

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30,

2019



COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF LAKELAND, FLORIDA

for the

FISCAL YEAR ENDED SEPTEMBER 30, 2019



Prepared by the
FINANCE DEPARTMENT

MICHAEL C. BROSSART, CPA
Finance Director

DEIDRA M. JOSEPH
Assistant Finance Director



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Introductory Section



COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30,
2019



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March 23, 2020

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, 2019. The organization, form and contents of this report plus the accompanying financial statements and statistical tables are prepared in accordance with the requirements of the 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. 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. The 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 LLP to conduct the audit for the year ended September 30, 2019. The independent 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 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 2019 is 107,552 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 City of 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.

The City of 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 on-site collection of Frank Lloyd Wright-designed buildings at Florida Southern College. Lakeland hosts Florida's largest aircraft convention – the Sun'n Fun International Fly-In & Expo – which draws more than 140,000 people and 4,000 aircraft to Lakeland Linder International Airport.

Lakeland is the spring home of the Detroit Tigers who have been training in Lakeland since 1934. The organization has a year-round presence and operates one of their minor league teams, developmental squads and rehabilitative facilities in Lakeland.

Profile of the City of Lakeland (continued)

Local Economy

Lakeland is home to the headquarters of Publix Super Markets, which was founded in nearby Winter Haven by Mr. George Jenkins in 1930. Publix operates 1,239 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 \$36.1 billion in retail sales in 2018 and employs over 200,000 people. The total taxable value of real property owned by Publix within the Lakeland city limits is approximately \$355 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 864-bed not-for profit hospital. Lakeland is also home to Watson Clinic, LLC which provides over 800,000 outpatient visits annually. In 2020 Lakeland Regional Systems began construction on an 80,000-square foot \$46 million freestanding Center for Behavior Health and Wellness on a 9.3-acre property that is adjacent to the current campus.

Residential construction in Lakeland continues to be very active. Lakeland issued 361 new single-family permits and 844 multi-family permits in 2019. This marks a slight year-over-year decrease for single-family permits and a sharp increase for multi-family permits. Single-family permitting in Lakeland has averaged more than 300 new permits annually over the past 5-years, while multi-family has averaged just over 200 annually. Based on the highs and lows of the single family residential market in Lakeland over the past 25 years, it is widely believed that a healthy market in Lakeland could support 150-200 new single-family permits per year. As we grow beyond 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 in the late 2000's, 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 seeing a recovery in Lakeland's residential real estate market that is both consistent and sustainable.

Unemployment rates for the Lakeland-Winter Haven MSA and the City of Lakeland both averaged 3.7 percent for the twelve months that ended December 31, 2019. These rates remain consistent with the national average of 3.5 percent and just slightly higher than Florida's 3.2 percent rate during the same period. With a total labor force of 47,176 in Lakeland, a 3.7% unemployment rate indicates that there are only 1,749 workers unemployed in the City. 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 very strong in 2019. Several new projects were completed as Lakeland added approximately 1,691,231 square feet of new industrial, commercial office, institutional and retail space. During that same period, Lakeland permitted 3,258,799 square feet of new industrial, commercial office, institutional and retail space. Looking ahead to 2020, we expect this pace of construction to continue as the City continues to review and permit many large office and industrial projects for new and expanding employers. Lakeland has a history for recruiting high quality value added users to the local market, so we will look forward to more job growth in 2020. These users are adding jobs in a variety of employment sectors. Over the past 5-years Lakeland has seen a 6.2% increase in the total the City's total workforce which has helped to keep pace with the record low unemployment rates.

Significant business and institutional development investments completed within the City in 2019 totaled more than \$100 million and committed to the creation of approximately 700 new jobs. As proof of Lakeland's evolving economy, a few of the examples below highlight the industrial, office, manufacturing and educational growth.

Based on our geographic location, much of Lakeland's economic strength revolves around logistics and distribution. In 2019 developers began the construction of more than 2 million square feet of new speculative industrial space in Lakeland to support this active market.

Rooms to Go is adding an additional 440,000 square feet to their Lakeland facility. This \$20 million capital investment will create 25 new jobs and will increase the footprint of their Lakeland distribution center to 2.7 million square feet.

Tampa Maid Foods completed a 16,000-square foot expansion to their R&D facility in Lakeland that will add 15 high skill/high wage jobs. This \$5 million capital investment will help Tampa Maid Foods to better highlight their manufacturing process while also focusing on education and food science collaboration.

DigArch is an education software company that completed the construction of a new 30,000 square foot office in south Lakeland. This \$5 million capital investment will allow DigArch to add 33 new high skill/high wage jobs to Lakeland.

Supporting Lakeland's downtown, the City participated as a partner in the development of a new 6 level 836 space downtown parking garage. The garage will allow several existing adjacent employers the ability to expand while also adding public spaces for downtown merchants and visitors. Along with the garage structure, the primary property owner constructed a 3 story 30,000 square foot class A office building that will be leased to new and expanding businesses.

Profile of the City of Lakeland (continued)

Local Economy (continued)

At Lakeland's Linder International Airport, development activity continues to expand. Keys to the World Aviation completed a custom 60,000 square foot hanger that will create 20 new jobs. This \$9 million capital investment will serve as a private charter concierge service focused on traveling business executives. Also under construction at the Airport are substantial projects involving Amazon Air and NOAA. Amazon Air is currently building a \$100 million 285,000 square foot facility that will serve as a cargo airline transporting Amazon packages and NOAA is constructing a \$13 million 30,000 square foot expansion to their existing Lakeland facility.

With regards to higher education, in 2019 Florida Southern College constructed their first off campus education building which will house their newly expanded doctorate of Physical Therapy program. Also under construction is the 13,000 square foot Computer Sciences Building and the 22,000-square foot middle school building at the Roberts Academy on the campus of Florida Southern College.

In early 2020, Southeastern University completed their new 27,000 square foot \$10 million Administration Building. This three-story building will allow the University to improve customer service to students and families by connecting all the offices they need to visit into one location. Also coming in 2020 the University is building an Athletic Operations Building with a new soccer facility.

Finally, the state's 12th and newest public university, Florida Polytechnic University broke ground on an 85,000-square foot \$40 million Applied Research Center in 2019. This building will house research and teaching laboratories, student design space, conference rooms and faculty offices for the University.

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 25% 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, 2018. 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 the 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 the City's 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.

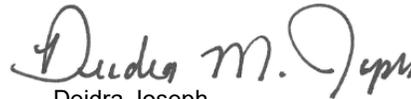
We would like to especially thank Barbara Henry, Chief Accountant and Brent McLain, Interim Electric Utility Controller for their efforts in assisting the external auditors in completing the audit, and for preparation of the CAFR. Their respective roles in coordinating the work of accountants and other professionals have proven to be invaluable to the report preparation process. We would also like to thank the external auditors, Crowe LLP, for their cooperation, professionalism and assistance during the audit process.

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

Respectfully submitted,

A handwritten signature in black ink that reads "M. C. Brossart" with a long horizontal flourish extending to the right.

Michael C. Brossart, CPA, CGFO
Finance Director

A handwritten signature in black ink that reads "Deidra M. Joseph" in a cursive style.

Deidra Joseph
Assistant Finance Director

CITY OF LAKELAND
 ORGANIZATION CHART
 2019

CITIZENS OF THE CITY OF LAKELAND

OPERATING BOARDS

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

MUNICIPAL BOARDS & COMMITTEES

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

MAYOR AND CITY COMMISSION

- H. William "Bill" Mutz (Mayor)
- Stephanie Madden
- Justin M. Troller
- Bill Read
- Phillip E. Walker
- Scott Franklin
- Sara McCarley

CITY ATTORNEY

Timothy McCausland

CITY MANAGER

Anthony J. Delgado

ASSISTANT CITY MANAGER

Emily Colon

DEPUTY CITY MANAGER

Shawn Sherrouse

COMMUNITY DEVELOPMENT

Nicole Travis

INTERNAL AUDIT

Robert Boylls

COMMUNICATIONS

Kevin Cook

AIRPORT

Gene Conrad

PARKS & RECREATION

Bob Donahay

FIRE

Doug Riley

OFFICE of MGMT & BUDGET

Kindle Bowden

ELECTRIC UTILITY

Joel Ivy

INFORMATION SECURITY

Josh Wilson

PUBLIC WORKS

C. Heath Frederick

INFORMATION TECHNOLOGY

Terry Brigman

RETIREMENT SERVICES

Cherie Matthews

FINANCE

Michael C. Brossart

HUMAN RESOURCES

Mark Farrington

RISK MANAGEMENT

Joyce Dias

WATER UTILITY

Bill Anderson

POLICE

Ruben Garcia

RP FUNDING CENTER

Tony Camarillo

CITY OF LAKELAND, FLORIDA

CITY OFFICIALS

COMMISSION-MANAGER FORM OF GOVERNMENT

CITY COMMISSION

William "Bill" Mutz, Mayor

Sara R. McCarley

Bill Read

Scott Franklin

Justin M. Troller

Stephanie Madden

Phillip E. Walker

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, 2018

Christopher P. Morill

Executive Director/CEO



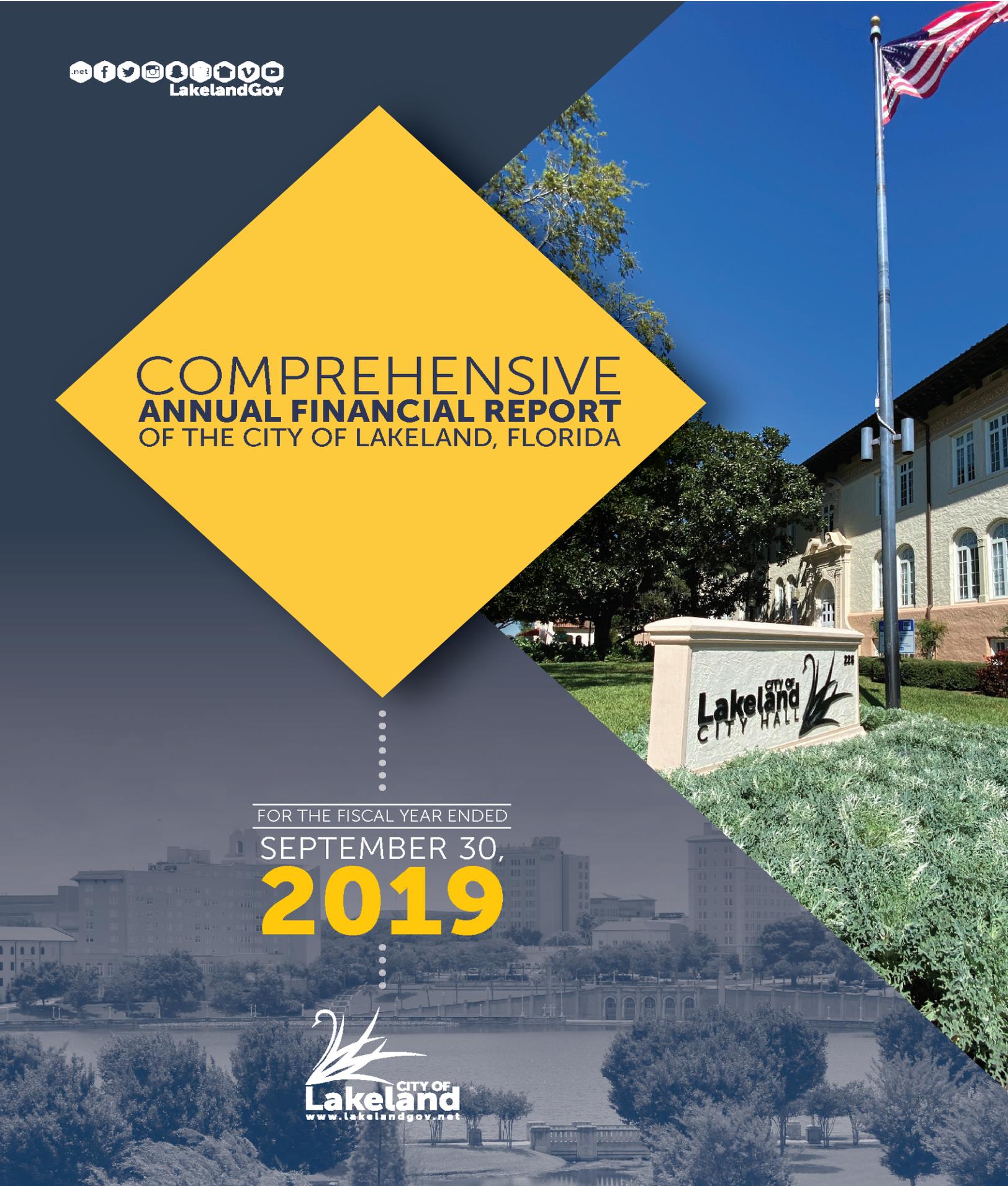
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Financial Section



COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30,
2019



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, 2019, 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	15.12%	15.11%	18.00%
City of Lakeland Firefighters' Retirement System	11.85%	11.88%	11.72%
	26.97%	26.99%	29.72%

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, 2019, 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 Matters

As discussed in Note 2 to the financial statements, in November 2016 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations that were not previously addressed in GASB standards. Beginning net position was restated as part of the implementation of this standard. Our opinions are not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in April 2018 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings, and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund budgetary comparison schedule, 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, and schedule of contributions from employers and other contributing entities on pages C-1 through C-17 and F-1 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 information, budgetary comparison schedule – major capital projects fund, combining and individual fund financial statements, schedules and miscellaneous statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule – major capital projects fund, 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 budgetary comparison schedule – major capital projects fund, 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 information and miscellaneous statistical information 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 23, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Crowe LLP

Tampa, Florida
March 23, 2020

Management's Discussion and Analysis



COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30,

2019



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, 2019. 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 provisions 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, and the Lakeland Linder International Airport.

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	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current assets	\$ 108,459	\$ 89,923	\$ 238,697	\$ 241,003	\$ 347,156	\$ 330,926
Asset Apportionments	16,520	13,400	205,716	184,676	222,236	198,076
Restricted assets	48,210	40,921	50,698	67,108	98,908	108,029
Capital assets	297,077	296,550	1,205,172	1,157,121	1,502,249	1,453,671
Other noncurrent assets	-	-	1,241	1,450	1,241	1,450
Total assets	470,266	440,794	1,701,524	1,651,358	2,171,790	2,092,152
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources related to pensions	23,506	21,633	16,486	17,230	39,992	38,863
Deferred outflows of resources related to OPEB	14,048	-	13,966	-	28,014	-
Deferred outflows of resources related to ARO	-	-	3,267	-	3,267	-
Decrease in fair value of interest rate swaps	-	-	33,652	20,206	33,652	20,206
Unamortized loss (gain) on refunding	19	26	26,404	29,694	26,423	29,720
Total deferred outflows of resources	37,573	21,659	93,775	67,130	131,348	88,789
LIABILITIES						
Current liabilities	15,851	15,662	94,568	87,365	110,419	103,027
Apported Asset liabilities	-	-	16,153	16,119	16,153	16,119
Restricted liabilities	222	210	16,659	18,709	16,881	18,919
Deferred credits	-	-	43,992	26,256	43,992	26,256
Accrued liabilities						
less current portion	175,067	169,181	173,274	177,331	348,341	346,512
Long term debt payable						
less current portion	61,510	51,439	531,215	572,878	592,725	624,317
Total liabilities	252,650	236,492	875,861	898,658	1,128,511	1,135,150
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources related to pensions	10,530	7,328	16,762	10,790	27,292	18,118
Deferred inflows of resources related to OPEB	21,105	11,880	25,894	12,884	46,999	24,764
Over-recovery of fuel	-	-	19,095	19,271	19,095	19,271
Gain on hedges	-	-	2,187	1,265	2,187	1,265
Contributions in aid of construction	-	-	47,249	47,300	47,249	47,300
Total deferred inflows of resources	31,635	19,208	111,187	91,510	142,822	110,718
NET POSITION						
Net investment in capital assets	231,112	240,598	648,046	582,729	879,158	823,327
Restricted	47,989	40,712	34,040	48,399	82,029	89,111
Unrestricted	(55,547)	(74,556)	126,165	97,192	70,618	22,636
Total net position	\$ 223,554	\$ 206,754	\$ 808,251	\$ 728,320	\$ 1,031,805	\$ 935,074

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

Governmental activities:

Current Assets consist predominantly of \$45.3 million of cash and investments, \$25.5 million of receivables, \$28.6 million of assets held within internal balances of the City; and \$5.6 million in assets to liquidate current apportioned and restricted liabilities. In the aggregate, this represents an increase of \$18.5 million in the value of current assets during 2019.

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 \$5.9 million in assets related to Stormwater Utilities Fund, \$270 thousand set aside to fund contributions to cultural and community agencies, \$2.5 million set aside to pay future obligations, \$7.6 million set aside to pay for future capital expansion, and \$320 thousand in cash designated for maintaining recreation facilities.

Restricted Assets are legally restricted for expenses for certain purposes. These consist predominately of \$9.8 million in assets held within Community Redevelopment Districts, \$301 thousand in assets held for community development, \$1.3 million in assets held in trust for law enforcement; \$19.3 million of unspent impact fees, \$2 million in assets held from building inspection revenues, \$6.5 million in assets held from transportation, and approximately \$5.5 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 \$7.3 million increase in the change in the value of these restricted assets from 2018 to 2019.

Current Liabilities represent obligations payable from Current Assets that are likely to be settled within the next year. These consist of primarily \$3.9 million in amounts owed to vendors, \$6.5 million in undistributed payroll obligations accrued during the last pay period of the fiscal year, \$3.4 million of principal due on long term debt and notes on October 1st.

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 \$5.4 million in unpaid sick and vacation time, \$77.5 million representing the actuarially accrued liability for pension benefits payable to employees during retirement, and approximately \$92.2 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 increased by approximately \$10 million from 2018 to 2019, predominantly because of the issuance of various internal loans to finance road, park, and facility improvements. The dollar value of those outstanding loans was approximately \$61 million as of the end of 2019. 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 \$21 million of these loans within the course of the next five years.

Business-type activities:

Current Assets consist predominantly of \$103.9 million of cash and investments, \$50.1 million of receivables, and \$41.9 million of inventories; less approximately \$28.6 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 decreased \$2.3 million during 2019. There was a increase of \$13.5 million within Electric Utilities system – as a result of a increased in liquidity from operations; there was a \$15.6 million decrease within the Internal Loan Fund – as a result of net the repayment/issuance of loans during the year; and there was a \$0.9 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 primarily comprised of \$140.3 million committed to financing the cost of capital improvements, \$38.6 million in assets held for vehicle replacements, and \$25.2 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 \$16.4 million in customer deposits collected by utility operations, \$37.4 million of unspent water and wastewater impact fees, and \$26 million in unspent bond proceeds. This class of assets decreased approximately \$16.4 million during the year, predominantly from the expenditures related to capital projects.

Current Liabilities represent obligations payable from Current Assets that are likely to be settled within the next year. These consist of primarily \$31.0 million in amounts owed to vendors, \$6.5 million in obligations accrued during the last pay period of the fiscal year, \$44.7 million in bonded debt and loans principal and interest payable on October 1, 2019, \$7.5 million in current obligations of the city's self-insurance program, and approximately \$1.1 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 \$16.2 in obligations of the city's self-insurance program, and \$16.4 million in customer deposits.

Accrued Liabilities represents obligations that are not likely to be settled within the next year. This includes approximately \$6.7 million in unpaid sick and vacation time, \$10.3 million in profits earned on settlement of a natural gas purchase agreement, approximately \$68.3 million representing the actuarially accrued liability for pension benefits, approximately \$3.6 million representing the actuarially accrued liability for asset retirement obligations, and approximately \$94.7 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:

Capital assets

Ratio of capital assets to related debt:

	Total Governmental Activities	Electric Utility	Water & Wastewater Utility	Other Business-type Activities
Capital assets	\$ 297,076,947	\$ 681,817,771	\$ 317,661,094	\$ 205,693,100
Related long term debt	(65,965,073)	(433,761,418)	(92,413,200)	(30,951,336)
Net investments in capital assets	<u>\$ 231,111,874</u>	<u>\$ 248,056,353</u>	<u>\$ 225,247,894</u>	<u>\$ 174,741,764</u>
FY 2019 Ratio	4.50	1.57	3.44	6.65
FY 2018 Ratio	5.30	1.46	3.26	7.52

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

Capital asset and debt administration: (continued)

Capital assets (continued)

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, 2019 was \$1,502,248,912 which represents a net increase of \$48,578,559 for the year.

Gross capital spending for the year exceeded \$119.5 million. Major capital asset additions during the current fiscal year included the following:

- \$5.8 million in land, right of way, and construction for roadway projects
- \$5.4 million in parks and recreation facility improvements
- \$617 thousand in public facility improvements
- \$1.4 million in public safety facility improvements
- \$3.0 million in Stormwater system improvements
- \$7.4 million for new vehicles
- \$1.8 million for computers and software; system upgrades
- \$19.2 million for improvements at the city-owned airport
- \$19.0 million in water and wastewater system improvements
- \$55.9 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, 2019, the City of Lakeland's total bonded debt outstanding was \$547 million. This represents a net decrease of \$35.2 million compared to 2019. During the year, the City made scheduled retirements of debt of approximately \$30.6 million.

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.

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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	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 26,117	\$ 26,622	\$ 416,342	407,307	\$ 442,459	\$ 433,929
Operating grants and contributions	8,236	5,685	411	285	8,647	5,970
Capital grants and contributions	3,691	4,225	20,205	15,016	23,896	19,241
General Revenues						
Property taxes	40,355	37,046	-	-	40,355	37,046
Utility, fuel, and franchise taxes	21,764	20,833	-	-	21,764	20,833
Tourism taxes	-	-	614	460	614	460
State shared revenues	10,364	9,791	-	-	10,364	9,791
Rents and royalties	14,379	13,994	-	-	14,379	13,994
Investment earnings	12,057	3,756	26,068	8,096	38,125	11,852
Miscellaneous	5,719	5,484	2,661	3,222	8,380	8,706
Total revenues	142,682	127,436	466,301	434,386	608,983	561,820
Program expenses						
General government	16,320	17,906	-	-	16,320	17,906
Public safety	71,098	69,233	-	-	71,098	69,233
Physical environment	8,668	12,806	-	-	8,668	12,806
Transportation	19,780	19,657	-	-	19,780	19,657
Economic environment	13,764	11,142	-	-	13,764	11,142
Human services	374	292	-	-	374	292
Culture/recreation	30,625	28,794	-	-	30,625	28,794
Interest on long-term debt	2,219	2,214	-	-	2,219	2,214
Electric	-	-	265,081	271,956	265,081	271,956
Waste and wastewater	-	-	48,033	47,492	48,033	47,492
Parking	-	-	887	923	887	923
RP Funding Center	-	-	9,933	9,876	9,933	9,876
Lakeland Linder International Airport	-	-	11,255	9,897	11,255	9,897
Solid Waste	-	-	14,070	13,198	14,070	13,198
Total expenses	162,848	162,044	349,259	353,342	512,107	515,387
Excess before transfers	(20,166)	(34,608)	117,042	81,044	96,876	46,434
Transfers	36,966	35,494	(36,966)	(35,494)	-	-
Increase in net position	16,800	886	80,076	45,550	96,876	46,434
Net position, beginning of year	206,755	273,508	728,321	753,770	935,076	1,027,278
Prior period adjustment	-	(67,639)	(145)	(70,999)	(145)	(138,638)
Net position, end of year	\$ 223,555	\$ 206,755	\$ 808,252	\$ 728,321	\$ 1,031,807	\$ 935,074

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS, (continued)

Governmental Activities – Revenues, Expenses and increase in net position

The combined amount of tax revenue from all sources (property tax, sales tax and utility taxes) was up 7.33% compared to the prior year due to higher than expected tax revenue collections and increased property values. Total spending on governmental activities was up by 0.50% due to expenditures being held flat. Overall, the City's reliance on taxes as a source of revenue increased slightly from 42.2% in 2018 to 44.5% in 2019 due to relatively flat spending and increased tax revenues. For 2019, the City's property tax millage rate was lowered to 5.4644 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 Lakeland Regional Health lease payment, in FY 2019 were up 13.10% compared to 2018. Property tax revenues increased as a result of the increased property values; operating grants and contributions increased as a result of the FEMA obligations of Hurricane Irma; the increase in investment earnings and the market value of the City's cash pool at September 30, 2019.

Total governmental expenses for 2019 were 0.50% lower compared to 2018. Direct payroll costs were higher during 2019 (\$94 million) compared to 2018 by 3.2%, as a result of the cost of living adjustment and merit increases.

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 2019, these transfers amounted to a net \$37.0 million. This represents approximately 22.7% 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 34.6% during the year – predominantly the result of the increase in capital grants and contributions for airport operations.

Overall profitability of these business-type activities increased from \$81.0 million (before transfers) in fiscal 2018 to \$117.0 million for 2019.

Of these profits, \$37 million was transferred to help finance the cost of general governmental activities. In the aggregate, the transfer of profits from these business type activities represented 8.9% of gross operating revenues of these business-type entities (excluding revenues associated with recovering the cost of fuel used to generate electricity).

Prior Period Adjustment

During FY 2019, the City implemented GASB 83 *Certain Asset Retirement Obligations*. As a result of this implementation, the City booked a prior period adjustment resulting in a decrease of \$145 thousand in beginning net position for Business-type Activities related to the recognition of an Asset Retirement Obligation (ARO) liability and deferred outflow of resources related to ARO. For FY 2019, the total net position, including the prior period adjustment, increased \$79.9 million (\$80.1 increase from operations, net of transfers).

Other Post Employment Benefit costs

As previously mentioned, the Statement of Net Position of both the governmental and business-type operations includes approximately \$187 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 \$9.3 million of cost associated with increases 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.

CITY OF LAKELAND, FLORIDA

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 \$146 million in liabilities associated with retirement benefits payable to city employees. Also, included in both governmental and business-type expenses is approximately \$20 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 custodial 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, 2019

	Original Budget	Final Amended Budget	2019 Actual	Variance
REVENUES				
Taxes	\$ 48,922,502	\$ 48,922,502	\$ 49,850,078	\$ 927,576
Licenses and permits	4,668,614	4,668,614	5,040,190	371,576
Intergovernmental	11,784,330	11,841,087	14,514,459	2,673,372
Charges for services	5,552,235	6,956,791	6,695,201	(261,590)
Fines and forfeits	2,506,219	2,950,692	2,557,311	(393,381)
Miscellaneous	2,385,702	2,924,988	5,074,102	2,149,114
Total revenues	<u>75,819,602</u>	<u>78,264,674</u>	<u>83,731,341</u>	<u>5,466,667</u>
EXPENDITURES				
General government	13,985,020	15,166,472	12,353,999	2,812,473
Public safety	67,541,362	69,965,101	66,150,688	3,814,413
Physical environment:	6,187,062	6,510,819	6,468,978	41,841
Transportation	7,419,848	7,410,155	6,402,610	1,007,545
Economic environment	3,192,754	3,192,754	3,065,790	126,964
Human services	143,703	355,713	298,920	56,793
Culture/Recreation	25,028,928	26,189,518	23,749,564	2,439,954
Capital outlay	264,636	1,032,017	1,032,017	-
Debt Service	262,015	593,955	593,955	-
Total expenditures	<u>124,025,328</u>	<u>130,416,504</u>	<u>120,116,521</u>	<u>10,299,983</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(48,205,726)</u>	<u>(52,151,830)</u>	<u>(36,385,180)</u>	<u>15,766,650</u>
OTHER FINANCING SOURCES AND USES	<u>42,469,214</u>	<u>41,816,161</u>	<u>42,969,690</u>	<u>(1,153,529)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,736,512)</u>	<u>\$ (10,335,669)</u>	<u>\$ 6,584,510</u>	<u>\$ 14,613,121</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 6.98% more than the final budget, with some significant variances within individual categories. Intergovernmental revenue, which includes grants and state shared revenue, were \$2.7 million greater than budget - \$302 thousand in state shared revenues were collected over the amount budgeted and federal, state, and local grant revenues were only \$2.3 million more than the amount budgeted representing reimbursements and obligations related to expenditures incurred over the past two fiscal years from Hurricane Irma.

Fines and forfeits revenues were up \$121 thousand from the previous year, but were \$386 thousand less than the amounts budgeted as a result of a slight increase in police confiscated cash and code enforcement fine revenues.

Miscellaneous revenues were \$2.1 million more than the budget, primarily as a result of investment revenues that were more than budget by approximately \$1.7 million and \$400 thousand in various miscellaneous revenues that were more than budget

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 0.9% lower than fiscal year 2018. Operating expenses and capital outlay have remained relatively flat. The decrease is due to a lower budgetary operating increase for 2019 as compared to 2018. Controllable cost expenditures were limited to 1.25% of the previous year and health insurance rates were increased 2.5% from a 13% increase in FY 2018.

For the year ended September 30, 2019 the City realized an increase the in fund balance within the General Fund of \$6.58 million – which falls in line with the anticipated revenue increases and spending increases for fiscal years 2018 thru 2019 (including carryovers). Total unrestricted reserves at the end of the year were \$24.3 million, of which \$10.1 million is appropriated to balance the 2020 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, 2019**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>2019 Actual</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ 2,206,521	\$ 2,213,816	\$ 2,228,812	\$ 14,996
Charges for services	543,000	543,000	542,185	(815)
Miscellaneous	<u>15,218,801</u>	<u>15,271,276</u>	<u>18,028,915</u>	<u>2,757,639</u>
Total revenues	<u>17,968,322</u>	<u>18,028,092</u>	<u>20,799,912</u>	<u>2,771,820</u>
EXPENDITURES				
General government:	1,486,032	2,364,423	883,417	1,481,006
Public safety	25,000	91,408	59,689	31,719
Physical environment:	47,900	56,708	46,231	10,477
Transportation	-	50,682	33,181	17,501
Culture/Recreation:	622,500	750,109	483,352	266,757
Capital outlay	16,619,289	31,313,416	12,449,091	18,864,325
Debt service	<u>6,370,415</u>	<u>6,424,496</u>	<u>6,424,496</u>	<u>-</u>
Total expenditures	<u>25,171,136</u>	<u>41,051,242</u>	<u>20,379,457</u>	<u>20,671,785</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,202,814)</u>	<u>(23,023,150)</u>	<u>420,455</u>	<u>23,443,605</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>6,276,650</u>	<u>14,020,644</u>	<u>10,003,602</u>	<u>(4,017,042)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (926,164)</u>	<u>\$ (9,002,506)</u>	<u>\$ 10,424,057</u>	<u>\$ 19,426,563</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 18.15% more than the final budget, due an additional \$.830 thousand in interest income received over the amount budgeted and an additional \$1.8 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 (50.4%) due to \$18.9 million in various capital projects not completed at year end. For the year ended September 30, 2019 the City realized an increase in fund balance within the Public Improvement Fund of \$10.4 million due to capital expenditures related to the renovations of various city facilities. Total unrestricted reserves at the end of the year were \$21.7 million, of which \$16.9 million was appropriated to balance the 2020 budget and carryovers.

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, 246 square mile area, encompassing all of the incorporated City limits and the surrounding area. The utility serves approximately 131,793 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, 2019, 2018, AND 2017 (in thousands)**

	<u>2019</u>	<u>(as restated) 2018</u>	<u>(as restated) 2017</u>
OPERATING REVENUES			
Sales of energy - retail	\$ 302,654	\$ 299,669	\$ 291,555
Sales of energy and capacity sales - wholesale	7,168	7,952	4,643
All other operating revenue	9,321	7,421	7,286
	<u>319,143</u>	<u>315,042</u>	<u>303,484</u>
OPERATING EXPENSES			
Fuel and Purchased Power	120,231	127,076	120,510
Generation	29,155	30,131	29,371
Transmission and distribution	28,202	30,398	31,752
Customer service and accounting	8,610	8,433	8,025
State tax on electric sales	7,760	7,512	7,186
Administrative and general	15,415	17,360	21,467
Depreciation	40,407	35,947	38,269
	<u>249,780</u>	<u>256,857</u>	<u>256,580</u>
OPERATING INCOME	69,363	58,185	46,904
NON-OPERATING ACTIVITY:			
Investment and other income	14,148	5,423	5,832
Interest on debt	(16,062)	(15,828)	(17,660)
Transfers to other funds	(31,281)	(30,139)	(28,448)
	<u>(33,195)</u>	<u>(40,544)</u>	<u>(40,276)</u>
CHANGE IN NET POSITION	<u>\$ 36,168</u>	<u>\$ 17,641</u>	<u>\$ 6,628</u>

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS (continued)

Lakeland Electric (continued)

The net position of Lakeland Electric increased by \$36.2 million during fiscal year 2019 compared to a \$17.6 million increase in 2018. Operating income was \$69.4 million in 2019 compared to \$58.2 million in the preceding year. The year-over-year increases primarily reflect the impact of a 3 percent rate increase, load growth of 2.2 percent and reduced Transmission/Distribution expenses

Lakeland Electric's 2019 retail megawatt hour (MWh) sales were up 2.2 percent from the previous fiscal year resulting in \$4.2 million higher non-fuel revenues. Approximately half of the increase in load was associated with growth in Lakeland Electric's customer base while the rest was weather-related.

Non-operating revenue increase by \$9 million from the previous fiscal year. Investment revenue decreased by \$1.3 million, however a \$5.3 million favorable fair value adjustment on Lakeland Electric's share of the City's pooled investments was recognized in 2019, compared to an unfavorable adjustment of (\$4.7) 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 non-fuel operating expenses, excluding gross receipts tax and depreciation, were down (\$4.9) million or (6) percent from \$86.3 million in 2018 to \$81.4 million in 2019. The favorable variance is more than accounted for by reduced tree trimming and pension expenses. Total operating and maintenance costs (excluding fuel, gross receipts tax, and depreciation) averaged \$25.99 per retail MWh in 2019, compared to \$28.17 in 2018.

Although Lakeland Electric anticipates that a substantial percentage of the \$10.4 million of storm recovery costs will be eligible for reimbursement, only \$0.1 million was reimbursed as of fiscal year 2019. A grant agreement was in place before the end of fiscal year, and an accrual of \$0.9 million was recorded for funds obligated in fiscal year 2019.

Administrative and General Expenses were \$1.9 million lower than the previous year largely in relation to pension.

Fuel and purchased power expenses were down \$6.8 million in 2019, reflecting lower natural gas prices. Also, in 2019 McIntosh Unit 3 was in extended outage which reduced the amount of coal purchased during the 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, 2019, the retail fuel charge was \$36.50 per MWh, compared to \$40.75 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 2019 with a cumulative over-recovered fuel position of \$29.2 million. The fuel reserve was over-funded to the extent of \$10.2 million, for which a regulatory liability was recognized. See Note D.

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. Environmental compliance rates of \$2.109 and \$2.109 per MWh were in effect during 2019 and 2018, respectively. Lakeland Electric had a cumulative under-recovered environmental compliance cost balance of \$(55) thousand, classified as a regulatory liability, as of the end of 2019. Based on sales and environmental compliance expense projections, a rate of \$2.776 per MWh was recommended for 2012. See Note D.

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 under-recovered energy conservation charge balance of \$(11) thousand, classified as a regulatory liability, as of the end of 2019. See Note D.

Lakeland Electric provides a dividend at a rate of \$9.96 per MWh to the City of Lakeland's General Fund in the form of monthly cash transfers. The total amount of the dividend in 2019 was \$30.8 million, compared to \$29.7 million in 2018.

Capital Assets

Lakeland Electric has historically funded the cost of capital improvements through a combination of bond financing and cash generated from retail utility rates. Cash set aside from base rates provided funding for the majority of capital spending during the year. Proceeds from the Series 2018 bond issuance provided funding for the purchase and installation of a 125 megawatt peaking unit as well as other energy supply and delivery projects. As of 2019 \$34.5 million has been spent. The remainder of the Series 2018 bond proceeds were carried over to fiscal year 2020. The peaking unit is scheduled to be completed before the end of fiscal year 2020.

CITY OF LAKELAND, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FUND FINANCIAL STATEMENTS (continued)

Lakeland Electric (continued)

Capital Assets (continued)

Capital spending (net of contributions in aid of construction) totaled \$55.9 million in 2019 compared to \$47.1 million in 2018 and \$31.9 million in 2017. Capital expenditures during 2019 included \$33.6 million for energy supply projects, \$20.8 million for energy delivery projects, and \$1.5 million for building improvements and equipment.

Depreciation expense, net of amortization of contributions in aid of construction, was \$40.4 million in 2019 compared to \$35.9 million in 2018.

Lakeland Electric recorded contributions in aid of construction from outside the Department in the amount of \$3.5 million during fiscal year 2019, compared to \$5.7 million in 2018. These amounts are included in the *Plant in Service* balance in the Statements of Net Position. See Note 4.

Economic Factors

The average demand for energy placed on the system from retail customers during Fiscal Year 2019 was 366 megawatts (MW), compared to 358 MW during the previous year. The peak demand during the winter was 545 MW on January 19, 2019, and a summer peak demand of 667 MW was reached on June 25, 2019. Lakeland Electric expects to see a growth of approximately 1 percent in the retail customer base during fiscal year 2020. 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.

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 2019 were the fourth 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 180 days of operating cash. At the end of 2019, Lakeland Electric had over 240 days of cash compared to 204 days in the previous fiscal year.

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, 2019 AND 2018**

	<u>2019</u>			<u>(as restated)</u> <u>2018</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 33,281,334	\$ 34,362,013	\$ 67,643,347	\$ 63,456,824
Operating expenses:				
Personal services	6,599,672	6,303,571	12,903,243	12,610,289
Other operating expenses	11,312,593	13,254,135	24,566,728	24,394,407
Depreciation	4,353,635	4,585,993	8,939,628	8,660,882
Total operating expenses	<u>22,265,900</u>	<u>24,143,699</u>	<u>46,409,599</u>	<u>45,665,578</u>
Operating income (loss)	11,015,434	10,218,314	21,233,748	17,791,246
Nonoperating revenues (expenses)				
Federal, state, and local grants	12,080	-	12,080	-
Investment revenue	3,692,414	3,126,174	6,818,588	1,943,383
Miscellaneous revenue	242,336	358,684	601,020	433,653
Interest expense	(1,621,784)	(433,127)	(2,054,911)	(2,350,257)
Loss on disposal of capital assets	(3,074)	(22,978)	(26,052)	(51,411)
Capital grants and contributions	3,867,208	3,790,639	7,657,847	6,913,022
	<u>6,189,180</u>	<u>6,819,392</u>	<u>13,008,572</u>	<u>6,888,390</u>
Income before transfers	17,204,614	17,037,706	34,242,320	24,679,636
Net transfers	<u>(6,032,502)</u>	<u>(3,446,341)</u>	<u>(9,478,843)</u>	<u>(8,912,940)</u>
Change in net position	<u>\$ 11,172,112</u>	<u>\$ 13,591,365</u>	<u>\$ 24,763,477</u>	<u>\$ 15,766,696</u>

The Wastewater utility system implemented a rate increase of 2.5%.

Total gallons of water sold, upon which the majority of wastewater operating revenues are based, were 6.7 billion gallons. Residential wastewater revenues are capped at 12,000 gallons per customer/per month. In the aggregate, operating revenues increased 5.0% due to the 2.5% rate increase and an additional 1,461 customers. Pretreatment revenues from high strength commercial waste increased by 8.7% over FY 18.

Operating expenses excluding depreciation were down 3% primarily due to the slight decrease in routine repairs and maintenance and increased personnel costs associated with merits and across the board pay increases.

Unrestricted net current assets increased slightly by \$5.1 million over the course of the year, now totaling \$22.3 million. This was the result of increases in operating revenues – operating cash flows were as follows:

Operating income (excluding non-cash items)	\$ 14,850,000
Investment and Other Income (excluding designated and restricted assets)	1,200,000
Debt Service Transfers from rates	(2,800,000)
Capital Funded from rates	(5,050,000)
Transfers to Other Funds	<u>(3,100,000)</u>
Net	<u>\$ 5,100,000</u>

Unrestricted cash liquidity is \$18.8 million – up from \$14.2 million in 2018. The increase in the unrestricted cash component of this liquidity is the result of increases in operating revenues for the year, as documented above.

CITY OF LAKELAND, FLORIDA

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 \$27.1 to \$27.6 million during the year – the result of capital grant projects and debt proceeds for capital improvements not completed during the year.

Water

The Water utility system implemented a 4.5% rate increase for FY 19.

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 19 were 7.2 billion, up by 5.9% in FY 19 from FY 18.

Operating expenses (excluding depreciation) increased slightly 5.8% for the year due to relatively flat operating 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 2019 from 2018.

Unrestricted net current assets increased from \$13.3 million in 2018 to \$15.1 million in 2019. Excluding non-cash items such as depreciation, amortization, and OPEB expenses, the system earned an operating profit of approximately \$14.7 million. Of that amount, \$5.1 million was transferred to sinking funds to finance debt service obligations, and \$5.7 million was transferred to the General Fund as a dividend payment. The utility transferred \$5.8 million from revenues to finance capital improvements for the year.

The value of net position restricted and designated for financing capital improvements increased from \$25.7 million to \$28.6 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 2020 Budget is the City's numerical representation of the FY 2020 Strategic/Business Operating Plan. The Strategic/Business Operating Plan allocates resources through service prioritization based on strategic alignment with the City of Lakeland strategies. The FY 2020 Budget was developed in response to the community needs identified in the Strategic/Business Operating Plan. Factors such as eroding levels of federal, state, and local grants and shared revenue, level of increases in charges for services, citizen needs, and prioritized Strategic Plan and Actionable items.

