

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017



COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF LAKELAND, FLORIDA

for the

FISCAL YEAR ENDED SEPTEMBER 30, 2017



Prepared by the
FINANCE DEPARTMENT

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Finance Director

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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, 2017



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Introductory Information

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March 13, 2018

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, 2017. 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 ensure 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, 2017. 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 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 2017 is 104,185 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.

Profile of the City of Lakeland (continued)

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.

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 1,172 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 \$34.6 billion in retail sales in 2017 and employs 188,000 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, an 849-bed not-for profit hospital; and the Watson Clinic, which provides over 800,000 outpatient visits annually.

Residential construction in Lakeland continues to gain strength and interest. Lakeland issued 364 single family permits in 2017, which represents a 42% increase from the previous year. Single Family residential construction activity in Lakeland has increased 398% 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 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.

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.

As we have seen in previous years, Lakeland's industrial market continued to be strong, though direct permitting data was not indicative of the year's activity. Several new projects were completed as Lakeland added approximately 332,000 square feet of new industrial, commercial and retail space. A great amount of last year's construction was buildout activity that related to new and expanding employers in Lakeland. Lakeland has a history for recruiting high quality value added users to Lakeland, so we will look forward to more job growth in 2018. The Lakeland MSA added approximately 2,735 new jobs in 2017, which helped further decrease the City's already low unemployment rate.

Significant business and institutional development investments completed within the City in 2017 totaled more than \$75 million and committed to the creation of approximately 550 new jobs. As proof of Lakeland's evolving economy, a few of the examples below highlight the City's downtown, industrial and educational growth.

Retail and restaurant activity continues to grow within Lakeland's downtown which supports the areas growing job market. For the third year in a row, Publix has grown to expand their presence in the downtown core for their growing IT Department. In 2015, they leased 30,000 square feet in the downtown Bank of America Building and in 2016 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 late November of 2016 Publix purchased the 24,500-square foot Florida Citrus Mutual Building for a reported \$3.1 million, a move that will certainly bring more jobs and development to downtown.

IGT Global Solutions expanded upon their 90,000-square foot facility in Lakeland by adding 45,000 square foot to accommodate an expansion. This \$15.9 million expansion will allow IGT to hire 42 additional employees which will allow them to further grow their market.

Mission Foods added an additional manufacturing line to their existing Lakeland facility. This \$20 million expansion will allow Mission Foods to increase product production and hire 110 new employees.

DS Services completed a \$4 million 12,500 square foot expansion that will allow them to expand their professional workforce by an additional 170 jobs.

Profile of the City of Lakeland (continued)

Local Economy (continued)

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. For 2017, the College began constructing a new 19,000 square foot \$8 million admissions building.

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. For 2017 they have begun construction on a new 27,000 square foot \$10 million administration building that will be complete in 2018.

Finally, the state's 12th 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 in 2017 construction began on 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, 2016. 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.

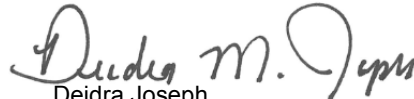
We would like to thank John Zuercher, Director of Internal Audit; Barbara Henry, Chief Accountant, Brent McLain, Accountant III, and David Harrell, Electric Utility Controller for their efforts in assisting the external auditors in completing the audit, and for preparation of the CAFR. Their respective 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,

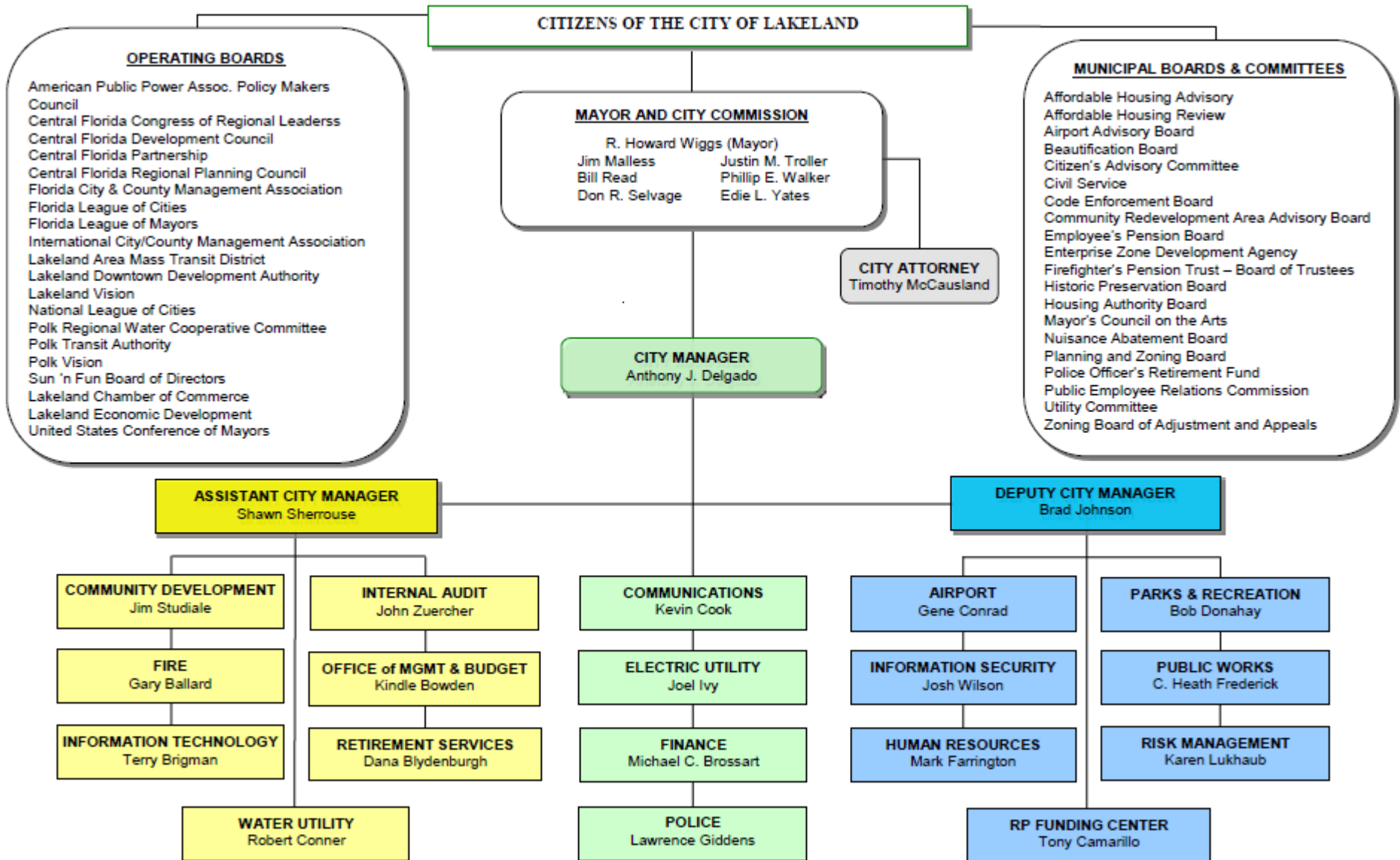


Michael C. Brossart, CPA
Finance Director



Deidra Joseph
Assistant Finance Director

CITY OF LAKELAND
ORGANIZATION CHART
2017



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, 2016

Christopher P. Morill

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, 2017



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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	14.89%	14.90%	14.17%
City of Lakeland Firefighters' Retirement System	11.73%	11.75%	9.68%
	26.62%	26.65%	23.85%

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, 2017, 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 June 2015 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* as they relate to other postemployment benefit plans other than pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of other postemployment benefit plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 74 enhances note disclosures and RSI for postemployment benefit plans. Statement 74 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. 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 changes in the City's net OPEB liability and related ratios, schedule of OPEB investment returns, schedule of OPEB contributions, 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-8 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 have 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 13, 2018 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 cursive script that reads "Crowe Horwath LLP".

Crowe Horwath LLP

Tampa, Florida
March 13, 2018

Management's Discussion
and Analysis

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

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017



CITY OF LAKELAND, FLORIDA

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, 2017. 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) 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-4 are prepared on a full accrual basis.

CITY OF LAKELAND, 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 RP Funding 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.

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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	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current assets	\$ 90,674	\$ 99,022	\$ 250,078	\$ 231,399	\$ 340,752	\$ 330,421
Asset Apportionments	8,961	10,385	166,930	156,970	175,891	167,355
Restricted assets	38,513	46,435	40,919	39,434	79,432	85,869
Capital assets	301,640	277,833	1,117,381	1,098,451	1,419,021	1,376,284
Other noncurrent assets	-	-	1,204	1,289	1,204	1,289
Total assets	439,788	433,675	1,576,512	1,527,543	2,016,300	1,961,218
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources related to pensions	30,800	33,408	23,156	35,320	53,956	68,728
Loss on fuel hedge	-	-	-	349	-	349
Decrease in fair value of interest rate swaps	-	-	26,073	36,696	26,073	36,696
Unamortized loss (gain) on refunding	32	38	33,620	37,756	33,652	37,794
Total deferred outflows of resources	30,832	33,446	82,849	110,121	113,681	143,567
LIABILITIES						
Current liabilities	16,148	19,900	90,285	76,529	106,433	96,429
Apported Asset liabilities	-	-	13,951	13,169	13,951	13,169
Restricted liabilities	-	177	18,393	17,893	18,393	18,070
Deferred credits	-	-	31,661	43,782	31,661	43,782
Accrued liabilities						
less current portion	122,754	119,933	132,727	139,349	255,481	259,282
Long term debt payable						
less current portion	55,165	63,884	553,573	554,664	608,738	618,548
Total liabilities	194,067	203,894	840,590	845,386	1,034,657	1,049,280
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources related to pensions	3,025	1,607	1,066	1,307	4,091	2,914
Over-recovery of fuel	-	-	18,001	20,302	18,001	20,302
Gain on hedges			929		929	-
Unearned revenue	22	131	26	427	48	558
Contributions in aid of construction	-	-	44,980	45,592	44,980	45,592
Total deferred inflows of resources	3,047	1,738	65,002	67,628	68,049	69,366
NET POSITION						
Net investment in capital assets	239,980	219,338	580,366	556,124	820,346	775,462
Restricted	38,513	46,258	22,527	21,541	61,040	67,799
Unrestricted	(4,986)	(5,069)	150,878	146,985	145,892	141,916
Total net position	\$ 273,507	\$ 260,527	\$ 753,771	\$ 724,650	\$ 1,027,278	\$ 985,177

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

Governmental activities:

Current Assets consist predominantly of \$35.7 million of cash and investments, \$24.5 million of receivables, and \$20.4 million of assets held within internal balances of the City. In the aggregate, this represents a decrease of \$4 million in the value of current assets during 2017.

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 \$4.10 million in assets related to Stormwater Utilities Fund, \$243 thousand set aside to fund contributions to cultural and community agencies, \$6.0 million set aside to pay current obligations, including debt obligations, \$2.4 million set aside to pay future obligations, \$4.0 million set aside to pay for future capital expansion, and \$500 thousand in cash designated for maintaining recreation facilities.

Restricted Assets are legally restricted for expenses for certain purposes. These consist predominately of \$11.7 million in assets held within Community Redevelopment Districts, \$1.3 million in assets held for community development, \$0.9 million in assets held in trust for law enforcement; \$13.3 million of unspent impact fees, \$16 million in unspent bond proceeds to finance capital projects, \$5.1 million in assets held from transportation, and approximately \$4.9 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 \$14 million decrease in the change in the value of these restricted assets from 2016 to 2017.

Current Liabilities represent obligations payable from Current Assets that are likely to be settled within the next year. These consist of approximately \$1.5 million in amounts owed to vendors, \$5.7 million in undistributed payroll obligations accrued during the last pay period of the fiscal year, \$6.0 million of principal due on long term debt and notes on October 1.

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, \$88.7 million representing the actuarially accrued liability for pension benefits payable to employees during retirement, and approximately \$28.9 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.

Long term debt payable decreased by approximately \$8.3 million from 2016 to 2017, 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 \$59.5 million as of the end of 2017. 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 \$25 million of these loans within the course of the next five years.

Business-type activities:

Current Assets consist predominantly of \$112.4 million of cash and investments, \$51.3 million of receivables, and \$36.5 million of inventories; less approximately \$20.4 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 decrease \$4 million during 2017. There was a decrease of \$7 million within Electric Utilities system – as a result of a decrease in liquidity from operations; there was a \$2.7 million increase within the Internal Loan Fund – as a result of net the repayment/issuance of loans during the year; and there was a \$2.1 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 \$40.9 million in assets committed to repaying bonded debt of utility operations, \$168.4 million committed to financing the cost of capital improvements, \$32.6 million in assets held for vehicle replacements, and \$23.3 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 \$18.2 million in customer deposits collected by utility operations, \$11.8 million of unspent water and wastewater impact fees, and \$13 million in unspent bond proceeds. This class of assets increased approximately \$3.5 million during the year, predominantly from 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 \$15.6 million in amounts owed to vendors, \$5.6 million in obligations accrued during the last pay period of the fiscal year, \$40.9 million in bonded debt and loans principal and interest payable on October 1, 2017, \$7.3 million in current obligations of the city's self-insurance program, and approximately \$0.7 million in advance customer deposits held by the RP Funding 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 \$13.8 in obligations of the city's self-insurance program, and \$18.2 million in customer deposits.

Accrued Liabilities represents obligations that are not likely to be settled within the next year. This includes approximately \$6.6 million in unpaid sick and vacation time, \$5.6 million in profits earned on settlement of a natural gas purchase agreement, approximately \$92.3 million representing the actuarially accrued liability for pension benefits, and approximately \$33.7 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.

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	\$ 301,640,415	\$ 649,739,711	\$ 290,300,626	\$ 134,909,369
Related long term debt	(61,660,468)	(426,984,986)	(90,003,464)	(20,027,081)
Net investments in capital assets	\$ 239,979,947	\$ 222,754,725	\$ 200,297,162	\$ 114,882,288
 FY 2017 Ratio	4.89	1.52	3.23	6.74
 FY 2016 Ratio	4.75	1.48	3.19	62.94

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, 2017 was \$1,419,021,540 which represents a net increase of \$42,738,082 for the year.

Gross capital spending for the year exceeded \$122 million. Major capital asset additions during the current fiscal year included the following:

- \$ 3.3 million of land, right of way, and construction for roadway projects
- \$ 26.5 million in parks and recreation facility improvements
- \$ 225 thousand in public facility improvements
- \$ 583 thousand in public safety facility improvements
- \$ 1.1 million in Stormwater system improvements.
- \$ 7.0 million for new vehicles.
- \$ 1.3 million for computers and software; system upgrades
- \$ 26.1 million for improvements at the city-owned airport
- \$ 14.8 million in water and wastewater system improvements.
- \$ 41.4 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, 2017, the City of Lakeland's total bonded debt outstanding was \$574 million. This represents a net decrease of \$37 million compared to 2016. During the year, the City made scheduled retirements of debt of approximately \$133 million. There was also \$129 million of additional debt issued to finance water/wastewater capital projects, RP Funding Center capital expansion project, 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	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services	\$ 20,271	\$ 19,079	\$ 392,456	\$ 381,200	\$ 412,727	\$ 400,279
Operating grants and contributions	5,802	9,713	181	56	5,983	9,769
Capital grants and contributions	7,542	2,153	19,344	16,040	26,886	18,193
General Revenues						
Property taxes	33,363	30,912	-	-	33,363	30,912
Utility, fuel, and franchise taxes	20,554	20,510	-	-	20,554	20,510
Tourism taxes	-	-	1,379	320	1,379	320
State shared revenues	9,387	9,093	-	-	9,387	9,093
Rents and royalties	13,619	28,255	-	-	13,619	28,255
Investment earnings	4,757	7,329	8,013	10,776	12,770	18,105
Miscellaneous	9,391	6,906	1,343	2,862	10,734	9,768
Total revenues	124,686	133,950	422,716	411,254	547,402	545,204
Program expenses						
General government	15,804	30,452	-	-	15,804	30,452
Public safety	67,759	62,767	-	-	67,759	62,767
Physical environment	10,026	7,981	-	-	10,026	7,981
Transportation	17,587	16,542	-	-	17,587	16,542
Economic environment	5,380	4,666	-	-	5,380	4,666
Human services	202	162	-	-	202	162
Culture/recreation	30,923	22,312	-	-	30,923	22,312
Interest on long-term debt	2,501	1,353	-	-	2,501	1,353
Electric	-	-	273,136	252,576	273,136	252,576
Waste and wastewater	-	-	47,966	42,993	47,966	42,993
Parking	-	-	1,425	1,043	1,425	1,043
RP Funding Center	-	-	9,924	8,843	9,924	8,843
Lakeland Linder Regional Airport	-	-	9,050	8,946	9,050	8,946
Solid Waste	-	-	13,598	12,058	13,598	12,058
Cleveland Heights Golf Course	-	-	20	2,534	20	2,534
Total expenses	150,182	146,235	355,119	328,993	505,301	475,228
Excess before transfers	(25,496)	(12,285)	67,597	82,261	42,101	69,976
Transfers	38,477	34,057	(38,477)	(34,057)	-	-
Increase in net position	12,981	21,772	29,120	48,204	42,101	69,976
Net position, beginning of year	260,527	238,755	724,650	676,446	985,177	915,201
Net position, end of year	\$ 273,508	\$ 260,527	\$ 753,770	\$ 724,650	\$ 1,027,278	\$ 985,177

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 5% compared to the prior year due to higher than expected tax revenue collections and increased property values. Total spending on governmental activities was up slightly by .11% due to controlled spending. Overall, the City's reliance on taxes as a source of revenue increased slightly from 41.4% in 2016 to 42.2% in 2017 due to relatively flat spending and increased tax revenues. For 2017, the City's property tax millage rate was unchanged at 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, not including the LRH lease payment, in FY 2017 were up 5.08% compared to 2016. Property tax revenues increased as a result of the increased property values and capital grants and contributions increased due to the Joker Marchant Stadium contributions.

Total governmental expenses for 2017 were 2.7% higher compared to 2016. Direct payroll costs were higher during 2017 (\$85 million) compared to 2016 by 8%, as a result of the cost of living adjustment, merit increases, increased insurance costs and the addition of the personnel of the Cleveland Heights Golf Course to the General Fund.

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 2017, these transfers amounted to a net \$38.5 million. This represents approximately 25.6% 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 21% during the year – predominantly the result of the increase in capital grants and contributions for airport operations.

Overall profitability of these business-type activities decreased from \$82.3 million (before transfers) in fiscal 2016 to \$67.6 million for 2017.

Of these profits, \$38 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 9.8% 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 \$63 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 \$14.7 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 \$181 million in liabilities associated with retirement benefits payable to city employees. Also, included in both governmental and business-type expenses is approximately \$26 million in pension expenses.

FUND FINANCIAL STATEMENTS

This is the second section of the basic financial statements, which starts on page D-5. 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-5 and the statement of revenues, expenditures, and changes in fund balance is on page D-7.

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 in 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-9 and D-10 and a statement of revenues, expenses, and changes in net position (which is similar to a profit or loss statement) is on page D-13.

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-17 and D-18, 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, 2017

	Original Budget	Final Amended Budget	2017 Actual	Variance
REVENUES				
Taxes	\$ 44,030,583	\$ 44,030,583	\$ 44,244,717	\$ 214,134
Licenses and permits	4,967,040	4,967,040	3,886,903	(1,080,137)
Intergovernmental	11,484,585	11,593,273	11,632,815	39,542
Charges for services	5,095,691	5,441,077	5,752,946	311,869
Fines and forfeits	1,885,000	2,093,892	2,444,708	350,816
Miscellaneous	2,460,472	3,026,039	3,129,211	103,172
Total revenues	<u>69,923,371</u>	<u>71,151,904</u>	<u>71,091,300</u>	<u>(60,604)</u>
EXPENDITURES				
General government	13,099,395	14,211,559	11,551,797	2,659,762
Public safety	62,082,119	61,452,978	61,127,507	325,471
Physical environment:	6,280,389	7,976,918	7,826,022	150,896
Transportation	6,436,469	6,760,378	5,503,772	1,256,606
Economic environment	2,394,060	2,394,060	2,337,603	56,457
Human services	268,410	288,525	127,128	161,397
Culture/Recreation	22,907,629	23,992,988	21,662,475	2,330,513
Capital outlay	157,092	940,681	940,681	-
Debt Service	332,015	597,897	597,897	-
Total expenditures	<u>113,957,578</u>	<u>118,615,984</u>	<u>111,674,882</u>	<u>6,941,102</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(44,034,207)</u>	<u>(47,464,080)</u>	<u>(40,583,582)</u>	<u>6,880,498</u>
OTHER FINANCING SOURCES AND USES	<u>40,795,088</u>	<u>40,418,199</u>	<u>41,670,003</u>	<u>(1,251,804)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,239,119)</u>	<u>\$ (7,045,881)</u>	<u>\$ 1,086,421</u>	<u>\$ 5,628,694</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 0.0852% less than the final budget, with some significant variances within individual categories. Intergovernmental revenue, which includes grants and state shared revenue, were \$40 thousand greater than budget - \$99 thousand in state shared revenues were collected over the amount budgeted and federal, state, and local grant revenues were \$59 thousand lower than the amount budgeted representing expenditures less than the amounts budgeted.

Fines and forfeits revenues were down \$81 thousand from the previous year, but were \$351 thousand more than the amounts budgeted as a result of stagnant revenues relating from revenues from red light cameras installed at certain intersections within the City.

Miscellaneous revenues were \$83 thousand more than the budget, primarily as a result of investment revenues that were less than projections by approximately \$193 thousand and \$276 thousand in miscellaneous revenues that were more than projections primarily due to the sale of fixed assets.

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS (continued)

General Fund (continued)

Spending was significantly below budget, however, spending was 10% higher than fiscal year 2016. Although there is continued efforts to hold down spending wherever possible in response to projected decreases in revenues, expenses related to Hurricane Irma (\$2 million) impacted the General Fund. The increase was also 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, 2017 the City realized an increase in fund balance within the General Fund of \$1.09 million – which falls in line with the anticipated revenue increases and spending increases for fiscal years 2016 thru 2017. Total unrestricted reserves at the end of the year were \$23.9 million, of which \$7.5 million was appropriated to balance the 2017 budget and carryovers.

Public Improvement Fund

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:

PUBLIC IMPROVEMENT FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>2017 Actual</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ 2,584,561	\$ 3,150,650	\$ 2,437,201	\$ (713,449)
Charges for services	400,000	400,000	494,509	94,509
Miscellaneous	14,472,356	16,864,370	20,199,649	3,335,279
Total revenues	<u>17,456,917</u>	<u>20,415,020</u>	<u>23,131,359</u>	<u>2,716,339</u>
EXPENDITURES				
General government:	1,168,000	1,467,371	762,110	705,261
Public safety	-	32,830	27,630	5,200
Physical environment:	27,700	28,638	25,831	2,807
Culture/Recreation:	465,000	2,476,126	1,957,018	519,108
Capital outlay	13,630,650	33,831,898	25,900,287	7,931,611
Debt service	8,957,632	8,699,285	8,585,440	113,845
Total expenditures	<u>24,248,982</u>	<u>46,536,148</u>	<u>37,258,316</u>	<u>9,277,832</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	<u>(6,792,065)</u>	<u>(26,121,128)</u>	<u>(14,126,957)</u>	<u>11,994,171</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,290,530)</u>	<u>(177,847)</u>	<u>(1,465,960)</u>	<u>(1,288,113)</u>
NET CHARGE IN FUND BALANCE	<u>\$ (9,082,595)</u>	<u>\$ (26,298,975)</u>	<u>\$ (15,592,917)</u>	<u>\$ 10,706,058</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 12% more than the final budget, due an additional \$1.1 million in interest income received over the amount budgeted, \$.5 million from the sale of fixed assets, and an additional \$1.7 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 (20%) due to \$7.9 million in various capital projects not completed at year end.

For the year ended September 30, 2017 the City realized a decrease in fund balance within the Public Improvement Fund of \$15.6 million to capital expenditures related to the bond issue received in the prior year. Total unrestricted reserves at the end of the year were \$12.3 million, of which \$10.9 million was appropriated to balance the 2018 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 128,535 retail customers.

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, 2017, 2016, AND 2015 (in thousands)

	2017	2016	2015
OPERATING REVENUES			
Sales of energy - retail	\$ 291,555	\$ 283,302	\$ 296,955
Sales of energy and capacity sales - wholesale	4,643	5,789	5,521
All other operating revenue	7,286	7,462	7,027
	<u>303,484</u>	<u>296,553</u>	<u>309,503</u>
OPERATING EXPENSES			
Fuel and Purchased Power	120,510	109,466	124,527
Generation	29,371	26,370	27,859
Transmission and distribution	31,752	23,860	23,405
Customer service and accounting	8,025	7,041	6,583
State tax on electric sales	7,186	7,463	7,827
Administrative and general	22,889	18,630	23,777
Depreciation	38,269	41,784	40,734
	<u>258,002</u>	<u>234,614</u>	<u>254,712</u>
OPERATING INCOME	45,482	61,939	54,791
NON-OPERATING ACTIVITY:			
Investment and other income	5,832	6,795	4,227
Interest on debt	(17,660)	(17,995)	(18,787)
Loss on disposal of fixed assets	-	(390)	-
Transfers to other funds	(28,448)	(30,678)	(29,506)
	<u>(40,276)</u>	<u>(42,268)</u>	<u>(44,066)</u>
CHANGE IN NET POSITION	<u>\$ 5,206</u>	<u>\$ 19,671</u>	<u>\$ 10,725</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 \$5.2 million during fiscal year 2017 compared to a \$19.7 million increase in 2016. Operating income was \$45.5 million in 2017 compared to \$61.9 million in the preceding year. The declines from the previous year are primarily attributable to Hurricane Irma, which caused widespread damage to the Lakeland Electric System on September 10, 2017.

Lakeland Electric's 2017 retail megawatt hour (MWh) sales were down 1.7% from the previous fiscal year, which was Lakeland's warmest year in more than a decade. Additionally, during late summer, Hurricane Irma caused a majority of Lakeland Electric's customers to lose power for 3-12 days. Non-fuel sales of electricity decreased by \$3.5 million from the previous fiscal year, of which \$2.8 million of the decrease is attributable to residential customers.

Non-operating revenue decreased by \$1.0 million from the previous fiscal year. Investment revenue increased by \$2.1 million, however a (\$2.8) million unfavorable fair value adjustment on Lakeland Electric's share of the City's pooled investments was recognized in 2017, compared to a gain of \$0.3 million recognized in the previous fiscal year. Fair value adjustments, up and down, are caused by the impact of interest rate changes on fixed income securities. Most of Lakeland Electric's investments are held through maturity.

Lakeland Electric's nonfuel operating expenses, excluding gross receipts tax and depreciation, were \$ 92.0 million in 2017, compared to \$75.9 million in 2016, representing an overall increase of \$16.1 million or 21 percent. On September 10, 2017, Hurricane Irma inflicted widespread damage to the City of Lakeland's electric system. Nonfuel O&M expenses in 2017 include \$10.4 million of hurricane-related damage. Although Lakeland Electric anticipates that a substantial percentage of its storm recovery costs will be eligible for reimbursement through federal financial assistance, no grant agreement was in place during 2017. Accordingly, no accrual was recorded in 2017 for any possible future disaster relief funding. Administrative and General Expenses were \$4.3 million higher than the previous year mostly as the result of adjustments to the pension liability in 2016, as recognized in accordance with GASB Statement No. 68. Total operating and maintenance costs (excluding fuel, gross receipts tax, and depreciation) averaged \$30.64 per retail MWh in 2017, compared to \$24.84 in 2016.

Fuel and purchased power expense increased by \$11.0 million in 2017, despite of the decreased volume of retail MWh sales. The main driver was a 28 percent annual increase in Lakeland Electric's average cost of natural gas, which is primarily a result of a rebound in the natural gas market. Lakeland Electric's coal tonnage burned increased by 6 percent as its average price of coal decreased by (3) percent. The volume of wholesale power purchases increased annually by 70 percent in 2017 because of an extended outage of McIntosh Unit 5 early in the fiscal year.

Lakeland Electric recovers fuel costs from retail customers in the form of a fuel charge that is subject to a quarterly revision based on a forecast of fuel costs for the following twelve months. As of September 30, 2017, the retail fuel charge was \$38.75 per MWh, compared to \$34.25 per MWh 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 2017 with a cumulative over-recovered fuel position of \$26.7 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 \$18.0 million in FY2017) to offset costs associated with fuel inventories and prepaid fuel hedging. The cumulative fuel over-recovery as of September 30, 2017 was \$22.0 million. The fuel reserve was over-funded to the extent of \$4.0 million, for which a regulatory liability was recognized.

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 2017 and 2016. Lakeland Electric had a cumulative over-recovered environmental compliance cost balance of \$1.3 million, classified as a regulatory liability, as of the end of 2017. Based on sales and environmental compliance expense projections, a rate of \$2.109 per MWh was recommended for 2018.

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 2017.

Lakeland Electric provides a dividend at a rate of \$9.68 per MWh to the City of Lakeland's General Fund in the form of monthly cash transfers. The total amount of the dividend in 2017 was \$29.2 million, compared to \$29.6 million in 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS (continued)

Lakeland Electric (continued)

Lakeland Electric has historically funded the cost of capital improvements through a combination of bond financing and cash generated from retail utility rates. Remaining bond proceeds from the Series 2016 Revenue and Refunding Bonds provided the initial \$6.8 million of capital funding for fiscal year 2017. Cash set aside from base rates provided funding for the remainder of capital spending during the year.

Capital spending (net of contributions in aid of construction) totaled \$31.9 million in 2017 compared to \$32.8 million during fiscal year 2016 and \$35.4 million in 2015. Capital expenditures during 2017 included \$18.7 million for energy supply projects, \$12.5 million for energy delivery projects, and \$.7 million for building improvements and equipment. Lakeland Electric's projected capital improvement requirements from rates is expected to average approximately \$38 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 \$38.3 million in 2017 compared to \$41.8 million in 2016.

Lakeland Electric recorded contributions in aid of construction from outside the Department in the amount of \$2.4 million during fiscal year 2017, compared to \$2.5 million in 2016. These amounts are included in the *Plant in Service* balance in the Statements of Net Position.

The total net normal generating capacity of the production units owned by Lakeland Electric is 890 MW. The most efficient unit in Lakeland Electric's fleet is McIntosh 5, a 354 MW combined cycle natural gas unit. McIntosh 3, a 342 MW coal-fired unit, is jointly owned by Lakeland Electric and Orlando Utility Commission (OUC). Lakeland Electric's 60 percent ownership share of Unit 3 is 205 MW. In addition to its base load and peaking units, Lakeland Electric shares a power pool with Florida Municipal Power Agency (FMPA) and OUC, which provides access to relatively low-cost natural gas generated power to supply peak demand. Lakeland Electric has sufficient generation and transmission capacity to cover its projected load requirements for at least the next five years.

Economic Factors

The average demand for energy placed on the system from retail customers during Fiscal Year 2017 was 359 megawatts (MW), compared to 358 MW during the previous year. The peak demand during the winter was 539 MW on January 9, 2017, and a summer peak demand of 643 MW was reached on July 26, 2017. Lakeland Electric expects to see a growth of approximately 1 percent in the retail customer base during fiscal year 2018.

Lakeland Electric's ten largest customers account for less than 20 percent of revenue. Well over half of the annual revenue comes from residential customers.

The Bond Ratings Services of Fitch Ratings™, Moody's™, and Standard & Poor's™ have assigned long-term ratings of AA-, Aa3, and AA, respectively, to Lakeland Electric's energy system bonds. During the early part of Fiscal Year 2018, Fitch reaffirmed Lakeland Electric's AA- rating and changed its outlook from stable to positive.

Currently Known Facts or Conditions That May Have a Significant Effect on the Net Position or Results of Operations

Lakeland Electric's rates, among all customer classes, have consistently been among the lowest in Florida for many years. Residential electric rates during September 2017 were the second lowest of any municipal electric utility in the state.

Days cash is a key financial metric used as a measure of liquidity, essential for maintaining strong bond ratings. An internal goal of Lakeland Electric is to maintain 150-175 days of operating cash. At the end of 2017, Lakeland Electric had over 209 days of cash compared to 230 days in the previous fiscal year. The decrease is largely the result of a temporary build-up of unrestricted capital reserves in the prior fiscal year. Days cash is forecasted to remain above 150, with no base electric rate increase, through FY2018. A rate study will be conducted during FY2018 and could result in recommended rate changes for FY2019.

Lakeland Electric has been, and will continue to be impacted by various regulatory and legislative requirements. In the opinion of Lakeland Electric, the System is currently in compliance with all current federal, state and local environmental regulations. Lakeland Electric cannot predict at this time whether any additional legislation or rules will be enacted which might affect operations, and if such laws or rules are enacted, what the additional capital and operating costs, if any, might occur in the future because of such actions. The estimation of costs of compliance is subject to significant uncertainties and the financial impact of future proposals could be substantial.

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS (continued)

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, 2017 AND 2016

	2017			2016
	Water	Wastewater	Total	
Operating revenues:				
Charges for services	\$ 30,611,215	\$ 31,328,331	\$ 61,939,546	\$ 57,241,393
Operating expenses:				
Personal services	8,793,444	5,654,173	14,447,617	12,033,933
Other operating expenses	7,438,912	12,821,470	20,260,382	19,564,074
Depreciation	4,143,649	4,260,151	8,403,800	8,148,087
Total operating expenses	20,376,005	22,735,794	43,111,799	39,746,094
Operating income (loss)	10,235,210	8,592,537	18,827,747	17,495,299
Nonoperating revenues (expenses)				
Investment revenue	1,188,831	824,937	2,013,768	2,561,018
Miscellaneous revenue	141,838	305,640	447,478	1,592,965
Interest expense	(2,059,109)	(636,691)	(2,695,800)	(2,733,681)
Loss on disposal of capital assets	-	(26,373)	(26,373)	(19,281)
Capital grants and contributions	2,702,829	2,310,778	5,013,607	7,485,841
	1,974,389	2,778,291	4,752,680	8,886,862
Income before transfers	12,209,599	11,370,828	23,580,427	26,382,161
Net transfers	(5,222,463)	(2,816,416)	(8,038,879)	(9,362,618)
Change in net position	\$ 6,987,136	\$ 8,554,412	\$ 15,541,548	\$ 17,019,543

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 7.188 billion gallons. Residential wastewater revenues are capped at 12,000 gallons per customer/per month. In the aggregate, operating revenues increased 8.1% due to the 5% rate increase and an additional 642 customers. Pretreatment revenues from high strength commercial waste increased by 13.8% over FY 16.

Operating expenses excluding depreciation were up 11% primarily due to the slight increase in routine repairs and maintenance and increased personnel costs associated with merits and across the board pay increases.

Unrestricted net current assets increased by \$3.6 million over the course of the year, now totaling \$11.7 million. This was the result of increases in operating revenues – operating cash flows were as follows:

Operating income (excluding non-cash items)	\$ 12,850,000
Investment and Other Income (excluding designated and restricted assets)	2,450,000
Debt Service Transfers from rates	(2,770,000)
Capital Funded from rates	(5,800,000)
Transfers to Other Funds	(3,125,000)
Net	\$ 3,605,000

Unrestricted cash liquidity is \$11.2 million – up from \$7.9 million in 2016. The increase in the unrestricted cash component of this liquidity is the result of increases in operating revenues for the year, as documented above.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS (continued)

Water and Wastewater Utility (continued)

Net position restricted and designated for capital improvements increased from \$17.2 to \$8.9 million during the year – the result of capital grant projects and debt proceeds for capital improvements completed during the year.

