreation Department, subject to the scrutiny of the City's Finance Department.

The net position is reported in the Government-wide Statement of Net Position under Governmental Activities as restricted for endowments – nonexpendable, and as a component of nonspendable fund balance of "Other Governmental Funds" within the Governmental Funds in the Fund Financial Statements.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 – RISK FINANCING ACTIVITIES**

The City has established a self-insurance fund for worker's compensation, general liability, automobile liability, prescriptions, and health insurance. Significant losses from other forms of risk, including property damage, are covered by commercial insurance. Settlements have not exceeded the cost of insurance coverage in any of the past three years.

At year-end, claim expense accounts and liabilities are adjusted in the health insurance and self-insurance reserves to accrue any changes in unpaid claims outstanding at year-end and the estimated liability for incurred but not reported claims (IBNR). The IBNR includes known and unknown loss events and expected future development on claims already reported.

The IBNR reserve for the self-insurance reserve portion of the fund is the actuarially determined funding requirement minus any unpaid claims outstanding at year-end (current liability). As of September 30, 2016, the current claims due within one year for the self-insurance reserve portion were \$5,041,000. The IBNR reserve for the health insurance reserve portion of the fund is actuarially determined, plus any unpaid claims outstanding at year-end (current liability). As of September 30, 2016, the claims due within one year for the health insurance reserve portion were \$1,505,654. City policy requires that all claims be submitted to the administrator within 90 days of the date of service. Claims received after that period will not be paid. However, any possible liability related to any such claims must be recognized. Expenses resulting from these claims could be incurred over subsequent periods.

The City has also purchased a stop-loss policy to reduce the City's exposure to large losses on health insurance claims. This policy reimburses the City for expenses related to claims exceeding \$200,000. As of September 30, 2016, the City paid \$1,016,878 in premiums for its stop-loss insurance policy and no amounts were deducted from claims liability.

All claims pending and a provision for incurred but not reported claims have been accrued in the financial statements of the self-insurance fund. A reconciliation of the change in the aggregate liabilities reported as liabilities payable from apportioned assets in the Basic Financial Statements of the self-insurance fund as of September 30, 2016 is as follows:

	2016	2015
Claims liability at beginning of year	\$ 18,879,693	\$ 18,062,045
Claims incurred during the year	(27,724,874)	(25,981,975)
Changes in the estimate for claims	(1,249,144)	(744,003)
Claims payments	30,164,010	27,543,626
Claims liability at end of year	<u>\$ 20,069,685</u>	<u>\$ 18,879,693</u>
Amount due within one year		
Self insurance reserve	\$ 5,064,545	\$ 4,328,883
Health insurance reserve	1,836,140	2,071,810
Total amount due within one year	<u>\$ 6,900,685</u>	<u>\$ 6,400,693</u>

**NOTE 11 – UTILITY PLANT PARTICIPATION AGREEMENT**

On April 4, 1978, the City entered into a fifty-year participation agreement with the Orlando Utilities Commission (OUC). Under the terms of this agreement, the City of Lakeland has a 60 percent interest and OUC a 40 percent interest in McIntosh Unit 3, a 365 MW coal-fired steam generating unit. The Orlando Utilities Commission constructed, at its expense, a 230 KV transmission line to deliver its share of the output to its service area.

The City of Lakeland issued revenue bonds to cover a portion of its initial investment in the plant. OUC also issued revenue bonds to cover a portion of its investment in the plant and the cost of its 230 KV transmission line. Each participant is solely responsible for its debt issued.

The City has operational control of this project and accounts for its undivided ownership interest based on its pro-rata share of the project's construction costs and operating expenses. Capital costs related to renewal and replacement of Unit 3 during fiscal year 2016 were \$8,418,595 with an OUC share of \$3,365,838. Shared operating expenses for the fiscal year ending September 30, 2016 were as follows:

	City Share	OUC Share	Total
McIntosh unit #3 fuel expense	\$ 33,964,943	\$ 22,643,295	\$ 56,608,238
McIntosh unit #3 direct operating & maintenance expenses	8,529,821	5,686,547	14,216,368
Other shared operating and administrative expenses	5,981,740	3,987,827	9,969,567
	<u>\$ 48,476,504</u>	<u>\$ 32,317,669</u>	<u>\$ 80,794,173</u>

There are no separate financial statements issued for the utility participation agreement.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 –FUND BALANCES**

Fund Balance – As defined by the Governmental Accounting, Auditing, and Financial Reporting of the Government Finance Officers Association, fund balance is “the difference between assets, deferred outflows, deferred inflows, and liabilities reported in a governmental fund.” In accordance with GASB 54, the funds balances of governmental funds are classified as follows:

- Non-spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. This includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.
- Restricted Fund Balance – Amounts that are restricted for a specific purpose when constraints are (a) externally imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance – Amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action (ordinance) of the City Commission, the City’s highest level of decision making authority.
- Assigned Fund Balance – Spendable amounts established by Management of the City (i.e. City Manager or designee), per the City’s expenditure and budgetary policy, intended to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds (Debt Service, Capital Projects, and Special Revenue Funds), other than the general fund that are not classified as non-spendable and are neither restricted or committed and (b) amounts in the general fund intended to be used for a specific purpose.
- Unassigned Fund Balance – The residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**A. Non-Spendable Fund Balance**

Non-Spendable fund balance as of September 30, 2016 is described below:

Prepays – this represents the value of non-current resources of which the expenditures will be recognized in subsequent periods.

Permanent Fund Principal – this represents the principal amounts of permanent funds that are legally or contractually required to remain intact.

Cemetery Endowment – represents earnings set aside to fund maintenance of all city owned cemeteries after all lots are sold that are contractually required to remain intact.

NOTES TO FINANCIAL STATEMENTS

**NOTE 12 –FUND BALANCES (continued)**

**B. Restricted Fund Balance**

Restricted fund balance as of September 30, 2016 is described below:

Restricted for CRA – this represents unexpended resources from property taxes within the Lakeland Community Redevelopment Districts used to finance redevelopment plans of the Agency for residential and commercial activities.

Restricted for Law Enforcement – this represents the value of contraband seized by the Lakeland Police Department. The use of which is restricted by state law.

Restricted for Impact Fee Programs – this represents resources from impact fee collections on new construction projects used for finance transportation, police, fire, and parks & recreation capital related expenditures pursuant to Article VIII of the Florida Constitution and Chapters 163 and 166, Florida Statutes to allocate the fair share of the cost of new public facilities to new users.

Restricted for Capital Improvement – this represents unexpended bond proceeds restricted for capital purposes.

Restricted for Transportation – this represents resources such as state and local gas taxes, developer contributions, grants, impact fees, and other revenues used to finance transportation construction and maintenance capital projects.

Restricted for Donations Received – this represents unexpended net position derived contributions and donations given to the City and spendable amounts of permanent funds legally or contractually maintained for specified purposes such as for the purchase of certain books and periodicals, maintenance of certain parks, and maintenance of the Scott Morris Mausoleum.

Restricted for Debt Service – this represents resources accumulated for and the payment of general long-term debt principal and interest.

Restricted for Grant Programs - Community Development – this represents unexpended net position derived from federal and state grant revenues used to finance housing related expenditures.

**C. Committed Fund Balances**

Committed fund balances in the Fund Financial Statements are as follows:

Stormwater – represents stormwater revenues used to finance stormwater related maintenance and capital expenditures.

Working Capital – represents revenues designated by the City Commission for long-term investments.

**D. Assigned Fund Balances**

Assigned fund balances in the Fund Financial Statements are as follows:

Subsequent Year's Expenditure – represents the subsequent year's budget fund balance of the General Fund is assigned by City Management as set forth in the annual budget (and any amendments thereto) to appropriate a portion of the existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

Cultural Activities – this represents funds assigned by the City Commission to strengthen the cultural organizations of Lakeland; to make their programs more accessible to Lakeland citizens; and to enrich the lives of the citizens.

Capital Projects – this represents funds assigned by the City Commission to finance various construction and maintenance capital projects of the City.

Recreational Facilities – represents revenues assigned by the City Commission for the purpose of capital recreational expenditures.

Debt Service – this represents revenues assigned by the City Commission for the purpose of repayment of general long-term debt principal and interest.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 – FUND BALANCES (continued)**

**E. Unassigned Fund Balances**

Unassigned fund balances in the Fund Financial Statements are as follows:

**General Fund** – represents the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The governmental fund balance in detail as of September 30, 2016 is as follows:

	<u>General Fund</u>	<u>Public Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable				
Prepays	\$ 10,101	\$ -	\$ 160	\$ 10,261
Cemetery Endow ment	-	-	4,402,584	4,402,584
Permanent Fund Principal	-	-	29,476	29,476
Restricted for:				
CRA	-	-	12,224,212	12,224,212
Law Enforcement	1,007,045	-	-	1,007,045
Impact Fee Programs	-	-	11,015,885	11,015,885
Transportation	-	-	2,884,309	2,884,309
Capital Projects	-	11,457,500	-	11,457,500
Donations Received	749,555	-	199,162	948,717
Grant Programs:				
Community Development	-	-	199,213	199,213
Debt Service	-	1,119,000	-	1,119,000
Committed to:				
Working Capital	-	1,818,335	-	1,818,335
Stormw ater	-	-	3,954,698	3,954,698
Assigned to:				
Subsequent year's expenditures	6,681,590	-	-	6,681,590
Cultural Activities	233,122	-	-	233,122
Debt Service	-	2,289,820	-	2,289,820
Recreational Facilities	2,088,867	-	-	2,088,867
Capital Projects	-	19,383,101	-	19,383,101
Unassigned	13,664,847	-	(9,200)	13,655,647
Total Fund Balance	<u>\$ 24,435,127</u>	<u>\$ 36,067,756</u>	<u>\$ 34,900,499</u>	<u>\$ 95,403,382</u>

**NOTE 13 – DEFINED BENEFIT PENSION PLANS**

The City maintains three separate single employer defined benefit pension plans for its employees. These plans were established by, and are subject to modifications in funding levels and benefits, by ordinance approved by the City Commission. All three plans are subject to periodic review by an independent actuary. This review is used to determine the required funding level upon which the City bases its annual contribution to the Employees' Pension and Retirement System, to the Police Officers' Defined Benefit Retirement System, and the Firefighters' Retirement System.

The City obtains annual reviews by independent actuaries. Each year, the actuary completes a review utilizing census data covering both retired and active members of each plan and balance sheet data regarding net position of the plan based on an effective date of October 1. Those reports are generally issued within 6 months of the end of the fiscal year. Any changes in the funding requirements as identified in each actuarial review are applicable to the City's budget year commencing immediately after the issuance of that report.

The City of Lakeland implemented GASB Statement 68 in 2015. With the new reporting change, the City recognizes the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense associated with each plan. Decisions regarding the allocations are made by the administrators of the pension plans, not by the City of Lakeland's management.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**

For more information, pertaining to the Plans, refer to the City of Lakeland, Florida stand-alone financial statements for each plan, which can be obtained by contacting the City of Lakeland, Finance Department, City Hall, 228 S. Massachusetts Ave., Lakeland, FL 33801-5086.

On-behalf Payments - Within the basic financial statements, the proceeds of the excise tax from the State of Florida in The City of Lakeland Firefighters' Retirement System and the Police Officers' Defined Benefit Retirement System are recorded as operating grants and contributions and public safety expenses in the amounts of \$776,564 and \$796,486 respectively in the Government-wide Statement of Activities.

For the fiscal year ended September 30, 2016, the City recognized an aggregate pension expense of \$24,006,663.

**A. Employees' Pension and Retirement System**

**Summary of Significant Accounting Principles**

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expenses, information about the fiduciary net position of the City of Lakeland's Employees' Pension and Retirement System, and additions to/deductions from the Employees' Pension and Retirement System's fiduciary net position have been determined on the same basis as that are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

The Plan is maintained using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which the employee services are performed. Expenses are recognized when they are incurred and revenues are recognized when they are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Accounting Principles Generally Accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates. Investments are recorded at fair value. Dividends and interest are recognized when earned. Gains and losses on sales are recognized on the trade date.

**Plan Description**

The City of Lakeland Employees' Pension and Retirement System administers the City of Lakeland Employees' Pension Plan – a single employer defined benefit pension plan that provides pensions for all full-time, regular employees of the City. The authority for the establishment and amendment of the Plan, benefits, vesting, and contributions are established by City Ordinances. Government plans are not subject to the provisions of the Employee's Retirement Income Security Act of 1974 (ERISA).

Management of the plan is vested in the Employees' Pension Board, which consists of seven (7) active members – three (3) of which are elected by plan members for 3-year terms, three (3) appointed by the City Commission for 3-year terms and one (1) appointed by the board.

This Plan is a pension trust fund (fiduciary fund type) of the City that contains three pension plan options (Plans A, B, and C). Each plan option is part of a single employer, defined benefit pension plan offered by the City with a defined contribution option available to certain eligible employees. Plan A is eligible to employees of the City hired prior to October 1, 2003. Plan B is eligible to employees hired on or after October 1, 2003 through February 15, 2012. Plan C is eligible to employees hired after December 29, 2011 or who have made an irrevocable election to convert their prospective benefit calculation to Plan C as of February 15, 2012. The defined contribution option allows certain eligible employees to cease participation in this Plan and begin participation in the City's defined contribution plan.

Pension plan membership for the Plan as of the actuary report dated October 1, 2014 is shown in the following table.

Active plan members	1,407
Retirees and beneficiaries	952
DROP Participants	186
Terminated vested plan members	59
	<u>2,604</u>



NOTES TO FINANCIAL STATEMENTSNOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**A. Employees' Pension and Retirement System (continued)**Deferred Retirement Option Plan (DROP)

A Deferred Retirement Option Plan (DROP) was enacted on December 19, 2009 by Ordinance 4727. Under this Plan, participants who have attained eligibility may continue working with the city for up to sixty months while receiving a retirement benefit that is deposited into a DROP account. At October 1, 2014, there were 186 DROP participants.

Cost of Living Adjustment No cost of living increase was awarded for fiscal year 2016.

Funding Policy, Contributions Required, and Contributions Made

The City obtains an annual review by an independent actuary utilizing census data covering both retired and active plan members and balance sheet data regarding net position of the Plan based on an effective date of October 1 with the report being issued within 6 months of the fiscal year. This review is used to determine the required funding level upon which the City bases its annual contribution to the Employees' Pension and Retirement System for the budget year commencing after the issuance of that report. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute at least quarterly to the fund in an amount equal to the required city contribution as shown by the applicable actuarial valuation system. The actuarial experience (0.29) and the Amortization Payment on UAAL (0.43) are added to the prior Contribution Rate (18.54%), less Change in Cost Sharing (0.31) and Change in Normal Cost Rate (0.06) to calculate the current year Contribution Rate of 18.89%. For the year ended September 30, 2016, the City contributed \$29,175,783, the employees contributed \$7,450,823 and buybacks were \$17,718.

As a result of the renegotiation of the lease agreement between the hospital and the City, the City received a one-time \$15 million payment from LRMC, effective 10/1/2015. The purpose of the payment was to compensate the City for agreeing to cap the growth in the hospital's lease payments for the next 25 years. The City Commission expressed an interest in investing the one-time payment on a long-term basis so that a significant fund would accrue by the time the lease needs to be renegotiated in 25 years. In lieu of creating a new investment fund, the Commission approved an alternative plan whereby:

- The \$15 million will be sent to the Employee Pension Fund as an advance payment against the employer's share of the unfunded pension liability.
- In return for this advance payment, the City (as the employer) will receive an annual credit against its regular payment into the fund.
- This credit will be consistent with the current amortization schedule and methodology for the Fund's unfunded liability.
- The budgetary savings from this reduced annual payment will be channeled into a separate investment fund so that the City can recoup its initial payment, plus interest.

The alternative plan will NOT affect employee contribution rates into the pension fund. They will remain unchanged. The alternative plan can be thought of as paying off a mortgage or a credit card balance early. Once the obligation is paid off, the monthly payments (which include interest) no longer have to be made. The monthly savings can then be put in a savings account for the future

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the October 1, 2014 actuarial evaluation rolled-forward to September 30, 2015 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.25%
Salary increases	4.0% to 14.0% depending on service, including inflation
Inflation rate	3.00%
Post-retirement benefit increases	N/A
Retirement rate	(1)
Mortality table	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected using Scale AA after 2000.

(1) Probabilities of retirement by eligible members are assigned for each attained age and length of service

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**

**A. Employees' Pension and Retirement System (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The projected long-term real rate of return for the Plan net of investment expenses is 6.00%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of measurement date September 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table as required by GASB 67 and 68:

Asset Class (Market)	Target Allocation	Long-Term Expected Real Rate of Return	Asset Group Contribution
Domestic Equity	40.00%	7.50%	3.00%
International Equity	15.00%	8.50%	1.28%
Domestic Bonds	20.00%	2.50%	0.50%
International Bonds	5.00%	3.50%	0.17%
Real Estate	10.00%	4.50%	0.45%
Alternate Assets	10.00%	6.00%	0.60%
Total Investments	100.00%		6.00%

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan members' contributions will be made at the current contribution rate and the City contributions will be made at the rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.25%) was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning balances	\$ 625,849,058	\$ 504,457,368	\$ 121,391,690
Changes for the year:			
Service cost	12,479,291	-	12,479,291
Interest	45,023,294	-	45,023,294
Difference between actual & expected experience	(2,104,773)	-	(2,104,773)
Contribution - employer	-	15,697,557	(15,697,557)
Contribution - employee	-	7,394,407	(7,394,407)
Projected Earnings on investments	-	36,146,836	(36,146,836)
Difference between projected & actual earnings	-	(30,074,294)	30,074,294
Benefit payments	(33,851,002)	(33,851,002)	-
Refunds	(783,779)	(783,779)	-
Administrative Expense	-	(217,810)	217,810
Net Changes	20,763,031	(5,688,085)	26,451,116
Ending Balances	\$ 646,612,089	\$ 498,769,283	\$ 147,842,806

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate.

	1.00% Decrease Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase Rate (8.25%)
City's net pension liability	\$ 214,240,876	\$ 147,842,806	\$ 91,574,532

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**

**A. Employees' Pension and Retirement System (continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Employee's Pension and Retirement System financial report.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the fiscal year ended September 30, 2016, the City recognized pension expenses of \$18,654,073. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Current year contributions - employer	\$ 30,859,887	\$ -
Difference between actual and expected experience	-	1,774,125
Net Difference between projected and actual earnings	20,908,641	-
Total	<u>\$ 51,768,528</u>	<u>\$ 1,774,125</u>

\$30,859,887 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Total
2017	\$ 4,474,921
2018	4,474,921
2019	4,483,293
2020	5,701,381
	<u>\$ 19,134,516</u>

**Payable to the Pension Plan**

At September 30, 2016, the City reported a payable of \$870,604 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2016.

**B. Police Officers' Defined Benefit Retirement System**

**Summary of Significant Accounting Principles**

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expenses, information about the fiduciary net position of the City of Lakeland's Police Officers' Defined Benefit Retirement System, and additions to/deductions from the Police Officers' Defined Benefit Retirement System's fiduciary net position have been determined on the same basis as that are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Plan participant contributions are recognized in the period in which the contributions are due. City contributions to the plan as calculated by the Plan's actuary, are recognized as revenue when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments in common stock and bonds traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the past reported bid and asked prices; investments in securities not having an established market value are valued at fair value as determined by the Board of Trustees. The fair value of an investment is the amount that the Plan could reasonably expect to receive for it in a current sale between market participants, other than in a forced or liquidation sale. Purchases and sales of investments are recorded on a trade date basis.

NOTES TO FINANCIAL STATEMENTS**NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)****B. Police Officers' Defined Benefit Retirement System (continued)**

Investment income is recognized on the accrual basis as earned. Unrealized appreciation in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the Statement of Changes in Fiduciary Net Position.

Plan Description

The Plan is a defined benefit pension plan covering all full-time police officers of the City of Lakeland as established by local law subject to the provisions of Chapter 185 of the State of Florida Statutes. Participation in the Plan is required as a condition of employment. The Plan provides for pension, death, and disability benefits.

The Plan, in accordance with the above statutes, is governed by a five-member pension board. Two police officers who are elected by a majority of the members of the Plan, two City residents, and a fifth member elected by the other four members constitute the pension board. The City and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The City is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

On June 1, 2009 the Lakeland City Commission adopted ordinances 5096 and 5095 - which removed all active and retired police officers from the City of Lakeland Employee Pension Plan (the General Plan) and transferred those individuals to an amended version of the Police Officers' Supplemental Pension and Retirement System (the Supplemental Plan) - which had the effect of creating an entirely new replacement plan called the Police Officers' Retirement System (the Police Plan).

Under the terms of this change, all retired police officers and/or their beneficiaries who were receiving benefits from the General Plan and/or the Supplemental Plan as of the effective date of the transfer would from that point forward be paid the exact same level of combined benefits from the Police Plan. All future retired police officers and/or their beneficiaries will receive their retirement benefits exclusively from the Police Plan based on a new defined benefit calculation formula that replaces the benefit formulas that previously existed within the General Plan and the Supplemental Plan.

Under the terms of this change, all police officers and/or their beneficiaries who were receiving benefits from the General Plan and/or the Supplemental Plan as of the effective date of the transfer would from that point forward be paid the exact same level of combined benefits from the Police Plan. All future retired police officers and/or their beneficiaries will receive their retirement benefits exclusively from the Police Plan based on a new defined benefit calculation formula that replaces the benefit formulas that previously existed within the General Plan and the Supplemental Plan.

Three Tier Structure - The current members of the plan have the option of making an election of one of the following 3 tiers within 45 days of the effective date of the Police Plan. Tier 2 is the only option for officers hired after May 20, 2009.

Tier 1 - these members shall have benefits accrued under the provisions of the City of Lakeland Employees' Pension and Retirement System, the City of Lakeland Police Officers' Supplemental Pension and Retirement System (PORF) and the Lakeland Police Officers' Share Benefit Plan frozen as of the effective date of the Police Plan. On and after the effective date of the system, Tier 1 members shall be subject to the same provisions as Tier 2 members except as otherwise provided. These members shall be eligible to have benefits accrued in the PORF included in the City of Lakeland Employees' Pension and Retirement System Section 23.4.5 DROP upon attainment of age sixty (60).

Tier 2 - these members shall be subject to the provisions of the City of Lakeland Police Officers' Retirement System not including those administered pursuant to other City of Lakeland Plans or Systems for Tier 1 or Tier 3 members.

Tier 3 – these members who are DROP participants pursuant to Section 23.4.5 of the City of Lakeland Employees' Pension and Retirement System and making contributions to the City of Lakeland Police Officers' Supplemental Pension and Retirement System (PORF) which contributions shall continue after the effective date of the City of Lakeland Police Officers' Retirement System in an amount calculated annually by the system's actuary and shall be administered pursuant to the provisions of those systems. These members shall be eligible to have benefits accrued in the PORF included in the Section 23.4.5 DROP upon attainment of age sixty (60).

Pension plan membership for the Plan as of the actuary report dated October 1, 2014 is shown in the following table.

Active plan members	203
Retirees and beneficiaries	169
DROP Participants	15
Terminated vested plan members	32
	<u>419</u>

NOTES TO FINANCIAL STATEMENTSNOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**B. Police Officers' Defined Benefit Retirement System (continued)**Deferred Retirement Option Plan (DROP)

Any participant who is eligible to receive a normal retirement pension benefit may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a police officer. Upon participation in the DROP, the participant becomes a retiree for all plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. Participation in the DROP ceases for a member after the 60 months. At October 1, 2014, there were 15 DROP participants.

Partial Lump Sum Option Plan (PLOP)

A participant that does not elect to participate in the DROP may elect to receive an initial lump-sum payment equal to 5%, 10%, 15% or 20% of the participant's accrued benefit with the remaining 95%, 90%, 85% or 80%, respectively, payable in a form selected by the participant.

Cost of Living Adjustment

No cost of living increase was awarded for fiscal year 2016.

Funding Policy, Contributions Required, and Contributions Made

The Tier 2 participant contribution rate is re-determined each year, such that the increase in the City's required contribution and the participant's required contribution are equal. The required participant's contribution rate for Tier 2 and Tier 3 were 14.30% and 1.00% respectively for the fiscal year ended September 30, 2016.

Pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on City of Lakeland properties is collected by the State and is remitted to the Plan. The City is required to contribute the remaining amounts necessary to finance the benefits through periodic contributions of actuarially determined amounts.

The Fund may also accept rollover contributions from participants' other qualified deferred compensation plans. Rollover contributions may be used to purchase additional credited service. Participants are immediately vested in rollover contributions.

A rehired member may buy back not more than 5 years of continuous past service by paying into the Plan the amount of contributions that the participant would otherwise have paid for such continuous past service, plus the interest that would have been earned had such funds been invested by the Plan during that time.

The City's funding policy is to make an actuarially computed annual contribution to the Plan in an amount, such that when combined with participants' contributions and the State insurance excise tax rebate, all participants' benefits will be fully provided for by the time that they retire.

The City's actuarially determined contribution rate for the year ended September 30, 2016 was 18.27%. For the year ended September 30, 2016, the City contributed \$2,686,671 and the employees contributed \$2,212,816.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the October 1, 2014 actuarial evaluation rolled-forward to September 30, 2015 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.75%
Salary increases	5% - 15%
Inflation rate	2.50%
Mortality table	
Active employees	RP-2000 (combined healthy) with no projection
Retired pensioners	RP-2000 (combined healthy) with no projection
Disabled pensioners	RP-2000 (combined healthy) with no projection, set forward 5 years

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**

**B. Police Officers' Defined Benefit Retirement System (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of measurement date September 30, 2015 are summarized in the following table:

Asset Class (Market)	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity value	10%	7.50%
Domestic opportunistic growth	10%	7.50%
Index core	20%	7.50%
International	15%	8.50%
Fixed income	25%	2.50%
Global fixed income	5%	3.50%
Alternative	10%	2.50%
Real estate	5%	4.50%
<b>TOTAL</b>	<b>100%</b>	

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan members' contributions will be made at the current contribution rate and the City contributions will be made at the rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.75%) was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Changes for the year:			
Service cost	\$ 2,550,144	\$ -	\$ 2,550,144
Interest	10,243,851	-	10,243,851
Contribution - employer	-	2,463,702	(2,463,702)
Contribution - employee	-	1,931,359	(1,931,359)
Contribution - state	-	744,499	(744,499)
Projected Earnings on investments	-	8,387,978	(8,387,978)
Difference between actual & expected experience	(754,860)	-	(754,860)
Difference between projected & actual earnings	-	(10,027,714)	10,027,714
Benefit payments	(8,580,144)	(8,580,144)	-
Contributions - buy back	140,261	140,261	-
Administrative Expense	-	(167,667)	167,667
Other (Misc. income)	-	598	(598)
Net Change	<u>3,599,252</u>	<u>(5,107,128)</u>	<u>8,706,380</u>
Total - Beginning	<u>133,667,915</u>	<u>107,151,300</u>	<u>26,516,615</u>
Total - Ending	<u>\$ 137,267,167</u>	<u>\$ 102,044,172</u>	<u>\$ 35,222,995</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate.

	Decrease Rate (6.75%)	Discount Rate (7.75%)	Increase Rate (8.75%)
City's net pension liability	\$ 49,797,271	\$ 35,222,995	\$ 23,466,268

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**

**B. Police Officers' Defined Benefit Retirement System (continued)**

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Police Officers' Benefit Retirement System financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2016, the City recognized pension expenses of \$3,389,796. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Current year contributions - employer	\$ 2,686,671	\$ -
Difference between actual and expected experience		603,888
Net difference between projected and actual earnings	6,936,161	-
Total	<u>\$ 9,622,832</u>	<u>\$ 603,888</u>

\$2,686,671 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended September 30th:	
2017	\$ 1,492,568
2018	1,492,568
2019	1,492,568
2020	1,854,569
	<u>\$ 6,332,273</u>

Payable to the Pension Plan

At September 30, 2016, the City reported a payable of \$157,978 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2016.

**C. Firefighters' Retirement System**

Summary of Significant Accounting Principles

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expenses, information about the fiduciary net position of the City of Lakeland's Firefighters' Retirement System, and additions to/deductions from the Firefighters' Retirement System's fiduciary net position have been determined on the same basis as that are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms

Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Plan member contributions are recognized in the period in which the contributions are due. City contributions to the plan as calculated by the Plan's actuary, are recognized as revenue when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments in common stock and bonds traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the past reported bid and asked prices; investments in securities not having an established market value are valued at fair value as determined by the Board of Trustees. The fair value of an investment is the amount that the Plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. Purchases and sales of investments are recorded on a trade date basis.

NOTES TO FINANCIAL STATEMENTS**NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)****C. Firefighters' Retirement System (continued)**

Investment income is recognized on the accrual basis as earned. Unrealized appreciation in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the Statement of Changes in Fiduciary Net Position.

Plan Description

The Plan is a pension trust fund (fiduciary fund type) of the City which accounts for the single employer defined benefit pension plan for all City Firefighters. The provisions of the Plan provide for retirement, disability, and survivor benefits.

The restructured Plan is a defined benefit pension plan covering all full-time firefighters of the City of Lakeland, Florida (City). Participation in the Plan is required as a condition of employment. The Plan provides for pension, death and disability benefits. In addition, the Plan is a local law plan subject to provisions of Chapter 175 of the State of Florida Statutes.

The Plan, in accordance with the above statutes, is governed by a five-member pension board. Two firefighters who are elected by a majority of the members of the Plan, two are City residents, and a fifth member elected by the other four members constitute the pension board. The City and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The City is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

**Pension Benefits** - The pension plan provides retirement, death and disability benefits for its participants. A participant may retire early after reaching age 50 and accumulating 10 or more years of credited service; normal retirement age is 55 and completing 10 years of credited service or after reaching age 52 with 25 years of credited service.