The adopted operating budget for FY 2020 is \$627 million or 2.4% higher than the FY 2019 adopted budget of \$612 million. The General Fund Budget for FY 2019 is \$134 million or 4.6% higher than the 2019 adopted budget of \$128 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,

2019





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CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 45,264,543	\$ 103,870,320	\$ 149,134,863
Receivables, net	25,509,079	50,142,962	75,652,041
Fuel hedges	-	4,430,918	4,430,918
Internal balances	28,618,861	(28,618,861)	-
Due from fiduciary fund	598,335	-	598,335
Due from other governments	2,765,853	195,304	2,961,157
Inventories	-	41,884,609	41,884,609
Prepaid expenses	113,329	910,508	1,023,837
Asset apportionments set aside for (including \$66,613,342 in cash and cash equivalents):			
Current portion of bonds payable	3,394,448	31,784,677	35,179,125
Accrued interest payable	-	10,351,440	10,351,440
Accrued liabilities	459,858	20,622,919	21,082,777
Restricted assets set aside for (including \$4,856,797 in cash and cash equivalents):			
Accrued liabilities	1,734,946	3,121,851	4,856,797
Total current assets	<u>108,459,252</u>	<u>238,696,647</u>	<u>347,155,899</u>
Noncurrent assets:			
Asset apportionments:			
Other noncurrent asset apportionments (including \$207,208,264 in cash and cash equivalents and \$7,417,418 in investments)	16,519,957	205,716,022	222,235,979
Restricted assets (including \$89,549,680 in cash and cash equivalents and \$5,659,769 in investments)	48,210,457	50,698,275	98,908,732
Capital assets:			
Land	55,451,896	47,431,688	102,883,584
Construction in progress	12,372,629	138,273,893	150,646,522
Utility plant, facilities & equipment in service	458,519,448	2,175,700,654	2,634,220,102
Less accumulated depreciation	(229,267,026)	(1,156,234,270)	(1,385,501,296)
Total capital assets	<u>297,076,947</u>	<u>1,205,171,965</u>	<u>1,502,248,912</u>
Other noncurrent assets			
Regulatory assets	-	1,241,338	1,241,338
	<u>-</u>	<u>1,241,338</u>	<u>1,241,338</u>
Total noncurrent assets	<u>361,807,361</u>	<u>1,462,827,600</u>	<u>1,824,634,961</u>
Total assets	<u>470,266,613</u>	<u>1,701,524,247</u>	<u>2,171,790,860</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	23,506,314	16,486,196	39,992,510
Deferred outflows of resources related to OPEB	14,047,558	13,965,635	28,013,193
Deferred outflows of resources related to ARO	-	3,267,243	3,267,243
Hedge derivative outflows	-	33,652,445	33,652,445
Unamortized loss on refunding	19,144	26,403,584	26,422,728
Total deferred outflows of resources	<u>37,573,016</u>	<u>93,775,103</u>	<u>131,348,119</u>

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION, CONTINUED
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,134,198	\$ 18,218,331	\$ 20,352,529
Accrued liabilities	6,537,254	6,474,646	13,011,900
Deposits payable	491,589	1,079,193	1,570,782
Accrued interest payable	12,111	19,309	31,420
Capital leases payable	965,450	117,988	1,083,438
Notes and loans payable	114,575	2,575,197	2,689,772
Unearned revenue	6,913	202,260	209,173
Payable from apportioned assets	3,854,306	62,759,036	66,613,342
Payable from restricted assets:			
Accrued liabilities	1,734,946	3,121,851	4,856,797
Total current liabilities	<u>15,851,342</u>	<u>94,567,811</u>	<u>110,419,153</u>
Other liabilities:			
Liabilities payable from apportioned assets	-	16,152,911	16,152,911
Restricted liabilities	221,684	16,658,450	16,880,134
Interest rate swaps	-	33,652,445	33,652,445
Regulatory liabilities	-	10,339,354	10,339,354
Accrued liabilities, less current portion	5,372,196	6,717,659	12,089,855
Net pension liability	77,482,422	68,279,721	145,762,143
Net OPEB liability	92,213,219	94,718,100	186,931,319
Asset retirement obligation	-	3,560,000	3,560,000
Capital leases payable, less current portion	3,846,762	246,955	4,093,717
Notes and loans payable, less current portion	59,126	40,384,498	40,443,624
Revenue bonds payable, less current portion	57,603,856	454,198,564	511,802,420
Unamortized bond premium	-	36,384,622	36,384,622
Revenue bonds payable, plus unamortized bond premium	<u>57,603,856</u>	<u>490,583,186</u>	<u>548,187,042</u>
Total other liabilities	<u>236,799,265</u>	<u>781,293,279</u>	<u>1,018,092,544</u>
Total liabilities	<u>252,650,607</u>	<u>875,861,090</u>	<u>1,128,511,697</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	10,530,264	16,762,232	27,292,496
Deferred inflows of resources related to OPEB	21,104,583	25,894,459	46,999,042
Over-recovery of fuel	-	19,094,941	19,094,941
Unrealized gain on hedges	-	2,186,812	2,186,812
Unamortized contributions in aid of construction	-	47,249,282	47,249,282
Total deferred inflows of resources	<u>31,634,847</u>	<u>111,187,726</u>	<u>142,822,573</u>
NET POSITION			
Net investment in capital assets	<u>231,111,874</u>	<u>648,046,011</u>	<u>879,157,885</u>
Restricted for:			
Expendable:			
Debt service	1,889,942	-	1,889,942
Capital improvement	248,509	34,039,825	34,288,334
Transportation	6,517,909	-	6,517,909
Law enforcement	1,346,412	-	1,346,412
Grant programs - community development	300,596	-	300,596
CRA	9,790,860	-	9,790,860
Building inspection	2,018,899	-	2,018,899
Impact fee programs	19,342,565	-	19,342,565
Donations received	1,012,343	-	1,012,343
Nonexpendable:			
Endowments	5,520,738	-	5,520,738
	<u>47,988,773</u>	<u>34,039,825</u>	<u>82,028,598</u>
Unrestricted	<u>(55,546,472)</u>	<u>126,164,698</u>	<u>70,618,226</u>
Total net position	<u>\$ 223,554,175</u>	<u>\$ 808,250,534</u>	<u>\$ 1,031,804,709</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, 2019

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	\$ 16,319,619	\$ 1,896,455	\$ 32,275	\$ -	\$ (14,390,889)	\$ -	\$ (14,390,889)
Public safety	71,097,550	10,443,148	2,180,272	-	(58,474,130)	-	(58,474,130)
Physical environment	8,668,344	7,126,864	2,252,481	248,569	959,570	-	959,570
Transportation	19,778,854	2,101,731	1,074,108	815,600	(15,787,415)	-	(15,787,415)
Economic environment	13,763,670	75,237	1,308,668	-	(12,379,765)	-	(12,379,765)
Human services	373,920	-	-	-	(373,920)	-	(373,920)
Culture recreation	30,625,340	4,473,179	1,387,770	2,626,503	(22,137,888)	-	(22,137,888)
Interest on long-term debt	2,218,809	-	-	-	(2,218,809)	-	(2,218,809)
Total governmental activities	162,846,106	26,116,614	8,235,574	3,690,672	(124,803,246)	-	(124,803,246)
Business-Type Activities							
Electric	265,080,934	319,143,719	-	-	-	54,062,785	54,062,785
Water and Wastewater	48,033,439	67,643,347	12,080	7,657,847	-	27,279,835	27,279,835
Parking	887,288	825,835	-	-	-	(61,453)	(61,453)
RP Funding Center	9,932,582	5,285,122	49,995	294,702	-	(4,302,763)	(4,302,763)
Lakeland Linder International Airport	11,255,395	6,734,444	348,467	12,252,296	-	8,079,812	8,079,812
Solid Waste	14,069,745	16,709,706	-	-	-	2,639,961	2,639,961
Total Business-Type Activities	349,259,383	416,342,173	410,542	20,204,845	-	87,698,177	87,698,177
Total Primary Government	\$ 512,105,489	\$ 442,458,787	\$ 8,646,116	\$ 23,895,517	(124,803,246)	87,698,177	(37,105,069)
General revenues:							
Taxes:							
Property taxes					40,355,438	-	40,355,438
Franchise Taxes					265,961	-	265,961
Motor fuel taxes					6,060,873	-	6,060,873
Utility taxes					15,436,866	-	15,436,866
Tourism taxes					-	614,076	614,076
State shared revenues (unrestricted)					10,363,502	-	10,363,502
Payments from Lakeland Regional Health					14,378,614	-	14,378,614
Investment earnings					12,057,306	26,067,869	38,125,175
Miscellaneous					5,718,650	2,661,205	8,379,855
Transfers (to) from other funds					36,965,724	(36,965,724)	-
Total general revenues and transfers					141,602,934	(7,622,574)	133,980,360
Change in Net Position					16,799,688	80,075,603	96,875,291
Net position - beginning					206,754,487	728,319,991	935,074,478
Prior period adjustment (Note 2)					-	(145,060)	(145,060)
Net position - ending					\$ 223,554,175	\$ 808,250,534	\$ 1,031,804,709

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

CITY OF LAKELAND, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 33,278,341	\$ 24,875,936	\$ 42,228,713	\$ 100,382,990
Investments	2,545	7,417,418	5,657,224	13,077,187
Receivables	25,309,078	208,708	1,220,245	26,738,031
Due from other funds	598,682	-	-	598,682
Due from other governments	2,766,723	-	893,389	3,660,112
Prepays	113,329	-	821	114,150
Total assets	<u>\$ 62,068,698</u>	<u>\$ 32,502,062</u>	<u>\$ 50,000,392</u>	<u>\$ 144,571,152</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,313,919	\$ 821,475	\$ 1,360,871	\$ 3,496,265
Accrued liabilities	6,549,329	36	173,873	6,723,238
Deposits payable	486,589	5,000	228,449	720,038
Due to other funds	-	-	347	347
Unearned revenue	-	6,913	652,099	659,012
Total liabilities	<u>8,349,837</u>	<u>833,424</u>	<u>2,415,639</u>	<u>11,598,900</u>
Deferred inflows of resources:				
Deferred revenue	<u>25,146,088</u>	<u>200,000</u>	<u>950,070</u>	<u>26,296,158</u>
Total deferred inflows of resources	<u>25,146,088</u>	<u>200,000</u>	<u>950,070</u>	<u>26,296,158</u>
Fund Balances:				
Nonspendable:				
Prepays	113,329	-	821	114,150
Cemetery endowment	-	-	5,490,915	5,490,915
Permanent fund principal	-	-	29,476	29,476
	<u>113,329</u>	<u>-</u>	<u>5,521,212</u>	<u>5,634,541</u>
Restricted for:				
CRA	-	-	8,953,615	8,953,615
Law enforcement	1,346,412	-	-	1,346,412
Impact fee program	-	-	19,342,565	19,342,565
Transportation	-	-	6,516,755	6,516,755
Capital improvement	-	248,509	-	248,509
Donations received	762,196	-	250,147	1,012,343
Debt service	-	1,889,942	-	1,889,942
Grant programs - community development	-	-	190,312	190,312
Building inspection	2,018,899	-	-	2,018,899
	<u>4,127,507</u>	<u>2,138,451</u>	<u>35,253,394</u>	<u>41,519,352</u>
Committed to:				
Working capital	-	7,598,489	-	7,598,489
Stormwater	-	-	5,861,602	5,861,602
	<u>-</u>	<u>7,598,489</u>	<u>5,861,602</u>	<u>13,460,091</u>
Assigned to:				
Subsequent years expenditures	10,066,491	-	-	10,066,491
Cultural activities	269,092	-	-	269,092
Recreational facilities	319,224	-	-	319,224
Debt service - assigned	-	2,470,868	-	2,470,868
Capital projects - assigned	-	19,260,830	-	19,260,830
	<u>10,654,807</u>	<u>21,731,698</u>	<u>-</u>	<u>32,386,505</u>
Unassigned	<u>13,677,130</u>	<u>-</u>	<u>(1,525)</u>	<u>13,675,605</u>
Total fund balances	<u>28,572,773</u>	<u>31,468,638</u>	<u>46,634,683</u>	<u>106,676,094</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 62,068,698</u>	<u>\$ 32,502,062</u>	<u>\$ 50,000,392</u>	<u>\$ 144,571,152</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, 2019

Total Fund Balances - Total Governmental Funds \$ 106,676,094

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	\$ 526,343,973	
Less accumulated depreciation	<u>(229,267,026)</u>	297,076,947

The value of certain assets and deferred outflows of resources 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		26,296,158
Deferred outflows of resources related to pensions		23,506,314
Deferred outflows of resources related to OPEB		14,047,558

Certain long-term liabilities, including bonds payable, and deferred inflows of resources are not due and available 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 long-term compensated absences		(5,372,196)
Net pension liability attributable to employee salaries financed from government fund types		(77,482,422)
Deferred inflows of resources related to pensions		(10,530,264)
Net OPEB liability attributable to retiree benefits financed from governmental fund types		(92,213,219)
Deferred inflows of resources related to OPEB		(21,104,583)
Bonds, loans, notes payable and capital leases payable	\$ (65,984,217)	
Unamortized loss on refunding	<u>19,144</u>	(65,965,073)

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

28,618,861

Net Position of Governmental Activities \$ 223,554,175

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, 2019

	<u>General Fund</u>	<u>Public Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 49,850,078	\$ -	\$ 12,269,060	\$ 62,119,138
Licenses and permits	5,040,190	-	-	5,040,190
Intergovernmental	14,514,459	2,228,812	3,027,558	19,770,829
Charges for services	6,695,201	542,185	11,281,228	18,518,614
Fines and forfeitures	2,557,311	-	500	2,557,811
Miscellaneous	5,074,102	18,028,915	5,858,286	28,961,303
Total revenues	<u>83,731,341</u>	<u>20,799,912</u>	<u>32,436,632</u>	<u>136,967,885</u>
EXPENDITURES				
Current:				
General government	12,353,999	883,417	2,256,810	15,494,226
Public safety	66,150,688	59,689	59,370	66,269,747
Physical environment	6,468,978	46,231	1,340,956	7,856,165
Transportation	6,402,610	33,181	7,522,054	13,957,845
Economic environment	3,065,790	-	7,471,821	10,537,611
Human services	298,920	-	75,000	373,920
Culture/recreation	23,749,564	483,352	47,612	24,280,528
Capital outlay	1,032,017	12,449,091	5,373,881	18,854,989
Debt service	593,955	6,424,496	1,368,708	8,387,159
Total expenditures	<u>120,116,521</u>	<u>20,379,457</u>	<u>25,516,212</u>	<u>166,012,190</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,385,180)</u>	<u>420,455</u>	<u>6,920,420</u>	<u>(29,044,305)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of internal loans	-	12,553,014	-	12,553,014
Obligations under capital leases	886,189	-	2,742,687	3,628,876
Transfers from other funds	46,628,549	3,705,479	887,383	51,221,411
Transfers to other funds	(4,545,048)	(6,254,891)	(4,426,672)	(15,226,611)
Total other financing sources (uses)	<u>42,969,690</u>	<u>10,003,602</u>	<u>(796,602)</u>	<u>52,176,690</u>
Net change in fund balances	6,584,510	10,424,057	6,123,818	23,132,385
FUND BALANCE, beginning of year	21,988,263	21,044,581	40,510,865	83,543,709
FUND BALANCE, end of year	<u>\$ 28,572,773</u>	<u>\$ 31,468,638</u>	<u>\$ 46,634,683</u>	<u>\$ 106,676,094</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, 2019

Net change in fund balances - total governmental funds \$ 23,132,385

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 a depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital outlay	\$ 18,854,989	
Depreciation expense	<u>(14,329,923)</u>	4,525,066

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. (4,022,397)

Proceeds from the issuance of internal loans between the Internal Loan Fund and governmental funds is recorded as a revenue in the governmental funds, but the proceeds result in an additional liability in the statement of net position. (12,553,014)

Obligations under capital leases in recorded as a revenue in the governmental funds, but the issuances result in an additional liability in the statement of net position. (3,628,876)

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. 5,610,303

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. 564,428

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. 24,651

Contributions to certain pension plans do not use current financial resources and are recorded in full as expenditures in the governmental funds, however a portion of these disbursements decrease the net pension liability in the statement of activities. (377,488)

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 decrease the net OPEB liability in the statement of activities. (1,959,089)

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. (331,770)

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. (57,473)

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. 5,879,343

Change in net position of governmental activities \$ 16,799,688

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2019

	Business-type Activities				Internal Service Funds
	Enterprise Funds			Total	
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 45,651,210	\$ 31,549,536	\$ 9,875,009	\$ 87,075,755	\$ 16,794,565
Fuel hedges	4,430,918	-	-	4,430,918	-
Receivables	46,203,699	3,324,601	1,532,525	51,060,825	10,511
Less allowance for uncollectibles	(736,782)	(75,501)	(116,091)	(928,374)	-
Due from other funds	-	-	-	-	3,359,161
Due from other governments	-	-	-	-	195,304
Inventories	39,034,006	2,514,523	-	41,548,529	336,080
Prepaid expenses	608,719	112,560	178,177	899,456	11,052
Asset apportionments set aside for (including \$63,391,899 of cash and cash equivalents)					
Current portion of bonds payable	20,195,000	3,773,287	2,217,838	26,186,125	5,598,552
Accrued interest payable	6,957,765	1,273,771	334,726	8,566,262	1,785,178
Due to other funds	-	-	1,557,850	1,557,850	75,013
Accrued liabilities	6,352,164	1,400,179	5,025,566	12,777,909	7,845,010
Restricted assets, set aside for (including \$3,121,851 of cash and cash equivalents)					
Accrued liabilities	1,594,580	1,242,207	285,064	3,121,851	-
Total current assets	170,291,279	45,115,163	20,890,664	236,297,106	36,010,426
Noncurrent assets:					
Asset apportionments:					
Other asset apportionments (including \$197,999,819 of cash and cash equivalents)	88,889,879	39,287,837	6,169,373	134,347,089	69,736,070
Restricted assets (including \$48,596,067 of cash and cash equivalents)	29,884,472	19,848,577	965,226	50,698,275	-
	118,774,351	59,136,414	7,134,599	185,045,364	69,736,070
Restricted assets:					
Capital assets:					
Land	15,595,265	12,698,548	19,127,903	47,421,716	9,972
Construction in progress	65,223,409	35,361,399	35,931,399	136,516,207	1,757,686
Utility plant, facilities & equipment in service	1,405,608,689	465,541,906	203,196,892	2,074,347,487	101,353,167
Less accumulated depreciation	(804,609,592)	(195,940,759)	(93,837,759)	(1,094,388,110)	(61,846,160)
Total capital assets	681,817,771	317,661,094	164,418,435	1,163,897,300	41,274,665
Other noncurrent assets:					
Advances to other funds	-	-	-	-	19,445,034
Regulatory assets	1,241,338	-	-	1,241,338	-
Total other noncurrent assets	1,241,338	-	-	1,241,338	19,445,034
Total noncurrent assets	801,833,460	376,797,508	171,553,034	1,350,184,002	130,455,769
Total assets	972,124,739	421,912,671	192,443,698	1,586,481,108	166,466,195
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources related to pensions	7,862,003	3,681,590	1,668,197	13,211,790	3,274,406
Deferred outflows of resources related to OPEB	6,549,328	3,141,039	1,517,154	11,207,521	2,758,114
Deferred outflows of resources related to ARO	1,623,194	1,644,049	-	3,267,243	-
Unamortized loss on refunding	24,254,970	1,551,105	114,188	25,920,263	483,321
Hedge derivative outflows	33,652,445	-	-	33,652,445	-
Total deferred outflows of resources	73,941,940	10,017,783	3,299,539	87,259,262	6,515,841

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS, CONTINUED
 SEPTEMBER 30, 2019

	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	\$ 16,698,515	\$ 397,716	\$ 371,188	\$ 17,467,419	\$ 750,912
Accrued liabilities	3,972,648	1,034,965	540,852	5,548,465	926,181
Due to other funds	-	-	666,105	666,105	1,060,193
Accrued interest payable	-	-	7,133	7,133	12,176
Capital leases payable	-	-	117,988	117,988	-
Notes and Loans payable	-	2,575,197	-	2,575,197	-
Deposits payable	-	-	1,063,423	1,063,423	15,770
Unearned revenue	-	-	202,260	202,260	-
Payable from apportioned assets:					
Accrued interest payable	6,957,765	1,273,771	334,726	8,566,262	1,785,178
Current portion of bonds payable	20,195,000	3,773,287	2,217,838	26,186,125	5,598,552
Accrued liabilities	6,352,164	1,400,179	5,025,566	12,777,909	7,845,010
Due to other funds	-	-	1,557,850	1,557,850	75,013
Payable from restricted assets:					
Accrued liabilities	1,594,580	1,242,207	285,064	3,121,851	-
Total current liabilities	<u>55,770,672</u>	<u>11,697,322</u>	<u>12,389,993</u>	<u>79,857,987</u>	<u>18,068,985</u>
Other liabilities:					
Liabilities payable from apportioned assets:					
Other liabilities payable from apportioned assets	-	-	-	-	16,152,911
Advances from other funds, less current portion	-	-	5,200,919	5,200,919	17,755
Restricted liabilities	13,237,008	2,923,924	497,518	16,658,450	-
Accrued liabilities, less current portion	3,951,658	1,107,898	555,802	5,615,358	1,102,301
Advances from other funds, less current portion	-	-	9,454,148	9,454,148	4,772,212
Interest rate swaps	33,652,445	-	-	33,652,445	-
Net pension liability	37,353,638	12,151,640	6,520,719	56,025,997	12,253,724
Net OPEB liability	51,892,133	17,478,080	9,028,781	78,398,994	16,319,106
Asset retirement obligation (ARO)	1,730,000	1,830,000	-	3,560,000	-
Regulatory liabilities	10,339,354	-	-	10,339,354	-
Capital leases payable, less current portion	-	-	246,955	246,955	-
Notes and loans payable, less current portion	-	37,522,434	2,862,064	40,384,498	-
Revenue bonds payable, less current portion	364,925,000	47,192,259	26,087,798	438,205,057	15,993,507
Unamortized bond premium	26,888,444	2,901,127	-	29,789,571	6,595,051
Revenue bonds payable, plus unamortized bond premium	391,813,444	50,093,386	26,087,798	467,994,628	22,588,558
Total other liabilities	<u>543,969,680</u>	<u>123,107,362</u>	<u>60,454,704</u>	<u>727,531,746</u>	<u>73,206,567</u>
Total liabilities	<u>599,740,352</u>	<u>134,804,684</u>	<u>72,844,697</u>	<u>807,389,733</u>	<u>91,275,552</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions	9,846,421	2,398,851	1,503,634	13,748,906	3,013,326
Deferred inflows of resources related to OPEB	14,579,664	4,041,893	2,436,417	21,057,974	4,836,485
Unamortized contributions in aid of construction	47,249,282	-	-	47,249,282	-
Unrealized gain on hedges	2,186,812	-	-	2,186,812	-
Fuel reserve	19,094,941	-	-	19,094,941	-
Total deferred inflows of resources	<u>92,957,120</u>	<u>6,440,744</u>	<u>3,940,051</u>	<u>103,337,915</u>	<u>7,849,811</u>
NET POSITION					
Net investment in capital assets	248,056,353	225,247,894	133,467,099	606,771,346	41,274,665
Restricted					
Capital improvement	16,647,464	16,924,653	467,708	34,039,825	-
Unrestricted	88,665,390	48,512,479	(14,976,318)	122,201,551	32,582,008
Total net position	<u>\$ 353,369,207</u>	<u>\$ 290,685,026</u>	<u>\$ 118,958,489</u>	<u>\$ 763,012,722</u>	<u>\$ 73,856,673</u>

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

CITY OF LAKELAND, FLORIDA

RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET POSITION
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Net position - business-type activities:

Enterprise Funds	\$ 763,012,722
Internal Service Funds	73,856,673
	<u>836,869,395</u>

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

Internal Service Funds are recognized within the business-type activities component of the Government-Wide Statement of Net Position, however the revenues and expenses of Internal Service Funds are allocated to the governmental and proprietary fund-types on a pro-rata basis. The Internal Service Funds operated at a gain for the fiscal year. 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>(28,618,861)</u>
Net Position of Business-type Activities	<u>\$ 808,250,534</u>

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, 2019

	Business-type Activities				
	Enterprise Funds			Total	Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds		
OPERATING REVENUES					
Charges for services	\$ 319,143,719	\$ 67,643,347	\$ 29,555,107	\$ 416,342,173	\$ 82,790,658
OPERATING EXPENSES					
Personal services	47,022,964	12,903,243	10,026,379	69,952,586	16,188,469
Other operating expenses	162,350,224	24,566,728	19,138,404	206,055,356	57,602,454
Depreciation	40,406,665	8,939,628	6,044,370	55,390,663	9,836,604
Total operating expenses	<u>249,779,853</u>	<u>46,409,599</u>	<u>35,209,153</u>	<u>331,398,605</u>	<u>83,627,527</u>
Operating income (loss)	69,363,866	21,233,748	(5,654,046)	84,943,568	(836,869)
NONOPERATING REVENUES (EXPENSES)					
Property and other taxes	-	-	614,076	614,076	-
Federal, state and local grants	-	12,080	398,462	410,542	337,156
Investment revenue	8,232,824	4,455,414	946,833	13,635,071	4,906,604
Loss on disposal of fixed assets	-	(26,052)	(117,442)	(143,494)	(228,529)
Net decrease in the fair value of investments and cash equivalents	5,283,534	2,363,174	915,749	8,562,457	3,242,188
Interest income on internal loans	-	-	-	-	2,922,171
Miscellaneous revenue	631,511	601,020	1,428,674	2,661,205	3,061,308
Rebate on fuel taxes	-	-	-	-	40,427
Interest expense	(15,895,505)	(2,070,904)	(1,207,791)	(19,174,200)	(4,021,001)
Amortization	(166,116)	15,993	(38,063)	(188,186)	344,865
Proceeds from the sale of capital assets	-	-	-	-	625,993
Total nonoperating revenues (expenses)	<u>(1,913,752)</u>	<u>5,350,725</u>	<u>2,940,498</u>	<u>6,377,471</u>	<u>11,231,182</u>
Income (loss) before contributions and transfers	67,450,114	26,584,473	(2,713,548)	91,321,039	10,394,313
Capital grants and contributions	-	7,657,847	12,546,998	20,204,845	-
Transfers from other funds	-	-	4,372,282	4,372,282	2,865,915
Transfers to other funds	(31,281,242)	(9,478,843)	(2,232,429)	(42,992,514)	(210,934)
Total contributions and transfers	<u>(31,281,242)</u>	<u>(1,820,996)</u>	<u>14,686,851</u>	<u>(18,415,387)</u>	<u>2,654,981</u>
Change in net position	36,168,872	24,763,477	11,973,303	72,905,652	13,049,294
NET POSITION, beginning of year	317,253,250	266,013,694	106,985,186	690,252,130	60,807,379
Prior period adjustment (Note 2)	(52,915)	(92,145)	-	(145,060)	-
NET POSITION, end of year	<u>\$ 353,369,207</u>	<u>\$ 290,685,026</u>	<u>\$ 118,958,489</u>	<u>\$ 763,012,722</u>	<u>\$ 73,856,673</u>

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, 2019

Change in net position - business-type activities:

Enterprise Funds	\$ 72,905,652
Internal Service Funds	13,049,294
	<u>85,954,946</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.

	<u>(5,879,343)</u>
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Change in net position of business-type activities	<u>\$ 80,075,603</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, 2019

	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	\$ 324,487,345	\$ 67,612,709	\$ 30,061,305	\$ 422,161,359	\$ 15,770
Receipts for interfund services	-	-	-	-	86,585,400
Payments for interfund services	(13,234,684)	(4,824,388)	(6,007,088)	(24,066,160)	(3,470,318)
Payments to suppliers	(150,634,796)	(20,721,417)	(13,156,942)	(184,513,155)	(52,767,319)
Payments to employees	(47,283,157)	(12,531,404)	(10,059,943)	(69,874,504)	(16,337,596)
Cash flows provided by operating activities	<u>113,334,708</u>	<u>29,535,500</u>	<u>837,332</u>	<u>143,707,540</u>	<u>14,025,937</u>
Cash flows from noncapital financing activities:					
Proceeds from local grants	-	12,080	405,281	417,361	26,088
Interest paid on customer deposits	(656,092)	(84,260)	(22,397)	(762,749)	-
Transfers from other funds	-	-	3,058,503	3,058,503	-
Transfers to other funds	(31,281,242)	(9,478,843)	(2,232,429)	(42,992,514)	(210,934)
Cash flows provided by (used in) noncapital financing activities	<u>(31,937,334)</u>	<u>(9,551,023)</u>	<u>1,208,958</u>	<u>(40,279,399)</u>	<u>(184,846)</u>
Cash flows from capital and related financing activities:					
Interest received on internal loans	-	-	-	-	2,922,171
Proceeds from repayment of interfund loans	-	-	-	-	4,637,513
Issuance of internal loans - governmental funds	-	-	-	-	(12,553,014)
Payments on interfund loans	-	-	(3,546,472)	(3,546,472)	(1,091,040)
Taxes received for payments on long-term debt	-	103,689	614,076	717,765	-
Issuance of interfund loans	-	-	-	-	(8,853,779)
Interest paid on long-term debt issued to finance capital assets	(17,002,484)	(2,919,431)	(1,221,465)	(21,143,380)	(4,157,039)
Proceeds from issuance of interfund loans	-	-	8,853,779	8,853,779	-
Proceeds from the issuance of long-term debt	-	8,542,345	2,862,064	11,404,409	-
Repayments on & maturities of long-term debt - governmental funds	-	-	-	-	5,610,303
Proceeds from rebates received on interest payments	-	-	-	-	311,068
Debt issue costs	(3,153,678)	-	-	(3,153,678)	-
Payments on and maturities of long-term debt	(22,300,000)	(6,006,396)	(2,280,545)	(30,586,941)	(7,125,000)
Transfers from other funds for capital purposes	-	-	1,313,779	1,313,779	2,865,915
Proceeds from capital grant programs	-	-	10,632,610	10,632,610	-
Capital contributions from others	-	5,036,747	294,702	5,331,449	-
Proceeds from sale of capital assets	-	-	-	-	625,993
Purchase of capital assets	(50,425,974)	(21,077,487)	(24,645,868)	(96,149,329)	(9,149,381)
Cash flows (used in) capital financing activities	<u>(92,882,136)</u>	<u>(16,320,533)</u>	<u>(7,123,340)</u>	<u>(116,326,009)</u>	<u>(25,956,290)</u>

CITY OF LAKELAND, FLORIDA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS, CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities				Internal Service Funds
	Enterprise Funds				
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
Cash flows from investing activities:					
Investment revenue	\$ 9,397,271	\$ 4,486,401	\$ 969,230	\$ 14,852,902	\$ 4,906,604
Net increase in the fair value of cash equivalents	5,283,534	2,363,174	915,749	8,562,457	3,242,188
Cash flows provided by investing activities	14,680,805	6,849,575	1,884,979	23,415,359	8,148,792
Net increase (decrease) in cash and cash equivalents	3,196,045	10,513,520	(3,192,071)	10,517,494	(3,966,407)
Cash and cash equivalents, beginning of year	194,926,881	85,941,583	24,960,300	305,828,764	104,600,105
Cash and cash equivalents, end of year	\$ 198,122,926	\$ 96,455,103	\$ 21,768,229	\$ 316,346,258	\$ 100,633,698
Classified as:					
Current	\$ 45,651,210	\$ 31,549,536	\$ 9,875,009	\$ 87,075,755	\$ 16,794,565
Apportioned	121,174,843	45,734,812	10,642,930	177,552,585	83,839,133
Restricted	31,296,873	19,170,755	1,250,290	51,717,918	-
Total	\$ 198,122,926	\$ 96,455,103	\$ 21,768,229	\$ 316,346,258	\$ 100,633,698
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 69,363,866	\$ 21,233,748	\$ (5,654,046)	\$ 84,943,568	\$ (836,869)
Depreciation	43,979,948	8,939,628	6,044,370	58,963,946	9,836,604
Depreciation - contributions in aid of construction	(3,573,283)	-	-	(3,573,283)	-
Rebate on fuel taxes	-	-	-	-	40,427
Miscellaneous revenue	631,511	601,020	1,428,674	2,661,205	3,061,308
(Increase) decrease in receivables, net	2,622,270	(739,547)	48,788	1,931,511	(147,593)
Decrease in due from other governments	-	-	-	-	136,125
Decrease in regulatory asset	208,155	-	-	208,155	-
(Increase) decrease in inventory	(3,222,783)	(888,563)	-	(4,111,346)	624,354
(Increase) decrease in prepaid expenses	(579,734)	17,429	(17,841)	(580,146)	(8,534)
(Increase) decrease in deferred outflows related to pensions	3,710,599	112,898	(4,228)	3,819,269	(10,528)
(Increase) in deferred outflows related to OPEB	(6,549,328)	(3,141,039)	(1,517,154)	(11,207,521)	(2,758,114)
Increase in fair value of derivative	368,884	-	-	368,884	-
Increase (decrease) in accounts payable	744,193	(90,515)	(26,715)	626,963	1,411,026
Increase (decrease) in accrued liabilities	(347,402)	110,165	82,657	(154,580)	85,598
Increase in deferred regulatory liability	4,113,738	-	-	4,113,738	-
Increase (decrease) in deposits payable	(2,199,823)	107,889	49,955	(2,041,979)	15,770
(Decrease) in unearned revenue	-	-	(1,016,148)	(1,016,148)	-
(Decrease) in net pension liability	(6,343,481)	(1,171,363)	(644,685)	(8,159,529)	(1,591,736)
Increase in deferred inflows related to pensions	3,536,915	847,320	398,677	4,782,912	1,189,035
Increase in deferred inflows related to OPEB	7,303,342	1,853,731	1,239,983	10,397,056	2,613,298
Increase (decrease) in net OPEB liability	(432,879)	1,742,699	425,045	1,734,865	331,855
Increase in estimated liability for unpaid claims	-	-	-	-	33,911
Net cash provided by operating activities	\$ 113,334,708	\$ 29,535,500	\$ 837,332	\$ 143,707,540	\$ 14,025,937
Noncash investing, capital, or financing transactions:					
Capital grants and contributions not received, noncash capital activity	\$ -	\$ 1,745,342	\$ 4,573,054	\$ 6,318,396	\$ -
Developer contributed assets, a noncash capital activity	-	2,475,597	-	2,475,597	-
Capitalized interest	2,077,356	820,390	-	2,897,746	-
	\$ 2,077,356	\$ 5,041,329	\$ 4,573,054	\$ 11,691,739	\$ -

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2019

	<u>Pension and Other Employees Benefit Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 10,496,171	\$ 8,022,273
Mutual funds	261,763,460	-
US government obligations	43,886,646	-
Corporate notes and bonds	55,089,780	-
Municipal bonds	812,333	-
Corporate stocks	207,318,600	-
Alternate investments	22,513,586	-
Fixed income funds	24,244,585	-
Real estate funds	70,300,972	-
Private equity funds	128,373,412	-
Consolidated fund	11,327,128	-
Prepaid expenses	2,250	-
Accrued interest receivable	854,892	-
Unsettled investment sales, net	316,948	-
Contributions	1,506,216	-
Due from other governments	780,047	-
Total assets	<u>839,587,026</u>	<u>\$ 8,022,273</u>
LIABILITIES		
Accounts payable	957,549	-
Due to other governmental units	-	8,022,273
Unsettled investment purchases, net	553,771	-
Due to other funds	598,335	-
Total liabilities	<u>2,109,655</u>	<u>\$ 8,022,273</u>
NET POSITION		
Restricted for DROP and other accounts	31,141,137	
Restricted for OPEB benefits	9,074,102	
Restricted for pension benefits and other purposes	797,262,132	
Total net position	<u>\$ 837,477,371</u>	

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Pension and Other Employees Benefit Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 27,020,668
Plan Members	11,738,116
On-behalf payments - State of Florida	<u>1,787,804</u>
Total contributions	<u>40,546,588</u>
Net investment income:	
Interest and dividends	15,554,976
Net increase in fair value of investments	10,482,808
Investment advisor fee	<u>(2,303,480)</u>
Net investment income	<u>23,734,304</u>
Miscellaneous income:	
Miscellaneous income	<u>69,255</u>
Total additions, net	<u>64,350,147</u>
DEDUCTIONS	
Benefits paid	68,159,751
Refunds, former plan members	5,022
Refunds, former employees	1,438,650
Administrative expenses	530,918
Other	691,054
Transfers to other funds	<u>29,549</u>
Total deductions	<u>70,854,944</u>
Net decrease in restricted net position	<u>(6,504,797)</u>
NET POSITION, beginning of year	<u>843,982,168</u>
NET POSITION, end of year	<u>\$ 837,477,371</u>

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

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019

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 and civic center 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 and deferred outflows of resources minus liabilities and deferred inflows of resources) 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, 2019

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, entertainment, 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.

(continued)

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 a custodial 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 two major funds, the General Fund and Public Improvement Fund (a Capital Projects Fund), and certain Special Revenue Funds and Capital Projects Funds (i.e. Transportation 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, 2019, 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, 2019

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Unrestricted:		
Due from:		
Taxpayers	\$ 571,751	\$ -
Customers	24,933,493	50,142,962
Employees	3,835	-
	<u>25,509,079</u>	<u>50,142,962</u>
Apportioned:		
Due from:		
Customers	236,189	262
Restricted:		
Due from:		
Customers	992,763	456,677
	<u>\$ 26,738,031</u>	<u>\$ 50,599,901</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 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.

7. Restricted Assets

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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Restricted Assets (continued)

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Debt service	\$ 1,889,942	\$ -
Capital improvements	248,509	37,411,676
Transportation	6,915,401	-
Customer deposits	221,684	16,408,450
Law enforcement	1,346,412	-
CRA	10,376,793	-
Building inspection	2,018,899	-
Grant Programs - Community development	1,050,921	-
Endowments - nonspendable	5,520,738	-
Donations received	1,013,539	-
Impact fees	19,342,565	-
	<u>\$ 49,945,403</u>	<u>\$ 53,820,126</u>

8. Capital Assets

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

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

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

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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. 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.

10. 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. 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.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Unrestricted	\$ 6,913	\$ 202,260
Restricted	652,099	-
	<u>\$ 659,012</u>	<u>\$ 202,260</u>

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

11. 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.

12. 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.

13. 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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

14. 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 or the acquisition of net assets for the benefit of future periods. The unamortized loss on refunding of debt, deferred outflows of resources related to OPEB, ARO, and pension; 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, deferred inflows of resources related to OPEB and pensions; 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, 2019 are as follows:

Deferred outflows of resources:	
Unamortized loss on refunding of debt, beginning balance	\$ 29,719,218
Amortization	<u>(3,296,490)</u>
Unamortized loss on refunding of debt, ending balance	26,422,728
Decrease in fair value of interest rate swaps	33,652,445
Deferred outflows of resources related to pensions	39,992,510
Deferred outflows of resources related to OPEB	28,013,193
Deferred outflows of resources related to ARO	<u>3,267,243</u>
Total deferred outflows of resources	<u>\$ 131,348,119</u>
Deferred inflows of resources:	
Deferred inflows of resources related to OPEB	\$ 46,999,042
Contributions in aid of construction	47,249,282
Fuel reserve balance	19,094,941
Unrealized gain on hedges	2,186,812
Deferred inflows of resources related to pensions	<u>27,292,496</u>
Total deferred inflows of resources	<u>\$ 142,822,573</u>

15. 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

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, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

15. Derivatives and Hedging Activities (continued)

Fuel Hedges

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 \$1,617,950 to the cost of fuel during the fiscal year ended September 30, 2019, which was approximately 1 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 \$2,186,812 includes mark-to-market of the swaps and both intrinsic and extrinsic mark-to-market of the options.

Derivative 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 2019, Lakeland Electric had the following options, swaps and physical contracts outstanding in the following amounts, covered fiscal year 2020 and beyond:

<u>Fiscal Year</u>	<u>Options</u>	<u>Swaps</u>	<u>Market Value</u>
2020	\$ 11,448,533	\$ 8,420,000	\$ (1,726,290)
2021	3,240,215	4,300,000	(478,010)
2022	300,000	900,000	17,488
	<u>\$ 14,988,748</u>	<u>\$ 13,620,000</u>	<u>\$ (2,186,812)</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

15. 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 G - 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, 2019 was as follows:

<u>Derivatives</u>	<u>September 30, 2019</u>
Interest rate swaps	\$ (33,652,445)
Prepaid fuel	2,244,106
Fuel hedge	2,186,812
	<u>\$ (29,221,527)</u>

16. Regulatory Assets and Liabilities

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

Unamortized debt issue costs

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

	<u>September 30, 2019</u>
Beginning Balance	\$ 1,449,493
Additions	-
Less	
Amortization	208,155
Ending Balance	<u>\$ 1,241,338</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

16. 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.

	<u>September 30,</u> <u>2019</u>
Environmental compliance charge recovery:	
Beginning regulatory liability balance	\$ 403,578
Charges recovered through rates	6,620,502
Less environmental compliance expense	<u>(7,079,466)</u>
Ending balance	<u>\$ (55,386)</u>
Energy conservation charge recovery:	
Beginning regulatory liability balance	\$ 184,257
Charges recovered through rates	738,633
Less future conservation charges	<u>(933,780)</u>
Ending balance	<u>\$ (10,890)</u>
Economic development charge recovery:	
Beginning regulatory liability balance	\$ -
Charges recovered through rates	250,000
Less economic development costs	<u>(22,950)</u>
Ending balance	<u>\$ 227,050</u>

Fuel charges

As of September 30, 2019, 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:

	<u>September 30,</u> <u>2019</u>
Fuel reserve:	
Fuel reserve balance	\$ 19,094,941
Less cumulative over-recovery of fuel charges	<u>(29,273,521)</u>
Ending balance	<u>\$ 10,178,580</u>

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

17. Asset Retirement Obligations

Effective October 1, 2018, the City of Lakeland adopted GASB Statement No. 83, *Certain Asset Retirement Obligations (ARO)*. GASB 83 established criteria for determining the timing and pattern for recognizing a liability and the corresponding deferred outflow of resources for AROs. The Statement requires that the measurement of an ARO be based on the best estimate of the current value of outlays to be incurred when retiring the asset. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. Otherwise, the best estimate should be the most likely amount.

ARO costs should be recognized on the balance sheet as a liability and as a deferred outflow of resources (i.e., deferred cost) once the liability is both incurred and reasonably estimable. The liability shall be reduced as payment is made, and the deferred outflows of resources shall be reduced and recognized as outflows of resources (e.g., expenses) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

GASB 83 also requires that the government disclose information about the nature of its AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If a government incurs an ARO (or portions thereof) but has not yet recognized the ARO because it is not reasonably estimable, the government must disclose this and the reasons why the amount is not reasonably estimable.

Procedures

Staff from various departments (e.g., legal, environmental, accounting, production, etc.) and a third-party consultant from PricewaterhouseCoopers (PwC) participated in multiple discussions to determine possible AROs at sites. There are certain asset types that have regulatory requirements related to retirement as well as certain asset types that often have retirement obligations required by permits or contracts. For those that were determined to be located at City sites, staff identified whether or not those assets have legal obligations for retirement. For those with legal retirement obligations, Staff determined if the ARO costs were reasonably estimable and, thus, the ARO liabilities should be recognized.

The following types of assets were determined to have ARO's:

<u>Asset</u>	<u>Deferred outflow amortization period</u>	<u>ARO cost estimate</u>
Water wells	17 years	\$ 1,490,000
Septic tanks	17 years	30,000
PCB fluid-containing electrical equipment	10 years	30,000
Radiological devices	5 years	10,000
Natural gas pipeline	17 years	390,000
Office trailers	17 years	10,000
Asbestos cement piping	25 years	740,000
Total		<u>\$ 2,700,000</u>

Non-Amortizing, Non-Accreting Obligation*

<u>Asset</u>	<u>Deferred Outflow Amortization Period</u>	<u>ARO Cost Estimate</u>
McIntosh Plant Unit 3	N/A	\$ 860,000

*Amount relates to requirement to repurchase land at end of life from joint owner at amount received from land sale at original participation. As amount is fixed, there will be no escalation in cost over remaining life of plant and as amount involves purchase of land no amortization of the deferred outflow to expense as land is a non-depreciable asset.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

17. Asset Retirement Obligations (continued)

Water Wells

Florida and federal regulations provide specific requirements for the plugging of water wells upon abandonment in Florida Administrative Code 62-532.500(5). Water wells located in the Southwest Florida Water Management District have the following specific requirement for plugging water wells upon abandonment Florida Administrative Code 40D-3.531(3).