Water

The Water utility system implemented a 3% increase on volume charges and a 5% increase on base charges for FY 17.

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 17 were 7.188 billion , up by %11.6 in FY 17 from FY 16.

Operating expenses (excluding depreciation) increased 8.3% for the year due to increased payroll 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 2017 from 2016.

Unrestricted net current assets increased from \$14.0 million in 2016 to \$16.0 million in 2017. Excluding non-cash items such as depreciation, amortization, and OPEB expenses, the system earned an operating profit of approximately \$15.2 million. Of that amount, \$4.1 million was transferred to sinking funds to finance debt service obligations, and \$5.3 million was transferred to the General Fund as a dividend payment. The utility transferred \$4.0 million from revenues to finance capital improvements for the year.

The value of net position restricted and designated for financing capital improvements decreased from \$23.8 million to \$6.5 million for the year, which was the result of the remaining funds available from the transfer from operations and debt proceeds for capital improvements expended on capital projects during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The FY 2018 Budget is the City's numerical representation of the FY 2018 Strategic/Business Operating Plan by allocating resources through service prioritization based on strategic alignment with the City of Lakeland strategies. Furthermore, the 2018 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.. By allocating resources through service prioritization based on strategic alignment the City's elected and appointed officials considered many factors when setting the fiscal year 2018 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 adopted operating budget for FY 2018 is \$566 million or 2% lower than the FY 2017 adopted budget of \$577 million. The General Fund Budget for FY 2018 is \$123 million or 7.0% higher than the 2017 adopted budget of \$115 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, 2017





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CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 35,676,498	\$ 112,440,904	\$ 148,117,402
Fuel hedge	-	4,186,999	4,186,999
Receivables, net	24,509,662	51,325,920	75,835,582
Internal balances	20,367,448	(20,367,448)	-
Due from fiduciary fund	616,301	-	616,301
Due from other governments	1,243,503	151,767	1,395,270
Inventory	-	36,467,013	36,467,013
Prepaid expenses	10,966	250,106	261,072
Asset apportionments set aside for (including \$69,229,505 in cash and cash equivalents):			
Current portion of bonds payable	5,987,474	30,004,491	35,991,965
Accrued interest payable	-	10,913,749	10,913,749
Accrued liabilities	379,131	21,944,660	22,323,791
Restricted assets set aside for (including \$4,643,180 in cash and cash equivalents):			
Accrued liabilities	1,883,063	2,760,117	4,643,180
Total current assets	<u>90,674,046</u>	<u>250,078,278</u>	<u>340,752,324</u>
Noncurrent assets:			
Asset apportionments:			
Other noncurrent asset apportionments (including \$162,982,690 in cash and cash equivalents and \$3,543,123 in investments)	8,961,011	166,929,662	175,890,673
Restricted assets (including \$72,057,024 in cash and cash equivalents and \$5,089,482 in investments)	38,513,166	40,919,428	79,432,594
Capital assets:			
Land	57,675,769	47,329,924	105,005,693
Construction in process	9,612,499	43,662,720	53,275,219
Facilities and equipment in service	439,067,402	2,074,743,819	2,513,811,221
Less accumulated depreciation	(204,715,255)	(1,048,355,338)	(1,253,070,593)
Total capital assets	<u>301,640,415</u>	<u>1,117,381,125</u>	<u>1,419,021,540</u>
Other noncurrent assets			
Deposits	-	1,445	1,445
Regulatory assets	-	1,202,916	1,202,916
	<u>-</u>	<u>1,204,361</u>	<u>1,204,361</u>
Total noncurrent assets	<u>349,114,592</u>	<u>1,326,434,576</u>	<u>1,675,549,168</u>
Total assets	<u>439,788,638</u>	<u>1,576,512,854</u>	<u>2,016,301,492</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	30,800,354	23,155,950	53,956,304
Hedge derivative outflows	-	26,073,175	26,073,175
Unamortized loss on refunding	31,907	33,620,437	33,652,344
Total deferred outflows of resources	<u>30,832,261</u>	<u>82,849,562</u>	<u>113,681,823</u>

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION, CONTINUED
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,521,695	\$ 15,601,161	\$ 17,122,856
Accrued liabilities	5,657,431	5,645,598	11,303,029
Accrued interest payable	14,041	149,328	163,369
Notes and loans payable	540,003	2,390,003	2,930,006
Deposits payable	165,285	875,820	1,041,105
Payable from apportioned assets	6,366,605	62,862,900	69,229,505
Payable from restricted assets:			
Accrued liabilities	1,883,063	2,760,117	4,643,180
Total current liabilities	<u>16,148,123</u>	<u>90,284,927</u>	<u>106,433,050</u>
Other liabilities:			
Liabilities payable from apportioned assets	-	13,951,228	13,951,228
Restricted liabilities	-	18,392,643	18,392,643
Interest rate swap	-	26,073,175	26,073,175
Regulatory liability	-	5,588,094	5,588,094
Accrued liabilities, less current portion	5,117,334	6,648,419	11,765,753
Net pension liability	88,690,891	92,330,453	181,021,344
Net OPEB obligation	28,945,350	33,748,222	62,693,572
Notes and loans payable, less current portion	1,645,778	28,676,486	30,322,264
Revenue bonds payable, less current portion	53,519,120	484,751,582	538,270,702
Unamortized bond premium	-	40,145,218	40,145,218
Revenue bonds payable, plus unamortized bond premium	<u>53,519,120</u>	<u>524,896,800</u>	<u>578,415,920</u>
Total other liabilities	<u>177,918,473</u>	<u>750,305,520</u>	<u>928,223,993</u>
Total liabilities	<u>194,066,596</u>	<u>840,590,447</u>	<u>1,034,657,043</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	3,024,552	1,065,708	4,090,260
Over-recovery of fuel	-	18,001,167	18,001,167
Unearned revenue	22,489	25,769	48,258
Unrealized gain on hedges	-	929,482	929,482
Contributions in aid of construction	-	44,979,842	44,979,842
Total deferred inflows of resources	<u>3,047,041</u>	<u>65,001,968</u>	<u>68,049,009</u>
NET POSITION			
Net investment in capital assets	<u>239,979,947</u>	<u>580,365,594</u>	<u>820,345,541</u>
Restricted for:			
Expendable:			
Debt service	1,836,067	-	1,836,067
Capital improvement	96,374	22,526,785	22,623,159
Transportation	4,872,683	-	4,872,683
Law enforcement	877,273	-	877,273
Grant programs - community development	301,063	-	301,063
CRA	11,323,097	-	11,323,097
Impact fee programs	13,274,282	-	13,274,282
Donations received	958,638	-	958,638
Nonexpendable:			
Endowments	4,973,689	-	4,973,689
	<u>38,513,166</u>	<u>22,526,785</u>	<u>61,039,951</u>
Unrestricted	<u>(4,985,851)</u>	<u>150,877,622</u>	<u>145,891,771</u>
Total net position	<u>\$ 273,507,262</u>	<u>\$ 753,770,001</u>	<u>\$ 1,027,277,263</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, 2017

Functions/Programs	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 15,803,840	\$ 1,888,223	\$ 28,352	\$ -	\$ (13,887,265)	\$ -	\$ (13,887,265)
Public safety	67,759,386	6,778,946	2,435,393	-	(58,545,047)	-	(58,545,047)
Physical environment	10,026,332	5,869,182	-	-	(4,157,150)	-	(4,157,150)
Transportation	17,587,164	1,543,805	391,146	2,655,784	(12,996,429)	-	(12,996,429)
Economic environment	5,379,589	-	1,510,823	-	(3,868,766)	-	(3,868,766)
Human services	201,972	-	-	-	(201,972)	-	(201,972)
Culture recreation	30,923,273	4,190,440	1,436,476	4,886,643	(20,409,714)	-	(20,409,714)
Interest on long-term debt	2,501,490	-	-	-	(2,501,490)	-	(2,501,490)
Total governmental activities	150,183,046	20,270,596	5,802,190	7,542,427	(116,567,833)	-	(116,567,833)
Business-Type Activities							
Electric	273,135,947	303,483,541	-	-	-	30,347,594	30,347,594
Water and Wastewater	47,965,952	61,939,546	-	5,013,606	-	18,987,200	18,987,200
Parking	1,424,789	800,453	-	-	-	(624,336)	(624,336)
RP Funding Center	9,924,255	5,097,975	143,927	-	-	(4,682,353)	(4,682,353)
Lakeland Linder Regional Airport	9,049,549	5,194,038	37,200	14,329,934	-	10,511,623	10,511,623
Solid Waste	13,598,326	15,940,869	-	-	-	2,342,543	2,342,543
Cleveland Heights Golf Course	20,181	-	-	-	-	(20,181)	(20,181)
Total Business-Type Activities	355,118,999	392,456,422	181,127	19,343,540	-	56,862,090	56,862,090
Total Primary Government	\$ 505,302,045	\$ 412,727,018	\$ 5,983,317	\$ 26,885,967	(116,567,833)	56,862,090	(59,705,743)
General revenues:							
Taxes:							
Property taxes					33,362,591	-	33,362,591
Franchise Taxes					234,659	-	234,659
Motor fuel taxes					5,584,212	-	5,584,212
Utility taxes					14,735,018	-	14,735,018
Tourism taxes					-	1,379,040	1,379,040
State shared revenues (unrestricted)					9,387,340	-	9,387,340
Payments from Lakeland Regional Medical Center					13,619,256	-	13,619,256
Investment earnings					4,757,400	8,013,419	12,770,819
Miscellaneous					9,390,690	1,342,832	10,733,522
Transfers (to) from other funds					38,477,203	(38,477,203)	-
Total general revenues and transfers					129,548,369	(27,741,912)	101,806,457
Change in Net Position					12,980,536	29,120,178	42,100,714
Net position - beginning					260,526,726	724,649,823	985,176,549
Net position - ending					<u>\$ 273,507,262</u>	<u>\$ 753,770,001</u>	<u>\$ 1,027,277,263</u>

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



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CITY OF LAKELAND, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 29,890,867	\$ 11,131,900	\$ 33,871,932	\$ 74,894,699
Cash with paying agents	-	5,987,474	-	5,987,474
Investments	2,194	3,543,123	5,087,288	8,632,605
Receivables, net	24,545,426	47,151	1,188,625	25,781,202
Due from other funds	1,207,304	-	-	1,207,304
Due from other governments	920,136	323,367	613,959	1,857,462
Prepaid expenditures	10,966	-	66	11,032
Total assets	<u>\$ 56,576,893</u>	<u>\$ 21,033,015</u>	<u>\$ 40,761,870</u>	<u>\$ 118,371,778</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,161,250	\$ 546,263	\$ 802,249	\$ 2,509,762
Accrued liabilities	5,644,501	-	90,101	5,734,602
Deposits payable	160,285	5,000	187,767	353,052
Due to other funds	-	-	49,275	49,275
Unearned revenue	15,576	6,913	1,023,230	1,045,719
Total liabilities	<u>6,981,612</u>	<u>558,176</u>	<u>2,152,622</u>	<u>9,692,410</u>
Deferred inflows of resources:				
Deferred revenue	24,073,733	-	973,416	25,047,149
Total deferred inflows of resources	<u>24,073,733</u>	<u>-</u>	<u>973,416</u>	<u>25,047,149</u>
Fund Balances:				
Nonspendable:				
Prepays	10,966	-	66	11,032
Cemetery endowment	-	-	4,894,938	4,894,938
Permanent fund principal	-	-	29,476	29,476
	<u>10,966</u>	<u>-</u>	<u>4,924,480</u>	<u>4,935,446</u>
Restricted for:				
CRA	-	-	10,485,892	10,485,892
Law enforcement	877,273	-	-	877,273
Impact fee program	-	-	13,274,282	13,274,282
Transportation	-	-	4,865,694	4,865,694
Capital improvement	-	96,374	-	96,374
Donations received	741,597	-	217,041	958,638
Debt service	-	1,836,067	-	1,836,067
Grant programs - community development	-	-	196,076	196,076
	<u>1,618,870</u>	<u>1,932,441</u>	<u>29,038,985</u>	<u>32,590,296</u>
Committed to:				
Working Capital	-	3,909,623	-	3,909,623
Stormwater	-	-	3,696,602	3,696,602
	<u>-</u>	<u>3,909,623</u>	<u>3,696,602</u>	<u>7,606,225</u>
Assigned to:				
Subsequent years expenditures	7,497,737	-	-	7,497,737
Cultural activities	242,708	-	-	242,708
Recreational facilities	486,779	-	-	486,779
Debt service - assigned	-	2,353,740	-	2,353,740
Capital projects - assigned	-	12,279,035	-	12,279,035
	<u>8,227,224</u>	<u>14,632,775</u>	<u>-</u>	<u>22,859,999</u>
Unassigned	15,664,488	-	(24,235)	15,640,253
Total fund balances	<u>25,521,548</u>	<u>20,474,839</u>	<u>37,635,832</u>	<u>83,632,219</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 56,576,893</u>	<u>\$ 21,033,015</u>	<u>\$ 40,761,870</u>	<u>\$ 118,371,778</u>

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

CITY OF LAKELAND, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 29,890,867	\$ 11,131,900	\$ 33,871,932	\$ 74,894,699
Cash with paying agents	-	5,987,474	-	5,987,474
Investments	2,194	3,543,123	5,087,288	8,632,605
Receivables, net	24,545,426	47,151	1,188,625	25,781,202
Due from other funds	1,207,304	-	-	1,207,304
Due from other governments	920,136	323,367	613,959	1,857,462
Prepaid expenditures	10,966	-	66	11,032
Total assets	<u>\$ 56,576,893</u>	<u>\$ 21,033,015</u>	<u>\$ 40,761,870</u>	<u>\$ 118,371,778</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,161,250	\$ 546,263	\$ 802,249	\$ 2,509,762
Accrued liabilities	5,644,501	-	90,101	5,734,602
Deposits payable	160,285	5,000	187,767	353,052
Due to other funds	-	-	49,275	49,275
Unearned revenue	15,576	6,913	1,023,230	1,045,719
Total liabilities	<u>6,981,612</u>	<u>558,176</u>	<u>2,152,622</u>	<u>9,692,410</u>
Deferred inflows of resources:				
Deferred revenue	24,073,733	-	973,416	25,047,149
Total deferred inflows of resources	<u>24,073,733</u>	<u>-</u>	<u>973,416</u>	<u>25,047,149</u>
Fund Balances:				
Nonspendable:				
Prepays	10,966	-	66	11,032
Cemetery endowment	-	-	4,894,938	4,894,938
Permanent fund principal	-	-	29,476	29,476
	<u>10,966</u>	<u>-</u>	<u>4,924,480</u>	<u>4,935,446</u>
Restricted for:				
CRA	-	-	10,485,892	10,485,892
Law enforcement	877,273	-	-	877,273
Impact fee program	-	-	13,274,282	13,274,282
Transportation	-	-	4,865,694	4,865,694
Capital improvement	-	96,374	-	96,374
Donations received	741,597	-	217,041	958,638
Debt service	-	1,836,067	-	1,836,067
Grant programs - community development	-	-	196,076	196,076
	<u>1,618,870</u>	<u>1,932,441</u>	<u>29,038,985</u>	<u>32,590,296</u>
Committed to:				
Working Capital	-	3,909,623	-	3,909,623
Stormwater	-	-	3,696,602	3,696,602
	<u>-</u>	<u>3,909,623</u>	<u>3,696,602</u>	<u>7,606,225</u>
Assigned to:				
Subsequent years expenditures	7,497,737	-	-	7,497,737
Cultural activities	242,708	-	-	242,708
Recreational facilities	486,779	-	-	486,779
Debt service - assigned	-	2,353,740	-	2,353,740
Capital projects - assigned	-	12,279,035	-	12,279,035
	<u>8,227,224</u>	<u>14,632,775</u>	<u>-</u>	<u>22,859,999</u>
Unassigned	15,664,488	-	(24,235)	15,640,253
Total fund balances	<u>25,521,548</u>	<u>20,474,839</u>	<u>37,635,832</u>	<u>83,632,219</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 56,576,893</u>	<u>\$ 21,033,015</u>	<u>\$ 40,761,870</u>	<u>\$ 118,371,778</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, 2017

Total Fund Balances - Total Governmental Funds \$ 83,632,219

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	\$ 506,355,670	
Less accumulated depreciation	<u>(204,715,255)</u>	301,640,415

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.		25,047,149
Deferred outflows of resources related to pensions (see Note 13).		30,800,354

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.		(5,117,334)
Net pension liability attributable to employee salaries financed from government fund types (see Note 13).		(88,690,891)
Deferred inflows of resources related to pensions (see Note 13).		(3,024,552)
Net OPEB Obligation attributable to retiree benefits financed from governmental fund types.		(28,945,350)
Bonds, loans and notes payable.	\$ (61,692,375)	
Unamortized loss on refunding.	<u>31,907</u>	(61,660,468)

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 loss for the fiscal year. The cumulative pro-rata share of these gains/losses 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.

19,825,720

Net Position of Governmental Activities. \$ 273,507,262

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, 2017

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 44,244,717	\$ -	\$ 9,671,763	\$ 53,916,480
Licenses and permits	3,886,903	-	-	3,886,903
Intergovernmental	11,632,815	2,437,201	4,120,556	18,190,572
Charges for services	5,752,946	494,509	7,677,532	13,924,987
Fines and forfeitures	2,444,708	-	13,998	2,458,706
Miscellaneous	3,129,211	20,199,649	6,423,349	29,752,209
Total revenues	<u>71,091,300</u>	<u>23,131,359</u>	<u>27,907,198</u>	<u>122,129,857</u>
EXPENDITURES				
Current:				
General government	11,551,797	762,110	1,834,403	14,148,310
Public safety	61,127,507	27,630	69,136	61,224,273
Physical environment	7,826,022	25,831	520,331	8,372,184
Transportation	5,503,772	-	5,979,758	11,483,530
Economic environment	2,337,603	-	2,505,021	4,842,624
Human services	127,128	-	74,844	201,972
Culture/recreation	21,662,475	1,957,018	47,650	23,667,143
Capital outlay	940,681	25,900,287	7,767,568	34,608,536
Debt service	597,897	8,585,440	5,485,557	14,668,894
Total expenditures	<u>111,674,882</u>	<u>37,258,316</u>	<u>24,284,268</u>	<u>173,217,466</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,583,582)</u>	<u>(14,126,957)</u>	<u>3,622,930</u>	<u>(51,087,609)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	800,556	2,250,000	252,000	3,302,556
Transfers from other funds	46,313,970	2,159,040	934,303	49,407,313
Transfers to other funds	(5,444,523)	(5,875,000)	(2,073,900)	(13,393,423)
Total other financing sources (uses)	<u>41,670,003</u>	<u>(1,465,960)</u>	<u>(887,597)</u>	<u>39,316,446</u>
Net change in fund balances	1,086,421	(15,592,917)	2,735,333	(11,771,163)
FUND BALANCE, beginning of year	24,435,127	36,067,756	34,900,499	95,403,382
FUND BALANCE, end of year	<u>\$ 25,521,548</u>	<u>\$ 20,474,839</u>	<u>\$ 37,635,832</u>	<u>\$ 83,632,219</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, 2017

Net change in fund balances - total governmental funds \$ (11,771,163)

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	\$ 34,608,536	
Depreciation expense	<u>(13,830,423)</u>	20,778,113

Long-term net asset transfers from Proprietary Funds are not reported as revenue in the governmental funds, however it is recognized as a transfer in the statement of activities. 2,968,426

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. (1,491,617)

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. (3,302,556)

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. 11,540,671

Amortization of bond premium is not reported as an expenditure in the governmental 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. 633,114

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. 48,867

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. (2,608,977)

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. (3,198,618)

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. (147,066)

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. (107,150)

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. (355,127)

Change in net position of governmental activities. \$ 12,980,536

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 42,522,537	\$ 26,588,351	\$ 8,401,564	\$ 77,512,452	\$ 34,928,452
Fuel hedges	4,186,999	-	-	4,186,999	-
Receivables	47,948,236	2,946,496	1,394,568	52,289,300	-
Less allowance for uncollectibles	(857,908)	(59,704)	(45,768)	(963,380)	-
Due from other funds	-	-	-	-	4,344,059
Due from other governments	-	-	-	-	151,767
Inventory	34,035,924	1,546,079	-	35,582,003	885,010
Prepaid expenses	-	85,052	163,332	248,384	1,722
Asset apportionments set aside for:					
Current portion of bonds payable	21,250,000	3,488,247	2,128,718	26,866,965	3,137,526
Accrued interest payable	7,216,706	1,438,356	134,488	8,789,550	2,124,199
Due to other funds	-	-	-	-	1,236,316
Accrued liabilities					
(including \$64,099,216 of cash and cash equivalents)	10,996,204	1,152,195	1,260,979	13,409,378	7,702,552
Restricted assets, set aside for:					
Accrued interest payable	22,305	-	-	22,305	-
Accrued liabilities					
(including \$2,760,117 of cash and cash equivalents)	5,000	376,139	2,356,673	2,737,812	-
Total current assets	167,326,003	37,561,211	15,794,554	220,681,768	54,511,603
Noncurrent assets:					
Asset apportionments:					
Other asset apportionments					
(including \$157,862,342 of cash and cash equivalents and \$5,069,482 in investments)	73,660,909	34,298,927	6,112,768	114,072,604	52,453,472
Restricted assets (including \$40,221,365 of cash and cash equivalents)	15,319,569	14,577,460	11,022,399	40,919,428	-
	88,980,478	48,876,387	17,135,167	154,992,032	52,453,472
Restricted assets:					
Capital assets:					
Land	15,595,265	12,596,784	19,127,903	47,319,952	9,972
Construction in process	20,400,199	15,882,511	4,874,429	41,157,139	2,505,581
Facilities and equipment in service	1,340,491,177	440,853,365	196,730,424	1,978,074,966	96,668,853
Less accumulated depreciation	(726,746,930)	(179,032,034)	(85,823,387)	(991,602,351)	(56,752,987)
Total capital assets	649,739,711	290,300,626	134,909,369	1,074,949,706	42,431,419
Other noncurrent assets:					
Deposits	-	-	1,445	1,445	-
Advances to other funds	-	-	-	-	18,804,882
Regulatory asset	1,202,916	-	-	1,202,916	-
Total other noncurrent assets	1,202,916	-	1,445	1,204,361	18,804,882
Total noncurrent assets	739,923,105	339,177,013	152,045,981	1,231,146,099	113,689,773
Total assets	907,249,108	376,738,224	167,840,535	1,451,827,867	168,201,376
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources related to pensions					
Unamortized loss on refunding	13,296,993	3,700,064	2,143,984	19,141,041	4,014,909
Hedge derivative outflows	31,020,673	1,771,651	190,314	32,982,638	637,799
Total deferred outflows of resources	26,073,175	-	-	26,073,175	-
Total deferred outflows of resources	70,390,841	5,471,715	2,334,298	78,196,854	4,652,708

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS, CONTINUED
SEPTEMBER 30, 2017

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 13,981,812	\$ 470,277	\$ 542,256	\$ 14,994,345	\$ 606,816
Accrued liabilities	3,379,411	916,418	488,356	4,784,185	861,414
Due to other funds	-	-	1,568,427	1,568,427	2,081,044
Accrued interest payable	-	-	139,392	139,392	9,936
Notes and Loans payable	139,046	2,139,893	111,064	2,390,003	-
Deposits payable	-	-	875,820	875,820	-
Payable from apportioned assets:					
Current portion of bonds payable	21,250,000	3,488,247	2,128,718	26,866,965	3,137,526
Accrued interest payable	7,216,706	1,438,356	134,488	8,789,550	2,124,199
Accrued liabilities	10,996,204	1,152,195	1,260,979	13,409,378	8,535,282
Due to other funds	-	-	-	-	1,236,316
Payable from restricted assets:					
Accrued liabilities	5,000	376,139	2,356,673	2,737,812	-
Accrued interest payable	22,305	-	-	22,305	-
Total current liabilities	56,990,484	9,981,525	9,606,173	76,578,182	18,592,533
Other liabilities:					
Liabilities payable from apportioned assets:					
Advances from other funds, less current portion	-	-	-	-	164,862
Other liabilities payable from apportioned assets	-	-	183,228	183,228	13,768,000
Restricted liabilities	15,314,251	2,673,399	404,993	18,392,643	-
Accrued liabilities, less current portion	3,996,611	1,072,226	491,369	5,560,206	1,088,213
Advances from other funds, less current portion	-	-	11,788,669	11,788,669	6,851,351
Interest rate swap	26,073,175	-	-	26,073,175	-
Net pension liability	53,534,111	14,230,854	8,578,797	76,343,762	15,986,690
Net OPEB obligation	19,904,620	5,400,325	3,063,520	28,368,465	5,379,757
Regulatory liability	5,588,094	-	-	5,588,094	-
Notes and loans payable, less current portion	-	28,197,069	479,417	28,676,486	-
Revenue bonds payable, less current portion	363,475,000	54,608,634	30,471,706	448,555,340	36,196,242
Unamortized bond premium	29,364,687	3,341,272	-	32,705,959	7,439,259
Total other liabilities	517,250,549	109,523,779	55,461,699	682,236,027	86,874,374
Total liabilities	574,241,033	119,505,304	65,067,872	758,814,209	105,466,907
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions					
Over-recovery of fuel	624,849	160,383	99,362	884,594	181,114
Unearned revenue	18,001,167	-	-	18,001,167	-
Contributions in aid of construction	-	-	25,769	25,769	-
Unrealized gain on hedges	44,979,842	-	-	44,979,842	-
Total deferred inflows of resources	64,535,340	160,383	125,131	64,820,854	181,114
NET POSITION					
Net investment in capital assets	222,754,725	200,297,162	114,882,288	537,934,175	42,431,419
Restricted					
Capital improvement	5,318	11,904,061	10,617,406	22,526,785	-
Unrestricted	116,103,533	50,343,029	(20,517,864)	145,928,698	24,774,644
Total net position	\$ 338,863,576	\$ 262,544,252	\$ 104,981,830	\$ 706,389,658	\$ 67,206,063

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, 2017

Net position - business-type activities:

Enterprise Funds	\$ 706,389,658
Internal Service Funds	67,206,063
	<u>773,595,721</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 loss for the fiscal year. The cumulative pro-rate share of the gains/losses resulted in an unpaid liability to the governmental activities in the Government-Wide Statement of Net Position.

	<u>(19,825,720)</u>
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Net Position of Business-type Activities	<u>\$ 753,770,001</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, 2017

	Business-type Activities				Internal Service Funds
	Enterprise Funds			Total	
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds		
OPERATING REVENUES					
Charges for services	\$ 303,483,541	61,939,546	\$ 27,033,335	\$ 392,456,422	\$ 79,086,200
OPERATING EXPENSES					
Personal services	46,557,783	14,447,617	9,771,230	70,776,630	16,771,715
Other operating expenses	173,176,494	20,260,382	16,525,969	209,962,845	54,723,656
Depreciation	38,267,289	8,403,800	5,677,687	52,348,776	9,796,022
Total operating expenses	258,001,566	43,111,799	31,974,886	333,088,251	81,291,393
Operating income (loss)	45,481,975	18,827,747	(4,941,551)	59,368,171	(2,205,193)
NONOPERATING REVENUES (EXPENSES)					
Property and other taxes	-	-	1,379,040	1,379,040	-
Federal, state and local grants	-	-	69,085	69,085	308,747
Investment revenue	8,102,640	3,771,821	531,554	12,406,015	4,025,892
Net decrease in the fair value of investments and cash equivalents	(2,814,184)	(1,758,053)	(766,932)	(5,339,169)	(1,804,431)
Interest income on internal loans	-	-	-	-	3,595,603
Miscellaneous revenue	543,621	447,478	463,775	1,454,874	293,667
Rebate on fuel taxes	-	-	-	-	162,631
Interest expense	(17,135,391)	(2,805,599)	(925,102)	(20,866,092)	(4,933,938)
Amortization	(524,884)	109,799	(38,063)	(453,148)	344,865
Proceeds from the sale of capital assets	-	-	-	-	1,082,794
Gain (loss) on disposal of capital assets	-	(26,373)	(45,305)	(71,678)	(413,908)
Total nonoperating revenues (expenses)	(11,828,198)	(260,927)	668,052	(11,421,073)	2,661,922
Income (loss) before contributions and transfers	33,653,777	18,566,820	(4,273,499)	47,947,098	456,729
Capital grants and contributions	-	5,013,606	14,329,934	19,343,540	-
Transfers from other funds	1,231,000	593,000	4,571,410	6,395,410	2,196,510
Transfers to other funds	(29,678,818)	(8,631,879)	(5,444,094)	(43,754,791)	(3,819,445)
Total contributions and transfers	(28,447,818)	(3,025,273)	13,457,250	(18,015,841)	(1,622,935)
Change in net position	5,205,959	15,541,547	9,183,751	29,931,257	(1,166,206)
NET POSITION, beginning of year	333,657,617	247,002,705	95,798,079	676,458,401	68,372,269
NET POSITION, end of year	\$ 338,863,576	\$ 262,544,252	\$ 104,981,830	\$ 706,389,658	\$ 67,206,063

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

CITY OF LAKELAND, 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, 2017

Change in net position - business-type activities:

Enterprise Funds	\$ 29,931,257
Internal Service Funds	<u>(1,166,206)</u>
	<u>28,765,051</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.

355,127

Change in net position of business-type activities	<u>\$ 29,120,178</u>
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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, 2017

	Business-type Activities				Internal Service Funds
	Enterprise Funds				
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
Cash flows from operating activities:					
Receipts from customers	\$ 296,457,315	\$ 62,575,205	\$ 27,353,457	\$ 386,385,977	\$ 14,137,903
Receipts for interfund services	-	-	-	-	65,212,572
Payments for interfund services	(14,426,224)	(5,165,745)	(5,429,081)	(25,021,050)	(2,203,275)
Payments to suppliers	(148,603,188)	(15,323,204)	(11,714,387)	(175,640,779)	(50,281,808)
Payments to employees	(44,731,387)	(13,365,993)	(9,183,146)	(67,280,526)	(15,637,897)
Cash flows provided by operating activities	88,696,516	28,720,263	1,026,843	118,443,622	11,227,495
Cash flows from noncapital financing activities:					
Proceeds from local grants	-	-	69,085	69,085	-
Interest paid on customer deposits	(641,203)	(62,500)	(15,937)	(719,640)	-
Transfers from other funds	1,231,000	593,000	3,753,000	5,577,000	152,388
Transfers to other funds	(29,678,818)	(8,631,879)	(2,497,114)	(40,807,811)	(3,819,445)
Cash flows provided by (used in) noncapital financing activities	(29,089,021)	(8,101,379)	1,309,034	(35,881,366)	(3,667,057)
Cash flows from capital and related financing activities:					
Interest received on internal loans	-	-	-	-	3,595,603
Proceeds from repayment of interfund loans	-	-	-	-	24,751,763
Issuance of long-term debt - governmental funds	-	-	-	-	(2,250,000)
Payments on interfund loans	-	-	(18,952,294)	(18,952,294)	(5,799,469)
Taxes received for payments on long-term debt	-	-	1,379,040	1,379,040	-
Issuance of interfund loans	-	-	-	-	(17,321,703)
Interest paid on long-term debt issued to finance capital assets	(20,403,315)	(3,312,293)	(724,582)	(24,440,190)	(5,029,872)
Proceeds from issuance of interfund loans	-	-	20,256,248	-	-
Proceeds from issuance of long-term debt	97,000,000	1,823,032	32,250,424	131,073,456	-
Repayments on and maturities of long-term debt - governmental funds	-	-	-	-	11,661,690
Proceeds from rebates received on interest payments	-	-	-	-	313,568
Debt issue costs	(3,648,084)	-	-	(3,648,084)	-
Payments on and maturities of long-term debt	(120,875,000)	(5,441,011)	(1,352,756)	(127,668,767)	(7,812,000)
Transfers from other funds for capital purposes	-	-	818,410	818,410	2,044,122
Proceeds from capital grant programs	-	-	10,644,516	10,644,516	-
Capital contributions from others	-	3,670,622	-	3,670,622	-
Proceeds from sale of capital assets	-	-	-	-	1,082,794
Purchase of capital assets	(28,858,794)	(12,874,030)	(27,234,803)	(68,967,627)	(8,207,972)
Cash flows provided by (used in) capital financing activities	(76,785,193)	(16,133,680)	17,084,203	(96,090,918)	(2,971,476)

CITY OF LAKELAND, FLORIDA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS, CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities				
	Enterprise Funds				
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from investing activities:					
Investment revenue	\$ 8,102,640	\$ 3,794,083	\$ 547,491	\$ 12,444,214	\$ 4,025,892
Net (decrease) in the fair value of cash equivalents	(2,814,184)	(1,758,053)	(766,932)	(5,339,169)	(1,804,431)
Cash flows provided by (used in) investing activities	5,288,456	2,036,030	(219,441)	7,105,045	2,221,461
Net increase (decrease) in cash and cash equivalents	(11,889,242)	6,521,234	14,962,140	9,594,132	6,810,423
Cash and cash equivalents, beginning of year	182,167,507	74,938,156	8,872,449	265,978,112	93,764,961
Cash and cash equivalents, end of year	\$ 170,278,265	\$ 81,459,390	\$ 23,834,589	\$ 275,572,244	\$ 100,575,384
Classified as:					
Current	\$ 42,522,537	\$ 26,588,351	\$ 8,401,564	\$ 77,512,452	\$ 34,928,452
Apportioned	112,646,632	40,377,725	2,053,953	155,078,310	65,646,932
Restricted	15,109,096	14,493,314	13,379,072	42,981,482	-
Total	\$ 170,278,265	\$ 81,459,390	\$ 23,834,589	\$ 275,572,244	\$ 100,575,384
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities					
Operating income (loss)	\$ 45,481,975	\$ 18,827,747	\$ (4,941,551)	\$ 59,368,171	\$ (2,205,193)
Depreciation	38,267,289	8,403,800	5,677,687	52,348,776	9,796,022
Rebate on fuel taxes	-	-	-	-	162,631
Miscellaneous revenue	543,621	447,478	463,775	1,454,874	293,667
(Increase) decrease in receivables, net	(6,077,930)	(283,648)	115,547	(6,246,031)	(110,504)
Decrease in regulatory asset	84,726	-	-	84,726	(81,519)
(Increase) decrease in inventory	(898,379)	(246,644)	-	(1,145,023)	170,547
Decrease in prepaid expenses	-	(82,949)	61,720	(21,229)	103
Decrease in deferred outflows related to pensions	10,193,034	1,684,588	990,882	12,868,504	1,666,122
Increase in fair value of derivative	380,951	-	-	380,951	-
Increase (decrease) in accounts payable	(976,956)	59,153	(771,235)	(1,689,038)	626,356
Increase (decrease) in accrued liabilities	8,192,127	40,389	92,016	8,324,532	108,298
Increase in deferred regulatory liability	(3,798,454)	-	-	(3,798,454)	-
Increase (Decrease) in deposits payable	404,423	471,293	(256,400)	619,316	(77,110)
(Decrease) in unearned revenue	(398,321)	-	(2,799)	(401,120)	-
(Decrease) in net pension liability	(5,243,242)	(1,339,270)	(817,532)	(7,400,044)	(1,320,895)
Increase in deferred inflows related to pensions	582,556	149,179	92,601	824,336	168,662
Increase in net OPEB obligation	1,959,096	589,147	322,132	2,870,375	598,578
Increase in estimated liability for unpaid claims	-	-	-	-	1,431,730
Net cash provided by (used by) operating activities	\$ 88,696,516	\$ 28,720,263	\$ 1,026,843	\$ 118,443,622	\$ 11,227,495
Noncash investing, capital, or financing transactions:					
Capital grants and contributions not received, a noncash capital activity	\$ -	\$ 425,941	\$ 7,583,000	\$ 8,008,941	\$ -
Developer contributed assets, a noncash capital activity	-	1,342,984	-	1,342,984	-
Capitalized interest	811,841	478,878	48,136	1,338,855	-
Net asset transfer to other funds, a noncash capital activity	-	-	2,946,980	2,946,980	-
	\$ 811,841	\$ 2,247,803	\$ 10,578,116	\$ 13,637,760	\$ -

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Pension and Other Employees Benefit Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 9,148,522	\$ 8,653,325
Mutual Funds	451,108,349	-
US Government Obligations	40,206,309	-
Corporate Notes and Bonds	61,141,416	-
Municipal Bonds	1,450,595	-
Corporate Stocks	228,930,984	-
Consolidated Fund	7,250,917	-
Prepaid expenses	2,356	-
Accrued interest receivable	646,089	-
Unsettled investment sales, net	646,905	-
Contributions	1,312,803	-
Due from other governments	726,182	-
Total assets	802,571,427	\$ 8,653,325
LIABILITIES		
Accounts payable	630,311	-
Due to other governmental units	-	8,653,325
Unsettled investment purchases, net	391,795	-
Due to other funds	616,301	-
Total liabilities	1,638,407	\$ 8,653,325
NET POSITION		
Net Position Restricted for DROP benefits	25,085,803	
Net Position Restricted for OPEB benefits	7,524,723	
Restricted for pension benefits and other purposes	768,322,494	
Total net position	\$ 800,933,020	

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

CITY OF LAKE LAND, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Pension and Other Employees Benefit Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 26,720,104
Plan Members	10,877,607
On-behalf payments - State of Florida	<u>1,582,578</u>
Total contributions	<u>39,180,289</u>
Net investment income:	
Interest and dividends	14,529,572
Net increase in fair value of investments	79,071,308
Investment advisor fee	<u>(2,686,559)</u>
Net investment income	<u>90,914,321</u>
Miscellaneous income:	
Miscellaneous income	145,598
Total additions, net	<u>130,240,208</u>
DEDUCTIONS	
Benefits paid	62,577,540
Refunds, former plan members	1,152,530
Administrative expenses	431,902
Actuarial fee	118,005
Other	<u>614,077</u>
Total deductions	<u>64,894,054</u>
Net increase in restricted net position	65,346,154
NET POSITION, beginning of year	735,586,866
NET POSITION, end of year	<u>\$ 800,933,020</u>

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



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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 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. In 2016, the City Commission voted to close the Williams Community Redevelopment Area as the decision was made not to pursue the redevelopment activities for which it was designated.

