

— CITY OF HAINES CITY —
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2018

CITY OF HAINES CITY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2018**

**Prepared by:
Department of Finance**



CITY OF HAINES CITY, FLORIDA
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2018

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INTRODUCTORY SECTION

This section contains the following subsections:

- Letter of Transmittal
- Organizational Chart
- Principal City Officials
- Certificate of Achievement for Excellence in Financial Reporting





HAINES CITY

WWW.HAINESCITY.COM

March 27, 2019

To the Honorable Mayor, City Commissioners and Citizens of the City of Haines City, Florida:

State law requires all local governments publish each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Haines City for the fiscal year ended September 30, 2018.

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

The City of Haines City's financial statements have been audited by Mauldin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance the basic financial statements of the City of Haines City for the fiscal year ended September 30, 2018, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Haines City's financial statements for the fiscal year ended September 30, 2018, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Our Mission

"Our team of professionals will provide our residents and business community with the highest quality services in a fiscally responsible manner through cooperation, strong ethical leadership with a lifelong commitment to enriching lives."

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

Profile of the City

The City of Haines City, Florida, is a municipal corporation of the State of Florida and was incorporated in 1914. The City is located in Central Florida, some 40 miles west of Orlando and 60 miles east of Tampa. Because of this central location, Haines City is referred to as the "Heart of Florida". The current permanent population is 24,298. The jurisdiction of the City encompasses 23.4 square miles of territory. The City is empowered to levy a property tax on real estate and personal properties located within its boundaries. It is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the City Commission.

The City of Haines City operates under the Commission-Manager form of government. Policy direction and legislative authority are vested in a governing Commission consisting of five members. The City Commission is responsible for, among other things, enacting Ordinances, Resolutions and regulations governing the City, as well as appointing members of various boards, the City Manager, the City Clerk, and the City Attorney. The City Manager is responsible for implementing the policies adopted by the City Commission and for overseeing the day-to-day operations of the government. The City Manager is also charged with the hiring of department directors and with preparing a balanced recommended annual budget for the review and approval by the City Commission.

The City of Haines City provides a full range of services to its citizenry. These services include general government, police and fire protection, public works (including solid waste service), recreation and parks, library, economic and community development, and emergency management. In addition, the City operates the Water and Wastewater Utility and Stormwater Utility as enterprise activities and the Haines City Community Redevelopment Agency (CRA) as a Special Revenue Fund.

The financial reporting entity (the City of Haines City) includes all funds of the primary government (i.e., the City of Haines City as legally defined), as well as, all of its component units. Component units are legally separate entities for which the City of Haines City is financially accountable or the nature and significance of the relationship between the City and the entity was such that exclusion would cause the City's financial statements to be misleading or incomplete.

The City has identified one component unit. The Community Redevelopment Agency (CRA) is reported as a blended component unit of the City and its governing body is composed of the members of the City Commission and two citizens or business owners appointed by the City Commission. Additional information can be found in Note 1 of the notes to the basic financial statements.

The annual budget serves as a foundation for the City of Haines City's financial planning and control systems. All departments of the City are required to submit requests for appropriations to the City Manager and these requests are the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Commission for review. The City Commission holds two public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. Budgetary control over expenditures is legally maintained at the fund level. Therefore, management must have the City Commission's approval to reallocate resources into or out of the fund. The budget to actual comparison for the General Fund is included as required supplementary information following the notes to the basic financial statements.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment with which the City of Haines City operates.

Local Economy: The City is comprised of extensive residential housing stock with prices covering a broad range. Commercial projects continue to slowly develop in the area surrounding the local hospital in the northwest section of the City, as well as industrial projects in the City's southern industrial park and along the Highway 27 corridor.

The economic condition of the area has been improving in the last couple of years. Property values had declined by 40% through the year ended September 30, 2013, but has since recovered by increasing over 49% through the year ended September 30, 2018. The unemployment rate continues to drop. It has declined from a high of 13.3% in 2010 to the current rate of 3.4% last year and this year. New housing starts increased over the previous year. The City issued 3,760 building permits for the fiscal year ended September 30, 2018, compared to 1,891 for fiscal year ended September 30, 2017. This is much higher than the 865 issued in the fiscal year ended September 30, 2012. The City will continue to work in unison to be good stewards of the financial resources collected from our residents to ensure we manage the financial resources we have judiciously for future generations. The City is optimistic with the economic growth occurring in the community, but understand there is still work to be done and we have a long way to go.

Relevant Financial Practices: The City incorporates fiscal practices within each budgetary cycle, on a fiscal year basis. These include budgetary practices, and financial practices. The fiscal practices encompass the City's budgetary cycle from preparation to adoption. The process for amending the budget, the outline of legal level of budgetary control, as well as the use of revenues and appropriations are addressed. The practices speak to the use of funds from non-recurring revenue sources, the percentage makeup of Ad Valorem, or Property Taxes, of the total General Fund revenues, and process to apply for and subsequently accept grants staff may want to acquire.

In addition to these budgetary related issues, the fiscal practices also address long-range financial planning strategies, accounting and reporting practices, and establish the capitalization thresholds and capital expenditure limits. These practices allow for the administration of investments and procurements through other external policies, for which the City also maintains separate external policies.

Major Initiatives: During fiscal year 2018, the City of Haines City achieved many significant accomplishments in furtherance of the goals and objectives established by the City Commission.

The accomplishments include the following:

- The City continues to make improvements at the existing water and wastewater treatment facilities. A utility rate study was completed with suggested rate increases for the next 5 fiscal years.
- There are 33 new developments at various stages in the permitting process in the City.
- Achievement of the Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award for the third year in a row.
- The City was named in the top 20 safest cities in the state of Florida in a study published by SafeWise.

Fiscal year 2018 encompassed a lot of change for the City, but the future will unfold even more rigorous accomplishments for the City, its employees, and its citizens.

Awards and Acknowledgements

The City of Haines City received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting award for the ninth consecutive year for the City's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017. The City also received its third Government Finance Officers Association's (GFOA) Distinguished Budget Presentation Award in a row. These Certificates of Achievement are the highest form of recognition for excellence in state and local government financial reporting and budgeting.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

The City considers these awards not merely to be accolades hung on a wall, but yearly goals to hit and surpass the efforts of the previous year. The City understands that idle governments do not grow, yet it is the proactive vision of an organization that will continuously propel itself ahead.

The preparation of this report would not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. The unconditional cooperation of the other departments and their respective staff is also greatly appreciated.

We also would like to express a special note of thanks to our external auditors, Mauldin & Jenkins, LLC, for their professional approach and high standards in the conduct of the independent audit of the City's financial records and transactions.

Sincere appreciation is also expressed to the members of the City Commission for their leadership and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,

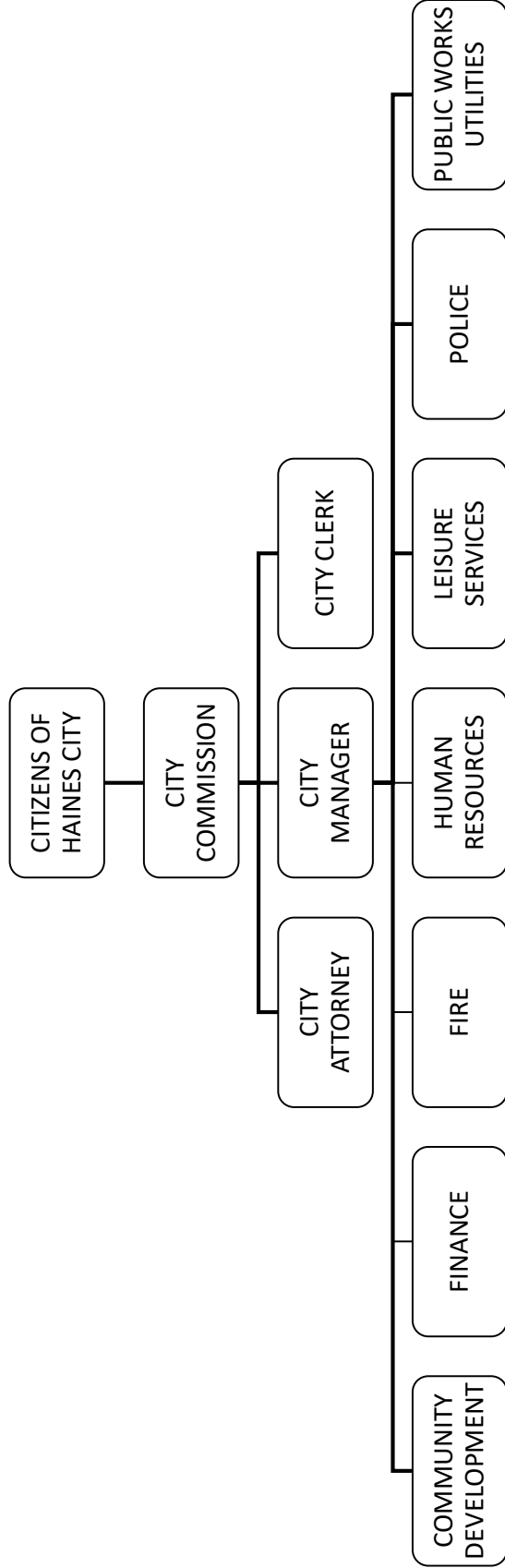
A handwritten signature in black ink, appearing to read 'Deric C. Feacher', followed by a long horizontal line extending to the right.

Deric C. Feacher
City Manager

A handwritten signature in black ink, appearing to read 'Tavia Conner', followed by a long horizontal line extending to the right.

Tavia Conner, CPA
Finance Director

CITY OF HAINES CITY ORGANIZATIONAL CHART



CITY OF HAINES CITY, FLORIDA

**PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2018**

CITY COMMISSION

Morris West, Mayor/Commissioner
Don Mason, Vice Mayor/Commissioner
H.L. “Roy” Tyler, Commissioner
Anne Huffman, Commissioner
Horace West, Commissioner

CITY MANAGER

Deric C. Feacher

CITY CLERK

Linda Bourgeois

CITY ATTORNEY

Fred Reilly

CITY AUDITORS

Mauldin & Jenkins, LLC



Government Finance Officers Association

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

Presented to

**City of Haines City
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

This section contains the following subsections:

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information





INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,
Members of the City Council
City of Haines City, 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 Haines City, Florida (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, as of October 1, 2017. This standard significantly changed the accounting for the City's total other post-employment benefits (OPEB) liability and the related disclosures. 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, budgetary comparison information, and pension and other post-employment benefit schedules on pages 4-14, 62-63 and 64-71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2019, 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 27, 2019



**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**

The City of Haines City's (the "City") discussion and analysis is designed to provide the users with a narrative introduction, overview and analysis of the basic financial statements. Please read the information presented here in conjunction with the City's financial statements and footnotes that follow this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows on September 30, 2018, by \$95,017,217 (net position). This amount includes \$66,395,644 invested in capital assets net of all related debt. Of this amount, unrestricted net position totals \$15,469,364.
- The City's total net position increased by \$7,018,087 or 7.98%.
- As of September 30, 2018, the City's governmental funds reported combined ending fund balances of \$20,468,285, an increase of \$4,920,616 from the prior year. The improvement in the local economy along with extreme cost saving measures implemented by the City are the reasons for the increased improvement in the ending fund balance amount.
- The City's total debt (including compensated absences and net pension liability) decreased by \$1,190,692 (1.8%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements focus on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

The City's basic financial statements are comprised of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. The comprehensive annual financial report also contains other supplementary information in addition to the basic financial statements.

For the fiscal year ending September 30, 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, which required restatements to beginning net position of the governmental activities, business-type activities, Water and Sewer Fund and the Stormwater Fund. During the year ended September 30, 2016, the City adopted the provisions of GASB Statement No. 72 which improves the accounting and financial reporting related to fair value measurements impacting related disclosures. For the fiscal year ending September 30, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of FASB Statement No. 68*, which required the restatement of the September 30, 2014, net position of the governmental activities, business-type activities and enterprise funds.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has \$3,836,584 that qualifies for reporting in this category.

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City currently has \$869,568 that qualifies for reporting in this category.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The focus is on "activities" rather than (the previous model's) "fund types."

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The focus of the Statement of Net Position (the "unrestricted net position") is designed to be similar to bottom line results for the City and its governmental and business-type activities. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, physical environment, transportation, economic environment, and culture and recreation. The business-type activities of the City consist of water/sewer utility and stormwater utility.

The government-wide financial statements include not only the City itself (the primary government) but also the legally separate community redevelopment agency ("CRA"). Financial information for this component unit is blended with the financial information presented for the primary government itself since its board members are primarily the same as the members of the City Commission.

The City has three defined benefit pension plans established for the exclusive benefit of its employees and beneficiaries.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: (1) governmental funds, (2) proprietary funds, and (3) fiduciary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

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

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for: (1) the General Fund, (2) the Capital Projects Fund, (3) the CRA Fund, and (4) the Debt Service Fund, all of which are considered to be major funds.

The City adopts an annual appropriated budget for its General Fund and the CRA Fund. Budgetary comparison schedules have been provided for the General Fund and CRA Fund to demonstrate compliance with the budget.

Proprietary funds. The City maintains two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water/sewer and stormwater utility systems.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's pension trust funds are included in the fiduciary fund type.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statements of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. For the current year, the City's assets exceeded liabilities by \$95,017,217.

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**

The following table reflects the condensed Statements of Net Position for the current and prior years:

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|--------------------|--------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 22,318,425 | 16,861,380 | 18,887,712 | 16,924,040 | 41,206,137 | 33,785,420 |
| Capital assets | 58,252,540 | 60,541,645 | 60,299,330 | 59,907,116 | 118,551,870 | 120,448,761 |
| Total assets | <u>80,570,965</u> | <u>77,403,025</u> | <u>79,187,042</u> | <u>76,831,156</u> | <u>159,758,007</u> | <u>154,234,181</u> |
| Deferred outflows | <u>3,403,116</u> | <u>4,538,717</u> | <u>433,468</u> | <u>624,574</u> | <u>3,836,584</u> | <u>5,163,291</u> |
| Long-term liabilities outstanding | 47,018,811 | 49,597,659 | 16,317,754 | 16,129,270 | 63,336,565 | 65,726,929 |
| Other liabilities | <u>2,178,246</u> | <u>1,659,485</u> | <u>2,192,995</u> | <u>3,352,935</u> | <u>4,371,241</u> | <u>5,012,420</u> |
| Total liabilities | <u>49,197,057</u> | <u>51,257,144</u> | <u>18,510,749</u> | <u>19,482,205</u> | <u>67,707,806</u> | <u>70,739,349</u> |
| Deferred inflows | <u>775,521</u> | <u>531,718</u> | <u>94,047</u> | <u>127,275</u> | <u>869,568</u> | <u>658,993</u> |
| Net investment in capital assets | 20,809,496 | 22,040,679 | 45,586,148 | 44,208,739 | 66,395,644 | 66,249,418 |
| Restricted | 7,797,320 | 5,420,884 | 5,354,889 | 3,919,286 | 13,152,209 | 9,340,170 |
| Unrestricted | <u>5,394,687</u> | <u>2,691,317</u> | <u>10,074,677</u> | <u>9,718,225</u> | <u>15,469,364</u> | <u>12,409,542</u> |
| Total net position | <u>\$ 34,001,503</u> | <u>30,152,880</u> | <u>61,015,714</u> | <u>57,846,250</u> | <u>95,017,217</u> | <u>87,999,130</u> |

Seventy percent (69.9%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Fourteen percent (13.8%) of the City's net position represents resources that are subject to external restrictions on how they may be used.

The increase in assets and net position of the City's business-type activities is primarily due to the additions made to the City's water distribution and sewer collection systems and a slight decrease of the City's long-term liabilities offset by a small increase in the net pension liability.

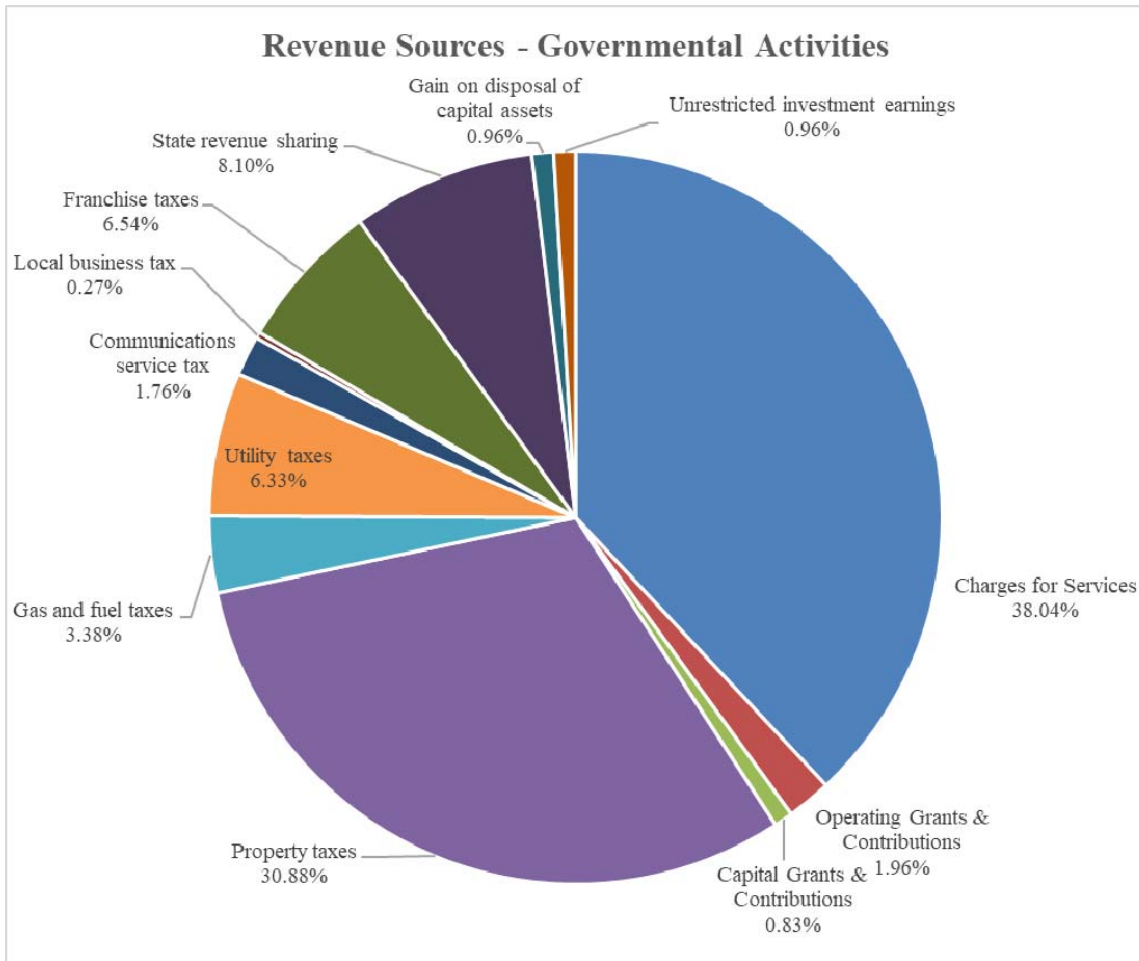
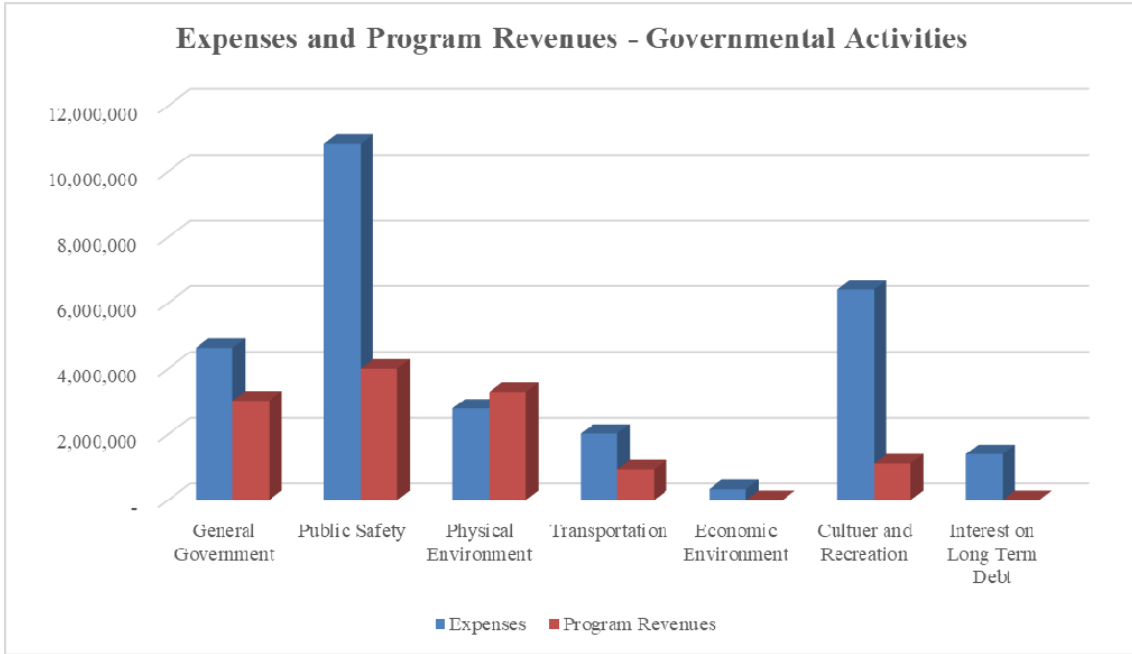
**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**

Statements of Activities

The following table reflects the condensed Statements of Activities for the current and prior years:

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-------------|--------------------------|-------------|------------|------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 11,504,626 | 9,024,755 | 14,344,022 | 12,865,511 | 25,848,648 | 21,890,266 |
| Operating grants and contributions | 592,882 | 411,824 | 248,797 | - | 841,679 | 411,824 |
| Capital grants and contributions | 250,032 | - | 314,367 | 2,886,407 | 564,399 | 2,886,407 |
| General revenues | | | | | | |
| Property taxes | 9,338,910 | 8,275,047 | - | - | 9,338,910 | 8,275,047 |
| Franchise taxes | 1,977,252 | 1,869,686 | - | - | 1,977,252 | 1,869,686 |
| Utility taxes | 1,913,806 | 1,839,880 | - | - | 1,913,806 | 1,839,880 |
| Communications service tax | 533,196 | 566,800 | - | - | 533,196 | 566,800 |
| Local business tax | 81,157 | 76,335 | - | - | 81,157 | 76,335 |
| Gas and fuel taxes | 1,021,713 | 950,758 | - | - | 1,021,713 | 950,758 |
| State revenue sharing | 2,451,402 | 2,310,556 | - | - | 2,451,402 | 2,310,556 |
| Unrestricted investment earnings | 291,513 | 249,119 | 62,168 | 27,880 | 353,681 | 276,999 |
| Gain on disposal | 290,255 | 106,870 | - | - | 290,255 | 106,870 |
| Total revenues | 30,246,744 | 25,681,630 | 14,969,354 | 15,779,798 | 45,216,098 | 41,461,428 |
| Expenses | | | | | | |
| General government | 4,632,235 | 5,060,661 | - | - | 4,632,235 | 5,060,661 |
| Public safety | 10,836,046 | 9,684,660 | - | - | 10,836,046 | 9,684,660 |
| Physical environment | 2,783,402 | 2,486,970 | - | - | 2,783,402 | 2,486,970 |
| Transportation | 2,017,654 | 2,817,243 | - | - | 2,017,654 | 2,817,243 |
| Economic environment | 329,280 | 237,847 | - | - | 329,280 | 237,847 |
| Culture and recreation | 6,402,986 | 6,396,615 | - | - | 6,402,986 | 6,396,615 |
| Interest on long-term debt | 1,396,518 | 1,367,571 | - | - | 1,396,518 | 1,367,571 |
| Water/sewer utility | - | - | 9,255,799 | 8,765,026 | 9,255,799 | 8,765,026 |
| Stormwater utility | - | - | 544,091 | 543,268 | 544,091 | 543,268 |
| Total expenses | 28,398,121 | 28,051,567 | 9,799,890 | 9,308,294 | 38,198,011 | 37,359,861 |
| Change in net position before transfers | 1,848,623 | (2,369,937) | 5,169,464 | 6,471,504 | 7,018,087 | 4,101,567 |
| Transfers | 2,000,000 | 2,000,000 | (2,000,000) | (2,000,000) | - | - |
| Change in net position | 3,848,623 | (369,937) | 3,169,464 | 4,471,504 | 7,018,087 | 4,101,567 |
| Net position, beginning - as restated | 30,152,880 | 30,522,817 | 57,846,250 | 53,374,746 | 87,999,130 | 83,897,563 |
| Net position, ending | \$ 34,001,503 | 30,152,880 | 61,015,714 | 57,846,250 | 95,017,217 | 87,999,130 |

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**



**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**

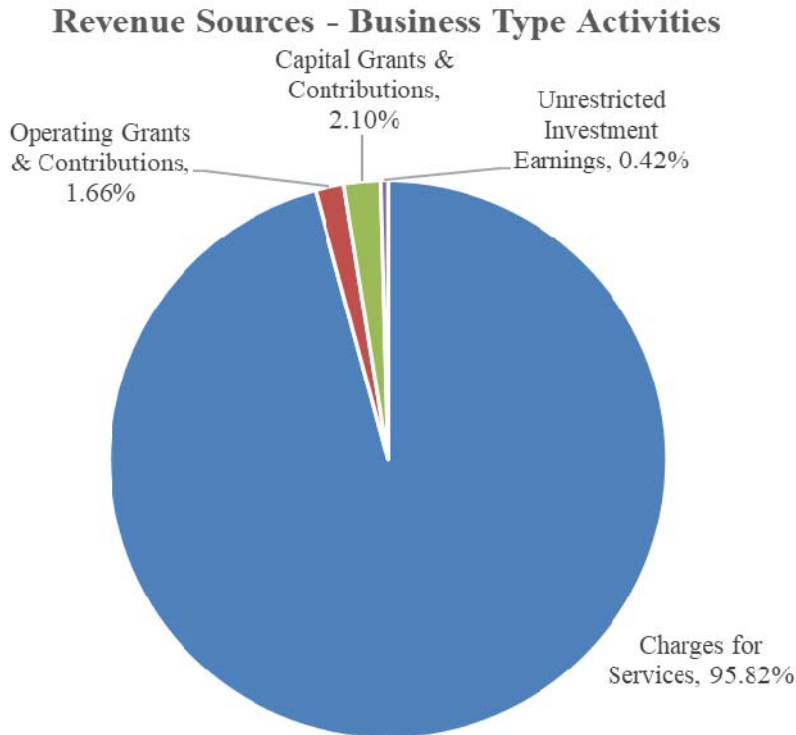
Governmental Activities

Governmental activities net position increased by \$3,848,623.