The amount of the normal retirement benefit is as follows:

A member who began employment as a firefighter prior to October 1, 2003 and retires on or after the normal retirement date shall receive a monthly benefit of 3.30 percent of average final compensation for each year of credited service. A member who began employment as a firefighter on or after October 1, 2003 and retires on or after the normal retirement date shall receive a monthly benefit of 3.0 percent of average final compensation for each year of credited service. The monthly benefit shall commence on the first day of the month coincident with or next following a member's retirement and be continued thereafter during the member's lifetime, ceasing upon death, but with 120 monthly payments guaranteed in any event.

**Disability Benefits** - A member having 10 or more years of credited service or a member who becomes totally and permanently disabled in the line of duty regardless of length of service, may retire from the City if the member becomes totally and permanently disabled as defined in subsection (b) by reason of any cause other than a cause set out in subsection at on or after the effective date of the plan. Such retirement shall herein be referred to as "disability retirement." The applicable disability presumptions in Florida Statutes 112 and 175, in effect at the time of disability shall apply.

**Death Benefits** - If the participant dies prior to retirement the beneficiary shall receive the following benefit:

- (1) Prior to Vesting. The beneficiary of a deceased member who was not yet vested, or who has no surviving spouse, shall receive a refund of 100% of the member's accumulated contributions, without interest.
- (2) Deceased Firefighters with Ten or More Years Credited Service. For any actively employed member who has ten or more years of credited service as of his date of death, his or her beneficiary is entitled to the benefits otherwise payable to the member at early or normal retirement age.

Pension plan membership for the Plan as of October 1, 2014 is shown in the following table.

Active plan members	144
Retirees and beneficiaries	95
DROP Participants	17
Terminated vested plan members	9
	<u>265</u>



NOTES TO FINANCIAL STATEMENTSNOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**C. Firefighters' Retirement System (continued)**Deferred Retirement Option Plan (DROP)

Any eligible participant may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a firefighter. Upon participation in the DROP, the participant becomes a retiree for all plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. An eligible member may participate in DROP for a maximum of sixty months or any time before and must provide a thirty-day advance notice.

Back DROP

An eligible member may elect the Back-DROP option and must immediately retire and terminate city employment, and is not eligible to participate in DROP or PLOP. Under this option, a member receives a lump sum amount equal to up to sixty months of retirement benefits plus interest at a rate of 3% per annum, upon entry into the DROP, deposited into the DROP account. The member's monthly benefit is actuarially reduced to reflect the actuarial cost to the system of the lump sum amount. The monthly pension benefit is calculated based on the benefit levels in place on the date the member first became eligible for DROP.

Partial Lump Sum (PLOP)

A member with twenty-five (25) or more years of credited service who is eligible for normal or early retirement may, at the time of retirement or entry into DROP, elect to receive or have deposited into the member's DROP account, up to a maximum of twenty percent (20%) in five percent increments, of the total actuarial equivalent value of the member's accrued benefit paid as a lump sum, with the remaining percentage paid in a monthly amount in accordance with the option selected by the member. The benefit amount of the member who has attained age 50 but is not eligible for normal retirement upon electing a partial lump sum option shall be reduced in accordance with the terms of the Plan. The benefit amount of a member who elects a partial lump sum option prior to age 50 shall be actuarially reduced to reflect the actuarial cost to the system of the partial lump sum option.

At October 1, 2014 there were 17 DROP participants.

Cost of Living Adjustment

No cost of living increase was awarded for fiscal year 2016.

Funding Policy, Contributions Required, and Contributions Made

As of September 30, 2016, participants were required to contribute 7.18% of their annual earnings to the Plan. The exception is for members that were already participating in the Employees Plan DROP Plan. These participants will contribute 3% of their annual earnings. Prior to October 1, 1995, contributions to the System were made on an after-tax basis. Subsequent to this date, contributions are made on a pre-tax basis pursuant to an amendment to the Plan terms. These contributions are designated as employee contributions under Section 414(h)(2) of the Internal Revenue Code. Contribution requirements of the Plan's participants are established and may be amended by the City of Lakeland, Florida. The City's funding policy is to make actuarially computed monthly contributions to the Plan in amounts, such that when combined with participants' contributions and the State insurance excise tax rebate, all participants' benefits will be fully provided for by the time that they retire.

The City's actuarially determined contribution rate for the year ended September 30, 2016 was 12.85%. For the year ended September 30, 2016, the City contributed \$1,558,306 and the employees contributed \$867,959.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the October 1, 2014 actuarial evaluation rolled-forward to September 30, 2015 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%
Salary increases	6.00%
Inflation rate	3.00%
Mortality table	
Active employees	RP-2000 combined healthy- (sex distinct)
Retired pensioners	RP-2000 combined healthy- (sex distinct)
Disabled pensioners	RP-2000 (combined healthy) with no projection, set forward 5 years

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**

**C. Firefighters' Retirement System (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of measurement date September 30, 2015 are summarized in the following table:

Asset Class (Market)	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	40.00%	7.50%
International Equity	15.00%	8.50%
US Core Fixed Income	25.00%	2.50%
International Fixed Income	5.00%	3.50%
Real Return Alternative	12.50%	2.50%
REITS	2.50%	2.50%
<b>TOTAL</b>	<b>100.00%</b>	

The discount rate used to measure the total pension liability was 7.50%. 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 Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Changes for the year:			
Service cost	\$ 2,049,136	\$ -	\$ 2,049,136
Interest	6,634,089	-	6,634,089
Contribution - employer	-	1,533,254	(1,533,254)
Contribution - employee	-	925,075	(925,075)
Contribution - state	-	754,489	(754,489)
Projected Earnings on investments	-	(1,125,224)	1,125,224
Difference between actual & expected experience	(643,439)	-	(643,439)
Benefit payments	(4,158,978)	(4,158,978)	-
Contributions - buy back	16,519	16,519	-
Administrative Expense	-	(95,290)	95,290
Other (Misc. Income)	-	100	(100)
Net Change	<u>3,897,327</u>	<u>(2,150,055)</u>	<u>6,047,382</u>
Total - Beginning	<u>88,150,780</u>	<u>85,800,080</u>	<u>2,350,700</u>
Total - Ending	<u>\$ 92,048,107</u>	<u>\$ 83,650,025</u>	<u>\$ 8,398,082</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	Decrease Rate (6.50%)	Discount Rate (7.50%)	Increase Rate (8.50%)
City's net pension liability	\$ 17,832,692	\$ 8,398,082	\$ 3,704

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued City of Lakeland's Firefighters' Retirement System financial report.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**

**C. Firefighters' Retirement System (continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the fiscal year ended September 30, 2016, the City recognized pension expenses of \$1,962,794. At September 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Current year contributions - Employer	\$ 1,558,306	\$ -
Difference between actual and expected experience	-	536,200
Net difference between projected and actual earnings	5,778,305	-
Total	<u>\$ 7,336,611</u>	<u>\$ 536,200</u>

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2017. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Fiscal year ended September 30th:	
2017	\$ 1,313,853
2018	1,313,853
2019	1,313,853
2020	1,407,786
2021	(107,240)
	<u>\$ 5,242,105</u>

\$1,558,306 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016.

**Payable to the Pension Plan**

At September 30, 2016, the City reported a payable of \$64,975 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2016.

The aggregate net pension liability, deferred inflows of resources related to pensions, deferred outflows of resources related to pensions, and pension expense for the City as of September 30, 2016 are as follows:

	Employees' Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System	Total
Deferred outflow s of resources related to pension	\$ 51,768,528	\$ 9,622,832	\$ 7,336,611	\$ 68,727,971
Net pension liability	147,842,806	35,222,995	8,398,082	191,463,883
Deferred inflow s of resources related to pensions	1,774,125	603,888	536,200	2,914,213
Pension expense	18,654,073	3,389,796	1,962,794	24,006,663

**CITY OF LAKELAND, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)**

**D. Condensed Financial Information**

Condensed financial data for the City's Defined Benefit Pension Plans for the year ended September 30, 2016 is presented below.

**Condensed Statement of Net Position**

	Employees' Pension And Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
Assets	\$ 531,230,141	\$ 108,708,442	\$ 87,516,569
Liabilities	<u>1,368,530</u>	<u>81,489</u>	<u>60,479</u>
Net Position			
Net Position Restricted for DROP benefits	21,273,824	2,178,750	2,496,731
Net Position Restricted for pension benefits	<u>508,587,787</u>	<u>106,448,203</u>	<u>84,959,359</u>
	<u><u>\$ 529,861,611</u></u>	<u><u>\$ 108,626,953</u></u>	<u><u>\$ 87,456,090</u></u>

**Condensed Statement of Changes in Plan Net Position**

	Employees' Pension And Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
Additions			
Contributions	\$ 36,644,324	\$ 5,695,973	\$ 3,202,829
Investment income	33,578,800	8,772,281	6,402,044
All other	<u>80,715</u>	<u>2,451</u>	<u>3,266</u>
Total additions	<u>70,303,839</u>	<u>14,470,705</u>	<u>9,608,139</u>
Deductions			
Benefits paid	38,124,534	7,583,639	5,658,359
Refunds, former employees	840,967	142,051	24,356
All other	<u>246,010</u>	<u>162,180</u>	<u>119,359</u>
Total deductions	<u>39,211,511</u>	<u>7,887,870</u>	<u>5,802,074</u>
Change in net position	31,092,328	6,582,835	3,806,065
Net position, beginning of year	<u>498,769,283</u>	<u>102,044,118</u>	<u>83,650,025</u>
Net position, end of year	<u><u>\$ 529,861,611</u></u>	<u><u>\$ 108,626,953</u></u>	<u><u>\$ 87,456,090</u></u>

For more information, pertaining to the aforementioned plans refer to the City of Lakeland, Florida stand-alone financial statements for each plan, which can be obtained by contacting the City of Lakeland, Finance Department, City Hall, 228 S. Massachusetts Ave., Lakeland, FL 33801-5086.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 – DEFINED CONTRIBUTION PENSION PLAN**

The Police Officers' Defined Benefit Retirement System (PODBRS) included a defined contribution Share plan component as of September 30, 2010. In subsequent years, the PODBRS Board will determine Share allocations based on election made by the participants in the plan and their service during the plan year.

For more information pertaining to the Police Officers' Defined Benefit Retirement System (PODBRS) refer to the City of Lakeland, Florida stand-alone financial statements for the plan, which can be obtained by contacting the City of Lakeland, Finance Department, City Hall, 228 S. Massachusetts Ave., Lakeland, FL 33801-5086.

The assets of the City's Alternate Pension Plan were transferred to a third party administrator in the name of the participants. The City no longer has any fiduciary responsibilities concerning the plan. The City's involvement in the plan is limited to remitting the amounts paid by the participants to a third party.

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS**

**A. Plan Description**

Effective October 1, 2007, the City adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. In addition to the relevant disclosures within this note, the City's financial statements reflect a long-term liability of \$25,454,677 and \$30,571,323 related expenses of \$3,132,995 and \$3,535,001 in governmental and business-type activities respectively, resulting from the adoption.

In addition to providing pension benefits, the City Commission has agreed to offer subsidized post-employment health care benefits to former employees who are receiving retirement benefits from the City in conjunction with the Employees' Pension and Retirement System Plan.

The Retiree Health Insurance Plan is a single-employer defined benefit healthcare plan administered by the City of Lakeland Retiree Healthcare Trust. The plan provides for healthcare insurance for eligible retirees and their spouses and dependents through the City-sponsored health insurance plan as formally adopted by City ordinance. One other form of subsidy consists of a payment of up to 50 percent of the cost of Part A Medicare insurance coverage purchased by a former employee who is not otherwise eligible for Medicare coverage. To date, there have been no participants in this program. Under Florida Statue 112.08 if the City offers insurance to active employees, the City must offer the same to the retirees. The difference is the City can charge the full premium to the retiree based on the active employees'/city portion of the premiums for the plan their enrolled in. The Plan does not issue a stand-alone publicly available financial report.

**B. Funding Policy**

The contribution percentages are set forth by City ordinance. This plan consists of a payment equal to 50 percent of the normal monthly insurance premium levied by the City's self-insured health insurance program. In fiscal year 2004, the subsidy was reduced to 40 percent; and in fiscal year 2005, the subsidy was reduced to 35 percent. Effective October 1, 2002, all current employees, who retire on or after October 1, 2002, was offered a health premium subsidy based on years of services as follows: 10-14 years of service 15 percent, 15-19 years of service 25 percent, and 20 years or more 35 percent. Retirees are required to make an election as to participation in the City-sponsored health insurance plan upon retirement. Effective January 1, 2003, any employee, who wishes to have his/her spouse and dependents insured on the City of Lakeland's Health Insurance Plan prior to retirement, will be required to have them on the plan one year prior to retirement. Should a participant at any time elect not to purchase coverage from the City-sponsored plan, all eligibility for future participation in that plan, including rights to the subsidy, is terminated. Effective January 1, 2003, all new hires will not be eligible for the retiree subsidy plan which has been formally adopted by City ordinance 4379.

In accordance with the implementation of Governmental Accounting Standard 45 for the treatment of Other Post-Employment Benefits (OPEB), the City has implemented this statement prospectively. The annual required contribution provided to the City as part of the actuarial valuation report prepared on October 1, 2015 for the year ended September 30, 2016 for the plan was \$12,645,000. A total of 679 retirees participated in the plan during the fiscal year ended September 30, 2016 incurring total contributions of \$6,091,000 paid by the City and \$4,585,007 paid by retirees. A portion of the OPEB cost was funded on a pay-as-you-go basis. However, the City has established a Trust to accumulate and invest assets necessary to pay for the accumulated liability.

NOTES TO FINANCIAL STATEMENTS**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)****C. Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) actuarially determined in accordance with the parameters on GASB Statement 45. In 2016, the City's ARC was \$12,645,000 and OPEB expense was \$12,759,000. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the City's annual OPEB cost, current year contributions, and the net OPEB obligation at September 30, 2016 and September 30, 2015.

	September 30,	
	2016	2015
Annual Required Contribution	\$ 12,645,000	\$ 10,739,000
Interest on net OPEB Obligation	1,761,000	1,886,000
Adjustment to ARC	(1,647,000)	(1,638,000)
Annual OPEB cost (expense)	12,759,000	10,987,000
Contributions Made	(6,091,000)	(6,255,000)
Change in OPEB obligation	6,668,000	4,732,000
Net OPEB obligation, beginning of year	49,358,000	44,626,000
Net OPEB obligation, end of year	<u>\$ 56,026,000</u>	<u>\$ 49,358,000</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2016 were as follows:

	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 12,759,000	48%	\$ 56,026,000
2015	10,987,000	57%	49,358,000
2014	10,327,000	38%	44,626,000

**D. Funded Status and Funding Progress**

As of October 1, 2015, the most recent actuarial valuation date, the plan was 3.66% funded. The actuarial accrued liability for benefits was \$152,993,000 and the actuarial value of assets was \$5,602,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$147,391,000. The covered payroll (annual payroll of active employees covered by the plan) was \$79,725,716 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 184.87%.

The projection of future benefit payments for the plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Examples include retirement age, mortality, terminations, salaries, dependent composition, and plan participation. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary information following the Notes to the Financial Statements, presents the trend information about the actuarial results relative to the accrued actuarial liability for benefits. Additionally, since the requirements of GASB Statement No. 45 have been implemented prospectively, the RSI only reflects similar information of the three preceding years.

**E. Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of actuarial methods and assumptions used including techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events into the future; as such these actuarial amounts are subject to continual valuation.

**CITY OF LAKE LAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**E. Methods and Assumptions (continued)**

In the actuarial report dated October 1, 2015, the projected unit credit method with amortization on a level percentage basis was used. The actuarial assumptions used include the following:

Actuarial cost method	projected unit credit
Discount rate	
Implicit	4.00%
Explicit	7.25%
Health care cost trend rate	
Select	7.50%
Ultimate	4.50%
Non-claim expenses	per employee per year
Administrative	\$46
Specific Stop Loss	\$33
Mortality rates	RP-2014 Table
Projected salary increase	3.5% per annum
Asset valuation	fair market value
Inflation rate	3.50%

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a period of thirty years on an open basis.

**F. Financial Statements**

Financial Statements for the City's Retiree Healthcare Trust Fund for the year ended September 30, 2016 are presented below.

**STATEMENT OF PLAN NET POSITION  
RETIREE HEALTH CARE TRUST FUND  
SEPTEMBER 30, 2016**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 19,079
Due from employees	59,264
Investments	<u>6,456,719</u>
Total assets	<u>6,535,062</u>
 <b>NET POSITION</b>	
Restricted for	
other post employment benefits	<u>\$ 6,535,062</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**F. Financial Statements (continued)**

STATEMENT OF CHANGES IN PLAN NET POSITION  
RETIREE HEALTH CARE TRUST FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

ADDITIONS	
Contributions:	
Employer	\$ 1,634,188
Plan members	236,280
Total contributions	<u>1,870,468</u>
Net investment income:	
Net (decrease) in the fair value of the investments	734,673
Interest and dividends	185
Net investment income	<u>734,858</u>
Total additions, net	<u>2,605,326</u>
DEDUCTIONS	
Benefits paid	1,668,766
Refunds, former plan members	3,878
Total deductions	<u>1,672,644</u>
Change in net position	932,682
NET POSITION, beginning of year	<u>5,602,380</u>
NET POSITION, end of year	<u>\$ 6,535,062</u>

There are no separate statements for the Retiree Healthcare Trust Fund.

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

Various suits and claims arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities, which may arise from such actions, would not result in losses which would materially affect the financial position of the City or the results of its operations. The City relies upon the sovereign immunity protection afforded to local governments under Section 768.28, Florida Statutes, which limits the collection of any judgment to \$200,000 per person and to \$300,000 arising out of the same incident or occurrence. Some cases which arise out of police activity represent a possibility of exposure that would exceed sovereign immunity limits, although the City carries excess coverage for that risk.

**B. Contractual Commitments**

The City's Fleet Management Operations has contracts to purchase motor vehicles with various vendors. The amount outstanding as of September 30, 2016 is \$919,012.

Lakeland Electric has contracts for the purchase and delivery of coal requiring the purchase of a minimum number of tons per year.

Lakeland Electric also has contracts for the supply and transportation of natural gas requiring the purchase and transportation of a minimum and a maximum number of cubic feet of natural gas per year.

Lakeland Electric has contracts for the purchase/sale and delivery of electric energy setting a maximum number of megawatts available for purchase.



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

**B. Contractual Commitments (continued)**

Lakeland Electric has a long-term service agreement with Siemens/Westinghouse to provide labor, parts, and materials to cover all planned annual outages for McIntosh Unit 5, a 354 MW combined cycle gas turbine unit. In December 2012, the Lakeland City Commission approved changes to the contract, which included a revised payment schedule. During fiscal year 2017, milestone payments of \$8,211,150 were made under the contract. The agreement, which is scheduled to run through 2025, includes annual milestone payments, and an economic index escalation factor. Future base payments per the schedule, excluding escalation, are as follows:

<u>Fiscal Year</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
2017	\$ 367,320	\$ 7,267,796	\$ 7,635,116
2018	367,320	7,267,796	7,635,116
2019	367,320	6,238,946	6,606,266
2020	367,320	7,267,796	7,635,116
2021	367,320	7,267,796	7,635,116
2022-2026	1,836,600	46,053,723	47,890,323
	<u>\$ 3,673,200</u>	<u>\$ 81,363,853</u>	<u>\$ 85,037,053</u>

As of September 30, 2016, Lakeland Electric has entered into five Sun Edison SEPA's which have had their ownership interest assigned to new owners. EDF Renewable Services, Inc. is the owner of the Lakeland Center .25 MWs and Airport Phase I 2.25 MWs. TerraForm Utility Solar XIX, LLC is the owner of the Airport Phase II 2.75MWs and W. Bella Vista 6.00 MWs. NRG Renew, LLC is the owner of the Airport Phase III 3.15 MWs. The solar farm's locations are as follows: on 70 acres adjacent to the Sutton Substation, on the roof of the Lakeland Center and in the runway protection zones of the Lakeland Linder Regional Airport. Lakeland Electric has no equity interest in and assumes no financial responsibility for the solar generation systems. Each SEPA is in effect for twenty-five years at a fixed price per MWh with no price escalation clauses. Lakeland Electric's purchases under the SEPAs totaled \$3,242,903 and \$2,280,650 in 2016 and 2015. As of September 30, 2016, the five SEPA's totaled 14.40 megawatts of solar generation capacity under contract with Lakeland Electric. Airport Phase III 3.15 MWs did not become available to purchase power until December 21, 2016.

Lakeland Electric participates in federal and state programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of management, no significant contingent liabilities exist related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The City has active construction projects as of September 30, 2016. The projects include infrastructure projects, construction of existing streets, wastewater treatment facilities, and electric plant. The commitments of major construction projects and capital outlay issued by the City which have not been completed as of September 30, 2016, are as follows:

Transportation/street projects	\$ 1,299,014 *
Public Improvement projects	17,599,880 *
Public Safety projects	31,630 *
Airport projects	1,756,262 *
Wastewater treatment facilities projects	4,602,379 *
Water Distribution projects	316,451 *
McIntosh unit 3	2,871,944 *
McIntosh unit 5	833,885 *
Other power production	286,834 *
Energy delivery	894,636 *
Building Improvements	125,999 *
Equipment	207,116 *
	<u>\$ 30,826,030</u>

\*The amounts reported are included in the outstanding encumbrances below.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

**C. Encumbrances**

The City had the following encumbrances outstanding as of September 30, 2016 that were not reported as designations:

Electric Utility Fund	\$	5,220,014
Water and Wastewater Utilities		5,450,398
Internal Service Funds		3,104,227
Nonmajor Enterprise Funds		2,411,731
	\$	<u>16,186,370</u>

The following is a summary of the City's encumbrances for Governmental Funds as of September 30, 2016.

	General Fund	Public Improvement Fund	All Other Governmental Funds	Total Governmental Funds
Building improvements	\$ -	\$ 17,117,357	\$ -	\$ 17,117,357
Infrastructure	-	-	200,948	200,948
Maintenance and repair	-	114,564	-	114,564
Transportation projects	-	-	-	-
Road improvements	-	-	1,257,896	1,257,896
Total	<u>\$ -</u>	<u>\$ 17,231,921</u>	<u>\$ 1,458,844</u>	<u>\$ 18,690,765</u>

**NOTE 17 – SUBSEQUENT EVENTS**

**Lease Agreement with National Oceanic and Atmospheric Administration**

In November 2016 the City entered into a lease agreement with National Oceanic and Atmospheric Administration (NOAA) to provide space to accommodate its "Hurricane Hunter" base operations. This opportunity brings an estimated 110 new jobs to the City and hanger space for nine aircraft. The estimated capital buildout costs are \$13.1 million with NOAA contributing to the office space in estimated amount of \$2.8 million with half of the remaining funding coming from FDOT grants with a contractual completion date of May 1<sup>st</sup>, 2017. The term of the lease agreement is 10 years with 5 years' firm. The estimated lease revenues for years 1-5 total approximately \$6.9 million with years 6-10 estimated at \$5.8 million.

**Lakeland Center Renovation Project**

In December 2016 the City entered into an agreement with Polk County for partial funding of The Lakeland Center Renovation project and announced that the Orlando Magic's Development League Franchise would call The Lakeland Center home beginning in with the 2017-18 season. It is estimated that it will cost \$14 million to perform needed renovations and improvements to the Jenkins Arena, Sikes Hall, and the Exhibit Hall with Polk County contributing \$7 million and the City covering the balance.

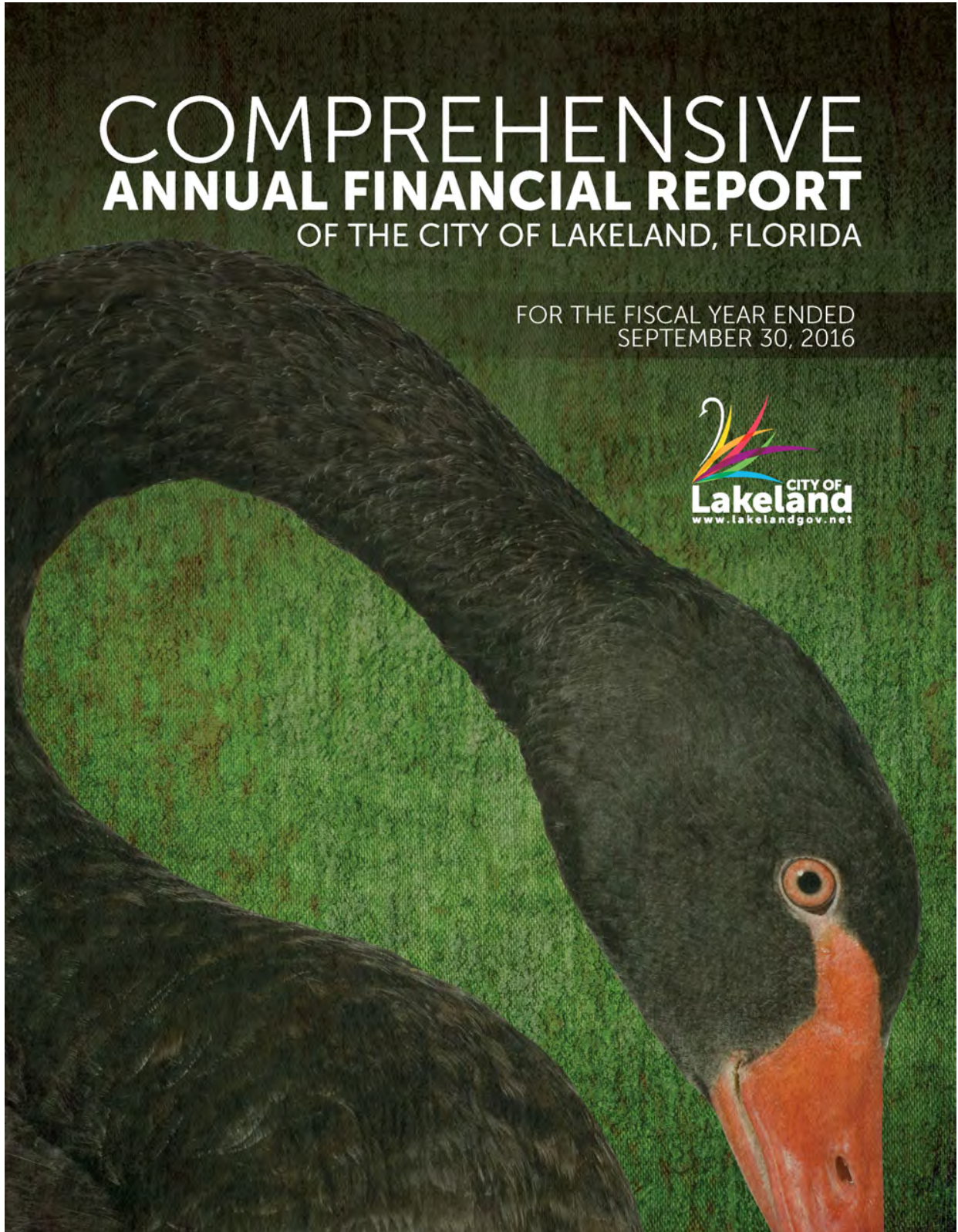


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REQUIRED SUPPLEMENTARY  
INFORMATION

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**  
OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016





CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Amended Budget	2016 Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 41,620,335	\$ 41,620,335	\$ 42,424,066	\$ 803,731
Licenses and permits	3,510,450	3,800,300	4,289,098	488,798
Intergovernmental	10,141,557	10,669,320	11,289,776	620,456
Charges for services	3,765,148	4,591,101	4,247,190	(343,911)
Fines and forfeits	1,440,920	2,085,610	2,525,373	439,763
Miscellaneous	2,217,973	2,974,096	2,800,108	(173,988)
Total revenues	<u>62,696,383</u>	<u>65,740,762</u>	<u>67,575,611</u>	<u>1,834,849</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Legislative	79,384	184,548	184,548	—
Executive	524,585	678,993	543,578	135,415
Financial and administrative	5,238,839	5,343,143	4,424,624	918,519
Legal counsel	387,131	371,358	254,653	116,705
Comprehensive planning	2,725,318	3,820,162	2,957,939	862,223
Other general government	3,063,982	3,028,658	2,980,341	48,317
	<u>12,019,239</u>	<u>13,426,862</u>	<u>11,345,683</u>	<u>2,081,179</u>
Public safety:				
Law enforcement	38,840,668	40,776,768	38,490,331	2,286,437
Fire control	17,106,915	16,924,371	16,924,371	—
Protective inspections	3,141,576	3,110,721	3,044,173	66,548
	<u>59,089,159</u>	<u>60,811,860</u>	<u>58,458,875</u>	<u>2,352,985</u>
Physical environment:				
Utility services	4,989,059	5,107,848	5,107,848	—
Conservation and resource management	15,124	16,758	16,758	—
Other physical environment	959,767	989,206	931,349	57,857
	<u>5,963,950</u>	<u>6,113,812</u>	<u>6,055,955</u>	<u>57,857</u>
Transportation:				
Road and street facilities	5,292,606	5,787,484	5,121,120	666,364
Economic environment:				
Other economic environment	1,364,908	1,907,238	1,907,238	—
Human services:				
Other human services	107,123	87,442	87,075	367
Culture/Recreation:				
Libraries	3,385,103	4,363,910	3,692,204	671,706
Parks and recreation	14,829,179	16,724,852	14,859,783	1,865,069
Cultural services	334,072	334,072	233,756	100,316
Special events	113,750	125,018	95,838	29,180
	<u>18,662,104</u>	<u>21,547,852</u>	<u>18,881,581</u>	<u>2,666,271</u>
Capital outlay	135,198	926,161	181,240	744,921
Debt Service				
Principal retirement	186,574	193,964	193,964	—
Interest	58,289	50,899	48,697	2,202
	<u>244,863</u>	<u>244,863</u>	<u>242,661</u>	<u>2,202</u>
Total expenditures	<u>102,879,150</u>	<u>110,853,574</u>	<u>102,281,428</u>	<u>8,572,146</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(40,182,767)</u>	<u>(45,112,812)</u>	<u>(34,705,817)</u>	<u>10,406,995</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers from other Funds	43,097,971	43,807,717	44,275,393	(467,676)
Transfers to other Funds	(3,973,993)	(4,516,122)	(4,268,758)	(247,364)
Total other financing sources (uses)	<u>39,123,978</u>	<u>39,291,595</u>	<u>40,006,635</u>	<u>(715,040)</u>
NET CHANGE IN FUND BALANCE	<u>(1,058,789)</u>	<u>(5,821,217)</u>	<u>5,300,818</u>	<u>11,122,035</u>
FUND BALANCE, beginning of year	19,134,309	19,134,309	19,134,309	—
FUND BALANCE, end of year	<u>\$ 18,075,520</u>	<u>\$ 13,313,092</u>	<u>\$ 24,435,127</u>	<u>\$ 11,122,035</u>

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
PUBLIC IMPROVEMENT FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Amended Budget	2016 Actual	Variance
REVENUES				
Intergovernmental	\$ 738,655	\$ 781,525	\$ 515,724	\$ (265,801)
Charges for services	400,000	400,000	479,625	79,625
Miscellaneous	19,003,580	41,577,315	45,744,569	4,167,254
Total revenues	<u>20,142,235</u>	<u>42,758,840</u>	<u>46,739,918</u>	<u>3,981,078</u>
EXPENDITURES				
Current:				
General government	5,984,000	16,153,308	15,756,465	396,843
Public safety	72,000	321,901	206,908	114,993
Physical environment	70,400	171,880	80,535	91,345
Transportation	50,000	50,000	50,000	—
Culture/recreation	535,302	807,136	564,953	242,183
Capital outlay	41,000,268	45,641,472	28,581,244	17,060,228
Debt service	4,878,247	6,295,213	6,295,213	—
Total expenditures	<u>52,590,217</u>	<u>69,440,910</u>	<u>51,535,318</u>	<u>17,905,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(32,447,982)</u>	<u>(26,682,070)</u>	<u>(4,795,400)</u>	<u>21,886,670</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of long-term debt	—	—	7,470	7,470
Transfers from other funds	894,410	899,263	361,580	(537,683)
Transfers to other funds	(6,590,915)	(6,708,415)	(6,708,415)	—
Total other financing sources (uses)	<u>(5,696,505)</u>	<u>(5,809,152)</u>	<u>(6,339,365)</u>	<u>(530,213)</u>
NET CHANGE IN FUND BALANCE	(38,144,487)	(32,491,222)	(11,134,765)	21,356,457
FUND BALANCE, beginning of year	47,202,521	47,202,521	47,202,521	—
FUND BALANCE, end of year	<u>\$ 9,058,034</u>	<u>\$ 14,711,299</u>	<u>\$ 36,067,756</u>	<u>\$ 21,356,457</u>



CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2016

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	EMPLOYEE PENSION	
Measurement date:	09/30/2015	09/30/2014
Total pension liability:		
Service cost	\$ 12,479,291	\$ 12,663,875
Interest and dividends	45,023,294	43,427,938
Differences between expected and actual experience	(2,104,773)	(200,874)
Benefit payments, including refunds of member contributions	<u>(34,634,781)</u>	<u>(32,658,024)</u>
Net change in total pension liability	20,763,031	23,232,915
Total pension liability, beginning	<u>625,849,058</u>	<u>602,616,143</u>
Total pension liability, ending	<u><u>\$ 646,612,089</u></u>	<u><u>\$ 625,849,058</u></u>
Plan fiduciary net position:		
Contributions , employer	\$ 15,697,557	\$ 15,395,603
Contributions, members	7,394,407	7,129,361
Net investment income	6,072,542	39,349,445
Benefit payments, including refunds of member contributions	(34,634,781)	(32,658,024)
Administrative expenses	<u>(217,810)</u>	<u>(288,901)</u>
Net change in plan fiduciary net position	(5,688,085)	28,927,484
Plan fiduciary net position, beginning	<u>504,457,368</u>	<u>475,529,884</u>
Plan fiduciary net position, ending	<u><u>\$ 498,769,283</u></u>	<u><u>\$ 504,457,368</u></u>
City's net pension liability, ending	<u><u>\$ 147,842,806</u></u>	<u><u>\$ 121,391,690</u></u>
Plan fiduciary net position as a % of total pension liability	77.14%	80.60%
Actual covered payroll as of September 30th	\$ 79,725,716	\$ 78,211,736
City's net pension liability as a % of covered payroll	185.44%	155.21%

GASB 68 was implemented in fiscal year 2015. Schedule is intended to show information for 10 years.  
Additional years will be displayed as they become available.



CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2016

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	POLICE PENSION	
Measurement date:	09/30/2015	09/30/2014
Total pension liability:		
Service cost	\$ 2,550,144	\$ 2,467,333
Interest and dividends	10,243,851	9,862,126
Contributions - buy back	140,261	70,775
Differences between expected and actual experience	(754,860)	-
Benefit payments, including refunds of member contributions	<u>(8,580,144)</u>	<u>(6,991,965)</u>
Net change in total pension liability	3,599,252	5,408,269
Total pension liability, beginning	<u>133,667,915</u>	<u>128,259,646</u>
Total pension liability, ending	<u><u>\$ 137,267,167</u></u>	<u><u>\$ 133,667,915</u></u>
Plan fiduciary net position:		
Contributions , employer	\$ 2,463,702	\$ 2,548,469
Contributions, members	1,931,359	2,017,233
Contributions - buy back	140,261	70,775
Contribution - state	744,499	708,648
Projected Earnings on investments	8,387,978	7,693,094
Difference between projected & actual earnings	(10,027,714)	1,810,017
Benefit payments, including refunds of member contributions	(8,580,144)	(6,991,965)
Administrative expenses	(167,667)	(141,203)
Other Adjustment	<u>598.00</u>	<u>-</u>
Net change in plan fiduciary net position	(5,107,128)	7,715,068
Plan fiduciary net position, beginning	<u>107,151,300</u>	<u>99,436,178</u>
Plan fiduciary net position, ending	<u><u>\$ 102,044,172</u></u>	<u><u>\$ 107,151,246</u></u>
City's net pension liability, ending	<u><u>\$ 35,222,995</u></u>	<u><u>\$ 26,516,669</u></u>
Plan fiduciary net position as a % of total pension liability	74.34%	80.16%
Actual covered payroll as of 9/30/2015	\$ 14,868,655	\$ 13,413,482
City's net pension liability as a % of covered payroll	236.89%	197.69%

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2016

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

	FIRE PENSION	
Measurement date:	09/30/2015	09/30/2014
Total pension liability:		
Service cost	\$ 2,049,136	\$ 1,946,737
Interest and dividends	6,634,089	6,330,428
Contributions - buy back	16,519	-
Differences between expected and actual experience	(643,439)	-
Benefit payments, including refunds of member contributions	<u>(4,158,978)</u>	<u>(4,502,540)</u>
Net change in total pension liability	3,897,327	3,774,625
Total pension liability, beginning	<u>88,150,780</u>	<u>84,376,155</u>
Total pension liability, ending	<u><u>\$ 92,048,107</u></u>	<u><u>\$ 88,150,780</u></u>
Plan fiduciary net position:		
Contributions , employer	\$ 1,533,254	\$ 1,705,635
Contributions , members	925,075	1,063,934
Contributions - buy back	16,519	-
Contribution - state	754,489	735,806
Projected Earnings on investments	(1,125,224)	6,476,571
Benefit payments, including refunds of member contributions	(4,158,978)	(4,502,540)
Administrative expenses	(95,290)	(77,367)
Other (Adjustment to DROP Balance)	<u>100</u>	<u>-</u>
Net change in plan fiduciary net position	(2,150,055)	5,402,039
Plan fiduciary net position, beginning	<u>85,800,080</u>	<u>80,398,041</u>
Plan fiduciary net position, ending	<u><u>\$ 83,650,025</u></u>	<u><u>\$ 85,800,080</u></u>
City's net pension liability, ending	<u><u>\$ 8,398,082</u></u>	<u><u>\$ 2,350,700</u></u>
Plan fiduciary net position as a % of total pension liability	90.88%	97.33%
Actual covered payroll as of 9/30/2015	\$ 10,942,161	\$ 9,951,374
City's net pension liability as a % of covered payroll	76.75%	23.62%

GASB 68 was implemented in fiscal year 2015. Schedule is intended to show information for 10 years.  
Additional years will be displayed as they become available.

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2016

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Employees' Pension & Retirement System					
Year Ended Sep 30th	Actuarily Determined Contribution **	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2016	\$ 15,181,468	\$ 29,175,783	\$ (13,994,315)	\$ 80,367,748	36.30%
2015	14,781,148	15,697,556	(916,408)	79,725,716	19.69%
2014	14,078,112	15,395,603	(1,317,491)	78,211,736	19.68%

\*\* The actuarially determined contribution is calculated as the actuarially determined contribution percentage multiplied by the actual pensionable payroll for the fiscal year.

The City contributed \$15 million to the Employee Pension Fund in FY 2016 as an advance payment against the employer's share of the unfunded pension liability. In return for this advance payment, the City (as the employer) will receive an annual credit against its regular payment into the fund. As a result of the \$15,000,000 advance payment, a contribution deficiency will be reflected in future years thru FY 2031 as the credit will be amortized over the next 15 years.

Police Officers' Defined Benefit Retirement System					
Year Ended Sep 30th	Actuarily Determined Contribution **	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2016	\$ 2,654,333	\$ 2,826,493	\$ (172,160)	\$ 14,554,279	19.42%
2015	2,436,649	2,436,649	-	14,868,655	16.39%
2014	2,502,539	2,502,539	-	13,413,482	18.66%
2013	2,754,395	2,754,395	-	13,851,580	19.89%

\*\* The actuarially determined contribution is calculated as the actuarially determined contribution percentage multiplied by the actual pensionable payroll for the fiscal year.

Firefighters' Retirement System					
Year Ended Sep 30th	Actuarily Determined Contribution **	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2016	\$ 1,872,061	\$ 1,872,061	\$ -	\$ 10,415,009	17.97%
2015	1,765,332	1,765,332	-	10,942,161	16.13%
2014	2,006,793	2,006,793	-	9,951,374	20.17%
2013	1,387,474	1,387,474	-	9,805,452	14.15%

\*\* The actuarially determined contribution is calculated as the actuarially determined contribution percentage multiplied by the actual pensionable payroll for the fiscal year.

GASB 68 was implemented in fiscal year 2015. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2016

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES (continued)

Year Ended Sep 30th	Other Post Employment Benefits		
	Annual Required Contribution	Annual Actual Contribution	%
2016	\$ 12,645,000	\$ 6,091,000	48%
2015	10,739,000	6,255,000	58%
2014	10,265,000	3,897,000	38%
2013	10,734,000	3,967,000	37%
2012	10,244,000	4,135,000	40%
2011	10,546,000	4,362,000	41%
2010	10,089,000	5,328,000	53%
2009	9,544,323	3,267,402	34%

Actuarially determined contribution rates are calculated as of October 1, 2014, 2 years prior to the end of the fiscal year in which contributions are reported.

	Employee's Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
Methods and Assumptions used to determine contribution rates:			
Actuarial cost method	Entry-age normal	Entry-age normal	Frozen Initial Liability
Amortization method	Level % of pay, closed	Level % of Pay, Closed	Level % of Pay, Closed
Remaining amortization period	27 years	30 years	27 years
Asset valuation method	5-year smooth market	4-Year Smooth	4-Year Smooth
Inflation	3.00%	2.50%	3.00%
Salary increases	4.00% to 14%	5%-15%	6.00%
Investment rate of return	7.25%	7.75%	7.50%
Retirement age	Experienced based table of rates that are specific to the type of eligibility condition. RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected using Scale AA after 2000.	50 or 10 years of service	50 or 10 years of service
Mortality		RP-2000 Comined Healthy Table with no projection	RP-2000 Comined Healthy Table (sex distinct)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Retiree Health Benefits Trust			
			Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL % of Covered Payroll
10/1/2015	\$ 5,602,000	\$ 152,993,000	\$ 147,391,000	3.66%	\$ 79,725,716	184.87%
10/1/2014	5,513,000	147,266,000	141,753,000	3.74%	88,166,248	160.78%
10/1/2013	4,707,000	139,778,000	135,071,000	3.37%	81,094,749	166.56%
10/1/2012	3,895,000	134,321,000	130,426,000	2.90%	80,195,531	162.63%
10/1/2011	2,979,000	126,776,000	123,797,000	2.35%	90,161,635	137.31%
10/1/2010	2,761,000	141,939,000	139,178,000	1.95%	93,636,946	148.64%
10/1/2009	1,564,000	134,721,000	133,157,000	1.16%	93,375,914	142.60%

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2016

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Within the basic financial statements, the proceeds of the excise tax from the State of Florida in the City of Lakeland Firefighters' Retirement System and the Police Pension Plan are recorded as operating grants and contributions and public safety expenses in the Government-wide Statement of Activities.

For additional information regarding the pensions please refer to Note 13 in the notes to the Basic Financial Statements.

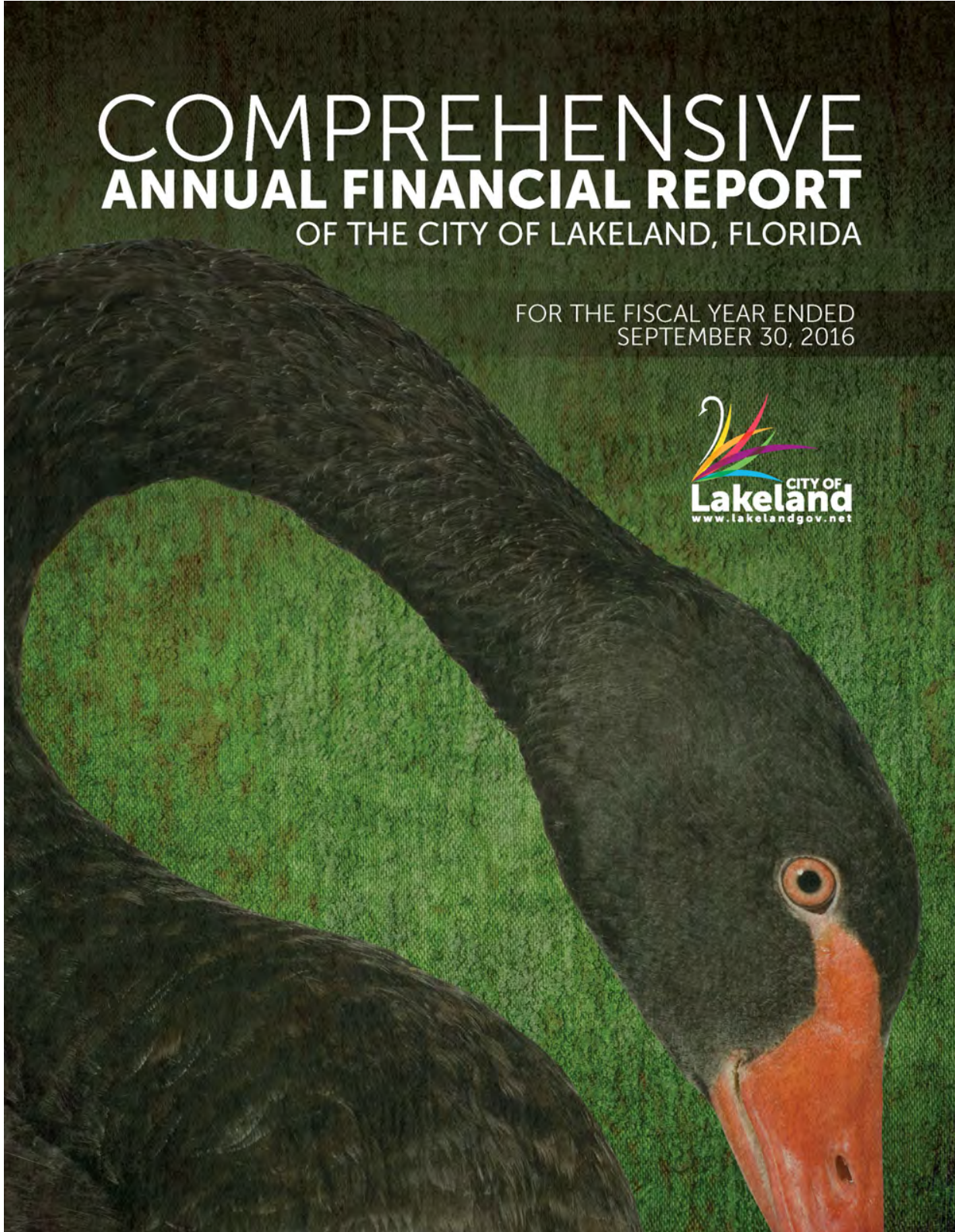
For more information pertaining to the aforementioned plans refer to the City of Lakeland, Florida stand-alone financial statements for each plan, which can be obtained by contacting the City of Lakeland, Finance Department, City Hall, 228 S. Massachusetts Ave., Lakeland, FL 33801- 5086.

Budgets of the City are adopted on a modified accrual basis of accounting, which is consistent with Generally Accepted Accounting Principles (GAAP). In cases where appropriations and estimated revenues have been revised during the year, budget data represents final authorized amounts. As of September 30, 2016 there were no material violations of budgetary requirements.

COMBINING & INDIVIDUAL  
FUND FINANCIAL STATEMENTS

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**  
OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016





## **NON-MAJOR FUNDS**

### **OTHER GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for proceeds from certain specific revenue sources for purposes other than debt service or capital projects. These funds are recorded separately as directed by legal requirements, regulatory provisions, or administrative action. As with the General Fund, the primary accounting focus is on the sources and uses of available funds and the financial activity is reported using the modified accrual basis accounting.

**COMMUNITY DEVELOPMENT FUND** – The Federal Department of Housing and Urban Development provides funds for improvement projects and economic development assistance in low to moderate –income areas and down payment assistance to first time home buyers.

**STATE HOUSING INITIATIVES PARTNERSHIP PROGRAM** – The Florida Housing Finance Corporation through the local housing assistance trust fund provides funds for emergency repairs, new construction, rehabilitation, and other assistance in very low to moderate-income areas.

**NEIGHBORHOOD STABILIZATION PROGRAM** – The Federal Department of Housing and Urban Development provides funds for the purchase and rehabilitation of foreclosed homes in low to moderate income areas.

**STORMWATER FUND** – Revenues, received primarily through the collection of residential and commercial fees as well as transfers from the Transportation Fund for drainage and lake projects, are used for projects approved by the City Commission for stormwater capital activities.

**LAKELAND COMMUNITY REDEVELOPMENT AGENCY** – Revenues that are received primarily from the tax increment of the special taxing district established for the purpose of revitalizing the downtown Lakeland area.

#### **CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**TRANSPORTATION FUND** – Major sources of revenues for the Transportation Fund include taxes levied on motor fuels and impact fees. These revenues are used for projects approved by the City Commission, such as street improvements.

**IMPACT FEE FUND** – The Impact Fee Fund is used to account for impact fees collected for transportation, law enforcement, fire protection, and parks and recreation.

#### **PERMANENT FUNDS**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**CEMETERY PERPETUAL CARE FUND** – When the corpus of this fund is sufficient, it will be used to account for the accumulation of resources used to maintain all City-owned cemeteries.

**SCOTT MORRIS MAUSOLEUM FUND** – This fund accounts for a contribution to provide maintenance of the Scott Morris Mausoleum.

**WEBSTER BOOK FUND** – This fund accounts for a bequest received by the City to purchase nonfiction books and periodicals for the City of Lakeland Public Library.

**BALDWIN BOOK FUND** – This fund accounts for a bequest received by the City to purchase general science and wholesome fiction books for the City of Lakeland Public Library.



CITY OF LAKELAND, FLORIDA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	<u>Capital Projects Funds</u>	
	<u>Transportation Fund</u>	<u>Impact Fee Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,341,981	\$ 11,015,885
Cash with paying agents	—	—
Investments	—	—
Receivables, net	48,399	—
Due from other governments	1,203,001	—
Prepaid expenditures	—	—
Total assets	<u>\$ 4,593,381</u>	<u>\$ 11,015,885</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 628,088	\$ —
Accrued liabilities	63,792	—
Deposits payable	—	—
Due to other funds	—	—
Unearned revenue	1,009,377	—
Total liabilities	<u>1,701,257</u>	<u>—</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue	7,815	—
Total deferred inflows of resources	<u>7,815</u>	<u>—</u>
<b>FUND BALANCES</b>		
Nonspendable:		
Prepays	—	—
Cemetery endowment	—	—
Permanent fund principal	—	—
	<u>—</u>	<u>—</u>
Restricted for:		
CRA	—	—
Impact fee programs	—	11,015,885
Transportation	2,884,309	—
Capital projects	—	—
Donations received	—	—
Debt service	—	—
Grant programs - community development	—	—
	<u>2,884,309</u>	<u>11,015,885</u>
Committed to:		
Working capital	—	—
Stormwater	—	—
	<u>—</u>	<u>—</u>
Assigned to:		
Debt service	—	—
Capital projects	—	—
	<u>—</u>	<u>—</u>
Unassigned	—	—
Total fund balance	<u>2,884,309</u>	<u>11,015,885</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,593,381</u>	<u>\$ 11,015,885</u>

Special Revenue Funds				
Community Development Fund	State Housing Initiatives Partnership Program	Neighborhood Stabilization Program	Stormwater Fund	Lakeland Community Redevelopment Agency
\$ 53,604	\$ 407,659	\$ 435,407	\$ 4,152,104	\$ 12,573,484
-	-	-	-	-
-	-	-	-	-
100,412	33,479	-	164,241	839,424
181,308	-	-	-	-
60	-	-	70	30
<u>\$ 335,384</u>	<u>\$ 441,138</u>	<u>\$ 435,407</u>	<u>\$ 4,316,415</u>	<u>\$ 13,412,938</u>
\$ 21,281	\$ 124	\$ -	\$ 146,412	\$ 343,067
14,418	1,329	691	42,747	3,908
-	-	-	172,488	4,516
-	-	-	-	-
-	415,406	434,716	-	-
<u>35,699</u>	<u>416,859</u>	<u>435,407</u>	<u>361,647</u>	<u>351,491</u>
100,412	33,479	-	-	837,205
<u>100,412</u>	<u>33,479</u>	<u>-</u>	<u>-</u>	<u>837,205</u>
60	-	-	70	30
-	-	-	-	-
-	-	-	-	-
<u>60</u>	<u>-</u>	<u>-</u>	<u>70</u>	<u>30</u>
-	-	-	-	12,224,212
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
199,213	-	-	-	-
<u>199,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,224,212</u>
-	-	-	-	-
-	-	-	3,954,698	-
-	-	-	<u>3,954,698</u>	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(9,200)	-	-	-
<u>199,273</u>	<u>(9,200)</u>	<u>-</u>	<u>3,954,768</u>	<u>12,224,242</u>
<u>\$ 335,384</u>	<u>\$ 441,138</u>	<u>\$ 435,407</u>	<u>\$ 4,316,415</u>	<u>\$ 13,412,938</u>

## CITY OF LAKELAND, FLORIDA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS, CONTINUED  
SEPTEMBER 30, 2016

	Permanent Funds				
	Cemetery Perpetual Care Fund	Scott Morris Mausoleum Fund	Webster Book Fund	Baldwin Book Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ —	\$ 78,073	\$ 23,161	\$ —	\$ 32,081,358
Cash with paying agents	—	—	—	—	—
Investments	4,402,671	—	—	127,404	4,530,075
Receivables, net	—	—	—	—	1,185,955
Due from other governments	—	—	—	—	1,384,309
Prepaid expenditures	—	—	—	—	160
Total assets	<u>\$ 4,402,671</u>	<u>\$ 78,073</u>	<u>\$ 23,161</u>	<u>\$ 127,404</u>	<u>\$ 39,181,857</u>
<b>LIABILITIES</b>					
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ 1,138,972
Accrued liabilities	—	—	—	—	126,885
Deposits payable	—	—	—	—	177,004
Due to other funds	87	—	—	—	87
Unearned revenue	—	—	—	—	1,859,499
Total liabilities	<u>87</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,302,447</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	—	—	—	—	978,911
Total deferred inflows of resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>978,911</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepays	—	—	—	—	160
Cemetery endowment	4,402,584	—	—	—	4,402,584
Permanent fund principal	—	4,476	15,000	10,000	29,476
	<u>4,402,584</u>	<u>4,476</u>	<u>15,000</u>	<u>10,000</u>	<u>4,432,220</u>
Restricted for:					
CRA	—	—	—	—	12,224,212
Impact fee programs	—	—	—	—	11,015,885
Transportation	—	—	—	—	2,884,309
Capital projects	—	—	—	—	—
Donations received	—	73,597	8,161	117,404	199,162
Debt service	—	—	—	—	—
Grant programs - community development	—	—	—	—	199,213
	<u>—</u>	<u>73,597</u>	<u>8,161</u>	<u>117,404</u>	<u>26,522,781</u>
Committed to:					
Working capital	—	—	—	—	—
Stormwater	—	—	—	—	3,954,698
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,954,698</u>
Assigned to:					
Debt service	—	—	—	—	—
Capital projects	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unassigned	—	—	—	—	(9,200)
Total fund balance	<u>4,402,584</u>	<u>78,073</u>	<u>23,161</u>	<u>127,404</u>	<u>34,900,499</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,402,671</u>	<u>\$ 78,073</u>	<u>\$ 23,161</u>	<u>\$ 127,404</u>	<u>\$ 39,181,857</u>



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CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Capital Projects Funds</u>	
	<u>Transportation Fund</u>	<u>Impact Fee Fund</u>
REVENUES		
Taxes	\$ 5,436,168	\$ —
Intergovernmental	1,419,083	—
Charges for services	—	3,225,321
Miscellaneous	<u>2,133,982</u>	<u>402,357</u>
Total revenues	<u>8,989,233</u>	<u>3,627,678</u>
EXPENDITURES		
Current:		
General government	—	—
Public safety	—	—
Physical environment	—	—
Transportation	3,978,790	—
Economic environment	—	—
Human services	—	—
Culture/recreation	—	—
Capital outlay	4,328,649	—
Debt service	<u>1,997,056</u>	<u>—</u>
Total expenditures	<u>10,304,495</u>	<u>—</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,315,262)</u>	<u>3,627,678</u>
OTHER FINANCING SOURCES (USES)		
Issuance of long-term debt	<u>—</u>	<u>—</u>
Transfers from other funds:		
General Fund	—	—
Impact Fee Fund	600,000	—
Total transfers from other funds	<u>600,000</u>	<u>—</u>
Transfers to other funds:		
Cleveland Heights Golf Course Fund	—	—
Fleet Management Fund	—	—
General Fund	—	(82,976)
Information Technology Fund	—	—
Lakeland Center Fund	—	—
Parking System Fund	(100,000)	—
Public Improvement Fund	—	(226,407)
Transportation Fund	—	(600,000)
Transfers to other funds	<u>(100,000)</u>	<u>(909,383)</u>
Total other financing sources (uses)	<u>500,000</u>	<u>(909,383)</u>
Net change in fund balances	<u>(815,262)</u>	<u>2,718,295</u>
FUND BALANCE, beginning of year	<u>3,699,571</u>	<u>8,297,590</u>
FUND BALANCE, end of year	<u>\$ 2,884,309</u>	<u>\$ 11,015,885</u>

Special Revenue Funds				
Community Development Fund	State Housing Initiatives Partnership Program	Neighborhood Stabilization Program	Stormwater Fund	Lakeland Community Redevelopment Agency
\$ -	\$ -	\$ -	\$ -	\$ 3,561,911
1,427,358	574,457	(78,915)	-	-
-	-	-	4,311,996	-
36,791	42,250	201,877	395,655	649,652
<u>1,464,149</u>	<u>616,707</u>	<u>122,962</u>	<u>4,707,651</u>	<u>4,211,563</u>
88,560	-	22,804	1,151,400	404,712
65,765	-	-	-	-
-	-	-	666,909	-
-	-	-	2,964,658	205,761
1,213,034	611,793	100,158	-	281,703
75,109	-	-	-	-
43,564	-	-	-	-
-	-	-	1,434,621	2,073,059
-	-	-	-	802,228
<u>1,486,032</u>	<u>611,793</u>	<u>122,962</u>	<u>6,217,588</u>	<u>3,767,463</u>
(21,883)	4,914	-	(1,509,937)	444,100
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(3,594)	-
-	-	-	(3,594)	-
(21,883)	4,914	-	(1,513,531)	444,100
221,156	(14,114)	-	5,468,299	11,780,142
<u>\$ 199,273</u>	<u>\$ (9,200)</u>	<u>\$ -</u>	<u>\$ 3,954,768</u>	<u>\$ 12,224,242</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS, CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Permanent Funds</u>				
	<u>Cemetery Perpetual Care Fund</u>	<u>Scott Morris Mausoleum Fund</u>	<u>Webster Book Fund</u>	<u>Baldwin Book Fund</u>	<u>Total NonMajor Governmental Funds</u>
REVENUES					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ 8,998,079
Intergovernmental	—	—	—	—	3,341,983
Charges for services	—	—	—	—	7,537,317
Miscellaneous	<u>428,897</u>	<u>3,459</u>	<u>1,016</u>	<u>13,922</u>	<u>4,309,858</u>
Total revenues	<u>428,897</u>	<u>3,459</u>	<u>1,016</u>	<u>13,922</u>	<u>24,187,237</u>
EXPENDITURES					
Current:					
General government	—	—	—	—	1,667,476
Public safety	—	—	—	—	65,765
Physical environment	—	—	—	—	666,909
Transportation	—	—	—	—	7,149,209
Economic environment	—	—	—	—	2,206,688
Human services	—	—	—	—	75,109
Culture/recreation	—	—	—	—	43,564
Capital outlay	—	—	—	—	7,836,329
Debt service	—	—	—	—	2,799,284
Total expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,510,333</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>428,897</u>	<u>3,459</u>	<u>1,016</u>	<u>13,922</u>	<u>1,676,904</u>
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	—	—	—	—	—
Transfers from other funds:					
General Fund	47,444	—	—	—	47,444
Impact Fee Fund	—	—	—	—	600,000
Total transfers from other funds	<u>47,444</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>647,444</u>
Transfers to other funds:					
Cleveland Heights Golf Course Fund	—	—	—	—	—
Fleet Management Fund	—	—	—	—	(1,072)
General Fund	(219,864)	(600)	—	—	(303,440)
Information Technology Fund	—	—	—	—	(2,522)
Lakeland Center Fund	—	—	—	—	—
Parking System Fund	—	—	—	—	(100,000)
Public Improvement Fund	—	—	—	—	(226,407)
Transportation Fund	—	—	—	—	(600,000)
Transfers to other funds	<u>(219,864)</u>	<u>(600)</u>	<u>—</u>	<u>—</u>	<u>(1,233,441)</u>
Total other financing sources (uses)	<u>(172,420)</u>	<u>(600)</u>	<u>—</u>	<u>—</u>	<u>(585,997)</u>
Net change in fund balances	256,477	2,859	1,016	13,922	1,090,907
FUND BALANCE, beginning of year	4,146,107	75,214	22,145	113,482	33,809,592
FUND BALANCE, end of year	<u>\$ 4,402,584</u>	<u>\$ 78,073</u>	<u>\$ 23,161</u>	<u>\$ 127,404</u>	<u>\$ 34,900,499</u>