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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:

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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, 2017, 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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Receivables (continued)

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

	Governmental Activities	Business-Type Activities
Unrestricted:		
Due from:		
Taxpayers	\$ 629,330	\$ -
Customers	23,874,740	51,325,920
Employees	5,592	-
	<u>24,509,662</u>	<u>51,325,920</u>
Apportioned:		
Due from:		
Customers	297,474	900,902
Restricted:		
Due from:		
Customers	974,066	276,384
	<u>\$ 25,781,202</u>	<u>\$ 52,503,206</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".

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Apportioned and Restricted Assets (continued)

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

	Governmental Activities	Business-Type Activities
Debt service	\$ 1,932,441	\$ -
Capital improvements	-	25,514,597
Transportation	5,118,188	-
Customer deposits	182,433	18,164,948
Law enforcement	877,273	-
CRA	11,738,346	-
Grant Programs - Community development	1,340,939	-
Endowments - nonspendable	5,190,730	-
Donations received	741,597	-
Impact fees	13,274,282	-
	<u>\$ 40,396,229</u>	<u>\$ 43,679,545</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.

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

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.

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, which is materially consistent with the effective interest 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.

	Governmental Activities	Business-Type Activities
Unearned Revenue	\$ 22,489	\$ 25,769

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.

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2017 are as follows:

Deferred outflows of resources:	
Unamortized loss on refunding of debt, beginning balance	\$ 37,794,788
Amortization	<u>(4,142,444)</u>
Unamortized (gain) loss on refunding of debt, ending balance	33,652,344
Decrease in fair value of interest rate swaps	26,073,175
Deferred outflows of resources related to pensions	<u>53,956,304</u>
Total deferred outflows of resources	<u>\$ 113,681,823</u>
Deferred inflows of resources:	
Contributions in aid of construction	\$ 44,979,842
Fuel reserve balance	18,001,167
Unrealized gain on hedges	929,482
Deferred inflows of resources related to pensions	4,090,260
Unearned revenue	<u>48,258</u>
Total deferred inflows of resources	<u>\$ 68,049,009</u>

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 (continued)

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 \$1,967,220 to the cost of fuel during the fiscal year ended September 30, 2017, 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 \$929,482 includes mark-to-market of the swaps and both intrinsic and extrinsic mark-to-market of the options.

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 2017, Lakeland Electric had the following options, swaps and physical contracts outstanding in the following amounts, covered fiscal year 2017 and beyond:

<u>Fiscal Year</u>	<u>Options</u>	<u>Swaps</u>	<u>Market Value</u>
2018	\$ 10,660,000	\$ 4,730,000	\$ (818,540)
2019	2,800,000	2,200,000	(89,237)
2020	1,400,000	1,400,000	(21,705)
	<u>\$ 14,860,000</u>	<u>\$ 8,330,000</u>	<u>\$ (929,482)</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 (continued)

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, 2017 was as follows:

Derivatives	
Interest rate swaps	\$ (26,073,175)
Prepaid fuel	3,257,517
Fuel hedge	929,482
	<u>\$ (21,886,176)</u>

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.

	September 30,
	2017
Beginning Balance	\$ 1,287,642
Additions	177,755
Less	
Amortization	(262,481)
Ending Balance	<u>\$ 1,202,916</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 (continued)

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.

	September 30 2017
<u>Environmental compliance charge recovery:</u>	
Beginning regulatory liability	\$ (465,174)
Charges recovered through rates	7,612,688
Less environmental compliance expenses	6,742,321
Ending regulatory liability balance	<u>\$ (1,335,541)</u>

	September 30 2017
<u>Energy conservation charge recovery:</u>	
Beginning regulatory liability balance	\$ (258,929)
Charges recovered through rates	719,429
Less environmental compliance expenses	679,503
Ending regulatory liability balance	<u>\$ (298,855)</u>

Fuel charges

As of September 30, 2017, 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 in 2015, is classified as a regulatory liability, calculated as follows:

	September 30 2017
Fuel reserve balance	\$ 18,001,167
Cumulative over-recovery of fuel charges	21,954,865
Ending fuel reserve balance	<u>\$ (3,953,698)</u>

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues, Expenditures, and Expenses (continued)

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 RP Funding Center Fund. The debt of the RP Funding 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, 2017 was 5.5644 mills. Current tax collections for the City were approximately 99.55% 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, 2017 is as follows:

Lien date	January 1, 2016
Levy date	January 1, 2016
Certificate of Taxable Value (DR-420)	July 25, 2016
Final public hearing to adopted proposed millage rate	September 15, 2016
Certificate of Final Taxable Value (DR-422)	October 8, 2016
Beginning of fiscal year for tax assessment	October 1, 2016
Due Dates	November 1, 2016 through March 31, 2017
Delinquent date	April 1, 2017
Tax certificate sale	On or before June 1, 2017

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.

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 table illustrating investment holdings by the fair value hierarchy can be found in Note 3 – Cash, Cash Equivalents And Investments.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

New Accounting Pronouncements

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. The new note disclosure and required supplementary information requirements about Other Post Employment Benefits (OPEB) are addressed in the City's 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The 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). It will also improve information provided by other entities. 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 Abatements 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. This statement requires governments that enter into tax abatement agreements to disclose information regarding the agreement. Implementation of GASB 77 had no effect on the financial statements of the City.

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. Implementation of GASB 78 had no effect on the financial statements of the City.

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. Implementation of GASB 80 had no effect on the financial statements of the City.

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. The provisions of 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 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. The new disclosures were added to Note 13 - Defined Benefit Pension Plans.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 2 – ACCOUNTING AND REPORTING CHANGES (continued)

New Accounting Pronouncements (continued)

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.

In March, 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPES)). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In May, 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt prior to its maturity. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for defeased debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management has not determined what impact, if any, this GASB statement might have on its financial statements.

In June, 2017, the GASB issued Statement No. 87 *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. 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, 2017 is as follows:

	<u>Primary Government</u>
Demand Deposits	\$ 38,371,264
Cash with Paying Agents	45,206,690
Cash on Hand	20,763
Total Deposits	<u>\$ 83,598,717</u>
Balance per bank	<u>\$ 41,406,984</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

SEPTEMBER 30, 2017

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, 2017, \$41,406,984 and \$45,206,690 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	\$ 619,276
Collateralized:	
Collateral held by the pledging financial institutions not in the City's name:	
Banking institutions	40,787,708
Cash with paying agents	45,206,690
Total Deposits	<u>\$ 86,613,674</u>

B. 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

SEPTEMBER 30, 2017

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

B. 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	\$ 755,333	\$ 755,333	\$ -	\$ -
US Treasury Bonds	11,018,431	8,819,388	2,199,043	-
US Government Back Bonds	1,823,098	-	1,823,098	-
Fed Farm Credit Bank	40,114,837	-	40,114,837	-
Fed Home Loan Bank	1,114,752	-	1,114,752	-
Fed Home Loan Mortgage Corp.	45,296,219	-	45,296,219	-
Fed National Mortgage Assoc.	70,296,706	-	70,296,706	-
Fed Agency Mortgage Backed Securities	42,410,926	-	42,410,926	-
Corporate Bonds	153,630,690	-	139,286,484	14,344,206
Corporate Mortgage Backed Securities	51,750,473	-	49,768,769	1,981,704
Foreign Corporate Bonds	19,596,249	-	19,596,249	-
Municipal Bonds	42,480,230	-	42,480,230	-
Corporate Stocks	224,798,022	222,781,527	2,016,495	-
Foreign Corporate Stocks	12,825,068	2,258,876	10,566,192	-
Accrued Interest Receivable	3,388,237	3,388,237	-	-
State Board of Admin LGIP	8	-	8	-
Money Market Account	10,143,870	10,143,870	-	-
Exchange Traded Funds	1,882,049	1,882,049	-	-
Foreign Exchange Traded Funds	809,157	809,157	-	-
Mutual Funds	285,317,264	125,390,109	69,182,150	90,745,005
Foreign Mutual Funds	170,311,242	61,057,190	73,475,008	35,779,044
Total Investments:	\$ 1,189,762,861	\$ 437,285,736	\$ 609,627,166	\$ 142,849,959

C. 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, 2017, 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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. Cash Equivalents and Investments (continued)

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.

The following investments and maturities, held by the various funds of the City as of September 30, 2017, 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	\$ 755,333	\$ -	\$ 399,014	\$ 356,319	\$ -
US Treasury Bonds	11,018,431	-	1,096,497	1,102,545	8,819,389
US Government Back Bonds	1,823,098	-	-	928,051	895,047
Fed Farm Credit Bank	40,114,837	5,030,928	7,105,540	5,298,550	22,679,819
Fed Home Loan Bank	1,114,752	1,114,752	-	-	-
Fed Home Loan Mortgage Corp.	45,296,219	579,745	3,469,683	1,171,670	40,075,121
Fed National Mortgage Assoc.	70,296,706	-	565,895	771,428	68,959,383
Fed Agency Mortgage Backed Securities	42,410,926	-	655,313	9,849,464	31,906,149
Corporate Bonds	153,630,690	1,997,537	46,582,519	23,173,873	81,876,761
Corporate Mortgage Backed Securities	51,750,473	-	-	2,314,374	49,436,099
Foreign Corporate Bonds	19,596,249	-	6,503,657	5,837,267	7,255,325
Municipal Bonds	42,480,230	97,750	15,657,839	9,483,984	17,240,657
Corporate Stocks	224,798,022	224,798,022	-	-	-
Foreign Corporate Stocks	12,825,068	12,825,068	-	-	-
Sub-total	717,911,034	246,443,802	82,035,957	60,287,525	329,143,750

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, 2017, 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
Accrued Interest Receivable (1)	\$ 3,388,237	\$ 3,388,237	\$ -	\$ -	\$ -
State Board of Admin. LGIP (2)	8	8	-	-	-
Money Market Account (2)	10,143,870	10,143,870	-	-	-
Exchange Traded Funds (2)	1,882,049	1,882,049	-	-	-
Foreign Exchange Traded Funds (2)	809,157	809,157	-	-	-
Mutual Funds (2)	285,317,264	285,317,264	-	-	-
Foreign Mutual Funds (2)	170,311,242	170,311,242	-	-	-
Sub-total	471,851,827	471,851,827	-	-	-
Total Investments:	\$ 1,189,762,861	\$ 718,295,629	\$ 82,035,957	\$ 60,287,525	\$ 329,143,750

- (1) 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.
- (2) The rate of return on the money market funds, exchange traded 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.

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, 2017, the City of Lakeland held \$10,143,870 in Money Market Funds and \$455,627,876 in Mutual Funds. 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 to 10% of total investments in each.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. 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, 2017, 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%	11.4%
1-3 years	75%	4.7%
3-5 years	50%	6.0%
5-10 years*	25%	9.9%
10 + years*	0%	68.0%

* 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.

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.

The Pooled Investment Fund held \$18,968,001 (4.9%) 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, 2017 the funds foreign investment holdings where as follows:

Foreign Investments:

Corporate Bonds:	Market Value	\$ Denomination	Maturity
AIR CANADA 2013-1B PTT 144A PRIV PLCMT	\$ 3,832,150	USD	5/15/2021
CREDIT SUISSE AG MED TERM NOTE	1,890,000	USD	5/29/2030
DORIC NIMROD AIR 2013-1 144A PRIV PLCMT	943,100	USD	11/30/2019
EMBRAER NETHERLANDS BV	1,326,562	USD	6/15/2025
ENSCO PLC	1,680,000	USD	3/15/2025
ISRAEL ELECTRIC CORP LTD 144A PRIV PLCMT	1,176,140	USD	6/21/2023
TRANSCANADA TRUST	5,365,325	USD	8/15/2076
BRASKEM FINANCE LTD SER REGS	1,076,250	USD	4/15/2021
ODBRCHT OFFSHRE DRLL FIN	886,850	USD	10/1/2022
ODBRCHT OFFSHRE DRLL FIN	452,844	USD	10/1/2022
SCHAHIN II FINAN CO SPV	338,780	USD	9/25/2022
Total Corporate Bonds:	18,968,001		
Total Foreign Investments	\$ 18,968,001		

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. Cash Equivalents and Investments (continued)

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 \$1,078,100 (0.3%) in fixed income investments and \$2,100,588 (0.6%) in equity investments of foreign issuers or non-US companies. The investment policy for this fund 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, 2017, the fund holdings where as follows:

Foreign Investments:

Mutual Funds:

	Market Value	\$ Denomination	Maturity
EATON VANCE MUT FDS TR GLO MACABSRE I	\$ 112,807	USD	N/A
FIDELITY ADVISOR SER VIII EMERGING INSTL	540,568	USD	N/A
JOHN HANCOCK FDS II CRNCY STRG I	92,373	USD	N/A
BLACKROCK FDS II GB L/SCR INSTL	72,250	USD	N/A
TEMPLETON INCOME TR GLB BD ADVSOR	260,102	USD	N/A
Total Mutual Funds	<u>1,078,100</u>		

Corporate Stocks:

	Market Value	\$ Denomination	Maturity
ACCENTURE PLC	\$ 27,554	USD	N/A
ALLIANCE GLOBAL GROUP	8,868	USD	N/A
ANHEUSER BUSCH INBEV SA/NV SP ADR	59,411	USD	N/A
AON PLC SHS CL A	88,098	USD	N/A
ARCH CAPITAL GROUP	16,351	USD	N/A
ASHTREAD GROUP PLC ADR	12,828	USD	N/A
ASML HOLDING NV NY REGISTRY	25,166	USD	N/A
ASSA ABLOY AB-ADR	27,065	USD	N/A
ASSOC BRITISH FOODS LTD ADR NEW	15,679	USD	N/A
AUTOHOME INC	126,408	USD	N/A
AXALTA COSTING SYSTEMS LTD	6,420	USD	N/A
BANCA MEDIOLANUM S P A ADR	9,418	USD	N/A
BB SEGURIDADE PARTICIPACOES SP ADR	17,585	USD	N/A
BHP LTD	25,169	USD	N/A
BRITISH AMERN TOB PLC ADR SP	31,163	USD	N/A
BROOKFIELD ASSET MANAGEMENT INC	80,452	USD	N/A
CANADIAN NATL RY CO COM	17,481	USD	N/A
CANADIAN PAC RY LTD COM	19,324	USD	N/A
CARLSBERG AS SP ADR	21,149	USD	N/A
CHUBB LIMITED COM	60,441	USD	N/A
COMPANHIA DE SANEAMENTO BASI SP ADR	10,345	USD	N/A
CIELO SA SP ADR	14,358	USD	N/A
COMPAGNIE FIN RIHCEMONTAG SWADR	15,012	USD	N/A
COMPASS GROUP PLC	21,184	USD	N/A
CONTINENTAL AG ADR SP	18,735	USD	N/A
CONVATEC GROUP PLC UNSP ADR	8,629	USD	N/A
CORE LABORATORIES N V ORD	19,641	USD	N/A
DIAWA HOUSE IND LTD ADR	32,369	USD	N/A
DBS GROUP HOLDINGS LTS SP ADR	16,753	USD	N/A
DEUTSCHE POST AG SP ADR	11,170	USD	N/A
FANUC LTD UNSP ADR	9,004	USD	N/A
FERGUSON PLC SP ADR	21,078	USD	N/A
ICICI BK LTD SP ADR	12,831	USD	N/A
IHS MARKIT LTD SHS	27,770	USD	N/A
INTERXION HOLDING N V SHS	8,353	USD	N/A
KAO CORP SP ADR	9,715	USD	N/A
KASIKORNBANK PUB CO LTD ADR	12,377	USD	N/A
KBC GROUP NV ADR	14,518	USD	N/A
KDDI CORP ADR	12,611	USD	N/A
KOC HLDG ADR	8,211	USD	N/A
LIBERTY GLOBAL PLC SHS CL A	10,614	USD	N/A
LIBERTY GLOBAL PLC SHS CL C	16,873	USD	N/A
MAKITA CORP ADR	28,705	USD	N/A
MEDTRONIC PLC	24,187	USD	N/A
MICHELIN UNSP ADR	18,835	USD	N/A
MR PRICE GROUP LTD SP ADR	9,532	USD	N/A

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. Cash Equivalents and Investments (continued)

Corporate Stocks (continued):	Market Value	\$ Denomination	Maturity
NESTLE S A SP ADR REG	\$ 61,999	USD	N/A
NORDEA BANK AB	16,036	USD	N/A
NOVARTIS AG SP ADR	61,383	USD	N/A
NOVO-NORDISK A S ADR	37,268	USD	N/A
PT TELEKOMUNIKASI INDONESIA ADR SP	27,886	USD	N/A
PRUDENTIAL PLC ADR	37,993	USD	N/A
RED ELECTRICA DE ESPANA SA ADR	13,515	USD	N/A
RELX PLC SP ADR	18,573	USD	N/A
RESTAURANT BRANDS INTL INC COM	44,844	USD	N/A
ROCHE HLDG LTD SP ADR	40,992	USD	N/A
ROYAL DUTCH SHELL PLC SP ADR A	24,898	USD	N/A
RYANAIR HOLDINGS PLC	12,018	USD	N/A
RYOHIN KEIKAKU CO LTD ADR	28,480	USD	N/A
SAMPO INSURANCE COMPANY LTD ADR	26,672	USD	N/A
SANLAM LTD SP ADR	12,930	USD	N/A
SAP AG ADR SP PEF	31,798	USD	N/A
SENSATA TECHNOLOGIES HLDG BV ALMELO	12,498	USD	N/A
SHIRE PHARMACEUTICALS GROUP ADR SP	27,412	USD	N/A
SONY CORP ADR	13,554	USD	N/A
STATOIL ASA	18,724	USD	N/A
SUMITOMO MISTUI FINANCIAL GROUP INC SP	22,105	USD	N/A
SUNCOR ENERGY INC	19,967	USD	N/A
TAIWAN SEMICONDUCTOR MFG CO ADR SP	38,827	USD	N/A
TELENOR ASA SP ADR	16,463	USD	N/A
TENCENT HLDGS LTD ADR	35,088	USD	N/A
TOKYO ELECTRON LTD ADR	17,137	USD	N/A
TOTAL S A SP ADR	25,957	USD	N/A
TURKCELL ILETISIM HIZMETLERI SP ADR	21,283	USD	N/A
UNILEVER PLC ADR SP	29,617	USD	N/A
VALEO ADR SP	29,069	USD	N/A
VINCI S A ADR	24,893	USD	N/A
WABCO HLDGS INC COM	68,672	USD	N/A
WHITE MOUNT INS GRP LTD BERM CO	17,997	USD	N/A
WOLTERS KLUWER N V ADR SP	24,246	USD	N/A
WORLDPAY GROUP PLC ADR	18,360	USD	N/A
YANDEX N V SHS CLS A	11,994	USD	N/A
Total Corporate Stocks:	<u>2,100,588</u>		
Total Foreign Investments	<u>\$ 3,178,688</u>		

The Public Improvement Endowment Fund held \$158,288 (4.5%) in equities and \$809,157 (22.8%) in exchange traded funds of foreign issuers or non-US companies as follows as of September 30, 2017.

Foreign Investments:			
Corporate Stocks:	Market Value	\$ Denomination	Maturity
AGRIUM INC COM	\$ 16,189	USD	N/A
CHECK POINT SOFTWARE TECH LTORD	49,257	USD	N/A
DELPHI AUTOMOTIVE PLC SHS	31,881	USD	N/A
ICON PLC SHS	23,687	USD	N/A
MEDTRONIC PLC	17,498	USD	N/A
PENTAIR PLC SHS	19,776	USD	N/A
Total Corporate Stocks:	<u>158,288</u>		
Exchange Traded Funds:			
ISHARES TR JPMORGAN	101,984	USD	N/A
VANGUARD STOCK INDEX FD PACIFIC VIPERS	65,267	USD	N/A
VANGUARD MSCI EAFE ETF	271,530	USD	N/A
VANGUARD INTL EQUITY INDEX FGLB EX US ETF	78,718	USD	N/A
VANGUARD MSCI EMERGING MARKETS ETF	291,658	USD	N/A
Total Exchange Traded Funds:	<u>809,157</u>		
Total Foreign Investments:	<u>\$ 967,445</u>		

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. Cash Equivalents and Investments (continued)

The Employee Pension Fund held \$144,133,424 (25.0%) 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, 2017, the Employee Pension Fund holdings were as follows:

Foreign Investments:

Mutual Funds:

	Market Value	\$ Denomination	Maturity
CONVERGENT CAP INSTL MSTR TR LMCB EMRG MKT FD CL 1	\$ 34,946,910	USD	N/A
PIMCO DIVERSIFIED INCOME FUND INSTITUTIONAL CL 106	15,050,715	USD	N/A
TEMPLETON GLOBAL TOTAL RETURN FUND CL R6	14,630,321	USD	N/A
TS&W INTERNATIONAL LARGE CAP TRUST	33,160,242	USD	N/A
WCM FOCUSED INTERNATIONAL GROWTH FUND LP	35,779,044	USD	N/A
Total Mutual Funds:	<u>133,567,232</u>		

Corporate Stocks:

COCA-COLA EUROPEAN PARTNERS PLC	876,600	USD	N/A
AON PLC	4,101,173	USD	N/A
LIBERT GLOBAL PLC	3,408,910	USD	N/A
LIBERTY LILAC GROUP	424,479	USD	N/A
ARRIS INTERNATIONAL PLC	115,954	USD	N/A
CHIPMOS TECHNOLOGIES INC	116,268	USD	N/A
CONSTELLIUM NV	118,982	USD	N/A
FABRINET	130,229	USD	N/A
GENER8 MARITIME INC	67,582	USD	N/A
GOLAR LNG LTD	107,782	USD	N/A
ICHOR HOLDINGS LTD	187,788	USD	N/A
KORNIT DIGITAL LTD	93,070	USD	N/A
LIVANOVA PLC	189,793	USD	N/A
MAIDEN HOLDINGS LTD SHS	90,042	USD	N/A
NABORS INDUSTRIES LTD SHS	80,353	USD	N/A
NOVA MEASURING INSTRUMENTS	84,948	USD	N/A
TECHNOGLASS INC	39,330	USD	N/A
THE BANK OF N T BUTTERFIELD & SON LTD	147,146	USD	N/A
TRINITY BIOTECH PLC SP ADR	11,248	USD	N/A
TRONOX INC	106,534	USD	N/A
VENATOR MATERIALS PLC	67,981	USD	N/A
Total Corporate Stocks:	<u>10,566,192</u>		

Total Foreign Investments:

\$ 144,133,424

The City of Lakeland Firefighters' Retirement System held \$13,886,583 (14.9%) 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, 2017, the fund held the following investments in foreign securities:

Foreign Investments:

Mutual Funds:

	Market Value	\$ Denomination	Maturity
INTERNATIONAL FIXED INCOME - EB	\$ 4,289,756	USD	N/A
AMERICAN EUROPACIFIC GROWTH FUND	4,775,645	USD	N/A
LITMAN GREGORY MASTERS	4,821,182	USD	N/A
Total Mutual Funds	<u>13,886,583</u>		

Total Foreign Investments

\$ 13,886,583

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. Cash Equivalents and Investments (continued)

The Municipal Police Officers' Pension Plan held \$22,407,575 (18.8%) 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, 2017, the fund held the following foreign investments:

Foreign Investments:			
Mutual Funds:			
AMERICAN FUNDS EUROPACIFIC GROWTH FD CL R6	Market Value	\$ Denomination	Maturity
	\$ 8,670,030	USD	N/A
TEMPLETON GLOBAL TOTAL RETURN R6	4,515,212	USD	N/A
VANGUARD TOTAL INTL STOCK INDEX FD INSTL CL	8,594,085	USD	N/A
Total Mutual Funds	<u>21,779,327</u>		
Corporate Bonds:			
BP CAPITAL MARKETS PLC BPLAN	21,331	USD	9/26/2023
BP CAPITAL MARKETS PLC	73,726	USD	2/10/2024
CANADIAN NATL RESOURCES CNQCN	9,941	USD	1/15/2023
KINGDOM OF JORDAN AID	209,872	USD	6/30/2025
AID-IRAQ 2	200,588	USD	1/18/2022
MITSUBISHI UFJ FIN GRP MUFG	19,976	USD	7/25/2022
SHIRE ACQ INV IRELAND DA SHPLN	39,860	USD	9/23/2021
TEVA PHARMACEUTICALS NE	52,954	USD	7/21/2021
Total Corporate Bonds	<u>628,248</u>		
Total Foreign Investments	<u>\$ 22,407,575</u>		

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 investment policy requires the following Standard & Poor's (S&P) or Moody's unsecured 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:

<u>Investment Class</u>	<u>S & P Rating</u>	<u>Moody's Rating</u>	<u>Maximum %</u>
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	
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, 2017, the City of Lakeland, Consolidated Investment Fund, Public Improvement Endowment Fund, Employee Pension Fund, Firefighters' Retirement System, and Municipal Police Officers' Pension Fund investment types had the following credit quality ratings and aggregate S&P and Moody's unsecured credit quality ratings:

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. Cash Equivalents and Investments (continued)

S&P Rating	US Government Agency		Corporate Bonds		Money Market Funds		Foreign Securities		Municipal Bonds		Aggregate Securities	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	Percent	Fair Value	%
City of Lakeland												
AAA	\$ -	0.0%	\$ -	0.0%	\$ 1,536,784	100.0%	\$ -	0.0%	\$ -	0.0%	\$ 1,536,784	0.4%
AA+ to AA-	105,191,057	65.5%	9,063,623	5.8%	-	0.0%	-	0.0%	9,664,515	23.5%	123,919,195	32.8%
A+ to A-	-	0.0%	14,080,931	9.0%	-	0.0%	1,890,000	10.0%	4,141,909	10.1%	20,112,840	5.3%
BBB+ to BBB-	14,603,019	9.1%	83,137,468	53.3%	-	0.0%	12,776,427	67.3%	10,701,474	26.1%	121,218,388	32.1%
BB+ to BB-	3,303,750	2.1%	3,060,010	2.0%	-	0.0%	1,680,000	8.8%	3,274,707	8.0%	11,318,467	3.0%
Below BB-	4,900,000	3.1%	1,184,196	0.8%	-	0.0%	1,339,694	7.1%	6,340,512	15.5%	13,764,402	3.7%
NR	32,392,809	20.2%	45,292,039	29.1%	-	0.0%	1,281,880	6.8%	6,906,518	16.8%	85,873,246	22.7%
	<u>160,390,635</u>	<u>100.0%</u>	<u>155,818,267</u>	<u>100.0%</u>	<u>1,536,784</u>	<u>100.0%</u>	<u>18,968,001</u>	<u>100.0%</u>	<u>41,029,635</u>	<u>100.0%</u>	<u>377,743,322</u>	<u>100.0%</u>
Consolidated Investment Fund												
AAA	-	0.0%	-	0.0%	410,606	100.0%	-	0.0%	-	0.0%	410,606	27.2%
AA+ to AA-	230,549	29.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	230,549	15.3%
A+ to A-	-	0.0%	172,885	56.9%	-	0.0%	-	0.0%	-	0.0%	172,885	11.5%
BBB+ to BBB-	-	0.0%	130,905	43.1%	-	0.0%	-	0.0%	-	0.0%	130,905	8.7%
NR	561,693	70.9%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	561,693	37.3%
	<u>792,242</u>	<u>100.0%</u>	<u>303,790</u>	<u>100.0%</u>	<u>410,606</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>1,506,638</u>	<u>100.0%</u>
Public Improvement Endowment Fund												
AAA	-	0.0%	30,869	14.1%	-	0.0%	-	0.0%	-	0.0%	30,869	5.3%
AA+ to AA-	-	0.0%	31,363	14.4%	-	0.0%	-	0.0%	-	0.0%	31,363	5.4%
A+ to A-	-	0.0%	95,813	43.9%	-	0.0%	-	0.0%	-	0.0%	95,813	16.4%
BBB+ to BBB-	-	0.0%	28,767	13.2%	-	0.0%	-	0.0%	-	0.0%	28,767	4.9%
NR	366,207	100.0%	31,441	14.4%	-	0.0%	-	0.0%	-	0.0%	397,648	68.0%
	<u>366,207</u>	<u>100.0%</u>	<u>218,253</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>584,460</u>	<u>100.0%</u>
Employee Pension Fund												
AAA	-	0.0%	-	0.0%	7,286,598	100.0%	-	0.0%	-	0.0%	7,286,598	8.6%
AA+ to AA-	11,284,330	29.8%	7,043,071	18.0%	-	0.0%	-	0.0%	-	0.0%	18,327,401	21.7%
A+ to A-	-	0.0%	15,745,166	40.2%	-	0.0%	-	0.0%	-	0.0%	15,745,166	18.7%
BBB+ to BBB-	-	0.0%	16,364,125	41.8%	-	0.0%	-	0.0%	-	0.0%	16,364,125	19.4%
NR	26,607,531	70.2%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	26,607,531	31.6%
	<u>37,891,861</u>	<u>100.0%</u>	<u>39,152,362</u>	<u>100.0%</u>	<u>7,286,598</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>84,330,821</u>	<u>100.0%</u>
Firefighters' Retirement System												
AAA	-	0.0%	-	0.0%	356,228	100.0%	-	0.0%	-	0.0%	356,228	100.0%
	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>356,228</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>356,228</u>	<u>100.0%</u>
Municipal Police Officers' Pension Fund												
AAA	-	0.0%	1,990,440	20.1%	898,102	100.0%	-	0.0%	521,835	36.0%	3,410,377	13.0%
AA+ to AA-	13,389,357	100.0%	859,285	8.7%	-	0.0%	-	0.0%	784,722	54.0%	15,033,364	57.2%
A+ to A-	-	0.0%	2,914,964	29.5%	-	0.0%	115,033	18.3%	15,583	1.1%	3,045,580	11.6%
BBB+ to BBB-	-	0.0%	2,230,520	22.60%	-	0.0%	102,756	16.4%	-	0.0%	2,333,276	8.9%
NR	-	0.0%	1,893,841	19.1%	-	0.0%	410,459	65.3%	128,455	8.9%	2,432,755	9.3%
	<u>13,389,357</u>	<u>100.0%</u>	<u>9,889,050</u>	<u>100.0%</u>	<u>898,102</u>	<u>100.0%</u>	<u>628,248</u>	<u>100.0%</u>	<u>1,450,595</u>	<u>100.0%</u>	<u>26,255,352</u>	<u>100.0%</u>
Total:	<u>\$ 212,830,302</u>		<u>\$ 205,381,722</u>		<u>\$ 10,488,318</u>		<u>\$ 19,596,249</u>		<u>\$ 42,480,230</u>		<u>\$ 490,776,821</u>	

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. Cash Equivalents and Investments (continued)

Moody's Rating	US Government Agency		Corporate Bonds		Money Market Funds		Foreign Securities		Municipal Bonds		Aggregate Securities	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	Percent	Fair Value	%
City of Lakeland												
Aaa	\$ 105,191,057	65.6%	\$ -	0.0%	\$ 1,536,784	100.0%	\$ -	0.0%	\$ -	0.0%	\$ 106,727,841	28.2%
Aa1 to Aa3	-	0.0%	1,681,492	1.1%	-	0.0%	-	0.0%	2,368,501	5.8%	4,049,993	1.1%
A1 to A3	-	0.0%	21,142,133	13.6%	-	0.0%	1,890,000	10.0%	10,761,524	26.2%	33,793,657	9.0%
Baa1 to Baa3	15,914,701	9.9%	62,834,846	40.2%	-	0.0%	11,316,714	59.6%	11,698,776	28.5%	101,765,037	26.9%
Ba1 to Ba3	-	0.0%	9,587,510	6.2%	-	0.0%	2,402,813	12.7%	1,144,780	2.8%	13,135,103	3.5%
Below Ba3	4,900,000	3.1%	6,012,918	3.9%	-	0.0%	3,019,694	15.9%	5,802,415	14.1%	19,735,027	5.2%
NR	34,384,877	21.4%	54,559,368	35.0%	-	0.0%	338,780	1.8%	9,253,639	22.6%	98,536,664	26.1%
	<u>160,390,635</u>	<u>100.0%</u>	<u>155,818,267</u>	<u>100.0%</u>	<u>1,536,784</u>	<u>100.0%</u>	<u>18,968,001</u>	<u>100.0%</u>	<u>41,029,635</u>	<u>100.0%</u>	<u>377,743,322</u>	<u>100.0%</u>
Consolidated Investment Fund												
Aaa	690,948	87.2%	-	0.0%	410,606	100.0%	-	0.0%	-	0.0%	1,101,554	73.1%
Aa1 to Aa3	-	0.0%	260,742	85.8%	-	0.0%	-	0.0%	-	0.0%	260,742	17.3%
A1 to A3	-	0.0%	43,048	14.2%	-	0.0%	-	0.0%	-	0.0%	43,048	2.9%
Baa1 to Baa3	101,294	12.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	101,294	6.7%
	<u>792,242</u>	<u>100.0%</u>	<u>303,790</u>	<u>100.0%</u>	<u>410,606</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>1,506,638</u>	<u>100.0%</u>
Public Improvement Endowment Fund												
Aaa	366,207	100.0%	30,869	14.1%	-	0.0%	-	0.0%	-	0.0%	397,076	67.9%
Aa1 to Aa3	-	0.0%	31,363	14.4%	-	0.0%	-	0.0%	-	0.0%	31,363	5.4%
A1 to A3	-	0.0%	127,254	58.3%	-	0.0%	-	0.0%	-	0.0%	127,254	21.8%
Baa1 to Baa3	-	0.0%	28,767	13.2%	-	0.0%	-	0.0%	-	0.0%	28,767	4.9%
	<u>366,207</u>	<u>100.0%</u>	<u>218,253</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>584,460</u>	<u>100.0%</u>
Employee Pension Fund												
Aaa	20,370,997	53.8%	-	0.0%	7,286,598	100.0%	-	0.0%	-	0.0%	27,657,595	32.8%
Aa1 to Aa3	-	0.0%	3,366,991	8.6%	-	0.0%	-	0.0%	-	0.0%	3,366,991	4.0%
A1 to A3	-	0.0%	21,474,791	54.8%	-	0.0%	-	0.0%	-	0.0%	21,474,791	25.4%
Baa1 to Baa3	-	0.0%	14,310,580	36.6%	-	0.0%	-	0.0%	-	0.0%	14,310,580	17.0%
NR	17,520,864	46.2%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	17,520,864	20.8%
	<u>37,891,861</u>	<u>100.0%</u>	<u>39,152,362</u>	<u>100.0%</u>	<u>7,286,598</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>84,330,821</u>	<u>100.0%</u>
Firefighters' Retirement System												
Aaa	-	0.0%	-	0.0%	356,228	100.0%	-	0.0%	-	0.0%	356,228	100.0%
	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>356,228</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>356,228</u>	<u>100.0%</u>
Municipal Police Officers' Pension Fund												
Aaa	13,389,357	100.0%	2,290,935	23.2%	898,102	100.0%	-	0.0%	458,273	31.6%	17,036,667	64.9%
Aa1 to Aa3	-	0.0%	960,965	9.7%	-	0.0%	-	0.0%	807,588	55.6%	1,768,553	6.7%
A1 to A3	-	0.0%	2,773,736	28.0%	-	0.0%	115,033	18.3%	15,583	1.1%	2,904,352	11.1%
Baa1 to Baa3	-	0.0%	2,137,440	21.6%	-	0.0%	102,756	16.4%	-	0.0%	2,240,196	8.5%
Ba1 to Ba3	-	0.0%	95,447	1.0%	-	0.0%	-	0.0%	-	0.0%	95,447	0.4%
NR	-	0.0%	1,630,527	16.5%	-	0.0%	410,459	65.3%	169,151	11.7%	2,210,137	8.4%
	<u>13,389,357</u>	<u>100.0%</u>	<u>9,889,050</u>	<u>100.0%</u>	<u>898,102</u>	<u>100.0%</u>	<u>628,248</u>	<u>100.0%</u>	<u>1,450,595</u>	<u>100.0%</u>	<u>26,255,352</u>	<u>100.0%</u>
Total:	<u>\$ 212,830,302</u>		<u>\$ 205,381,722</u>		<u>\$ 10,488,318</u>		<u>\$ 19,596,249</u>		<u>\$ 42,480,230</u>		<u>\$ 490,776,821</u>	

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. Cash Equivalents and Investments (continued)

Concentration of Credit Risk The City of Lakeland limits investments to avoid overconcentration 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, 2017 are as follows:

<u>Type of Security (Market)</u>	<u>Maximum % of Total</u>	<u>% of Total</u>
US Government Obligations	100%	0.0%
Federal Agency & instrumentality Obligations	100%	39.7%
Local Government Investment Pools	100%	0.0%
Certificates of Deposits	25%	0.0%
Collateralized Repurchase Agreements	15%	0.0%
Other Investment Pools (rated "A" or better)	10%	0.0%
Mutual Funds	0%	0.4%
High Grade Corporate Debt	15%	47.8%
Investment Grade Obligations of State and Local Govts	15%	10.7%
Money Market Mutual Funds	N/A	1.4%

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 provide 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, but the percentages are corrected in the 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.