General revenues of governmental activities increased by \$1,654,153 which indicates the local economy is stabilizing and property values have continued to increase.

Program revenues of governmental activities increased by \$2,910,961, showing a large increase over last year's building permits and related revenues. Charges for services increased by \$2,479,871, as operating grants and contributions increased by \$181,058 and capital grants and contributions increased by \$250,032. The City has been and will continue to be active in securing grant funding for its looming infrastructure needs.

The expenses for governmental activities increased by \$1,950,470 compared to the prior year. This increase is primarily due to a step increase in salaries and expanded services.



Business-type Activities

Business-type activities net position increased by \$3,169,464.

Program revenues of business type activities decreased by \$844,732, due to a decrease in the amount the City received in capital grant funding offset by a slight increase in water and sewer service revenues.

Expenses of business-type activities increased by \$826,742 or 9.2% due to a step increase in salaries along with an increase in professional services for future projects. The City continues to develop the most effective and efficient ways to provide services to its citizens while maintaining its current infrastructure as new developments are built.

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of September 30, 2018, the City's governmental funds reported combined ending fund balances of \$20,468,285, an increase of \$4,920,616 in comparison with the prior year. The increase is due to the improvement of the overall economic condition of the City. The City has implemented a non-ad valorem assessment for fire services to assist in offsetting a portion of the cost to provide fire protection. Each parcel of property is assessed \$144.93. Additionally, any relative improvements upon the property are assessed at \$0.85 per \$1,000 of value. The data used to develop the assessment amount was obtained from the Polk County Property Appraiser. Also, the growth of the City superseded revenue projections.

The City has implemented the requirements of GASB 54 defining the manner in which Governmental Funds fund balance is classified. Fund balance is now divided into five categories: (1) non-spendable, (2) restricted, (3) committed, (4) assigned, and (5) unassigned.

- Non-spendable fund balance includes amounts that are not in spendable form (inventory or long-term receivables) or amounts that are required to be maintained intact (corpus of a permanent fund). Approximately \$56,742 or 0.2% of total fund balance is classified as non-spendable.
- Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers such as creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Approximately \$7,797,320 or 38.1% of total fund balance is classified as restricted.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution or ordinance) of the City Commission, the City's highest level of decision-making authority. Committed amounts cannot be used for any other purposes unless the City Commission removes or changes the specified use by taking the same type of formal action (resolution or ordinance) it employed to commit those funds. Approximately \$385,282 or 1.9% of total fund balance is classified as committed.

During the fiscal year of 2015, the City Commission committed funding of approximately \$138,000, for the future construction of youth baseball/softball athletic fields. This revenue was generated due to the sale of East Park, to the City's Utility Department (Enterprise Fund) for the construction of a composting facility vis-à-vis a public-private partnership. A corresponding resolution was adopted by the City Commission to restrict this revenue for recreational purposes specific to youth athletics. Capital construction has yet occurred, but staff has embarked upon a recreational master plan to address recreational programmatic needs for the next 15 to 20 years that was presented in fiscal year 2017.

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**

- Assigned fund balance includes amounts established by City Management intended to be used for specific purposes.
- Unassigned fund balance is the residual classification representing fund balance that has not been restricted, committed or assigned. Approximately \$12,228,941 or 59.8% of total fund balance is classified as unassigned.

The General Fund is the chief operating fund of the City. At September 30, 2018, total fund balance of the General Fund is \$18,267,038. Non-spendable fund balance equals \$56,742 or 0.3%; restricted fund balance equals \$5,596,073 or 30.6%; committed fund balance equals \$385,282 or 2.1%; and unassigned fund balance equals \$12,228,941 or 67.0%.

The fund balance of the City's General Fund increased by \$4,525,733 during the current fiscal year. As stated earlier, this increase is due to an overall improvement in the City's economic condition, as well as new realized revenue streams and improved efficiencies in the delivery of services.

The fund balance of the City's CRA fund increased by \$394,680 during the current fiscal year.

It is essential that governments maintain an adequate level of fund balance to mitigate risks and provide a back-up for revenue shortfalls. Therefore, the City has established the target minimum reserve balance in the City's General Fund unassigned fund balance equal to 17% of the General fund's current fiscal year operating budget as recommended by the Governmental Finance Officers Association (GFOA). Currently the City is maintaining a 41.5% unassigned balance.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund and the Stormwater Utility Fund at September 30, 2018, amounted to \$9,744,293 and \$330,384, respectively. All stormwater fees are being collected through an assessment process on an annual basis. The stormwater fees will be collected in arrears going forward; therefore, there is a natural lag in the collection cycle. Net position invested in capital assets, net of related debt, was \$44,469,648 in the Water and Sewer Fund at year-end. The change in net position for these funds was an increase of \$3,052,378 and \$117,086, respectively. The change in net position for the Water and Sewer Fund was due to a positive result from operating activities along with large capital contributions during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

There is a \$1,138,181 difference in appropriations between the original budget and the final amended budget for this fiscal year. The major reason for the difference is an increase in funding for the purchase of new police cars and equipment for our growing police department and generator outfitting for city facilities.

The difference between the final amended budget and actual expenditures was \$976,989 and can be summarized as follows:

- Various general government departments under budget.
- Solid waste division reuse savings.
- Public safety personnel attrition vacancies.

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**

- Impact fees budgeted but not expended.
- Salary savings within other departments throughout the City due to vacant positions.
- Insurance surplus revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, net of related debt, amounts to \$66,395,644 (net of accumulated depreciation) as of September 30, 2018. This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment. The total increase in the City's investment in capital assets, net of related debt, for the current fiscal year (net of accumulated depreciation) was \$146,226 (a decrease of \$1,231,183 and an increase of \$1,377,409 for governmental activities and business-type activities, respectively).

Major capital projects with substantial expenditures during the current fiscal year included the following:

- Water Main Improvements (Polk City Road, Robinson Force Main, Reclaimed Water Main)

**City of Haines City, Florida
Capital Assets (Net of Accumulated Depreciation)**

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|----------------------------|--------------------------------|-------------------|---------------------------------|-------------------|--------------------|--------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Land | \$ 9,220,067 | 9,208,573 | 814,935 | 728,150 | 10,035,002 | 9,936,723 |
| Plant improvements | - | - | 49,862,432 | 44,377,423 | 49,862,432 | 44,377,423 |
| Buildings and improvements | 37,965,636 | 39,917,777 | 254,895 | 259,621 | 38,220,531 | 40,177,398 |
| Equipment | 1,783,909 | 1,716,333 | 4,351,705 | 4,632,794 | 6,135,614 | 6,349,127 |
| Transportation equipment | 2,051,134 | 2,416,770 | 412,719 | 495,227 | 2,463,853 | 2,911,997 |
| Infrastructure | 6,006,511 | 6,077,516 | 414,028 | 427,093 | 6,420,539 | 6,504,609 |
| Library books | 43,257 | 88,598 | - | - | 43,257 | 88,598 |
| Construction in progress | 1,182,026 | 1,116,078 | 4,188,616 | 8,986,808 | 5,370,642 | 10,102,886 |
| Total | <u>\$ 58,252,540</u> | <u>60,541,645</u> | <u>60,299,330</u> | <u>59,907,116</u> | <u>118,551,870</u> | <u>120,448,761</u> |

Additional information on the City's capital assets can be found in Note 4 to the Financial Statements on pages 40 - 41 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total long-term liabilities of \$63,336,565, a decrease of \$1,190,692 from the prior year.

**City of Haines City, Florida
Long-Term Debt**

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|-----------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Total long-term liabilities | <u>\$ 47,018,811</u> | <u>47,810,000</u> | <u>16,317,754</u> | <u>16,717,257</u> | <u>63,336,565</u> | <u>64,527,257</u> |

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2018**

Additional information on the City's long-term debt can be found in Note 7 to the Financial Statements on pages 43 - 47 of this report.

NEXT YEAR'S BUDGETS AND RATES

For fiscal year 2019, the City's millage rate remained the same at 7.5895 mills. For fiscal year 2018, the City's property tax valuation increased by \$280,001,109 (30.5%). The increase is due to the upturn in property values as well as new growth on old agriculture properties now being developed. However, balancing the annual budget continues to be a struggle as the City moves forward and grows. The City has approved the levy of a Fire Service Assessment for property within city limits of Haines City for the third year. Each parcel of land will be assessed a flat amount of \$144.93 plus \$0.85 per every \$1,000 of value for all relative improvements upon that parcel. The billing for the assessment will be included on the property owner's tax bill which is issued by the Polk County Tax Collector.

ECONOMIC FACTORS

With all major market indicators showing that the economy is slowly recovering, the City is optimistic about what lies ahead in the coming fiscal years. Taxable values and the housing market are now exceeding those in the years prior to the economic recession in 2008. The City issued a record level of 3,760 building permits in fiscal year 2018, compared to 1,891 last year. Therefore, optimism remains high that this upward momentum will continue. The area's unemployment rate continues to drop. The current rate is 3.4%, well below the double-digit rate of several years ago. The City will continue to work in unison to be good stewards of the financial resources collected from our residents to ensure that we manage the financial resources we have judiciously for future generations. The City is optimistic with the economic growth that is occurring in the community but understands there is still work to be done and we have a long way to go.

When you look at Haines City's geographical location you see that it is the heart of Florida. It is within a short driving distance of some of the major tourist attractions of the world. The City has begun a campaign to take advantage of its location and become a destination point. With events like the Florida Iron Man competition, Ribs on the Ridge-Jack Daniels qualifying bar-b-que competition and Thunder on the Ridge Fourth of July Celebration, the City hopes to attract other events to stimulate the local economy. The City has invested \$25 million in Lake Eva Park located in the City boundaries. The park is a multi-purpose recreational facility that rivals any in the area and has the capacity to accommodate a variety of different type and size events. The City wants to become a destination point. We found our heartbeat in the heart of Florida; we invite everyone to come find theirs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Haines City, 620 E. Main Street, Haines City, Florida 33844.



CITY OF HAINES CITY, FLORIDA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

| | Primary Government | | |
|--|----------------------------|-----------------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 16,363,704 | 10,615,413 | 26,979,117 |
| Accounts receivable, net | 967,589 | 1,546,738 | 2,514,327 |
| Internal balances | 20,534 | (20,534) | - |
| Due from other governments | 617,949 | 8 | 617,957 |
| Inventory | 49,685 | 109,883 | 159,568 |
| Prepaid items | 7,401 | - | 7,401 |
| Restricted cash and cash equivalents | 4,290,127 | 6,636,204 | 10,926,331 |
| Long-term receivables | 1,436 | - | 1,436 |
| Capital assets | | | |
| Non-depreciable assets | 10,402,093 | 5,003,551 | 15,405,644 |
| Depreciable assets, net of depreciation | 47,850,447 | 55,295,779 | 103,146,226 |
| TOTAL ASSETS | <u>80,570,965</u> | <u>79,187,042</u> | <u>159,758,007</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pensions | 2,485,515 | 428,277 | 2,913,792 |
| Deferred outflows - OPEB | 25,044 | 5,191 | 30,235 |
| Deferred loss on refunding | 892,557 | - | 892,557 |
| Total deferred outflows of resources | <u>3,403,116</u> | <u>433,468</u> | <u>3,836,584</u> |
| LIABILITIES | | | |
| Accounts payable | 1,542,428 | 743,268 | 2,285,696 |
| Accrued interest | 328,106 | - | 328,106 |
| Accrued payroll | 237,609 | 69,956 | 307,565 |
| Deposits | 64,556 | - | 64,556 |
| Unearned revenues | 5,547 | - | 5,547 |
| Current liabilities payable from restricted assets | | | |
| Accrued interest payable | - | 85,461 | 85,461 |
| Deposits | - | 1,281,295 | 1,281,295 |
| Other liabilities | - | 13,015 | 13,015 |
| Noncurrent liabilities | | | |
| Portion due within one year | 2,827,328 | 1,200,329 | 4,027,657 |
| Portion due after one year | 44,191,483 | 15,117,425 | 59,308,908 |
| TOTAL LIABILITIES | <u>49,197,057</u> | <u>18,510,749</u> | <u>67,707,806</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - pensions | 587,414 | 55,054 | 642,468 |
| Deferred inflows - OPEB | 188,107 | 38,993 | 227,100 |
| Total deferred inflows of resources | <u>775,521</u> | <u>94,047</u> | <u>869,568</u> |
| NET POSITION | | | |
| Net investment in capital assets | 20,809,496 | 45,586,148 | 66,395,644 |
| Restricted for | | | |
| Building permits | 1,375,800 | - | 1,375,800 |
| Impact fee requirements | 4,130,909 | - | 4,130,909 |
| Confiscated property | 59,942 | - | 59,942 |
| Law enforcement training | 29,422 | - | 29,422 |
| Capital projects | 8 | 4,569,539 | 4,569,547 |
| Community development | 2,131,385 | - | 2,131,385 |
| Debt service | 69,854 | 785,350 | 855,204 |
| Unrestricted | 5,394,687 | 10,074,677 | 15,469,364 |
| TOTAL NET POSITION | <u>\$ 34,001,503</u> | <u>61,015,714</u> | <u>95,017,217</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | Program Revenues | | | Net (Expense) Revenue and 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 | \$ 4,632,235 | 3,016,454 | 5,593 | - | (1,610,188) | - | (1,610,188) |
| Public safety | 10,836,046 | 3,735,242 | 262,305 | - | (6,838,499) | - | (6,838,499) |
| Physical environment | 2,783,402 | 3,280,338 | - | - | 496,936 | - | 496,936 |
| Transportation | 2,017,654 | 686,631 | - | 250,032 | (1,080,991) | - | (1,080,991) |
| Economic environment | 329,280 | - | - | - | (329,280) | - | (329,280) |
| Culture and recreation | 6,402,986 | 785,961 | 324,984 | - | (5,292,041) | - | (5,292,041) |
| Interest on long-term debt | 1,396,518 | - | - | - | (1,396,518) | - | (1,396,518) |
| Total governmental activities | 28,398,121 | 11,504,626 | 592,882 | 250,032 | (16,050,581) | - | (16,050,581) |
| Business-type activities | | | | | | | |
| Water and sewer | 9,255,799 | 13,685,555 | 248,797 | 314,367 | - | 4,992,920 | 4,992,920 |
| Stormwater | 544,091 | 658,467 | - | - | - | 114,376 | 114,376 |
| Total business-type activities | 9,799,890 | 14,344,022 | 248,797 | 314,367 | - | 5,107,296 | 5,107,296 |
| Total primary government | \$ 38,198,011 | 25,848,648 | 841,679 | 564,399 | (16,050,581) | 5,107,296 | (10,943,285) |
| GENERAL REVENUES | | | | | | | |
| Property taxes | | | | | 9,338,910 | - | 9,338,910 |
| Gas and fuel taxes | | | | | 1,021,713 | - | 1,021,713 |
| Utility taxes | | | | | 1,913,806 | - | 1,913,806 |
| Communications service tax | | | | | 533,196 | - | 533,196 |
| Local business tax | | | | | 81,157 | - | 81,157 |
| Franchise taxes | | | | | 1,977,252 | - | 1,977,252 |
| State revenue sharing | | | | | 2,451,402 | - | 2,451,402 |
| Gain on disposal of capital assets | | | | | 290,255 | - | 290,255 |
| Unrestricted investment earnings | | | | | 291,513 | 62,168 | 353,681 |
| Total general revenues | | | | | 17,899,204 | 62,168 | 17,961,372 |
| Transfers | | | | | 2,000,000 | (2,000,000) | - |
| Total general revenues and transfers | | | | | 19,899,204 | (1,937,832) | 17,961,372 |
| Change in net position | | | | | 3,848,623 | 3,169,464 | 7,018,087 |
| Net position, beginning of year | | | | | 30,152,880 | 57,846,250 | 87,999,130 |
| Net position, end of year | | | | | \$ 34,001,503 | 61,015,714 | 95,017,217 |

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

| | General Fund | Capital Projects Fund | CRA Fund | Debt Service Fund | Total Governmental Funds |
|--|-------------------------|--------------------------------------|---------------------|----------------------------------|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 14,153,277 | 8 | 2,210,419 | - | 16,363,704 |
| Accounts receivable | 967,589 | - | - | - | 967,589 |
| Due from other funds | 20,534 | - | - | - | 20,534 |
| Due from other governments | 617,949 | - | - | - | 617,949 |
| Inventory | 49,685 | - | - | - | 49,685 |
| Prepaid items | 5,621 | - | 1,780 | - | 7,401 |
| Restricted cash and cash equivalents | 4,220,273 | - | - | 69,854 | 4,290,127 |
| Long-term receivables | 1,436 | - | - | - | 1,436 |
| Total assets | \$ 20,036,364 | 8 | 2,212,199 | 69,854 | 22,318,425 |
| Liabilities | | | | | |
| Accounts payable | \$ 1,470,480 | - | 71,948 | - | 1,542,428 |
| Accrued payroll | 228,743 | - | 8,866 | - | 237,609 |
| Other current liabilities | 64,556 | - | - | - | 64,556 |
| Unearned revenue | 5,547 | - | - | - | 5,547 |
| Total liabilities | 1,769,326 | - | 80,814 | - | 1,850,140 |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Inventory | 49,685 | - | - | - | 49,685 |
| Prepaid items | 5,621 | - | - | - | 5,621 |
| Long-term receivables | 1,436 | - | - | - | 1,436 |
| Restricted for | | | | | |
| Building permits | 1,375,800 | - | - | - | 1,375,800 |
| Impact fee requirements | 4,130,909 | - | - | - | 4,130,909 |
| Confiscated property | 59,942 | - | - | - | 59,942 |
| Law enforcement training | 29,422 | - | - | - | 29,422 |
| Capital projects | - | 8 | - | - | 8 |
| Community development | - | - | 2,131,385 | - | 2,131,385 |
| Debt service | - | - | - | 69,854 | 69,854 |
| Committed for capital projects | 385,282 | - | - | - | 385,282 |
| Unassigned | 12,228,941 | - | - | - | 12,228,941 |
| Total fund balances | 18,267,038 | 8 | 2,131,385 | 69,854 | 20,468,285 |
| Total liabilities and fund balances | \$ 20,036,364 | 8 | 2,212,199 | 69,854 | 22,318,425 |

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

| | | |
|--|--------------|----------------------|
| Total fund balances for governmental funds | | \$ 20,468,285 |
| Total net position reported for governmental activities in the statement of net position is different because: | | |
| 1. Capital assets used in governmental activities are not financial resources and | | |
| Land | \$ 9,220,067 | |
| Buildings and improvements, net of \$23,376,658 accumulated depreciation | 37,965,636 | |
| Equipment, net of \$5,901,407 accumulated depreciation | 1,783,909 | |
| Transportation equipment, net of \$4,551,006 accumulated depreciation | 2,051,134 | |
| Infrastructure, net of \$4,364,604 accumulated depreciation | 6,006,511 | |
| Library books, net of \$715,182 accumulated depreciation | 43,257 | |
| Construction in progress | 1,182,026 | |
| Total capital assets, net | | 58,252,540 |
| 2. Long-term liabilities and related accrued interest applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate the liabilities. These liabilities consist of: | | |
| CenterState Bank loans | (37,387,300) | |
| Deferred loss on refunding | 892,557 | |
| Capital leases obligations | (55,744) | |
| Accrued interest on long-term debt | (328,106) | |
| Compensated absences | (1,556,194) | |
| Net pension liability | (4,765,706) | |
| Total OPEB liability | (3,253,867) | |
| Total long-term liabilities and accrued interest | | (46,454,360) |
| 3. Deferred outflows and deferred inflows related to the City's pension plans and OPEB plan are not expected to be liquidated with expendable available financial resources and are therefore, not reported in the funds. | | |
| Deferred outflows - pensions | 2,485,515 | |
| Deferred outflows - OPEB | 25,044 | |
| Deferred inflows - pensions | (587,414) | |
| Deferred inflows - OPEB | (188,107) | |
| Total deferred outflows/inflows of resources | | 1,735,038 |
| Total net position of governmental activities | | \$ 34,001,503 |

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | General Fund | Capital Projects Fund | CRA Fund | Debt Service Fund | Total Governmental Funds |
|--|----------------------|-----------------------------|------------------|-------------------------|--------------------------------|
| Revenues | | | | | |
| Property taxes | \$ 7,645,055 | - | 1,693,855 | - | 9,338,910 |
| Gas and fuel taxes | 1,021,713 | - | - | - | 1,021,713 |
| Utility taxes | 1,913,806 | - | - | - | 1,913,806 |
| Communications service tax | 533,196 | - | - | - | 533,196 |
| Local business tax | 81,157 | - | - | - | 81,157 |
| Franchise fees | 1,977,252 | - | - | - | 1,977,252 |
| Licenses and permits | 2,435,564 | - | - | - | 2,435,564 |
| Intergovernmental | 2,937,604 | - | - | - | 2,937,604 |
| Charges for services | 4,381,628 | - | - | - | 4,381,628 |
| Fines and forfeitures | 1,623,451 | - | - | - | 1,623,451 |
| Assessments | 1,908,268 | - | - | - | 1,908,268 |
| Impact fees | 1,032,106 | - | - | - | 1,032,106 |
| Contributions | 106,680 | - | - | - | 106,680 |
| Interest | 75,322 | - | 8,184 | 208,007 | 291,513 |
| Other | 123,609 | - | - | - | 123,609 |
| Total revenues | <u>27,796,411</u> | <u>-</u> | <u>1,702,039</u> | <u>208,007</u> | <u>29,706,457</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 3,812,631 | - | 507 | - | 3,813,138 |
| Public safety | 10,097,383 | - | - | - | 10,097,383 |
| Physical environment | 2,765,626 | - | - | - | 2,765,626 |
| Transportation | 1,575,714 | - | - | - | 1,575,714 |
| Economic environment | - | - | 118,643 | - | 118,643 |
| Culture and recreation | 3,578,137 | - | 669,534 | - | 4,247,671 |
| Debt service | | | | | |
| Principal | - | - | - | 2,039,735 | 2,039,735 |
| Interest | - | - | - | 1,324,930 | 1,324,930 |
| Capital outlay | 492,271 | - | 609,733 | - | 1,102,004 |
| Total expenditures | <u>22,321,762</u> | <u>-</u> | <u>1,398,417</u> | <u>3,364,665</u> | <u>27,084,844</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>5,474,649</u> | <u>-</u> | <u>303,622</u> | <u>(3,156,658)</u> | <u>2,621,613</u> |
| Other financing sources (uses) | | | | | |
| Insurance proceeds | 290,986 | - | - | - | 290,986 |
| Proceeds from sale of capital assets | 8,017 | - | - | - | 8,017 |
| Transfers in | 2,000,000 | - | 1,920,280 | 3,156,861 | 7,077,141 |
| Transfers out | (3,247,919) | - | (1,829,222) | - | (5,077,141) |
| Total other financing sources (uses) | <u>(948,916)</u> | <u>-</u> | <u>91,058</u> | <u>3,156,861</u> | <u>2,299,003</u> |
| Net change in fund balances | 4,525,733 | - | 394,680 | 203 | 4,920,616 |
| Fund balances, beginning of year | 13,741,305 | 8 | 1,736,705 | 69,651 | 15,547,669 |
| Fund balances, end of year | <u>\$ 18,267,038</u> | <u>8</u> | <u>2,131,385</u> | <u>69,854</u> | <u>20,468,285</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

| | | |
|--|--|--------------|
| Total net change in fund balances for governmental funds | | \$ 4,920,616 |
|--|--|--------------|