Staff conducted a review of all water wells installed at their sites and provided a list of applicable assets, which included the following wells:

No. of Wells	Area/Well type	Average Depth (ft)	Unit Cost	Cost Estimate
7	McIntosh plant/10-inch drinking water wells	600	\$ 22,500	\$ 157,500
3	McIntosh plant/24-inch drinking water wells	732	68,400	205,200
42	McIntosh plant/2-inch extracting/monitoring wells	22	445	18,690
18	McIntosh plant/4-inch monitoring wells	43	1,280	23,040
8	Larsen plant/2-inch extraction wells	12	445	3,560
2	Larsen plant/4-inch extraction wells	9	400	800
13	Northwest wellfield/drinking wells	747	56,637	736,281
5	Northeast wellfield/drinking wells	751	26,195	130,975
1	Combee wellfield/drinking well	716	45,609	45,609
57	Monitoring wells	103	2,881	164,217
	Misc. costs			4,128
	Total			<u>\$ 1,490,000</u>

The City will likely abandon these water wells with the closure of the respective facilities. Historically The City plugs and abandoned water wells at the site in order to comply with the applicable regulations, the estimated cost was determined by a cost proposal prepared by Terracon Consultants, Inc. for the plugging of a four-inch groundwater monitoring well at McIntosh Plant; from Custom Drilling Services, Inc. and CH2M Hill Engineers, Inc. for the plugging of 13 monitoring wells at the T.B. Williams Plant in 2019. To obtain additional cost data for preparing the best estimate, vendor quotes were requested from local contractors. Green Well Drilling, Inc. of Lakeland, Florida provided the abandonment costs included in the table above. The contractor noted that the Southwest Florida Water Management District may request additional abandonment requirements beyond those prescribed in F.A.C. 40D-3. Based on Green Well Drilling, Inc.'s historical experience with the District, they assumed that the most likely requirements will include filling the wells with grout to the water table and then with Portland cement from the water table to the surface. The cost estimate received in this vendor quote represents the best information currently available on which to base the ARO liability.

The City provides potable water and wastewater services to residential, commercial, and industrial customers in the Lakeland, Florida area of Polk County (part of the Southwest Florida Water Management District). The City owns and operates two facilities: the T.B. Williams Plant and the C. Wayne Combee Plant. The T.B. Williams plant includes 13 water extraction wells in the Florida aquifer and a 51-million gallon per day (gpd) treatment facility. The C. Wayne Combee Plant includes six extraction wells and the Florida aquifer and an 8-million gpd treatment facility. The City's piping system includes approximately nine miles of raw water piling to convey water from the wells to the treatment plants and 998 miles of service piping to deliver treated water to customers. The system includes more than 54,000 active service meters, which provide 100% coverage of water consumption.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

17. Asset Retirement Obligations (continued)

Septic Tanks

Florida regulations provide specific requirements for the abandonment of on-site sewage treatment and disposal systems upon retirement in Florida Administrative Code 64E-6.011(2). The City conducted a review of all septic tanks used at City sites and provided the following applicable assets. McIntosh Plant has four 1,250-gallon tanks, Larsen Plant has one 1,250-gallon tank, Winston Peaking Station has one 1,000-gallon tank (four of which are located beneath asphalt or concrete) and the Wetlands Effluent Treatment Facility has one 900-gallon concrete septic tank approximately 2 feet below a grass surface.

The City will abandon the septic tanks when their respective plant/facilities close. The City has not previously abandoned septic tanks at any sites. To obtain ARO cost data for abandoning the septic tanks, vendor quotes were requested from local contractors. Averett Septic Tank Co., Inc. of Lakeland, Florida provided a cost estimate to abandon the septic tanks in accordance with F.A.C. 64E-6.011(2), which is summarized in the table above. The cost estimate received in this vendor quote represents the best information currently available on which to base the ARO liability.

Number of Septic Tanks	Abandonment Cost per Tank	Cost Estimate (rounded)
7	\$ 3,000	\$ 21,000
Misc. costs		9,000
		<u>\$ 30,000</u>

PCB-Containing Electrical Equipment

Federal regulation 40 CFR § 761.60(a) provides specific requirements for the disposal of materials containing more than 50 parts per million (ppm) of PCBs. Lakeland Electric conducted a review of all electrical equipment located at their sites known to contain PCBs at concentrations greater than 50 ppm. McIntosh plant has two 15-kVA transformers with 55 gallons of PCB-containing dielectric fluids, and also two three gallon 13,800-volt surge capacitors with PCB-containing dielectric fluids.

Size of Transformers (gallons)	Cost per Gallon	PCB Fluid Replacement Cost
110	\$ 218	\$ 23,980
6	218	1,308
Misc. costs		4,712
Total		<u>\$ 30,000</u>

It is currently unknown when these PCB fluids will be disposed. Historically PCB-containing electrical equipment have been serviced on site, standard practice has been to replace the PCB-containing fluids per 40 CFR § 761.60(a) (as opposed to removing and disposing of the equipment itself) so the equipment may continue to used. This process includes removing the fluids, flushing the equipment, refilling the equipment with non-PCB-containing fluids, and transporting the PCB-containing fluids off site to a chemical waste landfill. The cost data was obtained from the contractor (ACT Environmental & Infrastructure) who removed and disposed of PCB fluids from two transformers at the Larsen Plant in 2013. Based on this unit cost of \$218 per gallon, the approximate cost to remove and dispose of the 116 gallons of PCB fluids from the four electrical equipment items to be \$30,000. Because historically ACT has been used for this work, it is assumed that ACT will be used in the future. As such, the quote provided by ACT represents the most likely future cost for the most likely removal/ disposal method.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

17. Asset Retirement Obligations (continued)

Radiological Devices

Federal regulations 49 CFR § Part 173, Subpart I provide specific requirements for the shipment of Type A radioactive materials. Lakeland Electric uses radiation-based measurement at the McIntosh Plant to determine the density of stockpiled coal piles, which requires radioactive sources. Retirement of these gauges is anticipated in 2024 when the coal-fired electric generating unit (Unit 3) is deactivated. Upon retirement of these sources, shipping these sources will be required, and the devices that house them, to the manufacturer as Type A radioactive materials.

The City conducted a review of all radiological devices located at their sites. There were eighteen assets identified, one portable Troxler 3430 nuclear density gauge, five fixed Ohmart SH-F1 source holders and twelve fixed Thermo Fisher 5197 source heads.

<u>Radiological Devices</u>	<u>Number of Devices</u>	<u>Shipping Cost</u>	<u>Cost Estimate</u>
Troxler 3430	1	\$ 243	\$ 243
Ohmart SH-F1	5	680	3,400
Thermo Fisher 5197	12	307	3,684
Misc. costs			2,673
Total			<u>\$ 10,000</u>

A bill of lading from our most recent (October 2019) shipment of the Troxler 3430 gauge (via R+L Carriers) to Troxler Electronic Labs in Apopka, Florida was provided. It was noted that the device plus packaging weighed 75 pounds, and the one-way shipment had a cost of \$243.31. Per review of the device specifications provided on the manufacturers' website, indicated that model "3430" devices weigh 31 pounds and indicates that the shipping container weighs approximately 44 pounds. Also identified was that SH-F1 devices weigh 129 pounds and will be shipped to Ohmart/Vega in Cincinnati, Ohio, and 5197 devices weigh 35 pounds and will be shipped to Thermo Fisher in Sugarland, Texas. Because each radiological device will need to be shipped in a specific container designed for Type A radioactive materials, it was assumed that each device will be shipped in a separate container. R+L Carriers were contacted and requested quotes for these shipments, and the above table summarizes those costs. Because Lakeland Electric has historically used R+L Carriers to ship these devices, it is assumed that R+L Carriers will likely be used for future shipments. As such, the quotes provided by R+L Carriers most likely represent future costs and are considered the best estimate.

Natural Gas Pipelines

Federal regulation 49 CFR § Part 192.727(2) provides requirements for the abandonment of natural gas pipelines upon retirement. Lakeland Electric owns and operates a 16-inch, underground natural gas pipeline. The pipeline is approximately 9.25 miles long and runs from the North East Wellfield to the McIntosh Plant Regulating Station and then to the Larsen Plant. The pipeline is located exclusively on properties for which Lakeland Electric has right-of-way easements and that the pipeline transects two FDOT road crossings. It was assumed that Lakeland Electric will abandon this pipeline in place when both plants have been closed. Upon abandonment Lakeland Electric anticipates that the pipeline will be cut at eight locations (i.e., North East Wellfield, both sides of the McIntosh Plant, the Larsen Plant, and both sides of the two road crossings). The pipeline will be purged with an inert gas and seal each end open of the pipeline by welded cap. Lakeland Electric will also fill the two segments located under road crossings with grout. Lakeland Electric engineers prepared the cost estimate of \$390,000 to perform the necessary work.

The components of this cost estimate are provided in the following table:

<u>Description</u>	<u>Cost Estimate</u>
Labor	\$ 160,098
Equipment rental	37,223
Materials	50,100
Pipeline purging	140,000
Misc. costs	2,579
Total	<u>\$ 390,000</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

17. Asset Retirement Obligations (continued)

Office Trailers

Lakeland Electric leases two office trailers located at the McIntosh Plant from Williams Scotsman, Inc. The leases require that Lakeland Electric pay for the “knockdown” of these trailers upon lease termination. Currently these leases do not have termination dates and that Lakeland Electric will continue to lease the trailers at least until Unit 3 is deactivated in 2024. Williams Scotsman, Inc. includes the following predetermined costs for trailer knockdown:

<u>Trailer Size (sq ft)</u>	<u>Cost Estimate</u>
64x48	\$ 4,600
64x24	1,900
Misc. costs	3,500
	<u>\$ 10,000</u>

Because the leases included contractually agreed upon retirement costs, these costs are considered certain, and probability weighting is not considered necessary.

Asbestos Cement Pipe

Federal regulations (40 CFR Part 61, Subpart M) provide specific requirements for the abatement and disposal of asbestos-containing materials (ACMs). 40 CFR 61.150(B) states that:

1. A waste disposal site operated in accordance with the provisions of 40 CFR 61.154, or
2. An EP- approved site that converts RACM and asbestos-containing waste material into non-asbestos (asbestos-free) material according to the provisions of 40 CFR 61.155.

The City owns and operates 14.11 miles of asbestos-cement pipe within FDOT right-of-way. Upon abandonment, the City has an obligation to remove and dispose of the piping as opposed to closing in place. FDOT's Utility Procedures Manual requires that each utility's permit includes the following statements, "all asbestos cement pipe and debris removed under the utility permit will be in accordance with the Asbestos National Emissions Standard for Hazardous Air Pollutant (NESHAP) and Title 40 Code of Federal Regulation Part 61, Subpart M."

The unit costs to remove and dispose of the asbestos cement pipelines were estimated by using necessary man hours, using internal labor rates and equipment costs, using disposal costs provided by the City's Solid Waste Department, and using grouting costs provided by a third-party vendor, KMR. The following table provides the cost estimate of the asbestos cement pipelines.

<u>Description</u>	<u>Length (ft)</u>	<u>Unit Cost (per ft)</u>	<u>Cost Estimate</u>
6 inch piping	16,000	\$ 9.98	\$ 159,680
8 inch piping	22,000	9.68	212,960
10 inch piping	14,000	10.29	144,060
12 inch piping	21,000	10.29	216,090
Misc. costs			7,210
			<u>\$ 740,000</u>

McIntosh Plant Unit 3

Although Lakeland Electric does not anticipate deconstructing and demolishing Unit 3 at the McIntosh plant when the unit is retired in 2027 (following deactivation in 2024), Lakeland Electric is contractually obligated to acquire the OUC's 40% ownership share of Unit 3 for the amount that OUC originally paid. Section 19 of the *Participation Agreement Between City of Lakeland and Orlando Utilities Commission for the Joint Ownership of McIntosh Unit Three Generation Project*.

Lakeland Electric's 60% share (\$1,292,000), the cost to repurchase OUC's 40% share will be approximately \$860,000 based on the original purchase price. Because this cost is based upon a contractually agreed upon amount, these costs are considered certain, and probability weighting is not considered necessary.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

17. Asset Retirement Obligations (continued)

Safeguarding Public Health and Safety

Also identified was, an obligation for safeguarding the Larsen Plant based on the requirements of the plant's industrial wastewater facility permit. Lakeland Electric, however, did not recognize the ARO liability because the requirements related to safeguarding the Larsen Plant are not currently known and, as such, the costs are not reasonably estimable.

The Larsen Plant discharges its Unit 8 cooling water, intake screen wash water, and storm water from the petroleum storage areas into Lake Parker under an industrial wastewater facility permit. As such, the Larsen Plant is subject to Florida Administrative Code 62-620, Wastewater Facility and Activities Permitting, which includes requirements for the abandonment of wastewater facilities.

The Florida Department of Environmental Protection (FDEP) has not provided information regarding the tasks that will need to be performed at the Larsen Plant in order to safeguard public health and safety. Lakeland Electric currently does not anticipate that there will be a need for any infrastructure at the plant to safeguard public health and safety beyond security fencing, which already exists at the Larsen Plant. Because Lakeland Electric is currently unable to determine what additional tasks will need to be performed, Lakeland Electric currently does not consider costs for this ARO liability to be reasonably estimable.

It is possible that, through discussions with FDEP, Lakeland Electric will identify additional tasks that will need to be performed to sufficiently safeguard public health and safety. If additional tasks are identified, a cost estimate will be prepared to complete these tasks and the ARO liability will be adjusted as needed.

Subsequent ARO Measurement and Recognition

The current value of the ARO for the effects of general inflation or deflation is adjusted annually using the Consumer Price Index (CPI) as published by the United States Department of Labor Bureau of Labor Statistics to perform the annual computation of the change in the ARO liability. The statement also requires the evaluation, at least annually, of all relevant factors to determine whether the effect of one or more of those factors is expected to significantly increase or decrease the estimated outlays associated with the ARO and the re-measurement of the ARO when results of the evaluation indicate a significant change in the estimated outlays resulting from changes in prices other than inflation/deflation, changes in technology, changes in legal or regulatory requirements, changes in equipment, facilities or services needed to retire the assets. The changes in the estimated outlays will be recognized as increases or decreases in the carrying amount of the ARO liability.

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Revenues, Expenditures, and Expenses

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

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

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

All revenues included in the classification of operating revenues, in proprietary fund types, are pledged as security for revenue bonds to the extent such indebtedness exists within each fund type, except for the indebtedness of the 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, 2019 was 5.4644 mills. Current tax collections for the City were approximately 96.14% 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, 2019 is as follows:

Lien date	January 1, 2018
Levy date	January 1, 2018
Certificate of Taxable Value (DR-420)	July 25, 2018
Final public hearing to adopted proposed millage rate	September 15, 2018
Certificate of Final Taxable Value (DR-422)	October 8, 2018
Beginning of fiscal year for tax assessment	October 1, 2018
Due Dates	November 1, 2018 through March 31, 2019
Delinquent date	April 1, 2019
Tax certificate sale	On or before June 1, 2019

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

A. Reporting Change

In April, 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The new note disclosures (Note 6) are addressed in the City's 2019 financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The objective of this Statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements of these obligations. 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. The City has implemented provisions of GASB 83 in the financial statements ending September 30, 2019.

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2 – ACCOUNTING AND REPORTING CHANGES (continued)

A. Reporting Change (Continued)

During fiscal year 2019, the City implemented GASB Statement 83. The implementation of the statement required the City to record a beginning Asset Retirement Obligation (ARO) liability and a deferred outflow of resources associated with the ARO. As a result, net position for the business-type activities decreased by \$145,060.

The effect of the implementation is summarized as follows:

	Government-wide Statements	
	Governmental Activities	Business-type Activities
Net position, beginning of year	\$ 206,754,487	\$ 728,319,991
Prior Period Adjustment:		
Asset Retirement Obligation	-	(3,514,700)
Deferred outflows of resources related to ARO	-	3,369,640
Net position, beginning of year, as restated	\$ 206,754,487	\$ 728,174,931

	Business-type Activities				
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	Internal Service Funds
Net position, beginning of year	\$ 317,253,250	\$ 266,013,694	\$ 106,985,186	\$ 690,252,130	\$ 60,807,379
Prior period adjustment:					
Asset retirement obligation	(1,715,400)	(1,799,300)	-	(3,514,700)	-
Deferred outflows of resources related to ARO	1,662,485	1,707,155	-	3,369,640	-
Net position, beginning of year, as restated	\$ 317,200,335	\$ 265,921,549	\$ 106,985,186	\$ 690,107,070	\$ 60,807,379

B. Change in Accounting Estimate

Lakeland Electric Management decided in FY2019 to mothball McIntosh Unit 3 by the end of FY2024. The decision to "mothball" rather than "retire" the unit stemmed from the need to preserve Lakeland Electric's transmission and environmental rights while Lakeland Electric seeks to permit and build a new unit. Once the new unit is built, Unit 3 will be officially retired.

As a result, effective October 1, 2018, Lakeland Electric changed the estimated useful lives of depreciable Unit 3 assets to reflect a useful life ending September 30, 2024. Estimated useful lives of the remaining Unit 3 depreciable assets were reduced to six years. The effect of this change in estimate was to increase the FY2019 depreciation expense by \$2,805,253, which reduces the FY2019 net position by the same amount.

C. New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. 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 ending September 30, 2020.

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 determined that this GASB statement will be implemented for the fiscal period ending September 30, 2021.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2 – ACCOUNTING AND REPORTING CHANGES (continued)

C. New Accounting Pronouncements (continued)

In June, 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. It also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has not determined what impact this GASB statement might have on its financial statements ending September 30, 2021.

In August, 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. 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 ending September 30, 2020.

In May, 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management has not determined what impact, if any, this GASB statement might have on its financial statements ending September 30, 2022.

In January, 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement will enhance the comparability in the application of accounting and financial reporting requirements and will improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirement related to the measurement of liabilities (and assets, if any) associated with ARO's in a government acquisition are effective for the government acquisitions occurring in reporting periods beginning after June 15, 2020.

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019 is as follows:

	<u>Primary Government</u>
Demand Deposits	\$ 897,851
Cash with Paying Agents	43,561,801
Cash on Hand	20,276
Total Deposits	<u>\$ 44,479,928</u>
Balance per bank	<u>\$ 10,005,883</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.

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, 2019, \$10,005,883 and \$43,561,801 of the City of Lakeland's bank balance and paying agent deposits were exposed to custodial credit risk as follows:

	<u>Primary Government</u>
<u>Depository Account</u>	
Insured	\$ 725,746
Collateralized:	
Collateral held by the pledging financial institutions not in the City's name:	
Banking institutions	9,280,137
Cash with paying agents	43,561,801
Total Deposits	<u>\$ 53,567,684</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 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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

B. Fair Value Hierarchy (continued)

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

Investments by fair value level	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	\$ 921,621	\$ -	\$ 921,621	\$ -
US Treasury Bonds	12,022,161	11,675,199	346,962	-
Fed Farm Credit Bank	25,263,741	-	25,263,741	-
Fed Home Loan Bank	5,719,948	-	5,719,948	-
Fed Home Loan Mortgage Corp.	47,754,227	-	47,754,227	-
Fed National Mortgage Assoc.	63,200,061	-	63,200,061	-
Fed Agency Mortgage Backed Securities	24,736,958	-	24,736,958	-
Corporate Bonds	110,778,093	-	92,027,905	18,750,188
Corporate Mortgage Backed Securities	184,953,430	-	160,630,474	24,322,956
Foreign Corporate Bonds	29,624,037	5,912,570	23,711,467	-
Municipal Bonds	38,434,943	-	38,434,943	-
Corporate Stocks	206,089,905	205,979,108	110,797	-
Foreign Corporate Stocks	11,912,552	3,539,705	8,372,847	-
Accrued Interest Receivable	3,261,910	3,261,910	-	-
State Board of Admin LGIP	9	-	9	-
Money Market Account	57,387,156	57,387,156	-	-
Exchange Traded Funds	3,918,968	3,918,968	-	-
Foreign Exchange Traded Funds	610,860	610,860	-	-
Mutual Funds	194,664,450	170,826,428	15,133,994	8,704,028
Foreign Mutual Funds	69,027,573	64,629,399	4,398,174	-
Total Investments by fair value level	1,090,282,603	\$ 527,741,303	\$ 510,764,128	\$ 51,777,172

Investments measured at the net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Fixed Income Strategies ¹	24,244,585	4,740,477	n/a or quarterly*	100 days written*
Real Estate Strategies ²	70,300,972	17,033,046	n/a or quarterly*	30 days, subjective*
Private Equity Strategies ³	128,373,413	35,918,082	n/a, daily or quarterly*	n/a or 5-10 days*
Alternative Investments ⁴	22,513,586	14,865,699	n/a*	n/a*
Total investments measure at NAV	245,432,556	72,557,304		
Total investments	\$ 1,335,715,159	\$ 72,557,304		

¹Fixed income strategies - This type includes four private equity fixed income type securities invested primarily in secured and unsecured debt instruments of middle market companies and institutions. These securities can include special situations like rescue financing and restructuring to optimize liquidity often with lower fee structures. *These investments are typically illiquid with disbursements received as underlying assets are liquidated; however, one of these funds is eligible for quarterly redemption with 100 days written notice.

²Real estate strategies - This type includes eight real estate funds invested primarily in commercial and residential real estate. Participation in these funds is typically as a limited partnership with ownership measured in shares of partners' capital. *These holdings are typically illiquid with distributions received as underlying asset are liquidated; however, one fund is eligible for quarterly disbursement with 30 days' notice subject to available cash as determined by the trustee.

³Private equity strategies - This type includes seven private equity funds that invest in domestic and international equities with a variety of investment strategies. Ownership is measured in shares of partners' capital with distributions received as the underlying investments of the fund are liquidated. *These holdings are typically illiquid with distributions received as underlying assets are liquidated; however, two of these funds are eligible for daily withdrawal subject to a 5 or 10 day notice and one fund is eligible for monthly withdrawal subject to a 5 day notice before month end.

⁴Alternative investments - This type includes three private equity funds with a variety of investment strategies that typically offer superior long-term risk/reward profiles, but with more limited liquidity characteristics. Ownership is measured in shares of partners' capital with distributions received as the underlying investments of the fund are liquidated. *These holdings are largely illiquid with distributions only received as underlying assets are liquidated. None of these funds are eligible for withdrawal of equity upon request.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

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, 2019, the City had \$88,205,000 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 sovereignty's issued in the US or foreign markets rated in the highest tier by a nationally recognized rating agency. Any such longer-term investments in this category shall be rated investment grade or better by at least two nationally recognized rating agencies, one of which shall be Moody's or Standard & Poor's; and any other qualified investment permitted under Florida Statutes in effect. The SBA is part of the Local Government Surplus Funds Trust Fund which is governed by Chapter 19-7 of the Florida Administrative Code. The pension trust funds are also authorized for investment in corporate stocks and bonds, money market funds and other qualified securities.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. All trades, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Safekeeping receipts or other evidence of ownership will be audited on a semi-annual basis with a variance report issued to the Investment Administrator. The following investments and maturities, held by the various funds of the City as of September 30, 2019, are collateralized by registered securities held by the City or its agents in the City's name:

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, 2019, the City of Lakeland held \$57,387,156 in Money Market Funds and \$263,692,023 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.

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

C. Cash Equivalents and Investments (continued)

Investment Type	Reported Amount Fair Value		Investment Maturities (in years)		
	Primary Government	Less than 1	1-5	6-10	More than 10
	US Treasury Notes	\$ 921,621	\$ -	\$ 475,591	\$ 446,030
US Treasury Bonds	12,022,161	-	1,326,941	529,453	10,165,767
Fed Farm Credit Bank	25,263,741	-	3,273,029	-	21,990,712
Fed Home Loan Bank	5,719,948	1,903,591	3,816,357	-	-
Fed Home Loan Mortgage Corp.	47,754,227	-	158,158	263,954	47,332,115
Fed National Mortgage Assoc.	63,200,061	-	446,406	-	62,753,655
Fed Agency Mortgage Backed Securities	24,736,958	-	4,987,375	432,420	19,317,163
Corporate Bonds	110,778,093	4,179,718	41,819,219	19,300,822	45,478,334
Corp Mortgage/Asset Backed Securities	184,953,430	-	11,398,762	42,374,057	131,180,611
Foreign Corporate Bonds	29,624,037	232,779	6,031,439	2,057,532	21,302,287
Municipal Bonds	38,434,943	3,042,915	13,254,576	9,230,437	12,907,015
Corporate Stocks	206,089,905	206,089,905	-	-	-
Foreign Corporate Stocks	11,912,552	11,912,552	-	-	-
Sub-total	761,411,677	227,361,460	86,987,853	74,634,705	372,427,659

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, 2019, is as follows:

Investment Type	Reported Amount Fair Value		Investment Maturities (in years)		
	Primary Government	Less than 1	1-5	6-10	More than 10
	Accrued Interest Receivable ¹	3,261,910	3,261,910	-	-
State Board of Admin. LGIP ²	9	9	-	-	-
Money Market Account ²	57,387,156	57,387,156	-	-	-
Exchange Traded Funds ²	3,918,968	3,918,968	-	-	-
Foreign Exchange Traded Funds ²	610,860	610,860	-	-	-
Mutual Funds ²	194,664,450	194,664,450	-	-	-
Foreign Mutual Funds ²	69,027,573	69,027,573	-	-	-
Fixed Income Strategies ³	24,244,585	17,879,461	5,525,103	840,021	-
Real Estate Strategies ³	70,300,972	10,919,434	43,623,255	15,758,283	-
Private Equity Strategies ³	128,373,413	92,739,229	11,638,082	23,996,102	-
Alternative Investments ³	22,513,586	-	19,004,308	3,509,278	-
Sub-total	574,303,482	450,409,050	79,790,748	44,103,684	-
Total Investments:	\$ 1,335,715,159	\$ 677,770,510	\$ 166,778,601	\$ 118,738,389	\$ 372,427,659

¹Represents accrued interest accounted for within the internally managed pooled investment fund and consolidated investment fund. This asset is allocated to participating funds on a pro-rata basis and is included within the investment caption.

²The 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 City's discretion.

³The investment maturities of the fixed income strategies, real estate strategies, and private equity strategies are based principally on redemption eligibility. For funds where redemption is not known, maturities have been estimated based on past experience with similar investment funds in relation to remaining uncalled capital and typical liquidation of underlying assets.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 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 City owns a significant amount of mortgage-backed debt that have long legal maturities. However, these bonds actually have relatively short average lives. The investment maturity limits and actual limits of investments held by funds of the City as of September 30, 2019, 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%	10.6%
1-5 years	75%	9.9%
5-10 years	50%	11.7%
10+ years	0%*	67.8%

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

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 \$28,732,283 (5.9%) 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 sovereignty's issued in the U.S. or in foreign markets. As of September 30, 2019 the funds foreign investment holdings were as follows:

<u>Foreign Investments:</u>	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
Corporate Bonds:			
Athene Holding Ltd 6.350% Pfd Ser A	\$ 2,814,000	USD	10/1/2099
Braskem Finance Ltd Ser Regs	1,035,010	USD	4/15/2021
Catlin Insurance Co Ltd Dtd 01/18/17 5.277 07/19/2168	2,527,525	USD	7/19/2168
Cloverie Plc For Dtd 03/24/16 06/24/2046	2,248,000	USD	6/24/2046
Doric Nimrod Air 2013-1 144A Priv Plcmt 6.125 11/30/2019	192,706	USD	11/30/2019
Enbridge Inc 4.4 Cnv Cum Pfd	5,912,570	USD	10/1/2099
Intesa Sanpaolo Spa Dtd 01/14/14 5.250 01/12/2024	2,165,340	USD	1/12/2024
Israel Electric Corp Ltd 144A Priv Plcmt 6.875 06/21/2023	1,138,310	USD	6/21/2023
Methanex Corp Dtd 09/12/19 5.250 12/15/2029	2,008,080	USD	12/15/2029
Odebrecht Offshore Drilling Fin Ltd Dtd 04/07/17 6.720 12/01/2022	732,190	USD	12/1/2022
Odebrecht Offshore Drilling Fin Ltd Dtd 04/07/17 7.720 12/01/2026	835,243	USD	12/1/2026
Odebrecht Oil & Gas Fin Ltd Dtd 12/22/17 03/01/2167	3,994	USD	3/1/2167
Qbe Insurance Group Ltd 144A Priv Plcmt 11/24/2043	557,000	USD	11/24/2043
Schahin li Finan Co Spv Dtd 03/28/12 5.875 09/25/2022	236,197	USD	1/25/2022
Transcanada Trust Dtd 08/11/16 08/15/2076	5,231,118	USD	1/15/2076
Valaris Plc Dtd 07/31/19 5.200 03/15/2025	1,095,000	USD	3/15/2025
Total Corporate Bonds:	<u>28,732,283</u>		
Total Foreign Investments	<u>\$ 28,732,283</u>		

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 \$1,821,718 (10.7%) in equity investments of foreign issuers or non-US companies. The investment policy for this fund limits the investments in foreign securities up to 30% of the fair market value of the equity assets held by the fund. As of September 30, 2019, the fund holdings were as follows:

Foreign Investments:

Corporate Stocks:

	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
58.Com Inc Adr	\$ 9,566	USD	N/A
Abb Ltd Spons Adr	17,664	USD	N/A
Abn Amro Bank N V Adr Amsterdam Brh Ads	12,267	USD	N/A
Accenture Plc Ireland Shares Class A	96,560	USD	N/A
Alcon Inc Ord Sh	5,363	USD	N/A
Anheuser Busch Inbev Sa/Nv Sponsored Adr	33,588	USD	N/A
Aon Plc Class A	50,909	USD	N/A
Arch Cap Group Ltd	29,302	USD	N/A
Assa Abloy Ab Adr	31,063	USD	N/A
Ataos Origin Sa Adr	6,029	USD	N/A
Autohome Inc Adr	103,414	USD	N/A
Bb Seguridade Adr Participacoes S/A	15,447	USD	N/A
Bhp Billiton Ltd Spon Adr	15,407	USD	N/A
Brookfield Asset Mangmnt Class A	73,636	USD	N/A
Canadian Natl Ry Co	13,209	USD	N/A
Carlsberg As-B Sponsored Adr	18,029	USD	N/A
Cia Saneamento Basico De Adr	8,554	USD	N/A
Compagnie Financiere Richemont Sa Unspn Adr	13,114	USD	N/A
Compass Grp Plc Adr Sponsored New June 2017	18,540	USD	N/A
Continental Ag Spon Adr	9,745	USD	N/A
Core Laboratories Inc	7,086	USD	N/A
Daiwa House Ind Ltd Comm Adrs Japan	20,930	USD	N/A
Dbs Group Holdings Spon Adr	20,431	USD	N/A
Engie Spon Adr	28,035	USD	N/A
Enn Energy Hldgs Ltd Adr	13,739	USD	N/A
Equinor Asa Adr Sponsored	14,118	USD	N/A
Ferguson Plc Spon Adr New April 2019	11,600	USD	N/A
Genmab A/S Spon Adr	7,800	USD	N/A
Grupo Financiero Banorte Sab De Cv Sponsored Adr	11,944	USD	N/A
Icici Bank Ltd Spon Adr	15,310	USD	N/A
Ihs Markit Ltd	30,364	USD	N/A
Interxion Holding Nv	11,486	USD	N/A
Kao Corp Adr Adr Repstg 1/5Th Com	15,197	USD	N/A
Kasikornbank Pub Co Ltd Un-sponsored Adr	8,157	USD	N/A
Komatsu Ltd Spon Adr New	17,284	USD	N/A
Koninklijke Dsm Nv Adr	14,724	USD	N/A
Liberty Global Plc Shs Cl A	4,826	USD	N/A
Liberty Global Plc Shs Cl C	9,112	USD	N/A
Lonza Group Ag Unsp Adr	17,607	USD	N/A
Makita Corporation Adr New 11/76	17,922	USD	N/A
Medtronic Plc	44,208	USD	N/A
Mr Price Group Ltd Sponsored Adr	6,286	USD	N/A
Naspers Ltd New Cl N Adr Sponsored Adr	13,063	USD	N/A
Nestle S A Reg Adr	50,189	USD	N/A
Nordea Bank Abp Spon Adr	17,643	USD	N/A
Novartis Ag Spon Adr	40,409	USD	N/A
Perusahaan Perseroan Persero Pt Indonesia Telekomunikasi Adr	13,279	USD	N/A
Ping An Insurance Adr	31,295	USD	N/A
Prosus Nv Adr	6,353	USD	N/A
Prudential Plc Spon Adr	31,696	USD	N/A
Red Electric Corporation Sa	10,574	USD	N/A
Relx Plc Adr	29,176	USD	N/A
Restaurant Brands Intl Inc	44,676	USD	N/A

(continued)

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

C. Cash Equivalents and Investments (continued)

Corporate Stocks (continued):	Market Value	\$ Denomination	Maturity
Rightmove Plc Un-sponsored ADR	\$ 75,223	USD	N/A
Royal Dutch Shell Plc ADR Class A	41,018	USD	N/A
Ryanair Holdings Plc Sponsored ADR New	13,409	USD	N/A
Ryohin Keikaku Co Unsp ADR	13,919	USD	N/A
Safran SA-Unsp ADR	38,696	USD	N/A
Sampo Oyj-A Shs Unsp ADR	21,564	USD	N/A
Sanlam Ltd Sponsored ADR	9,979	USD	N/A
Sanofi ADR	31,180	USD	N/A
Sap SE-Sponsored ADR	40,194	USD	N/A
Shin-Etsu Chemical ADR	19,845	USD	N/A
Sumitomo Mitsui Finl Group Inc Spon ADR	20,773	USD	N/A
Suncor Energy Inc New	27,538	USD	N/A
Suzuki Motor Corp ADR	12,961	USD	N/A
Taiwan Semiconductor Mfg Co Ltd ADR	30,491	USD	N/A
Telenor ASA-ADS	24,506	USD	N/A
Tencent Holdings Ltd- Unsp ADR	9,283	USD	N/A
Ubisoft Entertainment SA ADR	9,408	USD	N/A
Unilever Plc Spons ADR	29,329	USD	N/A
Vinci S.A ADR	14,580	USD	N/A
Vivendi SA Un-sponsored ADR	27,002	USD	N/A
Volkswagen AG ADR Repstg Pref Shs	28,101	USD	N/A
Wix.Com Ltd	21,363	USD	N/A
Wolters Kluwer NV Sponsored ADR	22,458	USD	N/A
Yandex NV Shs Class A	13,164	USD	N/A
Zozo Inc Unsp ADR	7,809	USD	N/A
Total Corporate Stocks:	<u>1,821,718</u>		
Total Foreign Investments	<u>\$ 1,821,718</u>		

The Public Improvement Endowment Fund held \$210,973 (2.8%) in equities and \$610,860 (8.0%) in exchange traded funds of foreign issuers or non-US companies as follows as of September 30, 2019.

Foreign Investments:	Market Value	\$ Denomination	Maturity
Corporate Stocks:			
Accenture Plc Ireland Shares Class A	\$ 29,237	USD	N/A
Amdocs Ltd	5,421	USD	N/A
Asml Holding NV NY Registry Shs New 2012	5,217	USD	N/A
Assured Guaranty Ltd	11,026	USD	N/A
Astrazeneca Plc Spon ADR	3,878	USD	N/A
Autoliv Inc	13,646	USD	N/A
Banco Latinoamericano De Comercio Exterior S.A.	5,324	USD	N/A
Chubb Ltd	11,301	USD	N/A
Enbridge Inc	9,226	USD	N/A
Garmin Ltd	4,827	USD	N/A
James River Grp Holdings Ltd	12,349	USD	N/A
Johnson Ctls Intl Plc	7,988	USD	N/A
Linde Plc	5,618	USD	N/A
Nestle S A Reg ADR	33,062	USD	N/A
Nvent Electric Plc	17,522	USD	N/A
Royal Dutch Shell Plc ADR B	10,183	USD	N/A
Schlumberger Ltd	6,048	USD	N/A
Steris Plc Ord Shs	11,848	USD	N/A
Vermilion Energy Inc	7,252	USD	N/A
Total Corporate Stocks:	<u>210,973</u>		
Exchange Traded Funds:			
Vanguard Ftse Etf Developed Markets Etf	<u>610,860</u>	USD	N/A
Total Exchange Traded Funds:	<u>610,860</u>		
Total Foreign Investments:	<u>\$ 821,833</u>		

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

C. Cash Equivalents and Investments (continued)

The Employee Pension Fund held \$102,260,288 (17.1%) in mutual fund 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, 2019, the Employee Pension Fund holdings were as follows:

Foreign Investments:			
Mutual Funds:	Market Value	\$ Denomination	Maturity
Pimco Diversified Income Fund Institutional Class #106	\$ 15,590,883	USD	N/A
Templeton Global Total Return Fund Class R6	14,028,738	USD	N/A
Total Mutual Funds	<u>29,619,621</u>		
Private Equity:			
TS&W International Large Cap Equity Trust	30,043,092	USD	N/A
WCM Focused International Growth Fund LP	33,823,689	USD	N/A
Total Private Equity	<u>63,866,781</u>		
Corporate Stocks:			
Aercap Holdings Nv	607,725	USD	N/A
Alibaba Group Holding Ltd	212,382	USD	N/A
Anchiano Therapeutics Ltd	6,698	USD	N/A
Aon Plc	914,425	USD	N/A
Aon Plc	995,918	USD	N/A
Biohaven Pharmaceutical Holding Company Ltd	46,267	USD	N/A
Bunge Limited	212,891	USD	N/A
Canadian Pac Ry Ltd Com	505,429	USD	N/A
City Office Reit, Inc	102,457	USD	N/A
Constellium Se	137,700	USD	N/A
Cott Corporation	164,255	USD	N/A
Fgl Holdings	175,496	USD	N/A
Gates Industrial Corporation	133,357	USD	N/A
Himax Technologies, Inc	9,811	USD	N/A
Ichor Holdings Ltd	157,218	USD	N/A
Ihs Markit Ltd	261,033	USD	N/A
Kornit Digital Ltd	153,808	USD	N/A
Liberty Global Plc	1,319,108	USD	N/A
Livanova Plc	61,615	USD	N/A
Lululemon Athletica Inc	226,030	USD	N/A
Magnachip Semiconductor Corp	72,552	USD	N/A
Medtronic, Plc	1,095,324	USD	N/A
Mellanox Technologies Ltd	120,001	USD	N/A
Nabors Industries Ltd Shs	73,035	USD	N/A
Pernod Ricard Sa	145,360	USD	N/A
Shopify Inc - A W/I	64,202	USD	N/A
Silicon Motion Technology Corporation	154,727	USD	N/A
Smart Global Holdings Inc	142,178	USD	N/A
Spotify Technology S.A.	92,340	USD	N/A
The Bank Of N.T. Butterfield & Son Limited	67,016	USD	N/A
Tronox Holdings Plc	153,766	USD	N/A
Wns Holdings Ltd Spons Adr Ea Repr 1 Ord Shs	189,762	USD	N/A
Total Corporate Stocks:	<u>8,773,886</u>		
Total Foreign Investments:	<u>\$ 102,260,288</u>		

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

C. Cash Equivalents and Investments (continued)

The City of Lakeland Firefighters' Retirement System held \$17,418,317 (17.7%) 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, 2019, the fund held the following investments in foreign securities:

Foreign Investments:			
Mutual Funds:			
American Europacific Growth Fund	Market Value	\$ Denomination	Maturity
Harris Associated	\$ 6,714,143	USD	N/A
International Fixed Income - EB	6,306,000	USD	N/A
	4,398,174	USD	N/A
Total Mutual Funds	<u>17,418,317</u>		
Total Foreign Investments	<u>\$ 17,418,317</u>		

The Municipal Police Officers' Pension Plan held \$24,108,229 (19.1%) 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, 2019, the fund held the following foreign investments:

Foreign Investments:			
Mutual Funds:			
American Funds Europacific Growth Fd CI R6	Market Value	\$ Denomination	Maturity
Templeton Global Total Return Fd CI R6	\$ 9,816,441	USD	N/A
Vanguard Total Intl Stock Index Fd Instl CI	2,688,094	USD	N/A
	9,485,100	USD	N/A
Total Mutual Funds	<u>21,989,635</u>		
Corporate Stocks:			
Aercap Holdings Nv	252,233	USD	N/A
Aon Plc	349,394	USD	N/A
Liberty Global Series C	504,348	USD	N/A
Total Corporate Stocks	<u>1,105,975</u>		
Corporate Bonds:			
Bank Of Montreal Bmo 2.5%	30,318	USD	1/28/2024
BP Capital Markets Plc 3.814%	74,518	USD	1/10/2024
BP Capital Markets Plc Bpln 3.994%	21,371	USD	1/26/2023
Canadian Natl Resources Cnqcn 2.95%	10,175	USD	1/15/2023
Canadian Pacific Rr Co 4.5%	52,390	USD	1/15/2022
Diageo Capital Plc Bond 2.625%	30,562	USD	1/29/2023
Glaxosmithkline Capital Gsk 3%	20,702	USD	1/1/2024
HSBC Holdings Plc Non Callable 4.875%	42,358	USD	1/14/2022
Ingersoll-Rand Lux Finan Ir 3.5%	20,833	USD	1/21/2026
Mitsubishi Ufj Fin Grp Mufg 2.665%	20,207	USD	1/25/2022
Mitsubishi Ufj Fin Grp Mufg 3.455%	10,359	USD	1/2/2023
Mitsubishi Ufj Fin Grp Mufg 3.761%	21,025	USD	1/26/2023
Rogers Comm Inc Rcicn 3.625%	42,543	USD	1/15/2025
Royal Bank Of Canada Ry 3.7%	84,629	USD	1/5/2023
Sanofi Sanfp 3.375%	41,923	USD	1/19/2023
Shell International Fin 3.25%	42,319	USD	1/11/2025
Shire Acq Inv Ireland Da Shpln 2.4%	40,185	USD	1/23/2021
Sumitomo Mitsui Finl Group Sumibk 3.936%	31,871	USD	1/16/2023
Teva Pharmaceuticals Ne 2.2%	50,325	USD	1/21/2021
Toronto-Dominion Bank Td 2.65%	10,189	USD	1/12/2024
Toronto-Dominion Bank Td 3.25%	47,029	USD	1/11/2024
Toronto-Dominion Bank Td 3.5%	10,545	USD	1/19/2023
Toyota Motor Corp Toyota 3.419%	52,827	USD	1/20/2023
Tyco Electronics Group Tel 3.45%	20,885	USD	1/1/2024
Vodafone Group Plc Vod 4.125%	21,595	USD	1/30/2025
Westpac Banking Corp Wstp 2.3%	40,071	USD	1/26/2020
Total Corporate Bonds	<u>891,754</u>		
Corporate Mortgage/Asset Backed Securities:			
Ethiopian Leasing 2012 Ethair 2.646%	120,865	USD	1/12/2026
Total Corporate Mortgage/Asset Backed Securities	<u>120,865</u>		
Total Foreign Investments	<u>\$ 24,108,229</u>		

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

C. Cash Equivalents and Investments (continued)

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

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

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

<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, 2019, 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 uninsured credit quality ratings:

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

C. Cash Equivalents and Investments (continued)

S&P Rating	US Government Agency Obligations		Corporate Bonds		Money Market Funds		Foreign Securities		Municipal Bonds		Aggregate Securities	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	Percent	Fair Value	%
	Pooled Investment Fund											
AAA	\$ -	0.0%	\$ 4,922,216	2.1%	\$ 4,573,320	9.9%	\$ -	0.0%	\$ -	0.0%	\$ 9,495,536	2.0%
AA+ to AA-	105,552,999	78.9%	1,752,803	0.7%	-	0.0%	-	0.0%	5,795,603	15.4%	113,101,405	23.4%
A+ to A-	-	0.0%	18,579,358	7.9%	41,632,516	90.1%	4,775,525	16.6%	1,458,968	3.9%	66,446,367	13.8%
BBB+ to BBB-	14,712,345	11.0%	68,430,571	29.0%	-	0.0%	18,296,348	63.7%	11,289,336	30.0%	112,728,600	23.4%
BB+ to BB-	-	0.0%	11,519,743	4.9%	-	0.0%	2,008,080	7.0%	8,287,035	22.0%	21,814,858	4.5%
Below BB-	-	0.0%	2,043,750	0.9%	-	0.0%	1,827,190	6.4%	-	0.0%	3,870,940	0.8%
NR	13,573,585	10.1%	128,568,390	54.5%	-	0.0%	1,825,140	6.3%	10,791,668	28.7%	154,758,783	32.1%
	<u>133,838,929</u>	<u>100.0%</u>	<u>235,816,831</u>	<u>100.0%</u>	<u>46,205,836</u>	<u>100.0%</u>	<u>28,732,283</u>	<u>100.0%</u>	<u>37,622,610</u>	<u>100.0%</u>	<u>482,216,489</u>	<u>100.0%</u>
Consolidated Investment Fund												
AAA	-	0.0%	-	0.0%	577,321	100.0%	-	0.0%	-	0.0%	577,321	30.1%
AA+ to AA-	948,961	100.0%	50,158	12.8%	-	0.0%	-	0.0%	-	0.0%	999,119	52.1%
A+ to A-	-	0.0%	206,174	52.4%	-	0.0%	-	0.0%	-	0.0%	206,174	10.7%
BBB+ to BBB-	-	0.0%	136,736	34.8%	-	0.0%	-	0.0%	-	0.0%	136,736	7.1%
	<u>948,961</u>	<u>100.0%</u>	<u>393,068</u>	<u>100.0%</u>	<u>577,321</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>1,919,350</u>	<u>100.0%</u>
Public Improvement Endowment Fund												
AAA	-	0.0%	-	0.0%	172,363	100.0%	-	0.0%	-	0.0%	172,363	12.9%
AA+ to AA-	827,977	100.0%	44,325	13.1%	-	0.0%	-	0.0%	-	0.0%	872,302	65.1%
A+ to A-	-	0.0%	176,733	52.0%	-	0.0%	-	0.0%	-	0.0%	176,733	13.2%
BBB+ to BBB-	-	0.0%	118,700	34.9%	-	0.0%	-	0.0%	-	0.0%	118,700	8.8%
	<u>827,977</u>	<u>100.0%</u>	<u>339,758</u>	<u>100.0%</u>	<u>172,363</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>1,340,098</u>	<u>100.0%</u>
Employee Pension Fund												
AAA	-	0.0%	-	0.0%	7,166,906	100.0%	-	0.0%	-	0.0%	7,166,906	7.8%
AA+ to AA-	35,510,135	100.0%	5,358,839	11.0%	-	0.0%	-	0.0%	-	0.0%	40,868,974	44.8%
A+ to A-	-	0.0%	26,328,358	54.2%	-	0.0%	-	0.0%	-	0.0%	26,328,358	28.9%
BBB+ to BBB-	-	0.0%	16,903,733	34.8%	-	0.0%	-	0.0%	-	0.0%	16,903,733	18.5%
	<u>35,510,135</u>	<u>100.0%</u>	<u>48,590,930</u>	<u>100.0%</u>	<u>7,166,906</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>91,267,971</u>	<u>100.0%</u>
Firefighters' Retirement System												
AAA	-	0.0%	-	0.0%	586,527	100.0%	-	0.0%	-	0.0%	586,527	100.0%
	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>586,527</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>586,527</u>	<u>100.0%</u>
Municipal Police Officers' Pension Fund												
AAA	-	0.0%	1,300,284	12.3%	2,678,203	100.0%	-	0.0%	237,481	29.2%	4,215,968	18.0%
AA+ to AA-	8,492,715	100.0%	2,224,651	21.0%	-	0.0%	187,687	21.1%	417,569	51.4%	11,322,622	48.2%
A+ to A-	-	0.0%	2,795,795	26.4%	-	0.0%	466,021	52.2%	72,022	8.9%	3,333,838	14.2%
BBB+ to BBB-	-	0.0%	2,558,449	24.2%	-	0.0%	187,721	21.1%	-	0.0%	2,746,170	11.7%
BB+ to BB-	-	0.0%	-	0.0%	-	0.0%	50,325	5.6%	-	0.0%	50,325	0.2%
NR	-	0.0%	1,711,757	16.1%	-	0.0%	-	0.0%	85,261	10.5%	1,797,018	7.7%
	<u>8,492,715</u>	<u>100.0%</u>	<u>10,590,936</u>	<u>100.0%</u>	<u>2,678,203</u>	<u>100.0%</u>	<u>891,754</u>	<u>100.0%</u>	<u>812,333</u>	<u>100.0%</u>	<u>23,465,941</u>	<u>100.0%</u>
Total:	<u>\$ 179,618,717</u>		<u>\$ 295,731,523</u>		<u>\$ 57,387,156</u>		<u>\$ 29,624,037</u>		<u>\$ 38,434,943</u>		<u>\$ 600,796,376</u>	

(continued)

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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

C. Cash Equivalents and Investments (continued)

Moody's Rating	US Government Agency Obligations		Corporate Bonds		Money Market Funds		Foreign Securities		Municipal Bonds		Aggregate Securities	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	Percent	Fair Value	%
Pooled Investment Fund												
Aaa	\$ 105,552,999	78.9%	\$ 568,718	0.3%	\$ 4,573,320	9.9%	\$ -	0.0%	\$ -	0.0%	\$ 110,695,037	23.0%
Aa1 to Aa3	-	0.0%	-	0.0%	35,571,263	77.0%	-	0.0%	2,295,736	6.1%	37,866,999	7.9%
A1 to A3	-	0.0%	10,540,778	4.5%	6,061,253	13.1%	2,248,000	7.8%	6,394,622	17.0%	25,244,653	5.2%
Baa1 to Baa3	10,939,475	8.2%	114,932,184	48.7%	-	0.0%	11,292,554	39.3%	13,531,495	36.0%	150,695,708	31.2%
Ba1 to Ba3	-	0.0%	7,314,044	3.1%	-	0.0%	6,947,580	24.2%	911,421	2.4%	15,173,045	3.1%
Below Ba3	-	0.0%	3,812,472	1.6%	-	0.0%	1,095,000	3.8%	7,369,595	19.6%	12,277,067	2.6%
NR	17,346,455	12.9%	98,648,635	41.8%	-	0.0%	7,149,149	24.9%	7,119,741	18.9%	130,263,980	27.0%
	<u>133,838,929</u>	<u>100.0%</u>	<u>235,816,831</u>	<u>100.0%</u>	<u>46,205,836</u>	<u>100.0%</u>	<u>28,732,283</u>	<u>100.0%</u>	<u>37,622,610</u>	<u>100.0%</u>	<u>482,216,489</u>	<u>100.0%</u>
Consolidated Investment Fund												
Aaa	948,961	100.0%	-	0.0%	577,321	100.0%	-	0.0%	-	0.0%	1,526,282	79.5%
Aa1 to Aa3	-	0.0%	50,157	12.8%	-	0.0%	-	0.0%	-	0.0%	50,157	2.6%
A1 to A3	-	0.0%	256,814	65.3%	-	0.0%	-	0.0%	-	0.0%	256,814	13.4%
Baa1 to Baa3	-	0.0%	86,097	21.9%	-	0.0%	-	0.0%	-	0.0%	86,097	4.5%
	<u>948,961</u>	<u>100.0%</u>	<u>393,068</u>	<u>100.0%</u>	<u>577,321</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>1,919,350</u>	<u>100.0%</u>
Public Improvement Endowment Fund												
Aaa	827,977	100.0%	-	0.0%	172,363	100.0%	-	0.0%	-	0.0%	1,000,340	74.6%
Aa1 to Aa3	-	0.0%	44,325	13.1%	-	0.0%	-	0.0%	-	0.0%	44,325	3.3%
A1 to A3	-	0.0%	221,985	65.3%	-	0.0%	-	0.0%	-	0.0%	221,985	16.6%
Baa1 to Baa3	-	0.0%	73,448	21.6%	-	0.0%	-	0.0%	-	0.0%	73,448	5.5%
	<u>827,977</u>	<u>100.0%</u>	<u>339,758</u>	<u>100.0%</u>	<u>172,363</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>1,340,098</u>	<u>100.0%</u>
Employee Pension Fund												
Aaa	35,510,135	100.0%	-	0.0%	7,166,906	100.0%	-	0.0%	-	0.0%	42,677,041	46.8%
Aa1 to Aa3	-	0.0%	2,298,340	4.7%	-	0.0%	-	0.0%	-	0.0%	2,298,340	2.5%
A1 to A3	-	0.0%	31,047,241	63.9%	-	0.0%	-	0.0%	-	0.0%	31,047,241	34.0%
Baa1 to Baa3	-	0.0%	13,604,087	28.0%	-	0.0%	-	0.0%	-	0.0%	13,604,087	14.9%
NR	-	0.0%	1,641,262	3.4%	-	0.0%	-	0.0%	-	0.0%	1,641,262	1.8%
	<u>35,510,135</u>	<u>100.0%</u>	<u>48,590,930</u>	<u>100.0%</u>	<u>7,166,906</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>91,267,971</u>	<u>100.0%</u>
Firefighters' Retirement System												
Aaa	-	0.0%	-	0.0%	586,527	100.0%	-	0.0%	-	0.0%	586,527	100.0%
	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>586,527</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>586,527</u>	<u>100.0%</u>
Municipal Police Officers' Pension Fund												
Aaa	8,492,715	100.0%	3,276,026	30.9%	2,678,203	100.0%	-	0.0%	238,624	29.4%	14,685,568	62.6%
Aa1 to Aa3	-	0.0%	786,733	7.4%	-	0.0%	202,981	22.8%	417,671	51.4%	1,407,385	6.0%
A1 to A3	-	0.0%	2,292,043	21.6%	-	0.0%	429,842	48.2%	16,471	2.0%	2,738,356	11.7%
Baa1 to Baa3	-	0.0%	2,598,867	24.6%	-	0.0%	208,606	23.4%	-	0.0%	2,807,473	12.0%
Ba1 to Ba3	-	0.0%	50,942	0.5%	-	0.0%	50,325	5.6%	-	0.0%	101,267	0.4%
NR	-	0.0%	1,586,325	15.0%	-	0.0%	-	0.0%	139,567	17.2%	1,725,892	7.3%
	<u>8,492,715</u>	<u>100.0%</u>	<u>10,590,936</u>	<u>100.0%</u>	<u>2,678,203</u>	<u>100.0%</u>	<u>891,754</u>	<u>100.0%</u>	<u>812,333</u>	<u>100.0%</u>	<u>23,465,941</u>	<u>100.0%</u>
Total:	<u>\$ 179,618,717</u>		<u>\$ 295,731,523</u>		<u>\$ 57,387,156</u>		<u>\$ 29,624,037</u>		<u>\$ 38,434,943</u>		<u>\$ 600,796,376</u>	

(continued)

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities) and continuously invests a portion of the portfolio in readily available funds such as local government investment pools, money market funds or overnight repurchase agreements.

The City of Lakeland’s overall investment policy concentration limits and actual concentration limits in investment types for all funds with the exception of Pension funds, the Survivors’ Benefit Fund, the Baldwin Book Fund, the Cemetery Perpetual Care Fund, and the Consolidated Investment Fund. As of September 30, 2019, the investments in the Pooled Investment fund were as follows:

Type of Security (Market)	Maximum % of Total	% of Total
US Government Obligations	100%	0.0%
Local Government Investment Pools	100%	0.0%
Federal Agency & Instrumentality Obligations	100%	30.7%
Asset Backed Securities	25%	41.3%
High Grade Corporate Debt & CP	25%	19.4%
State and Local Government Obligations*	25%	8.6%
Collateralized Repurchase Agreements	15%	0.0%
Certificates of Deposit	10%	0.0%
Other Investment Pools (rated "A" or better)	10%	0.0%

* Except as provided for in section IV.7.b

Investment policy provides discretion for temporary variances due to market changes, etc.; therefore, the Asset Backed Securities 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, GNMA’s, 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, 2019 these funds held investments in the following percentages:

Asset Class (Market)	Minimum %	Maximum %	Actual %
Consolidated Investment Fund			
Domestic Equity:			
Large Cap Equity	30%	50%	35.3%
Small/Mid Cap Equity	7%	15%	19.1%
International Equity	15%	30%	8.3%
Total Equity	50%	75%	62.7%
Total Fixed Income (Incl. Cash)	25%	35%	37.3%
Public Improvement Endowment Fund			
Domestic Equity:			
Large Cap Equity	30%	50%	48.8%
Small/Mid Cap Equity	7%	15%	0.0%
International Equity	15%	30%	27.2%
Total Equity	50%	75%	76.0%
Total Fixed Income (Incl. Cash)	25%	35%	24.0%

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019 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, 2019 are as follows:

<u>Asset Class (Market)</u>	<u>Minimum %</u>	<u>Maximum %</u>	<u>Actual %</u>
Employee Pension Fund			
Total Domestic Equity	35.0%	50.0%	41.4%
Total International Equity	10.0%	25.0%	15.4%
Total Private Equity	0.0%	15.0%	3.6%
Total Global Fixed Income	0.0%	10.0%	4.9%
Total Core Fixed Income	10.0%	40.0%	14.2%
Total Non-Core Fixed Income	0.0%	10.0%	4.1%
Total Core Real Estate	0.0%	10.0%	1.8%
Total Non-Core Real Estate	0.0%	10.0%	9.8%
Total Alternatives	0.0%	10.0%	3.9%
Total Cash Composite	0.0%	0.0%	0.9%
Firefighters' Retirement System			
Domestic Equities	40.0%	50.0%	45.6%
International Equities	10.0%	20.0%	13.2%
US Core Fixed Income	15.0%	25.0%	20.1%
Total International Fixed	0.0%	10.0%	4.5%
Total Real Return Alternative	0.0%	15.0%	10.3%
Total Real Estate	0.0%	10.0%	5.7%
Cash Account	0.0%	0.0%	0.6%
Municipal Police Officers' Retirement Fund			
Domestic Equity Index	30.0%	40.0%	34.0%
Domestic Equity - Value	7.0%	17.0%	12.0%
Total International Equity	10.0%	20.0%	15.3%
Total Domestic Fixed Income	15.0%	25.0%	16.7%
Total Global Fixed Income	0.0%	7.5%	5.0%
Total Real Estate	0.0%	7.5%	6.8%
Total Real Return	5.0%	15.0%	8.9%
Total Cash Composite	0.0%	0.0%	1.3%

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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>Custodial Funds</u>	<u>Total</u>
<u>Current:</u>					
Unrestricted					
Cash and cash equivalents	\$ 45,264,543	\$ 103,870,320	\$ -	\$ -	\$ 149,134,863
Asset Apportionments					
Cash and cash equivalents	459,858	22,591,683	-	-	23,051,541
Cash with paying agent	3,394,448	40,167,353	-	-	43,561,801
Restricted assets					
Cash and cash equivalents	1,734,946	3,121,851	-	-	4,856,797
<u>Non-current:</u>					
Asset Apportionments					
Cash and cash equivalents	8,575,582	198,632,682	-	-	207,208,264
Investments	7,417,418	-	-	-	7,417,418
Restricted assets					
Cash and cash equivalents	40,953,613	48,596,067	10,496,171	8,022,273	108,068,124
Investments	5,659,769	-	825,630,502	-	831,290,271
	<u>\$ 113,460,177</u>	<u>\$ 416,979,956</u>	<u>\$ 836,126,673</u>	<u>\$ 8,022,273</u>	<u>\$ 1,374,589,079</u>
<u>Totals - all classifications</u>					
Cash and cash equivalents	\$ 96,988,542	\$ 376,812,603	\$ 10,496,171	\$ 8,022,273	\$ 492,319,589
Cash with paying agents	3,394,448	40,167,353	-	-	43,561,801
Investments	13,077,187	-	825,630,502	-	838,707,689
	<u>\$ 113,460,177</u>	<u>\$ 416,979,956</u>	<u>\$ 836,126,673</u>	<u>\$ 8,022,273</u>	<u>\$ 1,374,589,079</u>
<u>Totals - note disclosures</u>					
Total investments					\$ 1,335,715,159
Investments in transit - Pooled Investments					(5,606,008)
Total deposits					44,479,928
					<u>\$ 1,374,589,079</u>

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 4 – CAPITAL ASSETS

A. Capital Activity

Capital assets of the City as of September 30, 2019, consisted of the following:

	Balance September 30, 2018	Additions	Deletions	Balance September 30, 2019
Governmental Activities				
Non-depreciable assets				
Land	\$ 58,078,866	\$ 44,813	\$ 2,671,783	\$ 55,451,896
Construction in progress	13,233,973	4,758,960	5,620,304	12,372,629
Depreciable assets				
Buildings	183,949,839	8,655,296	2,671,119	189,934,016
Improvements, other than buildings	64,809,639	4,982,802	319,180	69,473,261
Infrastructure	154,106,546	954,843	-	155,061,389
Equipment	40,106,593	4,831,346	887,157	44,050,782
	<u>514,285,456</u>	<u>24,228,060</u>	<u>12,169,543</u>	<u>526,343,973</u>
Less accumulated depreciation				
Buildings	85,112,335	4,363,380	1,664,683	87,811,032
Improvements, other than buildings	36,605,741	2,295,286	251,468	38,649,559
Infrastructure	63,621,191	5,807,125	-	69,428,316
Equipment	32,396,563	1,864,132	882,576	33,378,119
	<u>217,735,830</u>	<u>14,329,923</u>	<u>2,798,727</u>	<u>229,267,026</u>
Net capital assets	<u>\$ 296,549,626</u>	<u>\$ 9,898,137</u>	<u>\$ 9,370,816</u>	<u>\$ 297,076,947</u>
Business-type Activities				
Non-depreciable assets:				
Land	\$ 47,377,922	\$ 53,766	\$ -	\$ 47,431,688
Construction in process	86,808,698	78,705,151	27,239,956	138,273,893
Depreciable assets:				
Buildings	167,158,492	2,644,969	4,124,989	165,678,472
Improvements	89,650,819	3,730,119	-	93,380,938
Machinery and equipment	125,999,284	11,751,933	8,141,052	129,610,165
Electric transmission and distribution	549,850,968	22,610,558	418,586	572,042,940
Water transmission and distribution	158,989,846	6,906,920	1,981	165,894,785
Pumping stations	34,165,067	1,562,979	22,693	35,705,353
Sewer lines	95,520,731	1,909,756	-	97,430,487
Sewer plants	78,948,493	-	-	78,948,493
Electric and water plant in service	820,437,349	16,909,701	338,029	837,009,021
	<u>2,254,907,669</u>	<u>146,785,852</u>	<u>40,287,286</u>	<u>2,361,406,235</u>
Less accumulated depreciation:				
Buildings	86,412,947	5,130,585	4,010,589	87,532,943
Improvements	42,366,067	2,666,865	-	45,032,932
Machinery and equipment	73,014,428	12,543,008	6,072,223	79,485,213
Electric transmission and distribution	227,596,677	15,293,433	-	242,890,110
Water transmission and distribution	53,795,947	3,076,577	1,981	56,870,543
Pumping stations	10,938,450	805,584	2,458	11,741,576
Sewer lines	36,584,709	2,063,467	-	38,648,176
Sewer plants	44,755,022	1,163,755	-	45,918,777
Electric and water plant in service	522,322,695	26,057,276	265,971	548,114,000
	<u>1,097,786,942</u>	<u>68,800,550</u>	<u>10,353,222</u>	<u>1,156,234,270</u>
Net capital assets	<u>\$ 1,157,120,727</u>	<u>\$ 77,985,302</u>	<u>\$ 29,934,064</u>	<u>\$ 1,205,171,965</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019, distributed to governmental and business-type functions as follows:

Governmental activities:	
General government	\$ 617,379
Public safety	1,380,835
Physical environment	810,569
Transportation, including depreciation of general infrastructure assets	5,760,976
Economic environment	382,797
Culture/recreation	5,377,367
Total depreciation expense - governmental activities	<u>\$ 14,329,923</u>
Business-type activities:	
Electric	\$ 43,979,948
Water and Wastewater	8,939,628
Parking	171,957
RP Funding Center	937,921
Lakeland Linder International Airport	4,810,606
Solid Waste	123,886
Internal Service Funds	9,836,604
	<u>68,800,550</u>
Contributions in aid of construction - Lakeland Electric Utilities	<u>(3,573,283)</u>
Total depreciation expense - business-type activities	<u>\$ 65,227,267</u>

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Receivables and Payables

Individual fund interfund receivables and payables at September 30, 2019 are presented in the following table.

Advances from and Due to other funds	Advances to and Due from other funds		
	General Fund	Internal Service Funds	Totals
Internal Service Funds	\$ -	\$ 5,925,173	\$ 5,925,173
Nonmajor Enterprise Funds	-	16,879,022	16,879,022
Nonmajor Governmental Funds	347	-	347
Fiduciary Funds	598,335	-	598,335
Totals	<u>\$ 598,682</u>	<u>\$ 22,804,195</u>	<u>\$ 23,402,877</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, \$19,445,034 is to be repaid over a period exceeding one year.

The interfund balance of the General Fund represents the unpaid component of amounts transferred to cover cash deficits in other funds.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 5 – INTERFUND BALANCES AND TRANSFERS (Continued)

B. Interfund Transfers

Interfund transfers for the year ending September 30, 2019 are presented in the following table:

Interfund Transfers From:	Interfund Transfers To:					Total
	General Fund	Public Improvement Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 722,436	\$ 49,873	\$ 2,825,919	\$ 946,820	\$ 4,545,048
Public Improvement Fund	4,750,000	-	-	1,504,891	-	6,254,891
Nonmajor Governmental Funds	533,999	2,972,168	812,510	41,472	66,523	4,426,672
Department of Electric Utilities	30,850,393	-	-	-	430,849	31,281,242
Water & Wastewater Utilities Fund	8,789,411	-	-	-	689,432	9,478,843
Nonmajor Enterprise Funds	1,673,202	-	25,000	-	534,227	2,232,429
Internal Service Funds	1,995	10,875	-	-	198,064	210,934
Fiduciary Funds	29,549	-	-	-	-	29,549
Total	\$ 46,628,549	\$ 3,705,479	\$ 887,383	\$ 4,372,282	\$ 2,865,915	\$ 58,459,608

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

NOTE 6 – LONG-TERM LIABILITIES

A. Totals by Activity

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2019. Additional details are provided on subsequent pages.

	Balance October 1, 2018	Incurred/ Transferred *	Satisfied	Balance September 30, 2019	Amount Due within One Year
Governmental Activities:					
Revenue notes from direct borrowings	\$ 6,118,107	\$ -	\$ 535,345	\$ 5,582,762	\$ 280,258
Revenue bonds payable	47,937,486	12,553,014	5,074,958	55,415,542	3,114,190
Leases payable (financings)	286,044	-	112,343	173,701	114,575
Net pension liability	78,433,692	15,187,911	16,139,181	77,482,422	-
Net OPEB liability	85,431,103	23,662,707	16,880,591	92,213,219	-
Compensated absences	6,743,528	199,496	48,729	6,894,295	1,522,099
Total Governmental Activities:	224,949,960	51,603,128	38,791,147	237,761,941	5,031,122
Business-type Activities:					
Revenue notes from direct borrowings	171,405,320	-	6,497,120	164,908,200	8,586,091
Revenue bonds payable	382,702,514	(12,553,014)	25,490,042	344,659,458	25,500,810
Loans payable	11,568,150	7,807,128	-	19,375,278	272,973
Net pension liability	78,030,988	9,753,994	19,505,261	68,279,721	-
Net OPEB liability	92,651,380	23,820,229	21,753,509	94,718,100	-
Compensated absences	7,656,598	174,619	91,701	7,739,516	1,021,857
Total Business-type Activities:	744,014,950	29,002,956	73,337,633	699,680,273	35,381,731
	\$ 968,964,910	\$ 80,606,084	\$ 112,128,780	\$ 937,442,214	\$ 40,412,853

*Amounts transferred represent internal loans issued to governmental funds.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (continued)

A. Totals by Activity (continued)

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

Long-term liabilities 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.

The net OPEB and pension liabilities of governmental activities have been liquidated in prior years using revenues of the general fund, LCRA, stormwater, and community development funds.

Long-term liabilities 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	\$ 114,575	\$ 2,575,197	\$ 2,689,772
Payable from apportioned assets:			
Revenue bonds payable	3,394,448	31,784,677	35,179,125
Accrued Liabilities:			
Compensated absences	1,522,099	1,021,857	2,543,956
 <u>Other</u>			
Notes and loans payable	59,126	40,384,498	40,443,624
Revenue bonds payable	57,603,856	454,198,564	511,802,420
Accrued liabilities:			
Compensated absences	5,372,196	6,717,659	12,089,855
Net pension liability	77,482,422	68,279,721	145,762,143
Net OPEB liability	92,213,219	94,718,100	186,931,319
	<u>\$ 237,761,941</u>	<u>\$ 699,680,273</u>	<u>\$ 937,442,214</u>

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (continued)

B. Revenue Bonds, Notes, Loans Outstanding

The City's outstanding notes from direct borrowings related to governmental activities of \$5,582,762 and outstanding bonds of \$55,415,542 contain provisions that in the event of default, outstanding amounts become immediately due if the City is unable to make a payment and are subject to acceleration clauses in the event material adverse changes occur.

The City's outstanding notes from direct borrowings related to business-type activities of \$164,908,200, loans payable of \$19,375,278 and outstanding bonds of \$344,659,458 contain provisions that in the event of default, outstanding amounts become immediately due if the City is unable to make a payment and are subject to acceleration clauses and/or cancellations of the lines of credit in the event material adverse changes occur.

The City has an unused line of credit from the State Infrastructure Bank in the amount of \$1,764,336.

PRIMARY GOVERNMENT:	Purpose	Amount Issued	Maturity Date	Interest Rate	Year-end Balance
<u>Governmental Activities:</u>					
Leases Payable (financing)					
Key Financial	Lease Financing	\$ 975,000	03/21/21	4.240	\$ 173,701
Total Leases Payable		<u>975,000</u>			<u>173,701</u>
Direct Borrowings					
Capital Improvement Refunding Note, Series 2012A	Refunding	832,762	10/01/22	0.0175	832,762
Taxable Capital Improvement Refunding Revenue Note, Series 2015	Refunding	4,750,000	10/01/20	2.000 to 5.000	4,750,000
Total Direct Borrowings		<u>5,582,762</u>			<u>5,582,762</u>
Bonds					
Capital Improvement Revenue and Refunding Bond, Series 2010A	Refunding	4,749,297	10/01/23	3.000 to 5.000	4,749,297
Capital Improvement Revenue and Refunding Bond, Series 2010C	Refunding	14,225,478	10/01/28	5.929 to 6.029	14,225,478
Capital Improvement Revenue Bonds, Series 2015	Capital Improvements	36,440,767	10/01/36	2.000 to 5.000	36,440,767
Total Bonds		<u>55,415,542</u>			<u>55,415,542</u>
Total Governmental Activities		<u>61,973,304</u>			<u>61,172,005</u>

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (continued)

B. Revenue Bonds, Notes, Loans Outstanding (continued)

Revenue bonds, notes, and loans issued and outstanding as of September 30, 2019 are as follows:

Business Type Activities:

<u>Direct Borrowings</u>						
Capital Improvement Refunding Note, Series 2012A	Refunding	\$ 11,542,238	10/01/22	0.0175	\$ 7,008,238	
Taxable Capital Improvement Refunding Revenue Note, Series 2015	Refunding	250,000	10/01/20	2.000 to 5.000	250,000	
Water and Wastewater Capital Improvement Note, Series 2015	Capital Improvements	10,600,000	10/01/26	2.420	8,759,909	
Capital Improvement Revenue Note, Series 2017A	Capital Improvements	16,370,569	04/01/32	2.440	14,380,595	
Capital Improvement Revenue Note, Series 2017B	Capital Improvements	15,879,855	04/01/26	2.440	13,925,041	
Wastewater Loan Program	Capital Improvements	1,301,890	10/15/35	1.690	981,376	
Wastewater Loan Program	Capital Improvements	42,734,405	09/30/28	2.960	22,603,041	
Energy System Refunding Bonds, Series 2017	Refunding	97,000,000	10/01/37	Variable rate	97,000,000	
Total Direct Borrowings		<u>195,678,957</u>			<u>164,908,200</u>	
<u>Loans Payable</u>						
State Infrastructure Bank (SIB) Loan Agreement	Capital Improvements	4,626,400	10/01/35	2.850	2,862,064	
Wastewater Revolving Loan Program	Capital Improvements	15,494,263	12/15/42	1.160	3,739,264	
Wastewater Revolving Loan Program	Capital Improvements	12,284,141	01/15/40	0.440	11,578,397	
Water Revolving Loan Program	Capital Improvements	1,050,000	12/15/42	1.160	413,994	
Wastewater Revolving Loan Program	Capital Improvements	1,000,000	08/18/39	1.160	781,559	
Total Loans Payable		<u>34,454,804</u>			<u>19,375,278</u>	
<u>Bonds</u>						
Capital Improvement Revenue and Refunding Bond, Series 2010A	Refunding	43,740,703	10/01/23	3.000 to 5.000	4,175,703	
Capital Improvement Revenue and Refunding Bond, Series 2010B	Refunding	10,140,000	10/01/20	4.407	2,320,000	
Capital Improvement Revenue and Refunding Bond, Series 2010C	Refunding	6,889,522	10/01/40	5.929 to 6.029	6,889,522	
Energy System Revenue and Refunding Bonds, Series 2010	Refunding	199,300,000	10/01/36	4.000 to 5.250	117,560,000	
Water and Wastewater Revenue Refunding and Improvement, Series 2012A	Refunding	37,325,000	10/01/32	.930 to 5.000 to 2.000 to 5.000	33,655,000	
Capital Improvement Revenue Bonds, Series 2015	Capital Improvements	15,024,233	10/01/36	5.000	9,499,233	
Energy System Revenue and Refunding Bonds, Series 2016	Refunding	138,650,000	10/01/36	2.500 to 5.000	126,615,000	
Energy System Revenues Bonds, Series 2018	Refunding	43,945,000	10/01/37	3.250 to 5.000	43,945,000	
Total Bonds		<u>495,014,458</u>			<u>344,659,458</u>	
Total Business-Type Activities		<u>725,148,219</u>			<u>528,942,936</u>	
TOTAL PRIMARY GOVERNMENT		<u>\$ 787,121,523</u>			<u>\$ 590,114,941</u>	

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (continued)

B. Revenue Bonds, Notes, Loans Outstanding (continued)

Revenue bonds, notes, and loans issued and outstanding as of September 30, 2019 are as follows:

	Direct Borrowings							
	Governmental activities		Business-type activities					
	CAP Refunding Note, Series 2012A	Taxable CAP Refunding Revenue Note, Series 2015	CAP Refunding Note, Series 2012A	Taxable CAP Refunding Revenue Note, Series 2015	Water/Waste water CAP, Seires 2015	CAP Revenue Note, Series 2017 A&B	Water/Waste water Loan Program	Energy System Refunding Bonds, Series 2017
Events of Default with finance-related consequences:								
Non-payment of principal and/or interest when due	X	X	X	X	X	X	X	X
Failure to make required sinking/reserve fund deposits	X		X		X			
Bankruptcy filings, not discharged	X	X	X	X	X	X	X	X
Proceedings effecting the composition of debts or claims to pledged revenues	X		X		X	X	X	X
Final judgement that would materially affect the ability to meet obligations	X		X					
Non-performance of or compliance with any term, provision, or covenant not cured		X		X	X	X	X	X
False or incorrect representations made on behalf of the City to the creditor		X		X			X	
Long-term credit rating on non-ad valorem revenues obligations is less than a Baa/BBB-		X		X				
Adjusted insolvent, not set aside or stayed		X		X				
Additional indebtedness that results or entitles any creditor to cause the acceleration of payment on additional indebtedness		X		X				
Failure to complete the project for which the bonds are issued in a reasonable time					X			
Charges for any violations of criminal law involving the use of proceeds not withdrawn or dismissed							X	

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (continued)

B. Revenue Bonds, Notes, Loans Outstanding (continued)

Revenue bonds, notes, and loans issued and outstanding as of September 30, 2019 are as follows:

	Bonds								Loans
	Governmental activities		Business-type activities						State Infrastructure Bank Loan
	CAP Revenue and Refunding Bonds, Series 2010 A&C	CAP Improvement Revenue Bonds, Series 2015	CAP Revenue and Refunding Bonds, Series 2010 A&C	Energy System Revenue Bonds, Series 2010	Water/Waste water Revenue Refunding Bonds, Series 2012A	CAP Revenue Bonds, Series 2015	Energy System Bonds, Series 2016	Energy System Bonds, Series 2018	
Events of Default with finance-related consequences:									
Non-payment of principal and/or interest when due	X	X	X	X	X	X	X	X	X
Failure to make required sinking/reserve fund deposits	X	X	X	X	X	X	X	X	X
Bankruptcy filings, not discharged	X	X	X	X	X	X	X	X	X
Proceedings effecting the composition of debts or claims to pledged revenues	X	X	X	X	X	X	X	X	
Final judgement that would materially affect the ability to meet obligations				X	X		X	X	X
Non-performance of or compliance with any term, provision, or covenant not cured		X		X		X	X	X	X
False or incorrect representations made on behalf of the City to the creditor							X	X	
Adjusted insolvent, not set aside or stayed									
Failure to complete the project for which the bonds are issued in a reasonable time		X			X	X			
Payment of or security for the bonds materially adversely affected not remedied		X				X	X		
Subjective acceleration clauses:									
Determination by the creditor, in its sole discretion, that the occurrence of any events that substantially diminish the ability to make payments or honor the obligations under the agreement								X	

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (continued)

C. Revenue Bonds, Notes Outstanding

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 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 \$43,985,187.

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 \$4,987,502 and \$126,642,969 respectively.

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 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 matured 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 \$8,118,488.

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 notes aggregate \$5,081,250.

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 \$63,871,288.

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 International 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 International 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. The total remaining principal and interest requirement of these bonds aggregate \$31,693,457.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (continued)

C. Revenue Bonds, Notes Outstanding (continued)

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. 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 \$45,576,025.

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 matured on October 1, 2016, all of which were not refunded in connection with the issuance of the Series 2012 Bonds, all in the manner and to the extent provided in the Bond Ordinance. Principal and interest paid for the current year and total net customer revenues were \$2,521,075 and \$28,166,408 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 \$9,903,410.

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 \$172,978,413.

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 \$163,456,362. See Footnote 6.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 \$514,963,408. Principal and interest paid for the current year and total net customer revenues were \$35,815,419 and \$99,553,589 respectively.

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. The remaining principal and interest payments for these bonds aggregate to \$116,245,752.

(continued)

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (continued)

C. Revenue Bonds, Notes Outstanding (continued)

Energy System Revenue Bonds, Series 2018

In September 2018, the City issued the Energy System Revenue Bonds, Series 2018 in the amount of \$43,945,000. Proceeds of the bonds were used to fund various capital projects for Lakeland Electric, including the acquisition and installation of a 125 megawatt peaking unit. The 2018 bonds mature in serial installments on October 1, 2020 through October 1, 2037. The bonds bear interest rates of between 3.25% and 5.00%, with interest payable on April 1 and October 1 of each year. The remaining principal and interest payments for these bonds aggregate to \$62,282,881.

As of September 30, 2019, the City is in compliance with all required covenants of the bond ordinances, including compliance with federal arbitrage regulations.

D. Loans Payable

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.

State of Florida Revolving Loan Program

The State of Florida Revolving Loan Program provides low-interest loans for planning, designing, and constructing water pollution control and public water facilities. Currently, the City has eleven loans outstanding. The loan program operates on a reimbursement basis. When proceeds are remitted, the loans accrue interest based upon the rate approved by the State at the date of closing. The liability due to the State is the loan amount (as amended) plus accrued interest.

At September 30, 2019, the City had total loans outstanding of \$40,097,631 payable to the State. The loans are secured by a pledge of excess revenues of the Wastewater and Water Utility systems 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, 2019, the City is in compliance with all covenants of these loan agreements.

State Infrastructure Bank (SIB) Loan

On October 1, 2018, the City approved the SIB Loan with the Florida Department of Transportation (FDOT). The SIB Loan program provides loans for transportation projects eligible for assistance under the Federal Authorization up to \$4,626,400. The loan program operates on a reimbursement basis. When proceeds are remitted, the loans accrue interest based upon the rate approved by the State at the date of closing. The liability due to the State is the loan amount (as amended) plus accrued interest.

At September 30, 2019, the City's SIB loan outstanding was \$2,862,064.

E. 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 finance capital improvements at the Lakeland Regional Health having an unmatured principal balance of \$297,685,000 as of September 30, 2019; 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 \$34,367,321 as of September 30, 2019.

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

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (continued)

F. Debt Service Requirement to Maturity

The requirements to repay all long-term debt outstanding as of September 30, 2019 are summarized in the following tables.

Governmental Activities								
Year	Direct Borrowings		Bonds Payable		Leases payable (financings)		Total Government Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 280,258	\$ 99,222	\$ 3,114,190	\$ 1,623,719	\$ 114,575	\$ 5,559	\$ 3,509,023	\$ 1,728,500
2021	5,028,023	302,540	2,676,592	1,513,168	59,126	3,117	7,763,741	1,818,825
2022	274,481	6,452	2,446,556	1,408,216	-	-	2,721,037	1,414,668
2023	-	-	4,822,788	2,000,266	-	-	4,822,788	2,000,266
2024	-	-	1,793,612	1,101,527	-	-	1,793,612	1,101,527
2025-2029	-	-	23,739,227	6,401,789	-	-	23,739,227	6,401,789
2030-2034	-	-	11,650,453	2,260,040	-	-	11,650,453	2,260,040
2035-2039	-	-	5,172,124	236,125	-	-	5,172,124	236,125
	<u>\$ 5,582,762</u>	<u>\$ 408,214</u>	<u>\$ 55,415,542</u>	<u>\$ 16,544,850</u>	<u>\$ 173,701</u>	<u>\$ 8,676</u>	<u>\$ 61,172,005</u>	<u>\$ 16,961,740</u>

Business-Type Activities								
Year	Direct Borrowings		Bonds Payable		Leases payable (financings)/Other Loans Payable		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 8,586,091	\$ 2,789,451	\$ 25,500,810	\$ 16,004,814	\$ 272,973	\$ 86,047	\$ 34,359,874	\$ 18,880,312
2021	19,215,110	2,306,471	18,748,408	14,895,717	641,303	107,199	38,604,821	17,309,387
2022	7,734,043	2,287,561	21,128,444	13,917,787	628,139	106,025	29,490,626	16,311,373
2023	7,451,061	2,121,531	18,577,212	12,197,374	722,808	104,838	26,751,081	14,423,743
2024	5,362,014	1,978,538	21,226,388	11,976,537	1,020,881	103,638	27,609,283	14,058,713
2025-2029	24,467,866	7,865,210	98,855,773	41,858,233	5,213,224	409,367	128,536,863	50,132,810
2030-2034	28,972,015	5,589,407	95,439,547	20,436,462	5,412,410	210,182	129,823,972	26,236,051
2035-2039	63,120,000	1,729,726	42,892,876	4,152,666	4,449,218	33,533	110,462,094	5,915,925
2040-2044	-	-	2,290,000	90,716	1,014,322	829	3,304,322	91,545
	<u>\$ 164,908,200</u>	<u>\$ 26,667,895</u>	<u>\$ 344,659,458</u>	<u>\$ 135,530,306</u>	<u>\$ 19,375,278</u>	<u>\$ 1,161,658</u>	<u>\$ 528,942,936</u>	<u>\$ 163,359,859</u>

G. 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, 2019 was \$(33,652,445).

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (continued)

G. Interest Rate Swaps (continued)

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 9/30/2019	Counterparty	Start Date	Maturity Date	City Receives	City Pays	Fair Market Value 9/30/2019*
24,772,000	Goldman Sachs Mitsui Marine Derivative Products, LP	10/2/2017**	10/1/2035	67% of 1 mo. LIBOR	3.92%	\$ (9,097,370)
14,053,000	Citigroup Global Markets Holdings, Inc.	8/29/2017**	10/1/2035	67% of 1 mo. LIBOR	3.92%	(5,044,131)
47,860,000	Citigroup Global Markets Holdings, Inc.	1/22/2003	10/1/2037	67% of 1 mo. LIBOR	3.74%	(19,129,319)
1,520,000	Goldman Sachs Mitsui Marine Derivative Products, LP	10/2/2017***	10/1/2035	67% of 1 mo. LIBOR	3.16%	(381,625)
						<u>\$ (33,652,445)</u>

* Modelled on Bloomberg by COL

** Latest modification; original start date of 3/23/2006

*** Latest modification; original start date of 6/30/2008

As a result of the swap agreements, the City will receive variable rate payments equal to 67% 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, 2019, 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 D15).

H. Prior-year Defeasement of Debt

In May 2014, 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, 2019, \$12,710,909 of special obligation bonds outstanding are considered defeased. Accordingly, the assets and the liability for the defeased bonds are not included in the City's financial statements. The special obligation bonds are defeased by an escrow consisting of U.S. Treasury bonds and notes. This City is not allowed to restructure or replace the escrow with other types of securities. The final payment on these securities was made on October 1, 2019.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Amount charged to expense	\$ 2,218,809	\$ 23,195,201
Add: interest expense capitalized	-	2,897,746
Total	<u>\$ 2,218,809</u>	<u>\$ 26,092,947</u>

NOTE 8 – LEASES

The Lakeland Linder International 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, 2019 was \$6,607,833. 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 2019. Under the terms of this amendment, the lessee will pay the City \$14,378,614 for fiscal year 2020 through fiscal year 2024, thereafter a 2.75% annual escalation starting in fiscal year 2025 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 \$14,378,614. 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>
2020	\$ 7,009,188	\$ 14,378,614
2021	6,313,420	14,378,614
2022	6,602,705	14,378,614
2023	7,091,411	14,378,614
2024	6,808,573	14,378,614
Thereafter	31,830,039	291,993,584
Total future minimum lease revenue	<u>\$ 65,655,336</u>	<u>\$ 363,886,654</u>

Included in the capital leases payable 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 and (3) Wheel loaders to assist Construction and Maintenance with projects, (6) street sweepers for street sweeping operations, (2) Vactor Trucks and a Cues truck for Stormwater maintenance, (2) copiers, 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	\$ 7,549,993
Carrying value	5,823,733
Current depreciation expense	401,868

Lease obligations remaining to be paid:

Current	\$ 1,083,438
Long-Term	4,093,717
	<u>\$ 5,177,155</u>

Future minimum lease payments:

	<u>Total</u>	<u>Interest</u>	<u>Net</u>
2020	\$ 1,214,626	\$ 131,188	\$ 1,083,438
2021	1,239,932	116,705	1,123,227
2022	1,242,500	81,220	1,161,280
2023	724,758	48,409	676,349
2024	713,221	28,522	684,699
2025	457,921	9,759	448,162
	<u>\$ 5,592,958</u>	<u>\$ 415,803</u>	<u>\$ 5,177,155</u>

(continued)

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 \$5,770,885 and total nonspendable fund balances were 5,520,391 as of September 30, 2019. The dollar value of these assets experienced a net increase of \$142,431 for the year ended September 30, 2019.