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CITY OF LAKELAND, FLORIDA

BUDGETARY COMPARISON SCHEDULE  
BUDGET (GAAP BASIS) AND ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Transportation Fund		
	Budget	Actual	Variance
REVENUES			
Taxes	\$ 5,009,000	\$ 5,436,168	\$ 427,168
Intergovernmental	4,241,912	1,419,083	(2,822,829)
Charges for services	—	—	—
Miscellaneous	2,077,835	2,133,982	56,147
Total revenues	11,328,747	8,989,233	(2,339,514)
EXPENDITURES			
Current:			
General government	—	—	—
Public safety	—	—	—
Physical environment	—	—	—
Transportation	5,231,440	3,978,790	1,252,650
Economic environment	—	—	—
Human services	—	—	—
Culture/recreation	—	—	—
Capital outlay	11,767,237	4,328,649	7,438,588
Debt service	1,997,056	1,997,056	—
Total expenditures	18,995,733	10,304,495	8,691,238
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,666,986)	(1,315,262)	6,351,724
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt	—	—	—
Transfers from other funds	5,630,398	600,000	(5,030,398)
Transfers to other funds	(576,660)	(100,000)	476,660
Total other financing sources (uses)	5,053,738	500,000	(4,553,738)
NET CHANGE IN FUND BALANCE	(2,613,248)	(815,262)	1,797,986
FUND BALANCE, beginning of year	(1,195,938)	3,699,571	—
FUND BALANCE, end of year	\$ (3,809,186)	\$ 2,884,309	\$ 1,797,986

Community Development Fund			State Housing Initiatives Partnership Program			Neighborhood Stabilization Program		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,991,492	1,427,358	(564,134)	1,631,511	574,457	(1,057,054)	356,326	(78,915)	(435,241)
-	-	-	-	-	-	-	-	-
16,682	36,791	20,109	37,337	42,250	4,913	201,878	201,877	(1)
2,008,174	1,464,149	(544,025)	1,668,848	616,707	(1,052,141)	\$ 558,204	\$ 122,962	\$ (435,242)
120,800	88,560	32,240	-	-	-	36,699	22,804	13,895
65,837	65,765	72	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,916,112	1,213,034	703,078	1,668,847	611,793	1,057,054	521,505	100,158	421,347
75,180	75,109	71	-	-	-	-	-	-
49,658	43,564	6,094	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
2,227,587	1,486,032	741,555	1,668,847	611,793	1,057,054	558,204	122,962	435,242
(219,413)	(21,883)	197,530	1	4,914	4,913	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(219,413)	(21,883)	197,530	1	4,914	4,913	-	-	-
221,156	221,156	-	(14,114)	(14,114)	-	-	-	-
\$ 1,743	\$ 199,273	\$ 197,530	\$ (14,113)	\$ (9,200)	\$ 4,913	\$ -	\$ -	\$ -

CITY OF LAKELAND, FLORIDA

BUDGETARY COMPARISON SCHEDULE  
BUDGET (GAAP BASIS) AND ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS, CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Stormwater Fund			Lakeland Community Redevelopment Agency		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 3,339,646	\$ 3,561,911	\$ 222,265
Intergovernmental	-	-	-	-	-	-
Charges for services	4,504,801	4,311,996	(192,805)	-	-	-
Miscellaneous	289,009	395,655	106,646	198,128	649,652	451,524
Total revenues	4,793,810	4,707,651	(86,159)	3,537,774	4,211,563	673,789
EXPENDITURES						
Current:						
General government	1,151,400	1,151,400	-	624,937	404,712	220,225
Public safety	-	-	-	-	-	-
Physical environment	915,170	666,909	248,261	-	-	-
Transportation	3,913,967	2,964,658	949,309	868,066	205,761	662,305
Economic environment	-	-	-	5,850,524	281,703	5,568,821
Human services	-	-	-	-	-	-
Culture/recreation	-	-	-	-	-	-
Capital outlay	3,292,087	1,434,621	1,857,466	4,032,741	2,073,059	1,959,682
Debt service	-	-	-	802,228	802,228	-
Total expenditures	9,272,624	6,217,588	3,055,036	12,178,496	3,767,463	8,411,033
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,478,814)	(1,509,937)	2,968,877	(8,640,722)	444,100	9,084,822
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of long-term debt	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-
Transfers to other funds	(3,594)	(3,594)	-	-	-	-
Total other financing sources (uses)	(3,594)	(3,594)	-	-	-	-
NET CHANGE IN FUND BALANCE	(4,482,408)	(1,513,531)	2,968,877	(8,640,722)	444,100	9,084,822
FUND BALANCE, beginning of year	5,468,299	5,468,299	-	11,780,142	11,780,142	-
FUND BALANCE, end of year	\$ 985,891	\$ 3,954,768	\$ 2,968,877	\$ 3,139,420	\$ 12,224,242	\$ 9,084,822

## **NON-MAJOR FUNDS**

### **PROPRIETARY FUNDS**

#### **PROPRIETARY FUNDS**

Proprietary funds are used to account for business-type activities and include both Enterprise funds and Internal Service funds.

#### **ENTERPRISE FUNDS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The primary customer of enterprise funds is the general public and the intent is that the costs relating to providing certain goods or services are primarily recovered through user fees and charges.

**PARKING SYSTEM FUND** – This fund accounts for operating and maintaining parking facilities throughout the City, including three municipal parking garages.

**LAKELAND CENTER FUND** – This fund accounts for operating and maintaining the Lakeland Center for public shows, civic and cultural events, entertainment and other activities.

**LAKELAND LINDER REGIONAL AIRPORT FUND** – This fund accounts for revenues from leases of buildings and land, commissions on the sale of gasoline, related operating expenses, and capital outlays necessary for maintaining a general aviation facility and an industrial park.

**SOLID WASTE MANAGEMENT FUND** – This fund accounts for all activities necessary to provide refuse collection, disposal services and recycling to residents of the City.

**CLEVELAND HEIGHTS GOLF COURSE FUND** – This fund accounts for operating and maintaining the City-owned golf course.

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
SEPTEMBER 30, 2016

	Business-type Activities Enterprise Funds					
	Parking System Fund	Lakeland Center Fund	Lakeland Linder Regional Airport Fund	Solid Waste Management Fund	Cleveland Heights Golf Course Fund	Total Other Proprietary Funds
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 461,634	\$ 1,604,120	\$ —	\$ 4,230,054	\$ 427,388	\$ 6,723,196
Receivables	60,701	160,381	1,004,028	519,791	27,860	1,772,761
Less allowance for uncollectibles	(23,749)	(12,128)	(244,637)	(40)	(129)	(280,683)
Due from other governments	—	—	3,714,354	—	—	3,714,354
Inventory	—	—	—	—	20,310	20,310
Prepaid expenses	50	129,212	95,142	648	150	225,202
Asset apportionments set aside for:						
Current portion of bonds payable	—	1,245,000	—	—	—	1,245,000
Accrued interest payable	—	11,582	—	—	—	11,582
Total current assets	498,636	3,138,167	4,568,887	4,750,453	475,579	13,431,722
Non-current assets:						
Asset apportionments	38,056	—	—	418,539	—	456,595
Restricted assets	—	—	56,849	379,227	—	436,076
Capital assets:						
Land	1,553,061	2,611,443	14,029,120	934,279	828,311	19,956,214
Construction in process	—	—	6,321,905	32,163	—	6,354,068
Facilities and equipment in service	7,732,607	41,621,268	112,140,924	3,081,537	6,190,722	170,767,058
Less accumulated depreciation	(4,514,807)	(26,000,367)	(48,374,047)	(1,411,258)	(2,546,493)	(82,846,972)
Total capital assets	4,770,861	18,232,344	84,117,902	2,636,721	4,472,540	114,230,368
Other noncurrent assets:						
Deposits	1,445	—	—	—	—	1,445
Total other noncurrent assets	1,445	—	—	—	—	1,445
Total noncurrent assets	4,810,362	18,232,344	84,174,751	3,434,487	4,472,540	115,124,484
Total assets	5,308,998	21,370,511	88,743,638	8,184,940	4,948,119	128,556,206
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources related to pensions	120,399	1,042,827	491,651	1,593,664	317,374	3,565,915
Unamortized loss on refunding	—	228,376	—	—	—	228,376
Total deferred outflows of resources	120,399	1,271,203	491,651	1,593,664	317,374	3,794,291
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	68,651	154,911	881,113	208,816	25,824	1,339,315
Accrued liabilities	19,776	165,885	70,672	176,177	43,539	476,049
Accrued interest payable	—	13,642	—	—	275	13,917
Due to other funds	—	146,202	2,707,814	—	76,566	2,930,582
Current portion of loans payable	—	107,756	—	—	166,337	274,093
Deposits payable	—	1,065,258	92,729	—	—	1,157,987
Current portion payable from apportioned assets						
Bonds payable	—	1,245,000	—	—	—	1,245,000
Accrued interest payable	—	11,582	—	—	—	11,582
Total current liabilities	88,427	2,910,236	3,752,328	384,993	312,541	7,448,525
Noncurrent liabilities:						
Restricted liabilities	—	—	26,057	379,227	—	405,284
Accrued liabilities, less current portion	19,788	182,195	59,025	194,191	44,521	499,720
Net pension liability	347,746	3,013,412	1,490,651	4,544,519	899,892	10,296,220
Net OPEB obligation	95,310	807,970	431,052	1,407,056	292,055	3,033,443
Advances from other funds, less current portion	—	566,474	12,871,151	—	44,454	13,482,079
Notes and loans payable, less current portion	—	590,481	—	—	286,128	876,609
Revenue bonds payable, less current portion	—	350,000	—	—	—	350,000
Total noncurrent liabilities	462,844	5,510,532	14,877,936	6,524,993	1,567,050	28,943,355
Total liabilities	551,271	8,420,768	18,630,264	6,909,986	1,879,591	36,391,880
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources related to pensions	4,457	38,624	19,106	58,249	11,534	131,970
Unearned revenue	—	28,568	—	—	—	28,568
Total deferred inflows of resources	4,457	67,192	19,106	58,249	11,534	160,538
<b>NET POSITION</b>						
Net investment in capital assets	4,770,861	16,167,483	84,117,902	2,636,721	4,020,075	111,713,042
Restricted:						
Capital improvement	—	—	30,792	—	—	30,792
Unrestricted	102,808	(2,013,729)	(13,562,775)	173,648	(645,707)	(15,945,755)
Total net position	\$ 4,873,669	\$ 14,153,754	\$ 70,585,919	\$ 2,810,369	\$ 3,374,368	\$ 95,798,079

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
SEPTEMBER 30, 2016

	Business-type Activities Enterprise Funds					Total Other Proprietary Funds
	Parking System Fund	Lakeland Center Fund	Lakeland Linder Regional Airport Fund	Solid Waste Management Fund	Cleveland Heights Golf Course Fund	
OPERATING REVENUES						
Charges for services	\$ 784,689	\$ 5,423,307	\$ 4,491,436	\$ 15,417,836	\$ 1,289,155	\$ 27,406,423
OPERATING EXPENSES						
Personal services	289,522	3,282,464	1,206,646	3,652,175	763,775	9,194,582
Other operating expenses	585,322	4,421,270	2,918,064	8,551,092	1,398,421	17,874,169
Depreciation	167,731	1,007,137	3,908,461	78,805	343,026	5,505,160
Total operating expenses	1,042,575	8,710,871	8,033,171	12,282,072	2,505,222	32,573,911
Operating income (loss)	(257,886)	(3,287,564)	(3,541,735)	3,135,764	(1,216,067)	(5,167,488)
NONOPERATING REVENUES (EXPENSES)						
Property and other taxes	—	319,440	—	—	—	319,440
Federal, state and local grants	—	55,845	—	—	—	55,845
Investment revenue	16,582	75,081	37,010	159,767	22,003	310,443
Net increase (decrease) in the fair value of investments and cash equivalents	3,210	7,220	180,639	(763)	3,800	194,106
Miscellaneous revenue	13,173	29,332	620,603	24,471	67,747	755,326
Interest expense	—	(70,011)	(640,608)	—	(26,345)	(736,964)
Amortization	—	(38,063)	—	—	—	(38,063)
Gain (loss) on disposal of capital assets	—	—	—	(553)	(555)	(1,108)
Total nonoperating revenue (expenses)	32,965	378,844	197,644	182,922	66,650	859,025
Income (loss) before contributions, transfers	(224,921)	(2,908,720)	(3,344,091)	3,318,686	(1,149,417)	(4,308,463)
Capital grants and contributions	—	—	8,553,792	—	—	8,553,792
Transfers from other funds:						
General Fund	—	3,267,908	—	—	—	3,267,908
Transportation Fund	100,000	—	—	—	—	100,000
Public Improvement Fund	—	605,000	—	—	1,140,000	1,745,000
Water Utilities Fund	—	—	—	—	677,631	677,631
Transfers from other funds	100,000	3,872,908	—	—	1,817,631	5,790,539
Transfers to other funds:						
General Fund	—	—	(35,210)	(1,500,000)	—	(1,535,210)
Fleet Management Fund	(5)	—	(4,657)	(58,682)	(2,599)	(65,943)
Public Improvement Fund	—	(221)	—	—	—	(221)
Information Technology Fund	(771)	(16,347)	(13,771)	(68,294)	(354)	(99,537)
Transfers to other funds	(776)	(16,568)	(53,638)	(1,626,976)	(2,953)	(1,700,911)
Total contributions and transfers	99,224	3,856,340	8,500,154	(1,626,976)	1,814,678	12,643,420
Change in net position	(125,697)	947,620	5,156,063	1,691,710	665,261	8,334,957
NET POSITION, beginning of year	4,999,366	13,206,134	65,429,856	1,118,659	2,709,107	87,463,122
NET POSITION, end of year	\$ 4,873,669	\$ 14,153,754	\$ 70,585,919	\$ 2,810,369	\$ 3,374,368	\$ 95,798,079

CITY OF LAKELAND, FLORIDA

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
SEPTEMBER 30, 2016**

	Business-type Activities					
	Enterprise Funds					
			Lakeland Linder Regional	Solid Waste Management	Cleveland Heights Golf Course	Total Other Proprietary Funds
	Parking System Fund	Lakeland Center Fund	Airport Fund	Fund	Fund	
Cash flows from operating activities:						
Receipts from customers	\$ 775,421	\$ 5,576,782	\$ 5,001,287	\$ 15,442,190	\$ 1,287,459	\$ 28,083,139
Payments for interfund services	(84,919)	(331,944)	(318,026)	(4,556,232)	(203,319)	(5,494,440)
Payments to suppliers	(446,337)	(5,215,187)	(4,539,984)	(3,995,080)	(1,133,504)	(15,330,092)
Payments to employees	(300,891)	(3,373,671)	(1,241,824)	(3,833,014)	(803,023)	(9,552,423)
Cash flows provided by (used in) operating activities	(56,726)	(3,344,020)	(1,098,547)	3,057,864	(852,387)	(2,293,816)
Cash flows from noncapital financing activities:						
Interest paid on customer deposits	—	—	—	(16,575)	—	(16,575)
Proceeds from local grants	—	55,845	—	—	—	55,845
Transfers from other funds	—	3,492,908	1,845,682	—	824,986	6,163,576
Transfers to other funds	(776)	(16,568)	(53,638)	(1,626,976)	(2,953)	(1,700,911)
Cash flows provided by (used in) noncapital financing activities	(776)	3,532,185	1,792,044	(1,643,551)	822,033	4,501,935
Cash flows from capital financing activities:						
Taxes received for payments on long-term debt	—	319,440	—	—	—	319,440
Interest paid on long-term debt issued to finance capital assets	—	(84,623)	(640,608)	—	(26,448)	(751,679)
Payments on interfund loans	—	(141,058)	(6,666,301)	—	(150,463)	(6,957,822)
Payments on and maturities of long-term debt	—	(1,219,547)	—	—	(161,053)	(1,380,600)
Proceeds from capital grant programs	—	—	11,575,161	—	—	11,575,161
Transfers from other funds for capital purposes	100,000	380,000	—	—	315,014	795,014
Purchase of capital assets	(50,062)	(159,122)	(11,861,819)	(188,724)	(3,500)	(12,263,227)
Cash flows provided by (used in) capital financing activities	49,938	(904,910)	(7,593,567)	(188,724)	(26,450)	(8,663,713)
Cash flows from investing activities:						
Investment revenue	16,582	75,081	37,010	176,342	22,003	327,018
Net increase (decrease) in the fair value of cash equivalents	3,210	7,220	180,639	(763)	3,800	194,106
Cash flows provided by (used in) investing activities	19,792	82,301	217,649	175,579	25,803	521,124
Net increase (decrease) in cash and cash equivalents	12,228	(634,444)	(6,682,421)	1,401,168	(31,001)	(5,934,470)
Cash and cash equivalents, beginning of year	487,462	3,495,146	6,739,270	3,626,652	458,389	14,806,919
Cash and cash equivalents, end of year	\$ 499,690	\$ 2,860,702	\$ 56,849	\$ 5,027,820	\$ 427,388	\$ 8,872,449
Classified as:						
Current	\$ 461,634	\$ 1,604,120	\$ —	\$ 4,230,054	\$ 427,388	\$ 6,723,196
Apportioned	38,056	1,256,582	—	418,539	—	1,713,177
Restricted	—	—	56,849	379,227	—	436,076
Total	\$ 499,690	\$ 2,860,702	\$ 56,849	\$ 5,027,820	\$ 427,388	\$ 8,872,449
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (257,886)	\$ (3,287,564)	\$ (3,541,735)	\$ 3,135,764	\$ (1,216,067)	\$ (5,167,488)
Depreciation	167,731	1,007,137	3,908,461	78,805	343,026	5,505,160
Miscellaneous revenue	13,173	29,332	620,603	24,471	67,747	755,326
(Increase) in receivables, net	(22,441)	(9,327)	(111,574)	(34,132)	(925)	(178,399)
Decrease in inventory	—	—	—	—	1,386	1,386
(Increase) decrease in prepaid expenses	(50)	14,696	(27,345)	(648)	(150)	(13,497)
(Increase) in deferred outflows related to pensions	(84,135)	(728,575)	(336,199)	(1,119,742)	(223,529)	(2,492,180)
Increase (decrease) in accounts payable	44,576	(1,130,889)	(1,897,642)	(22,779)	(9,707)	(3,016,441)
Increase (decrease) in accrued liabilities	9,540	(9,668)	(14,959)	23,207	2,322	10,442
(Decrease) in unearned revenue	—	(11,516)	—	—	(771)	(12,287)
Increase in net pension liability	62,216	539,141	266,698	813,077	161,003	1,842,135
Increase in deferred inflows related to pensions	(2,220)	(19,239)	(9,517)	(29,014)	(5,746)	(65,736)
Increase in net OPEB obligation	12,770	117,466	43,840	154,840	29,024	357,940
Increase in deposits payable	—	144,986	822	34,015	—	179,823
Total adjustments	201,160	(56,456)	2,443,188	(77,900)	363,680	2,873,672
Net cash provided by (used in) operating activities	\$ (56,726)	\$ (3,344,020)	\$ (1,098,547)	\$ 3,057,864	\$ (852,387)	\$ (2,293,816)
Noncash investing, capital, or financing transactions:						
Capitalized interest	\$ —	\$ 4,256	\$ —	\$ —	\$ —	\$ 4,256
Capital grants and contributions not received, a noncash capital activity	—	—	3,714,354	—	—	3,714,354
Asset transfer from other funds, a noncash capital activity	—	—	—	—	677,631	677,631
Net noncash investing, capital, or financing transactions	\$ —	\$ 4,256	\$ 3,714,354	\$ —	\$ 677,631	\$ 4,396,241

## **NON-MAJOR FUNDS**

### **INTERNAL SERVICE FUNDS**

#### **INTERNAL SERVICE FUNDS**

Internal service funds account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

**PURCHASING AND STORES FUND** – This fund accounts for the costs of purchasing and maintaining custody of supplies and materials. Services provided are billed based on an estimate of actual cost, including operating expenses, and overhead.

**FLEET MANAGEMENT FUND** – This fund accounts for renting and maintaining automotive equipment used by other City departments. User charges are assessed to cover actual costs, including operating expenses, overhead, and depreciation.

**FACILITIES MAINTENANCE FUND** – This fund accounts for the cost of maintenance and janitorial services for all City-owned buildings. User charges are assessed to cover actual costs, including operating expenses, and overhead.

**INFORMATION TECHNOLOGY FUND** – This fund accounts for the cost of the information services incurred in providing network services, telephone, radio communications, and general computer services and supplies. User charges are assessed to cover actual costs, including operating expenses, overhead, and depreciation.

**SELF-INSURANCE FUND** – This fund accounts for the cost of claims and management fees incurred in providing employee health insurance, workers' compensation, general liability, public officials' liability, airport general liability, automobile liability and trustee and fiduciary liability for the City of Lakeland.

**INTERNAL LOAN FUND** – This fund accounts for internal loans that are made to other funds of the City of Lakeland for the purpose of financing operating deficits and capital acquisition costs that the City has determined should not be financed through the traditional tax-free debt market. All loans are interest bearing with defined repayment terms.



CITY OF LAKE LAND, FLORIDA  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Purchasing And Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 116,756	\$ 359,281	\$ 1,822,017
Receivables	—	548	—
Due from other funds	—	2,241,092	—
Due from other governments	—	70,248	—
Inventory	1,022,422	33,135	—
Prepaid expenses	160	299	548
Asset apportionments set aside for:			
Accrued liabilities	—	63,270	—
Due to other funds	—	2,137,794	—
Current portion of bonds payable	—	—	—
Accrued interest payable	—	—	—
Total current assets	<u>1,139,338</u>	<u>4,905,667</u>	<u>1,822,565</u>
Noncurrent assets:			
Asset apportionments:			
Advances to other funds, less current portion	—	1,089,237	—
Other asset apportionments	—	31,594,403	—
	<u>—</u>	<u>32,683,640</u>	<u>—</u>
Restricted assets	—	18,621	—
Capital assets:			
Land	—	9,972	—
Construction in process	—	—	—
Facilities and equipment in service	3,573,943	59,751,058	433,128
Less accumulated depreciation	(1,930,688)	(36,126,059)	(315,418)
Total capital assets	<u>1,643,255</u>	<u>23,634,971</u>	<u>117,710</u>
Other noncurrent assets:			
Advances to other funds, less current portion	—	—	—
Total other noncurrent assets	—	—	—
Total noncurrent assets	<u>1,643,255</u>	<u>56,337,232</u>	<u>117,710</u>
Totals assets	<u>2,782,593</u>	<u>61,242,899</u>	<u>1,940,275</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	375,727	807,756	1,054,670
Unamortized loss on refunding	—	—	—
Total deferred outflows of resources	<u>375,727</u>	<u>807,756</u>	<u>1,054,670</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	46,707	74,823	105,730
Accrued liabilities	49,810	117,690	146,127
Accrued interest payable	—	—	—
Deposits payable	77,110	—	—
Due to other funds	—	—	—
Payable from apportioned assets:			
Due to other funds	—	2,137,794	—
Accrued liabilities	—	63,270	—
Current portion of bonds payable	—	—	—
Accrued interest payable	—	—	—
Total current liabilities	<u>173,627</u>	<u>2,393,577</u>	<u>251,857</u>
Noncurrent liabilities:			
Liabilities payable from apportioned assets			
Advances from other funds, less current portion	—	1,167,035	—
Other liabilities payable from apportioned assets	—	—	—
Accrued liabilities, less current portion	53,870	151,112	196,329
Advances from other funds, less current portion	—	—	—
Net pension liability	1,034,756	2,374,486	2,947,443
Net OPEB obligation	413,658	738,732	842,800
Revenue bonds payable, less current portion	—	—	—
Unamortized bond premium	—	—	—
Total noncurrent liabilities	<u>1,502,284</u>	<u>4,431,365</u>	<u>3,986,572</u>
Total liabilities	<u>1,675,911</u>	<u>6,824,942</u>	<u>4,238,429</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	13,263	30,435	37,779
Total deferred inflows of resources	<u>13,263</u>	<u>30,435</u>	<u>37,779</u>
<b>NET POSITION</b>			
Net Investment in capital assets	1,643,255	23,634,971	117,710
Restricted	—	18,621	—
Capital improvement	—	—	—
Unrestricted	(174,109)	31,541,686	(1,398,973)
Total net position	<u>\$ 1,469,146</u>	<u>\$ 55,195,278</u>	<u>\$ (1,281,263)</u>

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 4,095,591	\$ —	\$ 23,818,112	\$ 30,211,757
—	—	—	548
—	—	4,643,277	6,884,369
—	—	—	70,248
818	—	—	1,055,557
79,675	6,900,685	—	1,825
66,578	—	—	7,043,630
—	—	—	2,204,372
—	—	2,898,785	2,898,785
—	—	2,307,624	2,307,624
<u>4,242,662</u>	<u>6,900,685</u>	<u>33,667,798</u>	<u>52,678,715</u>
—	—	—	1,089,237
3,904,122	14,567,293	—	50,065,818
<u>3,904,122</u>	<u>14,567,293</u>	<u>—</u>	<u>51,155,055</u>
—	—	—	18,621
—	—	—	9,972
1,543,865	—	—	1,543,865
31,008,211	—	—	94,766,340
(13,733,104)	—	—	(52,105,269)
<u>18,818,972</u>	<u>—</u>	<u>—</u>	<u>44,214,908</u>
—	—	22,726,415	22,726,415
—	—	22,726,415	22,726,415
22,723,094	14,567,293	22,726,415	118,114,999
<u>26,965,756</u>	<u>21,467,978</u>	<u>56,394,213</u>	<u>170,793,714</u>
3,652,265	—	—	5,890,418
—	—	715,038	715,038
<u>3,652,265</u>	<u>—</u>	<u>715,038</u>	<u>6,605,456</u>
193,653	—	—	420,913
474,721	—	—	788,348
—	—	7,189	7,189
—	—	—	77,110
1,354,005	—	2,241,092	3,595,097
66,578	—	—	2,204,372
79,675	6,900,685	—	7,043,630
—	—	2,898,785	2,898,785
—	—	2,307,624	2,307,624
<u>2,168,632</u>	<u>6,900,685</u>	<u>7,454,690</u>	<u>19,343,068</u>
234,143	—	—	1,401,178
—	13,169,000	—	13,169,000
651,669	—	—	1,052,980
7,843,158	—	1,089,237	8,932,395
10,950,901	—	—	17,307,586
2,785,989	—	—	4,781,179
—	—	34,956,312	34,956,312
—	—	7,861,364	7,861,364
<u>22,465,860</u>	<u>13,169,000</u>	<u>43,906,913</u>	<u>89,461,994</u>
<u>24,634,492</u>	<u>20,069,685</u>	<u>51,361,603</u>	<u>108,805,062</u>
140,362	—	—	221,839
<u>140,362</u>	<u>—</u>	<u>—</u>	<u>221,839</u>
18,818,972	—	—	44,214,908
—	—	—	18,621
(12,975,805)	1,398,293	5,747,648	24,138,740
<u>\$ 5,843,167</u>	<u>\$ 1,398,293</u>	<u>\$ 5,747,648</u>	<u>\$ 68,372,269</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Purchasing And Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
OPERATING REVENUES			
Charges for services	\$ 2,272,515	\$ 13,948,646	\$ 5,041,001
OPERATING EXPENSES			
Personal services	1,025,619	2,120,762	2,733,200
Other operating expenses	1,673,350	5,793,519	2,189,172
Depreciation	68,967	6,445,840	43,529
Total operating expenses	2,767,936	14,360,121	4,965,901
Operating income (loss)	(495,421)	(411,475)	75,100
NONOPERATING REVENUES (EXPENSES)			
Federal, state, and local grants	—	—	—
Investment revenue	20,220	1,148,421	68,221
Net increase (decrease) in the fair value of investments and cash equivalents	18,060	38,975	12,538
Interest income on internal loans	—	238,543	—
Miscellaneous revenue (expense)	11,645	10,843	17
Rebate on fuel taxes	—	164,567	—
Interest expense	—	(239,206)	—
Amortization	—	—	—
Gain (loss) on disposal of capital assets	—	1,056,844	(152)
Total nonoperating revenues	49,925	2,418,987	80,624
Income (loss) before transfers	(445,496)	2,007,512	155,724
Transfers from other funds:			
General Fund	—	224,939	—
Public Improvement Fund	—	77,500	—
Fleet Management Fund	—	—	—
Purchasing and Stores Fund	—	144	—
Electric Utilities Fund	—	543,149	—
Water Utilities Fund	—	35,599	—
Wastewater Utilities Fund	—	398,663	—
Facilities Maintenance Fund	—	45,258	—
Parking System Fund	—	5	—
Lakeland Linder Regional Airport Fund	—	4,657	—
Solid Waste Management Fund	—	58,682	—
Stormwater Fund	—	1,072	—
Lakeland Center Fund	—	221	—
Information Technology Fund	—	1,283	—
Cleveland Heights Golf Course Fund	—	2,599	—
Transfers from other funds	—	1,393,771	—
Transfers to other funds:			
Fleet Management Fund	(144)	—	(45,258)
Information Technology Fund	(9,082)	(7,788)	(3,508)
Transfers to other funds	(9,226)	(7,788)	(48,766)
Total contributions and transfers	(9,226)	1,385,983	(48,766)
Change in net position	(454,722)	3,393,495	106,958
NET POSITION, beginning of year	1,923,868	51,801,783	(1,388,221)
NET POSITION, end of year	\$ 1,469,146	\$ 55,195,278	\$ (1,281,263)