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period.

| | | |
|----------------------|--------------------|-------------|
| Capital outlay | \$ 1,124,164 | |
| Depreciation expense | <u>(3,654,553)</u> | (2,530,389) |

The net effect of various miscellaneous transactions (i.e. sales and donations) is to increase net position.

| | | |
|-----------------------------------|----------------|---------|
| Net book value of assets disposed | (8,748) | |
| Donated infrastructure | <u>250,032</u> | 241,284 |

Proceeds of certain long-term debt are reported as financing sources in governmental funds and thus contribute to the increase in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which payment of principal on this debt exceeds (is exceeded by) the proceeds from issuance of new debt.

| | | |
|--------------------|------------------|-----------|
| Principal payments | <u>2,039,735</u> | 2,039,735 |
|--------------------|------------------|-----------|

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are used. The net change associated with these expenses/expenditures is as follows:

| | | |
|--|------------------|-----------|
| Accrued interest on long-term debt | 17,668 | |
| Pension expense | (102,256) | |
| Compensated absences | (94,327) | |
| Other post-employment benefits payable | <u>(554,452)</u> | (733,367) |

Expense is recorded on the statement of activities for amortization of the following items:

| | | |
|----------------------------|--|-----------------|
| Deferred loss on refunding | | <u>(89,256)</u> |
|----------------------------|--|-----------------|

| | | |
|--|--|----------------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | | <u><u>\$ 3,848,623</u></u> |
|--|--|----------------------------|

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018**

| Assets | Water and Sewer Fund | Stormwater Fund | Total |
|--|---------------------------------|----------------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | \$ 10,101,891 | 513,522 | 10,615,413 |
| Accounts receivable, net of allowances | 1,543,700 | 3,038 | 1,546,738 |
| Due from other governments | - | 8 | 8 |
| Inventories | 109,883 | - | 109,883 |
| Total current assets | 11,755,474 | 516,568 | 12,272,042 |
| Noncurrent assets | | | |
| Restricted cash and cash equivalents | 6,636,204 | - | 6,636,204 |
| Capital assets | | | |
| Land | 758,982 | 55,952 | 814,934 |
| Stormwater improvements | - | 811,768 | 811,768 |
| Plant and plant improvements | 73,970,729 | - | 73,970,729 |
| Buildings and improvements | 406,584 | - | 406,584 |
| Equipment | 9,523,837 | 119,957 | 9,643,794 |
| Transportation equipment | 1,427,022 | - | 1,427,022 |
| Construction in progress | 3,631,237 | 557,380 | 4,188,617 |
| Less accumulated depreciation | (30,535,561) | (428,557) | (30,964,118) |
| Total capital assets (net of accumulated depreciation) | 59,182,830 | 1,116,500 | 60,299,330 |
| Total noncurrent assets | 65,819,034 | 1,116,500 | 66,935,534 |
| Total assets | 77,574,508 | 1,633,068 | 79,207,576 |
| Deferred Outflows of Resources | | | |
| Deferred outflows - pensions | 396,155 | 32,122 | 428,277 |
| Deferred outflows - OPEB | 4,671 | 520 | 5,191 |
| Total deferred outflows of resources | 400,826 | 32,642 | 433,468 |

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2018

| Liabilities | Water and Sewer Fund | Stormwater Fund | Total |
|---|---------------------------------|----------------------------|-------------------|
| Current liabilities | | | |
| Accounts payable | \$ 673,464 | 69,804 | 743,268 |
| Due to other funds | 20,534 | - | 20,534 |
| Accrued liabilities | 65,223 | 4,733 | 69,956 |
| Current portion of compensated absences | 123,234 | 9,424 | 132,658 |
| Current liabilities payable from restricted assets | | | |
| Current portion of long-term debt | 1,067,671 | - | 1,067,671 |
| Accrued interest payable | 85,461 | - | 85,461 |
| Deposits | 1,281,295 | - | 1,281,295 |
| Other liabilities | 13,015 | - | 13,015 |
| Total current liabilities | <u>3,329,897</u> | <u>83,961</u> | <u>3,413,858</u> |
| Noncurrent liabilities | | | |
| Long-term liabilities | 14,990,595 | 126,830 | 15,117,425 |
| Total noncurrent liabilities | <u>14,990,595</u> | <u>126,830</u> | <u>15,117,425</u> |
| Total liabilities | <u>18,320,492</u> | <u>210,791</u> | <u>18,531,283</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows - pensions | 50,925 | 4,129 | 55,054 |
| Deferred inflows - OPEB | 35,087 | 3,906 | 38,993 |
| Total deferred inflows of resources | <u>86,012</u> | <u>8,035</u> | <u>94,047</u> |
| Net Position | | | |
| Net investment in capital assets | 44,469,648 | 1,116,500 | 45,586,148 |
| Restricted for | | | |
| Capital projects | 4,569,539 | - | 4,569,539 |
| Debt service | 785,350 | - | 785,350 |
| Unrestricted | 9,744,293 | 330,384 | 10,074,677 |
| Total Net Position | <u>\$ 59,568,830</u> | <u>1,446,884</u> | <u>61,015,714</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | Water and Sewer Fund | Stormwater Fund | Total |
|---|---------------------------------|----------------------------|--------------------|
| Operating revenues | | | |
| Charges for services | \$ 11,442,881 | 656,957 | 12,099,838 |
| Impact fees | 2,239,066 | - | 2,239,066 |
| Miscellaneous | 3,608 | 1,510 | 5,118 |
| Total operating revenues | <u>13,685,555</u> | <u>658,467</u> | <u>14,344,022</u> |
| Operating expenses | | | |
| Personnel services | 2,705,179 | 312,748 | 3,017,927 |
| Other services and charges | 3,999,504 | 207,905 | 4,207,409 |
| Depreciation | 2,336,393 | 23,438 | 2,359,831 |
| Total operating expenses | <u>9,041,076</u> | <u>544,091</u> | <u>9,585,167</u> |
| Operating income | <u>4,644,479</u> | <u>114,376</u> | <u>4,758,855</u> |
| Nonoperating revenues (expenses) | | | |
| Intergovernmental grant revenue | 248,797 | - | 248,797 |
| Interest revenue | 59,458 | 2,710 | 62,168 |
| Interest expense | (214,723) | - | (214,723) |
| Total nonoperating revenues, net | <u>93,532</u> | <u>2,710</u> | <u>96,242</u> |
| Income before capital contributions and transfers | 4,738,011 | 117,086 | 4,855,097 |
| Capital contributions | 314,367 | - | 314,367 |
| Transfers out | <u>(2,000,000)</u> | <u>-</u> | <u>(2,000,000)</u> |
| Change in net position | 3,052,378 | 117,086 | 3,169,464 |
| Net position, beginning of year, as restated | <u>56,516,452</u> | <u>1,329,798</u> | <u>57,846,250</u> |
| Net position, end of year | <u>\$ 59,568,830</u> | <u>1,446,884</u> | <u>61,015,714</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

| | Water and Sewer Fund | Stormwater Fund | Total |
|---|---------------------------------|----------------------------|--------------------|
| Cash Flows from Operating Activities | | | |
| Cash received from customers | \$ 13,590,642 | 704,880 | 14,295,522 |
| Cash payments to suppliers for goods and services | (4,234,813) | (290,054) | (4,524,867) |
| Cash payments to employees for services | (2,368,478) | (278,802) | (2,647,280) |
| Net cash provided by operating activities | <u>6,987,351</u> | <u>136,024</u> | <u>7,123,375</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Transfers out | (2,000,000) | - | (2,000,000) |
| Intergovernmental revenue | 248,797 | - | 248,797 |
| Net cash used in noncapital financing activities | <u>(1,751,203)</u> | <u>-</u> | <u>(1,751,203)</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Capital contributions | 314,367 | - | 314,367 |
| Acquisition and construction of capital assets | (2,491,074) | (260,971) | (2,752,045) |
| Principal paid on loans payable | (1,009,962) | - | (1,009,962) |
| Interest paid on loans payable | (222,029) | - | (222,029) |
| Proceeds from issuance of notes payable | 492,009 | - | 492,009 |
| Net cash used in capital and related financing activities | <u>(2,916,689)</u> | <u>(260,971)</u> | <u>(3,177,660)</u> |
| Cash Flows from Investing Activities | | | |
| Interest received | 59,458 | 2,710 | 62,168 |
| Net cash provided by investing activities | <u>59,458</u> | <u>2,710</u> | <u>62,168</u> |
| Net change in cash and cash equivalents | 2,378,917 | (122,237) | 2,256,680 |
| Cash and cash equivalents, beginning of year | 14,359,178 | 635,759 | 14,994,937 |
| Cash and cash equivalents, end of year | <u>\$ 16,738,095</u> | <u>513,522</u> | <u>17,251,617</u> |
| Cash and cash equivalents classified as | | | |
| Current assets | \$ 10,101,891 | 513,522 | 10,615,413 |
| Restricted assets | 6,636,204 | - | 6,636,204 |
| | <u>\$ 16,738,095</u> | <u>513,522</u> | <u>17,251,617</u> |

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

| | <u>Water and Sewer Fund</u> | <u>Stormwater Fund</u> | <u>Total</u> |
|--|---------------------------------|----------------------------|------------------|
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating income | \$ 4,644,479 | 114,376 | 4,758,855 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | |
| Depreciation expense | 2,336,393 | 23,438 | 2,359,831 |
| Change in assets and liabilities | | | |
| (Increase) decrease in | | | |
| Accounts receivable | (205,268) | 45,286 | (159,982) |
| Due from other governments | - | 1,127 | 1,127 |
| Inventory | (17,877) | - | (17,877) |
| Deferred outflows - pensions | 146,009 | 11,894 | 157,903 |
| Deferred outflows - OPEB | 30,066 | 3,137 | 33,203 |
| Increase (decrease) in | | | |
| Accounts payable | (219,930) | (82,149) | (302,079) |
| Due to other funds | 2,498 | - | 2,498 |
| Accrued liabilities | 617 | - | 617 |
| Customer deposits | 110,355 | - | 110,355 |
| Deferred inflows - pensions | (66,793) | (5,428) | (72,221) |
| Deferred inflows - OPEB | 35,087 | 3,906 | 38,993 |
| Net pension liability | 190,480 | 15,402 | 205,882 |
| Total OPEB liability | 31,031 | 6,947 | 37,978 |
| Compensated absences | (29,796) | (1,912) | (31,708) |
| Total adjustments | <u>2,342,872</u> | <u>21,648</u> | <u>2,364,520</u> |
| Net cash provided by operating activities | <u>\$ 6,987,351</u> | <u>136,024</u> | <u>7,123,375</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018**

| | Pension Trust Funds | Right of Way Agency Fund |
|----------------------------------|--------------------------------|---|
| Assets | | |
| Cash and cash equivalents | \$ 409,575 | 11,830 |
| Receivables | | |
| Contributions receivable | 140,487 | - |
| Accrued interest and dividends | 327,893 | - |
| Investments, at fair value | | |
| U.S Government agencies | 1,065,358 | - |
| Municipal obligations | 111,866 | - |
| Corporate bonds | 1,604,057 | - |
| Equities and equity mutual funds | 21,239,048 | - |
| Fixed income mutual funds | 7,505,262 | - |
| Commingled real estate funds | 1,653,572 | - |
| | \$ 34,057,118 | 11,830 |
| Liabilities | | |
| Accounts payable | \$ 131,617 | 11,830 |
| | 131,617 | 11,830 |
| Net position | | |
| Restricted for pension benefits | \$ 33,925,501 | - |

The notes to the financial statements are an integral part of this statement.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

| | <u>Pension Trust Funds</u> |
|--|---------------------------------------|
| Additions | |
| Contributions | |
| Employer | \$ 1,290,053 |
| Employee | 405,462 |
| State of Florida | 301,446 |
| Total contributions | <u>1,996,961</u> |
| Investment earnings | |
| Interest | 105,911 |
| Dividends | 1,026,221 |
| Net appreciation in fair value of investments | 1,599,931 |
| Less investment expense | (112,571) |
| Net investment earnings | <u>2,619,492</u> |
| Total additions | <u>4,616,453</u> |
| Deductions | |
| Pension benefits | 2,576,153 |
| Administrative expenses | 148,650 |
| Total deductions | <u>2,724,803</u> |
| Change in net position | 1,891,650 |
| Net position, restricted for pension benefits | |
| Beginning of year | <u>32,033,851</u> |
| End of year | <u><u>\$ 33,925,501</u></u> |

The notes to the financial statements are an integral part of this statement.



CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Haines City, Florida (the “City”), was originally incorporated under the General Statutes of Florida as the Town of Haines City on February 23, 1914. The first state legislative act affecting the City was enacted on May 20, 1919, and, by Chapter 8272, it was reincorporated under a City Council form of government. The present charter was adopted as Chapter 12790 on July 1, 1927, changing the form of government to “Commission-Manager Plan,” as amended. The City operates under a commission-manager form of government and provides the following services as authorized by its charter: Public safety (Police and Fire), Streets and Highways, Culture-Recreation, Public Improvements, Sanitation, Planning and Zoning, and General and Administrative Services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The government’s more significant accounting policies are described below.

In evaluating the City as a reporting entity, management has included all component units in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. The Financial Reporting Entity consists of the City (the primary government) and its blended component unit. Blended component units are legally separate organizations for which the City is financially accountable. The component unit discussed below is included in the City’s reporting entity.

Blended Component Unit

The following component unit is blended with the primary government for financial statement purposes because the component unit’s governing body is substantially the same as the City Commission and because the City has operational responsibility for the component unit.

Community Redevelopment Agency (CRA)

The CRA, which was created on April 4, 1991, by Resolution No. 558 pursuant to the Community Redevelopment Act, as found in Chapter 163 of the Florida Statutes, is an entity which is legally separate from the City and is governed by a seven-member board; five board members are the City Commission members and the other two members are appointed by the City Commission. Its sole purpose is to finance and develop the City’s designated redevelopment areas. The CRA is reported as a major special revenue fund.

Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. The government-wide financial statements required under this statement (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its blended component unit. For the most part, the effect of interfund activity has been removed from these statements so as not to distort financial results.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of third parties and cannot be used to address activities or obligations of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements (fund financial statements) are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City's fiduciary funds are presented in the fund financial statements but, as noted above, are not included in the government-wide statements. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements, the proprietary fund financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, with the exception of property taxes, for which the period is 60 days.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Revenues of the City which are susceptible to accrual under the modified accrual basis include property taxes, franchise fees, licenses and interest revenue associated with the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The financial transactions of the City are recorded in individual funds. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

- The **General Fund** is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Capital Projects Fund** is used to account for the construction and acquisition of significant capital assets for the City.
- The **CRA Fund** is the community redevelopment agency special revenue fund. Its purpose is to finance and redevelop the City’s designated redevelopment areas. Financing is provided primarily through tax increment funding from the City and Polk County.
- The **Debt Service Fund** is used to account for the payment of current principal and interest due on loans payable.

The City reports the following major proprietary funds:

- The **Water and Sewer Fund** accounts for the operations of the City’s regional water and sewer system.
- The **Stormwater Fund** accounts for the operations of the City’s stormwater activities.

Additionally, the City reports the following fund types:

- The Pension Trust Funds account for the activities of the General Employees’ Pension Fund, Police Officers’ Pension Fund and Fire Fighters’ Pension Fund, which accumulate resources for pension benefit payments to qualified employees.
- The Right of Way Agency Fund accounts for funds held in custody for the maintenance of Southern Dunes right-of-way land.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services or privileges provided, as well as fees, fines and forfeitures, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budget Process and Accounting

On or before September 1 of each year, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing October 1. A public hearing is conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance.

As set forth in the City Charter, the City Commission adopts an annual budget for the General Fund, Special Revenue Fund, and Proprietary Funds. The City does not adopt a budget for the Debt Service Fund, because effective budgetary control is achieved through bond indenture provisions. The annual budgets for the General Fund and Special Revenue Fund are prepared in accordance with GAAP for governmental fund types (modified accrual basis). The annual budgets for the Proprietary Funds are generally prepared in accordance with GAAP for enterprise fund types (accrual basis); except that capital expenses are included in the budget and depreciation expense is not included. All annual appropriations lapse at fiscal year-end.

Budgetary control is legally maintained at the fund level. City policy requires that expenditures do not exceed budgeted appropriations at the department level. Department heads are permitted to transfer appropriations between line items within their department, with the approval of the Finance Director and City Manager. Appropriations may be transferred between departments with the approval of the Finance Director and City Manager. The City Commission approves budget amendments for expenditures/expenses which are funded by new or increased revenue sources through passage of an ordinance. All outstanding commitments at fiscal year-end are re-appropriated at fiscal year-end as part of the following year's budget.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity

Deposits and investments

The City's cash and cash equivalents include cash on hand, time and demand deposits and short-term investments. For purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

All investments, including pension funds, are stated at fair value. All fair market valuations are based on quoted market prices.

Receivables and payables

Receivables consist of trade receivables, due from other governments and interest receivable, recorded net of an allowance for doubtful accounts. The City's General Fund, Water and Sewer Fund and Stormwater Fund accounts receivable are presented net of an allowance for doubtful accounts of \$30,491, \$105,423 and \$145, respectively, at September 30, 2018. All other receivables are considered fully collectible.

Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. Inventory in the governmental funds are recorded as expenditures when consumed rather than when purchased (consumption method).

Restricted assets

Certain proceeds of revenue bonds and loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond/loan covenants.

Capital assets

Capital assets, which include land, plant and plant improvements, buildings and improvements, equipment, transportation equipment, library books, and infrastructure (i.e., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the fair value of the assets or materially extend assets lives are not capitalized.

**CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciable capital assets are amortized using the straight-line method over the following estimated useful lives:

| Assets | Years |
|------------------------------|---------------|
| Stormwater improvements | 10 – 30 years |
| Plant and plant improvements | 5 – 50 years |
| Buildings and improvements | 5 – 50 years |
| Equipment | 3 – 50 years |
| Transportation equipment | 3 – 15 years |
| Library books | 3 – 7 years |
| Infrastructure | 20 – 40 years |

Unavailable revenue/unearned revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned – unavailable revenue.

Compensated absences

All regular employees with less than 5 years continuous service earn 80 hours of annual leave. The number of hours of annual leave increases relative to the number of years of continuous service, in increments of 5 years. The maximum of 160 hours of annual leave is obtained after 20 years of continuous service. For employees with 10 years or less of continuous service with the City, a maximum of 20 days of annual leave may be carried over to the next year. For employees with more than 10 years of continuous service, a maximum of 30 days may be carried over. Employees who terminate with more than one year’s service are paid for 100% of their unused annual leave. The City has accrued 100% of the annual leave liability, including related fringe benefits.

All regular employees earn 8 hours of sick leave per month. A maximum of 112 days sick leave may be accumulated. Employees who voluntarily terminate or retire are paid for 100% of their accumulated sick leave balance up to a maximum of 112 days. The City has accrued the estimated amount of vested sick leave liability, including related fringe benefits.

Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund balance reporting

Effective October 1, 2010, the City adopted the provisions of Governmental Accounting Board Statement No. 54 (“GASB 54”), which addresses fund balance reporting. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are spendable and nonspendable. Nonspendable fund balances cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and long-term receivables.

In addition to the nonspendable fund balance, GASB 54 provides a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted**—Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed**—Fund balances are reported as “committed” when they can be used for only specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.
- **Assigned**—Fund balances are reported as “assigned” when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Manager has been authorized by the City Council to assign fund balances.
- **Unassigned**—This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order: (1) committed, (2) assigned, and (3) unassigned.

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Deferred Outflows/Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2012. These standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, which arises only under the modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from interest rebates and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

The City also has deferred inflows and deferred outflows related to the recording of changes in its net pension liability and total OPEB liability. Certain changes in the net pension liability and total OPEB liability are recognized as pension or OPEB expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the liabilities for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension or OPEB expense over the expected remaining service life of plan members. Changes in actuarial assumptions which adjust the liabilities are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining lives of plan members. The difference between projected investment return on investments and actual return on those investments is also deferred and amortized against expense over a 5 year period. The changes in proportion and differences between City contributions and proportionate share of contributions are also deferred and amortized against expense over a 5 year period. Additionally, any contributions made by the City to the pension or OPEB plan before year-end but subsequent to the measurement date of the City's liabilities are reported as deferred outflows of resources.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's three plans and additions to/deductions from these plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from management’s estimates.

NOTE 2 – PROPERTY TAXES

Property tax collections are governed by Chapter 197, *Florida Statutes*. The Polk County Tax Collector bills and collects all property taxes levied within the county. Discounts of 4, 3, 2 and 1% are allowed for early payment in November, December, January and February, respectively.

The Tax Collector remits collected taxes at least monthly to the City. The City recognizes property tax revenues in the year for which they are levied.

A calendar of property tax events is as follows:

| | |
|-----------------------|---|
| January 1 | Property taxes are based on assessed value at this date as determined by the Polk County Property Appraiser |
| July 1 | Assessment roll approved by the state |
| September 30 | Millage resolution approved by the City commission |
| October 1 | Beginning of fiscal year for which taxes have been levied |
| November 1 | Property taxes due and payable |
| November 30 | Last day for 4% maximum discount |
| April 1 | Unpaid property taxes become delinquent |
| Not later than June 1 | Tax certificates are sold by the Polk County Tax Collector. An enforceable legal claim arises this date |

NOTE 3 – DEPOSITS AND INVESTMENTS

In accordance with Florida Statutes and the City’s (except for the pension trust funds) written investment policy (which was adopted by the City Commission by Resolution), the City may invest in the following types of investments: the Local Government Surplus Funds Trust Fund (Florida PRIME); SEC-registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories; direct obligations of the U.S. Treasury; federal agencies and instrumentalities; securities of investment companies or investment trusts provided their portfolio is limited to obligations of the U.S. Government or agencies or instrumentalities; repurchase agreements fully collateralized by U.S. Government obligations and other investments authorized by law or ordinance for a municipality.

The City pools the majority of its cash in a single bank account that is available for use by all funds, except the Pension Trust Funds. The City has entered into an agreement with the bank concerning the sweeping of this account to pay all cleared charges against other accounts and pay the City a stipulated variable rate of interest on the account’s daily balance. At September 30, 2018, the bank balances of the City’s total deposits was \$39,768,285. All such deposits are covered either by the Federal Deposit Insurance Corporation or by the State of Florida Collateral Pool, a multiple financial institution pool with the ability to assess its members' financial institution for collateral shortfalls if a member fails.

**CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Each of the City’s three defined benefit pension plans (police officers, firefighters and other general employees) has adopted an investment policy that specifies objectives and guidelines for the portfolio as a whole and for each individual manager. The policy also details limits by investment and issuer. Investments of the pension trust funds shall be limited to annuity and life insurance contracts, time or savings accounts, obligations of the United States, bonds issued by the State of Israel, stocks, commingled funds administered by national or state banks, mutual funds and bonds rated in one of the three highest classifications by a major rating service. Up to 10% of the assets may be invested in foreign securities and no more than 5% of the pension funds’ assets may be invested in equities of any one issuing company. The aggregate of its investments in common stock, capital stock and convertible securities at cost shall not exceed 50% of the assets of the police officers’ and firefighters’ pension funds and 65% of the general employees’ pension fund.

The City's Pension Trust Funds' investment balances at September 30, 2018, are as shown below and on the following page. For purposes of credit quality rating, investments explicitly guaranteed by the United States Government are rated as “N/A.”

Interest rate risk policy

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to change in the general interest rate. The City and the Pension Trust Funds mitigate this risk by:

- Structuring the investment portfolio so that securities mature to meet cash flow requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
- Investing operating funds primarily in shorter-term securities.