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 exceeded the cost of insurance coverage in Fiscal Year 2016-2017 as a result of the McIntosh Power Plant Unit 5 GSU Transformer claim. Settlements have not exceeded the cost of insurance coverage in Fiscal Year 2015-2016, 2017-2018 nor 2018-2019.

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, 2019, the current claims due within one year for the self-insurance reserve portion were \$4,979,000. 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, 2019, the claims due within one year for the health insurance reserve portion were \$1,799,563. City policy requires that all claims be submitted to the administrator within 90 days of the date of service. Claims received after that period will not be paid. However, any possible liability related to any such claims must be recognized. Expenses resulting from these claims could be incurred over subsequent periods.

The City has also purchased a stop-loss policy to reduce the City's exposure to large losses on health insurance claims. This policy reimburses the City for expenses related to claims exceeding \$435,000. As of September 30, 2019, the City paid \$1,097,063 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, 2019 is as follows:

	<u>2019</u>	<u>2018</u>
Claims liability at beginning of year	\$ 22,265,058	\$ 21,941,867
Claims incurred during the year	(33,207,963)	(33,268,555)
Changes in the estimate for claims	1,062,582	721,508
Claims payments	33,502,168	32,870,238
Claims liability at end of year	<u>\$ 23,621,845</u>	<u>\$ 22,265,058</u>
Amount due within one year		
Self insurance reserve	\$ 5,047,967	\$ 4,027,038
Health insurance reserve	2,420,967	2,119,020
Total amount due within one year	<u>\$ 7,468,934</u>	<u>\$ 6,146,058</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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. Shared operating expenses and capital costs for the fiscal year ending September 30, 2019 were as follows:

	<u>City Share</u>	<u>OUC Share</u>	<u>Total</u>
Operating Costs:			
McIntosh unit #3 fuel expense	\$ 27,305,735	\$ 18,203,823	\$ 45,509,558
McIntosh unit #3 direct operating & maintenance expenses	11,025,669	7,350,446	18,376,115
Other shared operating and administrative expenses	5,911,561	3,941,041	9,852,602
	<u>\$ 44,242,965</u>	<u>\$ 29,495,310</u>	<u>\$ 73,738,275</u>
Capital Costs:			
McIntosh unit #3	\$ 7,554,445	\$ 5,036,297	\$ 12,590,742

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.
- 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.

CITY OF LAKELAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12 – FUND BALANCES (continued)

A. Non-Spendable Fund Balance

Non-Spendable fund balance as of September 30, 2019 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, 2019 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 to 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.

Restricted for Building Inspection - this represents unexpended resources from building inspection fees collected used to finance building inspection expenses as defined by State Legislature.

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 12 – FUND BALANCES (continued)

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 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 – 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 – funds assigned by the City Commission to finance various construction and maintenance capital projects.

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

Debt Service – revenues assigned by the City Commission for 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.

The governmental fund balance in detail as of September 30, 2019 is as follows:

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Prepays	\$ 113,329	\$ -	\$ 821	\$ 114,150
Cemetery Endowment	-	-	5,490,915	5,490,915
Permanent Fund Principal	-	-	29,476	29,476
Restricted for:				
CRA	-	-	8,953,615	8,953,615
Law Enforcement	1,346,412	-	-	1,346,412
Impact Fee Programs	-	-	19,342,565	19,342,565
Transportation	-	-	6,516,755	6,516,755
Capital Improvement	-	248,509	-	248,509
Donations Received	762,196	-	250,147	1,012,343
Grant Programs:				
Community Development	-	-	190,312	190,312
Debt Service	-	1,889,942	-	1,889,942
Building Inspection	2,018,899	-	-	2,018,899
Committed to:				
Working Capital	-	7,598,489	-	7,598,489
Stormwater	-	-	5,861,602	5,861,602
Assigned to:				
Subsequent Year's Expenditures	10,066,491	-	-	10,066,491
Cultural Activities	269,092	-	-	269,092
Debt Service	-	2,470,868	-	2,470,868
Recreational Facilities	319,224	-	-	319,224
Capital Projects	-	19,260,830	-	19,260,830
Unassigned	13,677,130	-	(1,525)	13,675,605
Total Fund Balance	<u>\$ 28,572,773</u>	<u>\$ 31,468,638</u>	<u>\$ 46,634,683</u>	<u>\$ 106,676,094</u>

The negative unassigned fund balance represents expenditures incurred in the SHIP Fund that exceeded amounts restricted for the period.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 report issuance.

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.

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 \$780,047 and \$1,007,757 respectively in the Government-wide Statement of Activities.

For the fiscal year ended September 30, 2019, the City recognized an aggregate pension expense of \$19,953,530.

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. Realized gains and losses are recognized as of 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 active members serving 3-year terms; three of which are elected by plan members, three appointed by the City Commission and one 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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

A. Employees' Pension and Retirement System (continued)

Pension plan membership for the Plan as of the actuarial valuation date October 1, 2017 is shown in the following table.

Active plan members	1,407
Retirees and beneficiaries	1,103
DROP Participants	198
Terminated vested plan members	76
Transferred Members	17
	<u>2,801</u>

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, 2017, there were 198 DROP participants.

Cost of Living Adjustment No cost of living increase was awarded for fiscal year 2019.

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 0.36 and the Amortization Payment on UAAL (0.05) are added to the prior Contribution Rate (19.75%), plus Change in Cost Sharing (0.11), Change in Normal Cost Rate (0.05) and actuarial experience from DROP variable interest rate option (0.22) to calculate the current year Contribution Rate of 19.68%. For the year ended September 30, 2019, the City contributed \$15,783,779, the employees contributed \$7,755,783, including buybacks.

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 October 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, 2017 rolled forward to September 30, 2018 and net pension liability was measured as of September 30, 2018.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

A. Employees' Pension and Retirement System (continued)

Actuarial assumptions. The total pension liability in the October 1, 2017 actuarial evaluation rolled-forward to September 30, 2018 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 12.50% depending on service, including inflation
Inflation rate	2.50%
Post-retirement benefit increases	N/A
Retirement rate	(1)
Mortality table	The RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years using Scale BB. (2)

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

(2) Effective October 1, 2016, the mortality table was changed to the mortality assumption used by the Florida Retirement System (FRS) for Regular Class members in the FRS actuarial valuation report as of July 1, 2016. This change was made in compliance with Florida House Bill 1309, which requires all public pension plans in Florida to use the same mortality tables used in either of the last two actuarial valuation reports of FRS effective no later than October 1, 2016.

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, 2018 (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, 2019

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	\$ 692,302,517	\$ 577,095,007	\$ 115,207,510
Changes for the year:			
Service cost	11,698,378	-	11,698,378
Interest	49,542,535	-	49,542,535
Difference between actual & expected experience	472,973	-	472,973
Contribution - employer	-	15,473,351	(15,473,351)
Contribution - employee	-	7,593,222	(7,593,222)
Projected Earnings on investments	-	50,694,933	(50,694,933)
Other (adjustment to DROP balance, misc. income)	-	113,957	(113,957)
Benefit payments	(40,282,918)	(40,282,918)	-
Refunds	(1,028,249)	(1,028,249)	-
Administrative Expense	-	(222,991)	222,991
Net Changes	<u>20,402,719</u>	<u>32,341,305</u>	<u>(11,938,586)</u>
Ending Balances	<u>\$ 712,705,236</u>	<u>\$ 609,436,312</u>	<u>\$ 103,268,924</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	\$ 178,722,883	\$ 103,268,924	\$ 39,788,322

Changes in Assumptions

There were no changes in assumptions that affected the measurement of the total pension liability since the prior measurement date.

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, 2019

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, 2019, the City recognized pension expenses of \$11,958,680. At September 30, 2019, 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>
Difference between actual and expected experience	\$ 1,731,763	\$ 382,168
Net Difference between projected and actual earnings	-	18,667,987
Changes of Assumptions	4,176,987	-
Cost Share Change	4,033,664	4,033,664
Contributions Subsequent to the Measurement Date	15,783,779	-
Total	<u>\$ 25,726,193</u>	<u>\$ 23,083,819</u>

\$15,783,779 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Total</u>
2020	\$ 476,024
2021	(5,213,234)
2022	(6,519,400)
2023	(1,884,795)
	<u>\$ (13,141,405)</u>

Payable to the Pension Plan

At September 30, 2019, the City reported a payable of \$1,064,421 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2019.

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, 2019

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.

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

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

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

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

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, 2017 is shown in the following table.

Active plan members	210
Retirees and beneficiaries	187
DROP Participants	23
Terminated vested plan members	26
	<u>446</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, 2017, there were 23 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 2019.

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 was 16.93% of Salary for the period of October 1, 2018 through September 30, 2019.

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 City and the Union have agreed that beginning with the fiscal year ending September 30, 2017, the default methodology of determining the use of State monies under Chapter 2015-39, Laws of Florida, will apply. Under this methodology, the City will be to utilize all State monies received each year up to \$701,457 to offset funding requirements. Any State monies above that amount will be split 50/50, with 50% going into a Share plan for the Police Officers and 50% going to the City to use to offset funding requirements for that year.

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, 2019

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, 2019 was 21.12%. for the year ended September 30, 2019, the City contributed \$3,206,499 and the employees contributed \$2,656,469.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2018, 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, 2017 actuarial evaluation updated to September 30, 2018 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%
Salary increases	Service based
Inflation rate	2.50%
Mortality table	
Active employees	Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB. Male: RP2000 Generational, 10% Combined Healthy White Collar /90% Combined Healthy Blue Collar, Scale BB.
Retired pensioners	Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.
Disabled pensioners	Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

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 geometric real rates of return for each major asset class included in the Pension Plan’s target asset allocation as of measurement date September 30, 2018 are summarized in the following table:

Asset Class (Market)	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity value	45.00%	7.50%
International	17.50%	8.50%
Fixed income	17.50%	2.50%
Global fixed income	5.00%	3.50%
Alternative	10.00%	3.50%
Real estate	5.00%	4.50%
TOTAL	100.00%	

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 7.50%. 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 (7.50%) 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	\$ 2,805,388	\$ -	\$ 2,805,388
Interest	11,392,047	-	11,392,047
Gain share reserve	(425,192)	-	(425,192)
Share plan allocation	114,527	-	114,527
Contribution - employer	-	3,339,013	(3,339,013)
Contribution - employee	-	2,419,597	(2,419,597)
Contribution - state	-	930,510	(930,510)
Projected Earnings on investments	-	8,479,280	(8,479,280)
Difference between actual & expected experience	1,397,788	-	1,397,788
Difference between projected & actual earnings	-	661,130	(661,130)
Benefit payments	(9,173,523)	(9,173,523)	-
Contributions - buy back	93,102	93,102	-
Administrative Expense	-	(195,309)	195,309
Other (Misc. income)	-	7,924	(7,924)
Net Change	<u>6,204,137</u>	<u>6,561,724</u>	<u>(357,587)</u>
Total - Beginning	<u>153,662,202</u>	<u>119,336,388</u>	<u>34,325,814</u>
Total - Ending	<u>\$ 159,866,339</u>	<u>\$ 125,898,112</u>	<u>\$ 33,968,227</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%) or 1-percentage point higher (8.50%) than the current rate.

	Decrease Rate (6.50%)	Discount Rate (7.50%)	Increase Rate (8.50%)
City's net pension liability	\$ 51,349,310	\$ 33,968,227	\$ 19,780,445

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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.

Changes in Assumptions

There were no changes in assumptions that affected the measurement of the total pension liability since the prior measurement date. However, the payroll growth assumption utilized in amortizing the Unfunded Actuarial Accrued Liability was changed from 2.12% to 1.62% in conjunction with the valuation report. This assumption will be reduced by 0.5% in each future valuation report until it reaches the actual historical 10-year average growth of the non-DROP valuation report.

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

For the fiscal year ended September 30, 2019, the City recognized pension expenses of \$4,596,900. At September 30, 2019, 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>
Contributions subsequent to measurement date	\$ 4,214,256	\$ -
Difference between actual and expected experience	1,118,230	1,621,615
Changes of assumptions	3,444,106	-
Net difference between projected and actual earnings	-	1,340,689
Total	<u>\$ 8,776,592</u>	<u>\$ 2,962,304</u>

\$4,214,256 reported as deferred outflows of resources related to pensions resulting from City and State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended September 30th:	
2020	\$ 1,783,626
2021	(70,946)
2022	(259,979)
2023	147,331
	<u>\$ 1,600,032</u>

Payable to the Pension Plan

At September 30, 2019, the City reported a payable of \$246,514 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2019.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13 - DEFERRED BENEFIT PENSION PLANS (continued)

C. Firefighters' Retirement System

Summary of Significant Accounting Principles

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

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

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

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.

(continued)

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2017 is shown in the following table.

Active plan members	155
Retirees and beneficiaries	112
DROP Participants	8
Terminated vested plan members	11
	<u>286</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, 2017 there were 8 DROP participants.

Cost of Living Adjustment

No cost of living increase was awarded for fiscal year 2019.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

C. Firefighters’ Retirement System (continued)

Funding Policy, Contributions Required, and Contributions Made

As of September 30, 2019, participants were required to contribute 8.71% for Tier 2 members of their annual earnings to the Plan. The 8.71% rate includes an additional 0.08% of salary to satisfy a receivable which accounts for fewer than required contributions in previous years as a result of revised actuarial valuations. The additional 0.08% member contribution rate will be applicable for fiscal years 2019 through 2021. Reflects the regular State distribution applicable to fiscal year corresponding to applicable valuation date. A Collective Bargaining Agreement has been entered into, effective October 1, 2016. Based on the requirements of Chapter 2015-39, Laws of Florida, this means that in absence of mutual consent between the City and the membership, the plan is subject to the default provisions for purposes of allocating future state monies. Based on the default provisions of Chapter 2015-39, Laws of Florida, it is probable that the City will be able to utilize annual state monies received up to \$733,556 to offset its contribution requirements, but an actuarial analysis will be required. Any amounts received in excess of \$733,556 will be split equally between the City and a supplemental benefit component (share plan) that is required to be established for the membership.

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

The City’s actuarially determined contribution rate for the year ended September 30, 2019 was 14.91%. For the year ended September 30, 2019, the City contributed \$1,833,070 and the employees contributed \$1,147,416.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2018, 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, 2017 actuarial evaluation updated to September 30, 2018 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%
Salary increases	Age based
Inflation rate	2.50%
Mortality table	
Active employees	Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB. Male: RP2000 Generational, 10% Combined Healthy White Collar /90% Combined Healthy Blue Collar, Scale BB.
Retired pensioners	Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.
Disabled pensioners	Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

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, 2018 are summarized in the following table:

Asset Class (Market)	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	45.00%	7.50%
International Equity	15.00%	8.50%
US Core Fixed Income	20.00%	2.50%
International Fixed Income	5.00%	3.50%
Real Estate	5.00%	4.50%
Alternative	10.00%	3.50%
TOTAL	100.00%	

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 Returns 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

Changes for the year:	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Service cost	\$ 2,479,249	\$ -	\$ 2,479,249
Interest	7,520,669	-	7,520,669
Contribution - employer	-	1,575,442	(1,575,442)
Contribution - employee	-	948,721	(948,721)
Contribution - state	-	731,610	(731,610)
Projected Earnings on investments	-	6,873,176	(6,873,176)
Difference between actual & expected experience	1,979,479	-	1,979,479
Difference between projected & actual earnings	-	382,384	(382,384)
Benefit payments	(6,643,739)	(6,643,739)	-
Administrative Expense	-	(125,572)	125,572
Net Change	5,335,658	3,742,022	1,593,636
Total - Beginning	101,035,118	94,103,762	6,931,356
Total - Ending	\$ 106,370,776	\$ 97,845,784	\$ 8,524,992

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%) or 1-percentage-point higher (8.50 %) than the current rate.

	Decrease Rate (6.50%)	Discount Rate (7.50%)	Increase Rate (8.50%)
City’s net pension liability	\$ 21,000,802	\$ 8,524,992	\$ (1,490,283)

Changes in Assumptions

There were no changes in assumptions that affected the measurement of the total pension liability since the prior measurement date.

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, 2019

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, 2019, the City recognized pension expenses of \$3,397,950 at September 30, 2019, 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>
Contributions subsequent to the measurement date	\$ 2,613,117	\$ -
Difference between actual and expected experience	1,827,646	510,906
Changes if assumptions	1,048,962	-
Net difference between projected and actual earnings	-	735,467
Total	<u>\$ 5,489,725</u>	<u>\$ 1,246,373</u>

\$2,613,117 reported as deferred outflows of resources related to pensions resulting from City and State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020. 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:	
2020	\$ 1,188,290
2021	(326,736)
2022	(179,597)
2023	441,998
2024	223,498
Thereafter	282,782
	<u>\$ 1,630,235</u>

Payable to the Pension Plan

At September 30, 2019, the City reported a payable of \$118,611 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2019.

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13 – DEFINED BENEFIT PENSION PLANS (continued)

D. Condensed Financial Information

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, 2019 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	\$ 25,726,193	\$ 8,776,592	\$ 5,489,725	\$ 39,992,510
Net pension liability	103,268,924	33,968,227	8,524,992	145,762,143
Deferred inflows of resources related to pensions	23,083,819	2,962,304	1,246,373	27,292,496
Pension expense	11,958,680	4,596,900	3,397,950	19,953,530

Condensed financial data for the City's Defined Benefit Pension Plans for the year ended September 30, 2019 is presented below.

Condensed Statement of Net Position

	Employees' Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
Assets	\$ 601,730,906	\$ 126,930,923	\$ 99,521,399
Liabilities	1,089,094	364,761	57,465
Net Position			
Restricted for DROP benefits	23,426,862	6,036,559	1,677,716
Restricted for pension benefits	577,214,950	120,529,603	97,786,218
	\$ 600,641,812	\$ 126,566,162	\$ 99,463,934

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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	\$ 23,539,562	\$ 6,870,725	\$ 3,760,533
Investment income	14,670,276	4,710,042	3,778,950
All other	67,916	1,339	-
Total additions	<u>38,277,754</u>	<u>11,582,106</u>	<u>7,539,483</u>
Deductions			
Benefits paid	45,442,520	10,664,778	5,801,174
Refunds, former employees	1,377,268	58,292	3,090
All other	252,466	190,932	117,069
Total deductions	<u>47,072,254</u>	<u>10,914,002</u>	<u>5,921,333</u>
Change in net position	(8,794,500)	668,104	1,618,150
Net position, beginning of year	609,436,312	125,898,058	97,845,784
Net position, end of year	<u>\$ 600,641,812</u>	<u>\$ 126,566,162</u>	<u>\$ 99,463,934</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 POBDRS 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 POBDRS 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.

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CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS

A. Health Insurance Trust Fund

Plan Description

Effective October 1, 2017, the Retiree Healthcare Trust Fund adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement replaces Statements No. 45, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. In addition to the relevant disclosures within this note, the City's financial statements reflect a long-term liability of \$92,213,219 and \$94,718,100 related expenses of \$5,016,228 and \$4,251,621 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.

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. The City has established a Trust to accumulate and invest assets necessary to pay for the accumulated liability.

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	2,080
Inactive plan members participating in the health plan	619
Inactive plan members currently receiving a subsidy	1,463

	<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	50 + 10 years

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

A. Health Insurance Trust Fund (continued)

Actuarial 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.

Significant Assumptions: The date of the actuarial valuation on which the plan's liability was determined is September 30, 2019. The following actuarial assumptions were applied.

Actuarial cost method	Entry age normal based on level percentage of projected salary
Valuation Date	September 30, 2019
Projected benefit payment period	6.2 years
Discount rate	
Implicit	2.66%
Explicit	7.21%
Health care cost trend rate:	
Medical and Rx benefits	
Select	6.50%
Ultimate	4.50%
Stop loss fees	
Select	6.50%
Ultimate	4.50%
Administrative	
Select	4.50%
Ultimate	4.50%
Inflation rate	2.0% per annum
Salary changes	3.5% per annum
Postemployment benefit changes	N/A
Mortality rates	Pub-2010 base table scaled generationally using MP-2019 and applied on a gender-specific basis
Long-term expected rate of return	tax-exempt, high quality municipal bond
Asset valuation	fair market value
Date of experience study	24 months ending September 30, 2019

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the previously listed actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The discount rate is the only applicable change in the simplified evaluation.

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 - 2.66%) blended with the expected rate of return on trust assets.

The discount rate used to measure the total OPEB liability was 2.66% for the implicit subsidy and 7.21% for the explicit subsidy. The discount rate decreased from 4.18%. 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 7.9%.

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

A. Health Insurance Trust Fund (continued)

Concentration

The Plan's investment in the consolidated fund comprised of more than 5% of the Plan's total fiduciary net position. However, no individual investment of the Plan's share of the consolidated fund (2%) comprised of more than 5% of the Plan's total fiduciary net position.

The rate of return for the assets of the Trust as of September 30, 2019 are summarized in the following table.

<u>Asset Allocation:</u>	<u>%</u>	<u>Returns (with inflation)</u>	<u>Balance</u>	<u>% of Net Position</u>
Consolidated funds	99.16%	7.25%	\$ 9,009,718	99%
Money market funds	0.00%	1.50%	-	0%
Accounts receivable	0.84%	0.00%	76,670	1%
Total	100.00%		\$ 9,086,388	100%

Rate of Return

For the year ended September 30, 2019, the annual rate of return (with inflation) was 7.21%.

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, 2019 were as follows:

Total OPEB Liability	\$ 196,005,421
Fiduciary Net Position	9,074,102
Net OPEB Liability	\$ 186,931,319
Fiduciary Net Position as a percentage of the total OPEB liability	4.63%

Changes in Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning balances.	\$ 186,383,740	\$ 8,301,257	\$ 178,082,483
Changes for the year:			
Service cost	6,608,098	-	6,608,098
Interest cost	8,567,130	-	8,567,130
Benefit payments	(6,256,300)	(6,256,300)	-
Changes in assumptions	28,389,473	-	28,389,473
Difference between actual and expected experience	(27,686,720)	-	(27,686,720)
Contributions - employers	-	6,197,320	(6,197,320)
Contributions - employees	-	178,448	(178,448)
Investment income	-	653,377	(653,377)
Net changes	9,621,681	772,845	8,848,836
Ending balances	\$ 196,005,421	\$ 9,074,102	\$ 186,931,319

(continued)

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

A. 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% (3.66%) higher and 1% lower (1.66%) than the discount rate of 2.66% is as follows:

Discount Rate	Net OPEB Liability	% Difference
3.66%	\$ 155,153,000	(17)%
2.66%	186,931,319	N/A
1.66%	228,056,000	22%

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:

Trend	Net OPEB Liability	% Difference
1% decrease	\$ 153,283,000	(18)%
Current trend	186,931,319	N/A
1% increase	233,664,000	25%

Changes in Assumptions

The following assumption changes were since the prior evaluation:

- The discount rate for the implicit subsidy was decreased from 4.18% to 2.66%.
- The termination rates assumption for Police were updated based on the 2018 Lakeland Retirement System Actuarial Valuation.
- The ACA Excise Tax on high-cost employer sponsored healthcare plans is no longer applicable.
- The mortality assumption was updated from the RP-2014 base mortality with generational scale MP-2016 to the PUB-2010 base table with generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study.
- The initial year medical trend rate was updated from 6.0% to 6.5% for pre-Medicare costs and from 5.0% to 5.5% for post-Medicare costs to reflect the generally low claims experience environment.

Plan Fiduciary Net Position

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.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2019, the City recognized OPEB expenses of \$9,267,849. At September 30, 2019, the City reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings	\$ -	\$ 416,715
Difference between actual and expected experience	-	23,008,669
Changes in assumptions	23,592,683	19,153,148
Change in cost share allocation	4,420,510	4,420,510
Total	\$ 28,013,193	\$ 46,999,042

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Fiscal year ended September 30th:	
2020	\$ (5,197,750)
2021	(5,197,750)
2022	(5,090,788)
2023	(3,149,775)
2024	(349,786)
	<u>\$ (18,985,849)</u>

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)

A. Health Insurance Trust Fund continued)

Financial Statements

STATEMENT OF PLAN NET POSITION
RETIREE HEALTH CARE TRUST FUND
September 30, 2019

ASSETS	
Consolidated Fund	\$ 9,009,718
Contributions	76,670
Total assets	<u>9,086,388</u>
LIABILITIES	
Due to primary government	12,286
Total liabilities	<u>12,286</u>
NET POSITION	
Restricted for other post employment benefits	9,074,102
	<u>\$ 9,074,102</u>

STATEMENT OF CHANGES IN PLAN NET POSITION
RETIREE HEALTH CARE TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

ADDITIONS	
Contributions:	
Employer	\$ 6,197,320
Plan members	178,448
Total contributions	<u>6,375,768</u>
Net investment income:	
Net increase in the fair value of investments	125,432
Interest and dividends	527,946
Net investment income	<u>653,378</u>
Total additions, net	<u>7,029,146</u>
DEDUCTIONS	
Benefits paid	6,251,279
Refunds, former plan members	5,022
Total deductions	<u>6,256,301</u>
Change in net position	772,845
NET POSITION, beginning of year	8,301,257
NET POSITION, end of year	<u>\$ 9,074,102</u>

B. 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 benefits 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 \$691,054 in insurance premiums for fiscal year 2019.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 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, 2019 is \$4,148,229.

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 which included a revised payment schedule. During fiscal year 2019 milestone payments of \$6,238,946 were made under the contract. The agreement, which is scheduled to run through 2025, include annual milestone payments and an economic index escalation factor. Future base payments per the schedule, excluding escalation, are as follows:

Fiscal Year	Operating	Capital	Total
2020	\$ 367,320	\$ 7,267,796	\$ 7,635,116
2021	367,320	7,267,796	7,635,116
2022	367,320	7,267,796	7,635,116
2023	367,320	7,267,796	7,635,116
2024-2025	734,640	31,518,131	32,252,771
	<u>\$ 2,203,920</u>	<u>\$ 60,589,315</u>	<u>\$ 62,793,235</u>

Lakeland Electric entered into a total of five Solar Energy Participation Agreements (SEPAs) with Sun Edison, LLC from 2009 through 2016. During FY 2019, Sun Edison's former ownership interests were assigned to new owners as follows:

Location	SEPA Owner	COD	Years	MWs/AC	Rate
Airport I	Longroad Energy Holding, LLC	12/22/2011	25	2.25	\$ 190.00
Airport II	Renewable Holdco I, LLC	9/16/2012	25	2.75	\$ 176.50
Airport III	Clearway Energy Group, LLC	12/21/2016	25	3.15	\$ 112.52
RP Funding Center	Longroad Energy Holding, LLC	4/4/2010	20	0.25	\$ 280.99
West Bella Vista	TerraForm Utility Solar XIX, LLC	7/6/2015	25	6	\$ 112.52

Lakeland Electric has no equity interest in and assumes no financial responsibility for the solar generation systems. Four systems are located on properties owned by the City of Lakeland. The West Bella Vista property is owned by the vendor. The system installations are as follows: the roof of the RP Funding Center, the runway protection zones of the Lakeland Linder International Airport, and 70 acres adjacent to the Sutton Electric Substation. Four of the SEPAs are in effect for twenty-five years and one is at twenty years at a fixed price per MWh with no price escalation clauses. Lakeland Electric's purchases under the SEPAs totaled \$3,579,253 in 2019 and \$3,282,984 in 2018. The total MWs purchased in fiscal year 2019 was 25,834.47 MWs at an average cost of \$138.55 MWh.

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.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 16 – COMMITMENTS AND CONTINGENCIES (continued)

B. Contractual Commitments (continued)

The City has active construction projects as of September 30, 2019. 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, 2019, are as follows:

Transportation/street projects	\$ 566,027	*
Public Improvement projects	3,739,824	*
Public Safety projects	403,082	*
Airport projects	13,091,379	*
Wastewater treatment facilities projects	11,988,578	*
Water Distribution projects	1,408,096	*
McIntosh unit 3 renewal and replacement projects	1,855,987	*
McIntosh unit 5 renewal and replacement projects	1,101,068	*
McIntosh gas turbine 2 project	10,601,058	*
Larsen unit 8 renewal and replacement projects	2,908,786	*
Other power production plant improvements	567,006	*
Energy delivery capital projects	2,633,339	*
Building Improvement projects	151,419	*
	<u>\$ 51,015,649</u>	

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

C. Encumbrances

The City had the following encumbrances outstanding as of September 30, 2019 that were not reported as designations:

Electric Utility Fund	\$ 93,948,757
Water and Wastewater Utilities	14,512,062
Internal Service Funds	6,233,147
Nonmajor Enterprise Funds	13,458,716
	<u>\$ 128,152,682</u>

The following is a summary of the City's encumbrances for Governmental Funds as of September 30, 2019.

	Public Improvement Fund	All Other Governmental Funds	Total Governmental Funds
Building improvements	\$ 270,098	\$ -	\$ 270,098
Land improvements	6,002,782	-	6,002,782
Equipment	321,852	-	321,852
Infrastructure	-	1,630,425	1,630,425
Maintenance and repair	255,434	-	255,434
Transportation projects:			
Road improvements	-	566,027	566,027
Total	<u>\$ 6,850,166</u>	<u>\$ 2,196,452</u>	<u>\$ 9,046,618</u>

In addition to the commitments for capital projects, Lakeland Electric had other outstanding purchase orders in the amount of \$74,130,094 as of September 30, 2019. \$69,119,392 of which represents contracts for the procurement and transportation of fuel and purchased power. It is the opinion of Lakeland Electric's management that Lakeland Electric is in compliance with the requirements of all the aforementioned contractual commitments.

CITY OF LAKELAND, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 17 – SUBSEQUENT EVENTS

Water and Wastewater Revenue Refunding Bond, Series 2021

In October 2019, The City of Lakeland entered into a forward delivery agreement with Bank of America, N.A. for the issuance and delivery of the Water and Wastewater Refunding Bond, Series 2021 in the amount of \$28,220,000. The bond, which will take the form of a fixed rate bank loan, will be issued to refund the outstanding Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A maturing on and after October 1, 2022 and pay the issuance costs of the 2021 Bonds. The bonds are expected to be issued on October 1, 2021.

Florida Revenue Note, Series 2019

In November 2019, the City of Lakeland issued a Florida Revenue Note, Series 2019. The Notes take the form of a line of credit loan from Wells Fargo Bank, National Association in an amount not to exceed \$32,000,000. Proceeds of the Notes will be used to temporarily finance improvements at Lakeland Linder International Airport and pay necessary and incidental issuance costs. Projects being financed include, but are not limited to: strengthening and rehabilitation of Runway 9-27, upgrading of its Instrument Landing System to Category II, installation of a new ramp area, and construction and improvements to certain hangars owned by the City including one such hanger leased by the National Oceanic and Atmospheric Administration. The Notes pay a variable rate of interest based on the utilization of the line of credit and mature on February 1, 2021. The City intends to permanently finance the aforementioned projects before the expiration of the line of credit.

Taxable Pension Liability Reduction Note, Series 2020

In March 2020, the City issued its Taxable Pension Liability Reduction Note, Series 2020 in the amount of \$81,000,000. The Note, which was issued in the form of a bank loan from Toronto Dominion Bank, N.A, is a fixed rate obligation which amortizes over a period of 20 years. Proceeds of the Note are being used to reduce the unfunded liabilities in the City's three pension plans and to pay associated cost of issuance. Issuance of the note will result in net savings in that required contributions to the various pension plans will be reduced by amounts exceeding the allocable debt service on the bonds.

COVID-19 Pandemic

During December 2019, the Novel Coronavirus (COVID-19) was discovered on the continent of Asia. The COVID-19 was subsequently declared a world-wide pandemic by the World Health Organization. On March 13, 2020, the President declared a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak. The City anticipates an economic impact resulting from the effects of the COVID-19 outbreak on the national, state, and local economies. The City has not determined what material impact this outbreak could potentially have on revenues such as state shared revenues, investments, and other local revenues related to economic conditions.

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Required Supplementary Information



COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30,
2019



CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Amended Budget	2019 Actual	Variance
REVENUES				
Taxes	\$ 48,922,502	\$ 48,922,502	\$ 49,850,078	\$ 927,576
Licenses and permits	4,668,614	4,668,614	5,040,190	371,576
Intergovernmental	11,784,330	11,841,087	14,514,459	2,673,372
Charges for services	5,552,235	6,956,791	6,695,201	(261,590)
Fines and forfeitures	2,506,219	2,950,692	2,557,311	(393,381)
Miscellaneous	2,385,702	2,924,988	5,074,102	2,149,114
Total revenues	<u>75,819,602</u>	<u>78,264,674</u>	<u>83,731,341</u>	<u>5,466,667</u>
EXPENDITURES				
Current:				
General government:				
Executive	693,160	707,379	635,227	72,152
Legislative	160,514	160,514	120,252	40,262
Financial and administrative	5,838,220	6,242,910	4,826,492	1,416,418
Legal counsel	445,455	631,533	631,533	-
Comprehensive planning	3,308,884	3,885,349	3,066,018	819,331
Other general government	3,538,787	3,538,787	3,074,477	464,310
	<u>13,985,020</u>	<u>15,166,472</u>	<u>12,353,999</u>	<u>2,812,473</u>
Public safety:				
Law enforcement	43,400,094	45,653,391	42,565,771	3,087,620
Fire control	20,471,097	20,602,795	20,378,182	224,613
Protective inspections	3,670,171	3,708,915	3,206,735	502,180
	<u>67,541,362</u>	<u>69,965,101</u>	<u>66,150,688</u>	<u>3,814,413</u>
Physical environment:				
Utility services	5,073,954	5,073,954	5,032,114	41,840
Conservation and resource management	17,688	17,688	17,688	-
Other physical environment	1,095,420	1,419,177	1,419,176	1
	<u>6,187,062</u>	<u>6,510,819</u>	<u>6,468,978</u>	<u>41,841</u>
Transportation:				
Road and street facilities	7,419,848	7,410,155	6,402,610	1,007,545
Economic environment:				
Other economic environment	3,192,754	3,192,754	3,065,790	126,964
Human services:				
Other human services	143,703	355,713	298,920	56,793
Culture/Recreation:				
Libraries	3,964,492	4,714,153	3,924,936	789,217
Parks and recreation	20,753,149	21,163,010	19,517,879	1,645,131
Cultural services	242,997	244,193	244,193	-
Special events	68,290	68,162	62,556	5,606
	<u>25,028,928</u>	<u>26,189,518</u>	<u>23,749,564</u>	<u>2,439,954</u>
Capital outlay	264,636	1,032,017	1,032,017	-
Debt Service				
Principal retirement	234,213	527,691	527,691	-
Interest	27,802	66,264	66,264	-
	<u>262,015</u>	<u>593,955</u>	<u>593,955</u>	<u>-</u>
Total expenditures	<u>124,025,328</u>	<u>130,416,504</u>	<u>120,116,521</u>	<u>10,299,983</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(48,205,726)</u>	<u>(52,151,830)</u>	<u>(36,385,180)</u>	<u>15,766,650</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	886,189	886,189
Transfers from other funds	46,756,943	46,561,715	46,628,549	66,834
Transfers to other funds	(4,287,729)	(4,745,554)	(4,545,048)	200,506
Total other financing sources (uses)	<u>42,469,214</u>	<u>41,816,161</u>	<u>42,969,690</u>	<u>1,153,529</u>
NET CHANGE IN FUND BALANCE	<u>(5,736,512)</u>	<u>(10,335,669)</u>	<u>6,584,510</u>	<u>16,920,179</u>
FUND BALANCE, beginning of year	20,969,744	16,668,080	21,988,263	5,320,183
FUND BALANCE, end of year	<u>\$ 15,233,232</u>	<u>\$ 6,332,411</u>	<u>\$ 28,572,773</u>	<u>\$ 22,240,362</u>

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2019

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

Measurement date:	EMPLOYEE PENSION				
	09/30/2018	09/30/2017	09/30/2016	09/30/2015	09/30/2014
Total pension liability:					
Service cost	\$ 11,698,378	\$ 12,438,914	\$ 12,454,643	\$ 12,479,291	\$ 12,663,875
Interest and dividends	49,542,535	47,570,311	46,369,839	45,023,294	43,427,938
Changes in benefit terms	-	-	(1,360,522)	-	-
Differences between expected and actual experience	472,973	2,417,270	(189,908)	(2,104,773)	(200,874)
Assumption Changes	-	7,390,055	-	-	-
Benefit payments, including refunds of member contributions	(41,311,167)	(42,434,673)	(38,965,501)	(34,634,781)	(32,658,024)
Net change in total pension liability	20,402,719	27,381,877	18,308,551	20,763,031	23,232,915
Total pension liability, beginning	692,302,517	664,920,640	646,612,089	625,849,058	602,616,143
Total pension liability, ending	712,705,236	692,302,517	664,920,640	646,612,089	625,849,058
Plan fiduciary net position:					
Contributions, employer	15,473,351	14,739,830	29,175,783	15,697,557	15,395,603
Contributions, members	7,593,222	7,600,019	7,468,541	7,394,407	7,129,361
Net investment income	50,694,933	67,569,392	33,659,515	6,072,542	39,349,445
Benefit payments, including refunds of member contributions	(41,311,167)	(42,434,673)	(38,965,501)	(34,634,781)	(32,658,024)
Administrative expenses	(222,991)	(241,172)	(246,010)	(217,810)	(288,901)
Other (adjustment to DROP balance, misc. income)	113,957	-	-	-	-
Net change in plan fiduciary net position	32,341,305	47,233,396	31,092,328	(5,688,085)	28,927,484
Plan fiduciary net position, beginning	577,095,007	529,861,611	498,769,283	504,457,368	475,529,884
Plan fiduciary net position, ending	609,436,312	577,095,007	529,861,611	498,769,283	504,457,368
City's net pension liability, ending	\$ 103,268,924	\$ 115,207,510	\$ 135,059,029	\$ 147,842,806	\$ 121,391,690
Plan fiduciary net position as a % of total pension liability	85.51%	83.36%	79.69%	77.14%	80.60%
Actual covered payroll as of year-end	\$ 84,816,890	\$ 84,102,850	\$ 80,397,748	\$ 79,725,716	\$ 78,211,736
City's net pension liability as a % of covered payroll	121.76%	136.98%	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.

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2019

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

Measurement date:	POLICE PENSION				
	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability:					
Service cost	\$ 2,805,388	\$ 2,795,894	\$ 2,476,007	\$ 2,550,144	\$ 2,467,333
Interest and dividends	11,392,047	11,149,058	10,566,141	10,243,851	9,862,126
Contributions - buy back	93,102	162,221	183,211	140,261	70,775
Gain Sharing Reserve	(425,192)	425,192	-	-	-
Share Plan Allocation	114,527	77,471	-	-	-
Change in benefit terms	-	40	-	-	-
Differences between expected and actual experience	1,397,788	(808,693)	(2,463,567)	(754,860)	-
Changes in assumption	-	3,019,734	4,080,663	-	-
Benefit payments, including refunds of member contributions	(9,173,523)	(7,542,647)	(7,725,690)	(8,580,144)	(6,991,965)
Net change in total pension liability	6,204,137	9,278,270	7,116,765	3,599,252	5,408,269
Total pension liability, beginning	153,662,202	144,383,932	137,267,167	133,667,915	128,259,646
Total pension liability, ending	159,866,339	153,662,202	144,383,932	137,267,167	133,667,915
Total pension liability:					
Contributions, employer	3,339,013	2,691,292	2,686,671	2,463,702	2,548,469
Contributions, members	2,419,597	2,024,438	2,029,605	1,931,359	2,017,233
Contributions - buy back	93,102	162,221	183,211	140,261	70,775
Contribution - state	930,510	856,398	796,486	744,499	708,648
Projected Earnings on investments	8,479,280	8,465,385	8,100,346	8,387,978	7,693,094
Difference between projected & actual earnings	661,130	4,247,590	671,935	(10,027,714)	1,810,017
Benefit payments, including refunds of member contributions	(9,173,523)	(7,542,647)	(7,725,690)	(8,580,144)	(6,991,965)
Administrative expenses	(195,309)	(198,498)	(162,180)	(167,667)	(141,203)
Other Adjustment	7,924	3,202	2,451	598	54
Net change in plan fiduciary net position	6,561,724	10,709,381	6,582,835	(5,107,128)	7,715,122
Plan fiduciary net position, beginning	119,336,388	108,627,007	102,044,172	107,151,300	99,436,178
Plan fiduciary net position, ending	125,898,112	119,336,388	108,627,007	102,044,172	107,151,300
City's net pension liability, ending	\$ 33,968,227	\$ 34,325,814	\$ 35,756,925	\$ 35,222,995	\$ 26,516,615
Plan fiduciary net position as a % of total pension liability	78.75%	77.66%	75.23%	74.34%	80.16%
Actual covered payroll as of year-end	\$ 14,765,970	\$ 14,698,821	\$ 14,554,279	\$ 14,868,655	\$ 13,413,482
City's net pension liability as a % of covered payroll	230.04%	233.53%	245.68%	236.89%	197.69%

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2019

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

Measurement date:	FIRE PENSION				
	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Total pension liability:					
Service cost	\$ 2,479,249	\$ 2,181,230	\$ 2,228,737	\$ 2,049,136	\$ 1,946,737
Interest and dividends	7,520,669	7,283,494	6,882,719	6,634,089	6,330,428
Contributions - buy back	-	170,424	119,786	16,519	-
Differences between expected and actual experience	1,979,479	(414,996)	229,162	(643,439)	-
Changes in assumptions	-	-	1,835,684	-	-
Benefit payments, including refunds of member contributions	(6,643,739)	(5,846,514)	(5,682,715)	(4,158,978)	(4,502,540)
Net change in total pension liability	5,335,658	3,373,638	5,613,373	3,897,327	3,774,625
Total pension liability, beginning	101,035,118	97,661,480	92,048,107	88,150,780	84,376,155
Total pension liability, ending	<u>106,370,776</u>	<u>101,035,118</u>	<u>97,661,480</u>	<u>92,048,107</u>	<u>88,150,780</u>
Plan fiduciary net position:					
Contributions, employer	1,575,442	1,410,862	1,558,306	1,533,254	1,705,635
Contributions, members	948,721	697,667	748,173	925,075	1,063,934
Contributions - buy back	-	170,424	119,786	16,519	-
Contribution - state	731,610	726,180	776,564	754,489	735,806
Net investment income	7,255,560	9,599,190	6,402,044	(1,125,224)	6,476,571
Benefit payments, including refunds of member contributions	(6,643,739)	(5,846,514)	(5,682,715)	(4,158,978)	(4,502,540)
Administrative expenses	(125,572)	(110,237)	(119,359)	(95,290)	(77,367)
Other (Adjustment to DROP Balance, misc. income)	-	100	3,266	100	-
Net change in plan fiduciary net position	3,742,022	6,647,672	3,806,065	(2,150,055)	5,402,039
Plan fiduciary net position, beginning	94,103,762	87,456,090	83,650,025	85,800,080	80,398,041
Plan fiduciary net position, ending	<u>97,845,784</u>	<u>94,103,762</u>	<u>87,456,090</u>	<u>83,650,025</u>	<u>85,800,080</u>
City's net pension liability, ending	<u>\$ 8,524,992</u>	<u>\$ 6,931,356</u>	<u>\$ 10,205,390</u>	<u>\$ 8,398,082</u>	<u>\$ 2,350,700</u>
Plan fiduciary net position as a % of total pension liability	91.99%	93.14%	89.55%	90.88%	97.33%
Actual covered payroll as of year-end	\$ 11,735,762	\$ 11,091,670	\$ 10,415,009	\$ 10,942,161	\$ 9,951,374
City's net pension liability as a % of covered payroll	72.64%	62.49%	97.99%	76.75%	23.62%

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2019

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

Measurement date:	<u>09/30/2019</u>	<u>OPEB 09/30/2018</u>	<u>9/30/2017</u>
Total OPEB liability:			
Service cost	\$ 6,608,098	\$ 7,461,585	\$ 7,162,205
Interest and dividends	8,567,130	8,045,959	8,573,827
Assumption Changes or other inputs	28,389,473	(17,759,019)	(13,961,000)
Differences between expected and actual experience	(27,686,720)	-	-
Benefit payments	<u>(6,256,300)</u>	<u>(8,099,526)</u>	<u>(8,100,958)</u>
Net change in total OPEB liability	9,621,681	(10,351,001)	(6,325,926)
Total OPEB liability, beginning	<u>186,383,740</u>	<u>196,734,741</u>	<u>203,060,667</u>
Total OPEB liability, ending	<u>196,005,421</u>	<u>186,383,740</u>	<u>196,734,741</u>
Plan fiduciary net position:			
Contributions, employer	6,197,320	8,250,441	8,100,958
Contributions, employee	178,448	-	-
Net investment income	653,377	625,619	989,661
Benefit payments	<u>(6,256,300)</u>	<u>(8,099,526)</u>	<u>(8,100,958)</u>
Net change in plan fiduciary net position	772,845	776,534	989,661
Plan fiduciary net position, beginning	<u>8,301,257</u>	<u>7,524,723</u>	<u>6,535,062</u>
Plan fiduciary net position, ending	<u>9,074,102</u>	<u>8,301,257</u>	<u>7,524,723</u>
City's net OPEB liability, ending	<u>\$ 186,931,319</u>	<u>\$ 178,082,483</u>	<u>189,210,018</u>
Plan fiduciary net position as a % of total OPEB liability	4.63%	4.45%	3.82%
Actual covered payroll as of September 30th	\$ 129,452,490	\$ 128,224,000	\$ 123,888,256
City's net OPEB as a % of covered payroll	144.40%	138.88%	152.73%

GASB 75 was implemented in fiscal year 2018. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2019

SCHEDULE OF OPEB INVESTMENT RETURNS

	<u>9/30/19</u>	<u>9/30/18</u>	<u>9/30/17</u>
Annual money-weighted rate of return, net of investment expense.	7.9%	8.3%	15.1%

SCHEDULE OF OPEB CONTRIBUTIONS

<u>Year Ended September 30th</u>	<u>Statutorily Determined Contributions</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2019	\$ 1,941,787	\$ 6,197,320	\$ 4,255,533	\$ 129,452,490	4.79%
2018	1,923,360	8,250,441	6,327,081	128,224,000	6.43%
2017	1,853,329	8,100,958	6,247,629	123,888,256	6.54%

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2019

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	
2019	\$ 17,214,075	\$ 15,783,779	\$ 1,430,296	\$ 87,469,893	18.04%	
2018	16,751,336	15,473,351	1,277,985	84,816,890	18.24%	
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	
2019	\$ 3,236,329	\$ 3,206,499	\$ 29,830	\$ 15,323,527	20.93%	
2018	2,350,742	3,339,013	(988,271)	14,765,970	22.61%	
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.