The City of Lakeland's Consolidated Investment Fund and Public Improvement Endowment Fund are managed in 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 the US government, marketable corporate bonds and notes, GNMMAs, US agency collateralized mortgage-backed securities, debentures, hybrid securities, commercial paper, and CDs. Up to 10% of fixed income investments may consist of issuers not domiciled in the US. 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, 2017 these funds held investments in the following percentages:

<u>Asset Class (Market)</u>	<u>Maximum%</u>	<u>Minimum%</u>	<u>Actual %</u>
Consolidated Investment Fund			
Domestic Equity:			
Large Cap Equity	50%	30%	40.0%
Small Cap Equity	15%	7%	15.0%
International Equity	30%	15%	13.3%
Total Equity	75%	50%	68.3%
Total Fixed Income (Incl. Cash)	35%	25%	31.7%
Public Improvement Endowment Fund			
Domestic Equity:			
Large Cap Equity	50%	30%	33.3%
Small Cap Equity	15%	7%	11.0%
International Equity	30%	15%	23.8%
Total Equity	75%	50%	68.1%
Total Fixed Income (Incl. Cash)	35%	25%	31.9%

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. Cash Equivalents and Investments (continued)

The City of Lakeland's Employee Pension Fund, Firefighters' Retirement System, and Municipal Police Officers' Retirement Fund are each managed by their respective Pension Board of Trustees (Board). The Boards employ investment professionals to oversee and invest the assets of their respective funds. Assets are diversified to minimize overall portfolio risk consistent with the level of expected return to improve the long-term return potential of assets. If at the end of any calendar quarter the allocation of an asset class falls outside its allowable range (barring extenuating circumstances) the asset allocation is rebalanced into the allowable range. As of September 30, 2017 no single company's fixed securities or common stock represented more than 3% and 5% respectively of the market value of assets in any fund. The investment allocation limits and actual percentages for these funds as of September 30, 2017 are as follows:

<u>Asset Class (Market)</u>	<u>Maximum%</u>	<u>Minimum%</u>	<u>Actual %</u>
Employee Pension Fund			
Domestic Equities	50%	35%	43.6%
International Equities	20%	10%	18.0%
Aggregate Fixed Income	40%	10%	19.0%
International Fixed	10%	0%	5.1%
Real Estate	15%	0%	10.8%
Alternative	15%	0%	3.5%
Firefighters' Retirement System			
Domestic Equities	60%	30%	45.5%
International Equities	25%	5%	10.3%
US Core Fixed Income	30%	20%	24.7%
High Yield Fixed Income	10%	0%	0.0%
International Fixed	10%	0%	4.6%
REITs	8%	0%	5.5%
Real Return Alternatives	25%	0%	9.4%
Municipal Police Officers' Retirement Fund			
Domestic Opportunities Value (1)	25%	15%	44.7%
Domestic Opportunities Growth	25%	15%	0.0%
Domestic Core	15%	0%	0.0%
International	20%	5%	14.5%
Fixed Income	30%	20%	21.7%
TIPS	8%	0%	0.0%
Global Fixed Income	8%	0%	3.8%
Real Return	15.0%	5%	9.1%
Real Estate	7.5%	0%	6.2%
Alternative	7.5%	0%	0.0%

- (1) Vanguard Total Stock Market Index Institutional Class is split between large, mid, and small cap equity diversified across growth and value styles.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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

C. Cash Equivalents and Investments (continued)

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Pension and Employee Benefit Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Current:					
<u>Unrestricted</u>					
Cash and cash equivalents	\$ 35,676,498	\$ 112,440,904	\$ -	\$ -	\$ 148,117,402
<u>Asset Apportionments</u>					
Cash and cash equivalents	379,131	23,643,684	-	-	24,022,815
Cash with paying agent	5,987,474	39,219,216	-	-	45,206,690
<u>Restricted assets</u>					
Cash and cash equivalents	1,883,063	2,760,117	-	-	4,643,180
Non-current:					
<u>Asset Apportionments</u>					
Cash and cash equivalents	5,120,348	157,862,342	-	-	162,982,690
Investments	3,543,123	-	-	-	3,543,123
<u>Restricted assets</u>					
Cash and cash equivalents	31,835,659	40,221,365	9,148,522	8,653,325	89,858,871
Investments	5,089,482	-	790,088,570	-	795,178,052
	<u>\$ 89,514,778</u>	<u>\$ 376,147,628</u>	<u>\$ 799,237,092</u>	<u>\$ 8,653,325</u>	<u>\$ 1,273,552,823</u>
<u>Totals - all classifications</u>					
Cash and cash equivalents	\$ 74,894,699	\$ 336,928,412	\$ 9,148,522	\$ 8,653,325	\$ 429,624,958
Cash with paying agents	5,987,474	39,219,216	-	-	45,206,690
Investments	8,632,605	-	790,088,570	-	798,721,175
	<u>\$ 89,514,778</u>	<u>\$ 376,147,628</u>	<u>\$ 799,237,092</u>	<u>\$ 8,653,325</u>	<u>\$ 1,273,552,823</u>
<u>Totals - note disclosures</u>					
Total investments					\$ 1,189,762,861
Investments in transit - Pooled Investments					191,245
Total deposits					83,598,717
					<u>\$ 1,273,552,823</u>

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 4 –CAPITAL ASSETS

A. Capital Activity

Capital assets of the City as of September 30, 2017, consisted of the following:

	Balance September 30,2016	Additions	Deletions	Balance September 30,2017
Governmental Activities				
Non-depreciable assets				
Land	\$ 56,163,027	\$ 1,528,523	\$ 15,781	\$ 57,675,769
Construction in process	39,303,787	3,344,623	33,035,911	9,612,499
Depreciable assets				
Buildings	128,667,593	56,454,241	1,407,194	183,714,640
Improvements, other than buildings	60,460,023	4,636,681	1,035,442	64,061,262
Infrastructure	146,208,535	5,320,719	-	151,529,254
Equipment	36,796,956	3,388,163	422,873	39,762,246
	<u>467,599,921</u>	<u>74,672,950</u>	<u>35,917,201</u>	<u>506,355,670</u>
Less accumulated depreciation				
Buildings	76,417,111	4,574,425	550,630	80,440,906
Improvements, other than buildings	31,514,342	3,347,949	461,154	34,401,137
Infrastructure	51,747,024	6,131,947	-	57,878,971
Equipment	30,088,932	2,322,594	417,285	31,994,241
	<u>189,767,409</u>	<u>16,376,915</u>	<u>1,429,069</u>	<u>204,715,255</u>
Net capital assets	<u>\$ 277,832,512</u>	<u>\$ 58,296,035</u>	<u>\$ 34,488,132</u>	<u>\$ 301,640,415</u>
Business-type Activities				
Non-depreciable assets:				
Land	\$ 48,113,538	\$ 44,697	\$ 828,311	\$ 47,329,924
Construction in process	26,688,711	48,313,853	31,339,844	43,662,720
Depreciable assets:				
Buildings	143,822,074	23,861,630	2,210,816	165,472,888
Improvements	79,013,504	9,075,205	2,887,601	85,201,108
Machinery and equipment	128,736,263	9,512,915	11,098,366	127,150,812
Electric transmission and distribution	522,112,988	16,119,929	1,433,062	536,799,855
Water transmission and distribution	150,317,541	4,517,105	5,240	154,829,406
Pumping stations	31,649,687	1,663,057	-	33,312,744
Sewer lines	92,777,489	1,129,995	-	93,907,484
Sewer plants	74,037,828	708,038	-	74,745,866
Electric and water plant in service	797,150,345	12,281,979	6,108,668	803,323,656
	<u>2,094,419,968</u>	<u>127,228,403</u>	<u>55,911,908</u>	<u>2,165,736,463</u>
Less accumulated depreciation:				
Buildings	77,479,184	4,738,426	928,822	81,288,788
Improvements	38,064,128	2,669,565	1,078,868	39,654,825
Machinery and equipment	72,670,741	12,250,445	10,651,617	74,269,569
Electric transmission and distribution	198,520,280	15,323,859	147,861	213,696,278
Water transmission and distribution	47,954,409	2,880,681	5,240	50,829,850
Pumping stations	9,428,371	742,074	-	10,170,445
Sewer lines	32,542,607	2,007,940	-	34,550,547
Sewer plants	42,544,618	1,079,009	-	43,623,627
Electric and water plant in service	476,764,684	23,506,725	-	500,271,409
	<u>995,969,022</u>	<u>65,198,724</u>	<u>12,812,408</u>	<u>1,048,355,338</u>
Net capital assets	<u>\$ 1,098,450,946</u>	<u>\$ 62,029,679</u>	<u>\$ 43,099,500</u>	<u>\$ 1,117,381,125</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017, distributed to governmental and business-type functions as follows:

Governmental activities:		
General government	\$	597,566
Public safety		1,294,715
Physical environment		1,533,806
Transportation, including depreciation of general infrastructure assets		5,451,384
Economic environment		348,692
Culture/recreation		4,604,260
Transfer from Cleveland Heights Golf Course		2,546,492
Total depreciation expense - governmental activities	\$	<u>16,376,915</u>
Business-type activities:		
Electric	\$	41,321,215
Water and Wastewater		8,403,800
Parking		167,940
RP Funding Center		937,647
Lakeland Linder Regional Airport		4,455,324
Solid Waste		116,776
Internal Service Funds		9,796,022
		<u>65,198,724</u>
Contributions in aid of construction - Lakeland Electric Utilities		<u>(3,053,926)</u>
Total depreciation expense - business-type activities	\$	<u>62,144,798</u>

Cleveland Heights Golf Course Fixed Assets transferred to the General Fund on October 1, 2016 in the amount of \$7,019,033 as well as \$2,546,493 of accumulated depreciation. Because this transfer resulted in "Additions" to asset and accumulated depreciation balances related to governmental activities and "Deletions" related to said balances in business-type activities, accumulated depreciation balances do not tie to the FY2017 statement of activities.

NOTE 5 –INTERFUND BALANCES AND TRANSFERS

A. Interfund Receivables and Payables

Individual fund interfund receivables and payables at September 30, 2017 are presented in the following table.

	<u>Advances to and Due from other funds</u>		
<u>Advances from and Due to other funds</u>	General Fund	Internal Service Funds	Totals
Internal Service Funds	\$ -	\$ 10,333,573	\$ 10,333,573
Nonmajor Enterprise Funds	541,728	12,815,368	13,357,096
Nonmajor Governmental Funds	49,275	-	49,275
Fiduciary Funds	616,301	-	616,301
Totals	<u>\$ 1,207,304</u>	<u>\$ 23,148,941</u>	<u>\$ 24,356,245</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, \$18,804,822 is to be repaid over a period exceeding one year.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (Continued)

B. Interfund Transfers

Interfund transfers for the year ending September 30, 2017 are presented in the following table:

Interfund Transfers From:	Interfund Transfers To:							Total
	General Fund	Public Improvement Fund	Water & Wastewater Funds	Electric Utility Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 1,885,173	\$ -	\$ -	\$ 53,451	\$ 2,795,000	\$ 710,899	\$ 5,444,523
Public Improvement Fund	5,070,000	-	-	-	-	805,000	-	5,875,000
Nonmajor Governmental Funds	410,783	273,867	-	-	865,852	438,410	84,988	2,073,900
Department of Electric Utilities	29,223,213	-	-	-	-	-	455,605	29,678,818
Water & Wastewater Utilities Fund	8,284,863	-	-	-	-	-	347,016	8,631,879
Nonmajor Enterprise Funds	2,039,111	-	-	-	-	-	436,557	2,475,668
Internal Service Funds	1,286,000	-	593,000	1,231,000	15,000	533,000	161,445	3,819,445
Total	\$ 46,313,970	\$ 2,159,040	\$ 593,000	\$ 1,231,000	\$ 934,303	\$ 4,571,410	\$ 2,196,510	\$ 57,999,233

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. \$2,968,426 in net assets were transferred from the Cleveland Heights Golf Course into the Governmental activities. There are no other significant transfers occurring on a routine basis.

Assets and liabilities transferred on a full-accrual basis from the Cleveland Heights Golf Course Fund to Governmental activities were as follows:

Assets	\$ 4,472,540
Deferred outflows of resources	328,260
	<u>4,800,800</u>
Liabilities	1,809,953
Deferred inflows of resources	22,421
	<u>1,832,374</u>
Net Transfer	\$ 2,968,426

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, 2017. Additional details are provided on subsequent pages.

	Balance October 1, 2016	Incurred	Satisfied	Balance September 30, 2017	Amount Due within One Year
Governmental Activities:					
Notes and loans payable	\$ 1,192,854	\$ 1,505,022	\$ 512,095	\$ 2,185,781	\$ 540,003
Revenue bonds payable	68,797,265	2,371,020	11,661,691	59,506,594	5,987,474
Net pension liability	89,512,599	12,818,714	13,640,422	88,690,891	-
Net OPEB obligation	25,454,677	7,376,928	3,886,255	28,945,350	-
Compensated absences	6,490,145	220,972	74,658	6,636,459	1,519,125
Total Governmental Activities:	191,447,540	24,292,656	29,775,121	185,965,075	8,046,602
Business-type Activities:					
Notes and loans payable	31,773,174	2,248,973	2,955,659	31,066,489	2,390,003
Revenue bonds payable	509,520,735	126,879,404	121,644,066	514,756,073	30,004,491
Net pension liability	101,951,284	11,059,400	20,680,230	92,330,453	-
Net OPEB obligation	30,571,323	7,683,656	4,506,757	33,748,222	-
Compensated absences	7,841,674	118,563	315,828	7,644,409	995,990
Total Business-type Activities:	681,658,190	147,989,996	150,102,540	679,545,646	33,390,484
	\$ 873,105,730	\$ 172,282,652	\$ 179,877,661	\$ 865,510,721	\$ 41,437,086

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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.

The following amounts included in the notes and loans payable and revenue bonds payable in Governmental Activities were transferred from the Cleveland Heights Golf Course:

Notes and loans payable	\$ 452,465
Revenue bonds payable	\$ 121,020

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:

<u>Current</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Notes and loans payable	\$ 540,003	\$ 2,390,003	\$ 2,930,006
Payable from apportioned assets:			
Revenue bonds payable	5,987,474	30,004,491	35,991,965
Accrued Liabilities:			
Compensated absences	1,519,125	995,990	2,515,115
 <u>Unrestricted</u>			
Notes and loans payable	1,645,778	28,676,486	30,322,264
Revenue bonds payable	53,519,120	484,751,582	538,270,702
Accrued liabilities:			
Compensated absences	5,117,334	6,648,419	11,765,753
Net pension liability	88,690,891	92,330,453	181,021,344
Net OPEB obligation	28,945,350	33,748,222	62,693,572
	<u>\$ 185,965,075</u>	<u>\$ 679,545,646</u>	<u>\$ 865,510,721</u>

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 6 – LONG-TERM LIABILITIES (continued)

B. Revenue Bonds

Revenue bonds issued and outstanding as of September 30, 2017 are as follows:

Purpose	Series	Issue Amount	Maturity Date	Interest Rates	Year-End Balances
Governmental Activities:					
Capital Improvement Refunding Note	2012A	\$ 2,616,803	10/1/2022	0.0175	\$ 2,616,803
Capital Improvement Revenue Bonds	2010A	9,956,464	10/1/2023	3.00 to 5.00	9,956,464
Capital Improvement Revenue Bonds	2010C	3,474,492	10/1/2028	5.929 to 6.029	3,474,492
Taxable Capital Improvement Refunding Revenue Note	2015	4,750,000	10/1/2020	2.00 to 5.00	4,750,000
Capital Improvement Revenue Bonds	2015	38,708,835	10/1/2036	2.00 to 5.00	38,708,835
Total Governmental Activities:					59,506,594
Business Type Activities:					
Capital Improvement Refunding Note	2012A	12,773,197	10/1/2022	0.0175	8,469,197
Capital Improvement Refunding Note	2012B	1,625,000	10/1/2017	0.0103	350,000
Capital Improvement Revenue Bonds	2010A	38,533,536	10/1/2023	3.00 to 5.00	7,748,536
Capital Improvement Revenue Bonds	2010B	10,140,000	10/1/2020	4.407	4,490,000
Capital Improvement Revenue Bonds	2010C	17,640,508	10/1/2040	5.929 to 6.029	17,640,508
Taxable Capital Improvement Refunding Revenue Note	2015	250,000	10/1/2020	2.00 to 5.00	250,000
Capital Improvement Revenue Note	2017A	16,370,569	4/1/2032	2.440	16,370,569
Capital Improvement Revenue Note	2017B	15,879,855	4/1/2036	2.440	15,879,855
Capital Improvement Revenue Bonds	2015	15,756,165	10/1/2036	2.00 to 5.00	11,911,165
Water and Wastewater Capital Improvement Note	2015	10,600,000	10/1/2026	2.42	10,001,243
Energy System Revenue and Refunding Bonds	2016	138,650,000	10/1/2036	2.00 to 5.00	135,110,000
Energy System Revenue and Refunding Bonds	2010	199,300,000	10/1/2036	4.000 to 5.250	152,615,000
Energy System Refunding Bonds	2017	97,000,000	10/1/2037	Variable rate	97,000,000
Water and Wastewater Revenue Refunding and Improvement	2012A	37,325,000	10/1/2032	.930 to 5.000	36,920,000
Total Business Type Activities:					514,756,073
					\$ 574,262,667

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 \$57,976,790.

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 \$10,208,814 and \$129,662,329 respectively.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 \$12,050,932.

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 \$5,231,250.

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 \$73,092,664.

Capital Improvement Revenue Notes, Series 2017A and 2017B

In May, 2017, the City issued its Series 2017A and 2017B Capital Improvement Revenue Notes in the amounts of \$16,370,569 and \$15,879,855 respectively. The 2017A Notes were issued to fund improvements at the City's civic center and certain improvements at the Lakeland Linder Regional Airport. The 2017A Notes bear interest at the rate of 2.44% and mature on April 1, 2032. The 2017B Notes were issued to fund certain other improvements at the Lakeland Linder Regional Airport. The 2017B Notes bear interest at the rate of 2.10% and mature on April 1, 2026. Both the 2017A and 2017B Notes are payable from non-ad valorem revenues of the City. In addition, the 2017A Notes are payable, in part, from certain tourist development tax revenues payable to the City by Polk County.

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 \$52,137,225.

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

SEPTEMBER 30, 2017

NOTE 6 – LONG-TERM LIABILITIES (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 \$52,137,225. Principal and interest paid for the current year and total net customer revenues were \$3,293,266 and \$28,969,597 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 \$11,613,964.

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 \$221,719,388.

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.

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 \$183,154,575. 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 \$523,094,878. Principal and interest paid for the current year and total net customer revenues were \$40,704,725 and \$109,711,739 respectively.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 6 – LONG-TERM LIABILITIES (continued)

Variable Rate Energy System Refunding Bonds, Series 2017

In August 2017, the City issued the Variable Rate Energy System Refunding Bond, Series 2017 in the amount of \$97,000,000 to pay the City's outstanding Variable Rate Energy System Revenue and Refunding Bonds, Series 2012 that were scheduled to mature on October 1, 2017. Immediately prior to this 2017 refunding, the City paid down \$3,000,000 of outstanding principal on the Series 2012 Bonds. The 2017 bonds mature on October 1, 2022. The bonds bear a variable rate of interest equal to the one-month LIBOR index plus 0.52 percent. Principal payments of \$1,795,000 and \$7,000,000 are payable on April 1, 2019 and 2020, respectively. Interest payments are payable on the first business day of each month. Although the 2017 bonds bear a variable rate of interest, they 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.

As of September 30, 2017, 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, 2017 are as follows:

Lender	Issue Amount	Maturity Date	Interest Rates	Year-End Balance
Governmental Activities:				
Nally Property	\$ 455,000	1/1/2018	N/A	\$ 10,000
US Bancorp	1,280,000	2/10/2022	3.07%	562,350
Key Financial	975,000	3/21/2021	4.24%	388,851
Gradall Telescope Excavators	784,107	11/15/2023	5.75%	710,719
Santander Leasing LLC - Cues Truck	252,000	11/15/2021	2.68%	213,727
Konica Minolta Business Solutions	9,175	4/1/2020	3.27%	7,954
Canon Financial Services	7,275	11/1/2020	12.95%	6,052
PNC	756,653	9/30/2036	2.85 to 5.70%	286,128
Total Governmental Activities:				2,185,781
Business Type Activities:				
Caterpillar	1,572,285	2/5/2018	2.60%	139,046
Wastewater Revolving Loan Program	1,649,093	10/15/2035	1.69%	1,270,036
Wastewater Revolving Loan Program	42,734,405	9/30/2028	2.96%	26,817,953
Wastewater Revolving Loan Program	12,284,141	1/15/2040	0.44%	1,996,896
Wastewater Revolving Loan Program	1,000,000	11/15/2039	1.16%	252,077
US Bancorp	1,166,640	2/10/2022	3.07%	590,481
Total Business Type Activities:				31,066,489
				\$ 33,252,270

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, 2017, the City is in compliance with all covenants of these loan agreements.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 \$20,880,000 as of September 30, 2017; bonds issued to finance capital improvements at the Lakeland Regional Health having an unmatured principal balance of \$313,395,000 as of September 30, 2017; 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 \$34,670,000 as of September 30, 2017.

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, 2017 are summarized in the following table.

Year	Governmental Activities:		Business Type Activities:	
	Principal	Interest	Principal	Interest
2018	\$ 6,527,477	\$ 2,054,949	\$ 32,394,494	\$ 19,090,899
2019	4,008,735	1,868,578	34,014,506	18,355,586
2020	3,729,743	1,719,966	34,240,250	16,890,928
2021	7,940,247	1,801,943	35,651,362	15,369,642
2022	2,857,462	1,393,604	25,193,905	14,526,068
2023-2027	16,325,589	6,356,758	126,667,202	55,696,730
2028-2032	10,368,708	3,113,242	113,803,287	31,032,795
2033-2037	9,934,414	866,614	119,372,174	11,923,812
2038-2042	-	-	24,485,382	493,640
	<u>\$ 61,692,375</u>	<u>\$ 19,175,654</u>	<u>\$ 545,822,562</u>	<u>\$ 183,380,100</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 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, 2017 was (\$26,073,175).

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 FY2017 the counterparty paid the City about \$0.6 million under the agreement, reducing the City's net borrowing cost by that amount. Since inception, the counterparty has paid the City approximately \$10.7 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, 2017, 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, 2017 the swap had a fair market value of \$2,383,945.

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 August 2017, the City issued the Variable Rate Energy System Refunding Bond, Series 2017 which refunded the outstanding Series 2012 bonds, which were variable rate obligations. Concurrently, the City modified the terms of several of the outstanding variable rate hedges to bring them into closer alignment with the outstanding variable rate bonds. No termination payments were made. The existing swap agreements are summarized in the chart below:

Notional 9/30/2017	Counterparty	Start Date	Maturity Date	City Receives	City Pays	Fair Market Value 9/30/2017
24,772,000	Goldman Sachs Mitsui Marine Derivative Products, LP	3/23/2006	10/1/2017**	SIFMA	4.28%	\$ (211,725)
24,772,000	Goldman Sachs Mitsui Marine Derivative Products, LP	10/2/2017	10/1/2035	67% of 1 mo. LIBOR	3.92%	(7,814,970)
14,053,000	Citigroup Global Markets Holdings, Inc.	8/29/2017	10/1/2035	67% of 1 mo. LIBOR 74.125% of 1 mo.	3.92%	(4,393,847)
90,000,000	Citigroup Global Markets Holdings, Inc.	6/14/2001	5/1/2021	LIBOR	SIFMA	(95,112)
47,860,000	Citigroup Global Markets Holdings, Inc.	1/22/2003	10/1/2037	67% of 1 mo. LIBOR	3.74%	(15,632,105)
1,520,000	Goldman Sachs Mitsui Marine Derivative Products, LP	10/2/2017	10/1/2035	67% of 1 mo. LIBOR	3.16%	(309,361)
						<u>\$ (28,457,120)</u>

****Termination**

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 2017 variable rate bond. In return, the City will make fixed rate payments of between 3.163% and 3.92% times the notional amount of the swap agreements. These agreements fix the variable rate exposure of the 2017 bond at the fixed rates noted above (plus the fixed rate spread paid on the bond) 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 2017 Bond. 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, 2017, 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, 2017, \$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, 2017. 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, 2017 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Amount charged to expense	\$ 2,501,490	\$ 25,800,030
Add: interest expense capitalized	-	1,338,855
Total	<u>\$ 2,501,490</u>	<u>\$ 27,138,885</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, 2017 was \$5,069,213. The City has leased the operations of the Lakeland Regional Health to a private not-for-profit corporation. A new amendment was entered into in August 2015. Under the terms of this amendment, the lessee paid 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 \$13,619,256. The projected lease revenue on leases having initial or remaining terms of more than one year is as follows.

<u>Fiscal Year</u>	<u>Airport</u>	<u>LRH</u>
2018	\$ 6,311,114	\$ 13,993,786
2019	6,156,969	14,378,615
2020	6,440,987	14,774,027
2021	6,913,044	15,180,313
2022	6,637,836	15,597,772
Thereafter	32,565,157	366,906,624
Total future minimum lease revenue	<u>\$ 65,025,107</u>	<u>\$ 440,831,137</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 8 – LEASES (continued)

Included in the description of long-term liabilities in Note 6 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, (2) Gradall Excavators to assist Construction and Maintenance with projects, a Cues truck for Stormwater maintenance, (2) copiers, a coal loader at McIntosh Unit 3, and various HVAC Equipment purchases and installations at the RP Funding Center. Information about these leases is as follows:

Assets acquired under capital lease program:

Machinery and equipment:

Original cost	\$ 5,828,134
Carrying value	3,843,668
Current depreciation expense	539,542

Lease obligations remaining to be paid:

Current	674,806
Long-Term	1,841,651
	<u>\$ 2,516,457</u>

Future minimum lease payments:

	<u>Total</u>	<u>Interest</u>	<u>Net</u>
2018	\$ 744,906	\$ 70,100	\$ 674,806
2019	541,743	51,952	489,791
2020	425,558	39,558	386,000
2021	421,734	27,448	394,286
2022	377,469	15,626	361,843
2023	113,160	4,415	108,745
2024	101,429	443	100,986
	<u>\$ 2,725,999</u>	<u>\$ 209,542</u>	<u>\$ 2,516,457</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 \$5,190,730 and total net assets were 4,924,414 as of September 30, 2017. The dollar value of these assets experienced a net increase of \$559,421 for the year ended September 30, 2017.

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.

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, 2017, the current claims due within one year for the self-insurance reserve portion were \$5,511,000. 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, 2017, the claims due within one year for the health insurance reserve portion were \$1,868,384. 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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 10 – RISK FINANCING ACTIVITIES (continued)

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, 2017, the City paid \$993,551 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, 2017 is as follows:

	<u>2017</u>	<u>2016</u>
Claims liability at beginning of year	\$ 20,069,685	\$ 18,879,693
Claims incurred during the year	(32,321,091)	(27,724,874)
Changes in the estimate for claims	1,431,730	(1,249,144)
Claims payments	32,761,543	30,164,010
Claims liability at end of year	<u>\$ 21,941,867</u>	<u>\$ 20,069,685</u>
Amount due within one year		
Self insurance reserve	\$ 5,693,979	\$ 5,064,545
Health insurance reserve	2,479,888	1,836,140
Total amount due within one year	<u>\$ 8,173,867</u>	<u>\$ 6,900,685</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 2017 were \$3,984,278 with an OUC share of \$1,593,711. Shared operating expenses for the fiscal year ending September 30, 2017 were as follows:

	<u>City Share</u>	<u>OUC Share</u>	<u>Total</u>
McIntosh unit #3 fuel expense	\$ 35,728,226	\$ 23,818,817	\$ 59,547,043
McIntosh unit #3 direct operating & maintenance expenses	9,631,485	6,420,990	16,052,475
Other shared operating and administrative expenses	5,773,383	3,848,922	9,622,305
	<u>\$ 51,133,094</u>	<u>\$ 34,088,729</u>	<u>\$ 85,221,823</u>

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

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 12 –FUND BALANCES (continued)

- 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, 2017 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.

B. Restricted Fund Balance

Restricted fund balance as of September 30, 2017 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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 12 –FUND BALANCES (continued)

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.

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.

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 12 – FUND BALANCES (continued)

E. Unassigned Fund Balances (continued)

The governmental fund balance in detail as of September 30, 2017 is as follows:

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable				
Prepays	\$ 10,966	\$ -	\$ 66	\$ 11,032
Cemetery Endowment	-	-	4,894,938	4,894,938
Permanent Fund Principal	-	-	29,476	29,476
Restricted for:				
CRA	-	-	10,485,892	10,485,892
Law Enforcement	877,273	-	-	877,273
Impact Fee Programs	-	-	13,274,282	13,274,282
Transportation	-	-	4,865,694	4,865,694
Capital improvement	-	96,374	-	96,374
Donations Received	741,597	-	217,041	958,638
Grant Programs:				
Community Development	-	-	196,076	196,076
Debt Service	-	1,836,067	-	1,836,067
Committed to:				
Working Capital	-	3,909,623	-	3,909,623
Stormwater	-	-	3,696,602	3,696,602
Assigned to:				
Subsequent year's expenditures	7,497,737	-	-	7,497,737
Cultural Activities	242,708	-	-	242,708
Debt Service	-	2,353,740	-	2,353,740
Recreational Facilities	486,779	-	-	486,779
Capital Projects	-	12,279,035	-	12,279,035
Unassigned	15,664,488	-	(24,235)	15,640,253
Total Fund Balance	<u>\$ 25,521,548</u>	<u>\$ 20,474,839</u>	<u>\$ 37,635,832</u>	<u>\$ 83,632,219</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.

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

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 \$856,398 respectively in the Government-wide Statement of Activities.

For the fiscal year ended September 30, 2017, the City recognized an aggregate pension expense of \$26,116,108.

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, 2015 is shown in the following table.

Active plan members	1,430
Retirees and beneficiaries	1,006
DROP Participants	197
Terminated vested plan members	63
	<u>2,696</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 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, 2015, there were 197 DROP participants.

Cost of Living Adjustment No cost of living increase was awarded for fiscal year 2017.

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 0.97, a variable rate of 0.02 and Change in Cost Sharing 0.65 are added to the prior Contribution Rate (18.89%), less the Amortization Payment on UAAL (0.35), plan change of (0.73), and Change in Normal Cost Rate (0.18) to calculate the current year Contribution Rate of 19.27%. For the year ended September 30, 2017, the City contributed \$14,739,830, the employees contributed \$7,456,297 and buybacks were \$143,722.