Credit risk policy

The City has an investment policy that limits investments to the safest types of securities. It requires pre-qualifying of all financial institutions, broker/dealers, intermediaries and advisors with whom the City conducts business. Also, the City diversifies their investment portfolio to minimize any potential loss on an individual security.

The Pension Trust Funds have investment policies that limit investments to those with a minimum credit quality rating of BBB by Standard & Poor’s or an equivalent rating by another major rating service. Fixed income securities that are downgraded below the minimum rating are sold at the earliest beneficial opportunity.

| <u>General Employees' Pension Investment Type</u> | <u>Rating</u> | <u>Fair Value</u> | <u>Years to Maturity</u> | | | |
|---|---------------|----------------------|--------------------------|------------|-------------|---------------|
| | | | <u>< 1</u> | <u>1-5</u> | <u>6-10</u> | <u>>10</u> |
| Fixed income mutual funds | AAA- | \$ 6,054,452 | 6,054,452 | - | - | - |
| Equity mutual funds | N/A | 10,368,143 | 10,368,143 | - | - | - |
| Money market/cash | N/A | 62,119 | 62,119 | - | - | - |
| Total fair value | | <u>\$ 16,484,714</u> | <u>16,484,714</u> | <u>-</u> | <u>-</u> | <u>-</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

| Police Officers' Pension | | | | | | |
|----------------------------------|---------------|----------------------|--------------------------|------------------|----------------|----------------|
| Investment Type | Rating | Fair Value | Years to Maturity | | | |
| | | | < 1 | 1-5 | 6-10 | >10 |
| U.S. Government securities | N/A | \$ 1,065,358 | 49,448 | 245,863 | 121,862 | 648,185 |
| Corporate bonds | Aa..B1 | 2,441,719 | 1,091,572 | 817,065 | 284,103 | 248,979 |
| Municipal obligations | Aa3 | 111,866 | - | 62,032 | 49,834 | - |
| Equities and equity mutual funds | N/A | 5,475,001 | 5,475,001 | - | - | - |
| Foreign stocks | N/A | 49,996 | 49,996 | - | - | - |
| Commingled real estate funds | N/A | 1,029,593 | 1,029,593 | - | - | - |
| Money market/cash | N/A | 155,128 | 155,128 | - | - | - |
| Total fair value | | \$ 10,328,661 | 7,850,738 | 1,124,960 | 455,799 | 897,164 |

| Firefighters' Pension | | | | | | |
|------------------------------|---------------|---------------------|--------------------------|------------|-------------|---------------|
| Investment Type | Rating | Fair Value | Years to Maturity | | | |
| | | | < 1 | 1-5 | 6-10 | >10 |
| Fixed income mutual funds | Aaa | \$ 1,450,810 | 1,450,810 | - | - | - |
| Equity mutual funds | N/A | 4,508,246 | 4,508,246 | - | - | - |
| Commingled real estate funds | N/A | 623,979 | 623,979 | - | - | - |
| Money market/cash | N/A | 192,328 | 192,328 | - | - | - |
| Total fair value | | \$ 6,775,363 | 6,775,363 | - | - | - |

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the exchange price that would be received for an asset (exit price) in the principal or most advantageous market for an asset in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets that the City has the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset in active markets, as well as inputs that are observable for the asset (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset which are typically based on the City's own assumptions, as there is little, if any, related market activity.

Investments that are measured at fair value using the net asset value (NAV) per share, or its equivalent, as a practical expedient are not classified in the fair value hierarchy.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City had the following recurring fair value measurements, broken into the fair value hierarchy, as of September 30, 2018:

| General Employees' Pension Investment Type | Fair Value | Fair Value Hierarchy | | |
|---|----------------------|-----------------------------|------------------|----------------|
| | | Level 1 | Level 2 | Level 3 |
| Fixed income mutual funds | \$ 6,054,452 | 609,533 | 5,444,919 | - |
| Equity mutual funds | 10,368,143 | 10,368,143 | - | - |
| Money market/cash | 62,119 | 62,119 | - | - |
| Total fair value | \$ 16,484,714 | 11,039,795 | 5,444,919 | - |

| Police Officers' Pension Investment Type | Fair Value | Fair Value Hierarchy | | |
|---|----------------------|-----------------------------|------------------|----------------|
| | | Level 1 | Level 2 | Level 3 |
| U.S. Government securities | \$ 1,065,358 | 397,531 | 667,827 | - |
| Corporate bonds | 2,441,719 | 2,441,719 | - | - |
| Municipal obligations | 111,866 | - | 111,866 | - |
| Equities and equity mutual funds | 5,475,001 | 5,475,001 | - | - |
| Foreign stocks | 49,996 | 49,996 | - | - |
| Commingled real estate funds | 1,029,593 | - | 1,029,593 | - |
| Money market/cash | 155,128 | 155,128 | - | - |
| Total fair value | \$ 10,328,661 | 8,519,375 | 1,809,286 | - |

| Firefighters' Pension Investment Type | Fair Value | Fair Value Hierarchy | | |
|--|---------------------|-----------------------------|----------------|----------------|
| | | Level 1 | Level 2 | Level 3 |
| Fixed income mutual funds | \$ 1,450,810 | 1,450,810 | - | - |
| Equity mutual funds | 4,508,246 | 4,508,246 | - | - |
| Commingled real estate funds | 623,979 | - | - | 623,979 |
| Money market/cash | 192,328 | 192,328 | - | - |
| Total fair value | \$ 6,775,363 | 6,151,384 | - | 623,979 |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 4 – CAPITAL ASSETS

Capital asset balances and activity for the year ended September 30, 2018, were as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 9,208,573 | 20,242 | (8,748) | 9,220,067 |
| Construction in progress | 1,116,078 | 65,948 | - | 1,182,026 |
| Total capital assets not being depreciated | <u>10,324,651</u> | <u>86,190</u> | <u>(8,748)</u> | <u>10,402,093</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 60,926,132 | 416,162 | - | 61,342,294 |
| Equipment | 7,228,524 | 456,792 | - | 7,685,316 |
| Transportation equipment | 6,437,120 | 165,020 | - | 6,602,140 |
| Infrastructure | 10,121,083 | 250,032 | - | 10,371,115 |
| Library books | 758,439 | - | - | 758,439 |
| Total capital assets being depreciated | <u>85,471,298</u> | <u>1,288,006</u> | <u>-</u> | <u>86,759,304</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (21,008,355) | (2,368,303) | - | (23,376,658) |
| Equipment | (5,512,191) | (389,216) | - | (5,901,407) |
| Transportation equipment | (4,020,350) | (530,656) | - | (4,551,006) |
| Infrastructure | (4,043,567) | (321,037) | - | (4,364,604) |
| Library books | (669,841) | (45,341) | - | (715,182) |
| Total accumulated depreciation | <u>(35,254,304)</u> | <u>(3,654,553)</u> | <u>-</u> | <u>(38,908,857)</u> |
| Capital assets being depreciated, net | <u>50,216,994</u> | <u>(2,366,547)</u> | <u>-</u> | <u>47,850,447</u> |
| Governmental activities capital assets, net | <u>\$ 60,541,645</u> | <u>(2,280,357)</u> | <u>(8,748)</u> | <u>58,252,540</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 4 – CAPITAL ASSETS (CONTINUED)

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--------------------|--------------------|---------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 728,150 | 86,785 | - | 814,935 |
| Construction in progress | 8,986,808 | 2,208,917 | (7,007,109) | 4,188,616 |
| Total capital assets not being depreciated | <u>9,714,958</u> | <u>2,295,702</u> | <u>(7,007,109)</u> | <u>5,003,551</u> |
| Capital assets being depreciated | | | | |
| Plant and plant improvements | 66,868,373 | 7,102,357 | - | 73,970,730 |
| Buildings and improvements | 390,770 | 15,814 | - | 406,584 |
| Equipment | 9,309,700 | 334,092 | - | 9,643,792 |
| Infrastructure | 811,768 | - | - | 811,768 |
| Transportation equipment | 1,415,832 | 11,189 | - | 1,427,021 |
| Total capital assets being depreciated | <u>78,796,443</u> | <u>7,463,452</u> | <u>-</u> | <u>86,259,895</u> |
| Less accumulated depreciation | | | | |
| Plant and plant improvements | (22,490,950) | (1,617,348) | - | (24,108,298) |
| Buildings and improvements | (131,149) | (20,540) | - | (151,689) |
| Equipment | (4,676,906) | (615,181) | - | (5,292,087) |
| Infrastructure | (384,675) | (13,065) | - | (397,740) |
| Transportation equipment | (920,605) | (93,697) | - | (1,014,302) |
| Total accumulated depreciation | <u>(28,604,285)</u> | <u>(2,359,831)</u> | <u>-</u> | <u>(30,964,116)</u> |
| Capital assets being depreciated, net | <u>50,192,158</u> | <u>5,103,621</u> | <u>-</u> | <u>55,295,779</u> |
| Business-type activities capital assets, net | <u>\$ 59,907,116</u> | <u>7,399,323</u> | <u>(7,007,109)</u> | <u>60,299,330</u> |

Depreciation expense was charged to function/programs of the primary government as follows:

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 575,045 |
| Public safety | 722,769 |
| Physical environment | 60 |
| Transportation | 376,948 |
| Economic environment | 207,774 |
| Culture and recreation | 1,771,957 |
| Total depreciation expense, governmental functions | <u>\$ 3,654,553</u> |
| Business-type activities: | |
| Water and sewer | \$ 2,336,393 |
| Stormwater | 23,438 |
| Total depreciation expense, business-type functions | <u>\$ 2,359,831</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 5 – CONSTRUCTION COMMITMENTS

Commitments for uncompleted construction projects at September 30, 2018, consist of the following:

| | Committed |
|---------------------------------------|------------------|
| General Fund | |
| Johnson Avenue Road Project | \$ 16,644 |
| Water and Sewer Fund | |
| Reuse System Exp Ground Storage Tanks | 72,861 |
| Main St 20 in Water Main | 416,202 |
| | 489,063 |
| Stormwater Fund | |
| Lake Eva Alum | 4,957 |
| Total | \$ 510,664 |

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund loans for short-term operating purposes resulted in the following balances at September 30, 2018:

| | Receivable | Payable |
|----------------------|-------------------|----------------|
| General Fund | \$ 20,534 | - |
| Water and Sewer Fund | - | 20,534 |
| | \$ 20,534 | 20,534 |

The outstanding balance between funds results from the annual accrual of utility billing. All amounts are expected to be repaid within one year.

Interfund transfers for operating purposes from the fund that collected them to the fund that is authorized to expend them were as follows for the year ended September 30, 2018:

| | Transfers In | Transfers Out |
|----------------------|---------------------|----------------------|
| General Fund | \$ 2,000,000 | 3,247,919 |
| CRA Fund | 1,920,280 | 1,829,222 |
| Debt Service Fund | 3,156,861 | - |
| Water and Sewer Fund | - | 2,000,000 |
| | \$ 7,077,141 | 7,077,141 |

Transfers between the funds are used to fund various activities of the City such as the General Fund's contribution to the CRA for redevelopment projects, debt service payments and administrative duties paid by the General Fund.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 7 – LONG-TERM DEBT

Summarized below is the City's debt issued to finance the acquisition and construction of major capital facilities that is outstanding as of September 30, 2018:

1. Governmental activities debt

\$11,748,000 loan payable (\$9,799,000 in principal remaining at September 30, 2018), CenterState Bank–Funds borrowed to finance the construction of a new City Hall/Library municipal complex and fire station in the downtown area. The financing was accomplished through the Build America Bond Program, under the Recovery Zone Economic Development Bond (RZEDB) provision, with a 25 year variable rate bank note with CenterState Bank in the principal amount of \$11,748,000. The RZEDB program is a stimulus program administered through the Department of Treasury/IRS where 45% of interest payments associated with qualified financing is federally subsidized.

The CenterState Bank loan is secured by a pledge and lien upon the revenues derived by the City from the electricity portion of the City's Utility Services Tax together with a lien on the rebate subsidy credit that it will receive from the federal government. Semi-annual payments will be made over a 25 year period, including interest at 4.92%. The total principal and interest remaining to be paid on the CenterState Bank loan was \$14,595,324, less a subsidy of \$2,158,346, as of September 30, 2018. Interest paid was \$493,057 and total pledged revenue was \$1,431,019 for the fiscal year ended September 30, 2018.

\$4,636,000 loan payable (\$3,673,000 in principal remaining at September 30, 2018), CenterState Bank–Funds borrowed during fiscal year 2016 to refund two previous notes with Municipal Loan Council. Annual payments will be made over a 15 year period, including interest at 2.70%.

\$967,894 loan payable (\$529,300 in principal remaining at September 30, 2018), CenterState Bank–Funds borrowed during fiscal year 2016 to finance various vehicles and equipment purchases. Annual payments will be made over a 10 year period, including interest at 2.65%.

\$24,109,000 loan payable (\$22,620,000 in principal remaining at September 30, 2018), CenterState Bank–Funds borrowed during fiscal year 2017 to refund \$2,725,000 of the Police Station Loan from the Florida Municipal Loan Council and \$21,780,000 of the CRA projects loan from the Florida Municipal Loan Council. Semi-annual payments will be made over a 17 year period, including interest at 2.95%. The excess of the reacquisition price over the net carrying amount of the old debt of \$1,071,069 is reflected as a deferred outflow and is being amortized over 17 years.

\$835,000 loan payable (\$766,000 in principal remaining at September 30, 2018), CenterState Bank–Funds borrowed during fiscal year 2017 to finance the acquisition of a 2016 E-One 95 foot platform on a Cyclone II Chassis fire engine.

The Florida Municipal Loan Council loans are subject to arbitrage. The arbitrage rebate requirement requires issuers of tax exempt debt to rebate to the U.S. Treasury investment income arising from proceeds of tax exempt debt to the extent that such income results from an investment yield in excess of the bond yield. There was no arbitrage liability at September 30, 2018.

The Florida Municipal Loan Council loans payable are secured by a covenant to budget and appropriate non-ad valorem revenues of the City sufficient to pay the principal and interest.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Capital Leases:

The City has entered into lease agreements as lessee for financing the acquisition of various equipment including police vehicles, computers and telephone servers. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows for the City’s governmental activities:

| | |
|-------------------------------|--------------------------|
| Vehicles and equipment | \$ 564,194 |
| Less accumulated depreciation | <u>(452,994)</u> |
| Total | <u><u>\$ 111,200</u></u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, for governmental activities are as follows:

| Fiscal Year | |
|---|-------------------------|
| 2019 | \$ 20,687 |
| 2020 | 20,687 |
| 2021 | <u>20,687</u> |
| Total minimum lease payments | 62,061 |
| Less: Amount representing interest | <u>(6,317)</u> |
| Present value of minimum lease payments | <u><u>\$ 55,744</u></u> |

2. Business-type activities debt

\$4,031,127 State Revolving Fund Loan (\$2,937,954 in principal remaining at September 30, 2018)—Funds borrowed to finance construction of a sewer plant expansion project. The maximum amount of the loan is \$4,124,761, including capitalized interest of \$75,565. Semi-annual loan payments began on April 15, 2014. The loan will be repaid in 40 semi-annual payments including interest at 2.26%, 2.31% and 2.34%, which applies to various loan increments.

\$369,362 State Revolving Fund Loan (\$255,294 in principal remaining at September 30, 2018)—Funds borrowed to finance construction of a water main expansion and new ground storage reservoirs projects. Semi-annual loan payments began on June 15, 2011. The loan will be repaid in 40 semi-annual payments including interest at 2.71%. The loan is part of an agreement with the Florida Department of Environmental Protection which provides principal forgiveness on loans funded by the American Recovery and Reinvestment Act. Of the total \$2,462,413 awarded under this agreement, the estimated amount of principal forgiveness is \$2,093,051, the amount of money awarded pursuant to this agreement that is not to be repaid.

\$319,529 State Revolving Fund Loan (\$221,303 in principal remaining at September 30, 2018)—Funds borrowed to finance construction of a water main expansion and new ground storage reservoirs projects. Semi-annual loan payments began on June 15, 2011. The loan is paid in 40 semi-annual payments, including interest at 2.61%.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 7 – LONG-TERM DEBT (CONTINUED)

\$4,912,507 State Revolving Fund Loan (\$3,652,550 in principal remaining on September 30, 2018)—Funds borrowed to finance construction of the BCR Neutralizer and Sludge Treatment Facilities Project. The maximum amount of the loan is \$5,222,820, including capitalized interest of \$38,600. Semi-annual loan payments began on May 15, 2017, including interest of 2.18%.

\$911,110 State Revolving Fund Loan (\$880,620 in principal remaining on September 30, 2018)—Funds borrowed to finance construction of the WTP #1 and 2 treatment system upgrades. The maximum amount of the loan is \$6,173,086 less principal forgiveness of \$5,247,123 and is currently in the draw-down phase. 40 semi-annual loan payments will begin once the project has been completed, including interest of 1.16%.

\$5,025,000 State Revolving Fund Loan (\$4,484,461 in principal remaining on September 30, 2018)—Funds borrowed to finance construction of a new compost facility. 40 semi-annual loan payments (\$124,568) have begun and are due through 2036. This loan does not bear interest.

\$3,670,000 Utility System Revenue Note, Series 2013A (\$2,281,000 in principal remaining on September 30, 2018)—Funds borrowed to finance construction of various water and sewer system improvements. Semi-annual loan payments began in October 2014, including interest of 1.83%.

State Revolving Fund Loans Payable

The total principal and interest remaining to be paid on these loans was \$12,724,683 (includes interest of \$1,173,122) as of September 30, 2018. Principal and interest paid was \$825,942 and total available pledged revenue was \$4,801,264 for the fiscal year ended September 30, 2018. The loans are secured by pledged revenue, which consists of the gross revenues derived from the operation of the Water and Sewer Systems after payment of the Operations and Maintenance Expense and the satisfaction of all yearly payment obligations on account of the Senior Revenue Obligations.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 7 – LONG-TERM DEBT (CONTINUED)

3. Changes in long-term debt

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2018:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| <u>Governmental activities:</u> | | | | | |
| CenterState Bank Loan | \$ 10,153,000 | - | (354,000) | 9,799,000 | 370,000 |
| CenterState Bank Loan, Series 2014 | 3,929,000 | - | (256,000) | 3,673,000 | 263,000 |
| CenterState Bank Loan, Series 2016 | 679,376 | - | (150,076) | 529,300 | 99,453 |
| CenterState Bank Loan, Series 2016 Refunding | 23,836,000 | - | (1,216,000) | 22,620,000 | 1,258,000 |
| CenterState Bank Loan, Series 2018 | 813,000 | - | (47,000) | 766,000 | 48,000 |
| Loans payable | <u>39,410,376</u> | <u>-</u> | <u>(2,023,076)</u> | <u>37,387,300</u> | <u>2,038,453</u> |
| Capital leases | 72,403 | - | (16,659) | 55,744 | 17,586 |
| Compensated absences | 1,461,867 | 311,755 | (217,428) | 1,556,194 | 771,289 |
| Net pension liability | 5,606,792 | 3,632,875 | (4,473,961) | 4,765,706 | - |
| Total OPEB liability | <u>3,046,221</u> | <u>426,162</u> | <u>(218,516)</u> | <u>3,253,867</u> | <u>-</u> |
| | <u>10,187,283</u> | <u>4,370,792</u> | <u>(4,926,564)</u> | <u>9,631,511</u> | <u>788,875</u> |
| Total governmental activities | | | | | |
| Long-term liabilities | <u>\$ 49,597,659</u> | <u>4,370,792</u> | <u>(6,949,640)</u> | <u>47,018,811</u> | <u>2,827,328</u> |

For governmental activities, compensated absences, the net pension liability, and net OPEB obligations are generally liquidated by the General Fund.

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|--------------------|---------------------------|--------------------------------|
| <u>Business- type activities:</u> | | | | | |
| Utility System Revenue Note, Series 2013 | \$ 2,638,000 | - | (357,000) | 2,281,000 | 363,000 |
| State Revolving Fund Loan, WW765080 | 3,121,449 | - | (183,495) | 2,937,954 | 187,760 |
| State Revolving Fund Loan, DW530410 | 272,245 | - | (16,951) | 255,294 | 17,413 |
| State Revolving Fund Loan, DW530411 | 236,109 | - | (14,806) | 221,303 | 15,194 |
| State Revolving Fund Loan, WW530400 | 3,882,634 | - | (230,084) | 3,652,550 | 235,167 |
| State Revolving Fund Loan, WW530440 | 4,643,652 | - | (159,191) | 4,484,461 | 249,137 |
| State Revolving Fund Loan, DW530450 | 904,288 | 24,767 | (48,435) | 880,620 | - |
| | <u>15,698,377</u> | <u>24,767</u> | <u>(1,009,962)</u> | <u>14,713,182</u> | <u>1,067,671</u> |
| Compensated absences | 302,090 | 68,021 | (99,729) | 270,382 | 132,658 |
| Net pension liability | 453,808 | 771,611 | (565,730) | 659,689 | - |
| Total OPEB liability | <u>636,523</u> | <u>89,024</u> | <u>(51,046)</u> | <u>674,501</u> | <u>-</u> |
| | <u>1,392,421</u> | <u>928,656</u> | <u>(716,505)</u> | <u>1,604,572</u> | <u>132,658</u> |
| Total business-type activities | | | | | |
| Long-term liabilities | <u>\$ 17,090,798</u> | <u>953,423</u> | <u>(1,726,467)</u> | <u>16,317,754</u> | <u>1,200,329</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 7 – LONG-TERM DEBT (CONTINUED)

4. Principal and Interest Requirements to Maturity

The following represents the annual debt service requirements to maturity for debt outstanding as of September 30, 2018, including the General Government's \$22,620,000 of FMLC debt principal, \$13,268,846 of Center State Bank Loans, and State Revolving Fund Loans, Utility System Revenue and Fire Assessment Notes of \$766,000. A final amortization schedule has not been obtained for the \$880,620 state revolving loan and thus it has not been included in the below table.

| Fiscal Year Ending | Governmental Activities | | | | Business-type Activities | | |
|-----------------------|-------------------------|-------------------|--------------------|-------------------|--------------------------|------------------|-------------------|
| | Principal | Interest | Subsidy | Total | Principal | Interest | Total |
| 2019 | \$ 2,038,453 | 1,255,069 | (213,906) | 3,079,616 | 1,067,671 | 196,686 | 1,264,357 |
| 2020 | 2,105,115 | 1,187,899 | (205,548) | 3,087,466 | 1,085,104 | 179,545 | 1,264,649 |
| 2021 | 2,135,915 | 1,118,801 | (196,764) | 3,057,952 | 1,102,777 | 162,037 | 1,264,814 |
| 2022 | 2,203,814 | 1,047,931 | (187,542) | 3,064,203 | 1,119,695 | 144,165 | 1,263,860 |
| 2023 | 2,265,721 | 974,701 | (177,862) | 3,062,560 | 1,137,865 | 125,923 | 1,263,788 |
| 2023-2027 | 12,334,282 | 3,690,077 | (726,297) | 15,298,062 | 4,314,055 | 402,263 | 4,716,318 |
| 2028-2032 | 12,513,000 | 1,530,852 | (400,053) | 13,643,799 | 3,257,974 | 89,936 | 3,347,910 |
| 2033-2037 | 1,791,000 | 111,943 | (50,374) | 1,852,569 | 747,421 | - | 747,421 |
| | <u>\$ 37,387,300</u> | <u>10,917,273</u> | <u>(2,158,346)</u> | <u>46,146,227</u> | <u>13,832,562</u> | <u>1,300,555</u> | <u>15,133,117</u> |

NOTE 8 – RESTRICTED ASSETS

Certain cash and cash equivalents that are legally restricted in the statement of net position at September 30, 2018, are as follows:

| | Governmental Activities | Business-type Activities |
|--------------------------|----------------------------|-----------------------------|
| Capital projects | \$ - | 20 |
| Impact fees | 4,130,909 | 4,556,524 |
| Debt service | 69,854 | 785,350 |
| Other purposes: | | |
| Confiscated property | 59,942 | - |
| Law enforcement training | 29,422 | - |
| Deposits | - | 1,281,295 |
| Bond and loan reserves | - | 13,015 |
| Total | <u>\$ 4,290,127</u> | <u>6,636,204</u> |

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; employee health and medical claims; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the previous year. Settlement amounts have not exceeded insurance coverage for the current year nor the three prior years.

**CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

NOTE 9 – RISK MANAGEMENT (CONTINUED)

The City’s former worker's compensation insurer, Governmental Risk Insurance Trust (GRIT), a governmental insurance pool, filed for Chapter 11 bankruptcy on March 30, 2000. As a result, the City is contingently liable for certain worker's compensation claims that otherwise would have been subject to GRIT coverage. There was one such claim outstanding at September 30, 2018.