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2019

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

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
2019	\$ 1,849,838	\$ 1,833,070	\$ 16,768	\$ 12,406,692	14.77%
2018	1,923,080	1,575,442	347,638	11,735,762	13.42%
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.

	Employee's Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
Methods and Assumptions used to determine contribution rates:			
Actuarial cost method	Entry-age normal	Entry-age normal	Frozen Initial Liability
Amortization method	Level % of pay, closed	Level % of Pay, Closed	Level % of Pay, Closed
Remaining amortization period	20 years	30 years	27 years
Asset valuation method	5-year smooth market	4-Year Smooth	4-Year Smooth
Inflation	2.50%	2.50%	2.50%
Salary increases	4.00% to 12.5% depending on service, including inflation	Age based, 5%-15%	Age based, 5%-15%
Investment rate of return	7.25%	7.75%	7.50%
Retirement age	Experienced based table of rates that are specific to the type of eligibility condition.	50 or 10 years of service	50 or 10 years of service
Mortality	The RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB.	Active and Retired: RP-2000 Generational, Scale BB, (Female: 100% Annuitant White Collar; Male: 10% Annuitant White Collar/90% Annuitant Blue Collar). Disabled: 60% RP2000 Disabled, 40% Annuitant White Collar with no setback, no projection scale (Female set forward two years; Male setback four years)	Active and Retired: RP-2000 Generational, Scale BB, (Female: 100% Annuitant White Collar; Male: 10% Annuitant White Collar/90% Annuitant Blue Collar). Disabled: 60% RP2000 Disabled, 40% Annuitant White Collar with no setback, no projection scale (Female set forward two years; Male setback four years)

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2019

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETS

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, 2019 there were no material violations of budgetary requirements.

GENERAL, POLICE, AND FIRE PENSION PLANS

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.

Changes in assumptions/inputs:

The following assumption changes are reflected in the Actuarially Determined Contribution rate as of:

September 30, 2019:

Employee Pension and Retirement System

- There were no revisions in actuarial assumptions or methods since the previous valuation.

Police Officers' Defined Benefit Retirement System

- The payroll growth assumption utilized in amortizing the Unfunded Actuarial Accrued Liability was changed from 2.12% to 1.62% in conjunction with the valuation report. This assumption will be reduced by 0.5% in each future valuation report until it reaches the actual historical 10-year average growth of the non-DROP valuation payroll.

Firefighters' Retirement System

- There were no revisions in actuarial assumptions or methods since the previous valuation.

September 30, 2018:

Employee Pension and Retirement System

- Adoption of the RP2000 Generational Mortality Table
- Salary increase assumption was changed to the service based rates
- The assumed inflation rate was lowered from 3.0% to 2.5%
- The payroll growth rate was lowered from 3.5% to 2.5%
- The amortization period for all existing UAAL bases was shortened to 20 years
- The administrative expense assumption was changed from 0.1% of payroll to average of the actual administrative expenses paid in the prior two fiscal years
- The assumed rate of normal retirement, early retirement, and employment termination were changed

Police Officers' Defined Benefit Retirement System

- Adoption of the RP2000 Generational Mortality Table
- The assumed rates of mortality were changed
- The assumed rates of individual salary increases were changed from 6.0% to aged based assumptions
- The assumed rates of termination were increased by 10% at each age
- The payroll growth assumption utilized in amortizing the Unfunded Actuarial Accrued Liability was changed from 2.62% to 2.12% in conjunction with the valuation report. This assumption will be reduced by 0.5% in each future valuation report until it reaches the actual historical 10-year average growth of the non-DROP valuation payroll

September 30, 2017:

Police Officers' Defined Benefit Retirement System

- The payroll growth assumption utilized in amortizing the Unfunded Actuarial Accrued Liability was changed from 3.01% to 2.62% in conjunction with the valuation report. This assumption will be reduced by 0.5% in each future valuation report until it reaches the actual historical 10-year average growth of the non-DROP valuation payroll.

Firefighters' Retirement System

- Assumed interest was changed to 7.50%
- Assumed salary increase was changed to 6.0%

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE PENSION AND OPEB FUNDS
SEPTEMBER 30, 2019

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (continued)

GENERAL, POLICE, AND FIRE PENSION PLANS (continued)

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.

OPEB

For additional information regarding the OPEB Trust Fund please refer to Note 15 in the notes to the Basic Financial Statements.

Changes in assumptions/inputs

The following assumption changes are reflected in the calculation of the actuarially determined contributions:

September 30, 2019

- The discount rate was updated from 4.18% to 2.66% for the implicit liability, and from 6.96% to 7.21% for the explicit liability.
- The termination rates assumption for Police was updated based on the 2018 Lakeland Retirement System Actuarial Valuation.
- The ACA Excise Tax on high-cost employer sponsored healthcare plans is no longer applicable as the bill which repealed it pass on December 20, 2019.
- The mortality assumption was updated from the RP-2014 base mortality with generational scale MP-2016 to the Pub-2010 base table with generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study.
- The initial year medical trend rate was updated from 6.0% to 6.5% for pre-Medicare costs and from 5.0% to 5.5% for post-Medicare costs to reflect the generally low claims experience environment.

September 30, 2018

- The discount rate was changed from 3.63% to 4.18% for the implicit liability.

September 30, 2017

- The mortality table was updated to a generational table.
- The amortization method was changed from the projected unit credit method to the entry age normal method per GASB 75.
- The marriage assumption was updated to reflect the current retiree/spouse mix.

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Supplementary Information



COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30,

2019



CITY OF LAKELAND, FLORIDA

SUPPLEMENTARY INFORMATION
PUBLIC IMPROVEMENT FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Amended Budget	2019 Actual	Variance
REVENUES				
Intergovernmental	\$ 2,206,521	\$ 2,213,816	\$ 2,228,812	\$ 14,996
Charges for services	543,000	543,000	542,185	(815)
Miscellaneous	15,218,801	15,271,276	18,028,915	2,757,639
Total revenues	<u>17,968,322</u>	<u>18,028,092</u>	<u>20,799,912</u>	<u>2,771,820</u>
EXPENDITURES				
Current:				
General government	1,486,032	2,364,423	883,417	1,481,006
Public safety	25,000	91,408	59,689	31,719
Physical environment	47,900	56,708	46,231	10,477
Transportation	-	50,682	33,181	17,501
Culture recreation	622,500	750,109	483,352	266,757
Capital outlay	16,619,289	31,313,416	12,449,091	18,864,325
Debt service	6,370,415	6,424,496	6,424,496	-
Total expenditures	<u>25,171,136</u>	<u>41,051,242</u>	<u>20,379,457</u>	<u>20,671,785</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,202,814)</u>	<u>(23,023,150)</u>	<u>420,455</u>	<u>23,443,605</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	6,800,000	12,423,970	12,553,014	129,044
Transfers from other funds	5,831,541	7,851,565	3,705,479	(4,146,086)
Transfers to other funds	(6,354,891)	(6,254,891)	(6,254,891)	-
Total other financing sources (uses)	<u>6,276,650</u>	<u>14,020,644</u>	<u>10,003,602</u>	<u>(4,017,042)</u>
NET CHANGE IN FUND BALANCE	(926,164)	(9,002,506)	10,424,057	19,426,563
FUND BALANCE, beginning of year	16,088,089	9,710,776	21,044,581	11,333,805
FUND BALANCE, end of year	<u>\$ 15,161,925</u>	<u>\$ 708,270</u>	<u>\$ 31,468,638</u>	<u>\$ 30,760,368</u>



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Combining and Individual Fund Financial Statements



COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30,
2019



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, 2019

	Capital Projects Funds		Special Revenue Funds				Lakeland Community Redevelopment Agency
	Transportation Fund	Impact Fee Fund	Community Development Fund	State Housing Initiative Partnership Program	Neighborhood Stabilization Program	Stormwater Fund	
ASSETS							
Cash and cash equivalents	\$ 6,448,011	\$ 19,342,565	\$ 102,872	\$ 393,058	\$ 266,169	\$ 6,025,577	\$ 9,536,800
Investments	-	-	-	-	-	-	-
Receivables	32,392	-	86,869	24,842	-	236,189	839,953
Due from other governments	434,998	-	177,013	-	-	281,378	-
Prepays	-	-	98	-	-	683	40
Total assets	<u>\$ 6,915,401</u>	<u>\$ 19,342,565</u>	<u>\$ 366,852</u>	<u>\$ 417,900</u>	<u>\$ 266,169</u>	<u>\$ 6,543,827</u>	<u>\$ 10,376,793</u>
LIABILITIES							
Accounts payable	\$ 354,974	\$ -	\$ 22,657	\$ 52,300	\$ -	\$ 356,859	\$ 574,081
Accrued liabilities	42,518	-	22,086	673	510	102,999	5,087
Deposits payable	-	-	-	-	-	221,684	6,765
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	44,830	341,610	265,659	-	-
Total liabilities	<u>397,492</u>	<u>-</u>	<u>89,573</u>	<u>394,583</u>	<u>266,169</u>	<u>681,542</u>	<u>585,933</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	1,154	-	86,869	24,842	-	-	837,205
Total deferred inflows of resources	<u>1,154</u>	<u>-</u>	<u>86,869</u>	<u>24,842</u>	<u>-</u>	<u>-</u>	<u>837,205</u>
FUND BALANCES							
Nonspendable:							
Prepays	-	-	98	-	-	683	40
Cemetery endowment	-	-	-	-	-	-	-
Permanent fund principal	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>98</u>	<u>-</u>	<u>-</u>	<u>683</u>	<u>40</u>
Restricted for:							
CRA	-	-	-	-	-	-	8,953,615
Impact fee program	-	19,342,565	-	-	-	-	-
Transportation	6,516,755	-	-	-	-	-	-
Donations received	-	-	-	-	-	-	-
Grant programs - community development	-	-	190,312	-	-	-	-
	<u>6,516,755</u>	<u>19,342,565</u>	<u>190,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,953,615</u>
Committed to:							
Stormwater	-	-	-	-	-	5,861,602	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,861,602</u>	<u>-</u>
Unassigned	-	-	-	(1,525)	-	-	-
Total fund balances	<u>6,516,755</u>	<u>19,342,565</u>	<u>190,410</u>	<u>(1,525)</u>	<u>-</u>	<u>5,862,285</u>	<u>8,953,655</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,915,401</u>	<u>\$ 19,342,565</u>	<u>\$ 366,852</u>	<u>\$ 417,900</u>	<u>\$ 266,169</u>	<u>\$ 6,543,827</u>	<u>\$ 10,376,793</u>

CITY OF LAKELAND, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS, CONTINUED
SEPTEMBER 30, 2019

	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	\$ -	\$ 87,218	\$ 26,443	\$ -	\$ 42,228,713
Investments	5,491,262	-	-	165,962	5,657,224
Receivables	-	-	-	-	1,220,245
Due from other governments	-	-	-	-	893,389
Prepays	-	-	-	-	821
Total assets	<u>\$ 5,491,262</u>	<u>\$ 87,218</u>	<u>\$ 26,443</u>	<u>\$ 165,962</u>	<u>\$ 50,000,392</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,360,871
Accrued liabilities	-	-	-	-	173,873
Deposits payable	-	-	-	-	228,449
Due to other funds	347	-	-	-	347
Unearned revenue	-	-	-	-	652,099
Total liabilities	<u>347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,415,639</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	-	950,070
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>950,070</u>
FUND BALANCES					
Nonspendable:					
Prepays	-	-	-	-	821
Cemetery endowment	5,490,915	-	-	-	5,490,915
Permanent fund principal	-	4,476	15,000	10,000	29,476
	<u>5,490,915</u>	<u>4,476</u>	<u>15,000</u>	<u>10,000</u>	<u>5,521,212</u>
Restricted for:					
CRA	-	-	-	-	8,953,615
Impact fee program	-	-	-	-	19,342,565
Transportation	-	-	-	-	6,516,755
Donations received	-	82,742	11,443	155,962	250,147
Grant programs - community development	-	-	-	-	190,312
	<u>-</u>	<u>82,742</u>	<u>11,443</u>	<u>155,962</u>	<u>35,253,394</u>
Committed to:					
Stormwater	-	-	-	-	5,861,602
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,861,602</u>
Unassigned	-	-	-	-	(1,525)
Total fund balances	<u>5,490,915</u>	<u>87,218</u>	<u>26,443</u>	<u>165,962</u>	<u>46,634,683</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,491,262</u>	<u>\$ 87,218</u>	<u>\$ 26,443</u>	<u>\$ 165,962</u>	<u>\$ 50,000,392</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Capital Projects Funds		Special Revenue Funds				
	Transportation Fund	Impact Fee Fund	Community Development Fund	State Housing Initiative Partnership Program	Neighborhood Stabilization Program	Stormwater Fund	Lakeland Community Redevelopment Agency
REVENUES							
Taxes	\$ 6,060,873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,208,187
Intergovernmental	1,470,321	-	777,031	531,637	-	248,569	-
Charges for services	-	4,866,932	-	-	-	6,414,296	-
Fines and forfeitures	-	-	-	-	-	500	-
Miscellaneous	487,856	1,450,515	137,371	118,671	244,750	406,941	2,671,976
Total revenues	<u>8,019,050</u>	<u>6,317,447</u>	<u>914,402</u>	<u>650,308</u>	<u>244,750</u>	<u>7,070,306</u>	<u>8,880,163</u>
EXPENDITURES							
Current:							
General government	-	-	112,848	-	1,249	1,339,102	803,611
Public safety	-	-	59,370	-	-	-	-
Physical environment	-	-	-	-	-	1,340,956	-
Transportation	4,381,342	-	-	-	-	2,890,407	250,305
Economic environment	-	-	864,253	650,308	750	-	5,956,510
Human services	-	-	75,000	-	-	-	-
Culture recreation	-	-	47,612	-	-	-	-
Capital outlay	2,289,597	-	-	-	-	2,967,420	116,864
Debt service	914,500	-	-	-	-	54,208	400,000
Total expenditures	<u>7,585,439</u>	<u>-</u>	<u>1,159,083</u>	<u>650,308</u>	<u>1,999</u>	<u>8,592,093</u>	<u>7,527,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>433,611</u>	<u>6,317,447</u>	<u>(244,681)</u>	<u>-</u>	<u>242,751</u>	<u>(1,521,787)</u>	<u>1,352,873</u>
OTHER FINANCING SOURCES (USES)							
Obligations under capital leases	-	-	-	-	-	2,742,687	-
Transfers from other funds	594,759	-	243,076	-	-	-	-
Transfers to other funds	(41,472)	(3,658,766)	-	-	(242,751)	(66,390)	(284,465)
Total other financing sources (uses)	<u>553,287</u>	<u>(3,658,766)</u>	<u>243,076</u>	<u>-</u>	<u>(242,751)</u>	<u>2,676,297</u>	<u>(284,465)</u>
Net change in fund balances	986,898	2,658,681	(1,605)	-	-	1,154,510	1,068,408
FUND BALANCE, beginning of year	5,529,857	16,683,884	192,015	(1,525)	-	4,707,775	7,885,247
FUND BALANCE, end of year	<u>\$ 6,516,755</u>	<u>\$ 19,342,565</u>	<u>\$ 190,410</u>	<u>\$ (1,525)</u>	<u>\$ -</u>	<u>\$ 5,862,285</u>	<u>\$ 8,953,655</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, 2019

	Permanent Funds				Total NonMajor Governmental Funds
	Cemetery Perpetual Care Fund	Scott Morris Mausoleum Fund	Webster Book Fund	Baldwin Book Fund	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 12,269,060
Intergovernmental	-	-	-	-	3,027,558
Charges for services	-	-	-	-	11,281,228
Fines and forfeitures	-	-	-	-	500
Miscellaneous	320,780	6,755	2,037	10,634	5,858,286
Total revenues	320,780	6,755	2,037	10,634	32,436,632
EXPENDITURES					
Current:					
General government	-	-	-	-	2,256,810
Public safety	-	-	-	-	59,370
Physical environment	-	-	-	-	1,340,956
Transportation	-	-	-	-	7,522,054
Economic environment	-	-	-	-	7,471,821
Human services	-	-	-	-	75,000
Culture recreation	-	-	-	-	47,612
Capital outlay	-	-	-	-	5,373,881
Debt service	-	-	-	-	1,368,708
Total expenditures	-	-	-	-	25,516,212
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	320,780	6,755	2,037	10,634	6,920,420
OTHER FINANCING SOURCES (USES)					
Obligations under capital leases	-	-	-	-	2,742,687
Transfers from other funds	49,548	-	-	-	887,383
Transfers to other funds	(132,228)	(600)	-	-	(4,426,672)
Total other financing sources (uses)	(82,680)	(600)	-	-	(796,602)
Net change in fund balances	238,100	6,155	2,037	10,634	6,123,818
FUND BALANCE, beginning of year	5,252,815	81,063	24,406	155,328	40,510,865
FUND BALANCE, end of year	\$ 5,490,915	\$ 87,218	\$ 26,443	\$ 165,962	\$ 46,634,683



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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, 2019

	Transportation Fund			Community Development Fund			State Housing Initiative Partnership Program		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES									
Taxes	\$ 5,617,000	\$ 6,060,873	\$ 443,873	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,413,047	1,470,321	(1,942,726)	2,439,610	777,031	(1,662,579)	913,698	531,637	(382,061)
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Miscellaneous	127,522	487,856	360,334	140,417	137,371	(3,046)	234,491	118,671	(115,820)
Total revenues	<u>9,157,569</u>	<u>8,019,050</u>	<u>(1,138,519)</u>	<u>2,580,027</u>	<u>914,402</u>	<u>(1,665,625)</u>	<u>1,148,189</u>	<u>650,308</u>	<u>(497,881)</u>
EXPENDITURES									
Current:									
General government	-	-	-	125,000	112,848	12,152	-	-	-
Public safety	-	-	-	72,132	59,370	12,762	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-
Transportation	7,573,924	4,381,342	3,192,582	-	-	-	-	-	-
Economic environment	-	-	-	2,691,727	864,253	1,827,474	1,148,189	650,308	497,881
Human services	-	-	-	78,391	75,000	3,391	-	-	-
Culture recreation	-	-	-	52,316	47,612	4,704	-	-	-
Capital outlay	17,134,166	2,289,597	14,844,569	-	-	-	-	-	-
Debt service	914,500	914,500	-	-	-	-	-	-	-
Total expenditures	<u>25,622,590</u>	<u>7,585,439</u>	<u>18,037,151</u>	<u>3,019,566</u>	<u>1,159,083</u>	<u>1,860,483</u>	<u>1,148,189</u>	<u>650,308</u>	<u>497,881</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(16,465,021)</u>	<u>433,611</u>	<u>16,898,632</u>	<u>(439,539)</u>	<u>(244,681)</u>	<u>194,858</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)									
Obligations under capital leases	-	-	-	-	-	-	-	-	-
Transfers from other funds	12,495,397	594,759	(11,900,638)	242,751	243,076	325	-	-	-
Transfers to other funds	(129,903)	(41,472)	88,431	-	-	-	-	-	-
Total other financing sources (uses)	<u>12,365,494</u>	<u>553,287</u>	<u>(11,812,207)</u>	<u>242,751</u>	<u>243,076</u>	<u>325</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(4,099,527)</u>	<u>986,898</u>	<u>5,086,425</u>	<u>(196,788)</u>	<u>(1,605)</u>	<u>195,183</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, beginning of year	3,040,235	5,529,857	2,489,622	(389)	192,015	192,404	(24,235)	(1,525)	22,710
FUND BALANCE, end of year	<u>\$ (1,059,292)</u>	<u>\$ 6,516,755</u>	<u>\$ 7,576,047</u>	<u>\$ (197,177)</u>	<u>\$ 190,410</u>	<u>\$ 387,587</u>	<u>\$ (24,235)</u>	<u>\$ (1,525)</u>	<u>\$ 22,710</u>

Neighborhood Stabilization Program			Stormwater Fund			Lakeland Community Redevelopment Agency		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,077,000	\$ 6,208,187	\$ 1,131,187
169,268	-	(169,268)	434,180	248,569	(185,611)	-	-	-
-	-	-	6,399,000	6,414,296	15,296	-	-	-
-	-	-	-	500	500	-	-	-
341,665	244,750	(96,915)	249,679	406,941	157,262	1,076,978	2,671,976	1,594,998
510,933	244,750	(266,183)	7,082,859	7,070,306	(12,553)	6,153,978	8,880,163	2,726,185
5,162	1,249	3,913	1,356,492	1,339,102	17,390	1,191,827	803,611	388,216
-	-	-	-	-	-	-	-	-
-	-	-	1,670,687	1,340,956	329,731	-	-	-
-	-	-	3,662,837	2,890,407	772,430	592,644	250,305	342,339
263,020	750	262,270	-	-	-	8,847,827	5,956,510	2,891,317
-	-	-	-	-	-	-	-	-
-	-	-	3,011,559	2,967,420	44,139	1,022,215	116,864	905,351
-	-	-	60,000	54,208	5,792	400,000	400,000	-
268,182	1,999	266,183	9,761,575	8,592,093	1,169,482	12,054,513	7,527,290	4,527,223
242,751	242,751	-	(2,678,716)	(1,521,787)	1,156,929	(5,900,535)	1,352,873	7,253,408
-	-	-	-	2,742,687	2,742,687	-	-	-
-	-	-	-	-	-	-	-	-
(242,751)	(242,751)	-	(66,904)	(66,390)	514	(284,465)	(284,465)	-
(242,751)	(242,751)	-	(66,904)	2,676,297	2,743,201	(284,465)	(284,465)	-
-	-	-	(2,745,620)	1,154,510	3,900,130	(6,185,000)	1,068,408	7,253,408
-	-	-	1,651,198	4,707,775	3,056,577	3,862,176	7,885,247	4,023,071
\$ -	\$ -	\$ -	\$ (1,094,422)	\$ 5,862,285	\$ 6,956,707	\$ (2,322,824)	\$ 8,953,655	\$ 11,276,479

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.

RP Funding Center – This fund accounts for operating and maintaining the RP Funding Center for public shows, civic and cultural events, entertainment and other activities.

Lakeland Linder International 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.

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-type Activities Enterprise Funds				Total Other Proprietary Funds
	Parking System Fund	RP Funding Center	Lakeland Linder International Airport Fund	Solid Waste Management Fund	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 508,831	\$ 639,650	\$ 725,836	\$ 8,000,692	\$ 9,875,009
Receivables	19,726	324,774	611,334	576,691	1,532,525
Less allowance for uncollectibles	(2,722)	(5,075)	(102,346)	(5,948)	(116,091)
Prepaid expenses	327	109,137	56,772	11,941	178,177
Asset apportionments set aside for (including \$9,135,980 in cash and cash equivalents)					
Current portion of bonds payable	-	877,550	1,340,288	-	2,217,838
Accrued interest payable	-	159,174	175,552	-	334,726
Due to other funds - Appt Asset	-	163,451	1,394,399	-	1,557,850
Accrued liabilities	-	-	5,025,566	-	5,025,566
Restricted Assets set aside for (including \$285,064 in cash and cash equivalents)					
Accrued liabilities	-	285,064	-	-	285,064
Total current assets	526,162	2,553,725	9,227,401	8,583,376	20,890,664
Non-current assets:					
Asset apportionments (including \$1,506,950 in cash and cash equivalents)	42,607	501,116	5,625,650	-	6,169,373
Restricted assets (including \$965,226 in cash and cash equivalents)	-	467,118	590	497,518	965,226
Capital assets:					
Land	1,553,061	2,611,443	14,029,120	934,279	19,127,903
Construction in progress	-	17,041,320	18,890,079	-	35,931,399
Utility plant, facilities & equipment in service	7,835,790	41,012,461	150,935,017	3,413,624	203,196,892
Less accumulated depreciation	(4,994,618)	(27,569,943)	(59,540,879)	(1,732,319)	(93,837,759)
Total capital assets	4,394,233	33,095,281	124,313,337	2,615,584	164,418,435
Total noncurrent assets	4,436,840	34,063,515	129,939,577	3,113,102	171,553,034
Total assets	4,963,002	36,617,240	139,166,978	11,696,478	192,443,698
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources related to pensions	38,152	784,678	235,424	609,943	1,668,197
Deferred outflows of resources related to OPEB	30,670	729,124	259,554	497,806	1,517,154
Unamortized loss on refunding	-	114,188	-	-	114,188
Total deferred outflows of resources	68,822	1,627,990	494,978	1,107,749	3,299,539

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS, CONTINUED
SEPTEMBER 30, 2019

	Business-type Activities Enterprise Funds				Total Other Proprietary Funds
	Parking System Fund	RP Funding Center	Lakeland Linder International Airport Fund	Solid Waste Management Fund	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 3,727	\$ 109,701	\$ 27,148	\$ 230,612	\$ 371,188
Accrued liabilities	19,434	215,437	97,497	208,484	540,852
Due to other funds	-	-	666,105	-	666,105
Accrued interest payable	-	7,133	-	-	7,133
Capital leases payable	-	117,988	-	-	117,988
Deposits payable	-	935,992	127,431	-	1,063,423
Unearned revenue	-	202,260	-	-	202,260
Current portion payable from apportioned assets					
Accrued interest payable	-	159,174	175,552	-	334,726
Bonds payable	-	877,550	1,340,288	-	2,217,838
Accrued liabilities	-	-	5,025,566	-	5,025,566
Due to other funds - apport	-	163,451	1,394,399	-	1,557,850
Current portion payable from restricted assets					
Accrued liabilities - restr	-	285,064	-	-	285,064
Total current liabilities	<u>23,161</u>	<u>3,073,750</u>	<u>8,853,986</u>	<u>439,096</u>	<u>12,389,993</u>
Noncurrent liabilities:					
Advances from other funds, less current portion - Apport	-	164,694	5,036,225	-	5,200,919
Restricted liabilities	-	-	-	497,518	497,518
Accrued liabilities, less current portion	6,299	251,873	99,161	198,469	555,802
Advances from other funds, less current portion	-	-	9,454,148	-	9,454,148
Net pension liability	186,351	2,449,519	838,221	3,046,628	6,520,719
Net OPEB liability	243,009	3,589,081	1,252,439	3,944,252	9,028,781
Capital leases payable, less current portion	-	246,955	-	-	246,955
Notes and loans payable, less current portion	-	-	2,862,064	-	2,862,064
Revenue bonds payable, less current portion	-	12,169,460	13,918,338	-	26,087,798
Total noncurrent liabilities	<u>435,659</u>	<u>18,871,582</u>	<u>33,460,596</u>	<u>7,686,867</u>	<u>60,454,704</u>
Total liabilities	<u>458,820</u>	<u>21,945,332</u>	<u>42,314,582</u>	<u>8,125,963</u>	<u>72,844,697</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions	81,813	453,107	322,055	646,659	1,503,634
Deferred inflows of resources related to OPEB	114,465	817,508	285,274	1,219,170	2,436,417
Total deferred inflows of resources	<u>196,278</u>	<u>1,270,615</u>	<u>607,329</u>	<u>1,865,829</u>	<u>3,940,051</u>
NET POSITION					
Net investment in capital assets	4,394,233	20,264,635	106,192,647	2,615,584	133,467,099
Restricted:					
Capital improvement	-	467,118	590	-	467,708
Unrestricted	(17,507)	(5,702,470)	(9,453,192)	196,851	(14,976,318)
Total net position	<u>\$ 4,376,726</u>	<u>\$ 15,029,283</u>	<u>\$ 96,740,045</u>	<u>\$ 2,812,435</u>	<u>\$ 118,958,489</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Enterprise Funds				Total Other Proprietary Funds
	Parking System Fund	RP Funding Center	Lakeland Linder International Airport Fund	Solid Waste Management Fund	
OPERATING REVENUES					
Charges for services	\$ 825,835	\$ 5,285,122	\$ 6,734,444	\$ 16,709,706	\$ 29,555,107
OPERATING EXPENSES					
Personal services	214,228	4,137,573	1,438,338	4,236,240	10,026,379
Other operating expenses	501,103	4,488,880	4,072,857	10,075,564	19,138,404
Depreciation	171,957	937,921	4,810,606	123,886	6,044,370
Total operating expenses	887,288	9,564,374	10,321,801	14,435,690	35,209,153
Operating income (loss)	(61,453)	(4,279,252)	(3,587,357)	2,274,016	(5,654,046)
NONOPERATING REVENUES (EXPENSES)					
Property and other taxes	-	614,076	-	-	614,076
Federal, state and local grants	-	49,995	348,467	-	398,462
Investment revenue	26,807	222,511	294,593	402,922	946,833
Loss on disposal of fixed assets	-	(14,186)	(100,604)	(2,652)	(117,442)
Net increase (decrease) in the fair value of investments and cash equivalents	15,844	545,100	133,109	221,696	915,749
Miscellaneous revenue	4,231	205,836	1,200,241	18,366	1,428,674
Interest expense	-	(357,426)	(850,365)	-	(1,207,791)
Amortization	-	(38,063)	-	-	(38,063)
Total nonoperating revenues (expenses)	46,882	1,227,843	1,025,441	640,332	2,940,498
Income (loss) before contributions, transfers	(14,571)	(3,051,409)	(2,561,916)	2,914,348	(2,713,548)
Capital grants and contributions	-	294,702	12,252,296	-	12,546,998
Transfers from other funds	41,472	4,330,810	-	-	4,372,282
Transfers to other funds	(51,057)	(4,494)	(175,952)	(2,000,926)	(2,232,429)
Total contributions and transfers	(9,585)	4,621,018	12,076,344	(2,000,926)	14,686,851
Change in net position	(24,156)	1,569,609	9,514,428	913,422	11,973,303
NET POSITION, beginning of year	4,400,882	13,459,674	87,225,617	1,899,013	106,985,186
NET POSITION, end of year	\$ 4,376,726	\$ 15,029,283	\$ 96,740,045	\$ 2,812,435	\$ 118,958,489

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-type Activities				
	Enterprise Funds				
	Parking System Fund	RP Funding Center	Lakeland Linder International Airport Fund	Solid Waste Management Fund	Total Other Proprietary Funds
Cash flows from operating activities:					
Receipts from customers	\$ 822,999	\$ 5,577,708	\$ 6,881,686	\$ 16,778,912	\$ 30,061,305
Payments for interfund services	(80,716)	(349,820)	(428,462)	(5,148,090)	(6,007,088)
Payments to suppliers	(417,017)	(4,188,862)	(3,632,036)	(4,919,027)	(13,156,942)
Payments to employees	(240,577)	(4,050,668)	(1,448,999)	(4,319,699)	(10,059,943)
Cash flows provided by (used in) operating activities	84,689	(3,011,642)	1,372,189	2,392,096	837,332
Cash flows from noncapital financing activities:					
Interest paid on customer deposits	-	-	-	(22,397)	(22,397)
Proceeds from local grants	-	49,995	355,286	-	405,281
Transfers from other funds	-	3,058,503	-	-	3,058,503
Transfers to other funds	(51,057)	(4,494)	(175,952)	(2,000,926)	(2,232,429)
Cash flows provided by (used in) noncapital financing activities	(51,057)	3,104,004	179,334	(2,023,323)	1,208,958
Cash flows from capital financing activities:					
Taxes received for payments on long-term debt	-	614,076	-	-	614,076
Interest paid on long-term debt issued to finance capital assets	-	(370,148)	(851,317)	-	(1,221,465)
Payments on interfund loans	-	(186,884)	(3,359,588)	-	(3,546,472)
Proceeds from issuance of internal loans	-	-	8,853,779	-	8,853,779
Payments on and maturities of long-term debt	-	(971,542)	(1,309,003)	-	(2,280,545)
Proceeds from issuance of long-term debt	-	-	2,862,064	-	2,862,064
Proceeds from capital grant programs	-	-	10,632,610	-	10,632,610
Transfers from other funds for capital purposes	41,472	1,272,307	-	-	1,313,779
Capital contributions from others	-	294,702	-	-	294,702
Purchase of capital assets	(76,755)	(8,625,753)	(15,860,267)	(83,093)	(24,645,868)
Cash flows provided by (used in) capital financing activities	(35,283)	(7,973,242)	968,278	(83,093)	(7,123,340)
Cash flows from investing activities:					
Investment revenue	26,807	222,511	294,593	425,319	969,230
Net increase (decrease) in the fair value of cash equivalents	15,844	545,100	133,109	221,696	915,749
Cash flows provided by (used in) investing activities	42,651	767,611	427,702	647,015	1,884,979
Net increase (decrease) in cash and cash equivalents	41,000	(7,113,269)	2,947,503	932,695	(3,192,071)
Cash and cash equivalents, beginning of year	510,438	10,206,392	6,677,955	7,565,515	24,960,300
Cash and cash equivalents, end of year	\$ 551,438	\$ 3,093,123	\$ 9,625,458	\$ 8,498,210	\$ 21,768,229
Classified as:					
Current	\$ 508,831	\$ 639,650	\$ 725,836	\$ 8,000,692	\$ 9,875,009
Apportioned	42,607	1,701,291	8,899,032	-	10,642,930
Restricted	-	752,182	590	497,518	1,250,290
Total	\$ 551,438	\$ 3,093,123	\$ 9,625,458	\$ 8,498,210	\$ 21,768,229
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (61,453)	\$ (4,279,252)	\$ (3,587,357)	\$ 2,274,016	\$ (5,654,046)
Depreciation	171,957	937,921	4,810,606	123,886	6,044,370
Miscellaneous revenue	4,231	205,836	1,200,241	18,366	1,428,674
(Increase) decrease in receivables, net	(7,067)	44,920	1,141	9,794	48,788
(Increase) in prepaid expenses	(260)	(5,734)	(786)	(11,061)	(17,841)
(Increase) decrease in deferred outflows related to pension	6,297	(34,045)	(52,639)	76,159	(4,228)
(Increase) in deferred outflows related to OPEB	(30,670)	(729,124)	(259,554)	(497,806)	(1,517,154)
Increase (decrease) in accounts payable	3,370	(49,802)	11,270	8,447	(26,715)
Increase (decrease) in accrued liabilities	(1,619)	24,237	29,453	30,586	82,657
Increase (decrease) in unearned revenue	-	32,573	(1,048,721)	-	(1,016,148)
(Decrease) in net pension liability	(61,731)	(162,892)	(20,226)	(399,836)	(644,685)
Increase (decrease) in deferred inflows related to pensions	38,350	149,247	(6,569)	217,649	398,677
Increase in deferred inflows related to OPEB	73,667	382,238	134,130	649,948	1,239,983
Increase (decrease) in net OPEB liability	(50,383)	458,996	165,530	(149,098)	425,045
Increase (decrease) in deposits payable	-	13,239	(4,330)	41,046	49,955
Net cash provided by (used in) operating activities	\$ 84,689	\$ (3,011,642)	\$ 1,372,189	\$ 2,392,096	\$ 837,332
Noncash investing, capital, or financing transactions:					
Capital grants and contributions not received, a noncash capital activity	\$ -	\$ -	\$ 4,573,054	\$ -	\$ 4,573,054
Net noncash investing, capital, or financing transactions	\$ -	\$ -	\$ 4,573,054	\$ -	\$ 4,573,054



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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, 2019

	Purchasing And Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,032,809	\$ 634,986	\$ 590,476
Receivables	-	10,511	-
Due from other funds	-	-	-
Due from other governments	-	195,304	-
Inventories	211,901	124,179	-
Prepaid expenses	527	2,635	5,691
Asset apportionments set aside for (including \$15,303,753 in cash and cash equivalents)			
Current portion of bonds payable	-	-	-
Accrued interest payable	-	-	-
Due to other funds	-	-	-
Accrued liabilities	-	321,904	-
Total current assets	<u>1,245,237</u>	<u>1,289,519</u>	<u>596,167</u>
Noncurrent assets:			
Assets apportionments (including \$74,535,380 in cash and cash equivalents)			
Other asset apportionments	-	38,615,022	-
	<u>-</u>	<u>38,615,022</u>	<u>-</u>
Capital assets:			
Land	-	9,972	-
Construction in progress	-	829,614	41,185
Utility plant, facilities & equipment in service	3,564,943	66,211,962	439,811
Less accumulated depreciation	(2,214,161)	(43,152,586)	(382,203)
Total capital assets	<u>1,350,782</u>	<u>23,898,962</u>	<u>98,793</u>
Other noncurrent assets:			
Advances to other funds, less current portion	-	-	-
Total other noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,350,782</u>	<u>62,513,984</u>	<u>98,793</u>
Total assets	<u>2,596,019</u>	<u>63,803,503</u>	<u>694,960</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	220,898	303,565	1,048,010
Deferred outflows of resources related to OPEB	138,181	226,490	1,190,216
Unamortized loss on refunding	-	-	-
Total deferred outflows of resources	<u>359,079</u>	<u>530,055</u>	<u>2,238,226</u>
LIABILITIES			
Current liabilities:			
Accounts payable	35,021	320,698	54,873
Accrued liabilities	57,926	132,922	213,491
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Deposits payable	15,770	-	-
Payable from apportioned assets:			
Accrued interest payable	-	-	-
Current portion of bonds payable	-	-	-
Accrued liabilities	-	321,904	-
Due to other funds	-	-	-
Total current liabilities	<u>108,717</u>	<u>775,524</u>	<u>268,364</u>
Noncurrent liabilities:			
Liabilities payable from apportioned assets			
Other liabilities payable from apportioned assets	-	-	-
Advances from other funds, less current portion	-	-	-
Accrued liabilities, less current portion	62,299	173,933	174,328
Advances from other funds, less current portion	-	-	-
Net pension liability	792,055	1,350,774	2,667,532
Net OPEB liability	1,028,123	1,794,541	3,962,945
Revenue bonds payable, less current portion	-	-	-
Unamortized bond premium	-	-	-
Total noncurrent liabilities	<u>1,882,477</u>	<u>3,319,248</u>	<u>6,804,805</u>
Total liabilities	<u>1,991,194</u>	<u>4,094,772</u>	<u>7,073,169</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	143,831	453,563	469,423
Deferred inflows of resources related to OPEB	234,183	413,817	902,664
Total deferred inflows of resources	<u>378,014</u>	<u>867,380</u>	<u>1,372,087</u>
NET POSITION			
Net investment in capital assets	1,350,782	23,898,962	98,793
Restricted			
Unrestricted	(764,892)	35,472,444	(5,610,863)
Total net position	<u>\$ 585,890</u>	<u>\$ 59,371,406</u>	<u>\$ (5,512,070)</u>