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 LRH, 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 was 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 actuarial valuation date is October 1, 2015 rolled forward to September 30, 2016 and net pension liability was measured as of September 30, 2016.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

A. Employees’ Pension and Retirement System (continued)

Actuarial assumptions. The total pension liability in the October 1, 2015 actuarial evaluation rolled-forward to September 30, 2016 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

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 6.126%. 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, 2016 (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	35.00%	7.50%	2.625%
International Equity	15.00%	8.50%	1.275%
Domestic Bonds	15.00%	2.50%	0.375%
International Bonds	5.00%	3.50%	0.175%
Real Estate	10.00%	4.50%	0.450%
Alternate Assets	20.00%	6.13%	1.226%
Total Investments	100.00%		6.126%

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

A. Employees’ Pension and Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning balances	\$ 646,612,089	\$ 498,769,283	\$ 147,842,806
Changes for the year:			
Service cost	12,454,643	-	12,454,643
Interest	46,369,839	-	46,369,839
Benefit Change	(1,360,522)	-	(1,360,522)
Difference between actual & expected experience	(189,908)	-	(189,908)
Contribution - employer	-	29,175,783	(29,175,783)
Contribution - employee	-	7,468,541	(7,468,541)
Projected Earnings on investments	-	36,067,712	(36,067,712)
Difference between projected & actual earnings	-	(2,408,197)	2,408,197
Benefit payments	(38,124,534)	(38,124,534)	-
Refunds	(840,967)	(840,967)	-
Administrative Expense	-	(246,010)	246,010
Net Changes	18,308,551	31,092,328	(12,783,777)
Ending Balances	<u>\$ 664,920,640</u>	<u>\$ 529,861,611</u>	<u>\$ 135,059,029</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 7.25%, 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	\$ 202,571,992	\$ 135,059,029	\$ 77,848,730

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

A. Employees' Pension and 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, 2017, the City recognized pension expenses of \$19,089,871. At September 30, 2017, 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	\$ 16,477,012	\$ -
Difference between actual and expected experience	-	1,433,954
Net Difference between projected and actual earnings	17,870,605	-
Total	<u>\$ 34,347,617</u>	<u>\$ 1,433,954</u>

\$16,477,012 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, 2018. 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
2018	\$ 4,916,154
2019	4,924,526
2020	6,142,614
2021	453,357
	<u>\$ 16,436,651</u>

Payable to the Pension Plan

At September 30, 2017, the City reported a payable of \$978,932 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2017.

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 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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

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

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.

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

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

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

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, 2015 is shown in the following table.

Active plan members	197
Retirees and beneficiaries	176
DROP Participants	18
Terminated vested plan members	30
	<u>421</u>

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, 2015, there were 18 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 2017.

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, 2017.

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

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

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, 2017 was 18.27%. For the year ended September 30, 2017, the City contributed \$2,691,292 and the employees contributed \$2,186,659.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2016, 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, 2015 actuarial evaluation rolled-forward to September 30, 2017 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	3.00%
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

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, 2016 are summarized in the following table:

<u>Asset Class (Market)</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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%	8.00%
Real estate	5%	4.50%
TOTAL	<u>100%</u>	

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

B. Police Officers’ Defined Benefit Retirement System (continued)

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	\$ 2,476,007	\$ -	\$ 2,476,007
Interest	10,566,141	-	10,566,141
Contribution - employer	-	2,686,671	(2,686,671)
Contribution - employee	-	2,029,605	(2,029,605)
Contribution - state	-	796,486	(796,486)
Projected Earnings on investments	-	8,100,346	(8,100,346)
Changes of Assumptions	4,080,663	-	4,080,663
Difference between actual & expected experience	(2,463,567)	-	(2,463,567)
Difference between projected & actual earnings	-	671,935	(671,935)
Benefit payments	(7,725,690)	(7,725,690)	-
Contributions - buy back	183,211	183,211	-
Administrative Expense	-	(162,180)	162,180
Other (Misc. income)	-	2,451	(2,451)
Net Change	<u>7,116,765</u>	<u>6,582,835</u>	<u>533,930</u>
Total - Beginning	<u>137,267,167</u>	<u>102,044,172</u>	<u>35,222,995</u>
Total - Ending	<u>\$ 144,383,932</u>	<u>\$ 108,627,007</u>	<u>\$ 35,756,925</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	\$ 51,571,833	\$ 35,756,925	\$ 23,223,490

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017, the City recognized pension expenses of \$3,957,040. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Current year contributions - employer	\$ 3,483,157	\$ -
Difference between actual and expected experience	-	2,423,770
Changes of assumptions	3,264,530	-
Net difference between projected and actual earnings	4,755,073	-
Total	<u>\$ 11,502,760</u>	<u>\$ 2,423,770</u>

\$3,483,157 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended September 30th:	
2018	\$ 1,681,599
2019	1,681,599
2020	2,043,604
2021	189,031
	<u>\$ 5,595,833</u>

Payable to the Pension Plan

At September 30, 2017, the City reported a payable of \$182,331 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2017.

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

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

C. Firefighters' Retirement System (continued)

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.

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

C. Firefighters' Retirement System (continued)

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, 2015 is shown in the following table.

Active plan members	154
Retirees and beneficiaries	100
DROP Participants	15
Terminated vested plan members	8
	<u>277</u>

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, 2015 there were 15 DROP participants.

Cost of Living Adjustment

No cost of living increase was awarded for fiscal year 2017.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

C. Firefighters’ Retirement System (continued)

Funding Policy, Contributions Required, and Contributions Made

As of September 30, 2017, participants were required to contribute 7.08% 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, 2017 was 12.73%. For the year ended September 30, 2017, the City contributed \$1,410,862 and the employees contributed \$868,091.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2016, 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, 2015 actuarial evaluation rolled-forward to September 30, 2016 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)
	RP-2000 (combined healthy) with no
Disabled pensioners	projection,
	set forward 5 years

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, 2016 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%	5.00%
REITS	2.50%	2.50%
TOTAL	100.00%	

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

C. Firefighters’ Retirement System (continued)

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	\$ 2,228,737	\$ -	\$ 2,228,737
Interest	6,882,719	-	6,882,719
Contribution - employer	-	1,558,306	(1,558,306)
Contribution - employee	-	748,173	(748,173)
Contribution - state	-	776,564	(776,564)
Projected Earnings on investments	-	6,402,044	(6,402,044)
Difference between actual & expected experience	229,162	-	229,162
Benefit payments	(5,682,715)	(5,682,715)	-
Changes of assumptions	1,835,684		1,835,684
Contributions - buy back	119,786	119,786	-
Administrative Expense	-	(119,359)	119,359
Other (Misc. Income)	-	3,266	(3,266)
Net Change	<u>5,613,373</u>	<u>3,806,065</u>	<u>1,807,308</u>
Total - Beginning	<u>92,048,107</u>	<u>83,650,025</u>	<u>8,398,082</u>
Total - Ending	<u>\$ 97,661,480</u>	<u>\$ 87,456,090</u>	<u>\$ 10,205,390</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	\$ 21,421,296	\$ 10,205,390	\$ 1,174,945

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

SEPTEMBER 30, 2017

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, 2017, the City recognized pension expenses of \$3,069,197. At September 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Current year contributions - Employer	\$ 2,334,870	\$ -
Difference between actual and expected experience	-	232,536
Changes if assumptions	1,573,443	-
Net difference between projected and actual earnings	4,197,614	-
Total	<u>\$ 8,105,927</u>	<u>\$ 232,536</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, 2018. 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:	
2018	\$ 1,568,931
2019	1,568,931
2020	1,662,865
2021	147,838
2022	294,978
Thereafter	294,978
	<u>\$ 5,538,521</u>

\$2,334,870 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, 2018.

Payable to the Pension Plan

At September 30, 2017, the City reported a payable of \$81,298 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2017.

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

C. Firefighters' Retirement System (continued)

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, 2017 are as follows:

	Employees' Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System	Total
Deferred outflows of resources related to pensions	\$ 34,347,617	\$ 11,502,760	\$ 8,105,927	\$ 53,956,304
Net pension liability	135,059,029	35,756,925	10,205,390	181,021,344
Deferred inflows of resources related to pensions	1,433,954	2,423,770	232,536	4,090,260
Pension expense	19,089,871	3,957,040	3,069,197	26,116,108

D. Condensed Financial Information

Condensed financial data for the City's Defined Benefit Pension Plans for the year ended September 30, 2017 is presented below.

Condensed Statement of Net Position

	Employees' Pension And Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
Assets	\$ 577,954,287	\$ 119,468,792	\$ 94,134,130
Liabilities	859,280	132,458	30,368
Net Position			
Net Position Restricted for DROP benefits	20,691,883	1,897,188	2,496,732
Net Position Restricted for pension benefits	556,403,124	117,439,146	91,607,030
	<u>\$ 577,095,007</u>	<u>\$ 119,336,334</u>	<u>\$ 94,103,762</u>

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

D. Condensed Financial Information (continued)

	Condensed Statement of Changes in Plan Net Position		
	Employees' Pension And Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
Additions			
Contributions	\$ 22,339,849	\$ 5,734,349	\$ 3,005,133
Investment income	67,427,096	12,712,975	9,599,190
All other	142,296	3,202	100
Total additions	<u>89,909,241</u>	<u>18,450,526</u>	<u>12,604,423</u>
Deductions			
Benefits paid	41,464,441	7,362,543	5,846,514
Refunds, former employees	970,232	180,104	-
All other	241,172	198,498	110,237
Total deductions	<u>42,675,845</u>	<u>7,741,145</u>	<u>5,956,751</u>
Change in net position	47,233,396	10,709,381	6,647,672
Net position, beginning of year	<u>529,861,611</u>	<u>108,626,953</u>	<u>87,456,090</u>
Net position, end of year	<u>\$ 577,095,007</u>	<u>\$ 119,336,334</u>	<u>\$ 94,103,762</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.

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 \$28,945,350 and \$33,748,222 related expenses of \$3,198,618 and \$3,468,954 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 City Commission serves as the trustees of the plan. 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 Statute 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. In accordance with the requirements of GASB Statement 74, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, the City has elected to present the Lakeland Retiree Healthcare Trust as fiduciary fund and include the required disclosures and required supplementary information in its annual financial statements.

B. Funding Policy

The contribution percentages are set forth by City ordinance. The City subsidy is equal to \$5 per month for each year of service accumulated at retirement (maximum 30 years of service or \$150 per month). The City will fund the benefit by placing 1.5% of annual covered payroll into a trust. 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. Plan provisions may be amended by city ordinance.

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, 2016 for the year ended September 30, 2017 for the plan was \$14,743,552. A total of 669 retirees participated in the plan during the fiscal year ended September 30, 2017 incurring total contributions of \$8,100,958 paid by the City. 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.

C. Plan Membership

A summary of the current active and inactive employees and the criteria of the classes participating in the plan is as follows:

Active plan members	2,257
Inactive plan members participating in the health plan	669
Inactive plan members currently receiving a subsidy	1,376

	<u>Normal Retirement</u>	<u>Early Retirement</u>
General Employees:		
Hired before October 1, 2003	60 + 10 years	50 + 10 years or 30 years
Hired after September 30, 2003	62 + 10 years	52 + 10 years or 30 years
Hired after February 25, 2012	62 + 5 years	52 + 5 years
Firefighters	55 + 10 years or 52 + 25 years	50 + 10 years
Police	55 + 10 years or 25 years	10 years

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

D. 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) in accordance with the parameters on GASB Statement 45. In 2017, the City's ARC was \$14,743,552 and OPEB expense was \$14,768,530. 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, 2017 and September 30, 2016.

	September 30,	
	2017	2016
Annual Required Contribution	\$ 14,743,552	\$ 12,645,000
Interest on net OPEB Obligation	1,806,138	1,761,000
Adjustment to ARC	(1,781,160)	(1,647,000)
Annual OPEB cost (expense)	14,768,530	12,759,000
Contributions Made	(8,100,958)	(6,091,000)
Change in OPEB obligation	6,667,572	6,668,000
Net OPEB obligation, beginning of year	56,026,000	49,358,000
Net OPEB obligation, end of year	\$ 62,693,572	\$ 56,026,000

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, 2017 were as follows:

	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 14,768,530	36%	\$ 62,693,572
2016	12,759,000	48%	56,026,000
2015	10,987,000	57%	49,358,000

E. Funded Status and Funding Progress

As of October 1, 2016, the most recent actuarial valuation date, the plan was 3.22% funded. The actuarial accrued liability for benefits was \$203,060,668 and the actuarial value of assets was \$6,535,062, resulting in an unfunded actuarial accrued liability (UAAL) of \$196,525,606. The covered payroll (annual payroll of active employees covered by the plan) was \$123,888,256 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 158.63%.

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 four preceding years.

F. 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 LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

F. Methods and Assumptions (continued)

Significant Assumptions: The date of the actuarial valuation on which the plan's liability was determined is September 30, 2017. The following actuarial assumptions were applied.

Actuarial cost method	Entry age normal based on level percentage of projected salary
Valuation Date	September 30, 2017
Projected benefit payment period	6.2 years
Discount rate	
Implicit	3.63%
Explicit	6.96%
Health care cost trend rate:	
Medical and Rx benefits	
Select	7.00%
Ultimate	4.50%
Stop loss fees	
Select	7.00%
Ultimate	4.50%
Administrative	
Select	4.50%
Ultimate	4.50%
Inflation rate	2.5% per annum
Salary changes	3.5% per annum
Postemployment benefit changes	N/A
Mortality rates	RP-2014 Table generational table scheduled using MP-17 and applied gender specific
Long-term expected rate of return	tax-exempt, high quality municipal bond
Asset valuation	fair market value

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.

G. Financial Statements

Financial Statements for the City's Retiree Healthcare Trust Fund for the year ended September 30, 2017 are presented below.

**STATEMENT OF PLAN NET POSITION
RETIREE HEALTH CARE TRUST FUND
SEPTEMBER 30, 2017**

ASSETS	
Cash and cash equivalents	\$ 203,564
Due from employees	70,242
Investments	7,250,917
Total assets	<u>7,524,723</u>
NET POSITION	
Restricted for other post employment benefits	1,083,443
Restricted for pension benefits and other purposes	6,441,280
	<u>\$ 7,524,723</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

G. Financial Statements (continued)

STATEMENT OF CHANGES IN PLAN NET POSITION
RETIREE HEALTH CARE TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

ADDITIONS	
Contributions:	
Employer	\$ 7,878,120
Plan members	222,838
Total contributions	<u>8,100,958</u>
Net investment income:	
Net increase in the fair value of the investments	554,946
Interest and dividends	239,993
Net investment income	<u>794,939</u>
Total additions, net	<u>8,895,897</u>
DEDUCTIONS	
Benefits paid	7,904,042
Refunds, former plan members	2,194
Total deductions	<u>7,906,236</u>
Change in net position	989,661
NET POSITION, beginning of year	6,535,062
NET POSITION, end of year	<u>\$ 7,524,723</u>

There are no separate statements for the Retiree Healthcare Trust Fund.

H. Health Insurance Trust Fund

Effective October 1, 2016, the Retiree Healthcare Trust Fund adopted the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as amended by No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plants*.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2017, using the previously listed actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Interest rates

Discount (or interest) rates are used to reflect the time value of money. Discount rates are used in determining the present value of the valuation date of future cash flows currently expected to be required to satisfy the postretirement benefit obligation. The long-term expected rate of return using arithmetic mean on OPEB investments was determined using the rate of return on tax-exempt, high quality municipal bonds (20 year, tax-exempt municipal bond - 3.63%) blended with the expected rate of return on trust assets.

The discount rate used to measure the total OPEB liability was 3.63% for the implicit subsidy and 6.96% for the explicit subsidy. The discount rate increased from 3.06%. The municipal bond rate used in the discount rate is the Bond Buyer 20-Bond GO Index.

The annual money-weighted rate of return that expresses investment performance, net of investment expense, adjusted for changes in the amount actually invested was 15.1%.

Investments

Investment are held in the City's Consolidated Investment Fund. For information regarding the Consolidated Fund's investment policies, asset allocations, and descriptions of significant investments, refer to Note 3.C.

Concentration

The Plan had the following investments that comprise 5% or more of the Plan's total fiduciary net position.

Investment	Balance	% of Total Fiduciary Net Position
BlackRock Strategic Income Opportunities Portfolio Institutional Shares	\$ 594,114	7.90%

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

H. Health Insurance Trust Fund (continued)

The rates of return for the assets of the Trust as of September 30, 2017 are summarized in the following table.

Asset Allocation:	%	Returns (with inflation)	Balance	% of Net Position
Consolidated funds	95.3%	7.30%	\$ 7,250,917	96%
Money market funds	3.1%	1.50%	191,064	3%
Cash	0.6%	0.00%	12,500	0%
Accounts receivable	1.0%	0.00%	70,242	1%
Total	100.0%	8.80%	\$ 7,524,723	100%

Rate of Return

For the year ended September 30, 2017, the annual rate of return (with inflation) was 6.96%.

Projected Benefit Payments

The long-term expected rate of return is used for the first two years of the benefit payments. Thereafter, the municipal bond rate index is applied to the remainder of the life of the plan.

Net OPEB Liability

The components of the Net OPEB Liability for the Health Insurance Trust Fund as September 30, 2017 were as follows:

Total OPEB Liability	\$ 196,734,742
Fiduciary Net Position	<u>7,524,723</u>
Net OPEB Liability	<u>\$ 189,210,019</u>
Fiduciary Net Position as a percentage of the total OPEB liability	3.82%

The City is not required to report this liability on its financial statements for the year ended September 30, 2017, in accordance with the adoption requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Changes in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balances.	\$ 203,060,668	\$ 6,535,062	\$ 196,525,606
Changes for the year:			
Service cost	7,162,205	-	7,162,205
Interest cost	8,573,827	-	8,573,827
Benefit payments	(8,100,958)	(7,906,236)	(194,722)
Changes in assumptions	(13,961,000)	-	(13,961,000)
Contributions - employers	-	8,100,958	(8,100,958)
Investment income	-	794,939	(794,939)
Net changes	<u>(6,325,926)</u>	<u>989,661</u>	<u>(7,315,587)</u>
Ending balances	<u>\$ 196,734,742</u>	<u>\$ 7,524,723</u>	<u>\$ 189,210,019</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

H. Health Insurance Trust Fund (continued)

Sensitivity of the net OPEB liability to changes in the discount rate

The sensitivity of the net OPEB liability to a discount rate 1% (4.63%) higher and 1% lower (2.63%) than the discount rate of 3.63% is as follows:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>	<u>% Difference</u>
4.63%	\$ 152,603,000	-19%
3.63%	189,210,019	N/A
2.63%	225,033,000	19%

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rate

The sensitivity of the net OPEB liability using healthcare cost trend rates 1% higher and 1% lower than the current trend rates is as follows:

<u>Trend</u>	<u>Net OPEB Liability</u>	<u>% Difference</u>
1% decrease	\$ 155,373,000	-18%
Current trend	189,210,019	N/A
1% increase	220,757,440	17%

I. Survivor Benefit Trust Fund

The City Commission through Ordinance No. 3434, established the Employees' Survivor's Benefit Fund to provide a life insurance benefit of 12 times the monthly retiree benefit up to \$150,000 to eligible beneficiaries of certain retirees meeting eligibility requirements. Upon the death of any employee who is regularly retired and currently receiving a pension benefit under the City of Lakeland Employee Pension Fund. The City pays an annual insurance premium to the underwriter who assumes the liability for benefit payments to beneficiaries. The City paid \$614,078 in insurance premiums for fiscal year 2017.

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 materially compromise 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, 2017 is \$1,307,443.

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.

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. The revised payment schedule runs through 2025, and includes annual milestone payments adjusted by an economic index escalation factor. During fiscal year 2017, milestone payments of \$7,874,013 were made under the contract. Future base payments per the schedule, excluding escalation, are as follows:

<u>Fiscal Year</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
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	1,469,280	46,053,723	47,523,003
	<u>\$ 2,938,560</u>	<u>\$ 74,096,057</u>	<u>\$ 77,034,617</u>

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 16 – COMMITMENTS AND CONTINGENCIES

B. Contractual Commitments (continued)

Lakeland Electric entered into a total of five Solar Energy Participation Agreements (SEPAs) with Sun Edison, LLC from 2009 through 2016. During FY 2017, Sun Edison's ownership interests were assigned to new owners as follows:

Location	Generation Capacity (MW)	Owner/Operator
RP Funding Center	0.25	Longroad Energy Holdings, LLC
Airport Phase I	2.25	Longroad Energy Holdings, LLC
Airport Phase II	2.75	SE Solar Trust VII
West Bella Vista	6.00	TerraForm Utility Solar XIX, Inc.
Airport Phase III	3.15	NRG DG Lakeland, LLC
	<u>14.40</u>	

Lakeland Electric has no equity interest in and assumes no financial responsibility for the solar generation systems, which all are located on properties owned by the City of Lakeland. The system installations as follows: the roof of the RP Funding Center, the runway protection zones of the Lakeland Linder Regional Airport, and 70 acres adjacent to the Sutton Electric Substation. The Airport Phase III (3.15 MWs) became available December 21, 2016. 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 \$3,512,157 in 2017.

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, 2017. 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, 2017, are as follows:

Transportation/street projects	\$ 520,139	*
Public Improvement projects	5,684,483	*
Public Safety projects	137,967	*
Airport projects	5,858,004	*
Wastewater treatment facilities projects	13,362,054	*
Water Distribution projects	2,336,356	*
McIntosh unit 3	3,580,574	*
Other power production	393,769	*
Energy delivery	1,109,833	*
Building Improvements	469,745	*
Equipment	21,367	*
	<u>\$ 33,474,291</u>	

*The amounts reported are included in the outstanding encumbrances below.

C. Encumbrances

The City had the following encumbrances outstanding as of September 30, 2017 that were not reported as designations:

Electric Utility Fund	\$ 195,774,570
Water and Wastewater	
Utilities	16,047,301
Internal Service Funds	2,578,443
Nonmajor Enterprise Funds	11,199,322
	<u>\$ 225,599,636</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 16 – COMMITMENTS AND CONTINGENCIES

C. Encumbrances (continued)

The following is a summary of the City's encumbrances for Governmental Funds as of September 30, 2017.

	General Fund	Public Improvement Fund	All Other Governmental Funds	Total Governmental Funds
Building improvements	\$ -	\$ 326,367	\$ -	\$ 326,367
Land improvements	-	438,448	-	438,448
Equipment	-	297,672	-	297,672
Infrastructure	-	-	677,571	677,571
Maintenance and repair	-	229,957	-	229,957
Transportation projects				
Road improvements	-	-	520,139	520,139
Total	<u>\$ -</u>	<u>\$ 1,292,444</u>	<u>\$ 1,197,710</u>	<u>\$ 2,490,154</u>

NOTE 17 – SUBSEQUENT EVENTS

North Lake Mirror 10 Acre Redevelopment Site

The Lakeland Community Redevelopment Agency (LCRA) began the process of acquiring properties North of Bay Street, East of Iowa Avenue, and West of the In-Town Bypass beginning in 2004 to remedy blight through a combination of voluntary sales and eminent domain. The rights to redevelop the site were previously awarded to a developer following a request for proposals (RFP) process; however, the real estate downturn caused the developer to walk away. A second RFP process in 2014 has respondents, but the CRA elected not to award the rights at that time. In 2016 a third RFP process began resulting in Framework Group, LLC being awarded the redevelopment rights.

In October of 2017 the City Commission approved the sale and redevelopment of the site for a purchase price of \$3,672,000. Framework will develop a minimum of 306 market rate, multi-family residential units on the site. As part of the agreement the City and CRA offered multiple incentives with a capped liability of \$1,760,000 not including the undergrounding of electric infrastructure which Lakeland Electric has agreed to provide and fund. The sale is proceeding as expected with an anticipated closing around August 2018.

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Required Supplementary Information

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017



CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Amended Budget	2017 Actual	Variance
REVENUES				
Taxes	\$ 44,030,583	\$ 44,030,583	\$ 44,244,717	\$ 214,134
Licenses and permits	4,967,040	4,967,040	3,886,903	(1,080,137)
Intergovernmental	11,484,585	11,593,273	11,632,815	39,542
Charges for services	5,095,691	5,441,077	5,752,946	311,869
Fines and forfeitures	1,885,000	2,093,892	2,444,708	350,816
Miscellaneous	2,460,472	3,026,039	3,129,211	103,172
Total revenues	<u>69,923,371</u>	<u>71,151,904</u>	<u>71,091,300</u>	<u>(60,604)</u>
EXPENDITURES				
Current:				
General government:				
Executive	630,957	656,294	656,294	-
Legislative	268,877	248,913	243,335	5,578
Financial and administrative	5,430,391	5,862,452	4,819,174	1,043,278
Legal counsel	390,111	390,111	268,916	121,195
Comprehensive planning	2,767,318	3,460,344	2,691,369	768,975
Other general government	3,611,741	3,593,445	2,872,709	720,736
	<u>13,099,395</u>	<u>14,211,559</u>	<u>11,551,797</u>	<u>2,659,762</u>
Public safety:				
Law enforcement	41,130,465	40,377,186	40,168,845	208,341
Fire control	17,793,129	17,869,022	17,781,002	88,020
Protective inspections	3,158,525	3,206,770	3,177,660	29,110
	<u>62,082,119</u>	<u>61,452,978</u>	<u>61,127,507</u>	<u>325,471</u>
Physical environment:				
Utility services	5,236,707	5,236,707	5,087,053	149,654
Conservation and resource management	18,000	18,000	16,758	1,242
Other physical environment	1,025,682	2,722,211	2,722,211	-
	<u>6,280,389</u>	<u>7,976,918</u>	<u>7,826,022</u>	<u>150,896</u>
Transportation:				
Road and street facilities	6,436,469	6,760,378	5,503,772	1,256,606
Economic environment:				
Other economic environment	2,394,060	2,394,060	2,337,603	56,457
Human services:				
Other human services	268,410	288,525	127,128	161,397
Culture/Recreation:				
Libraries	3,779,643	4,618,945	3,782,640	836,305
Parks and recreation	18,863,386	19,059,693	17,569,847	1,489,846
Cultural services	250,000	250,000	250,000	-
Special events	14,600	64,350	59,988	4,362
	<u>22,907,629</u>	<u>23,992,988</u>	<u>21,662,475</u>	<u>2,330,513</u>
Capital outlay	157,092	940,681	940,681	-
Debt Service				
Principal retirement	282,480	520,388	520,388	-
Interest	49,535	77,509	77,509	-
	<u>332,015</u>	<u>597,897</u>	<u>597,897</u>	<u>-</u>
Total expenditures	<u>113,957,578</u>	<u>118,615,984</u>	<u>111,674,882</u>	<u>6,941,102</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(44,034,207)</u>	<u>(47,464,080)</u>	<u>(40,583,582)</u>	<u>6,880,498</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	800,556	800,556
Transfers from other funds	44,639,438	45,925,438	46,313,970	388,532
Transfers to other funds	(3,844,350)	(5,507,239)	(5,444,523)	62,716
Total other financing sources (uses)	<u>40,795,088</u>	<u>40,418,199</u>	<u>41,670,003</u>	<u>1,251,804</u>
NET CHANGE IN FUND BALANCE	<u>(3,239,119)</u>	<u>(7,045,881)</u>	<u>1,086,421</u>	<u>8,132,302</u>
FUND BALANCE, beginning of year	24,435,127	24,435,127	24,435,127	-
FUND BALANCE, end of year	<u>\$ 21,196,008</u>	<u>\$ 17,389,246</u>	<u>\$ 25,521,548</u>	<u>\$ 8,132,302</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, 2017

	Original Budget	Final Amended Budget	2017 Actual	Variance
REVENUES				
Intergovernmental	\$ 2,584,561	\$ 3,150,650	\$ 2,437,201	\$ (713,449)
Charges for services	400,000	400,000	494,509	94,509
Miscellaneous	14,472,356	16,864,370	20,199,649	3,335,279
Total revenues	<u>17,456,917</u>	<u>20,415,020</u>	<u>23,131,359</u>	<u>2,716,339</u>
EXPENDITURES				
Current:				
General government	1,168,000	1,467,371	762,110	705,261
Public safety	-	32,830	27,630	5,200
Physical environment	27,700	28,638	25,831	2,807
Culture recreation	465,000	2,476,126	1,957,018	519,108
Capital outlay	13,630,650	33,825,756	25,900,287	7,925,469
Debt service	8,957,632	8,699,285	8,585,440	113,845
Total expenditures	<u>24,248,982</u>	<u>46,530,006</u>	<u>37,258,316</u>	<u>9,271,690</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,792,065)</u>	<u>(26,114,986)</u>	<u>(14,126,957)</u>	<u>11,988,029</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	2,250,000	2,250,000	2,250,000	-
Transfers from other funds	1,134,470	3,447,153	2,159,040	(1,288,113)
Transfers to other funds	(5,675,000)	(5,875,000)	(5,875,000)	-
Total other financing sources (uses)	<u>(2,290,530)</u>	<u>(177,847)</u>	<u>(1,465,960)</u>	<u>(1,288,113)</u>
NET CHANGE IN FUND BALANCE	(9,082,595)	(26,292,833)	(15,592,917)	10,699,916
FUND BALANCE, beginning of year	36,067,756	36,067,756	36,067,756	-
FUND BALANCE, end of year	<u>\$ 26,985,161</u>	<u>\$ 9,774,923</u>	<u>\$ 20,474,839</u>	<u>\$ 10,699,916</u>

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2017

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Measurement date:	EMPLOYEE PENSION		
	09/30/2016	09/30/2015	09/30/2014
Total pension liability:			
Service cost	\$ 12,454,643	\$ 12,479,291	\$ 12,663,875
Interest and dividends	46,369,839	45,023,294	43,427,938
Changes in benefit terms	(1,360,522)	-	-
Differences between expected and actual experience	(189,908)	(2,104,773)	(200,874)
Assumption Changes			
Benefit payments, including refunds of member contributions	(38,965,501)	(34,634,781)	(32,658,024)
Net change in total pension liability	18,308,551	20,763,031	23,232,915
Total pension liability, beginning	646,612,089	625,849,058	602,616,143
Total pension liability, ending	<u>\$ 664,920,640</u>	<u>\$ 646,612,089</u>	<u>\$ 625,849,058</u>
Plan fiduciary net position:			
Contributions , employer	\$ 29,175,783	\$ 15,697,557	\$ 15,395,603
Contributions, members	7,468,541	7,394,407	7,129,361
Net investment income	33,659,515	6,072,542	39,349,445
Benefit payments, including refunds of member contributions	(38,965,501)	(34,634,781)	(32,658,024)
Administrative expenses	(246,010)	(217,810)	(288,901)
Net change in plan fiduciary net position	31,092,328	(5,688,085)	28,927,484
Plan fiduciary net position, beginning	498,769,283	504,457,368	475,529,884
Plan fiduciary net position, ending	<u>\$ 529,861,611</u>	<u>\$ 498,769,283</u>	<u>\$ 504,457,368</u>
City's net pension liability, ending	<u>135,059,029</u>	<u>\$ 147,842,806</u>	<u>\$ 121,391,690</u>
Plan fiduciary net position as a % of total pension liability	79.69%	77.14%	80.60%
Actual covered payroll as of year-end	\$ 80,397,748	\$ 79,725,716	\$ 78,211,736
City's net pension liability as a % of covered payroll	167.99%	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, 2017

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Measurement date:	POLICE PENSION		
	9/30/2016	9/30/2015	9/30/2014
Total pension liability:			
Service cost	\$ 2,476,007	\$ 2,550,144	\$ 2,467,333
Interest and dividends	10,566,141	10,243,851	9,862,126
Contributions - buy back	183,211	140,261	70,775
Differences between expected and actual experience	(2,463,567)	(754,860)	-
Changes in assumption	4,080,663	-	-
Benefit payments, including refunds of member contributions	(7,725,690)	(8,580,144)	(6,991,965)
Net change in total pension liability	7,116,765	3,599,252	5,408,269
Total pension liability, beginning	137,267,167	133,667,915	128,259,646
Total pension liability, ending	<u>\$ 144,383,932</u>	<u>\$ 137,267,167</u>	<u>\$ 133,667,915</u>
Total pension liability:			
Contributions, employer	\$ 2,686,671	\$ 2,463,702	\$ 2,548,469
Contributions, members	2,029,605	1,931,359	2,017,233
Contributions - buy back	183,211	140,261	70,775
Contribution - state	796,486	744,499	708,648
Projected Earnings on investments	8,100,346	8,387,978	7,693,094
Difference between projected & actual earnings	671,935	(10,027,714)	1,810,017
Benefit payments, including refunds of member contributions	(7,725,690)	(8,580,144)	(6,991,965)
Administrative expenses	(162,180)	(167,667)	(141,203)
Other Adjustment	2,451	598	54
Net change in plan fiduciary net position	6,582,835	(5,107,128)	7,715,122
Plan fiduciary net position, beginning	102,044,172	107,151,300	99,436,178
Plan fiduciary net position, ending	<u>\$ 108,627,007</u>	<u>\$ 102,044,172</u>	<u>\$ 107,151,300</u>
City's net pension liability, ending	<u>\$ 35,756,925</u>	<u>\$ 35,222,995</u>	<u>\$ 26,516,615</u>
Plan fiduciary net position as a % of total pension liability	75.23%	74.34%	80.16%
Actual covered payroll as of year-end	\$ 14,554,279	\$ 14,868,655	\$ 13,413,482
City's net pension liability as a % of covered payroll	245.68%	236.89%	197.69%

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, 2017

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Measurement date:	FIRE PENSION		
	9/30/2016	9/30/2015	9/30/2014
Total pension liability:			
Service cost	\$ 2,228,737	\$ 2,049,136	\$ 1,946,737
Interest and dividends	6,882,719	6,634,089	6,330,428
Contributions - buy back	119,786	16,519	-
Differences between expected and actual experience	229,162	(643,439)	-
Changes in assumptions	1,835,684		
Benefit payments, including refunds of member contributions	(5,682,715)	(4,158,978)	(4,502,540)
Net change in total pension liability	5,613,373	3,897,327	3,774,625
Total pension liability, beginning	92,048,107	88,150,780	84,376,155
Total pension liability, ending	\$ 97,661,480	\$ 92,048,107	\$ 88,150,780
Plan fiduciary net position:			
Contributions , employer	\$ 1,558,306	\$ 1,533,254	\$ 1,705,635
Contributions, members	748,173	925,075	1,063,934
Contributions - buy back	119,786	16,519	-
Contribution - state	776,564	754,489	735,806
Projected Earnings on investments	6,402,044	(1,125,224)	6,476,571
Benefit payments, including refunds of member contributions	(5,682,715)	(4,158,978)	(4,502,540)
Administrative expenses	(119,359)	(95,290)	(77,367)
Other (Adjustment to DROP Balance, misc. income)	3,266	100	-
Net change in plan fiduciary net position	3,806,065	(2,150,055)	5,402,039
Plan fiduciary net position, beginning	83,650,025	85,800,080	80,398,041
Plan fiduciary net position, ending	\$ 87,456,090	\$ 83,650,025	\$ 85,800,080
City's net pension liability, ending	\$ 10,205,390	\$ 8,398,082	\$ 2,350,700
Plan fiduciary net position as a % of total pension liability	89.55%	90.88%	97.33%
Actual covered payroll as of year-end	\$ 10,415,009	\$ 10,942,161	\$ 9,951,374
City's net pension liability as a % of covered payroll	97.99%	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, 2017

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

Measurement date:	<u>OPEB</u> <u>09/30/2017</u>
Total OPEB liability:	
Service cost	\$ 7,162,205
Interest and dividends	8,573,827
Assumption Changes or other inputs	(13,961,000)
Benefit payments, including refunds of member contributions	<u>(8,100,958)</u>
Net change in total pension liability	(6,325,926)
Total OPEB liability, beginning	203,060,668
Total OPEB liability, ending	<u>\$ 196,734,742</u>
 Plan fiduciary net position:	
Contributions , employer	\$ 8,100,958
Net investment income	794,939
Benefit payments, including refunds of member contributions	(7,906,236)
Net change in plan fiduciary net position	989,661
Plan fiduciary net position, beginning	<u>6,535,062</u>
Plan fiduciary net position, ending	<u>\$ 7,524,723</u>
 City's net OPEB liability, ending	<u>\$ 189,210,019</u>
 Plan fiduciary net position as a % of total OPEB liability	0
 Actual covered payroll as of September 30th	\$ 123,888,256
 City's net pension OPEB as a % of covered payroll	2

SCHEDULE OF OPEB INVESTMENT RETURNS

9/30/17

Annual money-weighted rate of return, net of investment expense. 15.1%

SCHEDULE OF OPEB CONTRIBUTIONS

<u>Statutorily</u> <u>Determined</u> <u>Contributions</u>	<u>Actual</u> <u>Contributions</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contributions</u> <u>as a % of</u> <u>Covered Payroll</u>
\$ 1,853,329	\$ 8,100,958	\$ 6,247,629	\$ 123,888,256	6.54%

GASB 74 was implemented in fiscal year 2017. 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, 2017

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Employees' Pension &
Retirement System

Year Ended Sep 30th	Actuarly Determined Contribution **	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2017	\$ 16,206,619	\$ 14,739,830	\$ 1,466,789	\$ 84,102,850	17.53%
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	Actuarly Determined Contribution **	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll (1)	Contributions as a % of Covered Payroll
2017	\$ 2,775,136	\$ 2,691,292	\$ 83,844	\$ 14,698,821	18.31%
2016	2,514,511	2,686,671	(172,160)	14,554,279	18.46%
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.