As of September 30, 2018, the City’s risk retention for certain types of risk is as follows:

| | Retention/Deductible | Coverage after Retention/Deductible |
|----------------------------------|-----------------------------|--|
| Worker’s compensation | None | 100% - liabilities under F.S 440 |
| General liability | \$2,500 | \$2,000,000/\$4,000,000 limit |
| Property, multi-peril | \$5,000 | \$2,000,000 limit |
| Public officials liability | \$2,500 | \$2,000,000 limit |
| Storage tank pollution liability | \$10,000 | \$1,000,000 each incident \$2,000,000 aggregate |

NOTE 10 – CONTINGENT LIABILITIES

The City receives revenues from various federal and state grants. These grants are for specific purposes and are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement for expenditures disallowed under the terms of the grants. Based upon prior experience, City management believes such disallowances, if any, will be immaterial. The City is involved in legal actions and has certain workers’ compensation claims outstanding, as described above. In the opinion of management, associated contingent obligations will not have a material effect on the financial statements of the City.

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to providing pension benefits, the City offers its retirees the option of continuing to participate in health and dental insurance benefits and a \$5,000 group term life insurance benefit at the same rate as active employees, in accordance with state statutes. Retirees can also insure eligible dependents for health and dental insurance only. Each retiree must pay 100% of the costs of any insurance they elect to continue. Funding is on a “pay as you go” basis. Most of the City’s employees would become eligible for those benefits should they reach normal retirement age while working for the City. Life, dental and health insurance are fully insured and provided through outside providers. Retiree premium costs are paid in full by the retirees. The City does not intend to fund the total OPEB liability. The post-employment benefit plan is a single-employer plan.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(CONTINUED)

Membership

As of September 30, 2017, the most recent actuarial evaluation date, membership consisted of:

| | |
|-------------------------|-----|
| Active Employees | 228 |
| Retired Participants | 25 |
| Retiree Covered Spouses | 4 |

Total OPEB Liability of the City

Effective October 1, 2017, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, which significantly changed the City's accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The City's total OPEB liability was measured as of September 30, 2017, and was determined by an actuarial valuation as of the same date.

Actuarial assumptions

The total OPEB liability in the September 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--------------------------------------|--------|
| Discount rate | 3.64% |
| Inflation rate | 2.50% |
| Salary increases including inflation | 2.45% |
| Participation rate | 40.00% |

Mortality rates were based on the RP-2000 Mortality Table with mortality improvement projected to 7 and 15 years past the valuation date for annuitants and non-annuitants, respectively, based on the Projection Scale AA.

Discount Rate

Under GASB Statement No. 75, when there are currently no invested plan assets held in trust to finance the OPEB obligations, the discount rate equals the tax-exempt municipal bond rate based on an index of 20-year general obligations with an average AA credit rating as of the measurement date. The rate used in the September 30, 2017, valuation was 3.64%.

**CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018**

**NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(CONTINUED)**

Changes in the Total OPEB Liability of the City

The changes in the total OPEB liability of the City for the year ended September 30, 2018, were as follows:

| | Total OPEB Liability |
|--|-------------------------|
| Balances at September 30, 2017 | \$3,682,744 |
| Changes for the year: | |
| Service cost | 360,840 |
| Interest on total OPEB liability | 124,111 |
| Effect of plan changes | - |
| Effect of economic/demographic gains or losses | - |
| Effect of assumptions changes or inputs | (269,562) |
| Benefit payments | 30,235 |
| Balance as of September 30, 2018 | \$3,928,368 |

The required schedule of changes in the City’s total OPEB liability and related ratios in the Required Supplementary Information immediately following the notes to the financial statements presents multi-year trend information about the total OPEB liability.

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

The following represents the total OPEB liability of the City, calculated using the discount rate of 3.64%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.64%) or 1 percentage point higher (4.64%) than the current rate:

| | 1% Decrease 2.64% | Current Discount Rate 3.64% | 1% Increase 4.64% |
|----------------------|----------------------|-----------------------------------|----------------------|
| Total OPEB liability | \$4,410,485 | 3,928,368 | 3,526,545 |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(CONTINUED)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

| | <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|---|--------------------|
| Total OPEB liability | \$3,500,768 | 3,928,368 | 4,442,444 |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2017, and the current sharing pattern of costs between employer and inactive employees.

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$442,489. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ - | - |
| Changes of assumptions | - | 227,100 |
| Benefits paid subsequent to the measurement date | <u>30,235</u> | <u>-</u> |
| Total | <u>\$ 30,235</u> | <u>227,100</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
(CONTINUED)

The deferred outflows of resources related to the total OPEB liability, totaling \$30,235 resulting from benefits paid subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended September 30, | |
|--------------------------|---------------------|
| 2019 | \$ (42,462) |
| 2020 | (42,462) |
| 2021 | (42,462) |
| 2022 | (42,462) |
| 2023 | (42,462) |
| Thereafter | (14,790) |
| Total | <u>\$ (227,100)</u> |

NOTE 12 – PENSION PLANS

Defined benefit plans

The City Commission has established a single-employer public employee retirement system to provide defined retirement benefits to its qualifying employees. Separate plans are maintained for its police officers, firefighters and other general employees. The City Commission has established separate governing boards for each of the plans, which have the authority to make recommendations to amend plan provisions, including contribution rates. Stand-alone plan financial reports are not issued, and the plans are not included in the reports of any other public employee retirement system or entity. Benefits and refunds of these plans are recognized when due and payable in accordance with the terms of the plan.

Membership

At October 1, 2018, the date of the latest actuarial valuations for the plans, participation in the plans consisted of:

| | <u>General Employees</u> | <u>Police Officers</u> | <u>Firefighters</u> |
|---|------------------------------|----------------------------|---------------------|
| Retirees and beneficiaries receiving benefits | 68 | 21 | 16 |
| Terminated employees entitled to benefits but not yet receiving them | 72 | 13 | 6 |
| Active plan members | 41 | 50 | 30 |
| Total membership | <u>181</u> | <u>84</u> | <u>52</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 12 – PENSION PLANS (CONTINUED)

The following is a summary of the funding policies, contribution methods, and benefit provisions of the defined benefit plans:

| | <u>General Employees</u> | <u>Police Officers and Fire Fighters</u> |
|---------------------------------|---|--|
| Eligibility to participate | Full time (30 hours per week) City employees not classified as sworn police officers or firefighters. | Full-time sworn police officers and firefighters. |
| Determination of contributions | Actuarially determined. | Actuarially determined. |
| Funding of administration costs | Included in normal cost. | Included in normal cost. |
| Period required to vest | If employed on or before 8/1/99, 20% after three years of credited service, plus 20% annually thereafter to 100% after seven years; if employed after 8/1/99, 100% after seven years of credited | 100% after 10 years of credited service |
| Required contributions | 5% of compensation | Police Officers: 9% of salary. Firefighters: 9% of salary. |
| Eligibility for Benefits | | |
| Normal retirement | If employed before 8/1/99, age 60 and five years of credited service; if employed on or after 8/1/99 age 60 and seven years of credited service. | Earlier of age 55 and 10 years of credited. service or age 52 and 25 years of credited. service or age 60. |
| Early retirement | Age 55 and 10 years of credited service. | Age 50 and 10 years of credited service. |
| Benefits | | |
| Normal retirement | 3% of average final compensation times credited service. | Police Officers: 3.35% of average final compensation times credited service earned before 10/1/11 plus 3.30% of average final compensation times credited service earned after 10/1/11. Firefighters: 3.2% of average final compensation times credited service earned before 10/1/11 plus 3.11% of average final compensation times credited service earned on or after 10/1/11. |
| Early retirement | Accrued benefit, reduced 2% for each year up to five and 4% for each year between five and ten that early retirement precedes normal retirement. No reduction for participants age 55 and with 25 years of service. | Accrued benefit, reduced 3% for each year prior to normal retirement. |

The plans also have provisions for benefits in case of termination, disability, or death.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 12 – PENSION PLANS (CONTINUED)

Plan Disclosures

Effective October 1, 2014, the City’s Pension Plans implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plans. The information disclosed below is presented in accordance with this standard. The Plans do not issue separate financial statements.

Net Pension Liability of the City

The components of the net pension liability of the City at September 30, 2018, are as follows:

| | General Employees' | Police Officers' | Fire Fighters' | Total |
|---|-----------------------|---------------------|-------------------|------------------|
| Total pension liability | \$ 18,021,757 | 11,472,348 | 7,965,140 | 37,459,245 |
| Plan fiduciary net position | (16,036,611) | (9,777,574) | (6,219,665) | (32,033,850) |
| City's net pension liability | <u>\$ 1,985,146</u> | <u>1,694,774</u> | <u>1,745,475</u> | <u>5,425,395</u> |
| Plan fiduciary net position as a percentage of Total pension liability | 88.98% | 85.23% | 78.09% | 85.52% |

For the year ended September 30, 2018, the City recognized pension expense of \$1,503,274 for the three plans combined. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows related to its General Employees’ pension plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ 183,676 | - |
| Difference between expected and actual experience | 373,306 | 165,669 |
| Net difference between projected and actual earnings on investments | 430,155 | - |
| City pension plan contributions subsequent to the measurement date | 301,639 | - |
| Total | <u>\$ 1,288,776</u> | <u>165,669</u> |

The deferred outflows of resources related to the General Employee’s Pension Plan, totaling \$301,639 resulting from City contributions to the plans subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plans will be recognized in pension expense as follows:

| | |
|--------------------------|-------------------|
| Year ended September 30, | |
| 2019 | \$ 577,989 |
| 2020 | 280,811 |
| 2021 | 41,858 |
| 2022 | (79,190) |
| 2023 | - |
| Total | <u>\$ 821,468</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 12 – PENSION PLANS (CONTINUED)

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows related to its Police Officers’ Pension Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ 211,335 | - |
| Difference between expected and actual experience | 117,636 | 220,090 |
| Net difference between projected and actual earnings on investments | - | 77,359 |
| City pension plan contributions subsequent to the measurement date | 659,181 | - |
| Total | <u>\$ 988,152</u> | <u>297,449</u> |

The deferred outflows of resources related to the Police Officers’ Pension Plan, totaling \$659,181 resulting from City contributions to the plans subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plans will be recognized in pension expense as follows:

| Year ended September 30, | |
|--------------------------|------------------|
| 2019 | \$ 57,505 |
| 2020 | 75,242 |
| 2021 | (19,904) |
| 2022 | (81,321) |
| 2023 | - |
| Total | <u>\$ 31,522</u> |

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows related to its Fire Fighters’ Pension Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes of assumptions | \$ 82,443 | - |
| Difference between expected and actual experience | - | 85,525 |
| Net difference between projected and actual earnings on investments | - | 93,825 |
| City pension plan contributions subsequent to the measurement date | 554,421 | - |
| Total | <u>\$ 636,864</u> | <u>179,350</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 12 – PENSION PLANS (CONTINUED)

The deferred outflows of resources related to the Fire Fighters’ Pension Plan, totaling \$554,421 resulting from City contributions to the plans subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plans will be recognized in pension expense as follows:

| | | |
|--------------------------|----|-----------------|
| Year ended September 30, | | |
| 2019 | \$ | 27,728 |
| 2020 | | (277) |
| 2021 | | (84,070) |
| 2022 | | (40,288) |
| 2023 | | - |
| Total | \$ | <u>(96,907)</u> |

The required schedule of changes in the City’s net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated through September 30, 2017. The following actuarial assumptions applied to all periods included in the measurement:

| | General Employees' | Police Officers' | Fire Fighters' |
|---------------------------|-----------------------|---------------------|-------------------|
| Inflation | 2.5% | 2.7% | 2.5% |
| Salary increases | NA | 4.0% - 10.0% | 4.0% - 5.5% |
| Investment rate of return | 7.5% | 7.5% | 7.5% |

Mortality rates were based upon the RP-2000 Combined Healthy Mortality Table.

The actuarial assumptions used in the October 1, 2017, valuation were based on the results of an actuarial experience study for the period 2008 – 2013.

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 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 September 30, 2018, are: Domestic Equities – 7.5%; International Equities – 8.5% and Broad Market Fixed Income – 2.5%.

The target asset allocation as of September 30, 2018, are: Domestic Equities – 36%; International Equities – 12%; Bonds – 21%; Convertibles – 10%; Private Real Estate – 10% and MLPs – 5% for the Police Officers’ Pension Plan.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 12 – PENSION PLANS (CONTINUED)

The target asset allocation as of September 30, 2018, are: Domestic Equities – 50%; International Equities – 10%; Broad Market Fixed Income – 35%; and Global Bonds – 5% for the General Employees’ and the Fire Fighters’ Pension Plan.

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

Changes in the net pension liability of the City. The changes in the components of the General Employees’ net pension liability of the City for the fiscal year ended September 30, 2018, were as follows:

| | <u>Total Pension Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Net Pension Liability (a-b)</u> |
|---|--|--|--|
| Balances at 9/30/17 | \$ 16,968,131 | 15,597,490 | 1,370,641 |
| Changes for the year: | | | |
| Service cost | 209,833 | - | 209,833 |
| Interest on total pension liability | 1,245,293 | - | 1,245,293 |
| Differences between expected and actual experience | 746,612 | - | 746,612 |
| Change in assumptions | - | - | - |
| Benefit payments, including refunds of employee contributions | (1,148,111) | (1,150,412) | 2,301 |
| Contributions - employer | - | 112,300 | (112,300) |
| Net investment income | - | 1,595,225 | (1,595,225) |
| Administrative expenses | - | (117,991) | 117,991 |
| Net change | <u>1,053,627</u> | <u>439,122</u> | <u>614,505</u> |
| Balances at 9/30/18 | <u>\$ 18,021,758</u> | <u>16,036,612</u> | <u>1,985,146</u> |

The changes in the components of the Police Officers’ net pension liability of the City for the fiscal year ended September 30, 2018, were as follows:

| | <u>Total Pension Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Net Pension Liability (a-b)</u> |
|---|--|--|--|
| Balances at 9/30/17 | \$ 11,075,328 | 8,679,861 | 2,395,467 |
| Changes for the year: | | | |
| Service cost | 366,092 | - | 366,092 |
| Interest on total pension liability | 824,923 | - | 824,923 |
| Change in excess state money | 23,539 | - | 23,539 |
| Differences between expected and actual experience | (67,601) | - | (67,601) |
| Change in assumptions | - | - | - |
| Benefit payments, including refunds of employee contributions | (749,932) | (749,932) | - |
| Contributions - employer | - | 593,778 | (593,778) |
| Contributions - employees | - | 230,087 | (230,087) |
| Net investment income | - | 1,058,944 | (1,058,944) |
| Administrative expenses | - | (35,163) | 35,163 |
| Net change | <u>397,021</u> | <u>1,097,714</u> | <u>(700,693)</u> |
| Balances at 9/30/18 | <u>\$ 11,472,349</u> | <u>9,777,575</u> | <u>1,694,774</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 12 – PENSION PLANS (CONTINUED)

The changes in the components of the Fire Fighters’ net pension liability of the City for the fiscal year ended September 30, 2018, were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a-b) |
|---|--------------------------------|------------------------------------|--------------------------------|
| Balances at 9/30/17 | \$ 7,805,514 | 5,511,022 | 2,294,492 |
| Changes for the year: | | | |
| Service cost | 149,580 | - | 149,580 |
| Interest on total pension liability | 548,290 | - | 548,290 |
| Change in excess state money | 76,764 | - | 76,764 |
| Differences between expected and actual experience | (100,367) | - | (100,367) |
| Change in assumptions | - | - | - |
| Benefit payments, including refunds of employee contributions | (514,641) | (514,641) | - |
| Contributions - employer | - | 514,831 | (514,831) |
| Contributions - employees | - | 125,920 | (125,920) |
| Net investment income | - | 640,637 | (640,637) |
| Administrative expenses | - | (58,104) | 58,104 |
| Net change | <u>159,626</u> | <u>708,643</u> | <u>(549,017)</u> |
| Balances at 9/30/18 | <u>\$ 7,965,140</u> | <u>6,219,665</u> | <u>1,745,475</u> |

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the net pension liability of the City using the measurement date of September 30, 2017, 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:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|---------------------------------|----------------------|-----------------------------------|----------------------|
| Sponsor's Net Pension Liability | | | |
| General Employees: | \$ 3,814,609 | 1,985,146 | 439,225 |
| Police Officers: | 3,244,182 | 1,694,774 | 449,217 |
| Fire Fighters: | 2,679,837 | 1,745,475 | 998,843 |
| Total: | <u>\$ 9,738,628</u> | <u>5,425,395</u> | <u>1,887,285</u> |

The following presents the net pension liabilities of the City using the measurement date of September 30, 2018:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|---------------------------------|----------------------|-----------------------------------|----------------------|
| Sponsor's Net Pension Liability | | | |
| General Employees: | \$ 3,484,143 | 1,652,081 | 130,344 |
| Police Officers: | \$ 4,060,448 | 2,324,554 | 928,160 |
| | | | |
| | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
| Fire Fighters: | \$ 2,447,373 | 1,381,708 | 513,945 |
| Total: | <u>\$ 9,991,964</u> | <u>5,358,343</u> | <u>1,572,449</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 12 – PENSION PLANS (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2018, and the current sharing pattern of costs between employer and employee.

Contributions

Members of the General Employees’ plan are required to contribute 5% of total compensation. The City is required to contribute the actuarially determined amounts. Administrative costs of the General Employees’ Pension Fund are financed through plan contributions and investment earnings.

Members of the Police Officers’ plan are required to contribute 9% of their salary. The City is required to contribute the actuarially determined rates less amounts received from the State of Florida for insurance surcharges on policies sold within the City. The State’s contribution to the Police Officer’s Pension Fund for fiscal year 2018 was \$181,471. The City recognizes these on-behalf payments as revenues and expenditures in the governmental funds financial statements.

Members of the Fire Fighters’ plan are required to contribute 5.4% of their salary. The City is required to contribute the actuarially determined rates less amounts received from the State of Florida for insurance surcharges on policies sold within the City. The state’s contribution to the Firefighter’s Pension Fund for fiscal year 2018 was \$119,975. The City recognizes these on-behalf payments as revenues and expenditures in the governmental funds financial statements.

Applicable totals for all of the City’s defined benefit pension plans are reflected below:

| | General Employees' | Police Officers' | Fire Fighters' | Total |
|--------------------------------|-----------------------|---------------------|-------------------|-----------|
| City's net pension liability | \$ 1,985,146 | 1,694,774 | 1,745,475 | 5,425,395 |
| Deferred outflows of resources | 1,288,776 | 988,152 | 636,864 | 2,913,792 |
| Deferred inflows of resources | 165,669 | 297,449 | 179,350 | 642,468 |
| Pension expense/expenditure | 783,128 | 424,796 | 295,350 | 1,503,274 |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 12 – PENSION PLANS (CONTINUED)

Financial statements for the City’s pension plans at September 30, 2018, are as follows:

| | <u>General Employees'</u> <u>Pension Fund</u> | <u>Police Officers'</u> <u>Pension Fund</u> | <u>Fire Fighters'</u> <u>Pension Fund</u> | <u>Total</u> |
|--|--|--|--|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 62,119 | 155,128 | 192,328 | 409,575 |
| Receivables | | | | |
| Contributions receivable | 47,405 | 48,969 | 44,113 | 140,487 |
| Accrued interest and dividends | 83 | 207,579 | 120,231 | 327,893 |
| Investments, at fair value: | | | | |
| U.S Government agencies | - | 1,065,358 | - | 1,065,358 |
| Municipal obligations | - | 111,866 | - | 111,866 |
| Corporate bonds | - | 1,604,057 | - | 1,604,057 |
| Equities and equity mutual funds | 10,368,143 | 6,362,659 | 4,508,246 | 21,239,048 |
| Fixed income mutual funds | 6,054,452 | - | 1,450,810 | 7,505,262 |
| Comingled real estate funds | - | 1,029,593 | 623,979 | 1,653,572 |
| Total assets | <u>\$ 16,532,202</u> | <u>10,585,209</u> | <u>6,939,707</u> | <u>34,057,118</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | 88,131 | 43,486 | 131,617 |
| Net Position | | | | |
| Restricted for pension benefits | <u>\$ 16,532,202</u> | <u>10,497,078</u> | <u>6,896,221</u> | <u>33,925,501</u> |
| | | | | |
| | <u>General Employees'</u> <u>Pension Fund</u> | <u>Police Officers'</u> <u>Pension Fund</u> | <u>Fire Fighters'</u> <u>Pension Fund</u> | <u>Total</u> |
| Additions | | | | |
| Contributions | | | | |
| Employer | \$ 330,764 | 500,417 | 458,872 | 1,290,053 |
| Employees | - | 259,632 | 145,830 | 405,462 |
| State of Florida | - | 181,471 | 119,975 | 301,446 |
| Total contributions | <u>330,764</u> | <u>941,520</u> | <u>724,677</u> | <u>1,996,961</u> |
| Investment earnings | | | | |
| Interest | 2,087 | 96,671 | 7,153 | 105,911 |
| Dividends | 550,048 | 199,911 | 276,262 | 1,026,221 |
| Net appreciation in fair value of investments | 963,181 | 317,125 | 319,625 | 1,599,931 |
| Less investment expense | (42,113) | (46,453) | (24,005) | (112,571) |
| Net investment earnings | <u>1,473,203</u> | <u>567,254</u> | <u>579,035</u> | <u>2,619,492</u> |
| Total additions | <u>1,803,967</u> | <u>1,508,774</u> | <u>1,303,712</u> | <u>4,616,453</u> |
| Deductions | | | | |
| Pension benefits | 1,253,062 | 738,288 | 584,803 | 2,576,153 |
| Administrative expenses | 55,315 | 50,982 | 42,353 | 148,650 |
| Total deductions | <u>1,308,377</u> | <u>789,270</u> | <u>627,156</u> | <u>2,724,803</u> |
| Change in net position | 495,590 | 719,504 | 676,556 | 1,891,650 |
| Net position, beginning of year | <u>16,036,612</u> | <u>9,777,574</u> | <u>6,219,665</u> | <u>32,033,851</u> |
| Net position, end of year | <u>\$ 16,532,202</u> | <u>10,497,078</u> | <u>6,896,221</u> | <u>33,925,501</u> |

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2018

NOTE 13 – COMMUNITY REDEVELOPMENT AGENCY

Pursuant to Florida Statute 163.387, listed below is a summary of the sources and amounts of deposits into, and the amount and purpose of withdrawals from the Community Redevelopment Agency (CRA) for the fiscal year ended September 30, 2018:

| | Revenues | Expenditures |
|--|-----------------|---------------------|
| Source of Revenues | | |
| Ad valorem taxes | \$ 1,920,280 | - |
| Ad valorem taxes received from Polk County | 1,693,855 | - |
| Interest | 8,184 | - |
| Purpose of Expenditures | | |
| Professional services | - | 119,150 |
| Culture and recreation | - | 669,534 |
| Capital outlay | - | 609,733 |
| Debt service | - | 1,829,222 |
| | \$ 3,622,319 | 3,227,639 |

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

The City determined that restatements to beginning net position of the governmental activities, business-type activities, Water and Sewer Fund and the Stormwater Fund were required to recognize the change in accounting principal for implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, as of October 1, 2017. These restatements are as follows:

| | |
|--|---------------|
| Net position, Governmental Activities, as previously reported | \$ 31,756,796 |
| Implementation of GASB 75 | (1,603,916) |
| Beginning net position, Governmental Activities, as restated | \$ 30,152,880 |
| Net position, Business-type Activities, as previously reported | \$ 58,181,396 |
| Implementation of GASB 75 | (335,146) |
| Beginning net position, Business-type Activities, as restated | \$ 57,846,250 |
| Net position, Water and Sewer Fund, as previously reported | \$ 56,819,680 |
| Implementation of GASB 75 | (303,228) |
| Beginning net position, Water and Sewer Fund, as restated | \$ 56,516,452 |
| Net position, Stormwater Fund, as previously reported | \$ 1,361,716 |
| Implementation of GASB 75 | (31,918) |
| Beginning net position, Stormwater Fund, as restated | \$ 1,329,798 |

REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Statement Number 34, the following budgetary comparison for the General Fund and CRA Fund is required supplementary information.

In accordance with the Governmental Accounting Standards Board Statement Number 68, the following historical trend information of the City's General Employees, Police Officers' and Firefighters' Pension Trust Funds is required supplementary information.

In accordance with the Governmental Accounting Standards Board Statement Number 75, the following historical trend information of the City's Post-Employment Benefits Other than Pensions is required supplementary information.