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 18,583,050	\$ 33,157,652	\$ –	\$ 73,002,864
8,589,194	–	–	14,468,775
6,744,581	34,065,261	–	50,465,883
2,640,734	–	–	9,199,070
17,974,509	34,065,261	–	74,133,728
608,541	(907,609)	–	(1,130,864)
–	–	309,078	309,078
321,368	745,343	771,429	3,075,002
84,361	122,917	(23,783)	253,068
–	–	2,633,917	2,872,460
24,597	70,690	–	117,792
–	–	–	164,567
(415,410)	–	(4,940,065)	(5,594,681)
–	–	344,865	344,865
(11,755)	–	–	1,044,937
3,161	938,950	(904,559)	2,587,088
611,702	31,341	(904,559)	1,456,224
593,294	–	–	818,233
85,915	–	–	163,415
7,788	–	–	7,788
9,082	–	–	9,226
551,614	–	–	1,094,763
108,763	–	–	144,362
90,589	–	–	489,252
3,508	–	–	48,766
771	–	–	776
13,771	–	–	18,428
68,294	–	–	126,976
2,522	–	–	3,594
16,347	–	–	16,568
–	–	–	1,283
354	–	–	2,953
1,552,612	–	–	2,946,383
(1,283)	–	–	(46,685)
–	–	–	(20,378)
(1,283)	–	–	(67,063)
1,551,329	–	–	2,879,320
2,163,031	31,341	(904,559)	4,335,544
3,680,136	1,366,952	6,652,207	64,036,725
\$ 5,843,167	\$ 1,398,293	\$ 5,747,648	\$ 68,372,269

CITY OF LAKE LAND, FLORIDA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Purchasing and Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
Cash flows from operating activities:			
Receipts from customers	\$ 1,439,187	\$ 149,838	\$ 17
Receipts for interfund services	844,973	13,948,646	5,041,001
Payments to suppliers	(1,463,076)	(5,817,729)	(1,981,220)
Payments for interfund services	(434,180)	(193,215)	(210,944)
Payments to employees	(1,081,679)	(2,147,250)	(2,861,549)
Cash flows provided by operating activities	<u>(694,775)</u>	<u>5,940,290</u>	<u>(12,695)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(9,226)</u>	<u>(7,788)</u>	<u>(48,766)</u>
Cash flows provided by (used in) noncapital financing activities	<u>(9,226)</u>	<u>(7,788)</u>	<u>(48,766)</u>
Cash flows from capital financing activities:			
Interest received on internal loans	—	238,543	—
Repayments on and maturities of long-term debt - governmental funds	—	—	—
Proceeds from repayment of interfund loans	—	6,955,630	—
Payments on interfund loans	—	(6,968,881)	—
Proceeds from issuance of interfund loans	—	—	—
Issuance of interfund loans	—	—	—
Interest paid on long-term debt issued to finance capital assets	—	(239,206)	—
Payments on and maturities of long-term debt	—	—	—
Transfers from other funds for capital purposes	—	1,393,771	—
Proceeds from grants received on interest payments	—	—	—
Proceeds from sale of capital assets	—	1,258,548	—
Purchase of capital assets	—	(9,280,913)	(6,510)
Cash flows (used in) capital financing activities	<u>—</u>	<u>(6,642,508)</u>	<u>(6,510)</u>
Cash flows from investing activities:			
Investment revenue	20,220	1,148,421	68,221
Net increase (decrease) in the fair value of cash equivalents	<u>18,060</u>	<u>38,975</u>	<u>12,538</u>
Cash flows provided by investing activities	<u>38,280</u>	<u>1,187,396</u>	<u>80,759</u>
Net increase (decrease) in cash and cash equivalents	<u>(665,721)</u>	<u>477,390</u>	<u>12,788</u>
Cash and cash equivalents, beginning of year	<u>782,477</u>	<u>33,695,979</u>	<u>1,809,229</u>
Cash and cash equivalents, end of year	<u>\$ 116,756</u>	<u>\$ 34,173,369</u>	<u>\$ 1,822,017</u>
Classified as:			
Current	\$ 116,756	\$ 359,281	\$ 1,822,017
Apportioned	—	33,795,467	—
Restricted	—	18,621	—
Total	<u>\$ 116,756</u>	<u>\$ 34,173,369</u>	<u>\$ 1,822,017</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating income (loss)	\$ (495,421)	\$ (411,475)	\$ 75,100
Depreciation	68,967	6,445,840	43,529
Rebate on fuel taxes	—	164,567	—
Miscellaneous revenue	11,645	10,843	17
(Increase) decrease in receivables, net	—	1,733	—
Decrease in due from other governments	—	(27,305)	—
Decrease in inventory	(219,453)	(5,233)	—
Decrease in prepaid expenses	(160)	(299)	(548)
(Increase) in deferred outflows related to pensions	(267,818)	(560,134)	(747,298)
(Decrease) in accounts payable	(46,419)	(211,893)	(15,678)
Increase (decrease) in accrued liabilities	(6,424)	51,251	13,234
Increase in deposits payable	48,550	—	—
Increase in net pension liability	185,134	424,829	527,338
Increase in deferred inflows related to pensions	(6,606)	(15,160)	(18,817)
Increase in net OPEB obligation	33,230	72,726	110,428
Increase in estimated liability for unpaid claims	—	—	—
Net cash provided by (used in) operating activities	<u>\$ (694,775)</u>	<u>\$ 5,940,290</u>	<u>\$ (12,695)</u>

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 28,292	\$ 10,868,802	\$ —	\$ 12,486,136
18,579,708	22,146,472	—	60,560,800
(6,324,515)	(32,667,679)	—	(48,254,219)
(539,749)	(207,590)	—	(1,585,678)
(8,828,465)	—	—	(14,918,943)
2,915,271	140,005	—	8,288,096
(1,283)	—	—	(67,063)
(1,283)	—	—	(67,063)
—	—	2,626,447	2,864,990
—	—	7,764,067	7,764,067
—	—	15,514,143	22,469,773
(1,587,439)	—	(6,955,630)	(15,511,950)
350,151	—	—	350,151
—	—	(350,151)	(350,151)
(415,410)	—	(4,927,139)	(5,581,755)
—	—	(8,977,000)	(8,977,000)
1,552,612	—	—	2,946,383
—	—	309,078	309,078
—	—	—	1,258,548
(4,255,717)	—	—	(13,543,140)
(4,355,803)	—	5,003,815	(6,001,006)
321,368	745,343	771,429	3,075,002
84,361	122,917	(23,783)	253,068
405,729	868,260	747,646	3,328,070
(1,036,086)	1,008,265	5,751,461	5,548,097
9,182,052	19,563,632	23,183,495	88,216,864
\$ 8,145,966	\$ 20,571,897	\$ 28,934,956	\$ 93,764,961
\$ 4,095,591	\$ —	\$ 23,818,112	\$ 30,211,757
4,050,375	20,571,897	5,116,844	63,534,583
—	—	—	18,621
\$ 8,145,966	\$ 20,571,897	\$ 28,934,956	\$ 93,764,961
\$ 608,541	\$ (907,609)	\$ —	\$ (1,130,864)
2,640,734	—	—	9,199,070
—	—	—	164,567
24,597	70,690	—	117,792
353	(213,068)	—	(210,982)
—	—	—	(27,305)
—	—	—	(224,686)
(818)	—	—	(1,825)
(2,510,257)	—	—	(4,085,507)
(204,876)	(59,152)	—	(538,018)
86,011	—	—	144,072
—	—	—	48,550
1,959,267	—	—	3,096,568
(69,915)	—	—	(110,498)
381,634	—	—	598,018
—	1,249,144	—	1,249,144
\$ 2,915,271	\$ 140,005	\$ —	\$ 8,288,096

## **NON-MAJOR FUNDS**

### **FIDUCIARY FUNDS**

#### **FIDUCIARY FUNDS**

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Fiduciary funds include both pension trust funds and agency funds.

**EMPLOYEES' PENSION AND RETIREMENT SYSTEM** – This fund accounts for the accumulation of resources used for retirement payments for City employees. Resources for retirement benefits are contributed by employees at a rate of 8.5% of their salary and by the City at a rate of 17.44% of the covered employee's salary.

**POLICE OFFICERS' DEFINED BENEFIT RETIREMENT SYSTEM** – This fund accounts for the accumulation of resources used for retirement annuity payments to police officers. Resources are contributed by police officers at a rate of 1% of their salary and by the State of Florida from the proceeds of an excise tax imposed by the City on casualty insurance companies.

**FIREFIGHTERS' SUPPLEMENTAL PENSION PLAN** – This fund accounts for the accumulation of resources used for retirement annuity and death benefit payments for firefighters. Resources are contributed by firefighters at a rate of 3% of their salary and by the State of Florida from the proceeds of an excise tax imposed by the City on fire insurance companies. The tax is collected by the State of Florida and remitted to the fund.

**RETIREE HEALTHCARE TRUST FUND** – This fund accounts for the accumulation of resources used for health insurance payments for eligible retirees.

**DEATH BENEFIT FUND** – This fund accounts for the accumulation of resources used to provide continued life insurance to certain City employees after retirement. The maximum liability at year-end is completely funded.

**SURVIVOR'S BENEFIT TRUST FUND** – This fund accounts for the accumulation of resources used for payment of a death benefit to surviving spouses of certain retired employees.

**IMPACT FEE AGENCY FUND** – This fund accounts for the deposits of transportation, emergency medical, and jail construction impact fees collected on behalf of the County.

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2016

Pension and Other Employees Benefit Trust Funds

	Employees' Pension And Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System	Retiree Healthcare Trust Fund	Death Benefit Fund	Survivor's Benefit Trust Fund	Total Fiduciary Funds
ASSETS							
Cash and cash equivalents	\$ 7,969,841	\$ 2,011,736	\$ 787,960	\$ 19,079	\$ —	\$ —	\$ 10,788,616
Prepaid expenses	—	658	1,689	—	—	—	2,347
Investments	518,136,225	106,402,138	85,673,435	6,456,719	—	3,107,288	719,775,805
Investments in transit	—	—	—	—	—	—	—
Accrued interest receivable	408,020	119,548	29,864	—	—	—	557,432
Unsettled investment sales	3,845,451	16,384	—	—	—	—	3,861,835
Due from employer	598,089	90,078	42,155	59,264	—	—	789,586
Due from employees	272,515	67,900	22,819	—	—	—	363,234
Due from other funds	—	—	182,083	—	—	—	182,083
Due from other governments	—	—	776,564	—	—	—	776,564
Total assets	<u>531,230,141</u>	<u>108,708,442</u>	<u>87,516,569</u>	<u>6,535,062</u>	<u>—</u>	<u>3,107,288</u>	<u>737,097,502</u>
LIABILITIES							
Accounts payable	592,165	81,489	60,479	—	—	—	734,133
Unsettled investment purchases	776,365	—	—	—	—	—	776,365
Accrued liabilities	—	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	138	138
Total liabilities	<u>1,368,530</u>	<u>81,489</u>	<u>60,479</u>	<u>—</u>	<u>—</u>	<u>138</u>	<u>1,510,636</u>
NET POSITION							
Net Position Restricted for DROP benef	21,273,824	2,178,750	2,496,731	—	—	—	25,949,305
Net Position Restricted for OPEB benef	—	—	—	6,535,062	—	—	6,535,062
Net Position Restricted for pension ben	—	—	—	—	—	—	—
and other purposes	508,587,787	106,448,203	84,959,359	—	—	3,107,150	703,102,499
Total net position	<u>\$ 529,861,611</u>	<u>\$ 108,626,953</u>	<u>\$ 87,456,090</u>	<u>\$ 6,535,062</u>	<u>\$ —</u>	<u>\$ 3,107,150</u>	<u>\$ 735,586,866</u>



CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION  
PENSION TRUST FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Pension and Other Employees Benefit Trust Funds						
	Employees' Pension And Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System	Retiree Healthcare Trust Fund	Death Benefit Fund	Survivor's Benefit Trust Fund	Total Fiduciary Funds
ADDITIONS							
Contributions:							
On-behalf payments - State of Florida	\$ —	\$ 796,486	\$ 776,564	\$ —	\$ —	\$ —	\$ 1,573,050
Employer	29,175,783	2,686,671	1,558,306	1,634,188	—	—	35,054,948
Plan members	7,468,541	2,212,816	867,959	236,280	—	—	10,785,596
Total contributions	<u>36,644,324</u>	<u>5,695,973</u>	<u>3,202,829</u>	<u>1,870,468</u>	<u>—</u>	<u>—</u>	<u>47,413,594</u>
Net investment income:							
Interest and dividends	8,720,132	2,475,917	1,152,300	185	69	(469)	12,348,134
Net increase (decrease) in the fair value of investments	27,344,324	6,521,338	5,465,189	734,673	10	247,029	40,312,563
Investment advisor fee	(2,485,656)	(224,974)	(215,445)	—	—	—	(2,926,075)
Net investment income (loss)	<u>33,578,800</u>	<u>8,772,281</u>	<u>6,402,044</u>	<u>734,858</u>	<u>79</u>	<u>246,560</u>	<u>49,734,622</u>
Miscellaneous income	80,715	2,451	3,266	—	—	—	86,432
Total additions (deductions)	<u>70,303,839</u>	<u>14,470,705</u>	<u>9,608,139</u>	<u>2,605,326</u>	<u>79</u>	<u>246,560</u>	<u>97,234,648</u>
DEDUCTIONS							
Benefits paid	38,124,534	7,583,639	5,658,359	1,668,766	—	—	53,035,298
Refunds, former plan members	840,967	142,051	24,356	3,878	—	—	1,011,252
Actuarial fee	46,553	48,411	56,129	—	—	—	151,093
Other	199,457	113,769	63,230	—	—	459,452	835,908
Transfers to other funds	—	—	—	—	1,824	—	1,824
Total deductions	<u>39,211,511</u>	<u>7,887,870</u>	<u>5,802,074</u>	<u>1,672,644</u>	<u>1,824</u>	<u>459,452</u>	<u>55,035,375</u>
CHANGE IN NET POSITION							
RESTRICTED	31,092,328	6,582,835	3,806,065	932,682	(1,745)	(212,892)	42,199,273
NET POSITION, beginning of year	498,769,283	102,044,118	83,650,025	5,602,380	1,745	3,320,042	693,387,593
NET POSITION, end of year	<u>\$ 529,861,611</u>	<u>\$ 108,626,953</u>	<u>\$ 87,456,090</u>	<u>\$ 6,535,062</u>	<u>\$ —</u>	<u>\$ 3,107,150</u>	<u>\$ 735,586,866</u>

CITY OF LAKELAND, FLORIDA

AGENCY FUND  
STATEMENT OF OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED SEPTEMBER 30, 2016

	<u>2016</u>
<u>County Impact Fee Fund</u>	
Cash and cash equivalents, beginning balance	\$ 14,337,203
Add:	
Impact fee collections	1,462,914
Net investment income:	
Interest and dividends	561,374
Net increase (decrease) in the fair value of investments	126,446
Less:	
Impact fee remittance to the County	(1,386,055)
Administrative fee	(143,041)
Joint City/County transportation projects	<u>(1,959,030)</u>
Cash and cash equivalents, ending balance	<u>\$ 12,999,811</u>
Accounts payable/due to other governments, beginning balance	\$ 14,337,203
Add:	
Impact fee collections	1,462,914
Net investment income:	
Interest and dividends	561,374
Net increase (decrease) in the fair value of investments	126,446
Less:	
Impact fee remittances to the County	(1,386,055)
Administrative fee	(143,041)
Joint City/County transportation projects	<u>(1,959,030)</u>
Accounts payable/due to other governments, ending balance	<u>\$ 12,999,811</u>



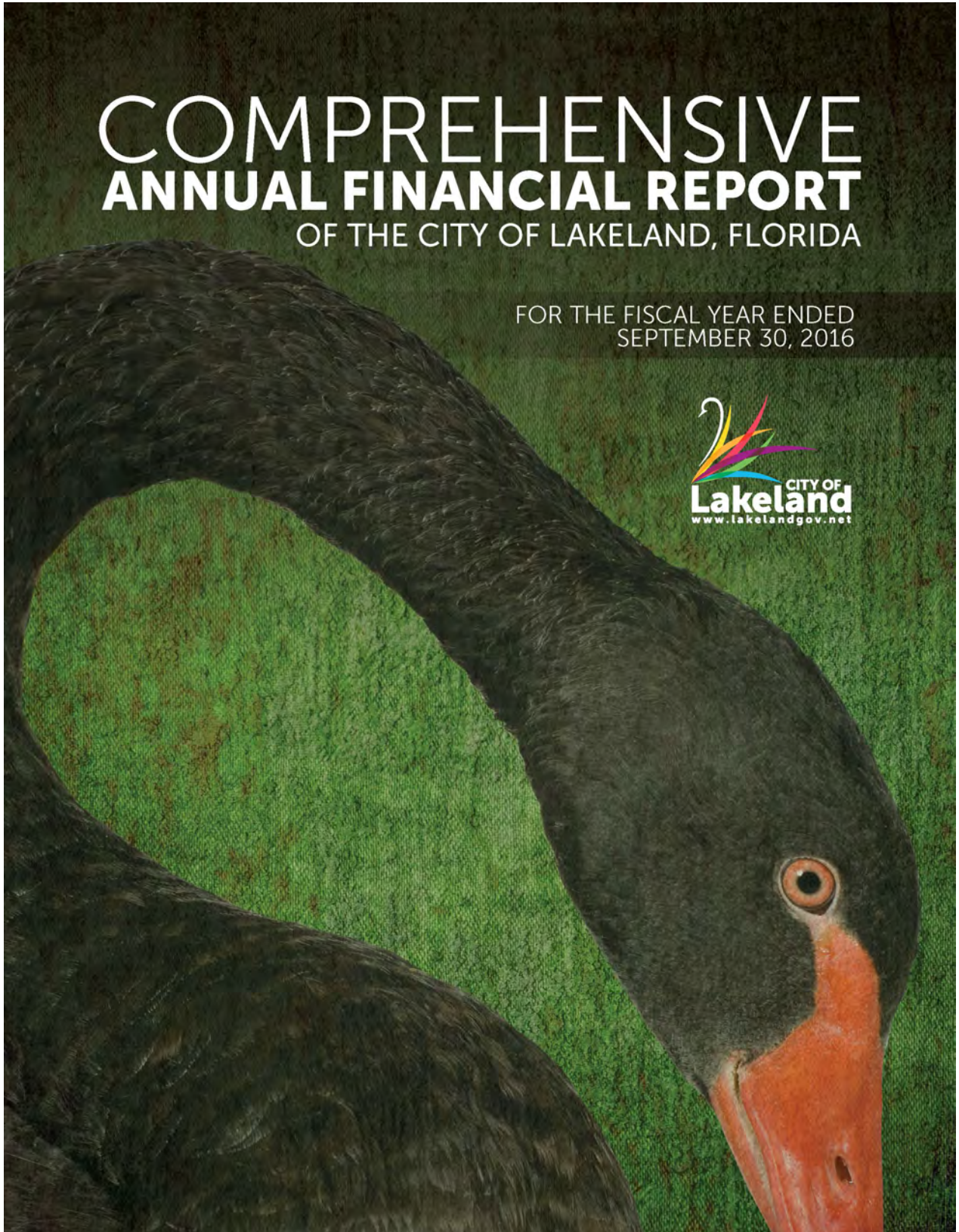
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## SCHEDULES

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016







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CITY OF LAKELAND, FLORIDA  
SCHEDULE OF LONG-TERM DEBT - ALL FUNDS  
SEPTEMBER 30, 2016

		Date	
	Interest Rate	Issue	Final Maturity
GOVERNMENTAL FUNDS			
Loan Payable - US Bancorp	3.07	02-10-12	02-10-22
Loan Payable - Nally Property	N/A	12-01-02	01-01-18
Loan Payable - Key Financial	4.240	03-21-11	03-21-21
Internal Loans	3.000 to 4.000	03-31-03	09-30-36
DEPARTMENT OF ELECTRIC UTILITIES			
Energy System Revenue and Refunding Bonds, Series 2016	2.500 to 5.000	02-05-16	10-01-36
Energy System Revenue and Refunding Bonds, Series 2006	4.000 to 5.000	08-14-06	10-01-36
Energy System Refunding Bonds, Series 2012	Variable	08-23-12	10-01-17
Energy System Refunding Bonds, Series 2014	Variable	04-01-14	03-01-19
Energy System Revenue and Refunding Bonds, Series 2010	4.000 to 5.250	10-01-10	10-01-36
Lease Payable - Caterpillar Lease 2	2.600	11-05-12	02-05-18
LAKELAND LINDER REGIONAL AIRPORT FUND			
Internal Loans	2.500 to 4.000	09-30-10	09-30-35
LAKELAND CENTER FUND			
Capital Improvement Refunding Note, Series 2012A	0.0175	12-20-12	10-01-16
Capital Improvement Refunding Note, Series 2012B	0.0103	12-20-12	10-01-17
Lease Payable - US Bancorp	3.070	02-10-12	02-10-22
Internal Loans	3.500 to 4.000	09-30-10	09-30-21
WATER AND WASTEWATER UTILITIES			
Capital Improvement Revenue and Refunding Bonds, Series 2010A	3.000 to 5.000	09-30-10	10-01-23
Capital Improvement Revenue and Refunding Bonds, Series 2010C	5.929 to 6.029	09-30-10	10-01-40
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A	.930 to 5.000	01-12-12	10-01-32
Water and Wastewater Revenue Note, Series 2015	2.420	11-12-15	10-01-25
Water and Wastewater Revenue Refunding Bonds, Series 2012B	.930 to 5.000	01-12-12	10-01-16
Loan Payable - Wastewater Revolving Loan Program	2.960	01-31-04	09-30-28
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2002	3.500 to 5.000	08-29-02	10-01-33
Loan Payable - Wastewater Revolving Loan Program	1.690	02-11-14	10-15-35
CLEVELAND HEIGHTS GOLF COURSE FUND			
Internal Loans	4.000	06-30-13	06-30-20
Lease Payable - PNC	2.850 to 5.700	12-20-10	11-24-18
INFORMATION TECHNOLOGY FUND			
Internal Loans	4.000	02-28-09	09-30-25
INTERNAL LOAN FUND			
Taxable Capital Improvement Refunding Revenue Note, Series 2015	5.000	09-29-15	10-01-20
Capital Improvement Revenue Bonds, Series 2015	2.00 to 5.00	05-20-15	10-01-36
Capital Improvement Refunding Note, Series 2012A	0.0175	12-20-12	10-01-22
Capital Improvement Revenue and Refunding Bonds, Series 2010A	3.000 to 5.000	09-30-10	10-01-23
Capital Improvement Revenue and Refunding Bonds, Series 2010B	4.407	09-30-10	10-01-20
Capital Improvement Revenue and Refunding Bonds, Series 2010C	5.929 to 6.029	09-30-10	10-01-40

**TOTAL ALL FUNDS**

Original Issue Amount	Outstanding October 1, 2015	Issued During Year	Retired During Year	Outstanding September 30, 2016	Interest Payable in Future Years	Principal and Interest Payable in Future Years
\$ 1,280,000	\$ 760,221	\$ —	\$ 97,176	\$ 663,045	\$ 86,665	\$ 749,710
455,000	70,000	—	30,000	40,000	—	40,000
975,000	586,597	—	96,788	489,809	52,972	542,781
92,578,677	76,553,862	—	7,756,597	68,797,265	21,861,780	90,659,045
95,288,677	77,970,680	—	7,980,561	69,990,119	22,001,417	91,991,536
				—		
138,650,000	—	138,650,000	—	138,650,000	54,806,406	193,456,406
44,870,000	38,385,000	—	37,330,000	1,055,000	311,398	1,366,398
100,000,000	100,000,000	—	—	100,000,000	77,273,294	177,273,294
95,000,000	95,000,000	—	95,000,000	—	—	—
199,300,000	184,405,000	—	15,510,000	168,895,000	77,220,188	246,115,188
1,572,285	787,755	—	320,526	467,229	8,325	475,554
579,392,285	418,577,755	138,650,000	148,160,526	409,067,229	209,619,611	618,686,840
25,436,059	20,399,585	—	6,666,302	13,733,283	4,113,546	17,846,829
25,436,059	20,399,585	—	6,666,302	13,733,283	4,113,546	17,846,829
3,015,000	1,675,000	—	775,000	900,000	7,875	907,875
1,625,000	1,035,000	—	340,000	695,000	7,184	702,184
1,166,640	802,784	—	104,547	698,237	76,916	775,153
1,428,600	853,734	—	141,058	712,676	63,898	776,574
7,235,240	4,366,518	—	1,360,605	3,005,913	155,873	3,161,786
8,336,615	8,336,615	—	1,160,000	7,176,615	1,047,679	8,224,294
5,209,023	5,209,023	—	—	5,209,023	2,629,189	7,838,212
37,325,000	37,325,000	—	—	37,325,000	16,938,075	54,263,075
10,600,000	—	10,600,000	—	10,600,000	1,840,026	12,440,026
6,750,000	2,685,000	—	1,530,000	1,155,000	12,416	1,167,416
42,734,405	30,842,192	—	1,988,839	28,853,353	4,587,181	33,440,534
72,755,000	5,000	—	—	5,000	106	5,106
1,649,093	1,649,093	(347,203)	—	1,301,890	240,647	1,542,537
185,359,136	86,051,923	10,252,797	4,678,839	91,625,881	27,295,319	118,921,200
2,230,000	271,483	—	150,463	121,020	6,057	127,077
413,952	613,518	—	161,053	452,465	18,652	471,117
2,643,952	885,001	—	311,516	573,485	24,709	598,194
17,790,831	10,735,172	350,151	1,587,440	9,497,883	1,667,487	11,165,370
17,790,831	10,735,172	350,151	1,587,440	9,497,883	1,667,487	11,165,370
5,000,000	5,000,000	—	—	5,000,000	306,250	5,306,250
51,465,000	51,465,000	—	30,000	51,435,000	24,873,227	76,308,227
12,375,000	12,079,000	—	546,000	11,533,000	811,046	12,344,046
40,153,385	23,198,385	—	7,025,000	16,173,385	1,777,850	17,951,235
10,140,000	7,435,000	—	830,000	6,605,000	648,600	7,253,600
15,905,977	15,905,977	—	—	15,905,977	10,570,115	26,476,092
135,039,362	115,083,362	—	8,431,000	106,652,362	38,987,088	145,639,450
<u>\$ 1,048,185,542</u>	<u>\$ 734,069,996</u>	<u>\$ 149,252,948</u>	<u>\$ 179,176,789</u>	<u>\$ 704,146,155</u>	<u>303,865,050</u>	<u>\$ 1,008,011,205</u>



CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY  
SEPTEMBER 30, 2016

CAPITAL IMPROVEMENT REFUNDING NOTE

Fiscal Year	<u>GOVERNMENTAL ACTIVITIES PORTION</u>			<u>INTERNAL LOAN PORTION</u>		
	<u>SERIES 2012A</u>			<u>SERIES 2012A</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ —	\$ —	\$ —	\$ 447,000	\$ 197,916	\$ 644,916
2017-18	—	—	—	1,370,000	182,018	1,552,018
2018-19	—	—	—	1,875,000	153,624	2,028,624
2019-20	—	—	—	1,908,000	120,523	2,028,523
2020-21	—	—	—	1,943,000	86,826	2,029,826
2021-22	—	—	—	1,977,000	52,526	2,029,526
2022-23	—	—	—	2,013,000	17,613	2,030,613
TOTALS	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,533,000</u>	<u>\$ 811,046</u>	<u>\$ 12,344,046</u>

CAPITAL IMPROVEMENT REFUNDING NOTE

LAKELAND CENTER FUND PORTION

Fiscal Year	<u>SERIES 2012A</u>			<u>SERIES 2012B</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ 900,000	\$ 7,875	\$ 907,875	\$ 345,000	\$ 5,382	\$ 350,382
2017-18	—	—	—	350,000	1,802	351,802
TOTALS	<u>\$ 900,000</u>	<u>\$ 7,875</u>	<u>\$ 907,875</u>	<u>\$ 695,000</u>	<u>\$ 7,184</u>	<u>\$ 702,184</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2016

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS

Fiscal Year	INTERNAL LOAN PORTION			WATER UTILITIES PORTION		
	SERIES 2010A			SERIES 2010A		
	Principal	Interest	Total	Principal	Interest	Total
2016-17	\$ 4,435,000	\$ 635,307	\$ 5,070,307	\$ 1,210,000	\$ 305,681	\$ 1,515,681
2017-18	4,650,000	408,182	5,058,182	1,275,000	243,556	1,518,556
2018-19	1,505,000	261,832	1,766,832	1,350,000	184,681	1,534,681
2019-20	1,570,000	192,482	1,762,482	1,400,000	122,681	1,522,681
2020-21	1,545,000	130,057	1,675,057	470,000	80,631	550,631
2021-22	870,000	85,132	955,132	480,000	61,581	541,581
2022-23	935,000	48,276	983,276	510,000	36,831	546,831
2023-24	663,385	16,582	679,967	481,615	12,037	493,652
TOTALS	<u>\$16,173,385</u>	<u>\$ 1,777,850</u>	<u>\$17,951,235</u>	<u>\$ 7,176,615</u>	<u>\$ 1,047,679</u>	<u>\$ 8,224,294</u>

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS

Fiscal Year	SERIES 2010B		
	Principal	Interest	Total
2016-17	\$ 2,115,000	\$ 244,478	\$ 2,359,478
2017-18	1,065,000	174,407	1,239,407
2018-19	1,105,000	126,591	1,231,591
2019-20	1,140,000	77,123	1,217,123
2020-21	1,180,000	26,001	1,206,001
TOTALS	<u>\$ 6,605,000</u>	<u>\$ 648,600</u>	<u>\$ 7,253,600</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2016