1)The Covered Employee payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Firefighters'
Retirement System

Year Ended Sep 30th	Actuarly Determined Contribution **	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll (1)	Contributions as a % of Covered Payroll
2017	\$ 1,410,862	\$ 1,410,862	\$ -	\$ 11,091,670	12.72%
2016	1,558,306	1,558,306	-	10,415,009	14.96%
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.

1)The Covered Employee payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2017

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES (continued)

	<u>Employee's Pension and Retirement System</u>	<u>Police Officers' Defined Benefit Retirement System</u>	<u>Firefighters' Retirement System</u>
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	28 years	30 years	28 years
Asset valuation method	5-year smooth market	4-Year Smooth	4-Year Smooth
Inflation	3.00%	2.50%	2.50%
Salary increases	4.00% to 14%	5%-15%	6.00%
Investment rate of return	7.25%	7.75%	7.50%
	Experienced based table of rates that are specific to the type of eligibility condition.		
Retirement age	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 Combined Healthy Table with no projection	RP-2000 Combined Healthy Table (sex distinct)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Retiree Health Benefits Trust		Covered Payroll	UAAL % of Covered Payroll
			Unfunded AAL (UAAL)	Funded Ratio		
10/1/2016	\$ 6,535,062	\$ 203,060,667	\$ 196,525,605	3.22%	\$ 123,888,256	158.63%
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%
10/1/2008	1,563,871	119,271,000	117,707,129	1.31%	105,043,078	112.06%
10/1/2007	-	105,422,575	105,422,575	0.00%	105,037,964	100.37%

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2017

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, 2017 there were no material violations of budgetary requirements.



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Combining & Individual Fund
Financial Statements

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

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017



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, 2017

	Capital Projects Funds	
	Transportation Fund	Impact Fee Fund
ASSETS		
Cash and cash equivalents	\$ 4,647,773	\$ 13,274,282
Investments	-	-
Receivables, net	6,989	-
Due from other governments	463,426	-
Prepaid expenditures	-	-
Total assets	\$ 5,118,188	\$ 13,274,282
LIABILITIES		
Accounts payable	\$ 216,370	\$ -
Accrued liabilities	29,135	-
Deposits payable	-	-
Due to other funds	-	-
Unearned revenue	-	-
Total liabilities	245,505	-
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	6,989	-
Total deferred inflows of resources	6,989	-
FUND BALANCES		
Nonspendable:		
Prepays	-	-
Cemetery endowment	-	-
Permanent fund principal	-	-
	-	-
Restricted for:		
CRA	-	-
Impact fee program	-	13,274,282
Transportation	4,865,694	-
Donations received	-	-
Grant programs - community development	-	-
	4,865,694	13,274,282
Committed to:		
Stormwater	-	-
	-	-
Unassigned		
Total fund balances	4,865,694	13,274,282
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,118,188	\$ 13,274,282

Special Revenue Funds

Community Development Fund	State Housing Initiative Partnership Program	Neighborhood Stabilization Program	Stormwater Fund	Lakeland Community Redevelopment Agency
\$ 59,892	\$ 565,528	\$ 435,764	\$ 3,884,760	\$ 10,900,491
-	-	-	-	-
97,440	31,782	-	214,559	837,855
150,533	-	-	-	-
-	-	-	66	-
<u>\$ 307,865</u>	<u>\$ 597,310</u>	<u>\$ 435,764</u>	<u>\$ 4,099,385</u>	<u>\$ 11,738,346</u>
\$ 1,376	\$ 128	\$ 270	\$ 179,282	\$ 404,823
12,973	1,584	315	41,002	5,092
-	-	-	182,433	5,334
-	-	-	-	-
-	588,051	435,179	-	-
<u>14,349</u>	<u>589,763</u>	<u>435,764</u>	<u>402,717</u>	<u>415,249</u>
<u>97,440</u>	<u>31,782</u>	<u>-</u>	<u>-</u>	<u>837,205</u>
<u>97,440</u>	<u>31,782</u>	<u>-</u>	<u>-</u>	<u>837,205</u>
-	-	-	66	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>66</u>	<u>-</u>
-	-	-	-	10,485,892
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
196,076	-	-	-	-
<u>196,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,485,892</u>
-	-	-	3,696,602	-
-	-	-	3,696,602	-
-	(24,235)	-	-	-
<u>196,076</u>	<u>(24,235)</u>	<u>-</u>	<u>3,696,668</u>	<u>10,485,892</u>
<u>\$ 307,865</u>	<u>\$ 597,310</u>	<u>\$ 435,764</u>	<u>\$ 4,099,385</u>	<u>\$ 11,738,346</u>

CITY OF LAKELAND, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS, CONTINUED
SEPTEMBER 30, 2017

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery Perpetual Care Fund	Scott Morris Mausoleum Fund	Webster Book Fund	Baldwin Book Fund	
ASSETS					
Cash and cash equivalents	\$ -	\$ 79,638	\$ 23,804	\$ -	\$ 33,871,932
Investments	4,944,213	-	-	143,075	5,087,288
Receivables, net	-	-	-	-	1,188,625
Due from other governments	-	-	-	-	613,959
Prepaid expenditures	-	-	-	-	66
Total assets	<u>\$ 4,944,213</u>	<u>\$ 79,638</u>	<u>\$ 23,804</u>	<u>\$ 143,075</u>	<u>\$ 40,761,870</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 802,249
Accrued liabilities	-	-	-	-	90,101
Deposits payable	-	-	-	-	187,767
Due to other funds	49,275	-	-	-	49,275
Unearned revenue	-	-	-	-	1,023,230
Total liabilities	<u>49,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,152,622</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	-	973,416
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>973,416</u>
FUND BALANCES					
Nonspendable:					
Prepays	-	-	-	-	66
Cemetery endowment	4,894,938	-	-	-	4,894,938
Permanent fund principal	-	4,476	15,000	10,000	29,476
	<u>4,894,938</u>	<u>4,476</u>	<u>15,000</u>	<u>10,000</u>	<u>4,924,480</u>
Restricted for:					
CRA	-	-	-	-	10,485,892
Impact fee program	-	-	-	-	13,274,282
Transportation	-	-	-	-	4,865,694
Donations received	-	75,162	8,804	133,075	217,041
Grant programs - community development	-	-	-	-	196,076
	<u>-</u>	<u>75,162</u>	<u>8,804</u>	<u>133,075</u>	<u>29,038,985</u>
Committed to:					
Stormwater	-	-	-	-	3,696,602
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,696,602</u>
Unassigned	-	-	-	-	(24,235)
Total fund balances	<u>4,894,938</u>	<u>79,638</u>	<u>23,804</u>	<u>143,075</u>	<u>37,635,832</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,944,213</u>	<u>\$ 79,638</u>	<u>\$ 23,804</u>	<u>\$ 143,075</u>	<u>\$ 40,761,870</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, 2017

	<u>Capital Projects Funds</u>	
	<u>Transportation Fund</u>	<u>Impact Fee Fund</u>
REVENUES		
Taxes	\$ 5,584,212	\$ -
Intergovernmental	2,609,733	-
Charges for services	-	3,177,326
Fines and forfeitures	-	-
Miscellaneous	4,782,004	302,469
Total revenues	<u>12,975,949</u>	<u>3,479,795</u>
EXPENDITURES		
Current:		
General government	-	-
Public safety	-	-
Physical environment	-	-
Transportation	3,031,634	-
Economic environment	-	-
Human services	-	-
Culture recreation	-	-
Capital outlay	3,346,793	-
Debt service	5,040,099	-
Total expenditures	<u>11,418,526</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,557,423</u>	<u>3,479,795</u>
OTHER FINANCING SOURCES (USES)		
Issuance of long-term debt	-	-
Transfers from other funds	865,852	-
Transfers to other funds	(441,890)	(1,221,398)
Total other financing sources (uses)	<u>423,962</u>	<u>(1,221,398)</u>
Net change in fund balances	1,981,385	2,258,397
FUND BALANCE, beginning of year	2,884,309	11,015,885
FUND BALANCE, end of year	<u>\$ 4,865,694</u>	<u>\$ 13,274,282</u>

Special Revenue Funds

Community Development Fund	State Housing Initiative Partnership Program	Neighborhood Stabilization Program	Stormwater Fund	Lakeland Community Redevelopment Agency
\$ -	\$ -	\$ -	\$ -	\$ 4,087,551
1,020,741	490,545	(463)	-	-
-	-	-	4,500,206	-
-	-	-	13,998	-
57,623	57,311	16,906	137,294	509,989
<u>1,078,364</u>	<u>547,856</u>	<u>16,443</u>	<u>4,651,498</u>	<u>4,597,540</u>
96,062	-	12,184	1,019,647	706,510
69,136	-	-	-	-
-	-	-	520,331	-
-	-	-	2,514,278	433,846
793,869	562,891	4,259	-	1,144,002
74,844	-	-	-	-
47,650	-	-	-	-
-	-	-	1,074,029	3,346,746
-	-	-	45,458	400,000
<u>1,081,561</u>	<u>562,891</u>	<u>16,443</u>	<u>5,173,743</u>	<u>6,031,104</u>
<u>(3,197)</u>	<u>(15,035)</u>	<u>-</u>	<u>(522,245)</u>	<u>(1,433,564)</u>
-	-	-	252,000	-
-	-	-	15,000	-
-	-	-	(2,855)	(304,786)
-	-	-	264,145	(304,786)
<u>(3,197)</u>	<u>(15,035)</u>	<u>-</u>	<u>(258,100)</u>	<u>(1,738,350)</u>
199,273	(9,200)	-	3,954,768	12,224,242
<u>\$ 196,076</u>	<u>\$ (24,235)</u>	<u>\$ -</u>	<u>\$ 3,696,668</u>	<u>\$ 10,485,892</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, 2017

	Permanent Funds				Total NonMajor Governmental Funds
	Cemetery Perpetual Care Fund	Scott Morris Mausoleum Fund	Webster Book Fund	Baldwin Book Fund	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 9,671,763
Intergovernmental	-	-	-	-	4,120,556
Charges for services	-	-	-	-	7,677,532
Fines and forfeitures	-	-	-	-	13,998
Miscellaneous	541,274	2,165	643	15,671	6,423,349
Total revenues	<u>541,274</u>	<u>2,165</u>	<u>643</u>	<u>15,671</u>	<u>27,907,198</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	1,834,403
Public safety	-	-	-	-	69,136
Physical environment	-	-	-	-	520,331
Transportation	-	-	-	-	5,979,758
Economic environment	-	-	-	-	2,505,021
Human services	-	-	-	-	74,844
Culture recreation	-	-	-	-	47,650
Capital outlay	-	-	-	-	7,767,568
Debt service	-	-	-	-	5,485,557
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,284,268</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>541,274</u>	<u>2,165</u>	<u>643</u>	<u>15,671</u>	<u>3,622,930</u>
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	-	-	-	-	252,000
Transfers from other funds	53,451	-	-	-	934,303
Transfers to other funds	(102,371)	(600)	-	-	(2,073,900)
Total other financing sources (uses)	<u>(48,920)</u>	<u>(600)</u>	<u>-</u>	<u>-</u>	<u>(887,597)</u>
Net change in fund balances	492,354	1,565	643	15,671	2,735,333
FUND BALANCE, beginning of year	4,402,584	78,073	23,161	127,404	34,900,499
FUND BALANCE, end of year	<u>\$ 4,894,938</u>	<u>\$ 79,638</u>	<u>\$ 23,804</u>	<u>\$ 143,075</u>	<u>\$ 37,635,832</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, 2017

	Transportation Fund		
	Budget	Actual	Variance
REVENUES			
Taxes	\$ 5,245,000	\$ 5,584,212	\$ 339,212
Intergovernmental	4,521,575	2,609,733	(1,911,842)
Miscellaneous	160,351	4,782,004	4,621,653
Total revenues	<u>9,926,926</u>	<u>12,975,949</u>	<u>3,049,023</u>
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Transportation	5,460,405	3,031,634	2,428,771
Economic environment	-	-	-
Human services	-	-	-
Culture recreation	-	-	-
Capital outlay	15,271,271	3,346,793	11,924,478
Debt service	4,053,606	5,040,099	(986,493)
Total expenditures	<u>24,785,282</u>	<u>11,418,526</u>	<u>13,366,756</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(14,858,356)</u>	<u>1,557,423</u>	<u>16,415,779</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	13,899,311	865,852	(13,033,459)
Transfers to other funds	(484,365)	(441,890)	42,475
Total other financing sources (uses)	<u>13,414,946</u>	<u>423,962</u>	<u>(12,990,984)</u>
NET CHANGE IN FUND BALANCE	<u>(1,443,410)</u>	<u>1,981,385</u>	<u>3,424,795</u>
FUND BALANCE, beginning of year	2,884,309	2,884,309	-
FUND BALANCE, end of year	<u>\$ 1,440,899</u>	<u>\$ 4,865,694</u>	<u>\$ 3,424,795</u>

Community Development Fund			State Housing Initiative Partnership Program			Neighborhood Stabilization Program		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,716,456	1,020,741	(695,715)	1,518,036	490,545	(1,027,491)	435,240	(463)	(435,703)
61,687	57,623	(4,064)	72,138	57,311	(14,827)	16,906	16,906	-
1,778,143	1,078,364	(699,779)	1,590,174	547,856	(1,042,318)	452,146	16,443	(435,703)
135,894	96,062	39,832	-	-	-	13,944	12,184	1,760
84,759	69,136	15,623	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,626,235	793,869	832,366	1,590,176	562,891	1,027,285	438,204	4,259	433,945
75,200	74,844	356	-	-	-	-	-	-
51,574	47,650	3,924	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,973,662	1,081,561	892,101	1,590,176	562,891	1,027,285	452,148	16,443	435,705
(195,519)	(3,197)	192,322	(2)	(15,035)	(15,033)	(2)	-	2
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(195,519)	(3,197)	192,322	(2)	(15,035)	(15,033)	(2)	-	2
199,273	199,273	-	(9,200)	(9,200)	-	-	-	-
\$ 3,754	\$ 196,076	\$ 192,322	\$ (9,202)	\$ (24,235)	\$ (15,033)	\$ (2)	\$ -	\$ 2

CITY OF LAKELAND, FLORIDA

BUDGETARY COMPARISON SCHEDULE
 BUDGET (GAAP BASIS) AND ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Stormwater Fund		
	Budget	Actual	Variance
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	4,504,801	4,500,206	(4,595)
Fines and forfeitures	-	13,998	13,998
Miscellaneous	172,442	137,294	(35,148)
Total revenues	<u>4,677,243</u>	<u>4,651,498</u>	<u>(25,745)</u>
EXPENDITURES			
Current:			
General government	1,047,412	1,019,647	27,765
Physical environment	1,042,090	520,331	521,759
Transportation	3,376,362	2,514,278	862,084
Economic environment	-	-	-
Capital outlay	2,848,125	1,074,029	1,774,096
Debt service	-	45,458	(45,458)
Total expenditures	<u>8,313,989</u>	<u>5,173,743</u>	<u>3,140,246</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,636,746)</u>	<u>(522,245)</u>	<u>3,114,501</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt	-	252,000	252,000
Transfers from other funds	15,000	15,000	-
Transfers to other funds	(2,855)	(2,855)	-
Total other financing sources (uses)	<u>12,145</u>	<u>264,145</u>	<u>252,000</u>
NET CHANGE IN FUND BALANCE	<u>(3,624,601)</u>	<u>(258,100)</u>	<u>3,366,501</u>
FUND BALANCE, beginning of year	3,954,768	3,954,768	-
FUND BALANCE, end of year	<u>\$ 330,167</u>	<u>\$ 3,696,668</u>	<u>\$ 3,366,501</u>

Lakeland Community Redevelopment Agency		
Budget	Actual	Variance
\$ 7,278,000	\$ 4,087,551	\$ (3,190,449)
-	-	-
-	-	-
247,992	509,989	261,997
<u>7,525,992</u>	<u>4,597,540</u>	<u>(2,928,452)</u>
2,080,016	706,510	1,373,506
-	-	-
2,969,568	433,846	2,535,722
13,693,198	1,144,002	12,549,196
7,479,706	3,346,746	4,132,960
800,000	400,000	400,000
<u>27,022,488</u>	<u>6,031,104</u>	<u>20,991,384</u>
<u>(19,496,496)</u>	<u>(1,433,564)</u>	<u>18,062,932</u>
-	-	-
-	-	-
(609,572)	(304,786)	304,786
<u>(609,572)</u>	<u>(304,786)</u>	<u>304,786</u>
(20,106,068)	(1,738,350)	18,367,718
12,224,242	12,224,242	-
<u>\$ (7,881,826)</u>	<u>\$ 10,485,892</u>	<u>\$ 18,367,718</u>

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. Effective October 1, 2016, the operations and all assets and liabilities of the Cleveland Heights Golf Course Fund were transferred to the General Fund.

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-type Activities Enterprise Funds					Total Other Proprietary Funds
	Parking System Fund	RP Funding Center	Lakeland Linder Regional Airport Fund	Solid Waste Management Fund	Cleveland Heights Golf Course Fund	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 403,854	\$ 1,655,483	\$ -	\$ 6,342,227	\$ -	\$ 8,401,564
Receivables	30,213	177,068	655,351	531,936	-	1,394,568
Less allowance for uncollectibles	(2,364)	(1,633)	(41,722)	(49)	-	(45,768)
Prepaid expenses	46	87,122	75,556	608	-	163,332
Asset apportionments set aside for:						
Current portion of bonds payable	-	1,187,061	941,657	-	-	2,128,718
Accrued interest payable	-	1,782	132,706	-	-	134,488
Accrued liabilities	-	-	1,260,979	-	-	1,260,979
Restricted Assets set aside for:						
Accrued liabilities	-	2,356,673	-	-	-	2,356,673
Total current assets	<u>431,749</u>	<u>5,463,556</u>	<u>3,024,527</u>	<u>6,874,722</u>	<u>-</u>	<u>15,794,554</u>
Non-current assets:						
Asset apportionments	39,114	-	6,073,654	-	-	6,112,768
Restricted assets	-	10,616,837	569	404,993	-	11,022,399
Capital assets:						
Land	1,553,061	2,611,443	14,029,120	934,279	-	19,127,903
Construction in process	-	4,184,770	689,659	-	-	4,874,429
Facilities and equipment in service	7,766,008	41,759,775	143,889,381	3,315,260	-	196,730,424
Less accumulated depreciation	(4,682,747)	(26,801,005)	(52,813,832)	(1,525,803)	-	(85,823,387)
Total capital assets	<u>4,636,322</u>	<u>21,754,983</u>	<u>105,794,328</u>	<u>2,723,736</u>	<u>-</u>	<u>134,909,369</u>
Other noncurrent assets:						
Deposits	1,445	-	-	-	-	1,445
Total other noncurrent assets	<u>1,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,445</u>
Total noncurrent assets	<u>4,676,881</u>	<u>32,371,820</u>	<u>111,868,551</u>	<u>3,128,729</u>	<u>-</u>	<u>152,045,981</u>
Total assets	<u>5,108,630</u>	<u>37,835,376</u>	<u>114,893,078</u>	<u>10,003,451</u>	<u>-</u>	<u>167,840,535</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources related to pensions	77,607	719,550	311,832	1,034,995	-	2,143,984
Unamortized loss on refunding	-	190,314	-	-	-	190,314
Total deferred outflows of resources	<u>77,607</u>	<u>909,864</u>	<u>311,832</u>	<u>1,034,995</u>	<u>-</u>	<u>2,334,298</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS, CONTINUED
SEPTEMBER 30, 2017

	Business-type Activities Enterprise Funds					Total Other Proprietary Funds
	Parking System Fund	RP Funding Center	Lakeland Linder Regional Airport Fund	Solid Waste Management Fund	Cleveland Heights Golf Course Fund	
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 297	\$ 264,010	\$ 23,437	\$ 254,512	\$ -	\$ 542,256
Accrued liabilities	16,945	192,409	83,185	195,817	-	488,356
Due to other funds	-	179,494	1,388,933	-	-	1,568,427
Accrued interest payable	-	139,392	-	-	-	139,392
Current portion of loans payable	-	111,064	-	-	-	111,064
Deposits payable	-	745,560	130,260	-	-	875,820
Bonds payable	-	1,187,061	941,657	-	-	2,128,718
Current portion payable from apportioned assets						
Accrued interest payable	-	1,782	132,706	-	-	134,488
Accrued liabilities	-	-	1,260,979	-	-	1,260,979
Current portion payable from restricted assets						
Accrued liabilities - restr	-	2,356,673	-	-	-	2,356,673
Total current liabilities	17,242	5,177,445	3,961,157	450,329	-	9,606,173
Noncurrent liabilities:						
Liabilities payable from apportioned assets	-	-	183,228	-	-	183,228
Restricted liabilities	-	-	-	404,993	-	404,993
Accrued liabilities, less current portion	13,939	213,108	67,535	196,787	-	491,369
Advances from other funds, less current portion	-	515,030	11,273,639	-	-	11,788,669
Net pension liability	314,892	2,794,781	1,345,218	4,123,906	-	8,578,797
Net OPEB obligation	106,295	925,163	471,747	1,560,315	-	3,063,520
Notes and loans payable, less current portion	-	479,417	-	-	-	479,417
Revenue bonds payable, less current portion	-	13,904,077	16,567,629	-	-	30,471,706
Total noncurrent liabilities	435,126	18,831,576	29,908,996	6,286,001	-	55,461,699
Total liabilities	452,368	24,009,021	33,870,153	6,736,330	-	65,067,872
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources related to pensions	3,728	30,940	16,582	48,112	-	99,362
Unearned revenue	-	24,699	1,070	-	-	25,769
Total deferred inflows of resources	3,728	55,639	17,652	48,112	-	125,131
NET POSITION						
Net investment in capital assets	4,636,322	19,237,188	88,285,042	2,723,736	-	114,882,288
Restricted:						
Capital improvement	-	10,616,837	569	-	-	10,617,406
Unrestricted	93,819	(15,173,445)	(6,968,506)	1,530,268	-	(20,517,864)
Total net position	\$ 4,730,141	\$ 14,680,580	\$ 81,317,105	\$ 4,254,004	\$ -	\$ 104,981,830

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Enterprise Funds					Total Other Proprietary Funds
	Parking System Fund	RP Funding Center	Lakeland Linder Regional Airport Fund	Solid Waste Management Fund	Cleveland Heights Golf Course Fund	
OPERATING REVENUES						
Charges for services	\$ 800,453	\$ 5,097,975	\$ 5,194,038	\$ 15,940,869	\$ -	\$ 27,033,335
OPERATING EXPENSES						
Personal services	273,374	3,878,880	1,347,408	4,271,568	-	9,771,230
Other operating expenses	947,390	4,480,843	2,323,364	8,754,191	20,181	16,525,969
Depreciation	167,940	937,647	4,455,324	116,776	-	5,677,687
Total operating expenses	1,388,704	9,297,370	8,126,096	13,142,535	20,181	31,974,886
Operating income (loss)	(588,251)	(4,199,395)	(2,932,058)	2,798,334	(20,181)	(4,941,551)
NONOPERATING REVENUES (EXPENSES)						
Property and other taxes	-	1,379,040	-	-	-	1,379,040
Federal, state and local grants	-	69,085	-	-	-	69,085
Investment revenue	8,438	359,892	(116,389)	279,613	-	531,554
Net increase (decrease) in the fair value of investments and cash equivalents	(8,370)	(567,157)	(15,113)	(176,292)	-	(766,932)
Miscellaneous revenue	3,083	121,806	305,686	33,200	-	463,775
Interest expense	-	(192,940)	(732,162)	-	-	(925,102)
Amortization	-	(38,063)	-	-	-	(38,063)
Gain (loss) on disposal of capital assets	-	(2,347)	(10,795)	(32,163)	-	(45,305)
Total nonoperating revenues (expenses)	3,151	1,129,316	(568,773)	104,358	-	668,052
Income (loss) before contributions, transfers	(585,100)	(3,070,079)	(3,500,831)	2,902,692	(20,181)	(4,273,499)
Capital grants and contributions	-	-	14,329,934	-	-	14,329,934
Transfers from other funds:						
Transfers from other funds	442,410	3,602,000	26,000	501,000	-	4,571,410
Transfers from other funds	442,410	3,602,000	26,000	501,000	-	4,571,410
Transfers to other funds:						
Transfers to other funds	(838)	(5,095)	(123,917)	(1,960,057)	(3,354,187)	(5,444,094)
Transfers to other funds	(838)	(5,095)	(123,917)	(1,960,057)	(3,354,187)	(5,444,094)
Total contributions and transfers	441,572	3,596,905	14,232,017	(1,459,057)	(3,354,187)	13,457,250
Change in net position	(143,528)	526,826	10,731,186	1,443,635	(3,374,368)	9,183,751
NET POSITION, beginning of year	4,873,669	14,153,754	70,585,919	2,810,369	3,374,368	95,798,079
NET POSITION, end of year	\$ 4,730,141	\$ 14,680,580	\$ 81,317,105	\$ 4,254,004	\$ -	\$ 104,981,830

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-type Activities					Total Other Proprietary Funds
	Enterprise Funds					
	Parking System Fund	RP Funding Center	Lakeland Linder Regional Airport Fund	Solid Waste Management Fund	Cleveland Heights Golf Course Fund	
Cash flows from operating activities:						
Receipts from customers	\$ 812,639	\$ 4,869,032	\$ 5,684,087	\$ 15,987,699	\$ -	\$ 27,353,457
Payments for interfund services	(80,630)	(385,956)	(317,684)	(4,644,811)	-	(5,429,081)
Payments to suppliers	(943,790)	(3,886,261)	(2,822,747)	(4,041,408)	(20,181)	(11,714,387)
Payments to employees	(253,180)	(3,664,725)	(1,274,851)	(3,990,390)	-	(9,183,146)
Cash flows provided by (used in) operating activities	(464,961)	(3,067,910)	1,268,805	3,311,090	(20,181)	1,026,843
Cash flows from noncapital financing activities:						
Interest paid on customer deposits	-	-	-	(15,937)	-	(15,937)
Proceeds from local grants	-	69,085	-	-	-	69,085
Transfers from other funds	4,000	3,222,000	26,000	501,000	-	3,753,000
Transfers to other funds	(838)	(5,095)	(123,917)	(1,960,057)	(407,207)	(2,497,114)
Cash flows provided by (used in) noncapital financing activities	3,162	3,285,990	(97,917)	(1,474,994)	(407,207)	1,309,034
Cash flows from capital financing activities:						
Taxes received for payments on long-term debt	-	1,379,040	-	-	-	1,379,040
Interest paid on long-term debt issued to finance capital assets	-	(99,321)	(625,261)	-	-	(724,582)
Payments on interfund loans	-	(166,152)	(20,090,096)	-	-	(20,256,248)
Proceeds from issuance of internal loans	-	148,000	17,173,703	-	-	17,321,703
Payments on and maturities of long-term debt	-	(1,352,756)	-	-	-	(1,352,756)
Proceeds from capital grant programs	-	-	10,644,516	-	-	10,644,516
Proceeds from issuance of long-term debt	-	14,741,138	17,509,286	-	-	32,250,424
Transfers from other funds for capital purposes	438,410	380,000	-	-	-	818,410
Purchase of capital assets	(33,401)	(2,083,630)	(24,881,818)	(235,954)	-	(27,234,803)
Cash flows provided by (used in) capital financing activities	405,009	12,946,319	(269,670)	(235,954)	-	12,845,704
Cash flows from investing activities:						
Investment revenue	8,438	359,892	(116,389)	295,550	-	547,491
Net increase (decrease) in the fair value of cash equivalents	(8,370)	(567,157)	(15,113)	(176,292)	-	(766,932)
Cash flows provided by (used in) investing activities	68	(207,265)	(131,502)	119,258	-	(219,441)
Net increase (decrease) in cash and cash equivalents	(56,722)	12,957,134	769,716	1,719,400	(427,388)	14,962,140
Cash and cash equivalents, beginning of year	499,690	2,860,702	56,849	5,027,820	427,388	8,872,449
Cash and cash equivalents, end of year	\$ 442,968	\$ 15,817,836	\$ 826,565	\$ 6,747,220	\$ -	\$ 23,834,589
Classified as:						
Current	\$ 403,854	\$ 1,655,483	\$ -	\$ 6,342,227	\$ -	\$ 8,401,564
Apportioned	39,114	1,188,843	825,996	-	-	2,053,953
Restricted	-	12,973,510	569	404,993	-	13,379,072
Total	\$ 442,968	\$ 15,817,836	\$ 826,565	\$ 6,747,220	\$ -	\$ 23,834,589
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (588,251)	\$ (4,199,395)	\$ (2,932,058)	\$ 2,798,334	\$ (20,181)	\$ (4,941,551)
Depreciation	167,940	937,647	4,455,324	116,776	-	5,677,687
Miscellaneous revenue	3,083	121,806	305,686	33,200	-	463,775
(Increase) decrease in receivables, net	9,103	(27,182)	145,762	(12,136)	-	115,547
Decrease in prepaid expenses	4	42,090	19,586	40	-	61,720
Decrease in deferred outflows related to pensions	38,585	286,821	161,786	503,690	-	990,882
Increase (decrease) in accounts payable	(68,354)	109,099	(857,676)	45,696	-	(771,235)
Increase (decrease) in accrued liabilities	(8,680)	57,437	21,023	22,236	-	92,016
Increase (decrease) in unearned revenue	-	(3,869)	1,070	-	-	(2,799)
(Decrease) in net pension liability	(32,854)	(218,632)	(145,433)	(420,613)	-	(817,532)
Increase in deferred inflows related to pensions	3,478	28,772	15,509	44,842	-	92,601
Increase in net OPEB obligation	10,985	117,193	40,695	153,259	-	322,132
Increase (decrease) in deposits payable	-	(319,697)	37,531	25,766	-	(256,400)
Net cash provided by (used in) operating activities	\$ (464,961)	\$ (3,067,910)	\$ 1,268,805	\$ 3,311,090	\$ (20,181)	\$ 1,026,843
Noncash investing, capital, or financing transactions:						
Capitalized interest	\$ -	\$ 22,331	\$ 25,805	\$ -	\$ -	\$ 48,136
Capital grants and contributions not received, a noncash capital activity	-	-	7,583,000	-	-	7,583,000
Net asset transfer to other funds, a noncash capital activity	-	-	-	-	2,946,980	2,946,980
Net noncash investing, capital, or financing transactions	\$ -	\$ 22,331	\$ 7,608,805	\$ -	\$ 2,946,980	\$ 10,578,116

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 LAKELAND, FLORIDA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Purchasing And Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 317,388	\$ 578,020	\$ 1,964,796
Due from other funds	-	1,089,237	-
Due from other governments	-	151,767	-
Inventory	849,534	35,476	-
Prepaid expenses	150	280	524
Asset apportionments set aside for:			
Current portion of bonds payable	-	-	-
Accrued interest payable	-	-	-
Due to other funds	-	1,167,035	-
Accrued liabilities	-	344,566	-
Total current assets	<u>1,167,072</u>	<u>3,366,381</u>	<u>1,965,320</u>
Noncurrent assets:			
Assets apportionments:			
Other asset apportionments	-	31,126,713	-
	-	31,126,713	-
Capital assets:			
Land	-	9,972	-
Construction in process	-	-	-
Facilities and equipment in service	3,564,943	61,791,431	449,827
Less accumulated depreciation	(2,019,179)	(38,278,245)	(359,289)
Total capital assets	<u>1,545,764</u>	<u>23,523,158</u>	<u>90,538</u>
Other noncurrent assets:			
Advances to other funds, less current portion	-	-	-
Total other noncurrent assets	-	-	-
Total noncurrent assets	<u>1,545,764</u>	<u>54,649,871</u>	<u>90,538</u>
Total assets	<u>2,712,836</u>	<u>58,016,252</u>	<u>2,055,858</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	240,960	507,952	706,711
Unamortized loss on refunding	-	-	-
Total deferred outflows of resources	<u>240,960</u>	<u>507,952</u>	<u>706,711</u>
LIABILITIES			
Current liabilities:			
Accounts payable	59,211	174,409	54,874
Accrued liabilities	63,132	121,491	171,067
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Current portion of bonds payable	-	-	-
Payable from apportioned assets:			
Accrued interest payable	-	-	-
Accrued liabilities	-	344,566	-
Due to other funds	-	1,167,035	-
Total current liabilities	<u>122,343</u>	<u>1,807,501</u>	<u>225,941</u>
Noncurrent liabilities:			
Liabilities payable from apportioned assets			
Advances from other funds, less current portion	-	-	-
Other liabilities payable from apportioned assets	-	-	-
Accrued liabilities, less current portion	58,311	168,663	182,085
Advances from other funds, less current portion	-	-	-
Net pension liability	933,510	2,133,884	2,702,986
Net OPEB obligation	450,000	802,939	957,105
Revenue bonds payable, less current portion	-	-	-
Unamortized bond premium	-	-	-
Total noncurrent liabilities	<u>1,441,821</u>	<u>3,105,486</u>	<u>3,842,176</u>
Total liabilities	<u>1,564,164</u>	<u>4,912,987</u>	<u>4,068,117</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	10,802	26,087	30,179
Total deferred inflows of resources	<u>10,802</u>	<u>26,087</u>	<u>30,179</u>
NET POSITION			
Net investment in capital assets	1,545,764	23,523,158	90,538
Restricted			
Unrestricted	(166,934)	30,061,972	(1,426,265)
Total net position	<u>\$ 1,378,830</u>	<u>\$ 53,585,130</u>	<u>\$ (1,335,727)</u>