CITY OF HAINES CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
BUDGET AND ACTUAL—GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property taxes | \$ 7,570,000 | 7,570,000 | 7,645,055 | 75,055 |
| Gas and fuel taxes | 935,000 | 935,000 | 1,021,713 | 86,713 |
| Utility taxes | 1,645,000 | 1,645,000 | 1,913,806 | 268,806 |
| Communications service tax | 514,000 | 514,000 | 533,196 | 19,196 |
| Local business tax | 70,000 | 70,000 | 81,157 | 11,157 |
| Franchise fees | 1,870,000 | 1,870,000 | 1,977,252 | 107,252 |
| Licenses and permits | 1,013,050 | 1,013,050 | 2,435,564 | 1,422,514 |
| Intergovernmental | 2,598,470 | 2,729,651 | 2,937,604 | 207,953 |
| Charges for services | 4,461,000 | 4,468,000 | 4,381,628 | (86,372) |
| Fines and forfeitures | 799,450 | 1,299,450 | 1,623,451 | 324,001 |
| Assessments | 1,915,000 | 1,915,000 | 1,908,268 | (6,732) |
| Impact fees | - | - | 1,032,106 | 1,032,106 |
| Contributions | 127,200 | 127,200 | 106,680 | (20,520) |
| Interest | 12,000 | 12,000 | 75,322 | 63,322 |
| Other | 92,700 | 92,700 | 123,609 | 30,909 |
| Total revenues | <u>23,622,870</u> | <u>24,261,051</u> | <u>27,796,411</u> | <u>3,535,360</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 3,827,335 | 3,832,017 | 3,812,631 | 19,386 |
| Public safety | 10,122,125 | 10,252,125 | 10,097,383 | 154,742 |
| Physical environment | 3,057,645 | 3,053,545 | 2,765,626 | 287,919 |
| Transportation | 1,479,030 | 1,479,030 | 1,575,714 | (96,684) |
| Culture and recreation | 3,526,435 | 3,627,811 | 3,578,137 | 49,674 |
| Capital outlay | 148,000 | 1,054,223 | 492,271 | 561,952 |
| Total expenditures | <u>22,160,570</u> | <u>23,298,751</u> | <u>22,321,762</u> | <u>976,989</u> |
| Excess of revenues over expenditures | <u>1,462,300</u> | <u>962,300</u> | <u>5,474,649</u> | <u>4,512,349</u> |
| Other financing sources (uses) | | | | |
| Insurance proceeds | - | - | 290,986 | 290,986 |
| Proceeds from sale of capital assets | - | - | 8,017 | 8,017 |
| Transfers in | 3,229,575 | 3,829,575 | 2,000,000 | (1,829,575) |
| Transfers out | (3,948,305) | (3,948,305) | (3,247,919) | 700,386 |
| Total other financing uses | <u>(718,730)</u> | <u>(118,730)</u> | <u>(948,916)</u> | <u>(830,186)</u> |
| Net change in fund balance | 743,570 | 843,570 | 4,525,733 | 3,682,163 |
| Fund balance, beginning of year | <u>13,741,305</u> | <u>13,741,305</u> | <u>13,741,305</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 14,484,875</u> | <u>14,584,875</u> | <u>18,267,038</u> | <u>3,682,163</u> |

CITY OF HAINES CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES–
BUDGET AND ACTUAL–CRA FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget</u> |
|---------------------------------------|-------------------------|--------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property taxes | \$ 1,695,890 | 1,695,890 | 1,693,855 | (2,035) |
| Interest revenue | 500 | 500 | 8,184 | 7,684 |
| Total revenues | <u>1,696,390</u> | <u>1,696,390</u> | <u>1,702,039</u> | <u>5,649</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | - | - | 507 | (507) |
| Public safety | 126,235 | 126,235 | - | 126,235 |
| Economic development | 151,580 | 151,580 | 118,643 | 32,937 |
| Culture and recreation | 1,074,865 | 1,077,765 | 669,534 | 408,231 |
| Capital outlay | <u>729,775</u> | <u>726,875</u> | <u>609,733</u> | <u>117,142</u> |
| Total expenditures | <u>2,082,455</u> | <u>2,082,455</u> | <u>1,398,417</u> | <u>684,038</u> |
| Excess of revenues over expenditures | <u>(386,065)</u> | <u>(386,065)</u> | <u>303,622</u> | <u>689,687</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 2,215,280 | 2,215,280 | 1,920,280 | (295,000) |
| Transfers out | <u>(1,829,215)</u> | <u>(1,829,215)</u> | <u>(1,829,222)</u> | <u>(7)</u> |
| Total other financing sources (uses) | <u>386,065</u> | <u>386,065</u> | <u>91,058</u> | <u>(295,007)</u> |
| Net change in fund balance | - | - | 394,680 | 394,680 |
| Fund balance, beginning of year | <u>1,736,705</u> | <u>1,736,705</u> | <u>1,736,705</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 1,736,705</u> | <u>1,736,705</u> | <u>2,131,385</u> | <u>394,680</u> |

CITY OF HAINES CITY, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS—GENERAL EMPLOYEES PENSION**

| Reporting period ending | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 |
|---|----------------------|-------------------|-------------------|--------------------|-------------------|
| Measurement date | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
| Total pension liability | | | | | |
| Service cost | \$ 176,863 | 209,833 | 280,460 | 323,073 | 797,644 |
| Interest on total pension liability | 1,317,907 | 1,245,293 | 1,189,882 | 1,233,630 | 1,451,733 |
| Changes of benefit terms | - | - | - | (3,433,675) | - |
| Differences between expected and actual experience | (79,183) | 746,612 | (106,141) | (662,677) | - |
| Changes of assumptions | - | - | 556,036 | 734,704 | - |
| Benefit payments, including refunds of employee contributions | (1,253,062) | (1,148,111) | (1,073,479) | (1,209,317) | (925,509) |
| Net change in total pension liability | <u>162,525</u> | <u>1,053,627</u> | <u>846,758</u> | <u>(3,014,262)</u> | <u>1,323,868</u> |
| Total pension liability - beginning | <u>18,021,758</u> | <u>16,968,131</u> | <u>16,121,373</u> | <u>19,135,635</u> | <u>17,811,767</u> |
| Total pension liability - ending (a) | <u>\$ 18,184,283</u> | <u>18,021,758</u> | <u>16,968,131</u> | <u>16,121,373</u> | <u>19,135,635</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 330,764 | 112,300 | 130,025 | 443,084 | 893,398 |
| Contributions - state | - | - | - | - | - |
| Contributions - employee | - | - | - | 84,740 | 221,592 |
| Net investment income | 1,473,203 | 1,595,225 | 560,035 | 218,081 | 1,769,864 |
| Benefit payments, including refunds of member contributions | (1,253,062) | (1,150,412) | (1,073,479) | (1,220,354) | (923,182) |
| Administrative expenses | (55,315) | (117,991) | (56,501) | (180,013) | (141,662) |
| Net change in plan fiduciary net position | <u>495,590</u> | <u>439,122</u> | <u>(439,920)</u> | <u>(654,462)</u> | <u>1,820,010</u> |
| Plan fiduciary net position - beginning | <u>16,036,612</u> | <u>15,597,490</u> | <u>16,037,410</u> | <u>16,691,872</u> | <u>14,871,862</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 16,532,202</u> | <u>16,036,612</u> | <u>15,597,490</u> | <u>16,037,410</u> | <u>16,691,872</u> |
| City's net pension liability - ending (a) - (b) | <u>\$ 1,652,081</u> | <u>1,985,146</u> | <u>1,370,641</u> | <u>83,963</u> | <u>2,443,763</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 90.91% | 88.98% | 91.92% | 99.48% | 87.23% |
| Covered payroll | \$ 2,047,811 | 2,124,711 | 2,549,511 | 3,690,825 | 4,454,410 |
| City's net pension liability as a percentage of covered payroll | 80.68% | 93.43% | 53.76% | 2.27% | 54.86% |

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated

CITY OF HAINES CITY, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES 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> |
|--|-------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 325,166 | 131,366 | 130,025 | 472,548 | 890,882 |
| Contributions in relation to the actuarially determined contribution | 330,764 | 112,300 | 130,025 | 512,763 | 890,882 |
| Contribution deficiency (excess) | <u>\$ (5,598)</u> | <u>19,066</u> | <u>-</u> | <u>(40,215)</u> | <u>-</u> |
| Covered payroll | \$ 2,047,811 | 2,124,711 | 2,549,511 | 3,690,825 | 4,454,410 |
| Contributions as a percentage of covered payroll | 15.88% | 6.18% | 5.10% | 12.80% | 20.00% |

Notes to the Schedule:

Valuation Date: October 1, 2016

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.

Methods and assumptions used to determine contribution rates:

Funding method: Traditional unit credit cost method.

Amortization method: Level percentage of compensation.

Remaining amortization period: 20 years (as of 10/1/2016).

Asset valuation method: All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a four year period.

Inflation: 3.0% per year.

Salary increases: Not applicable.

Final salary load: Individually determined based upon current accruals.

Interest Rate: 7.5% per year, compounded annually, net of investment-related expenses. This assumption is supported by the asset allocation.

Payroll increases: None

Retirement age: The earlier of age 60 with the completion of 7 years of service and age 55 with the completion of 25 years of service. Members at or over the normal retirement age on the valuation date are assumed to work one additional year.

Early retirement: Commencing with the earliest early retirement age (55 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Mortality: *Healthy Lives:*

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 50% Annuitant White Collar/50% Annuitant Blue Collar, Scale BB.

Disabled Lives:

Female: 100% RP2000 Disabled Female set forward two years. Male: 100% RP2000 Disabled Male, setback four years.

Termination and disability rate table:

| Age | % Becoming Disabled During the Year | % Terminating During the Year |
|-----|--|-------------------------------------|
| | 20 | 0.051% |
| 30 | 0.058% | 19.4% |
| 40 | 0.121% | 7.3% |
| 50 | 0.429% | 2.7% |
| 60 | 1.611% | 1.2% |

The schedule will present 10 years of information once it is accumulated.

CITY OF HAINES CITY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PENSION INVESTMENT RETURNS

| | <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> |
|---|------------------|------------------|------------------|------------------|------------------|
| General Employees: | | | | | |
| Annual money-weighted rate of return, net of investment expenses | 9.50% | 10.09% | 3.59% | 0.65% | 11.18% |
| Police Officers: | | | | | |
| Annual money-weighted rate of return, net of investment expenses | 5.86% | 12.31% | 9.52% | -3.69% | 8.76% |
| Fire Fighters: | | | | | |
| Annual money-weighted rate of return, net of investment expenses | 9.45% | 11.28% | 9.43% | -0.70% | 12.42% |

Notes to the Schedules:

The schedules will present 10 years of information once it is accumulated.

CITY OF HAINES CITY, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS—POLICE OFFICERS' PENSION**

| Reporting period ending | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 |
|---|----------------------|-------------------|-------------------|-------------------|------------------|
| Measurement date | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
| Total pension liability | | | | | |
| Service cost | \$ 411,856 | 366,092 | 386,608 | 343,572 | 355,679 |
| Interest on total pension liability | 873,191 | 824,923 | 753,430 | 745,463 | 704,103 |
| Change in excess state money | (54,868) | 23,539 | (36,548) | 30,503 | 24,392 |
| Change in benefit terms | 217,251 | - | - | - | - |
| Differences between expected and actual experience | 637,626 | - | 196,061 | (423,476) | - |
| Changes of assumptions | - | (67,601) | 352,225 | - | - |
| Benefit payments, including refunds of employee contributions | (735,772) | (749,932) | (679,205) | (525,538) | (466,873) |
| Net change in total pension liability | <u>1,349,284</u> | <u>397,021</u> | <u>972,571</u> | <u>170,524</u> | <u>617,301</u> |
| Total pension liability - beginning | <u>11,472,348</u> | <u>11,075,327</u> | <u>10,102,756</u> | <u>9,932,232</u> | <u>9,314,931</u> |
| Total pension liability - ending (a) | <u>\$ 12,821,632</u> | <u>11,472,348</u> | <u>11,075,327</u> | <u>10,102,756</u> | <u>9,932,232</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 500,417 | 437,529 | 532,313 | 554,255 | 434,076 |
| Contributions - state | 181,471 | 156,249 | - | - | 117,527 |
| Contributions - employee | 259,632 | 230,087 | 223,621 | 203,417 | 196,385 |
| Net investment income | 567,254 | 1,105,157 | 748,956 | (220,314) | 674,400 |
| Benefit payments, including refunds of member contributions | (738,288) | (749,932) | (679,205) | (553,565) | (466,873) |
| Administrative expenses | (50,982) | (81,378) | (57,128) | (81,990) | (80,961) |
| Net change in plan fiduciary net position | <u>719,504</u> | <u>1,097,712</u> | <u>768,557</u> | <u>(98,197)</u> | <u>874,554</u> |
| Plan fiduciary net position - beginning | <u>9,777,574</u> | <u>8,679,862</u> | <u>7,911,305</u> | <u>8,009,502</u> | <u>7,134,948</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 10,497,078</u> | <u>9,777,574</u> | <u>8,679,862</u> | <u>7,911,305</u> | <u>8,009,502</u> |
| City's net pension liability - ending (a) - (b) | <u>\$ 2,324,554</u> | <u>1,694,774</u> | <u>2,395,465</u> | <u>2,191,451</u> | <u>1,922,730</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 81.87% | 85.23% | 78.37% | 78.31% | 80.64% |
| Covered payroll | \$ 2,828,741 | 2,465,118 | 2,484,672 | 2,310,767 | 2,173,174 |
| City's net pension liability as a percentage of covered payroll | 82.18% | 68.75% | 96.41% | 94.84% | 88.48% |

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF HAINES CITY, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS' 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> |
|--|--------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 667,583 | 525,070 | 529,235 | 520,137 | 517,215 |
| Contributions in relation to the actuarially determined contribution | 681,888 | 593,778 | 532,313 | 554,255 | 551,603 |
| Contribution deficiency (excess) | <u>\$ (14,305)</u> | <u>(68,708)</u> | <u>(3,078)</u> | <u>(34,118)</u> | <u>(34,388)</u> |
| Covered payroll | \$ 2,828,741 | 2,465,118 | 2,484,672 | 2,310,767 | 2,173,174 |
| Contributions as a percentage of covered payroll | 23.60% | 21.30% | 21.30% | 22.51% | 23.80% |

Notes to the Schedule:

Valuation Date: October 1, 2016

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.

Methods and assumptions used to determine contribution rates:

Funding method: Entry age normal actuarial cost method.

Amortization method: Level percentage of pay, closed.

Remaining amortization period: 27 years (as of 10/1/2016).

Asset valuation method: Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 5-year average market value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below market value.

Inflation: 3.0% per year.

| Salary increases: | <u>Service</u> | <u>Increase</u> |
|-------------------|-----------------------|-----------------|
| | First year | 10.0% |
| | Years 2 to 15 | 5.5% |
| | Greater than 15 Years | 4.0% |

Additionally, projected salary at retirement is increased based on individual accruals to account for non-regular compensation.

Interest Rate: 7.5% per year, compounded annually, net of investment-related expenses

Payroll increase: 2.45% per year.

Retirement age: Earlier of age 56 and 11 years of service, or age 53 and 26 years of service. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.

Early retirement: Commencing with the earliest early retirement age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Disability rates: Members are assumed to become disabled at varying rates based on age. Sample rates are as follows:

| <u>Age</u> | <u>Probability</u> |
|------------|--------------------|
| 20 | 0.051% |
| 30 | 0.058% |
| 40 | 0.121% |
| 50 | 0.429% |

Additionally, it is assumed that 75% of disablements are service related.

| Termination rates: | <u>Age</u> | <u>Probability</u> |
|--------------------|------------------|--------------------|
| | Before age 40 | 12.0% |
| | Age 40 and above | 7.0% |

Mortality: *Healthy Lives:*

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar/90% Annuitant Blue Collar, Scale BB.

Disabled Lives:

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

CITY OF HAINES CITY, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS—FIRE FIGHTERS' PENSION**

| Reporting period ending | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 |
|---|---------------------|------------------|------------------|------------------|------------------|
| Measurement date | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 | 9/30/2014 |
| Total pension liability | | | | | |
| Service cost | \$ 167,939 | 149,580 | 109,002 | 121,753 | 130,593 |
| Interest on total pension liability | 547,173 | 548,290 | 520,966 | 516,128 | 506,406 |
| Change in excess state money | (317,257) | 76,052 | 65,351 | 69,107 | 70,342 |
| Share plan allocation | 11,998 | - | - | - | - |
| 13th check allocation | 11,998 | - | - | - | - |
| Changes of benefit terms | (81,400) | - | - | - | - |
| Differences between expected and actual experience | 324,409 | (100,367) | (17,885) | (17,148) | - |
| Changes of assumptions | 232,731 | - | 247,330 | - | - |
| Benefit payments, including refunds of employee contributions | (584,802) | (513,928) | (557,414) | (529,529) | (467,541) |
| Net change in total pension liability | <u>312,789</u> | <u>159,627</u> | <u>367,350</u> | <u>160,311</u> | <u>239,800</u> |
| Total pension liability - beginning | <u>7,965,140</u> | <u>7,805,513</u> | <u>7,438,163</u> | <u>7,277,852</u> | <u>7,038,052</u> |
| Total pension liability - ending (a) | <u>\$ 8,277,929</u> | <u>7,965,140</u> | <u>7,805,513</u> | <u>7,438,163</u> | <u>7,277,852</u> |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 458,872 | 398,748 | 479,629 | 430,712 | 352,192 |
| Contributions - state | 119,975 | 116,083 | - | - | 110,374 |
| Contributions - employee | 145,830 | 125,920 | 108,784 | 104,266 | 105,867 |
| Net investment income | 579,035 | 640,637 | 472,199 | 11,234 | 592,615 |
| Benefit payments, including refunds of member contributions | (584,803) | (514,641) | (557,414) | (529,529) | (467,541) |
| Administrative expenses | (42,353) | (58,103) | (91,883) | (84,623) | (68,237) |
| Net change in plan fiduciary net position | <u>676,556</u> | <u>708,644</u> | <u>411,315</u> | <u>(67,940)</u> | <u>625,270</u> |
| Plan fiduciary net position - beginning | <u>6,219,665</u> | <u>5,511,021</u> | <u>5,099,706</u> | <u>5,167,646</u> | <u>4,542,376</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 6,896,221</u> | <u>6,219,665</u> | <u>5,511,021</u> | <u>5,099,706</u> | <u>5,167,646</u> |
| City's net pension liability - ending (a) - (b) | <u>\$ 1,381,708</u> | <u>1,745,475</u> | <u>2,294,492</u> | <u>2,338,457</u> | <u>2,110,206</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 83.31% | 78.09% | 70.60% | 68.56% | 71.01% |
| Covered payroll | \$ 1,588,231 | 1,352,142 | 1,208,709 | 1,233,777 | 1,146,263 |
| City's net pension liability as a percentage of covered payroll | 87.00% | 129.09% | 189.83% | 189.54% | 184.09% |

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF HAINES CITY, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIRE FIGHTERS' 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> |
|--|--------------------|------------------|------------------|------------------|------------------|
| Actuarially determined contribution | \$ 493,939 | 450,263 | 389,204 | 356,077 | 385,144 |
| Contributions in relation to the actuarially determined contribution | 578,847 | 514,831 | 479,629 | 430,712 | 462,566 |
| Contribution deficiency (excess) | <u>\$ (84,908)</u> | <u>(64,568)</u> | <u>(90,425)</u> | <u>(74,635)</u> | <u>(77,422)</u> |
| Covered payroll | \$ 1,588,231 | 1,352,142 | 1,208,709 | 1,233,777 | 1,146,263 |
| Contributions as a percentage of covered payroll | 31.10% | 33.30% | 32.20% | 28.86% | 33.60% |

Notes to the Schedule:

Valuation Date: October 1, 2016

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.

Methods and assumptions used to determine contribution rates:

Funding method: Entry age normal actuarial cost method.

Amortization method: Level percentage of pay, closed.

Remaining amortization period: 27 years (as of 10/1/2016)

Asset valuation method: Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 5-year average market value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below market value.

| Salary increases: | <u>Service</u> | <u>Increase</u> |
|-------------------|-----------------------|-----------------|
| | First 10 years | 5.5% |
| | Greater than 10 years | 4.0% |

Additionally, projected salary at retirement is increased based on individual accruals to account for non-regular compensation.

Interest Rate: 7.5% per year, compounded annually, net of investment-related expenses

Payroll increase: 2.13% per year.

Retirement age: Earlier of age 55 and 10 years of service, age 52 and 25 years of service, and age 60. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.

Early retirement: Commencing with the earliest early retirement age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year.

Disability rates: Members are assumed to become disabled at varying rates based on age. Sample rates are as follows:

| <u>Age</u> | <u>Probability</u> |
|------------|--------------------|
| 20 | 0.051% |
| 30 | 0.058% |
| 40 | 0.121% |
| 50 | 0.429% |

Additionally, it is assumed that 75% of disablements and active member deaths are service related.

Termination rates: Members are assumed to terminate employment prior to retirement as follows:

| <u>Age</u> | <u>Probability</u> |
|------------------|--------------------|
| Before age 45 | 15.0% |
| Age 45 and above | 5.0% |

Mortality: *Healthy Lives:*

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar/90% Annuitant Blue Collar, Scale BB.

Disabled Lives:

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.

75% of active deaths are assumed to happen in the line of duty.

The schedule will present 10 years of information once it is accumulated.