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS

Fiscal Year	INTERNAL LOAN PORTION			WATER UTILITIES PORTION		
	SERIES 2010C			SERIES 2010C		
	Principal	Interest	Total	Principal	Interest	Total
2016-17	\$ —	\$ 619,435	\$ 619,435	\$ —	\$ 201,742	\$ 201,742
2017-18	—	619,435	619,435	—	201,742	201,742
2018-19	—	619,435	619,435	—	201,742	201,742
2019-20	—	619,435	619,435	—	201,742	201,742
2020-21	—	619,435	619,435	—	201,742	201,742
2021-22	—	619,435	619,435	—	201,742	201,742
2022-23	—	619,435	619,435	—	201,741	201,741
2023-24	—	619,435	619,435	—	201,741	201,741
2024-25	790,000	604,212	1,394,212	460,000	192,878	652,878
2025-26	825,000	573,092	1,398,092	480,000	174,765	654,765
2026-27	805,000	541,683	1,346,683	515,000	155,592	670,592
2027-28	850,000	509,793	1,359,793	520,000	135,648	655,648
2028-29	885,000	476,361	1,361,361	540,000	115,223	655,223
2029-30	910,000	441,772	1,351,772	570,000	93,834	663,834
2030-31	930,000	406,317	1,336,317	595,000	71,385	666,385
2031-32	825,000	372,231	1,197,231	620,000	47,772	667,772
2032-33	855,000	339,313	1,194,313	645,000	22,985	667,985
2033-34	925,977	304,416	1,230,393	264,023	5,173	269,196
2034-35	930,000	268,049	1,198,049	—	—	—
2035-36	965,000	230,918	1,195,918	—	—	—
2036-37	1,000,000	192,416	1,192,416	—	—	—
2037-38	1,040,000	152,443	1,192,443	—	—	—
2038-39	1,080,000	110,903	1,190,903	—	—	—
2039-40	1,120,000	67,796	1,187,796	—	—	—
2040-41	1,170,000	22,920	1,192,920	—	—	—
TOTALS	<u>\$ 15,905,977</u>	<u>\$ 10,570,115</u>	<u>\$ 26,476,092</u>	<u>\$ 5,209,023</u>	<u>\$ 2,629,189</u>	<u>\$ 7,838,212</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2016

CAPITAL IMPROVEMENT REVENUE BONDS

<u>Fiscal Year</u>	<u>SERIES 2015</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ 815,000	\$ 2,400,563	\$ 3,215,563
2017-18	2,040,000	2,329,188	4,369,188
2018-19	2,640,000	2,212,188	4,852,188
2019-20	4,375,000	2,036,813	6,411,813
2020-21	4,330,000	1,819,188	6,149,188
2021-22	1,785,000	1,666,313	3,451,313
2022-23	1,870,000	1,574,938	3,444,938
2023-24	1,965,000	1,479,063	3,444,063
2024-25	2,060,000	1,378,438	3,438,438
2025-26	2,035,000	1,276,063	3,311,063
2026-27	2,075,000	1,173,313	3,248,313
2027-28	2,180,000	1,066,938	3,246,938
2028-29	2,215,000	957,063	3,172,063
2029-30	2,325,000	843,563	3,168,563
2030-31	2,445,000	724,313	3,169,313
2031-32	2,570,000	598,938	3,168,938
2032-33	2,685,000	484,344	3,169,344
2033-34	2,800,000	381,500	3,181,500
2034-35	2,895,000	271,100	3,166,100
2035-36	3,010,000	153,000	3,163,000
2036-37	2,320,000	46,400	2,366,400
TOTALS	<u>\$ 51,435,000</u>	<u>\$ 24,873,227</u>	<u>\$ 76,308,227</u>

TAXABLE CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE

<u>Fiscal Year</u>	<u>SERIES 2015</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ —	\$ 75,000	\$ 75,000
2017-18	—	75,000	75,000
2018-19	—	75,000	75,000
2019-20	—	75,000	75,000
2020-21	5,000,000	6,250	5,006,250
TOTALS	<u>\$ 5,000,000</u>	<u>\$ 306,250</u>	<u>\$ 5,306,250</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2016

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

Fiscal Year	WATER UTILITIES PORTION			WASTEWATER UTILITIES PORTION		
	SERIES 2002			SERIES 2002		
	Principal	Interest	Total	Principal	Interest	Total
2016-17	\$ 5,000	\$ 106	\$ 5,106	\$ –	\$ –	\$ –
TOTALS	<u>\$ 5,000</u>	<u>\$ 106</u>	<u>\$ 5,106</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

WATER AND WASTEWATER REVENUE REFUNDING BONDS

Fiscal Year	WATER UTILITIES PORTION			WASTEWATER UTILITIES PORTION		
	SERIES 2012B			SERIES 2012B		
	Principal	Interest	Total	Principal	Interest	Total
2016-17	\$ 1,155,000	\$ 12,416	\$ 1,167,416	\$ –	\$ –	\$ –
TOTALS	<u>\$ 1,155,000</u>	<u>\$ 12,416</u>	<u>\$ 1,167,416</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

Fiscal Year	WATER UTILITIES PORTION		
	SERIES 2012A		
	Principal	Interest	Total
2016-17	\$ 405,000	\$ 1,720,850	\$ 2,125,850
2017-18	1,600,000	1,680,750	3,280,750
2018-19	1,665,000	1,615,450	3,280,450
2019-20	1,730,000	1,543,225	3,273,225
2020-21	1,805,000	1,459,175	3,264,175
2021-22	1,900,000	1,366,550	3,266,550
2022-23	1,995,000	1,269,175	3,264,175
2023-24	2,090,000	1,167,050	3,257,050
2024-25	2,195,000	1,059,925	3,254,925
2025-26	2,305,000	947,425	3,252,425
2026-27	2,420,000	829,300	3,249,300
2027-28	2,545,000	705,175	3,250,175
2028-29	2,670,000	574,800	3,244,800
2029-30	2,805,000	437,925	3,242,925
2030-31	2,945,000	308,900	3,253,900
2031-32	3,065,000	188,700	3,253,700
2032-33	3,185,000	63,700	3,248,700
TOTALS	<u>\$ 37,325,000</u>	<u>\$ 16,938,075</u>	<u>\$ 54,263,075</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2016

ENERGY SYSTEM REFUNDING REVENUE BONDS

<u>Fiscal Year</u>	<u>SERIES 2006</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ 1,055,000	\$ 311,398	\$ 1,366,398
TOTALS	<u>\$ 1,055,000</u>	<u>\$ 311,398</u>	<u>\$ 1,366,398</u>

ENERGY SYSTEM REFUNDING BONDS

<u>Fiscal Year</u>	<u>SERIES 2016</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016-17	\$ 3,540,000	\$ 6,761,831	\$ 10,301,831
2017-18	4,145,000	5,707,794	9,852,794
2018-19	4,350,000	5,495,419	9,845,419
2019-20	4,560,000	5,272,669	9,832,669
2020-21	4,770,000	5,039,419	9,809,419
2021-22	9,620,000	4,679,669	14,299,669
2022-23	10,020,000	4,188,669	14,208,669
2023-24	10,480,000	3,676,169	14,156,169
2024-25	10,955,000	3,140,294	14,095,294
2025-26	11,480,000	2,579,419	14,059,419
2026-27	12,005,000	1,992,294	13,997,294
2027-28	12,550,000	1,535,294	14,085,294
2028-29	12,820,000	1,202,144	14,022,144
2029-30	8,820,000	899,081	9,719,081
2030-31	5,965,000	682,819	6,647,819
2031-32	1,875,000	564,047	2,439,047
2032-33	1,935,000	486,375	2,421,375
2033-34	2,030,000	387,250	2,417,250
2034-35	2,135,000	283,125	2,418,125
2035-36	2,240,000	173,750	2,413,750
2036-37	2,355,000	58,875	2,413,875
TOTALS	<u>\$ 138,650,000</u>	<u>\$ 54,806,406</u>	<u>\$ 193,456,406</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2016

ENERGY SYSTEM REVENUE AND REFUNDING BONDS

Fiscal Year	SERIES 2010		
	Principal	Interest	Total
2016-17	\$ 16,280,000	\$ 8,115,800	\$ 24,395,800
2017-18	17,105,000	7,281,175	24,386,175
2018-19	17,950,000	6,404,800	24,354,800
2019-20	13,840,000	5,610,050	19,450,050
2020-21	4,695,000	5,146,675	9,841,675
2021-22	4,925,000	4,924,644	9,849,644
2022-23	5,140,000	4,710,762	9,850,762
2023-24	5,355,000	4,481,050	9,836,050
2024-25	5,595,000	4,220,688	9,815,688
2025-26	5,885,000	3,933,688	9,818,688
2026-27	6,180,000	3,624,338	9,804,338
2027-28	5,180,000	3,326,138	8,506,138
2028-29	5,450,000	3,047,100	8,497,100
2029-30	5,745,000	2,753,231	8,498,231
2030-31	6,040,000	2,443,875	8,483,875
2031-32	6,360,000	2,118,375	8,478,375
2032-33	6,695,000	1,775,681	8,470,681
2033-34	7,045,000	1,415,006	8,460,006
2034-35	7,415,000	1,035,431	8,450,431
2035-36	7,800,000	636,038	8,436,038
2036-37	8,215,000	215,643	8,430,643
TOTALS	<u>\$ 168,895,000</u>	<u>\$ 77,220,188</u>	<u>\$ 246,115,188</u>

ENERGY SYSTEM REFUNDING BONDS

Fiscal Year	SERIES 2012		
	Principal	Interest	Total
2016-17	\$ —	\$ 4,299,366	\$ 4,299,366
2017-18	—	4,299,366	4,299,366
2018-19	—	4,299,366	4,299,366
2019-20	1,000,000	4,294,176	5,294,176
2020-21	8,000,000	4,242,598	12,242,598
2021-22	3,450,000	4,210,474	7,660,474
2022-23	3,000,000	4,176,995	7,176,995
2023-24	3,050,000	4,145,592	7,195,592
2024-25	2,000,000	4,119,380	6,119,380
2025-26	2,000,000	4,098,618	6,098,618
2026-27	2,000,000	4,077,856	6,077,856
2027-28	2,000,000	4,057,094	6,057,094
2028-29	—	4,046,713	4,046,713
2029-30	2,323,000	3,988,335	6,311,335
2030-31	4,362,000	3,839,890	8,201,890
2031-32	6,978,000	3,572,513	10,550,513
2032-33	7,279,000	3,210,452	10,489,452
2033-34	7,611,000	2,832,828	10,443,828
2034-35	7,709,000	2,289,468	9,998,468
2035-36	8,548,000	1,627,257	10,175,257
2036-37	8,925,000	1,101,363	10,026,363
2037-38	19,765,000	443,594	20,208,594
TOTALS	<u>\$ 100,000,000</u>	<u>\$ 77,273,294</u>	<u>\$ 177,273,294</u>

CITY OF LAKELAND, FLORIDA

ANALYSIS OF SINKING FUND AND RESERVE ACCOUNT REQUIREMENTS  
SEPTEMBER 30, 2016

	<u>Sinking Fund</u>	<u>Reserve Account</u>	<u>Total</u>
<u>CAPITAL IMPROVEMENT REVENUE BONDS</u>			
FUNDS REQUIRED, all series	\$ 2,025,469	\$ —	\$ 2,025,469
FUNDS AVAILABLE			
Cash	(34,304)	—	(34,304)
Cash with paying agent	2,025,469	—	2,025,469
Investments	34,950	—	34,950
Market value	(646)	—	(646)
Total funds available	<u>2,025,469</u>	<u>—</u>	<u>2,025,469</u>
FUNDING OVER REQUIREMENTS	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

<u>CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS</u>			
FUNDS REQUIRED, all series	\$ 9,078,272	\$ —	\$ 9,078,272
FUNDS AVAILABLE			
Cash	584	—	584
Cash with paying agent	9,078,272	—	9,078,272
Investments	(91,845)	—	(91,845)
Market value	1,696	—	1,696
Receivables	89,565	—	89,565
Total funds available	<u>9,078,272</u>	<u>—</u>	<u>9,078,272</u>
FUNDING OVER REQUIREMENTS	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

<u>WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS</u>			
FUNDS REQUIRED, all series	\$ 2,441,998	\$ —	\$ 2,441,998
FUNDS AVAILABLE			
Cash with paying agent	2,441,998	—	2,441,998
Investments	1	—	1
Market value	(1)	—	(1)
Total funds available	<u>2,441,998</u>	<u>—</u>	<u>2,441,998</u>
FUNDING OVER REQUIREMENTS	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>



CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY  
ALL OUTSTANDING REVENUE BOND SERIES  
2017 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending Sept 30	Capital	Capital	Capital	Capital	Capital	Capital
	Improvement	Improvement	Improvement	Improvement	Improvement	Improvement
	Revenue and	Revenue and	Revenue and	Refunding	Refunding Note	Refunding Note
	Refunding	Refunding	Refunding	Revenue	- Internal Loan	- Lakeland
	Bonds	Bonds	Bonds	Note	Fund	Center Fund
	Series 2010A	Series 2010B	Series 2010C	Series 2015	Series 2012A	Series 2012A
2017	\$ 6,585,988	\$ 2,359,478	\$ 821,177	\$ 75,000	\$ 644,916	\$ 907,875
2018	6,576,738	1,239,407	821,177	75,000	1,552,018	—
2019	3,301,513	1,231,591	821,177	75,000	2,028,624	—
2020	3,285,163	1,217,123	821,177	75,000	2,028,523	—
2021	2,225,688	1,206,001	821,177	5,006,250	2,029,826	—
2022	1,496,713	—	821,177	—	2,029,526	—
2023	1,530,107	—	821,176	—	2,030,613	—
2024	1,173,619	—	821,176	—	—	—
2025	—	—	2,047,090	—	—	—
2026	—	—	2,052,857	—	—	—
2027	—	—	2,017,275	—	—	—
2028	—	—	2,015,441	—	—	—
2029	—	—	2,016,584	—	—	—
2030	—	—	2,015,606	—	—	—
2031	—	—	2,002,702	—	—	—
2032	—	—	1,865,003	—	—	—
2033	—	—	1,862,298	—	—	—
2034	—	—	1,499,589	—	—	—
2035	—	—	1,198,049	—	—	—
2036	—	—	1,195,918	—	—	—
2037	—	—	1,192,416	—	—	—
2038	—	—	1,192,443	—	—	—
2039	—	—	1,190,903	—	—	—
2040	—	—	1,187,796	—	—	—
2041	—	—	1,192,920	—	—	—
	<u>\$ 26,175,529</u>	<u>\$ 7,253,600</u>	<u>\$ 34,314,304</u>	<u>\$ 5,306,250</u>	<u>\$ 12,344,046</u>	<u>\$ 907,875</u>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY  
ALL OUTSTANDING REVENUE BOND SERIES, CONTINUED  
2017 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS						
Fiscal Year	Capital Improvement Capital Improvement	Capital Improvement Revenue	Water and Wastewater Capital Improvement Revenue	Energy System Refunding Revenue	Energy System Refunding Revenue	Energy System Refunding Revenue
Ending Sept 30	Refunding Note Series 2012B	Bonds Series 2015	Note Series 2015	Bonds Series 2006	Bonds Series 2016	Bonds Series 2010
2017	\$ 350,382	\$ 3,215,563	\$ 826,062	\$ 1,366,398	\$ 10,301,831	\$ 24,395,800
2018	351,802	4,369,188	855,277	—	9,852,794	24,386,175
2019	—	4,852,188	855,277	—	9,845,419	24,354,800
2020	—	6,411,813	855,277	—	9,832,669	19,450,050
2021	—	6,149,188	855,276	—	9,809,419	9,841,675
2022	—	3,451,313	855,277	—	14,299,669	9,849,644
2023	—	3,444,938	855,277	—	14,208,669	9,850,762
2024	—	3,444,063	855,277	—	14,156,169	9,836,050
2025	—	3,438,438	855,276	—	14,095,294	9,815,688
2026	—	3,311,063	4,771,750	—	14,059,419	9,818,688
2027	—	3,248,313	—	—	13,997,294	9,804,338
2028	—	3,246,938	—	—	14,085,294	8,506,138
2029	—	3,172,063	—	—	14,022,144	8,497,100
2030	—	3,168,563	—	—	9,719,081	8,498,231
2031	—	3,169,313	—	—	6,647,819	8,483,875
2032	—	3,168,938	—	—	2,439,047	8,478,375
2033	—	3,169,344	—	—	2,421,375	8,470,681
2034	—	3,181,500	—	—	2,417,250	8,460,006
2035	—	3,166,100	—	—	2,418,125	8,450,431
2036	—	3,163,000	—	—	2,413,750	8,436,038
2037	—	2,366,400	—	—	2,413,875	8,430,643
2038	—	—	—	—	—	—
2039	—	—	—	—	—	—
2040	—	—	—	—	—	—
2041	—	—	—	—	—	—
	<u>\$ 702,184</u>	<u>\$ 76,308,227</u>	<u>\$ 12,440,026</u>	<u>\$ 1,366,398</u>	<u>\$ 193,456,406</u>	<u>\$ 246,115,188</u>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY  
ALL OUTSTANDING REVENUE BOND SERIES, CONTINUED  
2017 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending Sept 30	Energy System Refunding Bonds Series 2012	Water and Wastewater Revenue Refunding and Improvement Bonds Series 2002	Water and Wastewater Revenue Refunding and Improvement Bonds Series 2012A	Water and Wastewater Revenue Refunding and Improvement Bonds Series 2012B	Total
2017	\$ 4,299,366	\$ 5,106	\$ 2,125,850	\$ 1,167,416	\$ 59,448,208
2018	4,299,366	—	3,280,750	—	57,659,692
2019	4,299,366	—	3,280,450	—	54,945,405
2020	5,294,176	—	3,273,225	—	52,544,196
2021	12,242,598	—	3,264,175	—	53,451,273
2022	7,660,474	—	3,266,550	—	43,730,343
2023	7,176,995	—	3,264,175	—	43,182,712
2024	7,195,592	—	3,257,050	—	40,738,996
2025	6,119,380	—	3,254,925	—	39,626,091
2026	6,098,618	—	3,252,425	—	43,364,820
2027	6,077,856	—	3,249,300	—	38,394,376
2028	6,057,094	—	3,250,175	—	37,161,080
2029	4,046,713	—	3,244,800	—	34,999,404
2030	6,311,335	—	3,242,925	—	32,955,741
2031	8,201,890	—	3,253,900	—	31,759,499
2032	10,550,513	—	3,253,700	—	29,755,576
2033	10,489,452	—	3,248,700	—	29,661,850
2034	10,443,828	—	—	—	26,002,173
2035	9,998,468	—	—	—	25,231,173
2036	10,175,257	—	—	—	25,383,963
2037	10,026,363	—	—	—	24,429,697
2038	20,208,594	—	—	—	21,401,037
2039	—	—	—	—	1,190,903
2040	—	—	—	—	1,187,796
2041	—	—	—	—	1,192,920
	<u>\$ 177,273,294</u>	<u>\$ 5,106</u>	<u>\$ 54,263,075</u>	<u>\$ 1,167,416</u>	<u>\$ 849,398,924</u>



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CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2016

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
<b>Direct Programs:</b>		
Community Development Block Grant	B-13-MC-12-0011	14.218
Community Development Block Grant	B-14-MC-12-0011	14.218
Community Development Block Grant	B-15-MC-12-0011	14.218
 Home Investment Partnership Program	 M-04-MC-12-0228	 14.239
Home Investment Partnership Program	M-08-MC-12-0228	14.239
Home Investment Partnership Program	M-12-MC-12-0228	14.239
Home Investment Partnership Program	M-13-MC-12-0228	14.239
Home Investment Partnership Program	M-14-MC-12-0228	14.239
Home Investment Partnership Program	M-15-MC-12-0228	14.239
 <b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
 <b>DEPARTMENT OF JUSTICE</b>		
<b>Direct Programs:</b>		
BJA - Bulletproof Vest Program 14/15	N/A	16.607
BJA - Bulletproof Vest Program 15/16	N/A	16.607
 Edward Byrne Memorial Justice Assist Grant Program; DOJ Byrne Memorial Justice Assistance Grant FY 15/16	 2015-DJ-BX-0104	 16.738
<b>Indirect Programs:</b>		
<u>Passed through the Florida Department of Law Enforcement</u>		
Edward Byrne Memorial Justice Assist Grant Program; DOJ Byrne Memorial JAG (PAL) FY 15/16	2016-JAGC-POLK-5-H3-129	16.738
<b>Indirect Programs:</b>		
<u>Passed through the Florida Office of the Attorney General</u>		
FOAG Victim Assistance (VOCA) FY 15/16	V147-14019	16.575
<u>Passed through the Polk County Sheriff's Department</u>		
High Intensity Drug Trafficking Area (HIDTA) FY 15/16	G16CF0005A	95.001
<b>TOTAL DEPARTMENT OF JUSTICE</b>		

See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance.

Current Year Expenditures	Adjustment to Prior Year Expenditures	Oustanding Loan Balance	Total Expenditures	Transfers To Sub recipients
\$ 10,543	\$ -	\$ -	\$ 10,543	\$ -
516,407	-	-	516,407	-
461,652	-	-	461,652	118,473
988,602	-	-	988,602	118,473
4,645	-	-	4,645	8,241
245	-	-	245	51,640
8,241	-	-	8,241	43,786
64,244	-	-	64,244	-
220,718	-	-	220,718	-
140,663	-	-	140,663	-
438,756	-	-	438,756	103,667
1,427,358	-	-	1,427,358	222,140
3,723	-	-	3,723	-
11,340	-	-	11,340	-
15,063	-	-	15,063	-
33,714	-	-	33,714	-
21,462	-	-	21,462	-
55,176	-	-	55,176	-
79,597	-	-	79,597	-
17,548	-	-	17,548	-
167,384	-	-	167,384	-

CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2016

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>
<b>FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION</b>		
<b>Direct Programs:</b>		
FDOT Rehab and Extension of Taxiway D	3-12-0041-037-2015	20.106
FAA/FDOT Airfield Lighting & Signage	3-12-0041-037-2015	20.106
FAA/FDOT Rehab of Taxiway A & Connectors	3-12-0041-038-2016	20.106
FAA/FDOT Taxiway G Rehab & Realignment Phase II	3-12-0041-038-2016	20.106
<b>TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION</b>		
<b>FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION</b>		
<b>Direct Programs:</b>		
FDOT LAP Bella Vista Trail (MLK Blvd to W Lk Parker Dr)	433257-1-58-01	20.205
FDOT LAP Bella Vista Trail (MLK Blvd to W Lk Parker Dr)	433257-1-68-01	20.205
FDOT LAP Three Parks Trail North	433559-1-58-01	20.205
FDOT LAP Three Parks Trail North	433559-1-68-01	20.205
Lincoln Avenue (SW Middle School To Ariana Street)	435061-1-58-01	20.205
Lincoln Avenue (SW Middle School To Ariana Street)	435061-1-68-01	20.205
FDOT/LAP Crystal Lk Dr (US 98 to New Jersey Rd)	435069-1-58-01	20.205
FDOT/LAP Crystal Lk Dr (US 98 to New Jersey Rd)	435069-1-68-01	20.205
MIS1001 Fiber Optics Services (935)	197620-4-8B-01	20.205
<b>TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION</b>		
<b>FEDERAL DEPARTMENT OF HOMELAND SECURITY</b>		
<b>Indirect Programs:</b>		
Urban Search and Rescue Team (USAR)	010-DS-39-13-00-16-414	97.067
<b>TOTAL FEDERAL DEPARTMENT OF HOMELAND SECURITY</b>		
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		
See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance.		

<u>Current Year</u> <u>Expenditures</u>	<u>Adjustment to</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Outstanding</u> <u>Loan</u> <u>Balance</u>	<u>Total</u> <u>Expenditures</u>	<u>Transfers</u> <u>To</u> <u>Sub recipients</u>
\$ 1,354,475	\$ —	\$ —	\$ 1,354,475	\$ —
498,613	—	—	498,613	—
369,892	—	—	369,892	—
255,108	—	—	255,108	—
<u>2,478,088</u>	<u>—</u>	<u>—</u>	<u>2,478,088</u>	<u>—</u>
276,683	—	—	276,683	—
39,710	—	—	39,710	—
125,363	—	—	125,363	—
24,034	—	—	24,034	—
196,606	—	—	196,606	—
4,133	—	—	4,133	—
255,556	—	—	255,556	—
37,999	—	—	37,999	—
20,278	—	—	20,278	—
<u>980,362</u>	<u>—</u>	<u>—</u>	<u>980,362</u>	<u>—</u>
4,999	—	—	4,999	—
4,999	—	—	4,999	—
<u>\$ 5,058,191</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,058,191</u>	<u>\$ 222,140</u>



CITY OF LAKE LAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2016

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>
<b>FLORIDA DEPARTMENT OF LABOR</b>		
<b>Direct Programs:</b>		
<b>Statewide Surface Water Restoration and Wastewater Projects</b>		
Seven Wetlands Park	LP53064	37.039
Skyview Wastewater Upgrades	LP-53062	37.039
MWD1023 Skyview Utility System Assumption	LP-53062	37.039
<b>TOTAL FLORIDA DEPARTMENT OF LABOR</b>		
<b>FLORIDA DEPARTMENT OF TRANSPORTATION</b>		
<b>Direct Programs:</b>		
<b>Transportation System Dev - Aviation Development Grants:</b>		
FDOT - Door/Gates Access Control System	FM 420418-1-94-01	55.004
FDOT - New Air Traffic Control Tower	FM 420423-1-94-02	55.004
FAA/FDOT Rehab Southside Aprons and Blast Pad	FM 433639-1-94-01	55.004
FDOT Purchase of Existing Hangar @ LLRA	FM 437079-1-94-01	55.004
FDOT Paint Hangar Expansion	FM 437078-1-94-01	55.004
FDOT Airside Center Roof Replacement	FM 436201-1-94-01	55.004
FDOT Rehab and Extension of Taxiway D	FM 433638-1-94-01	55.004
FDOT MRO Hangar Construction	FM 436990-1-94-01	55.004
FAA/FDOT Airfield Lighting & Signage	FM 436975-1-94-01	55.004
FDOT US Customs & Border Protection Services	FM 437700-1-94-01	55.004
FDOT Tree Clearing for Air Traffic Control Tower	FM 439058-1-94-01	55.004
FAA/FDOT Rehab of Taxiway A & Connectors	FM 439160-1-94-01	55.004
FAA/FDOT Taxiway G Rehab & Realign Phase II	FM 436978-1-94-01	55.004
<b>Direct Programs:</b>		
<b>Transportation System Dev - Intermodal Development Grants:</b>		
FDOT MRO Hangar Construction	FM 436990-1-94-01	55.014
<b>Direct Programs:</b>		
<b>Economic Development Transportation Projects - Road Fund:</b>		
FDOT County Line Rd @ US 92	434531-2-38-01	55.032
<b>TOTAL FLORIDA DEPARTMENT OF TRANSPORTATION</b>		

See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance.

<u>Current Year</u> <u>Expenditures</u>	<u>Adjustment to</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Outstanding</u> <u>Loan</u> <u>Balance</u>	<u>Total</u> <u>Expenditures</u>	<u>Transfers</u> <u>To</u> <u>Sub recipients</u>
\$ 3,480	\$ -	\$ -	\$ 3,480	\$ -
-	(5,282)	-	(5,282)	-
<u>5,282</u>	<u>-</u>	<u>-</u>	<u>5,282</u>	<u>-</u>
 8,762	 (5,282)	 -	 3,480	 -
  86,748	  -	  -	  86,748	  -
2,928,496	-	-	2,928,496	-
36,078	-	-	36,078	-
2,288	-	-	2,288	-
352,657	-	-	352,657	-
836,976	-	-	836,976	-
1,185,687	-	-	1,185,687	-
-	(19,553)	-	(19,553)	-
27,701	-	-	27,701	-
35,704	-	-	35,704	-
243,120	-	-	243,120	-
20,550	-	-	20,550	-
14,173	-	-	14,173	-
<u>5,770,178</u>	<u>(19,553)</u>	<u>-</u>	<u>5,750,625</u>	<u>-</u>
 81,330	 19,553	 -	 100,883	 -
<u>81,330</u>	<u>19,553</u>	<u>-</u>	<u>100,883</u>	<u>-</u>
 48,854	 -	 -	 48,854	 -
<u>48,854</u>	<u>-</u>	<u>-</u>	<u>48,854</u>	<u>-</u>
 5,900,362	 -	 -	 5,900,362	 -

CITY OF LAKE LAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2016

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>
<b>FLORIDA OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT</b>		
<b>Direct Programs:</b>		
Facilities For New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise; Mar chant Stadium	N/A	73.016
<b>TOTAL FLORIDA OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT</b>		
<b>FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>		
<b>Direct Programs:</b>		
Skyview Wastewater Upgrades	530610	37.077
<b>TOTAL FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>		
<b>FLORIDA HOUSING AND FINANCE CORPORATION</b>		
<b>Direct Programs:</b>		
State Housing Initiatives Partnership Program 15	146	40.901
State Housing Initiatives Partnership Program 16	146	40.901
<b>TOTAL FLORIDA HOUSING AND FINANCE CORPORATION</b>		
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>		

See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance.