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 7,115,600	\$ -	\$ 7,420,694	\$ 16,794,565
-	-	-	10,511
-	-	3,359,161	3,359,161
-	-	-	195,304
-	-	-	336,080
2,199	-	-	11,052
-	-	5,598,552	5,598,552
-	-	1,785,178	1,785,178
75,013	-	-	75,013
54,172	7,468,934	-	7,845,010
<u>7,246,984</u>	<u>7,468,934</u>	<u>18,163,585</u>	<u>36,010,426</u>
5,938,454	25,182,594	-	69,736,070
<u>5,938,454</u>	<u>25,182,594</u>	<u>-</u>	<u>69,736,070</u>
-	-	-	9,972
886,887	-	-	1,757,686
31,136,451	-	-	101,353,167
(16,097,210)	-	-	(61,846,160)
<u>15,926,128</u>	<u>-</u>	<u>-</u>	<u>41,274,665</u>
-	-	19,445,034	19,445,034
-	-	19,445,034	19,445,034
21,864,582	25,182,594	19,445,034	130,455,769
<u>29,111,566</u>	<u>32,651,528</u>	<u>37,608,619</u>	<u>166,466,195</u>
1,701,933	-	-	3,274,406
1,203,227	-	-	2,758,114
-	-	483,321	483,321
<u>2,905,160</u>	<u>-</u>	<u>483,321</u>	<u>6,515,841</u>
340,320	-	-	750,912
521,842	-	-	926,181
1,060,193	-	-	1,060,193
-	-	12,176	12,176
-	-	-	15,770
-	-	1,785,178	1,785,178
-	-	5,598,552	5,598,552
54,172	7,468,934	-	7,845,010
75,013	-	-	75,013
<u>2,051,540</u>	<u>7,468,934</u>	<u>7,395,906</u>	<u>18,068,985</u>
-	16,152,911	-	16,152,911
17,755	-	-	17,755
691,741	-	-	1,102,301
4,772,212	-	-	4,772,212
7,443,363	-	-	12,253,724
9,533,497	-	-	16,319,106
-	-	15,993,507	15,993,507
-	-	6,595,051	6,595,051
<u>22,458,568</u>	<u>16,152,911</u>	<u>22,588,558</u>	<u>73,206,567</u>
<u>24,510,108</u>	<u>23,621,845</u>	<u>29,984,464</u>	<u>91,275,552</u>
1,946,509	-	-	3,013,326
3,285,821	-	-	4,836,485
<u>5,232,330</u>	<u>-</u>	<u>-</u>	<u>7,849,811</u>
15,926,128	-	-	41,274,665
(13,651,840)	9,029,683	8,107,476	32,582,008
<u>\$ 2,274,288</u>	<u>\$ 9,029,683</u>	<u>\$ 8,107,476</u>	<u>\$ 73,856,673</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, 2019

	Purchasing And Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
OPERATING REVENUES			
Charges for services	\$ 2,720,413	\$ 15,658,511	\$ 5,611,080
OPERATING EXPENSES			
Personal services	1,137,995	2,151,177	4,245,106
Other operating expenses	1,607,731	6,746,671	2,423,728
Depreciation	97,491	6,973,300	14,813
Total operating expenses	2,843,217	15,871,148	6,683,647
Operating income (loss)	(122,804)	(212,637)	(1,072,567)
NONOPERATING REVENUES (EXPENSES)			
Federal, state and local grants	-	26,088	-
Investment revenue	52,524	1,824,915	41,681
Loss on disposal of fixed assets	-	(176,124)	-
Net increase (decrease) in the fair value of investments and cash equivalents	(14,872)	1,009,992	64,521
Interest income on internal loans	-	-	-
Miscellaneous revenue	23,429	13,110	26,261
Rebate on fuel taxes	-	40,427	-
Interest expense	-	-	-
Amortization	-	-	-
Proceeds from the sale of capital assets	-	625,993	-
Total nonoperating revenues	61,081	3,364,401	132,463
Income (loss) before transfers	(61,723)	3,151,764	(940,104)
Transfers from other funds	-	1,522,793	-
Transfers to other funds	(9,552)	(8,220)	(4,073)
Total contributions and transfers	(9,552)	1,514,573	(4,073)
Change in net position	(71,275)	4,666,337	(944,177)
NET POSITION, beginning of year	657,165	54,705,069	(4,567,893)
NET POSITION, end of year	\$ 585,890	\$ 59,371,406	\$ (5,512,070)

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 20,773,145	\$ 38,027,509	\$ -	\$ 82,790,658
8,654,191	-	-	16,188,469
8,531,727	38,292,597	-	57,602,454
2,751,000	-	-	9,836,604
19,936,918	38,292,597	-	83,627,527
836,227	(265,088)	-	(836,869)
-	-	311,068	337,156
537,990	1,446,427	1,003,067	4,906,604
(52,405)	-	-	(228,529)
296,651	660,694	1,225,202	3,242,188
-	-	2,922,171	2,922,171
88,745	2,909,763	-	3,061,308
-	-	-	40,427
(264,415)	-	(3,756,586)	(4,021,001)
-	-	344,865	344,865
-	-	-	625,993
606,566	5,016,884	2,049,787	11,231,182
1,442,793	4,751,796	2,049,787	10,394,313
1,343,122	-	-	2,865,915
-	(189,089)	-	(210,934)
1,343,122	(189,089)	-	2,654,981
2,785,915	4,562,707	2,049,787	13,049,294
(511,627)	4,466,976	6,057,689	60,807,379
\$ 2,274,288	\$ 9,029,683	\$ 8,107,476	\$ 73,856,673

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Purchasing and Stores Fund</u>	<u>Fleet Management Fund</u>	<u>Facilities Maintenance Fund</u>
Cash flows from operating activities:			
Receipts from customers	\$ 15,770	\$ -	\$ -
Receipts for interfund services	3,448,316	15,837,663	5,637,341
Payments to suppliers	(655,811)	(6,448,189)	(1,929,010)
Payments for interfund services	(922,940)	(324,174)	(487,759)
Payments to employees	(1,129,814)	(2,241,897)	(4,001,508)
Cash flows provided by (used in) operating activities	<u>755,521</u>	<u>6,823,403</u>	<u>(780,936)</u>
Cash flows from noncapital financing activities:			
Proceeds from operating grants	-	26,088	-
Transfers to other funds	(9,552)	(8,220)	(4,073)
Cash flows provided by (used in) noncapital financing activities	<u>(9,552)</u>	<u>17,868</u>	<u>(4,073)</u>
Cash flows from capital financing activities:			
Interest received on internal loans	-	-	-
Repayments on and maturities of interfund loans - governmental funds	-	-	-
Issuance of interfund loans - governmental funds	-	-	-
Proceeds from repayment of interfund loans	-	-	-
Payments on interfund loans	-	-	-
Issuance of interfund loans	-	-	-
Interest paid on long-term debt issued to finance capital assets	-	-	-
Payments on and maturities of long-term debt	-	-	-
Transfers from other funds for capital purposes	-	1,522,793	-
Proceeds from rebates received on interest payments	-	-	-
Proceeds from sale of capital assets	-	625,993	-
Purchase of capital assets	-	(7,123,720)	(44,341)
Cash flows (used in) capital financing activities	<u>-</u>	<u>(4,974,934)</u>	<u>(44,341)</u>
Cash flows from investing activities:			
Investment revenue	52,524	1,824,915	41,681
Net Increase (decrease) in the fair value of cash equivalents	(14,872)	1,009,992	64,521
Cash flows provided by investing activities	<u>37,652</u>	<u>2,834,907</u>	<u>106,202</u>
Net increase (decrease) in cash and cash equivalents	783,621	4,701,244	(723,148)
Cash and cash equivalents, beginning of year	249,188	34,870,668	1,313,624
Cash and cash equivalents, end of year	<u>\$ 1,032,809</u>	<u>\$ 39,571,912</u>	<u>\$ 590,476</u>
Classified as:			
Current	\$ 1,032,809	\$ 634,986	\$ 590,476
Apportioned	-	38,936,926	-
Total	<u>\$ 1,032,809</u>	<u>\$ 39,571,912</u>	<u>\$ 590,476</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (122,804)	\$ (212,637)	\$ (1,072,567)
Depreciation	97,491	6,973,300	14,813
Rebate on fuel taxes	-	40,427	-
Miscellaneous revenue	23,429	13,110	26,261
(Increase) in receivables, net	-	(10,511)	-
Decrease in due from other governments	-	136,125	-
(Increase) decrease in inventory	743,400	(119,046)	-
(Increase) in prepaid expenses	(310)	(2,247)	(4,880)
(Increase) decrease in deferred outflows related to pensions	(9,264)	(2,712)	(220,954)
(Increase) in deferred outflows related to OPEB	(138,181)	(226,490)	(1,190,216)
Increase (decrease) in accounts payable	(9,946)	93,354	6,959
Increase (decrease) in accrued liabilities	(5,713)	(1,879)	24,191
Increase in deposits payable	15,770	-	-
Increase (decrease) in net pension liability	(44,796)	(127,118)	83,657
Increase in net OPEB liability	57,485	79,649	910,015
Increase in estimated liability for unpaid claims	-	-	-
Increase in deferred inflows related to pensions	49,754	14,733	163,661
Increase in deferred inflows related to OPEB	99,206	175,345	478,124
Net cash provided by (used in) operating activities	<u>\$ 755,521</u>	<u>\$ 6,823,403</u>	<u>\$ (780,936)</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 (CONTINUED)

	Information Technology Fund	Self-Insurance Fund	Internal Loan Fund	Total Internal Service Funds
Cash flows from operating activities:				
Receipts from customers	\$ -	\$ -	\$ -	\$ 15,770
Receipts for interfund services	20,861,890	40,800,190	-	86,585,400
Payments to Suppliers	(7,007,977)	(36,726,332)	-	(52,767,319)
Payments for interfund services	(1,525,967)	(209,478)	-	(3,470,318)
Payments to employees	(8,964,377)	-	-	(16,337,596)
Cash flows provided by operating activities	<u>3,363,569</u>	<u>3,864,380</u>	<u>-</u>	<u>14,025,937</u>
Cash flows from noncapital financing activities:				
Proceeds from operating grants	-	-	-	26,088
Transfers to other funds	-	(189,089)	-	(210,934)
Cash flows provided by (used in) noncapital financing activities	<u>-</u>	<u>(189,089)</u>	<u>-</u>	<u>(184,846)</u>
Cash flows from capital financing activities:				
Interest received on internal loans	-	-	2,922,171	2,922,171
Repayments on & maturities of interfund loans - govt'l funds	-	-	5,610,303	5,610,303
Issuance of interfund loans - govt'l funds	-	-	(12,553,014)	(12,553,014)
Proceeds from repayment of interfund loans	-	-	4,637,513	4,637,513
Payments on interfund loans	(1,091,040)	-	-	(1,091,040)
Issuance of interfund loans	-	-	(8,853,779)	(8,853,779)
Interest paid on LT debt issued to finance capital assets	(264,415)	-	(3,892,624)	(4,157,039)
Payments on and maturities of long-term debt	-	-	(7,125,000)	(7,125,000)
Transfers from other funds for capital purposes	1,343,122	-	-	2,865,915
Proceeds from rebates on interest payments	-	-	311,068	311,068
Proceeds from the sale of capital assets	-	-	-	625,993
Purchase of capital assets	(1,981,320)	-	-	(9,149,381)
Cash flows provided by (used in) capital financing activities	<u>(1,993,653)</u>	<u>-</u>	<u>(18,943,362)</u>	<u>(25,956,290)</u>
Cash Flows from investing activities:				
Investment revenue	537,990	1,446,427	1,003,067	4,906,604
Net increase (decrease) in the fair value of cash equivalents	296,651	660,694	1,225,202	3,242,188
Cash flows provided by (used in) investing activities	<u>834,641</u>	<u>2,107,121</u>	<u>2,228,269</u>	<u>8,148,792</u>
Net increase (decrease) in cash and cash equivalents	2,204,557	5,782,412	(16,715,093)	(3,966,407)
Cash and cash equivalents, beginning of year	10,978,682	25,668,426	31,519,517	104,600,105
Cash and cash equivalents, end of year	<u>\$ 13,183,239</u>	<u>\$ 31,450,838</u>	<u>\$ 14,804,424</u>	<u>\$ 100,633,698</u>
Classified as:				
Current	\$ 7,115,600	\$ -	\$ 7,420,694	\$ 16,794,565
Apportioned	6,067,639	31,450,838	7,383,730	83,839,133
Total	<u>\$ 13,183,239</u>	<u>\$ 31,450,838</u>	<u>\$ 14,804,424</u>	<u>\$ 100,633,698</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 836,227	\$ (265,088)	\$ -	\$ (836,869)
Depreciation	2,751,000	-	-	9,836,604
Rebate on fuel taxes	-	-	-	40,427
Miscellaneous revenue	88,745	2,909,763	-	3,061,308
(Increase) in receivables, net	-	(137,082)	-	(147,593)
Decrease in due from other governments	-	-	-	136,125
(Increase) decrease in inventory	-	-	-	624,354
(Increase) in prepaid expenses	(1,097)	-	-	(8,534)
(Increase) decrease in deferred outflows related to pensions	222,402	-	-	(10,528)
(Increase) in deferred outflows related to OPEB	(1,203,227)	-	-	(2,758,114)
Increase (decrease) in accounts payable	(2,217)	1,322,876	-	1,411,026
Increase (decrease) in accrued liabilities	68,999	-	-	85,598
Increase in deposits payable	-	-	-	15,770
Increase (decrease) in net pension liability	(1,503,479)	-	-	(1,591,736)
Increase in net OPEB liability	(715,294)	-	-	331,855
Increase in estimated liability for unpaid claims	-	33,911	-	33,911
Increase in deferred inflows related to pensions	960,887	-	-	1,189,035
Increase in deferred inflows related to OPEB	1,860,623	-	-	2,613,298
Net cash provided by (used in) operating activities	<u>\$ 3,363,569</u>	<u>\$ 3,864,380</u>	<u>\$ -</u>	<u>14,025,937</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 custodial 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.

County Impact Fee 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
TRUST FUNDS
SEPTEMBER 30, 2019

	Pension and Other Employees Benefit Trust Funds				Private Purpose	Total
	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	\$ 7,166,906	\$ 2,742,896	\$ 586,369	\$ -	\$ -	\$ 10,496,171
Mutual funds	70,291,706	93,599,602	97,872,152	-	-	261,763,460
US government obligations	35,510,135	8,376,511	-	-	-	43,886,646
Corporate notes and bonds	48,590,930	6,498,850	-	-	-	55,089,780
Municipal bonds	-	812,333	-	-	-	812,333
Corporate stocks	192,768,993	14,549,607	-	-	-	207,318,600
Alternate investments	22,513,586	-	-	-	-	22,513,586
Fixed income funds	24,244,585	-	-	-	-	24,244,585
Real estate funds	70,300,972	-	-	-	-	70,300,972
Private equity funds	128,373,412	-	-	-	-	128,373,412
Consolidated fund	-	-	-	9,009,718	2,317,410	11,327,128
Prepaid expenses	-	561	1,689	-	-	2,250
Accrued interest receivable	588,312	104,049	162,531	-	-	854,892
Unsettled investment sales, net	316,948	-	-	-	-	316,948
Contributions	1,064,421	246,514	118,611	76,670	-	1,506,216
Due from other governments	-	-	780,047	-	-	780,047
Total assets	601,730,906	126,930,923	99,521,399	9,086,388	2,317,410	839,587,026
LIABILITIES						
Accounts payable	535,323	364,761	57,465	-	-	957,549
Unsettled investment purchases, net	553,771	-	-	-	-	553,771
Due to other funds	-	-	-	12,286	586,049	598,335
Total liabilities	1,089,094	364,761	57,465	12,286	586,049	2,109,655
NET POSITION						
Restricted for DROP and other accounts	23,426,862	6,036,559	1,677,716	-	-	31,141,137
Restricted for OPEB benefits	-	-	-	9,074,102	-	9,074,102
Net Position Restricted for pension benefits and other purposes	577,214,950	120,529,603	97,786,218	-	1,731,361	797,262,132
Total net position	\$ 600,641,812	\$ 126,566,162	\$ 99,463,934	\$ 9,074,102	\$ 1,731,361	\$ 837,477,371

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Pension and Other Employees Benefit Trust Funds				Private Purpose Trust Fund	Total 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	
ADDITIONS						
Contributions:						
Employer	\$ 15,783,779	\$ 3,206,499	\$ 1,833,070	\$ 6,197,320	\$ -	\$ 27,020,668
Plan Members	7,755,783	2,656,469	1,147,416	178,448	-	11,738,116
On-behalf payments - State of Florida	-	1,007,757	780,047	-	-	1,787,804
Total contributions	<u>23,539,562</u>	<u>6,870,725</u>	<u>3,760,533</u>	<u>6,375,768</u>	<u>-</u>	<u>40,546,588</u>
Net investment income:						
Interest and dividends	8,854,976	3,895,033	2,146,636	527,946	130,385	15,554,976
Net increase in fair value of investments	7,706,394	1,075,869	1,783,840	125,432	(208,727)	10,482,808
Investment advisor fee	(1,891,094)	(260,860)	(151,526)	-	-	(2,303,480)
Net investment income (loss)	<u>14,670,276</u>	<u>4,710,042</u>	<u>3,778,950</u>	<u>653,378</u>	<u>(78,342)</u>	<u>23,734,304</u>
Miscellaneous income	67,916	1,339	-	-	-	69,255
Total additions	<u>38,277,754</u>	<u>11,582,106</u>	<u>7,539,483</u>	<u>7,029,146</u>	<u>(78,342)</u>	<u>64,350,147</u>
DEDUCTIONS						
Benefits paid	45,442,520	10,664,778	5,801,174	6,251,279	-	68,159,751
Refunds, former plan members	-	-	-	5,022	-	5,022
Refunds, former employees	1,377,268	58,292	3,090	-	-	1,438,650
Administrative expenses	222,917	190,932	117,069	-	-	530,918
Other	-	-	-	-	691,054	691,054
Transfers to other funds	29,549	-	-	-	-	29,549
Total deductions	<u>47,072,254</u>	<u>10,914,002</u>	<u>5,921,333</u>	<u>6,256,301</u>	<u>691,054</u>	<u>70,854,944</u>
CHANGE IN NET POSITION						
RESTRICTED	(8,794,500)	668,104	1,618,150	772,845	(769,396)	(6,504,797)
NET POSITION, beginning of year	<u>609,436,312</u>	<u>125,898,058</u>	<u>97,845,784</u>	<u>8,301,257</u>	<u>2,500,757</u>	<u>843,982,168</u>
NET POSITION, end of year	<u>\$ 600,641,812</u>	<u>\$ 126,566,162</u>	<u>\$ 99,463,934</u>	<u>\$ 9,074,102</u>	<u>\$ 1,731,361</u>	<u>\$ 837,477,371</u>

CITY OF LAKELAND, FLORIDA

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED SEPTEMBER 30, 2019

	<u>2019</u>
<u>County Impact Fee Fund</u>	
Cash and cash equivalents, beginning balance	\$ 7,772,203
Add:	
Impact fee collections	5,515,011
Net investment income:	
Interest and dividends	406,149
Net increase in the fair value of investments	248,609
Less:	
Impact fee remittance to the County	(5,711,174)
Administrative fee	(73,628)
Joint City/County transportation projects	<u>(134,897)</u>
Cash and cash equivalents, ending balance	<u>\$ 8,022,273</u>
Accounts payable/due to other governments, beginning balance	\$ 7,772,203
Add:	
Impact fee collections	5,515,011
Net investment income:	
Interest and dividends	406,149
Net increase in the fair value of investments	248,609
Less:	
Impact fee remittances to the County	(5,711,174)
Administrative fee	(73,628)
Joint City/County transportation projects	<u>(134,897)</u>
Accounts payable/due to other governments, ending balance	<u>\$ 8,022,273</u>



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Schedules



COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30,

2019





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CITY OF LAKELAND, FLORIDA

SCHEDULE OF LONG-TERM DEBT - ALL FUNDS
SEPTEMBER 30, 2019

	Interest Rate	Date	
		Issue	Final Maturity
GOVERNMENTAL FUNDS			
Lease Payable - Leasing2 - Wheel loaders	2.80	09-16-19	03-15-25
Lease Payable - Leasing2 - Vactor Trucks	2.80	09-16-19	04-16-25
Lease Payable - Leasing2 - Sweepers	2.80	09-16-19	07-16-24
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 3.577	10-22-14	07-17-22
Internal Loans	1.500 to 4.000	03-31-05	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 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
Energy System Revenue Bonds, Series 2018	3.250 to 5.000	09-27-18	10-01-37
LAKELAND LINDER INTERNATIONAL AIRPORT FUND			
Capital Improvement Revenue Note, Series 2017B	2.440	05-23-17	04-01-26
Internal Loans	4.000	09-30-10	09-30-35
Capital Improvement Revenue Note, Series 2017A	2.440	05-23-17	04-01-32
State Infrastructure Bank (SIB) Loan Agreement	2.850	10-01-18	10-01-35
RP FUNDING CENTER FUND			
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	12-31-21
WATER AND WASTEWATER UTILITIES			
Capital Improvement Revenue and Refunding Bonds, Series 2010A	3.000 to 5.000	09-30-10	10-01-23
Capital Improvement Revenue and Refunding Bonds, Series 2010C	5.929 to 6.029	09-30-10	10-01-40
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A	.930 to 5.000	01-12-12	10-01-32
Water and Wastewater Revenue Note, Series 2015	2.420	11-12-15	10-01-25
Loan Payable - Wastewater Revolving Loan Program	0.000 to 0.440	10-24-16	01-15-40
Loan Payable - Wastewater Revolving Loan Program	2.960	01-31-04	09-30-28
Loan Payable - Wastewater Revolving Loan Program	0.000 to 0.060	05-07-18	12-15-42
Loan Payable - Wastewater Revolving Loan Program	1.960	11-27-18	06-15-40
Loan Payable - Wastewater Revolving Loan Program	1.160	03-03-17	08-15-40
Loan Payable - Wastewater Revolving Loan Program	1.690	02-11-14	04-15-36
INFORMATION TECHNOLOGY FUND			
Internal Loans	4.000	09-30-10	09-30-25
INTERNAL LOAN FUND			
Taxable Capital Improvement Refunding Revenue Note, Series 2015	5.000	09-29-15	10-01-20
Capital Improvement Revenue Bonds, Series 2015	2.00 to 5.00	05-20-15	10-01-36
Capital Improvement Refunding Note, Series 2012A	0.0175	12-20-12	10-01-22
Capital Improvement Revenue and Refunding Bonds, Series 2010A	3.000 to 5.000	09-30-10	10-01-23
Capital Improvement Revenue and Refunding Bonds, Series 2010B	4.407	09-30-10	10-01-20
Capital Improvement Revenue and Refunding Bonds, Series 2010C	5.929 to 6.029	09-30-10	10-01-40
TOTAL ALL FUNDS			

CITY OF LAKELAND, FLORIDA

SCHEDULE OF LONG-TERM DEBT - ALL FUNDS
SEPTEMBER 30, 2019

Original Issue Amount	Outstanding October 1, 2018	Issued During Year	Retired During Year	Outstanding September 30, 2019	Interest Payable in Future Years	Principal and Interest Payable in Future Years
\$ 458,389	\$ -	\$ 458,389	\$ -	\$ 458,389	\$ 50,164	\$ 508,553
1,079,164	-	1,079,164	-	1,079,164	100,928	1,180,092
1,663,523	-	1,663,523	-	1,663,523	134,804	1,798,327
784,107	615,962	-	97,401	518,561	35,508	554,069
252,000	164,581	-	50,476	114,105	3,467	117,572
9,175	4,955	-	3,100	1,855	20	1,875
7,275	4,400	-	1,879	2,521	209	2,730
1,280,000	458,005	-	108,130	349,875	25,652	375,527
455,000	2,500	-	2,500	-	-	-
975,000	283,544	-	109,843	173,701	8,676	182,377
1,204,179	387,518	427,800	191,099	624,219	42,417	666,636
92,070,675	54,055,593	12,553,014	5,610,303	60,998,304	16,953,064	77,951,368
100,238,487	55,977,058	16,181,890	6,174,731	65,984,217	17,354,909	83,339,126
138,650,000	130,965,000	-	4,350,000	126,615,000	36,841,362	163,456,362
97,000,000	97,000,000	-	-	97,000,000	19,245,752	116,245,752
199,300,000	135,510,000	-	17,950,000	117,560,000	55,418,413	172,978,413
43,945,000	43,945,000	-	-	43,945,000	18,337,881	62,282,881
478,895,000	407,420,000	-	22,300,000	385,120,000	129,843,408	514,963,408
15,879,855	15,084,374	-	1,159,333	13,925,041	928,954	14,853,995
24,404,838	11,056,686	8,853,779	3,359,588	16,550,877	3,699,509	20,250,386
1,629,431	1,483,254	-	149,670	1,333,584	150,460	1,484,044
4,626,400	-	2,862,064	-	2,862,064	883,736	3,745,800
46,540,524	27,624,314	11,715,843	4,668,591	34,671,566	5,662,659	40,334,225
14,741,138	13,904,077	-	857,066	13,047,011	2,308,407	15,355,418
1,166,640	479,417	-	114,474	364,943	22,634	387,577
1,576,600	515,030	-	186,885	328,145	13,453	341,598
17,484,378	14,898,524	-	1,158,425	13,740,099	2,344,494	16,084,593
8,336,615	4,691,615	-	1,350,000	3,341,615	313,761	3,655,376
5,209,023	5,209,023	-	-	5,209,023	2,023,963	7,232,986
37,325,000	35,320,000	-	1,665,000	33,655,000	11,921,025	45,576,025
10,600,000	9,387,996	-	628,087	8,759,909	1,143,501	9,903,410
12,284,141	9,145,795	2,432,602	-	11,578,397	93,072	11,671,469
42,734,405	24,734,896	-	2,131,855	22,603,041	2,747,218	25,350,259
15,494,263	1,675,687	2,063,577	-	3,739,264	-	3,739,264
1,050,000	172,763	241,231	-	413,994	88,432	502,426
1,000,000	573,905	207,654	-	781,559	96,418	877,977
1,301,890	1,212,830	-	231,454	981,376	193,079	1,174,455
135,335,337	92,124,510	4,945,064	6,006,396	91,063,178	18,620,469	109,683,647
15,850,151	7,016,213	-	1,091,040	5,925,173	737,180	6,662,353
15,850,151	7,016,213	-	1,091,040	5,925,173	737,180	6,662,353
5,000,000	5,000,000	-	-	5,000,000	81,250	5,081,250
51,465,000	48,580,000	-	2,640,000	45,940,000	17,931,288	63,871,288
12,375,000	9,716,000	-	1,875,000	7,841,000	277,488	8,118,488
40,153,385	7,088,385	-	1,505,000	5,583,385	472,529	6,055,914
10,140,000	3,425,000	-	1,105,000	2,320,000	103,124	2,423,124
15,905,977	15,905,977	-	-	15,905,977	8,711,810	24,617,787
135,039,362	89,715,362	-	7,125,000	82,590,362	27,577,489	110,167,851
<u>\$ 929,383,239</u>	<u>\$ 694,775,981</u>	<u>\$ 32,842,797</u>	<u>\$ 48,524,183</u>	<u>\$ 679,094,595</u>	<u>\$ 202,140,608</u>	<u>\$ 881,235,203</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2019

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010A

Fiscal Year	INTERNAL LOAN PORTION			WATER UTILITIES PORTION		
	Principal	Interest	Total	Principal	Interest	Total
2019-20	\$ 1,570,000	\$ 192,482	\$ 1,762,482	\$ 1,400,000	\$ 122,681	\$ 1,522,681
2020-21	1,545,000	130,057	1,675,057	470,000	80,631	550,631
2021-22	870,000	85,132	955,132	480,000	61,581	541,581
2022-23	935,000	48,276	983,276	510,000	36,831	546,831
2023-24	663,385	16,582	679,967	481,615	12,037	493,652
TOTALS	<u>\$ 5,583,385</u>	<u>\$ 472,529</u>	<u>\$ 6,055,914</u>	<u>\$ 3,341,615</u>	<u>\$ 313,761</u>	<u>\$ 3,655,376</u>

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS,
SERIES 2010B

Fiscal Year	INTERNAL LOAN FUND		
	Principal	Interest	Total
2019-20	\$ 1,140,000	\$ 77,123	\$ 1,217,123
2020-21	1,180,000	26,001	1,206,001
TOTALS	<u>\$ 2,320,000</u>	<u>\$ 103,124</u>	<u>\$ 2,423,124</u>

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010C

Fiscal Year	INTERNAL LOAN PORTION			WATER UTILITIES PORTION		
	Principal	Interest	Total	Principal	Interest	Total
2019-20	\$ -	\$ 619,435	\$ 619,435	\$ -	\$ 201,742	\$ 201,742
2020-21	-	619,435	619,435	-	201,742	201,742
2021-22	-	619,435	619,435	-	201,742	201,742
2022-23	-	619,435	619,435	-	201,741	201,741
2023-24	-	619,435	619,435	-	201,741	201,741
2024-25	790,000	604,212	1,394,212	460,000	192,878	652,878
2025-26	825,000	573,092	1,398,092	480,000	174,765	654,765
2026-27	805,000	541,683	1,346,683	515,000	155,592	670,592
2027-28	850,000	509,793	1,359,793	520,000	135,648	655,648
2028-29	885,000	476,361	1,361,361	540,000	115,223	655,223
2029-30	910,000	441,772	1,351,772	570,000	93,834	663,834
2030-31	930,000	406,317	1,336,317	595,000	71,385	666,385
2031-32	825,000	372,231	1,197,231	620,000	47,772	667,772
2032-33	855,000	339,313	1,194,313	645,000	22,985	667,985
2033-34	925,977	304,416	1,230,393	264,023	5,173	269,196
2034-35	930,000	268,049	1,198,049	-	-	-
2035-36	965,000	230,918	1,195,918	-	-	-
2036-37	1,000,000	192,416	1,192,416	-	-	-
2037-38	1,040,000	152,443	1,192,443	-	-	-
2038-39	1,080,000	110,903	1,190,903	-	-	-
2039-40	1,120,000	67,796	1,187,796	-	-	-
2040-41	1,170,000	22,920	1,192,920	-	-	-
TOTALS	<u>\$ 15,905,977</u>	<u>\$ 8,711,810</u>	<u>\$ 24,617,787</u>	<u>\$ 5,209,023</u>	<u>\$ 2,023,963</u>	<u>\$ 7,232,986</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
 SEPTEMBER 30, 2019

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2012A

Fiscal Year	INTERNAL LOAN PORTION		
	Principal	Interest	Total
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>\$ 7,841,000</u>	<u>\$ 277,488</u>	<u>\$ 8,118,488</u>

CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2015

Fiscal Year	INTERNAL LOAN FUND		
	Principal	Interest	Total
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>\$ 45,940,000</u>	<u>\$ 17,931,288</u>	<u>\$ 63,871,288</u>

TAXABLE CAPITAL IMPROVEMENT REFUNDING REVENUE
 NOTE, SERIES 2015

Fiscal Year	INTERNAL LOAN FUND		
	Principal	Interest	Total
2019-20	\$ -	\$ 75,000	\$ 75,000
2020-21	5,000,000	6,250	5,006,250
TOTALS	<u>\$ 5,000,000</u>	<u>\$ 81,250</u>	<u>\$ 5,081,250</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2019

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2017A

Fiscal Year	AIRPORT PORTION			RP FUNDING CENTER PORTION		
	Principal	Interest	Total	Principal	Interest	Total
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	\$ 1,333,584	\$ 150,460	\$ 1,484,044	\$ 13,047,011	\$ 2,308,407	\$ 15,355,418

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2017B

Fiscal Year	AIRPORT PORTION		
	Principal	Interest	Total
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	1,122,862	23,581	1,146,443
TOTALS	\$ 13,925,041	\$ 928,954	\$ 14,853,995

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

Fiscal Year	WATER UTILITIES PORTION		
	Principal	Interest	Total
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	\$ 33,655,000	\$ 11,921,025	\$ 45,576,025

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2019

CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2015

Fiscal Year	WATER UTILITIES PORTION			WASTEWATER UTILITIES PORTION		
	Principal	Interest	Total	Principal	Interest	Total
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	<u>\$ 6,154,909</u>	<u>\$ 885,287</u>	<u>\$ 7,040,196</u>	<u>\$ 2,605,000</u>	<u>\$ 258,214</u>	<u>\$ 2,863,214</u>

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010

Fiscal Year	Principal	Interest	Total
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>\$ 117,560,000</u>	<u>\$ 55,418,413</u>	<u>\$ 172,978,413</u>

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2016

Fiscal Year	Principal	Interest	Total
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>\$ 126,615,000</u>	<u>\$ 36,841,362</u>	<u>\$ 163,456,362</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)
SEPTEMBER 30, 2019

ENERGY SYSTEM REFUNDING BONDS, SERIES 2017

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	\$ 19,245,752	\$ 116,245,752

ENERGY SYSTEM REFUNDING BONDS, SERIES 2018

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019-20	\$ -	\$ 1,952,313	\$ 1,952,313
2020-21	2,630,000	1,886,562	4,516,562
2021-22	3,995,000	1,720,937	5,715,937
2022-23	2,930,000	1,547,813	4,477,813
2023-24	1,985,000	1,424,937	3,409,937
2024-25	1,520,000	1,337,313	2,857,313
2025-26	855,000	1,277,937	2,132,937
2026-27	380,000	1,247,063	1,627,063
2027-28	1,345,000	1,203,937	2,548,937
2028-29	1,025,000	1,144,688	2,169,688
2029-30	4,870,000	997,313	5,867,313
2030-31	4,360,000	766,562	5,126,562
2031-32	4,875,000	578,344	5,453,344
2032-33	4,460,000	423,862	4,883,862
2033-34	4,050,000	267,600	4,317,600
2034-35	-	186,600	186,600
2035-36	-	186,600	186,600
2036-37	2,310,000	140,400	2,450,400
2037-38	2,355,000	47,100	2,402,100
TOTALS	\$ 43,945,000	\$ 18,337,881	\$ 62,282,881

CITY OF LAKELAND, FLORIDA

ANALYSIS OF SINKING FUND AND RESERVE ACCOUNT REQUIREMENTS
SEPTEMBER 30, 2019

	<u>Sinking Fund</u>	<u>Reserve Account</u>	<u>Total</u>
<u>CAPITAL IMPROVEMENT REVENUE BONDS</u>			
FUNDS REQUIRED, all series	\$ 5,448,094	\$ -	\$ 5,448,094
FUNDS AVAILABLE			
Cash	-	-	-
Cash with paying agent	5,448,094	-	5,448,094
Investments	-	-	-
Market value	-	-	-
Total funds available	<u>5,448,094</u>	<u>-</u>	<u>5,448,094</u>
FUNDING OVER REQUIREMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS

FUNDS REQUIRED, all series	\$ 4,987,502	\$ -	\$ 4,987,502
FUNDS AVAILABLE			
Cash	-	-	-
Cash with paying agent	4,987,502	-	4,987,502
Investments	-	-	-
Market value	-	-	-
Receivables	-	-	-
Total funds available	<u>4,987,502</u>	<u>-</u>	<u>4,987,502</u>
FUNDING OVER REQUIREMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

FUNDS REQUIRED, all series	\$ 2,521,075	\$ -	\$ 2,521,075
FUNDS AVAILABLE			
Cash with paying agent	2,521,075	-	2,521,075
Investments	-	-	-
Market value	-	-	-
Total funds available	<u>2,521,075</u>	<u>-</u>	<u>2,521,075</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
2020 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending Sept 30	Capital Improvement Revenue and Refunding Bonds Series 2010A	Capital Improvement Revenue and Refunding Bonds Series 2010B	Capital Improvement Revenue and Refunding Bonds Series 2010C	Capital Improvement Refunding Note - Internal Loan Fund Portion Series 2012A	Capital Improvement Revenue Bonds Series 2015
2020	\$ 3,285,163	\$ 1,217,123	\$ 821,177	\$ 2,028,523	\$ 6,411,813
2021	2,225,688	1,206,001	821,177	2,029,826	6,149,188
2022	1,496,713	-	821,177	2,029,526	3,451,313
2023	1,530,107	-	821,176	2,030,613	3,444,938
2024	1,173,619	-	821,176	-	3,444,063
2025	-	-	2,047,090	-	3,438,438
2026	-	-	2,052,857	-	3,311,063
2027	-	-	2,017,275	-	3,248,313
2028	-	-	2,015,441	-	3,246,938
2029	-	-	2,016,584	-	3,172,063
2030	-	-	2,015,606	-	3,168,563
2031	-	-	2,002,702	-	3,169,313
2032	-	-	1,865,003	-	3,168,938
2033	-	-	1,862,298	-	3,169,344
2034	-	-	1,499,589	-	3,181,500
2035	-	-	1,198,049	-	3,166,100
2036	-	-	1,195,918	-	3,163,000
2037	-	-	1,192,416	-	2,366,400
2038	-	-	1,192,443	-	-
2039	-	-	1,190,903	-	-
2040	-	-	1,187,796	-	-
2041	-	-	1,192,920	-	-
	<u>\$ 9,711,290</u>	<u>\$ 2,423,124</u>	<u>\$ 31,850,773</u>	<u>\$ 8,118,488</u>	<u>\$ 63,871,288</u>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY
ALL OUTSTANDING REVENUE BOND SERIES, CONTINUED
2020 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year Ending Sept 30</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>	<u>Water and Wastewater Revenue Refunding and Improvement Bonds Series 2012A</u>
2020	\$ 75,000	\$ 1,379,181	\$ 1,479,467	\$ 855,277	\$ 3,273,225
2021	5,006,250	1,378,953	6,560,199	855,276	3,264,175
2022	-	1,378,721	2,064,886	855,277	3,266,550
2023	-	1,378,480	1,334,094	855,277	3,264,175
2024	-	1,378,237	1,132,910	855,277	3,257,050
2025	-	1,377,987	1,135,996	855,276	3,254,925
2026	-	1,377,731	1,146,443	4,771,750	3,252,425
2027	-	1,377,469	-	-	3,249,300
2028	-	1,163,597	-	-	3,250,175
2029	-	1,163,082	-	-	3,244,800
2030	-	1,162,554	-	-	3,242,925
2031	-	1,162,012	-	-	3,253,900
2032	-	1,161,458	-	-	3,253,700
2033	-	-	-	-	3,248,700
2034	-	-	-	-	-
2035	-	-	-	-	-
2036	-	-	-	-	-
2037	-	-	-	-	-
2038	-	-	-	-	-
2039	-	-	-	-	-
2040	-	-	-	-	-
2041	-	-	-	-	-
	<u>\$ 5,081,250</u>	<u>\$ 16,839,462</u>	<u>\$ 14,853,995</u>	<u>\$ 9,903,410</u>	<u>\$ 45,576,025</u>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY
ALL OUTSTANDING REVENUE BOND SERIES, CONTINUED
2020 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year Ending Sept 30</u>	<u>Energy System Refunding Revenue Bonds Series 2010</u>	<u>Energy System Refunding Revenue Bonds Series 2016</u>	<u>Energy System Refunding Bonds Series 2017</u>	<u>Energy System Refunding Bonds Series 2018</u>	<u>Total</u>
2020	\$ 19,450,050	\$ 9,832,669	\$ 3,099,591	\$ 1,952,313	\$ 55,160,572
2021	9,841,675	9,809,419	8,244,895	4,516,562	61,909,284
2022	9,849,644	14,299,669	1,197,383	5,715,937	46,426,796
2023	9,850,762	14,208,669	1,197,383	4,477,813	44,393,487
2024	9,836,050	14,156,169	1,197,383	3,409,937	40,661,871
2025	9,815,688	14,095,294	1,197,383	2,857,313	40,075,390
2026	9,818,688	14,059,419	1,197,383	2,132,937	43,120,696
2027	9,804,338	13,997,294	1,197,383	1,627,063	36,518,435
2028	8,506,138	14,085,294	1,197,383	2,548,937	36,013,903
2029	8,497,100	14,022,144	1,197,383	2,169,688	35,482,844
2030	8,498,231	9,719,081	1,391,059	5,867,313	35,065,332
2031	8,483,875	6,647,819	4,457,439	5,126,562	34,303,622
2032	8,478,375	2,439,047	7,998,342	5,453,344	33,818,207
2033	8,470,681	2,421,375	8,197,740	4,883,862	32,254,000
2034	8,460,006	2,417,250	8,427,896	4,317,600	28,303,841
2035	8,450,431	2,418,125	17,259,758	186,600	32,679,063
2036	8,436,038	2,413,750	17,631,495	186,600	33,026,801
2037	8,430,643	2,413,875	10,059,318	2,450,400	26,913,052
2038	-	-	19,899,155	2,402,100	23,493,698
2039	-	-	-	-	1,190,903
2040	-	-	-	-	1,187,796
2041	-	-	-	-	1,192,920
	<u>\$ 172,978,413</u>	<u>\$ 163,456,362</u>	<u>\$ 116,245,752</u>	<u>\$ 62,282,881</u>	<u>\$ 723,192,513</u>



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CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2019

<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 AGRICULTURE - FOOD							
Indirect Programs:							
Passed Through the Florida Dept of Health Child Care Food Program	A-5449	10.558	\$ 7,100	\$ -	\$ -	\$ 7,100	\$ -
TOTAL DEPARTMENT OF AGRICULTURE - FOOD			7,100	-	-	7,100	-
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Direct Programs:							
CDBG - Entitlement Grants Cluster							
Community Development Block Grant	B-17-MC-12-0011	14.218	444,171	-	-	444,171	-
Community Development Block Grant	B-18-MC-12-0011	14.218	200,692	-	-	200,692	122,612
Total CDBG - Entitlement Grants Cluster			644,863	-	-	644,863	122,612
Home Investment Partnership Program	M-16-MC-12-0228	14.239	75,282	-	-	75,282	-
Home Investment Partnership Program	M-17-MC-12-0228	14.239	56,886	-	-	56,886	-
Total HOME			132,168	-	-	132,168	-
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			777,031	-	-	777,031	122,612
DEPARTMENT OF JUSTICE							
Direct Programs:							
Edward Byrne Memorial Justice Assist Grant Program; DOJ Byrne Memorial Justice Assistance Grant	2018-DJ-BX-0442	16.738	29,017	-	-	29,017	-
Indirect Programs:							
Passed through the Florida Department of Law Enforcement Edward Byrne Memorial Justice Assist Grant Program:							
DOJ Byrne Memorial JAG (PAL)	2019-JAGC-POLK-1-N2-080	16.738	7,829	-	-	7,829	-
DOJ Byrne Memorial JAG (PAL)	2020-JAGC-POLK-1-Y5-001	16.738	8,975	-	-	8,975	-
			16,804	-	-	16,804	-
Total Edward Byrne Memorial Justice Assistance			45,821	-	-	45,821	-
Indirect Programs:							
Passed through the Florida Office of the Attorney General FOAG Victim Assistance (VOCA)	VOCA-2018-City of Lakeland Police D-00193	16.575	79,696	-	-	79,696	-
TOTAL DEPARTMENT OF JUSTICE			125,517	-	-	125,517	-

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, 2019

	Contract/Grant Number	CFDA/ CSFA Number	Current Year Expenditures	Adjustment to Prior Year Expenditures	Outstanding Loan Balance	Total Expenditures	Transfers To Sub recipients
FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION							
Direct Programs:							
FAA/FDOT Customs Apron	3-12-0041-040-2017	20.106	\$ 2,408	\$ -	\$ -	\$ 2,408	\$ -
FAA/FDOT Southeast Apron	3-12-0041-040-2017	20.106	69,285	-	-	69,285	-
FAA/FDOT Master Plan	3-12-0041-039-2017	20.106	274,341	-	-	274,341	-
FAA/FDOT Rehab TWY H	3-12-0041-041-2018	20.106	1,976,137	-	-	1,976,137	-
FAA/FDOT Rehab & Strengthening of Runway 9-27	3-12-0041-042-2019	20.106	735,152	-	-	735,152	-
TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION			3,057,323	-	-	3,057,323	-
FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION							
Indirect Programs:							
Highway Planning and Construction Cluster							
Passed through the Florida Department of Transportation							
FDOT-Site Prep and Utility Installation for Intermodal Center	FM 442028-1-94-01	20.205	2,862,064	-	-	2,862,064	-
FDOT LAP - New York Avenue Cycle Track	433260-1-58-01	20.205	459,459	-	-	459,459	-
FDOT LAP - New York Avenue Cycle Track	433260-1-68-01	20.205	70,000	-	-	70,000	-
FDOT-Main Street Pathways	438267-1-38-01	20.205	44,924	-	-	44,924	-
FDOT-Three Parks Trail E	440277-1-38-01	20.205	42,475	-	-	42,475	-
FDOT-Tenoroc Trail - Segment 1	440358-1-28-01	20.205	103	-	-	103	-
Fiber Optic - Maintenance/Lease	197620-4-8B-01	20.205	20,278	-	-	20,278	-
TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION			3,499,303	-	-	3,499,303	-
TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION			6,556,626	-	-	6,556,626	-