CITY OF HAINES CITY, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS**

| Measurement year ended September 30, | <u>2017</u> |
|---|----------------------------|
| Total OPEB liability | |
| Service cost | \$ 360,840 |
| Interest on the total OPEB liability | 124,111 |
| Changes in assumptions and other inputs | (269,562) |
| Benefit payments | <u>30,235</u> |
| Net change in total OPEB liability | 245,624 |
| | |
| Total OPEB liability - beginning | <u>3,682,744</u> |
| Total OPEB liability - ending | <u><u>\$ 3,928,368</u></u> |
| | |
| Covered payroll | \$ 9,904,000 |
| | |
| City's total OPEB liability as a percentage of covered payroll | 39.66% |

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

OTHER SUPPLEMENTARY INFORMATION



CITY OF HAINES CITY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
RIGHT OF WAY AGENCY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

| | <u>Balance</u> <u>09/30/17</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>09/30/18</u> |
|-------------------------------------|-----------------------------------|------------------|-------------------|-----------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 11,800 | 30 | - | 11,830 |
| Liabilities | | | | |
| Deposits held in custody for others | \$ 11,800 | 30 | - | 11,830 |



Statistical Section

The statistical section of the 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 indicates about the City's overall financial health. Below is a summary of the components and purpose for the tables provided herein.

| | Page |
|--|-------------|
| Financial Trends | 73 |
| <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i> | |
| Revenue Capacity | 78 |
| <i>These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.</i> | |
| Debt Capacity | 82 |
| <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt, the City's ability to issue additional debt in the future and related historical trend data..</i> | |
| Demographic and Economic Information | 87 |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i> | |
| Operating Information | 89 |
| <i>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.</i> | |



CITY OF HAINES CITY, FLORIDA
NET POSITION BY COMPONENT
 (accrual basis of accounting)
 Last Ten Fiscal Years

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 29,415,076 | 28,576,391 | 26,940,200 | 22,215,410 | 23,437,379 | 21,701,775 | 22,290,761 | 21,719,202 | 22,040,679 | 20,809,496 |
| Restricted | 4,924,785 | 5,095,130 | 6,975,641 | 9,562,330 | 6,063,673 | 5,653,280 | 4,523,550 | 4,677,821 | 5,420,884 | 7,797,320 |
| Unrestricted | 7,393,466 | 7,626,335 | 4,995,804 | 3,921,279 | 2,075,980 | 3,629,398 | (30,669) | 4,125,794 | 4,295,233 | 5,394,687 |
| Total governmental activities net position | \$ 41,733,327 | 41,297,856 | 38,911,645 | 35,699,019 | 31,577,032 | 30,984,453 | 26,783,642 | 30,522,817 | 31,756,796 | 34,001,503 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 29,787,837 | 34,390,110 | 37,287,641 | 37,274,891 | 34,286,996 | 34,971,248 | 36,985,880 | 39,912,100 | 44,208,739 | 45,586,148 |
| Restricted | 4,249,432 | 2,387,606 | 2,558,210 | 2,668,531 | 2,668,531 | 3,292,321 | 3,075,986 | 3,919,286 | 3,919,286 | 5,354,889 |
| Unrestricted | 3,157,162 | 4,697,003 | 2,788,028 | 3,044,504 | 7,876,386 | 8,082,240 | 7,570,207 | 9,543,360 | 10,053,371 | 10,074,677 |
| Total business-type activities net position | \$ 37,194,431 | 41,474,719 | 42,633,879 | 42,987,926 | 44,831,913 | 46,345,809 | 47,632,073 | 53,374,746 | 58,181,396 | 61,015,714 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 59,202,913 | 62,966,501 | 64,227,841 | 59,490,301 | 57,724,375 | 56,673,023 | 59,276,641 | 61,631,302 | 66,249,418 | 66,395,644 |
| Restricted | 9,174,217 | 7,482,736 | 9,533,851 | 12,230,861 | 8,732,204 | 8,945,601 | 7,599,536 | 8,597,107 | 9,340,170 | 13,152,209 |
| Unrestricted | 10,550,628 | 12,323,338 | 7,783,832 | 6,965,783 | 9,952,366 | 11,711,638 | 7,539,538 | 13,669,154 | 14,348,604 | 15,469,364 |
| Total primary government net position | \$ 78,927,758 | 82,772,575 | 81,545,524 | 78,686,945 | 76,408,945 | 77,330,262 | 74,415,715 | 83,897,563 | 89,938,192 | 95,017,217 |

Sources: Information derived from the comprehensive annual financial report or annual financial reports for the relevant year.
 The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF HAINES CITY, FLORIDA
CHANGES IN NET POSITION
(acrual basis of accounting)
Last Ten Fiscal Years

| Expenses | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
|---|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------|
| Governmental activities | | | | | | | | | | | |
| General government | \$ 3,722,262 | 3,624,171 | 3,400,467 | 3,110,061 | 3,615,992 | 3,799,284 | 3,595,254 | 3,468,800 | 4,703,311 | 4,632,235 | |
| Public safety | 7,404,678 | 7,646,714 | 8,406,667 | 8,949,795 | 9,082,035 | 8,746,663 | 8,762,723 | 8,703,603 | 9,053,067 | 10,836,046 | |
| Physical environment | 2,311,304 | 2,256,065 | 2,270,203 | 2,407,824 | 2,732,178 | 2,078,854 | 1,964,600 | 1,834,507 | 2,470,348 | 2,783,402 | |
| Transportation | 1,792,055 | 1,432,913 | 1,366,502 | 1,528,139 | 2,098,081 | 1,389,983 | 2,331,126 | 1,305,397 | 2,725,828 | 2,017,654 | |
| Economic environment | 1,393,596 | 1,693,953 | 1,513,205 | 1,224,276 | 348,224 | 228,518 | 227,942 | 292,272 | 237,847 | 329,280 | |
| Culture and recreation | 4,078,884 | 4,950,934 | 4,861,540 | 5,199,493 | 5,030,102 | 4,904,738 | 4,826,880 | 4,610,486 | 5,889,679 | 6,402,986 | |
| Interest on long-term debt | 1,774,790 | 961,109 | 1,999,634 | 2,213,162 | 2,697,317 | 2,018,532 | 1,989,212 | 1,976,589 | 1,367,571 | 1,396,518 | |
| Total governmental activities expenses | 22,477,569 | 22,565,859 | 23,818,218 | 24,632,750 | 25,603,929 | 23,166,572 | 23,697,737 | 22,191,654 | 26,447,651 | 28,398,121 | |
| Business-type activities | | | | | | | | | | | |
| Water/sewer utility | 5,943,447 | 5,902,252 | 5,916,023 | 6,954,698 | 6,660,710 | 6,655,355 | 6,724,698 | 6,349,429 | 8,461,798 | 9,255,799 | |
| Stormwater utility | 61,416 | 271,814 | 270,175 | 450,929 | 323,119 | 255,380 | 237,584 | 297,363 | 511,350 | 544,091 | |
| Total business-type activities expenses | 6,004,863 | 6,174,066 | 6,186,198 | 7,405,627 | 6,983,829 | 6,910,735 | 6,962,282 | 6,646,792 | 8,973,148 | 9,799,890 | |
| Total primary government net position | 28,482,432 | 28,739,925 | 30,004,416 | 32,038,377 | 32,587,758 | 30,077,307 | 30,660,019 | 28,838,446 | 35,420,799 | 38,198,011 | |
| Program revenues | | | | | | | | | | | |
| Governmental activities | | | | | | | | | | | |
| Charges for services | | | | | | | | | | | |
| General government | 684,283 | 817,763 | 943,347 | 1,026,206 | 1,333,376 | 2,625,437 | 3,581,673 | 1,701,926 | 1,529,739 | 3,016,454 | |
| Public safety | 472,928 | 492,529 | 1,812,473 | 2,065,746 | 1,781,354 | 1,159,008 | 1,055,096 | 3,331,891 | 3,583,282 | 3,735,242 | |
| Physical environment | 2,285,293 | 2,211,521 | 2,216,110 | 2,288,623 | 2,513,053 | 2,433,752 | 2,476,577 | 2,530,455 | 2,993,238 | 3,280,338 | |
| Transportation | 485,559 | 336,351 | 291,073 | 152,524 | 477,617 | 225,720 | 502,397 | 406,958 | 350,078 | 686,631 | |
| Economic environment | 379,227 | 23,968 | 27,800 | - | - | - | - | - | - | - | |
| Culture and recreation | 382,083 | 528,904 | 512,225 | 486,031 | 585,657 | 554,736 | 585,832 | 647,163 | 568,418 | 785,961 | |
| Operating grants and contributions | 1,098,414 | 1,077,708 | 1,215,422 | 627,691 | 411,253 | 401,003 | 383,394 | 333,123 | 411,824 | 592,882 | |
| Capital grants and contributions | 833,670 | 2,333 | 18,667 | 709,149 | 38,463 | - | 25,000 | - | - | 250,032 | |
| Total governmental activities program revenues | 6,621,457 | 5,491,077 | 7,037,117 | 7,355,970 | 7,140,773 | 7,399,656 | 8,609,969 | 8,951,516 | 9,436,579 | 12,347,540 | |
| Business-type activities | | | | | | | | | | | |
| Charges for services | 7,458,032 | 7,623,873 | 8,279,379 | 8,755,108 | 9,785,780 | 9,787,688 | 9,850,613 | 11,676,899 | 12,865,511 | 14,344,022 | |
| Operating grants and contributions | - | - | - | 37,578 | 4,987 | - | - | - | - | - | 248,797 |
| Capital grants and contributions | 1,230,190 | 3,919,994 | 125,032 | 65,088 | 335,604 | - | 580,776 | 2,290,678 | 2,886,407 | 3,143,677 | |
| Total business-type activities program revenues | 8,688,222 | 11,543,867 | 8,404,411 | 8,857,774 | 10,126,371 | 9,787,688 | 10,431,389 | 13,967,577 | 15,751,918 | 14,907,186 | |
| Total primary government program revenues | 15,309,679 | 17,034,944 | 15,441,528 | 16,213,744 | 17,267,144 | 17,187,344 | 19,041,358 | 22,919,093 | 25,188,497 | 27,254,726 | |
| Net (expenses)/revenue | | | | | | | | | | | |
| Governmental activities | (15,856,112) | (17,074,782) | (16,781,101) | (17,276,780) | (18,463,156) | (15,766,916) | (15,087,768) | (13,240,138) | (17,011,072) | (16,050,581) | |
| Business-type activities | 2,683,359 | 5,369,801 | 2,218,213 | 1,452,147 | 3,142,542 | 2,876,953 | 3,469,107 | 7,320,785 | 6,778,770 | 5,107,296 | |
| Total primary government net expenses | \$ (13,172,753) | (11,704,981) | (14,562,888) | (15,824,633) | (15,320,614) | (12,889,963) | (11,618,661) | (5,919,353) | (10,232,302) | (10,943,285) | |

Sources: Information derived from the comprehensive annual financial report or annual financial reports for the relevant year.
The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF HAINES CITY, FLORIDA
CHANGES IN NET POSITION
 (accrual basis of accounting)
 Last Ten Fiscal Years

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
|---|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---|
| General revenues and other changes in net position | | | | | | | | | | | |
| Governmental activities | | | | | | | | | | | |
| Property taxes | \$ 10,286,101 | 8,940,798 | 6,878,624 | 6,048,218 | 6,457,679 | 6,658,896 | 7,191,929 | 7,797,395 | 8,275,047 | 9,338,910 | |
| Franchise taxes | 1,936,734 | 2,085,373 | 1,968,887 | 1,935,038 | 1,890,395 | 1,979,579 | 1,971,016 | 1,810,206 | 1,869,686 | 1,977,252 | |
| Utility taxes | 1,303,509 | 1,471,442 | 1,437,394 | 1,418,290 | 1,472,363 | 1,557,792 | 1,637,064 | 1,771,016 | 1,839,880 | 1,913,806 | |
| Communications taxes | 767,190 | 677,765 | 649,988 | 661,526 | 543,154 | 533,364 | 514,898 | 518,919 | 566,800 | 533,196 | |
| Local business tax | 71,389 | 76,213 | 84,424 | 66,285 | 72,503 | 71,948 | 75,354 | 73,739 | 76,335 | 81,157 | |
| Gas and fuel taxes | 805,145 | 796,859 | 766,757 | 746,463 | 778,859 | 824,130 | 884,346 | 962,003 | 950,758 | 1,021,713 | |
| State revenue sharing | 1,406,501 | 1,375,310 | 1,416,689 | 1,659,850 | 1,750,552 | 1,872,644 | 2,019,140 | 2,184,678 | 2,310,556 | 2,451,402 | |
| Unrestricted investment earnings | 131,663 | 75,906 | 101,433 | 382,319 | 273,878 | 257,673 | 253,126 | 254,099 | 249,119 | 291,513 | |
| Gain/(loss) on sale of capital assets | - | - | - | - | - | - | 155,580 | 7,258 | 106,870 | 290,255 | |
| Transfers in (out) | 1,043,601 | 1,130,339 | 1,100,000 | 1,146,165 | 1,385,835 | 1,385,835 | 1,554,447 | 1,600,000 | 2,000,000 | 2,000,000 | |
| Total governmental activities | 17,751,833 | 16,630,005 | 14,404,196 | 14,064,154 | 14,625,218 | 15,141,861 | 16,256,900 | 16,979,313 | 18,245,051 | 19,899,204 | |
| Business-type activities | | | | | | | | | | | |
| Unrestricted investment earnings | 83,253 | 38,736 | 43,037 | 33,956 | 29,087 | 22,778 | 22,284 | 21,888 | 27,880 | 62,168 | |
| Miscellaneous | - | - | - | 14,109 | 58,193 | - | - | - | - | - | - |
| Gain/(loss) on sale of capital assets | - | - | - | - | - | - | - | - | - | - | |
| Transfers in (out) | (1,043,601) | (1,130,339) | (1,100,000) | (1,146,165) | (1,385,835) | (1,385,835) | (1,554,447) | (1,600,000) | (2,000,000) | (2,000,000) | |
| Total business-type activities | (960,348) | (1,091,603) | (1,056,963) | (1,098,100) | (1,298,555) | (1,363,057) | (1,532,163) | (1,578,112) | (1,972,120) | (1,937,832) | |
| Total primary government | 16,791,485 | 15,538,402 | 13,347,233 | 12,966,054 | 13,326,663 | 13,778,804 | 14,724,737 | 15,401,201 | 16,272,931 | 17,961,372 | |
| Change in net position | | | | | | | | | | | |
| Governmental activities | 1,895,721 | (444,777) | (2,376,905) | (3,212,626) | (3,837,938) | (625,055) | 1,169,132 | 3,739,175 | 1,233,979 | 3,848,623 | |
| Business-type activities | 1,723,011 | 4,278,198 | 1,161,250 | 354,047 | 1,843,987 | 1,513,896 | 1,936,944 | 5,742,673 | 4,806,650 | 3,169,464 | |
| Total primary government | \$ 3,618,732 | 3,833,421 | (1,215,655) | (2,858,579) | (1,993,951) | 888,841 | 3,106,076 | 9,481,848 | 6,040,629 | 7,018,087 | |

Sources: Information derived from the comprehensive annual financial report or annual financial reports for the relevant year.

CITY OF HAINES CITY, FLORIDA
FUND BALANCES, GOVERNMENTAL FUNDS
(modified accrual basis of accounting)
Last Ten Fiscal Years

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|----------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ - | - | 95,210 | 110,524 | 74,724 | 76,171 | 529,201 | 48,483 | 223,119 | 56,742 |
| Restricted | - | - | 3,884,159 | 3,610,815 | 3,335,259 | 3,473,360 | 3,491,462 | 3,962,535 | 3,999,802 | 5,981,355 |
| Assigned | - | - | 3,022,660 | 492,770 | 400,000 | - | - | - | - | - |
| Unassigned | - | - | 3,543,346 | 4,609,524 | 4,001,486 | 5,522,732 | 6,705,320 | 8,456,022 | 9,518,384 | 12,228,941 |
| Reserved | 129,359 | 59,038 | - | - | - | - | - | - | - | - |
| Unreserved | 10,437,566 | 11,103,810 | - | - | - | - | - | - | - | - |
| Total general fund | \$ 10,566,925 | 11,162,848 | 10,545,375 | 8,823,633 | 7,811,469 | 9,072,263 | 10,725,983 | 12,467,040 | 13,741,305 | 18,267,038 |
| All other governmental funds | | | | | | | | | | |
| Restricted, reported in | | | | | | | | | | |
| Capital Projects Fund | \$ - | - | 10,057,898 | 4,359,426 | 1,440,290 | 1,365,494 | - | - | 8 | 8 |
| CRA Fund | - | - | 1,825,119 | 309,820 | - | - | 203,453 | 924,322 | 1,736,705 | 2,131,385 |
| Debt Service Fund | - | - | 1,260,774 | 1,273,655 | 1,288,124 | 1,310,652 | 1,324,861 | 62,830 | 69,651 | 69,854 |
| Reserved | 1,230,231 | 1,243,303 | - | - | - | - | - | - | - | - |
| Unreserved, reported in | | | | | | | | | | |
| CRA Fund | 3,186,179 | 2,558,788 | - | - | - | - | - | - | - | - |
| Total all other governmental funds | \$ 4,416,410 | 3,802,091 | 13,143,791 | 5,942,901 | 2,728,414 | 2,676,146 | 1,528,314 | 987,152 | 1,806,364 | 2,201,247 |

Note: GASB 54 was implemented during fiscal year 2011.

Sources: Information derived from the comprehensive annual financial report or annual financial reports for the relevant year.

CITY OF HAINES CITY, FLORIDA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
(modified accrual basis of accounting)
Last Ten Fiscal Years

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-----------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 15,170,068 | 14,048,450 | 11,786,074 | 10,875,820 | 11,214,953 | 11,625,709 | 12,274,607 | 12,933,278 | 13,578,506 | 14,866,034 |
| Licenses and permits | 326,256 | 327,821 | 360,953 | 538,662 | 879,190 | 839,587 | 972,785 | 1,253,265 | 1,029,087 | 2,435,564 |
| Intergovernmental revenues | 3,415,043 | 2,606,694 | 2,539,687 | 2,755,865 | 2,383,766 | 2,100,591 | 2,254,622 | 2,406,563 | 2,574,270 | 2,937,604 |
| Charges for services | 2,860,202 | 2,952,486 | 2,965,271 | 3,091,021 | 3,376,450 | 3,219,722 | 3,476,117 | 3,538,090 | 4,127,686 | 4,381,628 |
| Fines and forfeitures | 261,004 | 361,709 | 1,735,716 | 1,970,254 | 1,668,140 | 1,089,915 | 964,305 | 1,366,205 | 1,528,630 | 1,623,451 |
| Assessments | - | - | - | - | - | 1,375,927 | 2,116,849 | 1,810,363 | 1,882,041 | 1,908,268 |
| Impact fees | 333,233 | 348,306 | 258,661 | 151,992 | 589,091 | 357,460 | 478,991 | 498,955 | 328,930 | 1,032,106 |
| Miscellaneous revenues | 939,395 | 358,655 | 718,903 | 626,419 | 591,164 | 546,771 | 618,566 | 403,436 | 639,026 | 521,802 |
| Total revenues | 23,305,201 | 21,004,121 | 20,365,265 | 20,010,033 | 20,702,754 | 21,155,682 | 23,156,842 | 24,210,155 | 25,688,176 | 29,706,457 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 2,677,030 | 3,154,632 | 3,164,419 | 2,916,138 | 3,307,807 | 3,207,655 | 3,289,508 | 3,364,526 | 3,685,154 | 3,813,138 |
| Public safety | 6,734,418 | 6,983,796 | 7,836,139 | 8,452,010 | 8,687,220 | 8,302,665 | 8,449,776 | 8,581,570 | 9,203,478 | 10,097,383 |
| Physical environment | 2,306,117 | 2,250,786 | 2,268,838 | 2,406,891 | 2,736,838 | 2,079,602 | 1,959,226 | 1,847,682 | 2,446,731 | 2,765,626 |
| Transportation | 1,462,387 | 1,087,489 | 1,021,361 | 1,196,014 | 1,389,560 | 1,006,979 | 1,977,480 | 1,022,060 | 2,292,148 | 1,575,714 |
| Economic environment | 1,312,872 | 1,353,196 | 1,173,554 | 900,125 | 150,934 | 22,762 | 19,963 | 85,986 | 25,018 | 118,643 |
| Culture and recreation | 3,092,972 | 3,191,007 | 3,168,448 | 3,516,158 | 3,104,819 | 3,014,287 | 2,995,290 | 3,478,620 | 3,790,021 | 4,247,671 |
| Capital outlay | 19,344,204 | 1,126,872 | 2,429,369 | 7,187,108 | 3,355,531 | 1,094,505 | 3,343,484 | 1,674,996 | 2,792,757 | 1,102,004 |
| Debt service | | | | | | | | | | |
| Principal retirement | 1,158,011 | 1,320,473 | 1,299,247 | 1,324,402 | 1,471,000 | 1,651,907 | 1,614,880 | 1,842,347 | 1,179,577 | 2,039,735 |
| Interest and fiscal charges | 1,771,137 | 1,724,917 | 2,131,212 | 2,194,376 | 2,132,915 | 2,065,990 | 2,038,540 | 1,895,153 | 1,192,116 | 1,324,930 |
| Total expenditures | 39,859,148 | 22,193,168 | 24,492,587 | 30,093,222 | 26,336,624 | 22,446,352 | 25,688,147 | 23,792,940 | 26,607,000 | 27,084,844 |
| Excess of revenues over (under) expenditures | (16,553,947) | (1,189,047) | (4,127,322) | (10,083,189) | (5,633,870) | (1,290,670) | (2,531,305) | 417,215 | (918,824) | 2,621,613 |
| Other financing sources (uses) | | | | | | | | | | |
| Bond/Loan proceeds | 159,644 | - | 11,748,000 | - | - | - | - | - | - | - |
| Insurance proceeds | 30,126 | 40,312 | 3,549 | 9,242 | 52,860 | 7,224 | 9,767 | 7,258 | 106,870 | 290,986 |
| Proceeds from sale of capital assets | - | - | - | 5,150 | - | 596,665 | 146,024 | - | 70,431 | 8,017 |
| Issuance of capital lease | - | - | - | - | - | 477,996 | 1,205,402 | 93,092 | 835,000 | - |
| Refunding notes issued | - | - | - | - | - | - | 4,636,000 | 24,109,000 | - | - |
| Payment to refunded debt escrow agent | - | - | - | - | - | - | (4,560,000) | (25,026,670) | - | - |
| Transfers in | 6,345,401 | 5,977,136 | 5,571,045 | 5,440,893 | 5,777,177 | 6,326,611 | 6,738,627 | 6,349,853 | 6,128,800 | 7,077,141 |
| Transfers out | (5,301,800) | (4,846,797) | (4,471,045) | (4,294,728) | (4,391,342) | (4,940,776) | (5,138,627) | (4,749,853) | (4,128,800) | (5,077,141) |
| Total other financing sources (uses) | 1,233,371 | 1,170,651 | 12,851,549 | 1,160,557 | 1,438,695 | 2,467,720 | 3,037,193 | 782,680 | 3,012,301 | 2,299,003 |
| Net change in fund balances | \$ (15,320,576) | (18,396) | 8,724,227 | (8,922,632) | (4,195,175) | 1,177,050 | 505,888 | 1,199,895 | 2,093,477 | 4,920,616 |
| Debt service as a percentage of non-capital expenditures | 14.28% | 14.46% | 15.55% | 15.36% | 15.46% | 17.58% | 16.50% | 16.90% | 9.90% | 13.09% |

Sources: Information derived from the comprehensive annual financial report or annual financial reports for the relevant year.

CITY OF HAINES CITY, FLORIDA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
NET OF EXEMPTIONS
Last Ten Fiscal Years

| Fiscal Year | Real Property | | Personal Property | | Totals | | Total Direct Tax Rate |
|--------------------|-----------------------|-------------------------------|--------------------------|-------------------------------|-----------------------|-------------------------------|------------------------------|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | |
| 2009 | \$ 1,074,623,840 | 1,074,623,840 | 113,068,291 | 113,068,291 | 1,187,692,131 | 1,187,692,131 | 6.9900 |
| 2010 | 921,434,087 | 921,434,087 | 123,794,471 | 123,794,471 | 1,045,228,558 | 1,045,228,558 | 6.9900 |
| 2011 | 720,234,408 | 720,234,408 | 106,622,010 | 106,622,010 | 826,856,418 | 826,856,418 | 6.9900 |
| 2012 | 646,866,541 | 646,866,541 | 106,138,512 | 106,138,512 | 753,005,053 | 753,005,053 | 6.9900 |
| 2013 | 615,872,764 | 615,872,764 | 112,804,675 | 112,804,675 | 728,677,439 | 728,677,439 | 7.9900 |
| 2014 | 651,343,372 | 651,343,372 | 110,380,551 | 110,380,551 | 761,723,923 | 761,723,923 | 7.7900 |
| 2015 | 698,680,015 | 698,680,015 | 110,105,197 | 110,105,197 | 808,785,212 | 808,785,212 | 7.7900 |
| 2016 | 830,566,349 | 830,566,349 | 112,118,392 | 112,118,392 | 942,684,741 | 942,684,741 | 7.7900 |
| 2017 | 916,232,983 | 916,232,983 | 124,788,633 | 124,788,633 | 1,041,021,616 | 1,041,021,616 | 7.5895 |
| 2018 | 1,196,234,092 | 1,196,234,092 | 145,189,671 | 145,189,671 | 1,341,423,763 | 1,341,423,763 | 7.5895 |

Source: Polk County Property Appraiser.

Note: Tax rate are per every \$1,000 of assessed value.

CITY OF HAINES CITY, FLORIDA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
Millage Rates (\$1 per \$1,000 Valuation)

| City of Haines City | | | | Overlapping Rates ^(a) | | | | |
|---------------------|-------------------|-------------------------|----------------------|----------------------------------|---|--------------------------|-------------------------|---------|
| Fiscal Year | Operating Millage | GO Debt Service Millage | Total Direct Millage | Polk County | Southwest Florida Water Management District | Polk County School Board | Peace River Water Basin | Total |
| 2009 | 6.9900 | 0.000 | 6.990 | 6.8670 | 0.3867 | 7.6340 | 0.1830 | 22.0607 |
| 2010 | 6.9900 | 0.000 | 6.990 | 6.8665 | 0.3770 | 7.5860 | 0.1827 | 22.0022 |
| 2011 | 6.9900 | 0.000 | 6.990 | 6.8665 | 0.3770 | 7.7920 | 0.1827 | 22.2082 |
| 2012 | 6.9900 | 0.000 | 6.990 | 7.4993 | 0.3928 | 7.6700 | 0.1830 | 22.7351 |
| 2013 | 7.9900 | 0.000 | 7.990 | 6.8665 | 0.3928 | 7.4920 | 0.0000 | 22.7413 |
| 2014 | 7.7900 | 0.000 | 7.790 | 6.8665 | 0.3650 | 7.5470 | 0.0000 | 22.5685 |
| 2015 | 7.7900 | 0.000 | 7.790 | 6.7815 | 0.3490 | 7.2080 | 0.0000 | 22.1285 |
| 2016 | 7.7900 | 0.000 | 7.790 | 6.7815 | 0.3317 | 6.7970 | 0.0000 | 21.7002 |
| 2017 | 7.5895 | 0.000 | 7.590 | 6.7815 | 0.3131 | 6.5140 | 0.0000 | 21.1981 |
| 2018 | 7.5895 | 0.000 | 7.590 | 7.1565 | 0.2955 | 6.2510 | 0.0000 | 21.2925 |

^(a) Overlapping rates are those of local and county governments that apply to property owners within the incorporated areas.

Source: Polk County Tax Collector.