<u>Current Year</u> <u>Expenditures</u>	<u>Adjustment to</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Outstanding</u> <u>Loan</u> <u>Balance</u>	<u>Total</u> <u>Expenditures</u>	<u>Transfers</u> <u>To</u> <u>Sub recipients</u>
\$ 194,445	\$ —	\$ —	\$ 194,445	\$ —
194,445	—	—	194,445	—
—	(347,202)	1,301,890	954,688	—
—	(347,202)	1,301,890	954,688	—
344,604		—	344,604	—
158,127	4,877	—	163,004	—
502,731	4,877	—	507,608	—
<u>\$ 6,606,300</u>	<u>\$ (347,607)</u>	<u>\$ 1,301,890</u>	<u>\$ 7,560,583</u>	<u>\$ —</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance include the federal and state activities of the City of Lakeland, Florida. This schedule summarizes the expenditures incurred under all federal programs and state projects by the City of Lakeland, Florida for the fiscal year ended September 30, 2016. For purposes of this schedule, federal programs and state projects include all grants and contracts entered into directly between the City and agencies and departments of the federal and state government with expenditures during the fiscal year ended September 30, 2016. Federal programs and state projects passed through to other government agencies, if any, are also included in the schedule. Grant-related expenditures for the governmental fund types are presented using the modified accrual basis of accounting. Grant-related expenditures for the proprietary fund types are presented using the accrual basis of accounting.

The information in these schedules is presented in accordance with the requirements of 2 CFR 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section 215.97, *Florida Statutes*, and Chapter 10.550, *Rules of the State of Florida Auditor General*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The City maintains separate grant-related accounts in the general ledger system. Individual grant revenue and expense accounts are assigned at the time the City is awarded a grant and it is approved by the City Commission. All grant revenues and eligible expenses are recorded in the individual accounts. The City's accounting policies relating to encumbrances, receivables, and designations of fund balance, and other financial matters are applied to the grant accounts.

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agency as a result of an audit or any claim for reimbursement to the grantor agencies, the expenditures would become a liability of the City. All grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

There were no non-cash awards or Federal Insurance maintained in the current year.

**NOTE B - LOAN PAYABLE**

In February, 2014 the City entered into a low interest loan agreement with the State of Florida Department of Environmental Protection to finance the cost of specified capital improvements to the wastewater system. The loan carries a fixed interest rate of 1.69% and is to be repaid over a period of 20 years. The loan is secured by a pledge of excess revenues of the wastewater system, and by a pledge of certain amounts, deposited into a loan amortization account and loan amortization reserve established by the City for the purpose of funding future debt service on the loans. Amounts required for deposit are classified as restricted assets.

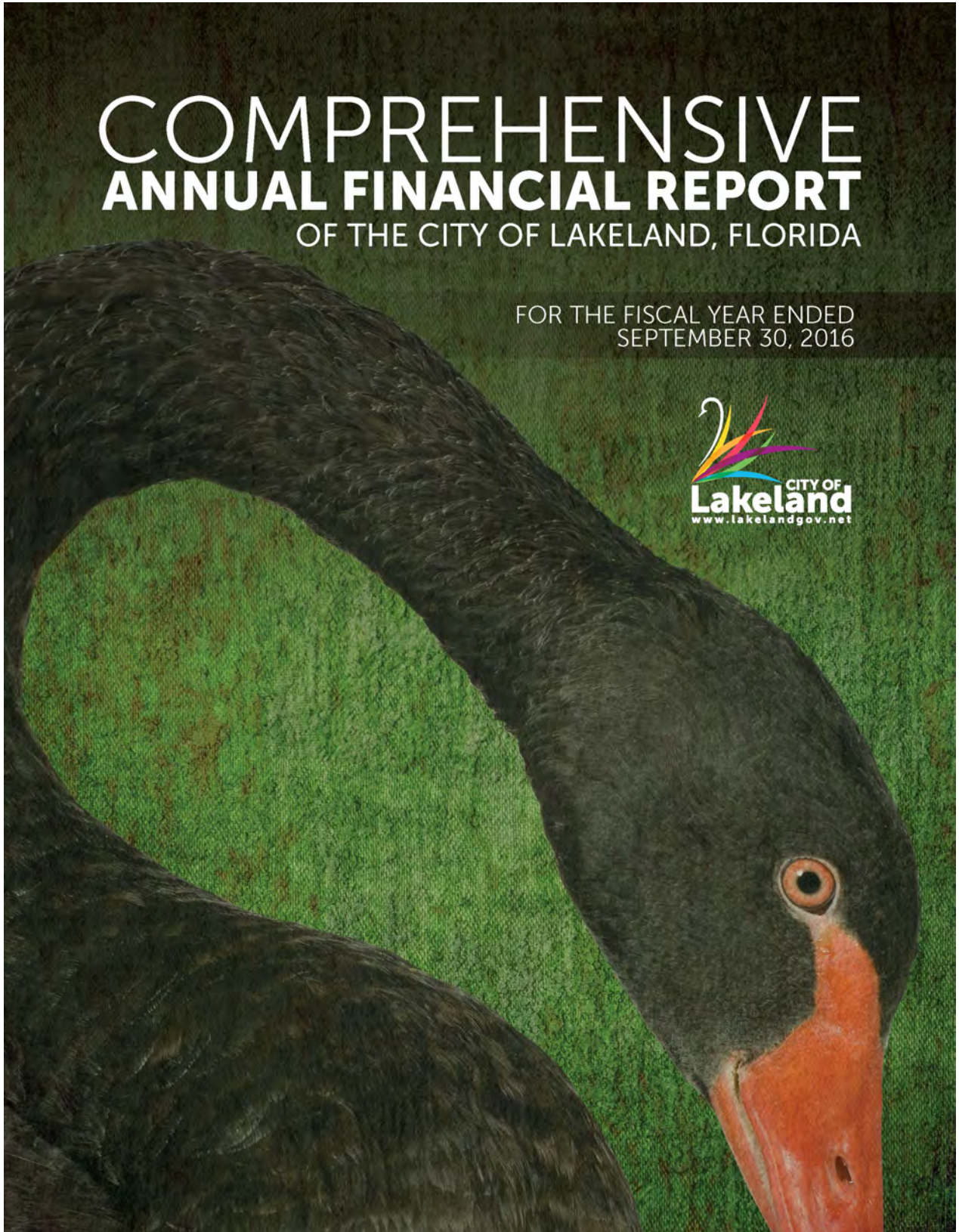
The proceeds from the loan are disbursed to the City on a reimbursement basis as eligible construction expenditures are incurred. The amount of the loan outstanding at September 30, 2016 is \$1,301,890 (Note 6).

## STATISTICAL SECTION

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016





## **STATISTICAL SECTION**

The Statistical Section of the City of Lakeland's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### **FINANCIAL TRENDS**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

### **REVENUE CAPACITY**

These schedules contain information to help the reader assess the City's most significant local governmental revenue source, the property tax.

### **DEBT CAPACITY**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

### **DEMOGRAPHIC AND ECONOMIC INFORMATION**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

### **OPERATING INFORMATION**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.



CITY OF LAKELAND, FLORIDA

NET POSITION (UNAUDITED)  
LAST TEN FISCAL YEARS  
 (accrual basis)

Fiscal Year	Net investment in capital assets		Restricted		Unrestricted		Primary Government			Total Primary Government Net Position
	Governmental activities	Business-type activities	Governmental activities	Business-type activities	Governmental activities	Business-type activities	Net investment in capital assets	Restricted	Unrestricted	
2016	\$ 219,338,182	\$ 562,480,632	\$ 46,257,829	\$ 21,540,948	\$ (5,069,285)	\$ 140,628,243	\$ 781,818,814	\$ 67,798,777	\$ 135,558,958	\$ 985,176,549
2015	212,571,955	536,302,359	32,773,860	19,150,752	(6,590,545)	120,992,996	748,874,314	51,924,612	114,402,451	915,201,377
2014	215,879,146	504,477,690	29,000,672	8,804,616	(11,698,052)	124,983,617	720,356,836	37,805,288	113,285,565	871,447,689
2013	214,327,186	460,658,131	23,715,023	9,330,457	68,512,128	210,359,562	674,985,317	33,045,480	278,871,690	986,902,487
2012	208,390,191	419,514,482	24,913,665	14,000,191	65,151,099	235,920,759	627,904,673	38,913,856	301,071,858	967,890,387
2011	198,753,948	380,456,873	30,903,258	22,506,057	61,894,773	244,613,150	579,210,821	53,409,315	306,507,923	939,128,059
2010	175,735,919	362,773,767	40,840,631	29,744,580	57,912,320	222,113,920	538,509,686	70,585,211	280,026,240	889,121,137
2009	184,357,364	327,856,209	14,504,002	33,032,023	62,105,873	225,564,434	512,213,573	47,536,025	287,670,307	847,419,905
2008	177,531,626	336,161,941	14,391,320	25,150,476	53,966,622	198,566,190	513,693,567	39,541,796	252,532,812	805,768,175
2007	164,258,315	366,832,877	15,025,599	15,205,238	52,765,814	159,739,843	531,091,192	30,230,837	212,505,657	773,827,686



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CITY OF LAKELAND, FLORIDA

CHANGES IN NET POSITION (UNAUDITED)  
LAST TEN FISCAL YEARS  
 (accrual basis)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 10,306,361	\$ 14,308,089	\$ 12,114,881	\$ 13,411,626	\$ 11,720,163	\$ 14,256,075	\$ 12,617,996	\$ 13,385,621	\$ 14,927,037	\$ 30,451,530
Public safety	47,085,082	50,087,373	50,365,075	51,714,259	53,708,521	57,635,369	51,547,172	59,205,104	58,028,791	62,767,315
Physical environment	9,012,416	8,859,138	9,596,634	9,629,695	9,782,784	9,897,909	9,890,479	10,259,789	11,447,894	7,981,243
Transportation	9,514,993	11,028,403	10,167,850	9,966,939	10,797,329	11,561,184	11,792,561	11,098,119	11,952,761	16,541,996
Economic environment	5,717,910	8,350,212	6,358,212	6,717,250	3,559,235	3,205,448	4,074,977	6,878,755	3,913,276	4,665,615
Human services	261,848	173,079	193,021	192,554	162,927	181,199	152,255	156,787	164,557	162,184
Culture/recreation	17,957,211	18,524,018	19,846,837	19,837,301	20,724,013	20,444,431	21,178,989	21,636,313	22,695,304	22,312,077
Interest on long-term debt	2,462,663	2,380,179	2,374,551	2,017,776	2,785,287	2,496,531	2,191,905	2,061,003	1,507,237	1,352,883
Total governmental activities	<u>102,318,484</u>	<u>113,710,491</u>	<u>111,017,061</u>	<u>113,487,400</u>	<u>113,240,259</u>	<u>119,678,146</u>	<u>113,446,334</u>	<u>124,681,491</u>	<u>124,636,857</u>	<u>146,234,843</u>
Business-type activities:										
Electric	368,721,854	361,744,405	317,121,139	321,742,799	315,822,552	272,574,227	274,763,944	278,358,542	272,297,874	252,575,808
Water and Wastewater	35,168,989	35,503,619	37,584,376	37,967,877	40,417,973	39,496,784	40,105,713	40,037,611	43,346,589	42,993,126
Parking	802,048	832,374	831,847	811,028	744,108	863,953	933,995	788,386	906,654	1,042,575
Lakeland Center	8,204,301	8,940,199	8,214,912	8,296,844	8,414,552	8,419,661	8,526,844	8,526,771	8,982,016	8,842,716
Lakeland Linder Regional Airport	6,460,539	5,560,091	6,362,631	5,435,167	5,619,351	5,822,414	6,136,321	7,050,444	7,851,437	8,945,961
Solid Waste	10,857,607	11,540,790	11,289,856	10,922,588	12,461,879	12,340,644	13,292,731	12,875,982	12,234,732	12,058,132
Cleveland Heights Golf Course	2,760,059	2,743,827	2,440,050	2,471,331	2,541,949	2,873,847	3,169,630	3,031,751	2,438,137	2,534,521
Total business-type activities	<u>432,975,397</u>	<u>426,865,305</u>	<u>383,844,811</u>	<u>387,647,634</u>	<u>386,022,364</u>	<u>342,391,530</u>	<u>346,929,178</u>	<u>350,669,487</u>	<u>348,057,439</u>	<u>328,992,839</u>
Total primary government	<u>\$535,293,881</u>	<u>\$540,575,796</u>	<u>\$494,861,872</u>	<u>\$501,135,034</u>	<u>\$499,262,623</u>	<u>\$462,069,676</u>	<u>\$460,375,512</u>	<u>\$475,350,978</u>	<u>\$472,694,296</u>	<u>\$475,227,682</u>
Program revenues										
Governmental activities:										
Charges for services										
General government	\$ 1,798,298	\$ 1,680,442	\$ 1,656,852	\$ 1,784,641	\$ 1,540,527	\$ 1,593,276	\$ 1,679,049	\$ 1,741,102	\$ 1,810,344	\$ 1,828,094
Public safety	5,202,078	4,775,136	4,284,457	5,930,955	4,832,611	4,434,285	4,526,577	5,744,162	6,201,388	7,495,330
Economic environment	—	—	214,767	—	—	—	—	—	—	—
Physical environment	2,530,606	4,062,137	5,103,747	4,998,612	5,050,411	5,108,330	5,185,830	5,276,415	5,277,189	5,178,153
Transportation	1,566	15,993	25,001	84,930	881,350	1,239,080	807,028	1,134,660	2,442,139	1,606,156
Culture/recreation	2,113,384	2,744,462	2,143,131	2,100,609	2,095,544	2,231,789	2,307,382	2,165,827	2,563,396	2,970,870
Operating grants and contributions	11,575,380	8,235,477	7,844,077	7,670,116	7,202,574	8,774,082	7,704,598	8,553,341	7,072,763	9,713,034
Capital grants and contributions	5,887,779	8,287,571	4,883,194	3,462,700	6,181,789	4,764,174	4,793,210	4,380,146	2,255,870	2,153,019
Total governmental activities	<u>29,109,091</u>	<u>29,801,218</u>	<u>26,155,226</u>	<u>26,032,563</u>	<u>27,784,806</u>	<u>28,145,016</u>	<u>27,003,674</u>	<u>28,995,653</u>	<u>27,623,089</u>	<u>30,944,656</u>

CITY OF LAKELAND, FLORIDA

CHANGES IN NET POSITION (UNAUDITED)  
LAST TEN FISCAL YEARS, CONTINUED  
(accrual basis)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services										
Electric	\$374,570,781	\$384,493,828	\$343,366,946	\$354,215,696	\$340,881,856	\$290,336,885	\$302,055,713	\$306,337,851	\$309,502,891	\$ 296,552,463
Water and Wastewater	42,235,352	41,978,360	43,716,273	44,711,059	47,953,984	50,375,714	49,081,049	52,338,409	54,359,528	57,241,393
Parking	569,231	599,263	571,887	528,934	559,848	607,748	617,655	679,107	710,911	784,689
Lakeland Center	5,068,177	5,227,990	4,675,529	4,305,738	4,890,963	5,130,877	5,043,652	5,038,210	5,293,426	5,423,307
Lakeland Linder Regional Airport	4,184,101	4,082,099	3,940,803	3,424,359	3,249,082	3,831,506	3,962,024	4,245,029	4,497,642	4,491,436
Solid Waste	13,230,295	13,626,126	13,154,714	13,228,110	13,044,710	13,283,914	13,281,928	13,814,416	15,108,680	15,417,836
Cleveland Heights Golf Course	2,654,815	2,364,526	2,125,416	1,709,030	1,837,824	2,047,094	2,243,941	2,016,163	1,222,406	1,289,155
Operating grants and contributions	54,860	63,405	48,887	38,334	38,461	39,733	41,017	33,599	39,943	55,845
Capital grants and contributions	11,641,513	10,555,448	8,115,917	8,650,040	20,005,980	11,446,333	9,294,635	14,571,418	21,077,731	16,039,633
Total business-type activities	<u>454,209,125</u>	<u>462,991,045</u>	<u>419,716,372</u>	<u>430,811,300</u>	<u>432,462,708</u>	<u>377,099,804</u>	<u>385,621,614</u>	<u>399,074,202</u>	<u>411,813,158</u>	<u>397,295,757</u>
Total primary government	<u>\$483,318,216</u>	<u>\$492,792,263</u>	<u>\$445,871,598</u>	<u>\$456,843,863</u>	<u>\$460,247,514</u>	<u>\$405,244,820</u>	<u>\$412,625,288</u>	<u>\$428,069,855</u>	<u>\$439,436,247</u>	<u>\$ 428,240,413</u>
Net (expense) revenue										
Governmental activities	\$ (73,209,393)	\$ (83,909,273)	\$ (84,861,835)	\$ (87,454,837)	\$ (85,455,453)	\$ (91,533,130)	\$ (86,442,660)	\$ (95,685,838)	\$ (97,013,768)	\$ (115,290,187)
Business-type activities	21,233,728	36,125,740	35,871,561	43,163,666	46,440,344	34,708,274	38,692,436	48,404,715	63,755,719	68,302,918
Total primary government	<u>\$ (51,975,665)</u>	<u>\$ (47,783,533)</u>	<u>\$ (48,990,274)</u>	<u>\$ (44,291,171)</u>	<u>\$ (39,015,109)</u>	<u>\$ (56,824,856)</u>	<u>\$ (47,750,224)</u>	<u>\$ (47,281,123)</u>	<u>\$ (33,258,049)</u>	<u>\$ (46,987,269)</u>
General Revenues										
Governmental activities:										
Property taxes	\$ 23,085,031	\$ 24,497,791	\$ 25,618,865	\$ 24,651,942	\$ 22,641,400	\$ 20,909,045	\$ 21,784,397	\$ 22,577,691	\$ 23,935,374	\$ 30,912,106
Gas taxes	5,625,406	5,243,212	4,932,542	4,914,311	4,943,075	4,910,650	4,879,101	4,903,358	5,214,687	5,436,168
Utility taxes	14,870,572	14,982,328	15,453,734	15,246,102	15,304,814	14,995,497	14,758,065	14,773,594	14,870,425	15,073,871
State shared revenues (unrestricted)	8,214,066	7,455,652	6,590,471	6,368,677	6,573,788	7,186,312	7,482,060	7,955,128	8,456,135	9,093,120
Payment from Lakeland Regional Medical Center	10,660,333	10,769,231	10,954,493	11,721,484	11,739,471	12,853,062	12,095,713	12,096,534	12,900,000	28,254,750
Investment earnings	4,369,036	2,972,829	6,122,559	5,219,537	5,315,885	6,364,420	(168,141)	5,206,175	2,028,242	7,330,101
Miscellaneous	7,018,757	4,598,201	2,756,424	4,482,593	8,058,420	3,573,704	5,836,383	5,549,849	2,510,905	6,904,306
Transfers	20,412,840	27,229,869	27,510,418	28,371,822	27,941,709	27,643,416	27,874,464	29,229,008	32,671,504	34,057,221
Total governmental activities	<u>94,256,041</u>	<u>97,749,113</u>	<u>99,939,506</u>	<u>100,976,468</u>	<u>102,518,562</u>	<u>98,436,106</u>	<u>94,542,042</u>	<u>102,291,337</u>	<u>102,587,272</u>	<u>137,061,643</u>
Business-type activities:										
Tourism taxes	445,279	444,978	403,337	440,004	440,004	440,004	238,623	321,258	318,081	319,440
Investment earnings	8,456,959	7,407,595	16,887,512	11,680,877	12,927,375	13,220,991	(1,126,540)	14,929,721	5,494,383	10,776,341
Miscellaneous	1,871,637	1,352,205	922,067	1,266,876	1,077,799	1,133,499	982,663	7,518,743	1,283,505	2,862,238
Transfers	(20,412,840)	(27,229,869)	(27,510,418)	(28,371,822)	(27,941,709)	(27,643,416)	(27,874,464)	(29,229,008)	(32,671,504)	(34,057,221)
Total business-type activities	<u>(9,638,965)</u>	<u>(18,025,091)</u>	<u>(9,297,502)</u>	<u>(14,984,065)</u>	<u>(13,496,531)</u>	<u>(12,848,922)</u>	<u>(27,779,718)</u>	<u>(6,459,286)</u>	<u>(25,575,535)</u>	<u>(20,099,202)</u>
Total primary government	<u>\$ 84,617,076</u>	<u>\$ 79,724,022</u>	<u>\$ 90,642,004</u>	<u>\$ 85,992,403</u>	<u>\$ 89,022,031</u>	<u>\$ 85,587,184</u>	<u>\$ 66,762,324</u>	<u>\$ 95,832,051</u>	<u>\$ 77,011,737</u>	<u>\$ 116,962,441</u>
Change in net position										
Governmental activities	\$ 21,046,648	\$ 13,839,840	\$ 15,077,671	\$ 13,521,631	\$ 17,063,109	\$ 6,902,976	\$ 8,099,382	\$ 6,605,499	\$ 5,573,504	\$ 21,771,456
Business-type activities	11,594,763	18,100,649	26,574,059	28,179,601	32,943,813	21,859,352	10,912,718	41,945,429	38,180,184	48,203,716
Total primary government	<u>\$ 32,641,411</u>	<u>\$ 31,940,489</u>	<u>\$ 41,651,730</u>	<u>\$ 41,701,232</u>	<u>\$ 50,006,922</u>	<u>\$ 28,762,328</u>	<u>\$ 19,012,100</u>	<u>\$ 48,550,928</u>	<u>\$ 43,753,688</u>	<u>\$ 69,975,172</u>

CITY OF LAKELAND, FLORIDA

**FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)**

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

	2007	2008	2009	2010	*2011	*2012	*2013	*2014	*2015	*2016
General Fund										
Reserved	\$ 1,057,133	\$ 1,092,337	\$ 1,292,513	\$ 1,604,800	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unreserved	12,473,637	14,777,285	19,288,021	23,585,168	—	—	—	—	—	—
Nonspendable	—	—	—	—	312	4,409	312	10,078	—	10,101
Restricted	—	—	—	—	2,569,215	2,306,796	2,128,909	1,809,898	1,667,267	1,756,600
Assigned	—	—	—	—	9,910,841	12,348,664	14,003,810	11,861,510	7,983,980	9,003,579
Unassigned	—	—	—	—	15,384,762	11,157,295	5,475,418	5,759,634	9,483,062	13,664,847
Total general fund	13,530,770	15,869,622	20,580,534	25,189,968	27,865,130	25,817,164	21,608,449	19,441,120	19,134,309	24,435,127
Other governmental funds										
Reserved	18,573,311	16,132,516	13,413,700	31,012,902	—	—	—	—	—	—
Unreserved:										
Special revenue funds	12,524,589	15,563,553	18,007,048	16,718,714	—	—	—	—	—	—
Nonspendable, reported in										
Permanent funds	—	—	—	—	3,155,248	3,726,868	4,152,133	4,455,176	4,175,583	4,432,060
Prepays	—	—	—	—	—	106	—	151	—	160
Restricted, reported in										
Special revenue funds	—	—	—	—	9,543,193	8,753,664	9,112,906	10,032,431	11,987,184	12,423,425
Capital projects funds	—	—	—	—	15,128,386	9,441,958	7,801,070	11,323,028	50,699,369	26,476,694
Permanent funds	—	—	—	—	141,319	160,032	168,322	183,564	181,365	199,162
Committed, reported in										
Special revenue funds	—	—	—	—	4,546,829	5,300,799	5,818,487	6,017,177	5,468,299	3,954,698
Capital projects funds	—	—	—	—	—	—	—	—	—	1,818,335
Assigned, reported in										
Capital projects funds	—	—	—	—	5,160,281	6,955,600	7,825,692	9,503,454	8,500,313	21,672,921
Unassigned	—	—	—	—	—	—	—	—	—	(9,200)
Total other governmental funds	31,097,900	31,696,069	31,420,748	47,731,616	37,675,256	34,339,027	34,878,610	41,514,981	81,012,113	70,968,255
Total governmental funds	\$ 44,628,670	\$ 47,565,691	\$ 52,001,282	\$ 72,921,584	\$ 65,540,386	\$ 60,156,191	\$ 56,487,059	\$ 60,956,101	\$ 100,146,422	\$ 95,403,382

\*Fund balance presentation change due to the implementation of GASB54.

CITY OF LAKE LAND, FLORIDA  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>REVENUES</b>										
Taxes	\$ 43,581,009	\$ 44,723,331	\$ 46,005,141	\$ 44,812,355	\$ 42,889,289	\$ 40,815,192	\$ 41,421,563	\$ 42,254,643	\$ 44,020,486	\$ 51,422,145
Licenses and permits	3,785,223	3,300,692	2,561,889	2,837,757	2,820,389	2,809,143	3,146,388	3,563,220	3,962,233	4,289,098
Intergovernmental	20,596,624	20,938,444	15,718,944	15,642,963	16,185,384	15,339,588	15,624,442	15,231,913	14,101,765	15,147,483
Charges for services	6,866,549	9,013,576	9,227,127	8,704,652	9,808,643	10,447,020	10,055,673	10,639,264	12,613,562	12,264,132
Fines and forfeits	994,160	963,902	1,638,939	3,357,338	1,771,411	1,350,597	1,303,805	1,859,682	1,718,661	2,525,373
Miscellaneous	18,591,165	18,144,153	17,929,744	20,143,277	24,155,095	20,881,916	19,398,075	21,586,436	16,444,991	52,854,535
Total revenues	94,414,730	97,084,098	93,081,784	95,498,342	97,630,211	91,643,456	90,949,946	95,135,158	92,861,698	138,502,766
<b>EXPENDITURES</b>										
General government	9,602,857	10,468,600	10,192,808	11,513,779	9,767,997	11,311,456	11,346,768	12,332,196	12,580,992	28,769,624
Public safety	44,160,120	46,534,392	47,200,094	49,373,109	50,177,776	52,388,896	53,480,901	54,826,981	56,737,346	58,731,548
Physical environment	5,423,915	5,195,860	5,583,619	5,630,677	5,652,541	5,682,062	5,562,590	5,757,799	6,546,813	6,803,399
Transportation	8,378,939	9,842,559	9,141,125	9,459,409	9,830,872	10,662,829	10,594,039	10,359,390	11,047,810	12,320,329
Economic environment	5,662,358	8,257,531	6,219,881	6,599,322	3,402,397	2,912,890	3,277,658	3,639,445	2,766,183	4,113,926
Human services	261,848	173,079	193,021	192,554	162,927	181,199	152,255	156,787	164,557	162,184
Culture/recreation	15,658,297	15,908,027	16,297,991	16,792,062	17,096,301	16,978,064	17,744,340	18,215,386	18,736,157	19,490,098
Capital outlay	23,739,881	23,606,603	17,006,903	15,666,370	25,935,038	16,015,051	13,857,972	12,584,688	12,119,034	36,598,813
Debt service										
Principal	4,724,175	3,152,359	3,734,306	8,763,468	9,242,882	7,649,604	6,433,383	5,612,655	8,838,625	7,988,031
Interest	2,463,301	2,380,817	2,375,189	2,018,415	2,785,925	2,497,169	2,242,779	2,052,163	2,052,163	1,349,127
Total expenditures	120,075,691	125,519,827	117,944,937	126,009,165	134,054,656	126,279,220	124,692,685	125,537,490	131,589,680	176,327,079
Excess (deficiency) of revenues over (under) expenditures	(25,660,961)	(28,435,729)	(24,863,153)	(30,510,823)	(36,424,445)	(34,635,764)	(33,742,739)	(30,402,332)	(38,727,982)	(37,824,313)
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from issuance of long-term debt	581,318	4,331,905	2,180,898	23,071,596	1,863,504	2,271,279	3,329,339	6,540,041	46,824,935	7,470
Transfers from other funds	31,569,540	38,072,156	38,533,483	39,735,249	39,626,330	40,173,420	40,899,461	42,944,955	44,604,939	45,284,417
Transfers to other funds	(11,482,131)	(11,031,311)	(11,415,637)	(11,375,720)	(12,446,587)	(13,193,130)	(14,155,193)	(14,613,622)	(13,511,571)	(12,210,614)
Total other financing sources and (uses)	20,668,727	31,372,750	29,298,744	51,431,125	29,043,247	29,251,569	30,073,607	34,871,374	77,918,303	33,081,273
Net change in fund balances	\$ (4,992,234)	\$ 2,937,021	\$ 4,435,591	\$ 20,920,302	\$ (7,381,198)	\$ (5,384,195)	\$ (3,669,132)	\$ 4,469,042	\$ 39,190,321	\$ (4,743,040)
<b>Debt Service as a percentage of noncapital expenditures</b>										
	8%	6%	6%	10%	11%	9%	8%	7%	9%	7%

CITY OF LAKELAND, FLORIDA

GENERAL FUND PROPERTY TAX LEVIES, TAX COLLECTIONS,  
ASSESSED VALUATIONS AND PROPERTY TAX RATES (UNAUDITED)  
LAST TEN FISCAL YEARS

Fiscal Year Ending September 30	Total Taxable (1)				Less:	Total Taxable Assessed Value
	Real Property	Tangible Property	Railroad Property	Adjustments	Tax Exempt Real Property	
2016	\$ 6,978,652,027	\$ 849,218,740	\$ 8,893,616	\$ (8,883,088)	\$ 2,742,795,786	\$ 5,085,085,509
2015	6,450,121,917	766,023,882	9,491,549	12,180,119	2,529,644,082	4,708,173,385
2014	6,029,544,930	694,944,816	9,322,964	2,218,998	2,318,246,201	4,417,785,507
2013	5,717,402,332	678,256,876	4,170,924	(2,317,304)	2,135,322,232	4,262,190,596
2012	6,011,568,956	704,558,301	4,037,506	(4,714,474)	2,235,629,322	4,479,820,967
2011	6,347,423,303	735,988,173	3,833,023	263,361	2,327,716,616	4,759,791,244
2010	7,496,927,845	797,882,468	4,011,704	33,810,496	2,784,803,140	5,547,829,373
2009	8,232,870,282	842,392,409	4,095,467	26,130,612	3,127,769,383	5,977,719,387
2008	8,041,601,918	858,419,290	2,268,507	97,265,288	2,954,340,506	6,045,214,497
2007	5,609,609,753	815,258,359	3,281,846	148,025,974	1,288,787,441	5,287,388,491

- (1) The State of Florida, by statute, requires property appraisers to assess all property within the State at 100% of market value. Therefore, the assessed valuation and estimated actual value is the same.
- (2) Total property tax levy minus any discounts given to taxpayers . Therefore, the realized tax rate may be less than the tax rate used to assess property taxes.