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, 2019

<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 HOMELAND SECURITY							
Indirect Programs:							
Passed through the Florida Division of Emergency Management CMP5017 West Sub. Cyber Security Pilot Project	18-DS-07-63-01	97.067	\$ 84,999	\$ -	\$ -	\$ 84,999	\$ -
Disaster Grants - Public Assistance							
Passed through the Florida Department of Financial Services							
Mutual Aid - Michael Mission - State, Tallahassee and Blountstown	ESF-4/9 Mission # 02-030-18	97.036	120,358	-	-	120,358	-
Mutual Aid - Florence Mission AHIMT Region 4/6	18-253	97.036	-	(14)	-	(14)	-
			120,358	(14)	-	120,344	-
Disaster Grants - Public Assistance							
Passed through the Florida Division of Emergency Management							
Mutual Aid - Michael Mission # FL-218859	FL-218859	97.036	13,113	-	-	13,113	-
Mutual Aid - Michael Mission # FL-758415	FL-758415	97.036	14,588	-	-	14,588	-
Mutual Aid - Michael Mission - State	FL-772138	97.036	28,957	-	-	28,957	-
Mutual Aid - Florence Mission AHIMT Region 4/6	FL-115148	97.036	-	12,328	-	12,328	-
Public Assistance - Hurricane Irma (DR4337) (see SEFA Note C)	Z0647	97.036	3,074,754	-	-	3,074,754	-
			3,131,412	12,328	-	3,143,740	-
Total Disaster Grants - Public Assistance			3,251,770	12,314	-	3,264,084	-
TOTAL FEDERAL DEPARTMENT OF HOMELAND SECURITY			<u>3,336,769</u>	<u>12,314</u>	<u>-</u>	<u>3,349,083</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 10,803,043</u>	<u>\$ 12,314</u>	<u>\$ -</u>	<u>\$ 10,815,357</u>	<u>\$ 122,612</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, 2019

	<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:							
FAA/FDOT Southeast Apron	FM 441005-1-94-01	55.004	\$ 329,213	\$ -	\$ -	\$ 329,213	\$ -
FAA/FDOT Master Plan	FM 440992-1-94-01	55.004	15,626	-	-	15,626	-
FAA/FDOT Rehab TWY H	FM 436977-1-94-01	55.004	597,009	-	-	597,009	-
FAA/FDOT Rehab of Taxiway A & Connectors	FM 439160-1-94-01	55.004	-	8,250	-	8,250	-
FAA/FDOT Rehab & Strengthening of Runway 9-27	FM 441683-1-94-01	55.004	20,000	-	-	20,000	-
FDOT-Construction of T-Hangars	FM 441004-1-94-01	55.004	490,328	-	-	490,328	-
FAA/FDOT Customs Apron	FM 440993-1-94-01	55.004	134	-	-	134	-
FDOT RPZ Clearing	FM 441850-1-94-01	55.004	235,587	-	-	235,587	-
FDOT-Tractor and Flail Mower	FM 443934-1-94-01	55.004	92,716	-	-	92,716	-
FDOT-Airport Fuel Farm	FM 445510-1-94-01	55.004	8,619	-	-	8,619	-
FDOT ILS and RVR	FM 443120-1-94-01	55.004	861,587	-	-	861,587	-
			<u>2,650,819</u>	<u>8,250</u>	<u>-</u>	<u>2,659,069</u>	<u>-</u>
Direct Programs:							
Transportation System Dev - Intermodal Development Grants:							
FDOT-Site Prep and Utility Installation for Intermodal Center	FM 438836-1-94-01	55.014	<u>6,325,871</u>	<u>-</u>	<u>-</u>	<u>6,325,871</u>	<u>-</u>
Direct Programs:							
Economic Development Transportation Projects - Road Fund:							
FDOT County Line Rd @ US 92	434531-2-38-01	55.032	<u>11,588</u>	<u>-</u>	<u>-</u>	<u>11,588</u>	<u>-</u>
Direct Programs:							
Florida Shared-Use Nonmotorized (SUN) Trail Network Program							
FDOT-Tenoroc Trail - Segment 1	440358-1-28-01	55.038	<u>156</u>	<u>-</u>	<u>-</u>	<u>156</u>	<u>-</u>
TOTAL FLORIDA DEPARTMENT OF TRANSPORTATION			<u>8,988,434</u>	<u>8,250</u>	<u>-</u>	<u>8,996,684</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(CONTINUED)
YEAR ENDED SEPTEMBER 30, 2019

	<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	\$ 999,996	\$ -	\$ -	\$ 999,996	\$ -
TOTAL FLORIDA OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT			999,996	-	-	999,996	-
FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION							
Direct Programs:							
Water Management District Operations Grant:							
Seven Wetlands Park	L53064	37.039	7,295	-	-	7,295	-
Drinking Water Facility Construction							
Williams WTP Clearwell Design & Construction (SRL)	DW 530660	37.076	241,230	-	172,763	413,993	-
Wastewater Treatment Facility Construction Grants:							
English Oaks Phase III - Construction	WW 530651	37.077	2,063,577	-	1,675,687	3,739,264	-
Energy Efficiencies / Digestion System Improvements (SRL)	WW 530630	37.077	2,432,602	-	9,145,794	11,578,396	-
English Oaks Phase III - Design	WW 530650	37.077	207,653	-	573,905	781,558	-
			4,703,832	-	11,395,386	16,099,218	-
TOTAL FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION			4,952,357	-	11,568,149	16,520,506	-
FLORIDA HOUSING AND FINANCE CORPORATION							
Direct Programs:							
State Housing Initiatives Partnership Program 17	146 PY16/17	40.901	123,961	-	-	123,961	22,272
State Housing Initiatives Partnership Program 18	146 PY 17/18	40.901	407,676	-	-	407,676	960
TOTAL FLORIDA HOUSING AND FINANCE CORPORATION			531,637	-	-	531,637	23,232
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 15,472,424	\$ 8,250	\$ 11,568,149	\$ 27,048,823	\$ 23,232

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, 2019

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, 2019. 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, 2019. 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

The City enters into a low interest loan agreements with the State of Florida Department of Environmental Protection to finance the cost of specified capital improvements to the wastewater system. The loans carry a fixed interest rate of .44% - 1.16% and are 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.

The proceeds from the loans are disbursed to the City on a reimbursement basis as eligible construction expenditures are incurred. The total amount of the loans outstanding at September 30, 2019 is \$16,099,218.

NOTE C - PRIOR YEAR EXPENDITURES

The amounts reported on the SEFA for Public Assistance - Hurricane Irma (CFDA 97.036) represent expenses incurred in prior fiscal years that were approved by FEMA and obligated by the State in fiscal year 2019.



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Statistical Section



COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30,

2019



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	
2019	\$ 231,111,874	\$ 648,046,011	\$ 47,988,773	\$ 34,039,825	\$ (55,546,472)	\$ 126,164,698	\$ 879,157,885	\$ 82,028,598	\$ 70,618,226	\$ 1,031,804,709
2018	240,598,093	582,728,794	40,711,580	48,399,026	(74,555,186)	97,047,111	823,326,887	89,110,606	22,491,925	934,929,418
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



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CITY OF LAKELAND, FLORIDA

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General government	\$ 13,411,626	\$ 11,720,163	\$ 14,256,075	\$ 12,617,996	\$ 13,385,621	\$ 14,927,037	\$ 30,451,530	\$ 15,803,840	\$ 17,906,099	\$ 16,319,619
Public safety	51,714,259	53,708,521	57,635,369	51,547,172	59,205,104	58,028,791	62,767,315	67,759,386	69,232,703	71,097,550
Physical environment	9,629,695	9,782,784	9,897,909	9,890,479	10,259,789	11,447,894	7,981,243	10,026,332	12,805,678	8,668,344
Transportation	9,966,939	10,797,329	11,561,184	11,792,561	11,098,119	11,952,761	16,541,996	17,587,164	19,656,493	19,778,854
Economic environment	6,717,250	3,559,235	3,205,448	4,074,977	6,878,755	3,913,276	4,665,615	5,379,589	11,142,361	13,763,670
Human services	192,554	162,927	181,199	152,255	156,787	164,557	162,184	201,972	292,275	373,920
Culture/recreation	19,837,301	20,724,013	20,444,431	21,178,989	21,636,313	22,695,304	22,312,077	30,923,273	28,793,914	30,625,340
Interest on long-term debt	2,017,776	2,785,287	2,496,531	2,191,905	2,061,003	1,507,237	1,352,883	2,501,490	2,214,004	2,218,809
Total governmental activities	<u>113,487,400</u>	<u>113,240,259</u>	<u>119,678,146</u>	<u>113,446,334</u>	<u>124,681,491</u>	<u>124,636,857</u>	<u>146,234,843</u>	<u>150,183,046</u>	<u>162,043,527</u>	<u>162,846,106</u>
Business-type activities:										
Electric	321,742,799	315,822,552	272,574,227	274,763,944	278,358,542	272,297,874	252,575,808	273,135,947	272,008,503	265,080,934
Water and Wastewater	37,967,877	40,417,973	39,496,784	40,105,713	40,037,611	43,346,589	42,993,126	47,965,952	47,584,042	48,033,439
Parking	811,028	744,108	863,953	933,995	788,386	906,654	1,042,575	1,424,789	923,119	887,288
RP Funding Center	8,296,844	8,414,552	8,419,661	8,526,844	8,526,771	8,982,016	8,842,716	9,924,255	9,876,304	9,932,582
Lakeland Linder International Airport	5,435,167	5,619,351	5,822,414	6,136,321	7,050,444	7,851,437	8,945,961	9,049,549	9,896,981	11,255,395
Solid Waste	10,922,588	12,461,879	12,340,644	13,292,731	12,875,982	12,234,732	12,058,132	13,598,326	13,198,164	14,069,745
Cleveland Heights Golf Course	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	<u>387,647,634</u>	<u>386,022,364</u>	<u>342,391,530</u>	<u>346,929,178</u>	<u>350,669,487</u>	<u>348,057,439</u>	<u>328,992,839</u>	<u>355,118,999</u>	<u>353,487,113</u>	<u>349,259,383</u>
Total primary government	<u>\$ 501,135,034</u>	<u>\$ 499,262,623</u>	<u>\$ 462,069,676</u>	<u>\$ 460,375,512</u>	<u>\$ 475,350,978</u>	<u>\$ 472,694,296</u>	<u>\$ 475,227,682</u>	<u>\$ 505,302,045</u>	<u>\$ 515,530,640</u>	<u>\$ 512,105,489</u>
Program revenues										
Governmental activities:										
Charges for services										
General government	\$ 1,784,641	\$ 1,540,527	\$ 1,593,276	\$ 1,679,049	\$ 1,741,102	\$ 1,810,344	\$ 1,828,094	\$ 1,888,223	\$ 3,095,262	\$ 1,896,455
Public safety	5,930,955	4,832,611	4,434,285	4,526,577	5,744,162	6,201,388	7,495,330	6,778,946	9,977,945	10,443,148
Economic environment	-	-	-	-	-	-	-	-	288,969	75,237
Physical environment	4,998,612	5,050,411	5,108,330	5,185,830	5,276,415	5,277,189	5,178,153	5,869,182	6,777,128	7,126,864
Transportation	84,930	881,350	1,239,080	807,028	1,134,660	2,442,139	1,606,156	1,543,805	1,804,320	2,101,731
Culture/recreation	2,100,609	2,095,544	2,231,789	2,307,382	2,165,827	2,563,396	2,970,870	4,190,440	4,678,777	4,473,179
Operating grants and contributions	7,670,116	7,202,574	8,774,082	7,704,598	8,553,341	7,072,763	9,713,034	5,802,190	5,684,903	8,235,574
Capital grants and contributions	3,462,700	6,181,789	4,764,174	4,793,210	4,380,146	2,255,870	2,153,019	7,542,427	4,224,508	3,690,672
Total governmental activities	<u>26,032,563</u>	<u>27,784,806</u>	<u>28,145,016</u>	<u>27,003,674</u>	<u>28,995,653</u>	<u>27,623,089</u>	<u>30,944,656</u>	<u>33,615,213</u>	<u>36,531,812</u>	<u>38,042,860</u>

CITY OF LAKELAND, FLORIDA

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activities:										
Charges for services										
Electric	\$ 354,215,696	\$ 340,881,856	\$ 290,336,885	\$ 302,055,713	\$ 306,337,851	\$ 309,502,891	\$ 296,552,463	\$ 303,483,541	\$ 315,042,404	\$ 319,143,719
Water and Wastewater	44,711,059	47,953,984	50,375,714	49,081,049	52,338,409	54,359,528	57,241,393	61,939,546	63,456,824	67,643,347
Parking	528,934	559,848	607,748	617,655	679,107	710,911	784,689	800,453	799,871	825,835
RP Funding Center	4,305,738	4,890,963	5,130,877	5,043,652	5,038,210	5,293,426	5,423,307	5,097,975	5,339,318	5,285,122
Lakeland Linder International Airport	3,424,359	3,249,082	3,831,506	3,962,024	4,245,029	4,497,642	4,491,436	5,194,038	6,470,785	6,734,444
Solid Waste	13,228,110	13,044,710	13,283,914	13,281,928	13,814,416	15,108,680	15,417,836	15,940,869	16,197,970	16,709,706
Cleveland Heights Golf Course	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	38,334	38,461	39,733	41,017	33,599	39,943	55,845	181,127	284,665	410,542
Capital grants and contributions	8,650,040	20,005,980	11,446,333	9,294,635	14,571,418	21,077,731	16,039,633	19,343,540	15,016,255	20,204,845
Total business-type activities	<u>430,811,300</u>	<u>432,462,708</u>	<u>377,099,804</u>	<u>385,621,614</u>	<u>399,074,202</u>	<u>411,813,158</u>	<u>397,295,757</u>	<u>411,981,089</u>	<u>422,608,092</u>	<u>436,957,560</u>
Total primary government	<u>\$ 456,843,863</u>	<u>\$ 460,247,514</u>	<u>\$ 405,244,820</u>	<u>\$ 412,625,288</u>	<u>\$ 428,069,855</u>	<u>\$ 439,436,247</u>	<u>\$ 428,240,413</u>	<u>\$ 445,596,302</u>	<u>\$ 459,139,904</u>	<u>\$ 475,000,420</u>
Net (expense) revenue										
Governmental activities	\$ (87,454,837)	\$ (85,455,453)	\$ (91,533,130)	\$ (86,442,660)	\$ (95,685,838)	\$ (97,013,768)	\$ (115,290,187)	\$ (116,567,833)	\$ (125,511,715)	\$ (124,803,246)
Business-type activities	43,163,666	46,440,344	34,708,274	38,692,436	48,404,715	63,755,719	68,302,918	56,862,090	69,120,979	87,698,177
Total primary government	<u>\$ (44,291,171)</u>	<u>\$ (39,015,109)</u>	<u>\$ (56,824,856)</u>	<u>\$ (47,750,224)</u>	<u>\$ (47,281,123)</u>	<u>\$ (33,258,049)</u>	<u>\$ (46,987,269)</u>	<u>\$ (59,705,743)</u>	<u>\$ (56,390,736)</u>	<u>\$ (37,105,069)</u>
General Revenues										
Governmental activities:										
Property taxes	\$ 24,651,942	\$ 22,641,400	\$ 20,909,045	\$ 21,784,397	\$ 22,577,691	\$ 23,935,374	\$ 30,912,106	\$ 33,362,591	\$ 37,045,511	\$ 40,355,438
Gas taxes	4,914,311	4,943,075	4,910,650	4,879,101	4,903,358	5,214,687	5,436,168	5,584,212	5,828,014	6,060,873
Utility taxes	15,246,102	15,304,814	14,995,497	14,758,065	14,773,594	14,870,425	15,073,871	14,969,677	15,005,200	15,702,827
State shared revenues (unrestricted)	6,368,677	6,573,788	7,186,312	7,482,060	7,955,128	8,456,135	9,093,120	9,387,340	9,791,361	10,363,502
Payment from Lakeland Regional										
Medical Center	11,721,484	11,739,471	12,853,062	12,095,713	12,096,534	12,900,000	28,254,750	13,619,256	13,993,785	14,378,614
Investment earnings	5,219,537	5,315,885	6,364,420	(168,141)	5,206,175	2,028,242	7,330,101	4,757,400	3,755,981	12,057,306
Miscellaneous	4,482,593	8,058,420	3,573,704	5,836,383	5,549,849	2,510,905	6,904,306	9,390,690	5,483,906	5,718,650
Transfers	28,371,822	27,941,709	27,643,416	27,874,464	29,229,008	32,671,504	34,057,221	38,477,203	35,494,449	36,965,724
Total governmental activities	<u>100,976,468</u>	<u>102,518,562</u>	<u>98,436,106</u>	<u>94,542,042</u>	<u>102,291,337</u>	<u>102,587,272</u>	<u>137,061,643</u>	<u>129,548,369</u>	<u>126,398,207</u>	<u>141,602,934</u>
Business-type activities:										
Tourism taxes	440,004	440,004	440,004	238,623	321,258	318,081	319,440	1,379,040	459,655	614,076
Investment earnings	11,680,877	12,927,375	13,220,991	(1,126,540)	14,929,721	5,494,383	10,776,341	8,013,419	8,095,653	26,067,869
Miscellaneous	1,266,876	1,077,799	1,133,499	982,663	7,518,743	1,283,505	2,862,238	1,342,832	3,222,413	2,661,205
Transfers	(28,371,822)	(27,941,709)	(27,643,416)	(27,874,464)	(29,229,008)	(32,671,504)	(34,057,221)	(38,477,203)	(35,494,449)	(36,965,724)
Total business-type activities	<u>(14,984,065)</u>	<u>(13,496,531)</u>	<u>(12,848,922)</u>	<u>(27,779,718)</u>	<u>(6,459,286)</u>	<u>(25,575,535)</u>	<u>(20,099,202)</u>	<u>(27,741,912)</u>	<u>(23,716,728)</u>	<u>(7,622,574)</u>
Total primary government	<u>\$ 85,992,403</u>	<u>\$ 89,022,031</u>	<u>\$ 85,587,184</u>	<u>\$ 66,762,324</u>	<u>\$ 95,832,051</u>	<u>\$ 77,011,737</u>	<u>\$ 116,962,441</u>	<u>\$ 101,806,457</u>	<u>\$ 102,681,479</u>	<u>\$ 133,980,360</u>
Change in net position										
Governmental activities	\$ 13,521,631	\$ 17,063,109	\$ 6,902,976	\$ 8,099,382	\$ 6,605,499	\$ 5,573,504	\$ 21,771,456	\$ 12,980,536	\$ 886,492	\$ 16,799,688
Business-type activities	28,179,601	32,943,813	21,859,352	10,912,718	41,945,429	38,180,184	48,203,716	29,120,178	45,404,251	80,075,603
Total primary government	<u>\$ 41,701,232</u>	<u>\$ 50,006,922</u>	<u>\$ 28,762,328</u>	<u>\$ 19,012,100</u>	<u>\$ 48,550,928</u>	<u>\$ 43,753,688</u>	<u>\$ 69,975,172</u>	<u>\$ 42,100,714</u>	<u>\$ 46,290,743</u>	<u>\$ 96,875,291</u>

CITY OF LAKELAND, FLORIDA

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

	<u>2010</u>	<u>*2011</u>	<u>*2012</u>	<u>*2013</u>	<u>*2014</u>	<u>*2015</u>	<u>*2016</u>	<u>*2017</u>	<u>*2018</u>	<u>*2019</u>
General Fund										
Reserved	\$ 1,604,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	23,585,168	-	-	-	-	-	-	-	-	-
Nonspendable	-	312	4,409	312	10,078	-	10,101	10,966	14,848	113,329
Restricted	-	2,569,215	2,306,796	2,128,909	1,809,898	1,667,267	1,756,600	1,618,870	1,570,238	4,127,507
Assigned	-	9,910,841	12,348,664	14,003,810	11,861,510	7,983,980	9,003,579	8,227,224	8,702,544	10,654,807
Unassigned	-	15,384,762	11,157,295	5,475,418	5,759,634	9,483,062	13,664,847	15,664,488	11,700,633	13,677,130
Total general fund	<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>	<u>21,988,263</u>	<u>28,572,773</u>
Other governmental funds										
Reserved	31,012,902	-	-	-	-	-	-	-	-	-
Unreserved:										
Special revenue funds	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	5,282,291	5,520,391
Prepays	-	-	106	-	151	-	160	66	201	821
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	8,077,156	9,143,927
Capital projects funds	-	15,128,386	9,441,958	7,801,070	11,323,028	50,699,369	26,476,694	20,072,417	24,274,072	27,997,771
Permanent funds	-	141,319	160,032	168,322	183,564	181,365	199,162	217,041	231,321	250,147
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	4,707,680	5,861,602
Capital projects funds	-	-	-	-	-	-	1,818,335	3,909,623	5,494,483	7,598,489
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	13,489,767	21,731,698
Unassigned	-	-	-	-	-	-	(9,200)	(24,235)	(1,525)	(1,525)
Total other governmental funds	<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>	<u>61,555,446</u>	<u>78,103,321</u>
Total governmental funds	<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>	<u>\$ 83,543,709</u>	<u>\$ 106,676,094</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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES										
Taxes	\$ 44,812,355	\$ 42,889,289	\$ 40,815,192	\$ 41,421,563	\$ 42,254,643	\$ 44,020,486	\$ 51,422,145	\$ 53,916,480	\$ 57,878,725	\$ 62,119,138
Licenses and permits	2,837,757	2,820,389	2,809,143	3,146,388	3,563,220	3,962,233	4,289,098	3,886,903	4,843,389	5,040,190
Intergovernmental	15,642,963	16,185,384	15,339,588	15,624,442	15,231,913	14,101,765	15,147,483	18,190,572	16,949,916	19,770,829
Charges for services	8,704,652	9,808,643	10,447,020	10,055,673	10,639,264	12,613,562	12,264,132	13,924,987	17,743,319	18,518,614
Fines and forfeitures	3,357,338	1,771,411	1,350,597	1,303,805	1,859,682	1,718,661	2,525,373	2,458,706	2,454,914	2,557,811
Miscellaneous	20,143,277	24,155,095	20,881,916	19,398,075	21,586,436	16,444,991	52,854,535	29,752,209	23,363,404	28,961,303
Total revenues	95,498,342	97,630,211	91,643,456	90,949,946	95,135,158	92,861,698	138,502,766	122,129,857	123,233,667	136,967,885
EXPENDITURES										
General government	11,513,779	9,767,997	11,311,456	11,346,768	12,332,196	12,580,992	28,769,624	14,148,310	16,046,396	15,494,226
Public safety	49,373,109	50,177,776	52,388,896	53,480,901	54,826,981	56,737,346	58,731,548	61,224,273	64,305,992	66,269,747
Physical environment	5,630,677	5,652,541	5,682,062	5,562,590	5,757,799	6,546,813	6,803,399	8,372,184	11,753,636	7,856,165
Transportation	9,459,409	9,830,872	10,662,829	10,594,039	10,359,390	11,047,810	12,320,329	11,483,530	13,433,261	13,957,845
Economic environment	6,599,322	3,402,397	2,912,890	3,277,658	3,639,445	2,766,183	4,113,926	4,842,624	10,681,175	10,537,611
Human services	192,554	162,927	181,199	152,255	156,787	164,557	162,184	201,972	292,272	373,920
Culture/recreation	16,792,062	17,096,301	16,978,064	17,744,340	18,215,386	18,736,157	19,490,098	23,667,143	23,677,487	24,280,528
Capital outlay	15,666,370	25,935,038	16,015,051	13,857,972	12,584,688	12,119,034	36,598,813	34,608,536	9,997,104	18,854,989
Debt service										
Principal	8,763,468	9,242,882	7,649,604	6,433,383	5,612,655	8,838,625	7,988,031	12,173,785	7,464,339	6,174,731
Interest	2,018,415	2,785,925	2,497,169	2,242,779	2,052,163	2,052,163	1,349,127	2,495,109	2,207,623	2,212,428
Total expenditures	126,009,165	134,054,656	126,279,220	124,692,685	125,537,490	131,589,680	176,327,079	173,217,466	159,859,285	166,012,190
Excess (deficiency) of revenues over (under) expenditures	(30,510,823)	(36,424,445)	(34,635,764)	(33,742,739)	(30,402,332)	(38,727,982)	(37,824,313)	(51,087,609)	(36,625,618)	(29,044,305)
OTHER FINANCING SOURCES (USES)										
Proceeds from issuance of long-term debt	23,071,596	1,863,504	2,271,279	3,329,339	6,540,041	46,824,935	7,470	3,302,556	1,901,613	16,181,890
Transfers from other funds	39,735,249	39,626,330	40,173,420	40,899,461	42,944,955	44,604,939	45,284,417	49,407,313	47,161,790	51,221,411
Transfers to other funds	(11,375,720)	(12,446,587)	(13,193,130)	(14,155,193)	(14,613,622)	(13,511,571)	(12,210,614)	(13,393,423)	(12,526,295)	(15,226,611)
Total other financing sources and (uses)	51,431,125	29,043,247	29,251,569	30,073,607	34,871,374	77,918,303	33,081,273	39,316,446	36,537,108	52,176,690
Net change in fund balances	\$ 20,920,302	\$ (7,381,198)	\$ (5,384,195)	\$ (3,669,132)	\$ 4,469,042	\$ 39,190,321	\$ (4,743,040)	\$ (11,771,163)	\$ (88,510)	\$ 23,132,385
Debt Service as a percentage of noncapital expenditures	10%	11%	9%	8%	7%	9%	7%	11%	7%	6%

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		
2019	9,083,228,824	880,100,017	10,605,009	9,776,898	3,512,224,128	6,471,486,620
2018	8,275,942,113	845,944,658	9,819,966	(12,758,422)	3,158,285,650	5,960,662,665
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

(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		
7.964	\$ 35,362,791	\$ 33,996,760	96.14	\$ 90,411	\$ 34,087,171
8.064	31,962,315	31,888,967	99.77	133,363	32,022,330
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

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				County	Southwest Florida Water Management District	Polk County School Board	Peace River Water Basin	Total Direct & Overlapping Rates
	Municipal	Lakeland Area Mass Transit District	Lakeland Downtown Development District	Total					
2019	\$ 5.4644	\$ 0.500	\$ 2.000	\$ 7.964	\$ 7.157	\$ 0.296	\$ 6.251	\$ -	\$ 21.668
2018	5.5644	0.500	2.000	8.064	6.782	0.313	6.514	-	21.673
2017	5.5644	0.500	2.000	8.064	6.782	0.332	6.780	-	21.958
2016	5.5644	0.500	2.000	8.064	6.782	0.349	7.149	-	22.344
2015	4.6644	0.500	2.000	7.164	6.867	0.366	7.208	-	21.605
2014	4.6644	0.500	2.000	7.164	6.867	0.382	7.547	-	21.960
2013	4.6644	0.500	1.995	7.159	6.867	0.393	7.492	-	21.911
2012	4.1644	0.500	2.000	6.664	6.867	0.393	7.670	-	21.594
2011	4.1644	0.500	1.874	6.538	6.867	0.377	7.792	0.183	21.757
2010	3.6538	0.500	1.874	6.028	6.867	0.387	7.586	0.183	21.051

Source: Polk County Property Appraiser

CITY OF LAKELAND, FLORIDA

TEN PRINCIPAL TAXPAYERS (UNAUDITED)
 SEPTEMBER 30, 2019 for the Current Year and Nine Years Prior

Taxpayer Name	Type of Business	2019			2010		
		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	\$ 361,091,783	1	6.06%	\$ 248,326,963	1	4.48%
RTG Furniture Corp.	Retail/Distribution-Furniture	99,383,229	2	1.67%	35,803,643	5	0.65%
Amazon	Retail/Distribution	93,081,374	3	1.56%	-	-	-
Watson Clinic	Medical Facility	60,617,068	4	1.02%	52,765,000	2	0.95%
Lakeland Property Partners LLC	Real Estate	57,234,693	5	0.96%	-	-	-
Pepperidge Farm Inc. - Lakeland Plant	Retail/Distribution-Bakery	56,562,742	6	0.95%	22,499,887	10	0.41%
Casto Oakbridge Venture LTD	Real Estate	46,122,053	7	0.77%	46,492,083	3	0.84%
Lakeland Multifamily Partners LLC	Real Estate-Apartment Complex	43,231,143	8	0.73%	-	-	-
Lakeland Square Mall	Retail/General Merchandise	41,272,171	9	0.69%	-	-	-
Victoria Landing Property Holdings LLC	Real Estate-Apartment Complex	40,577,154	10	0.68%	-	-	-
Verizon	Telecommunications	-	-	-	45,904,980	4	0.83%
H-D Lakeland Mall Joint Venture	Retail/General Merchandise	-	-	-	31,158,061	6	0.56%
Butterkrust Bakeries Inc.	Retail/Distribution-Bakery	-	-	-	26,804,348	7	0.48%
Carlton Arms of North Lakeland	Real Estate-Apartment Complex	-	-	-	26,198,391	8	0.47%
WalMart	Retail/General Merchandise	-	-	-	23,272,766	9	0.42%
		<u>\$ 899,173,410</u>		<u>15.09%</u>	<u>\$ 559,226,122</u>		<u>10.09%</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
2019	\$ 115,869,121	\$ 64,845,169	\$ 5,515,676	\$ 3,673,175	\$ 7,167,768	\$ 112,751,785	\$ 9,321,025	\$ 319,143,719	\$ 0.06964	\$ 0.05841	\$ 0.04748	\$ 0.03840
2018	108,822,625	62,817,789	5,467,882	3,516,727	7,952,236	119,043,795	7,421,350	315,042,404	0.06796	0.05636	0.04644	0.03734
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

* 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	Capital Leases	Utility Tax Notes	Capital Improvement Bonds	Loans Payable	Revenue Bonds & Notes	Capital Leases			
2019	\$ 173,701	\$ 4,812,212	\$ 5,582,762	\$ 55,415,542	\$ 42,959,695	\$ 485,983,241	\$ 364,943	\$ 595,292,096	*	\$ 5,535
2018	1,921,466	-	1,368,107	52,687,486	37,995,293	528,160,108	-	622,132,460	17%	5,892
2017	2,185,781	-	2,616,803	56,889,791	30,927,443	514,756,073	139,046	607,514,937	17%	5,831
2016	1,192,854	-	4,817,594	63,979,671	30,155,243	509,520,735	1,617,931	611,284,028	17%	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

* Information not available.
Source: City of Lakeland CAFR

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	
2019	\$ 40,355,438	\$ 15,436,866	\$ 6,060,873	\$ 265,961	\$ 6,997,382	\$ 2,943,228	\$ 260,395	\$ 92,373	\$ 70,124	\$ 72,482,640
2018	37,045,511	14,758,072	5,828,014	247,128	6,586,865	2,805,371	246,617	88,162	64,346	67,670,086
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

Source: City of Lakeland CAFR

CITY OF LAKELAND, FLORIDA

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

<u>Fiscal Year</u>	<u>General Bonded Debt</u>	<u>Less: Amounts Accumulated and Available in Debt Service Fund</u>	<u>Total</u>	<u>Legally Available & Pledged Revenues</u>	<u>Ratio of Debt to Pledged Revenues</u>	<u>Per Capita¹</u>
2019	\$ 60,998,304	\$ 1,889,942	\$ 59,108,362	\$ 103,174,582	0.57	\$ 550
2018	54,055,593	1,863,692	52,191,901	98,476,561	0.53	494
2017	59,506,594	-	59,506,594	101,710,315	0.59	571
2016	68,797,265	-	68,797,265	121,948,740	0.56	671
2015	76,553,862	-	76,553,862	85,146,610	0.90	754
2014	38,902,286	-	38,902,286	82,759,830	0.47	386
2013	37,766,777	-	37,766,777	78,444,252	0.48	385
2012	40,845,172	345,000	40,500,172	86,949,250	0.47	415
2011	47,290,267	325,000	46,965,267	88,948,270	0.53	481
2010	55,560,039	310,000	55,250,039	83,982,376	0.66	588

Source: City of Lakeland CAFR

¹City of Lakeland, Community Development

CITY OF LAKELAND, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)
SEPTEMBER 30, 2019

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Tax Supported Ad Valorem Debt:			
District School Board of Polk County Bonds Payable	\$ 371,610,834	13.46%	\$ 50,018,818
City Direct Debt - Governmental Activities			<u>65,965,073</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 115,983,891</u>

¹The 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
2019	\$ 333,291,588	\$ 209,373,188	\$ 123,918,400	\$ 20,195,000	\$ 17,415,419	\$ 37,610,419	3.29
2018	320,463,612	220,910,023	99,553,589	22,300,000	15,806,087	38,106,087	2.61
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

WATER AND WASTEWATER SYSTEM REVENUE BONDS

Fiscal Year	Gross Revenues	Operating Expenses ²	Net Revenues Available for Debt Service	Principal	Interest	Total	Coverage
2019	\$ 72,238,364	\$ 37,469,971	\$ 34,768,393	\$ 3,773,287	\$ 2,262,193	\$ 6,035,480	5.76
2018	65,078,959	36,912,551	28,166,408	3,643,087	2,289,362	5,932,449	4.75
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

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

²Excludes depreciation expense.

Source: City of Lakeland CAFR

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>
2019	107,552	\$ *	\$ *	41.00	39,704	3.80%
2018	105,586	3,744,396,318	35,463	41.30	38,684	4.00%
2017	104,185	3,564,481,405	34,213	40.55	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%

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, 2019 for the Current Year and Nine Years Prior

Employer	Type of Business	2019			2010		
		Employees	Rank	% of Total	Employees	Rank	% of Total
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	8,100	1	30.32%	8,063	1	35.70%
Lakeland Regional Health	Hospital	5,500	2	20.59%	4,540	2	20.10%
Government Employees Insurance Co. (GEICO)	Insurance	3,700	3	13.85%	2,005	4	8.88%
City of Lakeland	Government	2,743	4	10.27%	2,600	3	11.51%
Watson Clinic	Medical Clinic	1,857	5	6.95%	1,600	5	7.08%
Southeastern University	Education	1,072	6	4.01%	-	-	-
Saddle Creek Logistics	Trucking & Logistics	1,042	7	3.90%	625	9	2.77%
GC Services	Telemarketing	1,000	8	3.74%	1,000	6	4.43%
Amazon	Retail/Distribution	900	9	3.37%	-	-	-%
Rooms To Go Furniture	Retail/Distribution-Furniture	800	10	3.00%	900	7	3.98%
Ascent Healthcare Solutions	Healthcare	-		-	600	10	2.65%
Summit Consulting	Insurance	-		-	654	8	2.90%
	Total	<u>26,714</u>		<u>100.00%</u>	<u>22,587</u>		<u>100.00%</u>

Source: Lakeland Economic Development Council

CITY OF LAKELAND, FLORIDA

FTE EMPLOYEES BY FUNCTION (UNAUDITED)
LAST TEN FISCAL YEARS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Function:										
General government	285	280	273	274	277	270	238	278	282	285
Public safety										
Law enforcement										
Officers	218	200	215	205	217	209	234	239	237	240
Civilians	107	127	112	114	111	117	103	118	111	100
Fire control										
Firefighters and officers	140	136	123	132	142	150	145	165	168	171
Civilians	7	11	23	19	13	14	13	5	6	6
Physical environment	5	5	3	5	5	6	7	7	8	8
Transportation	93	92	99	100	97	97	98	105	104	115
Economic environment	53	51	53	51	50	58	57	60	61	67
Culture/recreation	231	232	245	243	227	224	231	248	243	245
Electric	567	561	549	549	544	543	530	507	501	484
Water and Wastewater	191	191	196	193	194	200	197	203	201	209
Parking	5	5	5	5	5	5	4	5	5	4
RP Funding Center	34	33	38	37	36	42	50	50	48	50
Lakeland Linder International Airport	14	13	14	15	15	14	14	15	15	15
Solid Waste	72	66	62	63	62	63	62	62	61	63
Cleveland Heights Golf Course	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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public safety										
Law enforcement										
Arrests	4,640	5,182	5,490	4,858	6,845	5,638	4,646	5,654	5,100	6,306
Traffic citations	21,852	18,152	15,633	12,542	8,177	11,119	10,649	9,585	9,484	11,409
Fire control										
Calls for service	16,587	17,031	18,319	20,390	21,637	22,515	24,262	24,940	25,314	25,736
Inspections	3,792	3,785	3,753	2,531	2,088	6,705	4,604	3,802	3,204	3,685
Physical environment										
Cemetery										
Burials	479	409	400	409	410	412	407	392	421	434
Spaces sold	394	379	336	375	367	412	312	368	408	426
Transportation										
Street resurfacing (miles)	28	29	26	32	38.7	26.1	23.8	21.7	32.0	11.2
Culture/recreation										
Parks										
Field rentals	7,738	7,815	8,179	8,299	8,491	8,400	7,103	6,484	6,150	6,785
Swimming Pools										
Attendance/use	315,768	493,591	248,839	243,805	433,466	154,134	93,822	84,359	95,611	95,572
Aquatic programs/events	12	15	10	10	11	7	33	29	30	33
Community centers										
Attendance/use	333,548	336,436	377,267	352,688	728,912	380,121	459,808	388,109	350,554	385,755
Facility rentals	1,312	1,379	1,228	1,219	1,195	1,799	1,759	2,000	1,111	896
Economic environment										
Building permits issued	8,255	7,947	7,521	7,899	5,770	6,301	6,776	7,203	9,235	8,427
Electric										
New connections ¹	(205)	(362)	(606)	1,689	1,157	1,348	1,810	1,949	1,648	1,610
Number of customers	121,739	121,377	120,771	122,460	123,617	124,965	126,775	128,535	130,183	131,793
Energy sales (gWh)	3,197	3,335	3,273	3,199	3,004	2,991	3,066	3,004	3,064	3,131
Water and Wastewater										
New connections	345	312	295	337	340	351	533	612	472	570
Number of customers	52,316	52,030	52,770	52,983	53,400	54,322	55,712	56,750	57,222	57,533
Peak month peak day pumping ²	23	27	25	27	28	29	27	33	29	32
Average daily sewage treatment ²	11.51	12	12	11.77	12.32	13.01	12.84	12.95	14.75	11.84
Parking										
Parking violations	4,381	4,778	6,404	6,102	5,596	5,735	6,538	5,556	7,534	4,733
RP Funding Center										
Number of events	418	490	537	492	454	458	450	414	371	277
Lakeland Linder International Airport										
Daily average traffic count	200	195	246	250	281	322	333	338	383	344
Solid Waste										
Refuse collected (tons/day)	341	326	318	319	247	223	196	284	261	221
Recyclables collected (tons/day)	14	15	15	19	27	21	22	31	22	21
Number of customers										
Commercial	5,325	5,282	5,303	4,711	4,909	5,082	5,224	5,314	5,436	5,535
Residential	43,054	42,371	43,472	37,436	38,956	43,455	46,531	48,657	50,095	51,277
Cleveland Heights Golf Course										
Number of memberships	204	128	144	104	115	103	93	75	66	58
Number of tournaments/outings	20	21	35	28	37	35	38	47	39	30
Rounds of golf played	-	41,720	61,212	57,528	61,076	60,292	63,829	67,860	64,460	57,396

¹Net of new connections and disconnections of service.

²Measured in millions of gallons per day.
 - 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Public Safety										
Law enforcement										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	151	151	151	151	151	155	155	159	154	160
Fire control										
Fire stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Streets (miles)	381	381	389	389	390	389	399	400	400	401
Traffic signals	169	176	175	177	176	174	174	174	174	174
Culture/recreation										
Parks acreage	618	618	743	736	736	769	769	769	736	741
Parks	56	56	57	58	58	60	60	60	56	56
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	3	3	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	23	23	23	25	25	25	25	25	25	25
Miles of service lines	2,046	2,053	2,056	2,059	2,065	2,074	2,084	2,100	2,111	2,131
Water and Wastewater										
Miles of service lines	991	992	994	994	996	996	998	998	1,002	1,012
Fire hydrants	4,041	4,096	4,122	4,172	4,191	4,219	4,266	4,261	4,281	4,363
Maximum daily capacity ¹	59	59	59	59	59	59	59	59	59	59
Maximum daily treatment ¹	36	36	36	36	36	36	35	35	35	35
Parking										
Parking Garages	3	3	3	3	3	3	3	3	3	3
Surface lots	11	13	13	13	13	13	13	11	10	10
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	8	10
Lakeland Linder International Airport										
Terminals	1	1	1	1	1	1	1	1	1	1
Hangers	99	99	99	99	99	100	100	100	100	110
Runways	2	2	2	2	2	2	2	2	2	2
Solid Waste										
Refuse Trucks	51	52	49	55	53	51	47	54	54	57
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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2020. 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 LLP

Tampa, Florida
March 23, 2020

**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, 2019. 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, 2019.

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 23, 2020, 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 LLP

Tampa, Florida
March 23, 2020

CITY OF LAKELAND, FLORIDA

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

YEAR ENDED SEPTEMBER 30, 2019

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, <i>Rules of the Auditor General</i>	No

Identification of major programs:

CFDA/CSFA Number

Name of Program

Federal:

20.205	Highway Planning and Construction Cluster
97.036	Disaster Grants – Public Assistance

State:

37.077	Wastewater Treatment Facility Construction
55.004	Airport Grant Programs

Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
State	\$811,465
Auditee qualified as low-risk	Yes

CITY OF LAKELAND, FLORIDA

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

YEAR ENDED SEPTEMBER 30, 2019

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.

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

Report on the Financial Statements

We have audited the financial statements of the City of Lakeland, Florida (the City) as of and for the fiscal year ended September 30, 2019 and have issued our report thereon dated March 23, 2020. 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. This report does not include our consideration of the results of the other auditors' testing that are reported on separately by those other auditors.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Financial Assistance Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 23, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The 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 of Lakeland, Florida's financial statements included the following component unit: The Lakeland Community Redevelopment Agency. The Lakeland Community Redevelopment Agency was established under the provisions of Section 163.330, Florida Statutes.

Financial Condition

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Other Matters

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

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

Purpose of this Letter

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



Crowe LLP

Tampa, Florida
March 23, 2020

**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, 2019. Management of the City 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 complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City 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 complied, in all material respects, with the requirements contained in Section 218.415, Florida Statutes during the year ended September 30, 2019.

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 LLP

Crowe LLP

Tampa, Florida
March 23, 2020