**CITY OF HAINES CITY
PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago**

| Taxpayer | Fiscal Year 2017/2018 | | | Fiscal Year 2008/2009 | | |
|--|------------------------|--------------------------------|------|-----------------------|--------------------------------|------|
| | Taxable Value | Percent of Total Taxable Value | Rank | Taxable Value | Percent of Total Taxable Value | Rank |
| Heart of Florida | \$ 48,420,668 | 3.6% | 1 | * | * | * |
| Sofidel America, Corp | 30,483,402 | 2.3% | 2 | * | * | * |
| Aldi Florida, LLC | 27,955,377 | 2.1% | 3 | * | * | * |
| Duke Energy/Florida Power | 24,212,532 | 1.8% | 4 | * | * | * |
| Royal Palm Village, LLC | 11,397,724 | 0.8% | 5 | * | * | * |
| Northwestern Mutual Life Insurance, Co | 10,636,621 | 0.8% | 6 | * | * | * |
| WalMart | 10,273,603 | 0.8% | 7 | * | * | * |
| Haines City Mall, LLC | 9,966,693 | 0.7% | 8 | * | * | * |
| NHC FL 144, LLC | 8,844,361 | 0.7% | 9 | * | * | * |
| Blue Heron Bay, Inc | 7,431,707 | 0.6% | 10 | * | * | * |
| Total ten largest taxpayers | 189,622,688 | 14.1% | | 0 | 0.0% | |
| Other taxpayers | 1,151,801,075 | 85.9% | | | | |
| Total per 2018 tax roll | <u>\$1,341,423,763</u> | <u>100.0%</u> | | <u>0</u> | <u>0.0%</u> | |

*Data not available.

Source: Polk County Property Appraiser.

CITY OF HAINES CITY
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy ⁽¹⁾ | Current Tax Collections | Percent of Levy Collected | Prior Years Tax Collections | Total Tax Collections | Percentage of Total Collections To Tax Levy |
|--------------------|--------------------------------------|--------------------------------|----------------------------------|------------------------------------|------------------------------|--|
| 2009 | \$ 8,301,968 | 8,052,643 | 97.00% | 100,973 | 8,153,616 | 98.21% |
| 2010 | 7,306,148 | 7,117,451 | 97.42% | 70,945 | 7,188,396 | 98.39% |
| 2011 | 5,779,726 | 5,598,844 | 96.87% | 72,540 | 5,671,384 | 98.13% |
| 2012 | 5,268,128 | 5,048,229 | 95.83% | 63,901 | 5,112,130 | 97.04% |
| 2013 | 5,822,133 | 5,600,105 | 96.19% | 32,986 | 5,633,091 | 96.75% |
| 2014 | 5,933,829 | 5,718,569 | 96.37% | 36,919 | 5,755,488 | 96.99% |
| 2015 | 6,300,431 | 6,082,038 | 96.53% | 68,306 | 6,150,344 | 97.62% |
| 2016 | 6,845,858 | 6,592,527 | 96.30% | 34,170 | 6,626,697 | 96.80% |
| 2017 | 6,904,098 | 6,850,251 | 99.22% | 37,845 | 6,888,096 | 99.77% |
| 2018 | 7,900,834 | 7,645,055 | 96.76% | 40,007 | 7,685,062 | 97.27% |

⁽¹⁾ Total assessed value times millage rate. Gross taxes before discounts.
Source: Polk County Tax Collector.

CITY OF HAINES CITY, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | Business-type Activities | | | | Total Primary Government | Haines City Personal Income | Percentage of Personal Income | Per Capita |
|-------------|-------------------------|--------------------------------|------------------------------------|--------------------------|----------------|-----------------------------|-------------------------------|--------------------------|-----------------------------|-------------------------------|------------|
| | Capital Leases | Capital Projects Revenue Bonds | Utility System Revenue Bonds/Notes | State Revolving Loans | Capital Leases | Haines City Personal Income | Percentage of Personal Income | | | | |
| 2009 | \$ 587,123 | 35,236,474 | 1,237,412 | 5,452,095 | - | 42,513,104 | 587,512,737 | 7.24% | 2,267 | | |
| 2010 | 316,650 | 34,205,618 | 958,687 | 5,826,178 | - | 41,307,133 | 668,866,020 | 6.18% | 2,012 | | |
| 2011 | 112,402 | 44,877,752 | - | 7,023,004 | - | 52,013,158 | 668,094,096 | 7.79% | 2,517 | | |
| 2012 | - | 44,103,189 | - | 12,256,692 | - | 56,359,881 | 691,048,467 | 8.16% | 2,728 | | |
| 2013 | - | 42,627,605 | 5,960,000 | 9,196,289 | - | 57,783,894 | 719,541,095 | 8.03% | 2,702 | | |
| 2014 | 366,089 | 41,084,285 | 5,353,000 | 8,789,510 | - | 55,592,884 | 735,494,305 | 7.56% | 2,600 | | |
| 2015 | 368,717 | 40,744,859 | 4,349,000 | 10,087,021 | - | 55,549,597 | 724,351,968 | 7.67% | 2,504 | | |
| 2016 | 224,816 | 39,602,540 | 3,329,000 | 13,377,104 | - | 56,533,460 | 784,127,196 | 7.21% | 2,371 | | |
| 2017 | 72,403 | 39,410,376 | 2,638,000 | 13,060,377 | - | 55,181,156 | 815,543,553 | 6.77% | 2,314 | | |
| 2018 | 55,744 | 37,387,300 | 2,281,000 | 12,432,182 | - | 52,156,226 | 831,307,474 | 6.27% | 2,147 | | |

Sources: Population data from the City of Haines City Department of Economic Development. Personal income data from the U.S. Department of Commerce.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Debt limitation: There are no legal debt limits for Florida municipalities.

CITY OF HAINES CITY, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

| Fiscal Year | Florida Municipal Loan Council | | | | CenterState | | Library/ | | Less: Amounts Available in Debt Service Fund | | Total | Percent of Actual Taxable Value of Property | Per Capita |
|-------------|--------------------------------|-----------|-----------|------------|----------------|-------------|----------|---|--|------------|-------|---|------------|
| | CRA | Police | Rail Spur | City Hall | CRA/ Rail Spur | CRA/ Police | | | | | | | |
| 2009 | \$ 29,360,000 | 3,395,000 | 2,905,000 | - | - | - | - | - | 1,230,231 | 34,429,769 | 3.00% | 1,901 | |
| 2010 | 28,475,000 | 3,295,000 | 2,840,000 | - | - | - | - | - | 1,243,303 | 33,366,697 | 3.31% | 1,685 | |
| 2011 | 27,550,000 | 3,190,000 | 2,775,000 | 11,748,000 | - | - | - | - | 1,260,774 | 44,002,226 | 5.47% | 2,191 | |
| 2012 | 26,736,633 | 2,980,556 | 2,705,000 | 11,681,000 | - | - | - | - | 1,273,655 | 42,829,534 | 5.84% | 2,132 | |
| 2013 | 25,716,524 | 2,871,081 | 2,635,000 | 11,405,000 | - | - | - | - | 1,288,124 | 41,339,481 | 5.85% | 1,993 | |
| 2014 | 24,652,679 | 2,756,606 | 2,560,000 | 11,115,000 | - | - | - | - | 1,310,652 | 39,773,633 | 5.22% | 1,860 | |
| 2015 | 21,903,834 | 2,642,131 | - | 10,809,000 | 4,422,000 | - | - | - | 1,324,861 | 38,452,104 | 4.38% | 1,733 | |
| 2016 | - | - | - | 10,489,000 | 4,179,000 | 24,934,540 | - | - | 62,830 | 39,539,710 | 4.50% | 1,700 | |
| 2017 | - | - | - | 10,153,000 | 3,929,000 | 24,515,376 | - | - | 69,651 | 38,527,725 | 3.70% | 1,616 | |
| 2018 | - | - | - | 9,799,000 | 3,673,000 | 23,149,300 | - | - | 69,854 | 36,551,446 | 2.72% | 1,504 | |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF HAINES CITY, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
General Obligation Bonds
September 30, 2018

| <u>Jurisdiction</u> | <u>Total Bonded Debt Outstanding</u> | <u>Percentage Applicable to City of Haines City</u> | <u>Amount Applicable to City of Haines City</u> |
|--------------------------------------|--|---|---|
| District School Board of Polk County | \$ 218,640,689 | 3.40% ⁽¹⁾ | <u>\$ 7,436,000</u> |
| Total overlapping debt | | | 7,436,000 |
| Total direct debt | 37,443,044 | 100.0% | <u>37,443,044</u> |
| Total direct and overlapping debt | | | <u><u>\$ 44,879,044</u></u> |

⁽¹⁾ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed values by the County's total taxable assessed values.

Source: Polk County School Board.

CITY OF HAINES CITY, FLORIDA
LEGAL DEBT MARGIN INFORMATION
September 30, 2018

The constitution of the State of Florida, Florida Statute 200.181 and the City of Haines City, Florida, set no legal debt limit.

**CITY OF HAINES CITY, FLORIDA
PLEDGED REVENUE COVERAGE
Last Ten Fiscal Years**

| Fiscal Year | Gross Revenues ⁽¹⁾ | Less Operating Expenses ⁽²⁾ | Net Available For Debt Service | Debt Service Requirements | | |
|--------------------------------------|-------------------------------|--|--------------------------------|---------------------------|----------|----------|
| | | | | Principal | Interest | Coverage |
| Water and Sewer Revenue Bonds | | | | | | |
| 2009 | \$ 6,930,688 | 4,542,408 | 2,388,280 | 265,000 | 89,213 | 6.74 |
| 2010 | 7,287,830 | 4,585,174 | 2,702,656 | 280,000 | 71,500 | 7.69 |
| 2011 | 7,897,736 | 4,598,332 | 3,299,404 | 960,000 | 64,209 | 3.22 |
| 2012 | 8,359,524 | 5,373,126 | 2,986,398 | - | - | - |
| 2013 | 8,595,968 | 4,756,751 | 3,839,217 | - | - | - |
| 2014 | 8,701,975 | 4,598,428 | 4,103,547 | 607,000 | 90,815 | 5.88 |
| 2015 | 8,807,681 | 4,645,953 | 4,161,728 | 1,007,000 | 76,131 | 3.84 |
| 2016 | 9,994,381 | 4,071,219 | 5,923,162 | 1,020,000 | 61,215 | 5.48 |
| 2017 | 10,900,093 | 6,143,440 | 4,756,653 | 691,000 | 48,275 | 6.43 |
| 2018 | 11,505,947 | 6,704,683 | 4,801,264 | 357,000 | 41,742 | 12.04 |
| State Revolving Fund Loans | | | | | | |
| 2009 | 6,930,688 | 4,896,621 | 2,034,067 | 613,218 | 140,380 | 2.70 |
| 2010 | 7,287,830 | 4,936,674 | 2,351,156 | 630,053 | 123,545 | 3.12 |
| 2011 | 7,897,736 | 5,622,541 | 2,275,195 | 657,475 | 112,029 | 2.96 |
| 2012 | 8,359,524 | 5,373,126 | 2,986,398 | 918,559 | 203,785 | 2.66 |
| 2013 | 8,595,968 | 4,756,751 | 3,839,217 | 873,206 ⁽³⁾ | 279,786 | 3.33 |
| 2014 | 8,701,975 | 5,296,243 | 3,405,732 | 406,778 | 207,021 | 5.55 |
| 2015 | 8,807,681 | 5,729,084 | 3,078,597 | 416,092 | 193,892 | 5.05 |
| 2016 | 9,994,381 | 5,152,434 | 4,841,947 | 425,619 | 188,180 | 7.89 |
| 2017 | 10,900,093 | 6,882,715 | 4,017,378 | 572,285 | 178,434 | 5.35 |
| 2018 | 11,505,947 | 7,103,425 | 4,402,522 | 652,962 | 177,065 | 5.30 |

⁽¹⁾ Gross revenues from water and sewer charges for services, plus interest income and service charges.

⁽²⁾ Total operating expenses exclusive of depreciation, sewer impact fees, amortization of intangibles and non-reoccurring costs. State Revolving Fund Loans operating expenses include the annual debt service for revenue bonds.

⁽³⁾ This amount does not include \$2,292,898 of funds from the issuance of the 2013 Revenue Notes used to payoff SRF note. See Note 7.3 within financial statements. Change in long-term debt does include this amount as a principal reduction.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: City of Haines City Finance Department.

CITY OF HAINES CITY, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

| Year | Population ⁽¹⁾ | Polk County Per Capita Personal Income ⁽²⁾ | Personal Income ⁽²⁾ | Public School Enrollment ⁽³⁾ | Unemployment Rate ⁽⁴⁾ |
|-------------|----------------------------------|--|---|--|---|
| 2009 | 18,753 | \$ 31,329 | 587,512,737 | 7,673 | 12.8% |
| 2010 | 20,535 | 32,572 | 668,866,020 | 7,701 | 13.3% |
| 2011 | 20,661 | 32,336 | 668,094,096 | 7,653 | 10.7% |
| 2012 | 20,661 | 33,447 | 691,048,467 | 7,846 | 8.6% |
| 2013 | 21,385 | 33,647 | 719,541,095 | 8,449 | 7.2% |
| 2014 | 21,385 | 34,393 | 735,494,305 | 8,533 | 6.6% |
| 2015 | 22,184 | 32,652 | 724,351,968 | 6,881 | 5.9% |
| 2016 | 23,252 | 33,723 | 784,127,196 | 6,227 | 5.9% |
| 2017 | 23,847 | 34,199 | 815,543,553 | 7,219 | 4.6% |
| 2018 | 24,298 | 34,213 | 831,307,474 | 7,472 | 3.4% |

- Sources:
- ⁽¹⁾ City of Haines City Community Development Department .
 - ⁽²⁾ U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System
The actual per capita personal income is for Lakeland/Winter Haven MSA. The per capita figures are multiplied by population to determine the total personal income.
 - ⁽³⁾ www.greatschools.org website.
 - ⁽⁴⁾ U.S. Department of Labor Bureau labor Statistics Data, - Lakeland, Florida.

**CITY OF HAINES CITY, FLORIDA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

| Employer | Type of Business | Fiscal Year 2017/2018 | | | Fiscal Year 2008/2009 | | |
|--------------------------|----------------------|-----------------------|----------------------------------|------|-----------------------|----------------------------------|------|
| | | Number of Employees | Percent of Total City Employment | Rank | Number of Employees | Percent of Total City Employment | Rank |
| HFRMC | Manufacturer | 850 | 7.52% | 1 | * | * | * |
| Polk County School Board | Education/Government | 705 | 6.23% | 2 | * | * | * |
| Wal-Mart | Retailer | 430 | 3.80% | 3 | * | * | * |
| Sofidel America Corp | Manufacturer | 400 | 3.54% | 4 | * | * | * |
| Crown Linen | Manufacturer | 240 | 2.12% | 5 | * | * | * |
| City of Haines City | Municipal Government | 240 | 2.12% | 6 | * | * | * |
| Publix Super Market | Food Service | 200 | 1.77% | 7 | * | * | * |
| Aldi | Food Service | 154 | 1.36% | 8 | * | * | * |
| Lowes | Retailer | 150 | 1.33% | 9 | * | * | * |
| Haines City Health Care | Health Care | 120 | 1.06% | 10 | * | * | * |
| Total | | <u>3,489</u> | | | | | |

* Data not available.

Source: Community Development Department.
Haines City Economic Development Council.

CITY OF HAINES CITY, FLORIDA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|-----------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| General government | | | | | | | | | | |
| City Manager | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 5 | 5 |
| City Clerk | 2 | 2 | 2 | 2 | 1.5 | 2 | 2 | 2 | 3 | 3 |
| Finance | 6.5 | 6.5 | 5.5 | 5.5 | 3.3 | 2.8 | 3.8 | 4.7 | 4.7 | 4.7 |
| Human Resources | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3.5 |
| Information Technology | | | | | 2 | 2.5 | 4 | 4 | 4 | 4 |
| Community Development | 19 | 17 | 16 | 16 | 13 | 12 | 8 | 10 | 10 | 11.5 |
| Facilities Maintenance | 1 | 6 | 6 | 6 | 7 | 5 | 6 | 9.4 | 9.4 | 13 |
| Public safety | | | | | | | | | | |
| Police | 74 | 76 | 76 | 76 | 76 | 64 | 63.6 | 62.7 | 63.7 | 69 |
| Fire | 31 | 31 | 31 | 31 | 31 | 32 | 31.4 | 31.3 | 29.7 | 37 |
| Public works | 17 | 12.5 | 12.5 | 12.5 | 10 | 8.8 | 9.25 | 15.5 | 17.2 | 18.3 |
| Utilities | 42.5 | 46 | 46 | 46 | 46.7 | 45.95 | 44.95 | 39.1 | 46.5 | 51 |
| Parks and recreation | 47 | 42 | 42 | 40 | 34 | 33 | 32 | 35 | 45 | 45 |
| Library | 6 | 6 | 5 | 6 | 9 | 8 | 8 | 8 | 8 | 8 |
| Total | <u>252</u> | <u>251</u> | <u>248</u> | <u>247</u> | <u>239</u> | <u>221</u> | <u>219</u> | <u>228</u> | <u>249</u> | <u>273</u> |

Source: City of Haines City Annual Budget.

CITY OF HAINES CITY
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Building inspection | | | | | | | | | | |
| Building permits issued | 767 | 788 | 810 | 865 | 935 | 1,235 | 1,101 | 1,364 | 1,891 | 3,760 |
| Number of building inspections completed | 2,639 | 2,297 | 2,383 | 3,531 | 3,567 | 5,129 | 4,554 | 5,365 | 6,719 | 14,462 |
| Number of re-inspections | * | * | * | * | * | * | * | * | * | * |
| Number of total building construction plans reviewed | 308 | 298 | 322 | 300 | 323 | 368 | 498 | 667 | 442 | 708 |
| Law enforcement | | | | | | | | | | |
| Physical arrests | 1,093 | 1,504 | 1,527 | 1,768 | 1,355 | 1,435 | 1,058 | 779 | 914 | 1,374 |
| DUI arrests | 63 | 66 | 62 | 58 | 59 | 77 | 17 | 22 | 29 | 45 |
| Traffic violations | 2,987 | 5,090 | 4,974 | 4,943 | 3,825 | 4,011 | 2,428 | 2,959 | 3,384 | 7,512 |
| Red light camera violations | * | * | 25,189 | 21,454 | 20,427 | 22,357 | 11,428 | 18,470 | 17,708 | 20,586 |
| Traffic crashes | 712 | 816 | 536 | 616 | 610 | 719 | 814 | 1,315 | 1,490 | 1,449 |
| Calls for service | 13,541 | 19,632 | 16,265 | 20,974 | 23,571 | 22,741 | 21,241 | 17,424 | 20,244 | 12,734 |
| Fire | | | | | | | | | | |
| Emergency responses | 2,424 | 2,096 | 2,127 | 2,212 | 2,684 | 2,711 | 2,838 | 3,705 | 4,054 | 4,300 |
| Number of actual fires suppressed | 33 | 26 | 70 | 93 | 106 | 23 | 20 | 105 | 140 | 144 |
| Number of building inspections | 720 | 669 | 370 | 370 | 492 | 448 | 60 | 307 | 206 | 323 |
| Number of school inspections | 8 | 9 | 12 | 12 | 12 | 12 | 2 | 1 | 8 | 6 |
| Number of re-inspection | 722 | 1,260 | 652 | 1,150 | 655 | 995 | 50 | 98 | 20 | 148 |
| Number of plans reviewed | 46 | 67 | 115 | 54 | 62 | 69 | 70 | 53 | 60 | 60 |
| Public works | | | | | | | | | | |
| Street resurfacing (miles) | * | * | * | * | * | * | 3 | 4 | 7 | 7 |
| Other street repairs | * | * | * | * | * | * | * | * | * | * |
| Paved streets (miles) | * | * | * | * | * | * | 84 | 84 | 84 | 86 |
| Unpaved streets (miles) | * | * | * | * | * | * | 6 | 6 | 6 | 6 |

* Data not available.
 Source: Various City departments.

CITY OF HAINES CITY, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Transportation | * | * | * | * | * | * | * | * | * | * |
| Miles of streets | | | | | | | | | | |
| Public safety | | | | | | | | | | |
| Number of fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 |
| Number of firefighters and officers | 30 | 30 | 30 | 30 | 30 | 32 | 30 | 30 | 36 | 36 |
| Number of police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of sworn officers | 51 | 51 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 |
| Municipal water system | | | | | | | | | | |
| Number of customers | 7,733 | 7,891 | 8,167 | 9,314 | 9,532 | 9,714 | 9,871 | 9,493 | 9,158 | 10,084 |
| Average daily consumption | 3.99MGD | 3.99MGD | 3.99MGD | 3.99MGD | 3.99MGD | 3.99MGD | 4.39MGD | 4.51MGD | 4.51MGD | 4.51MGD |
| Plant capacity, all plants | 5.72MGD | 5.72MGD | 5.72MGD | 9.0MGD | 9.0MGD | 9.0MGD | 9.0MGD | 9.0MGD | 9.0MGD | 9.0MGD |
| Deep wells | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Number of fire hydrants | 700 | 700 | 700 | 700 | 700 | 700 | 710 | 718 | 718 | 718 |
| Municipal sewer system | | | | | | | | | | |
| Number of customers | 6,566 | 6,566 | 6,899 | 7,432 | 7,463 | 7,467 | 7,363 | 7,286 | 7,142 | 7,218 |
| Treatment facility capacity | 2.97MGD | 2.97MGD | 2.97MGD | 2.97MGD | 2.97MGD | 2.97MGD | 2.97MGD | 2.97MGD | 2.97MGD | 2.97MGD |
| Annual average flow | 1.65MGD | 1.65MGD | 1.65MGD | 1.65MGD | 1.65MGD | 1.65MGD | 1.65MGD | 1.50MGD | 1.50MGD | 1.50MGD |
| Municipal stormwater system | | | | | | | | | | |
| Number of customers | 7,205 | 7,332 | 7,426 | 7,426 | 7,426 | 7,426 | 7,910 | 7,910 | 7,910 | 8,562 |
| Building permits issued | 767 | 788 | 810 | 865 | 935 | 1,235 | 1,101 | 1,364 | 1,891 | 3,760 |
| Recreation and culture | | | | | | | | | | |
| Number of neighborhood parks | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Park area, number of acres | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 |
| Number of books | 61,854 | 62,510 | 60,521 | 61,525 | 61,500 | 61,500 | 61,500 | 62,099 | 63,400 | 70,508 |

* Data not available.
 Source: Various City departments.



COMPLIANCE SECTION

This section contains the following subsections:

- 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*
- Schedule of Findings and Responses
- Independent Auditor's Management Letter
- Independent Accountant's Report – Investment Compliance





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor,
Members of the City Council
City of Haines City, 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 Haines City, Florida (the "City"), as of and for the year ended September 30, 2018, 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 27, 2019.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bradenton, Florida
March 27, 2019

Mauldin & Jenkins, LLC

**CITY OF HAINES CITY, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ yes X no

Significant deficiencies identified not considered
to be material weaknesses?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Programs and State Financial Assistance Projects

There was not an audit of major federal award programs or state award programs as of September 30, 2018, due to the total amount expended being less than \$750,000.

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None identified.

**SECTION III
STATE FINANCIAL ASSISTANCE PROJECT
FINDINGS AND QUESTIONED COSTS**

Not applicable.

**SECTION IV
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

2017 – 001 Adjusting Entry

Criteria: To ensure that financial statements properly present the financial position and results of operations of the City in accordance with generally accepted accounting principles (GAAP), in addition to providing meaningful financial reports to City Council and management, the City should establish procedures to ensure that all assets of the City are properly recorded and reconciled on a monthly basis.

Condition: Audit procedures disclosed that a new investment purchased by the City's Police Officers' Pension Fund was improperly recorded as an administrative expense.

Status: Resolved - the City has taken the proper steps to correct this prior year finding.





INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Mayor,
Members of the City Council
City of Haines City, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Haines City, Florida (the "City"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 27, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Schedule of Findings and Responses, and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated March 27, 2019, 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. Finding number 2017-001 was properly corrected by the City during fiscal year 2018.

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 of Haines City, Florida was incorporated in 1914. Additional information on the City's creation and the City's component unit is disclosed within the City's footnotes.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether 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.

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

Special District Component Units

Section 10.554(1)(i)5.d, *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.

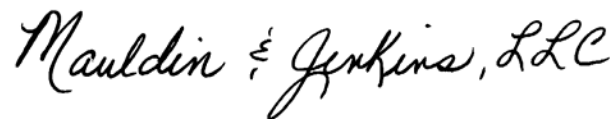
Additional Matters

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

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 Mayor and Members of the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Bradenton, Florida
March 27, 2019





INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Mayor,
Members of the City Council
City of Haines City, Florida

We have examined the City of Haines City, Florida's (the "City") compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 judgement, 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 aforementioned requirements for the year ended September 30, 2018.

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

Bradenton, Florida
March 27, 2019

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".