Source: Polk County Property Appraiser

Total Direct Tax Rate		Total Tax Levy (2)	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Tax Collections
			Amount	Percent of Levy		
8.064	\$	27,282,157	\$ 27,165,521	99.57	\$ 126,554	\$ 27,292,075
7.164		21,174,556	21,081,639	99.56	63,577	21,145,216
7.164		19,882,769	19,844,964	99.81	49,587	19,894,551
7.164		19,186,053	19,079,925	99.45	50,459	19,130,384
6.659		18,006,725	17,905,063	99.44	53,239	17,958,302
6.664		19,139,967	19,074,651	99.58	82,951	19,157,602
6.028		19,593,509	19,475,083	99.40	55,682	19,530,765
5.778		19,668,005	19,543,935	99.37	93,745	19,637,680
5.604		18,864,198	18,802,287	99.67	46,407	18,848,694
5.989		18,103,055	18,068,016	99.81	34,154	18,102,170



CITY OF LAKELAND, FLORIDA

SCHEDULE OF PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)  
LAST TEN FISCAL YEARS

Fiscal Year Ending September 30	MILLS (\$1 PER \$1,000 VALUATION)								
	City of Lakeland				County	Southwest Florida Water Management District	Polk County School Board	Peace River Water Basin	Total Direct & Overlapping Rates
	Municipal	Lakeland Area Mass Transit District	Lakeland Downtown Development District	Total					
2016	5.564	0.500	2.000	8.064	6.782	0.349	7.149	—	22.344
2015	4.664	0.500	2.000	7.164	6.867	0.366	7.208	—	21.605
2014	4.664	0.500	2.000	7.164	6.867	0.382	7.547	—	21.960
2013	4.664	0.500	1.995	7.159	6.867	0.393	7.492	—	21.910
2012	4.164	0.500	2.000	6.664	6.867	0.393	7.670	—	21.594
2011	4.164	0.500	1.874	6.539	6.867	0.377	7.792	0.183	21.757
2010	3.654	0.500	1.874	6.028	6.867	0.387	7.586	0.183	21.050
2009	3.403	0.500	1.874	5.778	6.867	0.387	7.634	0.183	20.847
2008	3.230	0.488	1.937	5.654	6.867	0.387	7.512	0.183	20.602
2007	3.545	0.488	1.956	5.989	8.477	0.284	7.770	0.195	22.715

CITY OF LAKELAND, FLORIDA

TEN PRINCIPAL TAXPAYERS (UNAUDITED)  
SEPTEMBER 30, 2016 For the Current Year and Nine Years Prior

Taxpayer Name	Type of Business	2016		2007	
		Assessed Value of Real And Personal Property	Rank	Assessed Value of Real And Personal Property	Rank
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	\$ 270,357,349	1	\$ 269,061,757	1
Amazon	Retail/Distribution	63,403,939	2		
RTG Furniture Corp.	Retail/Distribution-Furniture	52,886,884	3	61,232,960	2
Watson Clinic	Medical Facility	49,475,368	4	53,847,151	3
Casto Oakbridge Venture LTD	Real Estate	46,038,060	5	50,381,070	5
Lakeland Square Mall LLC	Retail/General Merchandise	42,274,375	6	41,107,514	6
Pepperidge Farm Inc. - Lakeland Plant	Retail/Distribution-Bakery	35,606,177	7		
Verizon	Telecommunications	35,355,692	8	50,434,830	4
Walmart	Retail/Distribution-Grocery	33,531,331	9		
MIC VM LLC	Real Estate-Apartment Complex	30,492,131	10		
Lakeland Ledger Publishing Corp.	Print Media			39,147,578	7
Carlton Arms of North Lakeland	Real Estate-Apartment Complex			34,480,117	8
Lakeland Property Partners LLC	Real Estate			29,417,583	9
Butterkrust Bakeries Inc	Manufacturing-Bakery			26,703,214	10
		<u>\$ 659,421,306</u>		<u>\$ 655,813,774</u>	
				<u>14.01 %</u>	<u>12.41 %</u>

Source: Polk County Property Appraiser

CITY OF LAKELAND, FLORIDA

LAKELAND ELECTRIC UTILITY FUND (UNAUDITED)  
CHARGES FOR SERVICES AND AVERAGE RATES  
LAST TEN FISCAL YEARS

Fiscal Year Ending September 30	Charges for Services								Rates*			
	Residential Sales	Commercial and Industrial Sales	Public Street and Highway Lighting	Public Authority Sales Intra City	Sales for Resale	Fuel Charges	Other Operating Revenue	Total Charges for Services	Residential	General Service	General Service Demand	General Service Large Demand
2016	\$ 110,895,061	\$ 60,749,309	\$ 5,423,535	\$ 3,446,418	\$ 5,788,651	\$ 102,787,515	\$ 7,461,974	\$ 296,552,463	\$ 0.06825	\$ 0.05723	\$ 0.04692	\$ 0.03806
2015	105,088,149	63,000,051	5,404,581	3,404,024	5,521,230	120,058,077	7,026,779	309,502,891	0.06855	0.05758	0.04726	0.03810
2014	96,895,133	60,064,894	5,487,187	3,082,790	3,839,947	130,097,472	6,870,428	306,337,851	0.06434	0.06367	0.04587	0.03578
2013	94,055,789	58,123,028	4,739,732	3,056,517	13,372,122	121,822,652	6,885,873	302,055,713	0.06434	0.06367	0.04587	0.03562
2012	93,739,868	57,794,362	4,695,180	3,113,445	13,605,585	110,868,151	6,520,294	290,336,885	0.06452	0.06405	0.04681	0.03543
2011	101,699,309	60,081,729	5,567,490	3,269,563	15,874,978	146,923,431	7,465,356	340,881,856	0.06428	0.06415	0.04714	0.03998
2010	106,398,775	60,476,492	4,708,179	3,173,859	10,086,724	163,133,146	6,238,521	354,215,696	0.06451	0.06319	0.04737	0.03452
2009	98,532,307	57,374,119	5,526,960	3,101,949	9,905,591	163,116,048	5,809,972	343,366,946	0.06382	0.06125	0.04598	0.02865
2008	95,689,037	58,739,452	5,207,231	3,128,653	22,508,435	191,908,462	7,312,558	384,493,828	0.06277	0.06030	0.04423	0.02815
2007	94,117,465	53,916,160	4,921,130	2,887,040	36,898,580	174,311,623	7,518,781	374,570,779	0.05730	0.05310	0.04020	0.02450

\* Average revenue billed per kwh (\$/kwh) excluding fuel inside the City.

Source: Lakeland Electric

CITY OF LAKELAND, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	% of Personal Income	Per Capita
	Loans Payable	Utility Tax Notes	Capital Improvement Bonds	Loans Payable	Revenue Bonds & Notes	Capital Leases			
2016	\$ 1,192,854	\$ 4,817,594	\$ 63,979,671	\$ 30,155,243	\$ 509,520,735	\$ 1,617,931	\$ 611,284,028	*	\$ 5,963
2015	1,416,818	7,094,564	69,459,298	32,493,561	512,530,138	2,204,057	625,198,436	18%	6,159
2014	1,633,392	10,892,464	28,009,822	33,518,432	522,943,217	2,231,412	599,228,739	18%	5,949
2013	1,841,515	11,023,543	26,743,234	36,132,683	556,304,921	2,839,164	634,885,060	19%	6,430
2012	2,212,164	10,638,779	30,206,393	38,985,249	591,634,793	1,721,004	675,398,382	19%	6,878
2011	1,125,394	12,269,881	35,020,386	41,520,826	619,242,208	805,673	709,984,368	22%	7,268
2010	220,000	13,933,855	41,626,184	44,385,565	624,734,654	745,176	725,645,434	24%	7,718
2009	6,657,426	15,027,658	19,771,827	57,060,761	622,510,924	909,347	721,937,943	25%	7,667
2008	7,898,814	14,969,907	20,126,599	42,592,650	647,368,903	323,336	733,280,209	24%	7,842
2007	7,608,000	15,425,941	17,564,631	32,624,883	612,459,837	395,629	686,078,921	23%	7,343

\* Information not available.

CITY OF LAKELAND, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE (UNAUDITED)  
LAST TEN FISCAL YEARS  
 (accrual basis)

Fiscal Year	Property Tax	Utility & Communication Services Tax	Motor Fuel Tax	Franchise Tax	State Shared Revenues					Total
					Half Cent Sales Tax	State Revenue Sharing	Mobile Home License Fees	Alcoholic Beverage Tax	Firefighters' Compensation Tax	
2016	\$ 30,912,106	\$ 14,831,215	\$ 5,436,168	\$ 242,656	\$ 6,202,015	\$ 2,550,919	\$ 217,330	\$ 86,116	\$ 36,740	\$ 60,515,265
2015	23,935,374	14,644,431	5,214,687	225,994	5,656,163	2,443,691	208,150	89,776	58,355	52,476,620
2014	22,577,691	14,534,094	4,903,358	239,500	5,395,592	2,248,500	197,654	80,487	32,895	50,209,771
2013	21,784,397	14,523,106	4,879,101	234,959	5,098,715	2,078,795	188,449	76,919	39,182	48,903,623
2012	20,909,045	14,761,856	4,910,650	233,641	4,817,062	2,060,351	184,560	79,897	44,441	48,001,503
2011	22,641,400	15,057,722	4,943,075	247,092	4,486,691	1,799,097	189,840	71,750	26,410	49,463,077
2010	24,651,942	14,979,375	4,914,311	266,727	4,287,133	1,789,260	190,380	69,789	32,115	51,181,032
2009	25,618,865	15,202,390	4,932,542	251,344	4,478,244	1,801,908	192,284	71,405	46,630	52,595,612
2008	24,497,791	14,720,615	5,243,212	261,713	5,068,350	2,115,087	188,990	68,974	14,251	52,178,983
2007	23,085,031	14,565,661	5,625,406	304,911	5,611,881	2,309,248	197,194	68,439	27,305	51,795,076

CITY OF LAKELAND, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Bonded Debt</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Legally Available &amp; Pledged Revenues</u>	<u>Ratio of Debt to Pledged Revenues</u>	<u>Per Capita<sup>1</sup></u>
2016	\$ 68,797,265	\$ —	\$ 68,797,265	\$ 115,496,620	0.60	671
2015	76,553,862	—	76,553,862	91,900,186	0.83	754
2014	38,902,286	—	38,902,286	89,473,920	0.43	386
2013	37,766,777	—	37,766,777	81,855,337	0.46	385
2012	40,845,172	345,000	40,500,172	84,840,176	0.48	415
2011	47,290,267	325,000	46,965,267	85,053,370	0.55	481
2010	55,560,039	310,000	55,250,039	85,142,699	0.65	588
2009	34,799,485	295,000	34,504,485	81,421,565	0.42	366
2008	35,096,506	280,000	34,816,506	79,187,531	0.44	372
2007	32,990,572	250,000	32,740,572	73,386,493	0.45	350

<sup>1</sup>City of Lakeland, Community Development.

CITY OF LAKELAND, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)  
SEPTEMBER 30, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Tax Supported Ad Valorem Debt:			
District School Board of Polk County Bonds Payable	\$ 289,706,717	13.99%	\$ 40,529,970
City Direct Debt - Governmental Activities			<u>69,990,119</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u><u>\$ 110,520,089</u></u>

<sup>(1)</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed values by the County's total taxable assessed value.

Source: Polk County School Board  
Polk Country Property Appraiser

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REVENUE BONDS COVERAGE (UNAUDITED)  
LAST TEN FISCAL YEARS

ENERGY SYSTEM REVENUE BONDS

Fiscal Year	Gross Revenues <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Operating Revenues Available for Debt Service	Principal	Interest	Total	Coverage
2016	\$ 303,347,574	\$ 192,829,916	\$ 110,517,658	\$ 20,875,000	\$ 17,567,094	\$ 38,442,094	2.87
2015	313,729,994	215,211,535	98,518,459	16,530,000	18,575,791	35,105,791	2.81
2014	321,886,606	216,676,686	105,209,920	20,775,503	25,469,790	46,245,293	2.28
2013	302,803,530	212,530,976	90,272,554	20,313,195	26,313,189	46,626,384	1.94
2012	298,933,627	201,280,148	97,653,479	24,456,267	25,040,946	49,497,213	1.97
2011	349,649,942	241,985,273	107,664,669	23,632,510	27,423,459	51,055,969	2.11
2010	361,827,646	251,861,002	109,966,644	21,992,218	27,974,283	49,966,501	2.20
2009	354,120,030	247,374,940	106,745,090	28,180,719	28,309,330	56,490,049	1.89
2008	389,033,956	293,782,579	95,251,377	18,760,000	25,832,872	44,592,872	2.14
2007	380,030,084	303,971,797	76,058,287	17,300,000	25,041,849	42,341,849	1.80

WATER AND WASTEWATER SYSTEM REVENUE BONDS

Fiscal Year	Gross Revenues	Operating Expenses <sup>2</sup>	Net Revenues Available for Debt Service	Principal	Interest	Total	Coverage
2016	\$ 60,567,604	\$ 31,598,007	\$ 28,969,597	\$ 3,373,757	\$ 2,490,070	\$ 5,863,827	4.94
2015	55,530,104	31,237,468	24,292,636	2,690,000	2,377,209	5,067,209	4.79
2014	54,769,116	27,976,557	26,792,559	1,510,000	1,813,722	3,323,722	8.06
2013	48,878,811	28,161,365	20,717,446	1,490,000	1,823,257	3,313,257	6.25
2012	52,702,160	26,117,153	26,585,007	4,390,000	1,485,113	5,875,113	4.53
2011	50,495,118	25,248,944	25,246,174	3,165,000	2,604,107	5,769,107	4.38
2010	46,941,005	25,386,062	21,554,943	3,010,000	2,754,607	5,764,607	3.74
2009	46,536,929	24,497,510	22,039,419	2,875,000	2,898,356	5,773,356	3.82
2008	42,434,052	24,713,430	17,720,622	2,705,000	2,982,888	5,687,888	3.12
2007	44,376,123	23,895,936	20,480,187	2,645,000	3,055,625	5,700,625	3.59

<sup>1</sup>Contractual net revenues available for debt service per the bond covenant includes net revenues from operations plus 20% of fund balance.

<sup>2</sup>Excludes depreciation expense.



CITY OF LAKELAND, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)  
LAST TEN FISCAL YEARS

Fiscal Year	Population <sup>1</sup>	Personal Income	Per Capita Personal Income <sup>2</sup>	Median Age <sup>3</sup>	School Enrollment <sup>4</sup>	Unemployment Rate <sup>1</sup>
2016	102,507	\$ *	\$ *	39.60	38,207	5.20%
2015	101,517	3,423,457,791	33,723	40.00	37,212	5.70%
2014	100,728	3,288,970,656	32,652	40.10	37,987	6.20%
2013	98,733	3,395,724,069	34,393	39.40	36,601	7.40%
2012	98,200	3,510,257,200	35,746	38.33	35,613	9.10%
2011	97,690	3,267,437,430	33,447	38.12	39,032	11.08%
2010	94,024	3,045,625,408	32,392	37.29	39,355	12.00%
2009	94,163	2,877,809,606	30,562	36.46	37,191	10.60%
2008	93,508	3,050,324,468	32,621	39.24	36,605	7.90%
2007	93,428	2,974,560,664	31,838	37.61	38,000	4.80%
2006	91,623	2,841,962,214	31,018	38.34	34,686	2.80%

<sup>1</sup>City of Lakeland, Community Development

<sup>2</sup> US Bureau of Economic Analysis

<sup>3</sup>Lakeland Economic Development Council Demographics

<sup>4</sup>Polk County School Board

\* Information not available

CITY OF LAKELAND, FLORIDA

PRINCIPAL EMPLOYERS (UNAUDITED)  
SEPTEMBER 30, 2016 For the Current Year and Nine Years Prior

Employer	Type of Business	2016			2007		
		Employees	Rank	% of Total	Employees	Rank	% of Total
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	8,200	1	31.49 %	8,063	1	35.26 %
Lakeland Regional Health	Hospital	5,500	2	21.13 %	4,540	2	19.87 %
Government Employees Insurance Co. (GEICO)	Insurance	2,800	3	10.76 %	1,850	4	8.10 %
City of Lakeland	Government	2,600	4	9.99 %	2,600	3	11.38 %
Watson Clinic	Medical Clinic	1,600	5	6.15 %	1,500	5	6.56 %
Sykes	Telemarketing	1,150	6	4.42 %			
GC Services	Telemarketing	1,000	7	3.84 %	1,000	6	4.38 %
Amazon	Retail/Distribution	900	8	3.46 %			
Rooms To Go Furniture	Retail/Distribution-Furniture	900	8	3.46 %	900	8	3.94 %
Stryker	Healthcare	700	9	2.69 %			
Saddle Creek Logistics	Trucking & Logistics	680	10	2.61 %	680	10	2.98 %
FedEx National LTL	Trucking & Logistics				720	9	3.15 %
Summit Consulting	Insurance				1,000	7	4.38 %
Total		<u>26,030</u>		<u>100.00 %</u>	<u>22,853</u>		<u>100.00 %</u>

Source: Lakeland Economic Development Council

CITY OF LAKELAND, FLORIDA

FTE EMPLOYEES BY FUNCTION (UNAUDITED)  
LAST TEN FISCAL YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function:										
General government	297	316	292	285	280	273	274	277	270	238
Public safety										
Law enforcement										
Officers	232	230	231	218	200	215	205	217	209	234
Civilians	114	110	106	107	127	112	114	111	117	103
Fire control										
Firefighters and officers	145	142	141	140	136	123	132	142	150	145
Civilians	5	5	7	7	11	23	19	13	14	13
Physical environment	5	5	5	5	5	3	5	5	6	7
Transportation	97	100	99	93	92	99	100	97	97	98
Economic environment	65	63	57	53	51	53	51	50	58	57
Culture/recreation	214	212	216	231	232	245	243	227	224	231
Electric	583	574	576	567	561	549	549	544	543	530
Water and Wastewater	190	186	195	191	191	196	193	194	200	197
Parking	7	7	7	5	5	5	5	5	5	4
Lakeland Center	36	33	33	34	33	38	37	36	42	50
Lakeland Linder Regional Airport	19	20	12	14	13	14	15	15	14	14
Solid Waste	72	83	79	72	66	62	63	62	63	62
Cleveland Heights Golf Course	18	17	17	16	17	16	21	14	14	12

Source: City of Lakeland Payroll

CITY OF LAKELAND, FLORIDA

**OPERATING INDICATORS BY FUNCTION (UNAUDITED)**  
**LAST TEN FISCAL YEARS**

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Public Safety										
Law enforcement										
Arrests	7,422	7,489	6,349	4,640	5,182	5,490	4,858	6,845	5,638	4,646
Traffic Citations	18,705	19,952	20,915	21,852	18,152	15,633	12,542	8,177	11,119	10,649
Fire control										
Calls for service	19,618	19,554	17,434	16,587	17,031	18,319	20,390	21,637	22,515	24,262
Inspections	3,018	5,942	3,727	3,792	3,785	3,753	2,531	2,088	6,705	4,604
Physical Environment										
Cemetery										
Burials	511	482	451	479	409	400	409	410	412	407
Spaces Sold	550	498	485	394	379	336	375	367	412	312
Transportation										
Street resurfacing (miles)	26	36	24	28	29	26	32	39	26	24
Culture/recreation										
Parks										
Field Rentals	4,449	6,770	7,370	7,738	7,815	8,179	8,299	8,491	8,400	7,103
Swimming Pools										
Attendance/Use	203,852	92,621	134,043	315,768	493,591	248,839	243,805	433,466	154,134	93,822
Aquatic Programs/Events	13	12	12	12	15	10	10	11	7	33
Community centers										
Attendance/Use	409,210	376,041	347,866	333,548	336,436	377,267	352,688	728,912	380,121	459,808
Facility Rentals	1,047	1,258	1,361	1,312	1,379	1,228	1,219	1,195	1,799	1,759
Economic environment										
Building permits issued	10,505	8,810	7,657	8,255	7,947	7,521	7,899	5,770	6,301	6,776
Electric										
New connections <sup>2</sup>	2,384	341	429	(205)	(362)	(606)	1,689	1,157	1,348	1,810
–	121,097	121,438	121,944	121,739	121,377	120,771	122,460	123,617	124,965	126,775
Energy sales (gWh)	3,638	3,036	3,052	3,197	3,335	3,273	3,199	3,004	2,991	3,066
Water and Wastewater										
New connections	853	693	352	345	312	295	337	340	351	533
Number of customers	52,974	52,271	53,112	52,316	52,030	52,770	52,983	53,400	54,322	55,712
Peak Month Peak Day pumping <sup>1</sup>	29	30	25	23	27	25	27	28	29	27
Average daily sewage treatment <sup>1</sup>	11	10	8	12	12	12	12	12	13	13
Parking										
Parking violations	3,656	3,799	3,388	4,381	4,778	6,404	6,102	5,596	5,735	6,538
Lakeland Center										
Number of events	686	506	391	418	490	537	492	454	458	450
Lakeland Linder Regional Airport										
Daily average traffic count	388	345	285	200	195	246	250	281	322	333
Solid Waste										
Refuse collected (tons/day)	385	399	340	341	326	318	319	247	223	196
Recyclables collected (tons/day)	15	15	14	14	15	15	19	27	21	22
Number of customers										
Commercial	5,101	5,300	4,064	5,325	5,282	5,303	4,711	4,909	5,082	5,224
Residential	41,355	42,900	43,430	43,054	42,371	43,472	37,436	38,956	43,455	46,531
Cleveland Heights Golf Course										
Number of memberships	377	408	264	204	128	144	104	115	103	93
Number of tournaments/outings	42	37	34	20	21	35	28	37	35	38
Number of banquet/meetings	435	480	398	375	400	450	525	530	–	–

<sup>1</sup>Measured in millions of gallons per day.

<sup>2</sup>Net of new connections and disconnections of service.

- Information not available.

Note: Indicators are not available for the general government function.

Source: City of Lakeland Departments.

CITY OF LAKELAND, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)  
LAST TEN FISCAL YEARS

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Law enforcement										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	332	177	143	151	151	151	151	151	155	155
Fire control										
Fire stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Streets (miles)	374	380	381	381	381	389	389	390	389	399
Traffic signals	158	163	167	169	176	175	177	176	174	174
Culture/recreation										
Parks acreage	582	585	585	618	618	743	736	736	769	769
Parks	52	55	55	56	56	57	58	58	60	60
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	37	37	37	37	37	37	37	37	37	37
Community centers	2	2	2	2	2	2	2	2	2	3
Special recreational facilities	5	5	5	5	5	5	5	5	5	5
Electric										
Power plants	3	3	3	3	3	3	3	3	3	3
Distribution stations	23	24	23	23	23	23	25	25	25	25
Miles of service lines	2,020	2,073	2,045	2,046	2,053	2,056	2,059	2,065	2,074	2,084
Water and Wastewater										
Miles of service lines	967	983	987	991	992	994	994	996	996	998
Fire hydrants	3,833	3,971	4,018	4,041	4,096	4,122	4,172	4,191	4,219	4,266
Maximum daily capacity <sup>1</sup>	59	59	59	59	59	59	59	59	59	59
Maximum daily treatment <sup>1</sup>	34	36	36	36	36	36	36	36	36	35
Parking										
Parking Garages	4	4	3	3	3	3	3	3	3	3
Surface lots	11	11	11	11	13	13	13	13	13	13
Lakeland Center										
Sports arenas	1	1	1	1	1	1	1	1	1	1
Theatres	1	1	1	1	1	1	1	1	1	1
Other rental facilities	9	9	9	9	9	9	9	9	9	9
Lakeland Linder Regional Airport										
Terminals	1	1	1	1	1	1	1	1	1	1
Hangers	99	99	99	99	99	99	99	99	100	100
Runways	2	2	2	2	2	2	2	2	2	2
Solid Waste										
Refuse Trucks	47	40	47	51	52	49	55	53	51	47
Cleveland Heights Golf Course										
Acreage	286	286	286	286	286	286	286	286	286	286
Clubhouse facilities	1	1	1	1	1	1	1	1	1	1

<sup>1</sup>Measured in millions of gallons per day

Note: No capital asset indicators are available for the general government, economic environment, or physical environment functions.

Source: City of Lakeland Departments

**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, City Commissioners  
and City Manager  
City of Lakeland, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeland, Florida (the "City") 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, and have issued our report thereon dated March 23, 2017. Our report includes a reference to other auditors who audited the financial statements of the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida (a pension trust fund included in aggregate remaining fund information) and the City of Lakeland Firefighters' Retirement System (a pension trust fund included in aggregate remaining fund information), as described in our report on the City's financial statements. The financial statements of the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida and the City of Lakeland Firefighters' Retirement System were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result 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.

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Crowe Horwath LLP

Lakeland, Florida  
March 23, 2017

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

Honorable Mayor, City Commissioners  
and City Manager  
City of Lakeland, Florida

**Report on Compliance for Each Major Federal Program and State Financial Assistance Project**

We have audited the City of Lakeland, Florida's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs or state financial assistance projects for the year ended September 30, 2016. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state financial assistance projects.

***Auditor's Responsibility***

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

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



### ***Opinion on Each Major Federal Program and State Financial Assistance Project***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance project for the year ended September 30, 2016.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and management's corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

**Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated March 23, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Lakeland, Florida  
March 23, 2017

CITY OF LAKELAND, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED SEPTEMBER 30, 2016

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	None reported
Noncompliance material to financial statements noted	No

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Internal control over major programs:	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a), and Chapter 10.550, Rules of the Auditor General	Yes
Identification of major programs:	

CFDA/CSFA Number

Name of Program

Federal:

20.106	Airport Improvement Program
20.205	Highway Planning and Construction

State:

40.901	State Housing Initiatives Partnership Program (SHIP)
55.004	Aviation Grant Programs

Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
State	\$300,000
Auditee qualified as low-risk	No

CITY OF LAKE LAND, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2016

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No items noted.

**SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS**

Finding 2016-001: Suspension and Debarment – Significant Deficiency

Impacted Programs: Federal Agency: Department of Transportation  
Program: Airport Improvement Program  
CFDA Number: 20.106

Criteria: 2 CFR 200 Section 514(c) requires that an auditor obtain an understanding and test the controls over a federal programs. Further, 2 CFR 200 Section 213 establishes the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180, which restricts sub-awards and contracts with certain parties that are debarred, suspended, excluded from, or ineligible to participate in Federal assistance activities or programs. The City is required to determine for sub-awards of any value and procurement contracts equal to or exceeding \$25,000, that the organization and its principals are not suspended or debarred.

Condition: The internal controls of the general contractor utilized by the Airport were not adequately designed to reasonably ensure compliance with federal laws, regulations and program requirements related to suspension and debarment after the initial award determination. The City's internal controls do not periodically check vendors against the suspension and debarment list for multi-year projects.

Questioned costs: None.

Context: For the one item selected for testing, there was no formal documentation to support the review for suspension and debarment after the initial year of determination of the multi-year contract.

Effect: The City could be providing grant expenditures to vendors or sub-recipients that are not eligible to receive federal funding that are suspended or debarred after the initial year of contract.

Cause: Management utilizes the internet to perform procedures related to suspension and debarment at the time of the initial award. Management does not periodically check the vendors or subcontractors for suspension or debarment on multi-year projects.

Identification as a Repeat Finding: This finding is a repeat finding of 2015-002 in the prior year.

Recommendation: Crowe recommends that procedures be established to ensure that debarment, suspension and exclusions have been properly verified and properly documented for each contracts on annual basis.

Management's View and Planned Corrective Actions: Management concurs with the recommendation. Staff followed the proper procedures relating to the verification of the suspension and disbarment status of contractors at the time of initial award. The City will implement internal controls to check vendors and sub-recipients at least on an annual basis for multi-year awards to ensure they are not suspended or debarred.

CITY OF LAKE LAND, FLORIDA

SUMMARY OF PRIOR YEAR FINDINGS

YEAR ENDED SEPTEMBER 30, 2016

**Prior Year Findings and Questioned Costs**

**Finding 2015-001: Schedule of Expenditures and State Financial Assistance – Material Weakness**

Impacted  
Programs:

State Agency: Florida Department of Environmental Protection  
Program: Clean Water State Revolving Fund Construction Loan  
CSFA Number: 37.007

Condition: During the testing of the Schedule of Federal Awards and State Financial Assistance, it was found that one grant program was incorrectly identified and reported as federal funding when it was actually a state award.

Status of Prior Year  
Finding:

This finding was remediated.

**Finding 2015-002: Suspension and Debarment – Significant Deficiency**

Impacted  
Programs:

State Agency: Department of Transportation  
Program: Airport Improvement Program  
CFDA Number: 20.106

Condition: The internal controls of the general contractor utilized by the Airport were not adequately designed to reasonably ensure compliance with federal laws, regulations and program requirements related to suspension and debarment. Further, documentation of support to verify the proper review and execution of suspension and debarment practices, which are highlighted below, did not exist during the current year.

- Requirements of the organization to determine for sub-awards of any value and procurement contracts equal to or exceeding \$25,000, that the organization and its principals are not suspended or debarred.

Status of Prior Year  
Finding:

This finding is repeated in the current year as Finding 2016-001.

CITY OF LAKE LAND, FLORIDA

MANAGEMENT'S CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2016

**Finding 2016-001:**

**Suspension and Debarment – Significant Deficiency**

Corrective Action Plan:

The City will implement internal controls to check vendors and sub-recipients at least on an annual basis for multi-year awards to ensure they are not suspended or debarred.

Anticipated Completion Date:

The City will perform suspension and debarment checks on all vendors and sub-recipients for multi-year awards during fiscal year end September 30, 2017 and annually thereafter until award termination.

Contact Information:

For further information contact Michael Brossart, Finance Director for the City of Lakeland at (863) 834-6000 or via mail at 228 S. Massachusetts Ave. Lakeland, FL 33801.

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

Honorable Mayor, City Commissioners  
and City Manager  
City of Lakeland, Florida

We have examined the City of Lakeland, Florida's (the "City") compliance with Section 218.415, Florida Statutes, concerning the investment of public funds during the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.



Crowe Horwath LLP

Lakeland, Florida  
March 23, 2017