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 4,208,917	\$ -	\$ 27,859,331	\$ 34,928,452
-	-	3,254,822	4,344,059
-	-	-	151,767
-	-	-	885,010
768	-	-	1,722
-	-	3,137,526	3,137,526
-	-	2,124,199	2,124,199
69,281	-	-	1,236,316
16,849	7,341,137	-	7,702,552
<u>4,295,815</u>	<u>7,341,137</u>	<u>36,375,878</u>	<u>54,511,603</u>
5,414,122	15,912,637	-	52,453,472
<u>5,414,122</u>	<u>15,912,637</u>	<u>-</u>	<u>52,453,472</u>
-	-	-	9,972
2,505,581	-	-	2,505,581
30,862,652	-	-	96,668,853
(16,096,274)	-	-	(56,752,987)
<u>17,271,959</u>	<u>-</u>	<u>-</u>	<u>42,431,419</u>
-	-	18,804,882	18,804,882
-	-	18,804,882	18,804,882
<u>22,686,081</u>	<u>15,912,637</u>	<u>18,804,882</u>	<u>113,689,773</u>
<u>26,981,896</u>	<u>23,253,774</u>	<u>55,180,760</u>	<u>168,201,376</u>
2,559,286	-	-	4,014,909
-	-	637,799	637,799
<u>2,559,286</u>	<u>-</u>	<u>637,799</u>	<u>4,652,708</u>
318,322	-	-	606,816
505,724	-	-	861,414
991,807	-	1,089,237	2,081,044
-	-	9,936	9,936
-	-	3,137,526	3,137,526
-	-	2,124,199	2,124,199
16,849	8,173,867	-	8,535,282
69,281	-	-	1,236,316
<u>1,901,983</u>	<u>8,173,867</u>	<u>6,360,898</u>	<u>18,592,533</u>
164,862	-	-	164,862
-	13,768,000	-	13,768,000
679,154	-	-	1,088,213
6,851,351	-	-	6,851,351
10,216,310	-	-	15,986,690
3,169,713	-	-	5,379,757
-	-	36,196,242	36,196,242
-	-	7,439,259	7,439,259
<u>21,081,390</u>	<u>13,768,000</u>	<u>43,635,501</u>	<u>86,874,374</u>
<u>22,983,373</u>	<u>21,941,867</u>	<u>49,996,399</u>	<u>105,466,907</u>
114,046	-	-	181,114
<u>114,046</u>	<u>-</u>	<u>-</u>	<u>181,114</u>
17,271,959	-	-	42,431,419
(10,828,196)	1,311,907	5,822,160	24,774,644
<u>\$ 6,443,763</u>	<u>\$ 1,311,907</u>	<u>\$ 5,822,160</u>	<u>\$ 67,206,063</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Purchasing And Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
OPERATING REVENUES			
Charges for services	\$ 3,490,173	\$ 14,510,537	\$ 5,297,837
OPERATING EXPENSES			
Personal services	1,079,405	2,294,425	3,334,984
Other operating expenses	2,419,359	5,854,723	2,125,134
Depreciation	97,491	6,836,781	43,871
Total operating expenses	<u>3,596,255</u>	<u>14,985,929</u>	<u>5,503,989</u>
Operating income (loss)	<u>(106,082)</u>	<u>(475,392)</u>	<u>(206,152)</u>
NONOPERATING REVENUES (EXPENSES)			
Federal, state and local grants	-	-	-
Investment revenue	6,927	1,575,440	89,314
Net increase (decrease) in the fair value of investments and cash equivalents	(10,553)	(501,721)	(44,599)
Interest income on internal loans	-	62,338	-
Miscellaneous revenue	15,140	31,294	43,827
Rebate on fuel taxes	-	162,631	-
Interest expense	-	(62,665)	-
Amortization	-	-	-
Proceeds from the sale of capital assets	-	1,082,794	-
Gain (loss) on disposal of capital assets	-	(372,253)	-
Total nonoperating revenues	<u>11,514</u>	<u>1,977,858</u>	<u>88,542</u>
Income (loss) before transfers	<u>(94,568)</u>	<u>1,502,466</u>	<u>(117,610)</u>
Transfers from other funds:			
Transfers from other funds	17,000	647,841	109,388
Transfers from other funds	<u>17,000</u>	<u>647,841</u>	<u>109,388</u>
Transfers to other funds:			
Transfers to other funds	(12,748)	(3,760,455)	(46,242)
Transfers to other funds	<u>(12,748)</u>	<u>(3,760,455)</u>	<u>(46,242)</u>
Total contributions and transfers	4,252	(3,112,614)	63,146
Change in net position	(90,316)	(1,610,148)	(54,464)
NET POSITION, beginning of year	1,469,146	55,195,278	(1,281,263)
NET POSITION, end of year	<u>\$ 1,378,830</u>	<u>\$ 53,585,130</u>	<u>\$ (1,335,727)</u>

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 19,609,135	\$ 36,178,518	\$ -	\$ 79,086,200
10,062,901	-	-	16,771,715
7,343,505	36,980,935	-	54,723,656
2,817,879	-	-	9,796,022
20,224,285	36,980,935	-	81,291,393
(615,150)	(802,417)	-	(2,205,193)
-	-	308,747	308,747
404,349	1,035,979	913,883	4,025,892
(236,574)	(497,230)	(513,754)	(1,804,431)
-	-	3,533,265	3,595,603
26,124	177,282	-	293,667
-	-	-	162,631
(358,779)	-	(4,512,494)	(4,933,938)
-	-	344,865	344,865
-	-	-	1,082,794
(41,655)	-	-	(413,908)
(206,535)	716,031	74,512	2,661,922
(821,685)	(86,386)	74,512	456,729
1,422,281	-	-	2,196,510
1,422,281	-	-	2,196,510
-	-	-	(3,819,445)
-	-	-	(3,819,445)
1,422,281	-	-	(1,622,935)
600,596	(86,386)	74,512	(1,166,206)
5,843,167	1,398,293	5,747,648	68,372,269
\$ 6,443,763	\$ 1,311,907	\$ 5,822,160	\$ 67,206,063

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Purchasing and Stores Fund</u>	<u>Fleet Management Fund</u>	<u>Facilities Maintenance Fund</u>
Cash flows from operating activities:			
Receipts from customers	\$ 2,045,432	\$ 112,954	\$ 43,827
Receipts for interfund services	1,459,881	14,510,537	5,297,837
Payments to suppliers	(1,973,228)	(5,557,120)	(1,781,702)
Payments for interfund services	(320,076)	(200,339)	(383,567)
Payments to employees	(1,012,003)	(2,154,012)	(3,124,777)
Cash flows provided by operating activities	<u>200,006</u>	<u>6,712,020</u>	<u>51,618</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	17,000	-	109,388
Transfers to other funds	(12,748)	(3,760,455)	(46,242)
Cash flows provided by (used in) noncapital financing activities	<u>4,252</u>	<u>(3,760,455)</u>	<u>63,146</u>
Cash flows from capital financing activities:			
Interest received on internal loans	-	62,338	-
Repayments on and maturities of long-term debt - governmental funds	-	-	-
Issuance of long-term debt - governmental funds	-	-	-
Proceeds from repayment of interfund loans	-	2,241,092	-
Payments on interfund loans	-	(2,137,794)	-
Issuance of interfund loans	-	-	-
Interest paid on long-term debt issued to finance capital assets	-	(62,665)	-
Payments on and maturities of long-term debt	-	-	-
Transfers from other funds for capital purposes	-	647,841	-
Proceeds from rebates received on interest payments	-	-	-
Proceeds from sale of capital assets	-	1,082,794	-
Purchase of capital assets	-	(6,815,925)	(16,700)
Cash flows (used in) capital financing activities	<u>-</u>	<u>(4,982,319)</u>	<u>(16,700)</u>
Cash flows from investing activities:			
Investment revenue	6,927	1,575,440	89,314
Net Increase (decrease) in the fair value of cash equivalents	(10,553)	(501,721)	(44,599)
Cash flows provided by investing activities	<u>(3,626)</u>	<u>1,073,719</u>	<u>44,715</u>
Net increase (decrease) in cash and cash equivalents	200,632	(957,035)	142,779
Cash and cash equivalents, beginning of year	116,756	34,173,369	1,822,017
Cash and cash equivalents, end of year	<u>\$ 317,388</u>	<u>\$ 33,216,334</u>	<u>\$ 1,964,796</u>
Classified as:			
Current	\$ 317,388	\$ 578,020	\$ 1,964,796
Apportioned	-	32,638,314	-
Total	<u>\$ 317,388</u>	<u>\$ 33,216,334</u>	<u>\$ 1,964,796</u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating income (loss)	\$ (106,082)	\$ (475,392)	\$ (206,152)
Depreciation	97,491	6,836,781	43,871
Rebate on fuel taxes	-	162,631	-
Miscellaneous revenue	15,140	31,294	43,827
(Increase) decrease in receivables, net	-	548	-
(Increase) in due from other governments	-	(81,519)	-
(Increase) decrease in inventory	172,888	(2,341)	-
Decrease in prepaid expenses	10	19	24
Decrease in deferred outflows related to pensions	122,249	271,077	312,301
Increase (decrease) in accounts payable	12,504	99,586	(50,855)
Increase in accrued liabilities	17,763	21,352	10,695
(Decrease) in deposits payable	(77,110)	-	-
(Decrease) in net pension liability	(101,246)	(240,602)	(244,456)
Increase in net OPEB liability	36,342	64,207	114,305
Increase in estimated liability for unpaid claims	-	-	-
Increase in deferred inflows related to pensions	10,057	24,379	28,058
Net cash provided by (used in) operating activities	<u>\$ 200,006</u>	<u>\$ 6,712,020</u>	<u>\$ 51,618</u>

Information Technology Fund	Self-Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 26,124	\$ 11,909,566	\$ -	\$ 14,137,903
19,609,135	24,335,182	-	65,212,572
(6,052,553)	(34,917,205)	-	(50,281,808)
(1,107,745)	(191,548)	-	(2,203,275)
(9,347,105)	-	-	(15,637,897)
<u>3,127,856</u>	<u>1,135,995</u>	<u>-</u>	<u>11,227,495</u>
26,000	-	-	152,388
-	-	-	(3,819,445)
<u>26,000</u>	<u>-</u>	<u>-</u>	<u>(3,667,057)</u>
-	-	3,533,265	3,595,603
-	-	11,661,690	11,661,690
-	-	(2,250,000)	(2,250,000)
-	-	22,510,671	24,751,763
(1,420,583)	-	(2,241,092)	(5,799,469)
-	-	(17,321,703)	(17,321,703)
(358,779)	-	(4,608,428)	(5,029,872)
-	-	(7,812,000)	(7,812,000)
1,396,281	-	-	2,044,122
-	-	313,568	313,568
-	-	-	1,082,794
(1,375,347)	-	-	(8,207,972)
<u>(1,758,428)</u>	<u>-</u>	<u>3,785,971</u>	<u>(2,971,476)</u>
404,349	1,035,979	913,883	4,025,892
(236,574)	(497,230)	(513,754)	(1,804,431)
<u>167,775</u>	<u>538,749</u>	<u>400,129</u>	<u>2,221,461</u>
1,563,203	1,674,744	4,186,100	6,810,423
8,145,966	20,571,897	28,934,956	93,764,961
<u>\$ 9,709,169</u>	<u>\$ 22,246,641</u>	<u>\$ 33,121,056</u>	<u>\$ 100,575,384</u>
\$ 4,208,917	\$ -	\$ 27,859,331	\$ 34,928,452
5,500,252	22,246,641	5,261,725	65,646,932
<u>\$ 9,709,169</u>	<u>\$ 22,246,641</u>	<u>\$ 33,121,056</u>	<u>\$ 100,575,384</u>
\$ (615,150)	\$ (802,417)	\$ -	\$ (2,205,193)
2,817,879	-	-	9,796,022
-	-	-	162,631
26,124	177,282	-	293,667
-	(111,052)	-	(110,504)
-	-	-	(81,519)
-	-	-	170,547
50	-	-	103
960,495	-	-	1,666,122
124,669	440,452	-	626,356
58,488	-	-	108,298
-	-	-	(77,110)
(734,591)	-	-	(1,320,895)
383,724	-	-	598,578
-	1,431,730	-	1,431,730
106,168	-	-	168,662
<u>\$ 3,127,856</u>	<u>\$ 1,135,995</u>	<u>\$ -</u>	<u>\$ 11,227,495</u>

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.

Survivor's Benefit Trust Fund – This fund accounts for the accumulation of resources used for payment of premiums for the insurance policy purchased by the City for the payment of 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, 2017

	Pension and Other Employees Benefit Trust Funds					Total Fiduciary Funds
	Employees Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System	Retiree Healthcare Trust Fund	Survivor's Benefit Trust Fund	
ASSETS						
Cash and cash equivalents	\$ 7,292,732	\$ 918,562	\$ 733,664	\$ 203,564	\$ -	\$ 9,148,522
Mutual Funds	264,963,216	92,817,649	92,554,072	-	773,412	451,108,349
US Government Obligations	37,891,861	2,263,601	-	-	50,847	40,206,309
Corporate Notes and Bonds	39,152,362	21,707,613	-	-	281,441	61,141,416
Municipal Bonds	-	1,450,595	-	-	-	1,450,595
Corporate Stocks	226,547,189	-	-	-	2,383,795	228,930,984
Consolidated Fund	-	-	-	7,250,917	-	7,250,917
Prepaid expenses	-	667	1,689	-	-	2,356
Accrued interest receivable	481,090	127,774	37,225	-	-	646,089
Unsettled investment sales, net	646,905	-	-	-	-	646,905
Contributions	978,932	182,331	81,298	70,242	-	1,312,803
Due from other governments	-	-	726,182	-	-	726,182
Total assets	577,954,287	119,468,792	94,134,130	7,524,723	3,489,495	802,571,427
LIABILITIES						
Accounts payable	467,485	132,458	30,368	-	-	630,311
Unsettled investment purchases, net	391,795	-	-	-	-	391,795
Due to other funds	-	-	-	-	616,301	616,301
Total liabilities	859,280	132,458	30,368	-	616,301	1,638,407
NET POSITION						
Net Position Restricted for DROP benefits	20,691,883	1,897,188	2,496,732	-	-	25,085,803
Net Position Restricted for OPEB benefits	-	-	-	7,524,723	-	7,524,723
Net Position Restricted for pension benefits and other purposes	556,403,124	117,439,146	91,607,030	-	2,873,194	768,322,494
Total net position	\$ 577,095,007	\$ 119,336,334	\$ 94,103,762	\$ 7,524,723	\$ 2,873,194	\$ 800,933,020

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	Survivor's Benefit Trust Fund	Total Fiduciary Funds
ADDITIONS						
Contributions:						
Employer	\$ 14,739,830	\$ 2,691,292	\$ 1,410,862	\$ 7,878,120	\$ -	\$ 26,720,104
Plan Members	7,600,019	2,186,659	868,091	222,838	-	10,877,607
On-behalf payments - State of Florida	-	856,398	726,180	-	-	1,582,578
Total contributions	<u>22,339,849</u>	<u>5,734,349</u>	<u>3,005,133</u>	<u>8,100,958</u>	<u>-</u>	<u>39,180,289</u>
Net investment income:						
Interest and dividends	9,037,778	2,768,507	2,370,240	239,993	113,054	14,529,572
Net increase in fair value of investments	60,743,522	10,097,751	7,408,022	554,946	267,067	79,071,308
Investment advisor fee	(2,354,204)	(153,283)	(179,072)	-	-	(2,686,559)
Net investment income (loss)	<u>67,427,096</u>	<u>12,712,975</u>	<u>9,599,190</u>	<u>794,939</u>	<u>380,121</u>	<u>90,914,321</u>
Miscellaneous income	142,296	3,202	100	-	-	145,598
Total additions	<u>89,909,241</u>	<u>18,450,526</u>	<u>12,604,423</u>	<u>8,895,897</u>	<u>380,121</u>	<u>130,240,208</u>
DEDUCTIONS						
Benefits paid	41,464,441	7,362,543	5,846,514	7,904,042	-	62,577,540
Refunds, former plan members	970,232	180,104	-	2,194	-	1,152,530
Administrative expenses	196,533	125,132	110,237	-	-	431,902
Actuarial fee	44,639	73,366	-	-	-	118,005
Other	-	-	-	-	614,077	614,077
Total deductions	<u>42,675,845</u>	<u>7,741,145</u>	<u>5,956,751</u>	<u>7,906,236</u>	<u>614,077</u>	<u>64,894,054</u>
CHANGE IN NET POSITION						
RESTRICTED	47,233,396	10,709,381	6,647,672	989,661	(233,956)	65,346,154
NET POSITION, beginning of year	529,861,611	108,626,953	87,456,090	6,535,062	3,107,150	735,586,866
NET POSITION, end of year	<u>\$ 577,095,007</u>	<u>\$ 119,336,334</u>	<u>\$ 94,103,762</u>	<u>\$ 7,524,723</u>	<u>\$ 2,873,194</u>	<u>\$ 800,933,020</u>

CITY OF LAKELAND, FLORIDA

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED SEPTEMBER 30, 2017

	2017
<u>County Impact Fee Fund</u>	
Cash and cash equivalents, beginning balance	\$ 12,999,811
Add:	
Impact fee collections	2,180,293
Net investment income:	
Interest and dividends	647,407
Net increase (decrease) in the fair value of investments	(102,757)
Less:	
Impact fee remittance to the County	(2,118,525)
Impact fee refunds	(25,401)
Administrative fee	(128,873)
Joint City/County transportation projects	(4,798,630)
Cash and cash equivalents, ending balance	\$ 8,653,325
Accounts payable/due to other governments, beginning balance	\$ 12,999,811
Add:	
Impact fee collections	2,180,293
Net investment income:	
Interest and dividends	647,407
Net increase (decrease) in the fair value of investments	(102,757)
Less:	
Impact fee remittances to the County	(2,118,525)
Impact fee refunds	(25,401)
Administrative fee	(128,873)
Joint City/County transportation projects	(4,798,630)
Accounts payable/due to other governments, ending balance	\$ 8,653,325



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Schedules

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017





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CITY OF LAKELAND, FLORIDA
SCHEDULE OF LONG-TERM DEBT - ALL FUNDS
SEPTEMBER 30, 2017

	Interest Rate	Date	
		Issue	Final Maturity
GOVERNMENTAL FUNDS			
Lease Payable - Leasing2 - Gradall Telescope Excavators	5.75	08-03-16	11-15-23
Lease Payable - Santander Leasing LLC - Cues Truck	2.68	12-15-16	11-15-21
Lease Payable - Konica Minolta Business Solutions	3.269	04-05-17	04-01-20
Lease Payable - Canon Financial Services	12.947	12-01-16	11-01-20
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
Lease Payable - PNC	2.850 to 5.700	12-20-10	11-24-18
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 2017	Variable	08-29-17	10-01-37
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			
Capital Improvement Revenue Note, Series 2017A	2.440	05-23-17	04-01-32
Capital Improvement Revenue Note, Series 2017B	2.440	05-23-17	04-01-26
Internal Loans	2.500 to 4.000	09-30-10	09-30-35
LAKELAND CENTER FUND			
Capital Improvement Refunding Note, Series 2012A	0.018	12-20-12	10-01-16
Capital Improvement Refunding Note, Series 2012B	0.010	12-20-12	10-01-17
Capital Improvement Revenue Note, Series 2017A	2.440	05-23-17	04-01-32
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	0.930 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	0.930 to 5.000	01-12-12	10-01-16
Loan Payable - Wastewater Revolving Loan Program	0.440	10-24-16	01-15-40
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	1.160	03-03-17	05-15-38
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	4.0000	02-28-09	09-30-25
INTERNAL LOAN FUND			
Taxable Capital Improvement Refunding Revenue Note, Series 2015	5.0000	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, 2016	Issued During Year	Retired During Year	Outstanding September 30, 2017	Interest Payable in Future Years	Principal and Interest Payable in Future Years
\$ 784,107	\$ -	\$ 784,107	\$ 73,388	\$ 710,719	\$ 69,670	\$ 780,389
252,000	-	252,000	38,273	213,727	12,373	226,100
9,175	-	9,175	1,221	7,954	352	8,306
7,275	-	7,275	1,223	6,052	1,358	7,410
1,280,000	663,045	-	100,695	562,350	62,633	624,983
455,000	40,000	-	30,000	10,000	-	10,000
975,000	489,809	-	100,958	388,851	33,795	422,646
756,653	-	452,465	166,337	286,128	6,853	292,981
85,458,705	68,797,265	2,371,020	11,661,691	59,506,594	18,988,620	78,495,214
89,977,915	69,990,119	3,876,042	12,173,786	61,692,375	19,175,654	80,868,029
138,650,000	138,650,000	-	3,540,000	135,110,000	48,044,575	183,154,575
44,870,000	1,055,000	-	1,055,000	-	-	-
100,000,000	100,000,000	-	100,000,000	-	-	-
97,000,000	-	97,000,000	-	97,000,000	21,220,915	118,220,915
199,300,000	168,895,000	-	16,280,000	152,615,000	69,104,388	221,719,388
1,572,285	467,229	-	328,183	139,046	823	139,869
581,392,285	409,067,229	97,000,000	121,203,183	384,864,046	138,370,701	523,234,747
1,629,431	-	1,629,431	-	1,629,431	220,667	1,850,098
15,879,855	-	15,879,855	-	15,879,855	1,531,033	17,410,888
12,551,086	13,733,283	17,173,703	1,876,142	12,120,844	3,763,388	15,884,232
30,060,372	13,733,283	34,682,989	1,876,142	29,630,130	5,515,088	35,145,218
3,015,000	900,000	-	900,000	-	-	-
1,625,000	695,000	-	345,000	350,000	1,802	351,802
14,741,138	-	14,741,138	-	14,741,138	2,950,436	17,691,574
1,166,640	698,237	-	107,756	590,481	55,480	645,961
1,576,600	712,676	148,000	166,152	694,524	52,368	746,892
22,124,378	3,005,913	14,889,138	1,518,908	16,376,143	3,060,086	19,436,229
8,336,615	7,176,615	-	1,210,000	5,966,615	741,998	6,708,613
5,209,023	5,209,023	-	-	5,209,023	2,427,447	7,636,470
37,325,000	37,325,000	-	405,000	36,920,000	15,217,225	52,137,225
10,600,000	10,600,000	-	598,757	10,001,243	1,612,721	11,613,964
6,750,000	1,155,000	-	1,155,000	-	-	-
12,284,141	-	1,996,896	-	1,996,896	246,349	2,243,245
42,734,405	28,853,353	-	2,035,400	26,817,953	3,927,264	30,745,217
72,755,000	5,000	-	5,000	-	-	-
1,000,000	-	252,077	-	252,077	31,098	283,175
1,649,093	1,301,890	-	31,854	1,270,036	220,110	1,490,146
198,643,277	91,625,881	2,248,973	5,441,011	88,433,843	24,424,212	112,858,055
2,230,000	121,020	-	121,020	-	-	-
413,952	452,465	-	452,465	-	-	-
2,643,952	573,485	-	573,485	-	-	-
16,080,151	9,497,883	-	1,420,583	8,077,300	1,308,708	9,386,008
16,080,151	9,497,883	-	1,420,583	8,077,300	1,308,708	9,386,008
5,000,000	5,000,000	-	-	5,000,000	231,250	5,231,250
51,465,000	51,435,000	-	815,000	50,620,000	22,472,664	73,092,664
12,375,000	11,533,000	-	447,000	11,086,000	613,130	11,699,130
40,153,385	16,173,385	-	4,435,000	11,738,385	1,142,543	12,880,928
10,140,000	6,605,000	-	2,115,000	4,490,000	404,122	4,894,122
15,905,977	15,905,977	-	-	15,905,977	9,950,680	25,856,657
135,039,362	106,652,362	-	7,812,000	98,840,362	34,814,389	133,654,751
<u>\$ 1,075,961,692</u>	<u>\$ 704,146,155</u>	<u>\$ 152,697,142</u>	<u>\$ 152,019,098</u>	<u>\$ 687,914,199</u>	<u>\$ 226,668,838</u>	<u>\$ 914,583,037</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY
SEPTEMBER 30, 2017

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010A

<u>Fiscal Year</u>	<u>INTERNAL LOAN PORTION</u>			<u>WATER UTILITIES PORTION</u>		
	<u>SERIES 2010A</u>			<u>SERIES 2010A</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	\$ 11,738,385	\$ 1,142,543	\$ 12,880,928	\$ 5,966,615	\$ 741,998	\$ 6,708,613

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010B

<u>Fiscal Year</u>	<u>WATER UTILITIES PORTION</u>		
	<u>SERIES 2010B</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	\$ 4,490,000	\$ 404,122	\$ 4,894,122

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
 SEPTEMBER 30, 2017

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010C

Fiscal Year	<u>INTERNAL LOAN PORTION</u>			<u>WATER UTILITIES PORTION</u>		
	SERIES 2010C			SERIES 2010C		
	Principal	Interest	Total	Principal	Interest	Total
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	\$ 15,905,977	\$ 9,950,680	\$ 25,856,657	\$ 5,209,023	\$ 2,427,447	\$ 7,636,470

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2017

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2012A

INTERNAL LOAN PORTION

SERIES 2012A

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 11,086,000</u>	<u>\$ 613,130</u>	<u>\$ 11,699,130</u>

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2012B

RP FUNDING CENTER PORTION

SERIES 2012B

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-18	\$ 350,000	\$ 1,802	\$ 351,802
TOTALS	<u>\$ 350,000</u>	<u>\$ 1,802</u>	<u>\$ 351,802</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2017

CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2015

<u>Fiscal Year</u>	<u>SERIES 2015</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 50,620,000</u>	<u>\$ 22,472,664</u>	<u>\$ 73,092,664</u>

TAXABLE CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2015

<u>Fiscal Year</u>	<u>SERIES 2015</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 231,250</u>	<u>\$ 5,231,250</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
 SEPTEMBER 30, 2017

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2017A

Fiscal Year	<u>AIRPORT PORTION</u>			<u>RP FUNDING CENTER PORTION</u>		
	SERIES 2017A			SERIES 2017A		
	Principal	Interest	Total	Principal	Interest	Total
2017-18	\$ 146,177	\$ 34,015	\$ 180,192	\$ 837,061	\$ 305,554	\$ 1,142,615
2018-19	149,670	36,192	185,862	857,066	336,475	1,193,541
2019-20	153,247	32,540	185,787	877,550	315,844	1,193,394
2020-21	156,910	28,800	185,710	898,524	294,719	1,193,243
2021-22	160,660	24,972	185,632	919,999	273,090	1,193,089
2022-23	164,500	21,051	185,551	941,986	250,943	1,192,929
2023-24	168,432	17,037	185,469	964,500	228,268	1,192,768
2024-25	172,457	12,928	185,385	987,552	205,050	1,192,602
2025-26	176,579	8,720	185,299	1,011,154	181,278	1,192,432
2026-27	180,799	4,412	185,211	1,035,321	156,937	1,192,258
2027-28				1,031,583	132,014	1,163,597
2028-29				1,056,238	106,844	1,163,082
2029-30				1,081,482	81,072	1,162,554
2030-31				1,107,329	54,683	1,162,012
2031-32				1,133,793	27,665	1,161,458
TOTALS	\$ 1,629,431	\$ 220,667	\$ 1,850,098	\$ 14,741,138	\$ 2,950,436	\$ 17,691,574

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2017B

AIRPORT PORTION

Fiscal Year	SERIES 2017B		
	Principal	Interest	Total
2017-18	\$ 795,480	\$ 285,308	\$ 1,080,788
2018-19	1,159,333	316,771	1,476,104
2019-20	1,187,041	292,426	1,479,467
2020-21	6,292,701	267,498	6,560,199
2021-22	1,929,534	135,352	2,064,886
2022-23	1,239,263	94,831	1,334,094
2023-24	1,064,104	68,806	1,132,910
2024-25	1,089,536	46,460	1,135,996
2025-26	1,122,863	23,581	1,146,444
TOTALS	\$ 15,879,855	\$ 1,531,033	\$ 17,410,888

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
 SEPTEMBER 30, 2017

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2012A

WATER UTILITIES PORTION

SERIES 2012A

Fiscal Year	Principal	Interest	Total
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	\$ 36,920,000	\$ 15,217,225	\$ 52,137,225

CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2015

WATER UTILITIES PORTION

WASTEWATER UTILITIES PORTION

SERIES 2015

SERIES 2015

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2017-18	\$ 283,247	\$ 162,775	\$ 446,022	\$ 330,000	\$ 79,255	\$ 409,255
2018-19	288,087	155,921	444,008	340,000	71,269	411,269
2019-20	298,287	148,949	447,236	345,000	63,041	408,041
2020-21	303,854	141,730	445,584	355,000	54,692	409,692
2021-22	309,799	134,377	444,176	365,000	46,101	411,101
2022-23	321,129	126,880	448,009	370,000	37,268	407,268
2023-24	327,854	119,109	446,963	380,000	28,314	408,314
2024-25	334,984	111,174	446,158	390,000	19,118	409,118
2025-26	4,259,002	103,068	4,362,070	400,000	9,680	409,680
TOTALS	\$ 6,726,243	\$ 1,203,983	\$ 7,930,226	\$ 3,275,000	\$ 408,738	\$ 3,683,738

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2017

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010

<u>Fiscal Year</u>	<u>SERIES 2010</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 152,615,000</u>	<u>\$ 69,104,388</u>	<u>\$ 221,719,388</u>

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2016

<u>Fiscal Year</u>	<u>SERIES 2016</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 135,110,000</u>	<u>\$ 48,044,575</u>	<u>\$ 183,154,575</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2017

ENERGY SYSTEM REFUNDING BONDS, SERIES 2017

<u>Fiscal Year</u>	<u>SERIES 2017</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017-18	\$ -	\$ 658,388	\$ 658,388
2018-19	-	1,316,775	1,316,775
2019-20	1,795,000	1,304,591	3,099,591
2020-21	7,000,000	1,244,895	8,244,895
2021-22	-	1,197,383	1,197,383
2022-23	-	1,197,383	1,197,383
2023-24	-	1,197,383	1,197,383
2024-25	-	1,197,383	1,197,383
2025-26	-	1,197,383	1,197,383
2026-27	-	1,197,383	1,197,383
2027-28	-	1,197,383	1,197,383
2028-29	-	1,197,383	1,197,383
2029-30	195,000	1,196,059	1,391,059
2030-31	3,285,000	1,172,439	4,457,439
2031-32	6,895,000	1,103,342	7,998,342
2032-33	7,190,000	1,007,740	8,197,740
2033-34	7,520,000	907,896	8,427,896
2034-35	16,515,000	744,758	17,259,758
2035-36	17,115,000	516,495	17,631,495
2036-37	9,725,000	334,318	10,059,318
2037-38	19,765,000	134,155	19,899,155
TOTALS	\$ 97,000,000	\$ 21,220,915	\$ 118,220,915

CITY OF LAKELAND, FLORIDA

ANALYSIS OF SINKING FUND AND RESERVE ACCOUNT REQUIREMENTS
SEPTEMBER 30, 2017

	<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>

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS

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>

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

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>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY
ALL OUTSTANDING REVENUE BOND SERIES
2018 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year Ending Sept 30</u>	<u>Capital Improvement Revenue and Refunding Bonds Series 2010A</u>	<u>Capital Improvement Revenue and Refunding Bonds Series 2010B</u>	<u>Capital Improvement Revenue and Refunding Bonds Series 2010C</u>	<u>Capital Improvement Refunding Note - Internal Loan Fund Portion Series 2012A</u>	<u>Capital Improvement Refunding Note Series 2012B</u>
2018	\$ 6,576,738	\$ 1,239,407	\$ 821,177	\$ 1,552,018	\$ 351,802
2019	3,301,513	1,231,591	821,177	2,028,624	-
2020	3,285,163	1,217,123	821,177	2,028,523	-
2021	2,225,688	1,206,001	821,177	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>\$ 19,589,541</u>	<u>\$ 4,894,122</u>	<u>\$ 33,493,127</u>	<u>\$ 11,699,130</u>	<u>\$ 351,802</u>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY
ALL OUTSTANDING REVENUE BOND SERIES, CONTINUED
2018 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year Ending Sept 30</u>	<u>Capital Improvement Revenue and Refunding Bonds Series 2015</u>	<u>Capital Improvement Revenue Refunding Note Series 2015</u>	<u>Capital Improvement Revenue Note Series 2017A</u>	<u>Capital Improvement Revenue Note Series 2017B</u>	<u>Water and Wastewater Capital Improvement Revenue Note Series 2015</u>
2018	\$ 4,369,188	\$ 75,000	\$ 1,324,982	\$ 1,080,788	\$ 855,277
2019	4,852,188	75,000	1,382,188	1,476,104	855,277
2020	6,411,813	75,000	1,381,684	1,479,467	855,277
2021	6,149,188	5,006,250	1,381,169	6,560,199	855,276
2022	3,451,313	-	1,380,641	2,064,886	855,277
2023	3,444,938	-	1,380,101	1,334,094	855,277
2024	3,444,063	-	1,379,548	1,132,910	855,277
2025	3,438,438	-	1,378,981	1,135,996	855,276
2026	3,311,063	-	1,378,401	1,146,444	4,771,750
2027	3,248,313	-	1,377,807	-	-
2028	3,246,938	-	1,163,597	-	-
2029	3,172,063	-	1,163,081	-	-
2030	3,168,563	-	1,162,553	-	-
2031	3,169,313	-	1,162,012	-	-
2032	3,168,938	-	1,161,459	-	-
2033	3,169,344	-	-	-	-
2034	3,181,500	-	-	-	-
2035	3,166,100	-	-	-	-
2036	3,163,000	-	-	-	-
2037	2,366,400	-	-	-	-
2038	-	-	-	-	-
2039	-	-	-	-	-
2040	-	-	-	-	-
2041	-	-	-	-	-
	<u>\$ 73,092,664</u>	<u>\$ 5,231,250</u>	<u>\$ 19,558,204</u>	<u>\$ 17,410,888</u>	<u>\$ 11,613,964</u>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY
ALL OUTSTANDING REVENUE BOND SERIES, CONTINUED
2018 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year Ending Sept 30</u>	<u>Water and Wastewater Revenue Refunding and Improvement Bonds Series 2012A</u>	<u>Energy System Refunding Revenue Bonds Series 2010</u>	<u>Energy System Refunding Revenue Bonds Series 2016</u>	<u>Energy System Refunding Revenue Bonds Series 2017</u>	<u>Total</u>
2018	\$ 3,280,750	\$ 24,386,175	\$ 9,852,794	\$ 658,388	\$ 56,424,481
2019	3,280,450	24,354,800	9,845,419	1,316,775	54,821,106
2020	3,273,225	19,450,050	9,832,669	3,099,591	53,210,762
2021	3,264,175	9,841,675	9,809,419	8,244,895	57,394,938
2022	3,266,550	9,849,644	14,299,669	1,197,383	40,712,779
2023	3,264,175	9,850,762	14,208,669	1,197,383	39,917,295
2024	3,257,050	9,836,050	14,156,169	1,197,383	37,253,245
2025	3,254,925	9,815,688	14,095,294	1,197,383	37,219,071
2026	3,252,425	9,818,688	14,059,419	1,197,383	40,988,430
2027	3,249,300	9,804,338	13,997,294	1,197,383	34,891,710
2028	3,250,175	8,506,138	14,085,294	1,197,383	33,464,966
2029	3,244,800	8,497,100	14,022,144	1,197,383	33,313,155
2030	3,242,925	8,498,231	9,719,081	1,391,059	29,198,018
2031	3,253,900	8,483,875	6,647,819	4,457,439	29,177,060
2032	3,253,700	8,478,375	2,439,047	7,998,342	28,364,864
2033	3,248,700	8,470,681	2,421,375	8,197,740	27,370,138
2034	-	8,460,006	2,417,250	8,427,896	23,986,241
2035	-	8,450,431	2,418,125	17,259,758	32,492,463
2036	-	8,436,038	2,413,750	17,631,495	32,840,201
2037	-	8,430,643	2,413,875	10,059,318	24,462,652
2038	-	-	-	19,899,155	21,091,598
2039	-	-	-	-	1,190,903
2040	-	-	-	-	1,187,796
2041	-	-	-	-	1,192,920
	<u>\$ 52,137,225</u>	<u>\$ 221,719,388</u>	<u>\$ 183,154,575</u>	<u>\$ 118,220,915</u>	<u>\$ 772,166,792</u>



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CITY OF LAKELAND, FLORIDA

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

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>	<u>Current Year Expenditures</u>	<u>Adjustment to Prior Year Expenditures</u>	<u>Outstanding Loan Balance</u>	<u>Total Expenditures</u>	<u>Transfers To Sub recipients</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Direct Programs:							
Community Development Block Grant	B-15-MC-12-0011	14.218	\$ 369,267	\$ -	\$ -	\$ 369,267	\$ -
Community Development Block Grant	B-16-MC-12-0011	14.218	393,249	-	-	393,249	122,493
			<u>762,516</u>	<u>-</u>	<u>-</u>	<u>762,516</u>	<u>122,493</u>
Home Investment Partnership Program	M-14-MC-12-0228	14.239	34,542	-	-	34,542	11,766
Home Investment Partnership Program	M-15-MC-12-0228	14.239	160,325	-	-	160,325	52,673
Home Investment Partnership Program	M-16-MC-12-0228	14.239	63,358	-	-	63,358	52,658
			<u>258,225</u>	<u>-</u>	<u>-</u>	<u>258,225</u>	<u>117,097</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,020,741</u>	<u>-</u>	<u>-</u>	<u>1,020,741</u>	<u>239,590</u>
DEPARTMENT OF JUSTICE							
Direct Programs:							
BJA - Bulletproof Vest Program 15/16	N/A	16.607	1,051	-	-	1,051	-
Edward Byrne Memorial Justice Assist Grant Program; DOJ Byrne Memorial Justice Assistance Grant FY 16/17	2016-DJ-BX-1057	16.738	35,520	-	-	35,520	-
Indirect Programs:							
<u>Passed through the Florida Department of Law Enforcement</u>							
Edward Byrne Memorial Justice Assist Grant Program; DOJ Byrne Memorial JAG Project Communication	2017-JAGC-POLK-15-F9-018	16.738	8,969	-	-	8,969	8,969
DOJ Byrne Memorial JAG (PAL) FY 16/17	2017-JAGC-POLK-9-F9-051	16.738	13,374	-	-	13,374	-
			<u>22,343</u>	<u>-</u>	<u>-</u>	<u>22,343</u>	<u>8,969</u>
			<u>57,863</u>	<u>-</u>	<u>-</u>	<u>57,863</u>	<u>8,969</u>
Indirect Programs:							
<u>Passed through the Florida Office of the Attorney General</u>							
FOAG Victim Assistance (VOCA) FY 16/17	VOCA-2016-COLPD-00780	16.575	78,078	-	-	78,078	-
TOTAL DEPARTMENT OF JUSTICE			<u>136,992</u>	<u>-</u>	<u>-</u>	<u>136,992</u>	<u>8,969</u>

See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance.

CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>	<u>Current Year Expenditures</u>	<u>Adjustment to Prior Year Expenditures</u>	<u>Outstanding Loan Balance</u>	<u>Total Expenditures</u>	<u>Transfers To Sub recipients</u>
FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION							
Direct Programs:							
FDOT Rehab and Extension of Taxiway D	3-12-0041-037-2015	20.106	\$ 98,065	\$ -	\$ -	\$ 98,065	\$ -
FAA/FDOT Rehab of Taxiway A & Connectors	3-12-0041-038-2016	20.106	413,597	-	-	413,597	-
FAA/FDOT Taxiway G Rehab & Realign Phase II	3-12-0041-038-2016	20.106	2,117,759	-	-	2,117,759	-
FAA/FDOT Terminal Aprons	3-12-0041-040-2017	20.106	175,796	-	-	175,796	-
FAA/FDOT Customs Aprons	3-12-0041-040-2017	20.106	144,568	-	-	144,568	-
FAA/FDOT Southeast Aprons	3-12-0041-040-2017	20.106	145,461	-	-	145,461	-
TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION			<u>3,095,246</u>	<u>-</u>	<u>-</u>	<u>3,095,246</u>	<u>-</u>
FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION							
Direct Programs:							
FDOT LAP Westgate - Central Multi Use Trail (Phase I)	431353-1-58-01	20.205	420,556	-	-	420,556	-
FDOT LAP Westgate - Central Multi Use Trail (Phase I)	431353-1-68-01	20.205	89,378	-	-	89,378	-
FDOT LAP Rose St (Main St to Ingraham Ave)	435104-1-58-01	20.205	60,027	-	-	60,027	-
FDOT LAP Rose St (Main St to Ingraham Ave)	435104-1-68-01	20.205	2,067	-	-	2,067	-
FDOT LAP Brunnell Parkway (Memorial Blvd to 10th St)	435107-1-68-01	20.205	676	-	-	676	-
West Highland St (Pinewood Ave to Southern Ave)	431090-68-01	20.205	-	641	-	641	-
FDOT LAP Bella Vista Trail (MLK Blvd to W Lk Parker Dr)	433257-1-68-01	20.205	259	-	-	259	-
FDOT LAP Lincoln Ave (SW Middle Achool to Ariana Street)	435061-1-58-01	20.205	26,329	-	-	26,329	-
FDOT LAP Lincoln Ave (SW Middle Achool to Ariana Street)	435061-1-68-01	20.205	4,384	-	-	4,384	-
FDOT LAP Crystal Lk Dr (US 98 to New Jersey Rd)	435061-1-58-01	20.205	254,637	-	-	254,637	-
FDOT LAP Crystal Lk Dr (US 98 to New Jersey Rd)	435061-1-68-01	20.205	1,966	-	-	1,966	-
Rose Street Bus Bay	433259-1-68-01	20.205	-	859	-	859	-
Fiber Optic - Maintenance/Lease	197620-4-8B-01	20.205	20,278	-	-	20,278	-
TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION			<u>880,557</u>	<u>1,500</u>	<u>-</u>	<u>882,057</u>	<u>-</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Indirect Programs:							
<u>Passed through the State of Florida</u>							
Hurricane Matthew State Mission EFS 4 & 9 Response Claims	DR4283 05-008-16 243	97.036	11,108	-	-	11,108	-
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			<u>11,108</u>	<u>-</u>	<u>-</u>	<u>11,108</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,144,644</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 5,146,144</u>	<u>\$ 248,559</u>

See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance

CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2017

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>	<u>Current Year Expenditures</u>	<u>Adjustment to Prior Year Expenditures</u>	<u>Outstanding Loan Balance</u>	<u>Total Expenditures</u>	<u>Transfers To Sub recipients</u>
FLORIDA DEPARTMENT OF TRANSPORTATION							
Direct Programs:							
Transportation System Dev - Aviation Development Grants:							
FDOT - Door/Gates Access Control System	FM 420418-1-94-01	55.004	\$ 247,154	\$ -	\$ -	\$ 247,154	\$ -
FDOT - New Air Traffic Control Tower	FM 420423-1-94-02	55.004	190,619	6,463	-	197,082	-
FAA/FDOT Rehab Southside Aprons and Blast Pad	FM 433639-1-94-01	55.004	-	(35,989)	-	(35,989)	-
FDOT Airside Center Roof Replacement	FM 436201-1-94-01	55.004	-	7,118	-	7,118	-
FDOT Rehab and Extension of Taxiway D	FM 433638-1-94-01	55.004	562,237	-	-	562,237	-
FAA/FDOT Airfield Lighting & Signage	FM 436975-1-94-01	55.004	-	(2,472)	-	(2,472)	-
FDOT US Customs & Border Protection Services	FM 437700-1-94-01	55.004	330,451	-	-	330,451	-
FDOT Tree Clearing for Air Traffic Control Tower	FM 439058-1-94-01	55.004	-	(1,445)	-	(1,445)	-
FAA/FDOT Rehab of Taxiway A & Connectors	FM 439160-1-94-01	55.004	22,978	-	-	22,978	-
FAA/FDOT Taxiway G Rehab & Realign Phase II	FM 436978-1-94-01	55.004	117,653	-	-	117,653	-
FDOT - Construction of T-Hangars	FM 441004-1-94-01	55.004	24,679	-	-	24,679	-
FAA/FDOT Terminal Aprons	FM 440993-1-94-01	55.004	9,629	-	-	9,629	-
FAA/FDOT Customs Aprons	FM 440993-1-94-01	55.004	7,892	-	-	7,892	-
FAA/FDOT Southeast Aprons	FM 441005-1-94-01	55.004	8,081	-	-	8,081	-
			<u>1,521,373</u>	<u>(26,325)</u>	<u>-</u>	<u>1,495,048</u>	<u>-</u>
Direct Programs:							
Transportation System Dev - Intermodal Development Grants:							
FDOT NOAA	FM 436990-1-94-01	55.014	9,089,118	-	-	9,089,118	-
FDOT -Site Prep amd Utility Installation for Intermodal Center	FM 438836-1-94-01	55.014	320,151	-	-	320,151	-
			<u>9,409,269</u>	<u>-</u>	<u>-</u>	<u>9,409,269</u>	<u>-</u>
Direct Programs:							
Economic Development Transportation Projects - Road Fund:							
FDOT County Line Rd @ US 92	434531-2-38-01	55.032	39,894	-	-	39,894	-
TOTAL FLORIDA DEPARTMENT OF TRANSPORTATION			<u>10,970,536</u>	<u>(26,325)</u>	<u>-</u>	<u>10,944,211</u>	<u>-</u>

See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance.

CITY OF LAKELAND, FLORIDA

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

<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>	<u>Current Year Expenditures</u>	<u>Adjustment to Prior Year Expenditures</u>	<u>Outstanding Loan Balance</u>	<u>Total Expenditures</u>	<u>Transfers To Sub recipients</u>
FLORIDA OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT						
Direct Programs:						
Facilities For New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise; Marchant Stadium						
N/A	73.016	\$ 916,663	\$ -	\$ -	\$ 916,663	\$ -
TOTAL FLORIDA OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT		916,663	-	-	916,663	-
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION						
Direct Programs:						
Water Management District Operations Grant:						
Seven Wetlands Park						
L53064	37.039	319,887	-	-	319,887	-
Wastewater Treatment Facility Construction Grants:						
Skyview Wastewater Upgrades						
530610	37.077	-	-	1,270,036	1,270,036	-
English Oaks Completion						
WW530650	37.077	252,077	-	-	252,077	-
Energy Efficiencies / Digestion System Improvements (SRL)						
WW530630	37.077	1,996,896	-	-	1,996,896	-
		2,248,973	-	1,270,036	3,519,009	-
TOTAL FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION		2,568,860	-	1,270,036	3,838,896	-
FLORIDA HOUSING AND FINANCE CORPORATION						
Direct Programs:						
State Housing Initiatives Partnership Program 15						
146	40.901	79,346	-	-	79,346	-
State Housing Initiatives Partnership Program 16						
146	40.901	329,304	-	-	329,304	-
State Housing Initiatives Partnership Program 17						
146	40.901	108,721	-	-	108,721	-
TOTAL FLORIDA HOUSING AND FINANCE CORPORATION		517,371	-	-	517,371	-
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE		\$ 14,973,430	\$ (26,325)	\$ 1,270,036	\$ 16,217,141	\$ -

See accompanying notes to Schedule of Expenditures of Federal Award and State Financial Assistance.

CITY OF LAKELAND, FLORIDA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

SEPTEMBER 30, 2017

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, 2017. 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, 2017. 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, 2017 is \$1,270,036 (Note 6).



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Statistical Section

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

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017



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	
2017	\$ 239,979,947	\$ 580,365,594	\$ 38,513,166	\$ 22,526,785	\$ (4,985,851)	\$ 150,877,622	\$ 820,345,541	\$ 61,039,951	\$ 145,891,771	\$ 1,027,277,263
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



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CITY OF LAKELAND, FLORIDA

CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS
 (accrual basis)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 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	\$ 15,803,840
Public safety	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	67,759,386
Physical environment	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	10,026,332
Transportation	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	17,587,164
Economic environment	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	5,379,589
Human services	173,079	193,021	192,554	162,927	181,199	152,255	156,787	164,557	162,184	201,972
Culture/recreation	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	30,923,273
Interest on long-term debt	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	2,501,490
Total governmental activities	113,710,491	111,017,061	113,487,400	113,240,259	119,678,146	113,446,334	124,681,491	124,636,857	146,234,843	150,183,046
Business-type activities:										
Electric	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	273,135,947
Water and Wastewater	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	47,965,952
Parking	832,374	831,847	811,028	744,108	863,953	933,995	788,386	906,654	1,042,575	1,424,789
RP Funding Center	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	9,924,255
Lakeland Linder Regional Airport	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	9,049,549
Solid Waste	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	13,598,326
Cleveland Heights Golf Course	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	20,181
Total business-type activities	426,865,305	383,844,811	387,647,634	386,022,364	342,391,530	346,929,178	350,669,487	348,057,439	328,992,839	355,118,999
Total primary government	\$ 540,575,796	\$ 494,861,872	\$ 501,135,034	\$ 499,262,623	\$ 462,069,676	\$ 460,375,512	\$ 475,350,978	\$ 472,694,296	\$ 475,227,682	\$ 505,302,045
Program revenues										
Governmental activities:										
Charges for services										
General government	\$ 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	\$ 1,888,223
Public safety	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	6,778,946
Economic environment	-	214,767	-	-	-	-	-	-	-	-
Physical environment	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	5,869,182
Transportation	15,993	25,001	84,930	881,350	1,239,080	807,028	1,134,660	2,442,139	1,606,156	1,543,805
Culture/recreation	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	4,190,440
Operating grants and contributions	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	5,802,190
Capital grants and contributions	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	7,542,427
Total governmental activities	29,801,218	26,155,226	26,032,563	27,784,806	28,145,016	27,003,674	28,995,653	27,623,089	30,944,656	33,615,213

CITY OF LAKELAND, FLORIDA

CHANGES IN NET POSITION (UNAUDITED)
LAST TEN FISCAL YEARS, CONTINUED
 (accrual basis)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services										
Electric	\$ 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	\$ 303,483,541
Water and Wastewater	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	61,939,546
Parking	599,263	571,887	528,934	559,848	607,748	617,655	679,107	710,911	784,689	800,453
Lakeland Center	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	5,097,975
Lakeland Linder Regional Airport	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	5,194,038
Solid Waste	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	15,940,869
Cleveland Heights Golf Course	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	63,405	48,887	38,334	38,461	39,733	41,017	33,599	39,943	55,845	181,127
Capital grants and contributions	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	19,343,540
Total business-type activities	462,991,045	419,716,372	430,811,300	432,462,708	377,099,804	385,621,614	399,074,202	411,813,158	397,295,757	411,981,089
Total primary government	\$ 492,792,263	\$ 445,871,598	\$ 456,843,863	\$ 460,247,514	\$ 405,244,820	\$ 412,625,288	\$ 428,069,855	\$ 439,436,247	\$ 428,240,413	\$ 445,596,302
Net (expense) revenue										
Governmental activities	\$ (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)	\$ (116,567,833)
Business-type activities	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	56,862,090
Total primary government	\$ (47,783,533)	\$ (48,990,274)	\$ (44,291,171)	\$ (39,015,109)	\$ (56,824,856)	\$ (47,750,224)	\$ (47,281,123)	\$ (33,258,049)	\$ (46,987,269)	\$ (59,705,743)
General Revenues										
Governmental activities:										
Property taxes	\$ 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	\$ 33,362,591
Gas taxes	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	5,584,212
Utility taxes	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	14,969,677
State shared revenues										
(unrestricted)	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	9,387,340
Payment from Lakeland Regional										
Medical Center	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	13,619,256
Investment earnings	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	4,757,400
Miscellaneous	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	9,390,690
Transfers	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	38,477,203
Total governmental activities	97,749,113	99,939,506	100,976,468	102,518,562	98,436,106	94,542,042	102,291,337	102,587,272	137,061,643	129,548,369
Business-type activities:										
Tourism taxes	444,978	403,337	440,004	440,004	440,004	238,623	321,258	318,081	319,440	1,379,040
Investment earnings	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	8,013,419
Miscellaneous	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	1,342,832
Transfers	(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)	(38,477,203)
Total business-type activities	(18,025,091)	(9,297,502)	(14,984,065)	(13,496,531)	(12,848,922)	(27,779,718)	(6,459,286)	(25,575,535)	(20,099,202)	(27,741,912)
Total primary government	\$ 79,724,022	\$ 90,642,004	\$ 85,992,403	\$ 89,022,031	\$ 85,587,184	\$ 66,762,324	\$ 95,832,051	\$ 77,011,737	\$ 116,962,441	\$ 101,806,457
Change in net position										
Governmental activities	\$ 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	\$ 18,113,151
Business-type activities	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	29,120,178
Total primary government	\$ 31,940,489	\$ 41,651,730	\$ 41,701,232	\$ 50,006,922	\$ 28,762,328	\$ 19,012,100	\$ 48,550,928	\$ 43,753,688	\$ 69,975,172	\$ 47,233,329

CITY OF LAKELAND, FLORIDA

FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)
LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)

	<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>	<u>*2017</u>
General Fund										
Reserved	\$ 1,092,337	\$ 1,292,513	\$ 1,604,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	14,777,285	19,288,021	23,585,168	-	-	-	-	-	-	-
Nonspendable	-	-	-	312	4,409	312	10,078	-	10,101	10,966
Restricted	-	-	-	2,569,215	2,306,796	2,128,909	1,809,898	1,667,267	1,756,600	1,618,870
Assigned	-	-	-	9,910,841	12,348,664	14,003,810	11,861,510	7,983,980	9,003,579	8,227,224
Unassigned	-	-	-	15,384,762	11,157,295	5,475,418	5,759,634	9,483,062	13,664,847	15,664,488
Total general fund	<u>15,869,622</u>	<u>20,580,534</u>	<u>25,189,968</u>	<u>27,865,130</u>	<u>25,817,164</u>	<u>21,608,449</u>	<u>19,441,120</u>	<u>19,134,309</u>	<u>24,435,127</u>	<u>25,521,548</u>
Other governmental funds										
Reserved	16,132,516	13,413,700	31,012,902	-	-	-	-	-	-	-
Unreserved:										
Special revenue funds	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	4,924,414
Prepays	-	-	-	-	106	-	151	-	160	66
Restricted, reported in										
Special revenue funds	-	-	-	9,543,193	8,753,664	9,112,906	10,032,431	11,987,184	12,423,425	10,681,968
Capital projects funds	-	-	-	15,128,386	9,441,958	7,801,070	11,323,028	50,699,369	26,476,694	20,072,417
Permanent funds	-	-	-	141,319	160,032	168,322	183,564	181,365	199,162	217,041
Committed, reported in										
Special revenue funds	-	-	-	4,546,829	5,300,799	5,818,487	6,017,177	5,468,299	3,954,698	3,696,602
Capital projects funds	-	-	-	-	-	-	-	-	1,818,335	3,909,623
Assigned, reported in										
Capital projects funds	-	-	-	5,160,281	6,955,600	7,825,692	9,503,454	8,500,313	21,672,921	14,632,775
Unassigned	-	-	-	-	-	-	-	-	(9,200)	(24,235)
Total other governmental funds	<u>31,696,069</u>	<u>31,420,748</u>	<u>47,731,616</u>	<u>37,675,256</u>	<u>34,339,027</u>	<u>34,878,610</u>	<u>41,514,981</u>	<u>81,012,113</u>	<u>70,968,255</u>	<u>58,110,671</u>
Total governmental funds	<u>\$ 47,565,691</u>	<u>\$ 52,001,282</u>	<u>\$ 72,921,584</u>	<u>\$ 65,540,386</u>	<u>\$ 60,156,191</u>	<u>\$ 56,487,059</u>	<u>\$ 60,956,101</u>	<u>\$ 100,146,422</u>	<u>\$ 95,403,382</u>	<u>\$ 83,632,219</u>

*Fund balance presentation change due to the implementation of GASB54.

CITY OF LAKELAND, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

	<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>	<u>2017</u>
REVENUES										
Taxes	\$ 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	\$ 53,916,480
Licenses and permits	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	3,886,903
Intergovernmental	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	18,190,572
Charges for services	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	13,924,987
Fines and forfeits	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	2,458,706
Miscellaneous	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	29,752,209
Total revenues	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	122,129,857
EXPENDITURES										
General government	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	14,148,310
Public safety	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	61,224,273
Physical environment	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	8,372,184
Transportation	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	11,483,530
Economic environment	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	4,842,624
Human services	173,079	193,021	192,554	162,927	181,199	152,255	156,787	164,557	162,184	201,972
Culture/recreation	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	23,667,143
Capital outlay	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	34,608,536
Debt service										
Principal	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	12,173,785
Interest	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	2,495,109
Total expenditures	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	173,217,466
Excess (deficiency) of revenues over (under) expenditures	(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)	(51,087,609)
OTHER FINANCING SOURCES (USES)										
Proceeds from issuance of long-term debt	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	3,302,556
Transfers from other funds	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	49,407,313
Transfers to other funds	(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)	(13,393,423)
Total other financing sources and (uses)	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	39,316,446
Net change in fund balances	\$ 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)	\$ (11,771,163)
Debt Service as a percentage of noncapital expenditures	6%	6%	10%	11%	9%	8%	7%	9%	7%	11%

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: Tax Exempt Real Property	Total Taxable Assessed Value
	Real Property	Tangible Property	Railroad Property	Adjustments		
2017	\$ 7,470,286,970	\$ 855,102,507	\$ 9,518,567	\$ (8,299,667)	\$ 2,869,022,296	\$ 5,457,586,081
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

- (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	\$ 29,269,819	\$ 29,137,412	99.55	\$ 85,883	\$ 29,223,295
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

CITY OF LAKELAND, FLORIDA

SCHEDULE OF PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
LAST TEN FISCAL YEARS

MILLS (\$1 PER \$1,000 VALUATION)

Fiscal Year Ending September 30	City of Lakeland			Total	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						
2017	5.564	0.500	2.000	8.064	6.782	0.332	6.780	-	21.958
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	-	21.911
2012	4.164	0.500	2.000	6.664	6.867	0.393	7.670	-	21.594
2011	4.164	0.500	1.874	6.538	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	21.051
2009	3.403	0.500	1.874	5.777	6.867	0.387	7.634	0.183	20.848
2008	3.230	0.488	1.937	5.655	6.867	0.387	7.512	0.183	20.604

CITY OF LAKELAND, FLORIDA

TEN PRINCIPAL TAXPAYERS (UNAUDITED)
 SEPTEMBER 30, 2017 For the Current Year and Nine Years Prior

Taxpayer Name	Type of Business	2017			2008		
		Assessed Value of Real And Personal Property	Rank	Percentage of Total Assessed Value of Real And Personal Property	Assessed Value of Real And Personal Property	Rank	Percentage of Total Assessed Value of Real and Personal Property
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	\$ 281,756,252	1	5.98%	\$ 292,637,537	1	4.84%
Amazon	Retail/Distribution	94,966,985	2	2.02%	-		
RTG Furniture Corp.	Retail/Distribution-Furniture	71,692,413	3	1.52%	60,818,696	2	1.01%
Watson Clinic	Medical Facility	51,591,576	4	1.10%	50,240,203	4	0.83%
Lakeland Property Partners LLC	Real Estate	49,028,908	5	1.04%	29,580,830	8	0.49%
Lakeland Square Mall LLC	Retail/General Merchandise	43,593,238	6	0.93%	41,107,514	6	0.68%
Casto Oakbridge Venture LTD	Real Estate	42,532,006	7	0.90%	55,417,233	3	0.92%
Pepperidge Farm Inc. - Lakeland Plant	Retail/Distribution-Bakery	40,824,616	8	0.87%	-	-	-
Cherishome Lakeland LLC	Real Estate-Apartment Complex	36,996,800	9	0.79%	-	-	-
Walmart	Retail/Distribution-Grocery	34,517,059	10	0.73%	-	-	-
Verizon	Telecommunications	-	-	-	48,460,596	5	0.80%
Lakeland Ledger Publishing Corp.	Print Media	-	-	-	28,619,029	9	0.47%
Carlton Arms of North Lakeland	Real Estate-Apartment Complex	-	-	-	34,148,630	7	0.56%
US Industrial Reit II	Warehouse Distribution	-	-	-	26,472,131	10	0.44%
		<u>\$ 747,499,853</u>		<u>15.88%</u>	<u>\$ 667,502,399</u>		<u>11.04%</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
2017	\$ 105,596,437	\$ 62,532,243	\$ 5,474,740	\$ 3,367,713	\$ 4,642,718	\$ 114,583,411	\$ 7,286,279	\$ 303,483,541	\$ 0.06850	\$ 0.05725	\$ 0.04708	\$ 0.03773
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

* 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			
2017	\$ 2,185,781	\$ 2,616,803	\$ 56,889,791	\$ 30,927,443	\$ 514,756,073	\$ 139,046	\$ 607,514,937	*	\$ 5,831
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

* 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 Service 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	
2017	\$ 33,362,591	\$ 14,735,018	\$ 5,584,212	\$ 234,659	\$ 6,292,201	\$ 2,699,611	\$ 232,445	\$ 93,563	\$ 69,520	\$ 63,303,820
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	52,476,621
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

CITY OF LAKELAND, FLORIDA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING (UNAUDITED)
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt	Less: Amounts Available in Debt Service Fund	Total	Legally Available & Pledged Revenues	Ratio of Debt to Pledged Revenues	Per Capita ¹
2017	\$ 59,506,594	\$ -	\$ 59,506,594	\$ 96,899,142	0.61	571
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

¹City of Lakeland, Community Development

CITY OF LAKELAND, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)
SEPTEMBER 30, 2017

<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	\$ 257,069,441	13.28%	\$ 34,138,822
City Direct Debt - Governmental Activities			<u>61,692,375</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 95,831,197</u>

(1) 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 ¹	Operating Expenses ²	Net Operating Revenues Available for Debt Service	Principal	Interest	Total	Coverage
2017	\$ 309,315,618	\$ 219,734,277	\$ 89,581,341	\$ 21,250,000	\$ 17,299,223	\$ 38,549,223	2.32
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

WATER AND WASTEWATER SYSTEM REVENUE BONDS

Fiscal Year	Gross Revenues	Operating Expenses ²	Net Revenues Available for Debt Service	Principal	Interest	Total	Coverage
2017	\$ 63,720,012	\$ 34,707,999	\$ 29,012,013	\$ 3,488,247	\$ 2,368,078	\$ 5,856,325	4.95
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

¹Contractual net revenues available for debt service per the bond covenant includes net revenues from operations plus 20% of fund balance.

²Excludes depreciation expense.

CITY OF LAKELAND, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income</u>	<u>Per Capita Personal Income²</u>	<u>Median Age³</u>	<u>School Enrollment⁴</u>	<u>Unemployment Rate¹</u>
2017	104,185	\$ *	\$ *	34.00	37,536	4.80%
2016	102,507	3,505,636,893	34,199	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%

1City of Lakeland, Community Development

2 US Bureau of Economic Analysis

3Lakeland Economic Development Council Demographics

4Polk County School Board

* Information not available

CITY OF LAKELAND, FLORIDA

PRINCIPAL EMPLOYERS (UNAUDITED)

SEPTEMBER 30, 2017 For the Current Year and Nine Years Prior

Employer	Type of Business	2017			2008		
		Employees	Rank	% of Total	Employees	Rank	% of Total
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	8,200	1	31.49%	8,063	1	35.61%
Lakeland Regional Health	Hospital	5,500	2	21.13%	4,540	2	20.06%
Government Employees Insurance Co. (GEICO)	Insurance	2,800	3	10.76%	1,850	4	8.17%
City of Lakeland	Government	2,600	4	9.99%	2,600	3	11.49%
Watson Clinic	Medical Clinic	1,600	5	6.15%	1,500	5	6.63%
Sykes	Telemarketing	1,150	6	4.42%			
GC Services	Telemarketing	1,000	7	3.84%	1,000	6	4.42%
Amazon	Retail/Distribution	900	8	3.46%			
Rooms To Go Furniture	Retail/Distribution-Furniture	900	8	3.46%	900	7	3.98%
Stryker	Healthcare	700	9	2.69%			
Saddle Creek Logistics	Trucking & Logistics	680	10	2.61%	680	9	3.00%
FedEx National LTL	Trucking & Logistics				850	8	3.75%
Summit Consulting	Insurance				654	10	2.89%
Total		<u>26,030</u>		<u>100.00%</u>	<u>22,637</u>		<u>100.00%</u>

Source: Lakeland Economic Development Council

CITY OF LAKELAND, FLORIDA

FTE EMPLOYEES BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

	<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>	<u>2017</u>
Function:										
General government	316	292	285	280	273	274	277	270	238	278
Public safety										
Law enforcement										
Officers	230	231	218	200	215	205	217	209	234	239
Civilians	110	106	107	127	112	114	111	117	103	118
Fire control										
Firefighters and officers	142	141	140	136	123	132	142	150	145	165
Civilians	5	7	7	11	23	19	13	14	13	5
Physical environment	5	5	5	5	3	5	5	6	7	7
Transportation	100	99	93	92	99	100	97	97	98	105
Economic environment	63	57	53	51	53	51	50	58	57	60
Culture/recreation	212	216	231	232	245	243	227	224	231	248
Electric	574	576	567	561	549	549	544	543	530	507
Water and Wastewater	186	195	191	191	196	193	194	200	197	203
Parking	7	7	5	5	5	5	5	5	4	5
RP Funding Center	33	33	34	33	38	37	36	42	50	50
Lakeland Linder Regional Airport	20	12	14	13	14	15	15	14	14	15
Solid Waste	83	79	72	66	62	63	62	63	62	62
Cleveland Heights Golf Course	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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Law enforcement										
Arrests	7,489	6,349	4,640	5,182	5,490	4,858	6,845	5,638	4,646	5,654
Traffic Citations	19,952	20,915	21,852	18,152	15,633	12,542	8,177	11,119	10,649	9,585
Fire control										
Calls for service	19,554	17,434	16,587	17,031	18,319	20,390	21,637	22,515	24,262	24,940
Inspections	5,942	3,727	3,792	3,785	3,753	2,531	2,088	6,705	4,604	3,802
Physical Environment										
Cemetery										
Burials	482	451	479	409	400	409	410	412	407	392
Spaces Sold	498	485	394	379	336	375	367	412	312	368
Transportation										
Street resurfacing (miles)	36	24	28	29	26	32	38.7	26.1	23.8	21.7
Culture/recreation										
Parks										
Field Rentals	6,770	7,370	7,738	7,815	8,179	8,299	8,491	8,400	7,103	6,484
Swimming Pools										
Attendance/Use	92,621	134,043	315,768	493,591	248,839	243,805	433,466	154,134	93,822	84,359
Aquatic Programs/Events	12	12	12	15	10	10	11	7	33	29
Community centers										
Attendance/Use	376,041	347,866	333,548	336,436	377,267	352,688	728,912	380,121	459,808	388,109
Facility Rentals	1,258	1,361	1,312	1,379	1,228	1,219	1,195	1,799	1,759	2,000
Economic environment										
Building permits issued	8,810	7,657	8,255	7,947	7,521	7,899	5,770	6,301	6,776	7,203
Electric										
New connections ²	341	429	(205)	(362)	(606)	1,689	1,157	1,348	1,810	1,949
Number of customers	121,438	121,944	121,739	121,377	120,771	122,460	123,617	124,965	126,775	128,535
Energy sales (gWh)	3,036	3,052	3,197	3,335	3,273	3,199	3,004	2,991	3,066	3,004
Water and Wastewater										
New connections	693	352	345	312	295	337	340	351	533	612
Number of customers	52,271	53,112	52,316	52,030	52,770	52,983	53,400	54,322	55,712	56,354
Peak Month Peak Day pumping ¹	30	25	23	27	25	27	28	29	27	33
Average daily sewage treatment ¹	10.27	8.47	11.51	12	12	11.77	12.32	13.01	12.84	12.95
Parking										
Parking violations	3,799	3,388	4,381	4,778	6,404	6,102	5,596	5,735	6,538	5,556
RP Funding Center										
Number of events	506	391	418	490	537	492	454	458	450	414
Lakeland Linder Regional Airport										
Daily average traffic count	345	285	200	195	246	250	281	322	333	338
Solid Waste										
Refuse collected (tons/day)	399	340	341	326	318	319	247	223	196	284
Recyclables collected (tons/day)	15	14	14	15	15	19	27	21	22	31
Number of customers										
Commercial	5,300	4,064	5,325	5,282	5,303	4,711	4,909	5,082	5,224	5,314
Residential	42,900	43,430	43,054	42,371	43,472	37,436	38,956	43,455	46,531	48,657
Cleveland Heights Golf Course										
Number of memberships	408	264	204	128	144	104	115	103	93	75
Number of tournaments/outings	37	34	20	21	35	28	37	35	38	47
Rounds of golf played	-	-	-	41,720	61,212	57,528	61,076	60,292	63,829	67,860

¹Measured in millions of gallons per day.

²Net 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	<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>	<u>2017</u>
Public Safety										
Law enforcement										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	177	143	151	151	151	151	151	155	155	159
Fire control										
Fire stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Streets (miles)	380	381	381	381	389	389	390	389	399	400
Traffic signals	163	167	169	176	175	177	176	174	174	174
Culture/recreation										
Parks acreage	585	585	618	618	743	736	736	769	769	769
Parks	55	55	56	56	57	58	58	60	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	3	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	24	23	23	23	23	25	25	25	25	25
Miles of service lines	2,073	2,045	2,046	2,053	2,056	2,059	2065	2074	2084	2100
Water and Wastewater										
Miles of service lines	983	987	991	992	994	994	996	996	998	998
Fire hydrants	3,971	4,018	4,041	4,096	4,122	4,172	4,191	4219	4266	4261
Maximum daily capacity ¹	59	59	59	59	59	59	59	59	59	59
Maximum daily treatment ¹	36	36	36	36	36	36	36	36	35	35
Parking										
Parking Garages	4	3	3	3	3	3	3	3	3	3
Surface lots	11	11	11	13	13	13	13	13	13	11
RP Funding 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	100	100	100
Runways	2	2	2	2	2	2	2	2	2	2
Solid Waste										
Refuse Trucks	40	47	51	52	49	55	53	51	47	54
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

¹Measured 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 13, 2018. 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.



Crowe Horwath LLP

Tampa, Florida
March 13, 2018

**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, 2017. 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, 2017.

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 or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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, 2017, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated March 13, 2018, 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.



Crowe Horwath LLP

Tampa, Florida
March 13, 2018

CITY OF LAKELAND, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED SEPTEMBER 30, 2017

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	None reported
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	No

Identification of major programs:

CFDA/CSFA Number

Name of Program

Federal:

14.218	Community Development Block Grant
20.106	Airport Improvement Program

State:

55.014	Intermodal Access Development Programs
73.016	Facilities for New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise

Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
State	\$486,514
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, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

No items noted.

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS

No items noted.

SECTION IV - FINDINGS AND QUESTIONED COSTS – MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

No items noted.

CITY OF LAKELAND, FLORIDA

SUMMARY OF PRIOR YEAR FINDINGS

YEAR ENDED SEPTEMBER 30, 2017

Prior Year Findings and Questioned Costs

Finding 2016-001: 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 was remediated.

**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, 2017. Management of the City's is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City's complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City's complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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's complied, in all material respects, with the requirements contained in Section 218.415, Florida Statutes for the year ended September 30, 2017.

The purpose of this report is solely to comply with Chapter 10.550, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.



Crowe Horwath LLP

Tampa, Florida
March 13, 2018



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