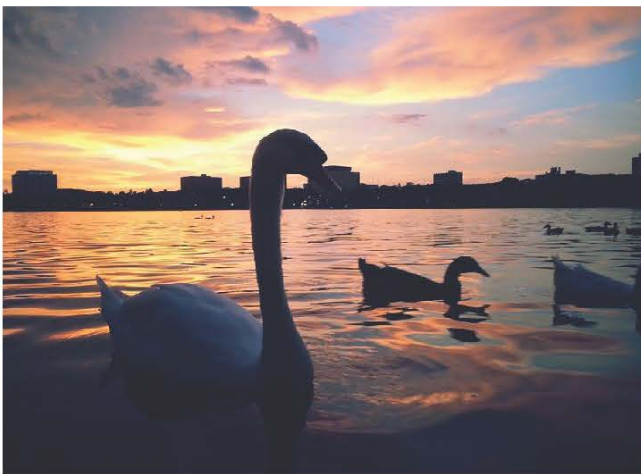




# COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018





**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

of the

**CITY OF LAKELAND, FLORIDA**

for the

**FISCAL YEAR ENDED SEPTEMBER 30, 2018**



Prepared by the  
**FINANCE DEPARTMENT**

MICHAEL C. BROSSART, CPA  
Finance Director

DEIDRA M. JOSEPH  
Assistant Finance Director



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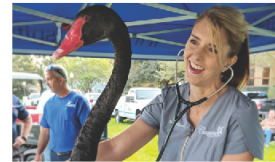


# Introductory Section



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

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018





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March 12, 2019

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

It is our pleasure to submit this Comprehensive Annual Financial Report for the City of Lakeland, Florida for the fiscal year ended September 30, 2018. The organization, form and contents of this report plus the accompanying financial statements and statistical tables are prepared in accordance with the requirements of the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, and the Governmental Finance Officers Association.

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

Florida Statutes require that all municipalities in the State conduct an annual financial audit of the books and records, performed by an independent certified public accountant. The City has contracted with the firm of Crowe LLP to conduct the audit for the year ended September 30, 2018. The independent auditor's report, which indicates that the financial statements included in this document are free from material misstatement and are fairly presented in conformity with accounting principles generally accepted in the United States of America appears on page B-1 of this document.

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

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

Located between two major urban areas – Tampa and Orlando – Lakeland enjoys the quality of life characteristics of smaller cities, while affording easy access and the amenities of larger metropolitan areas. Lakeland's current permanent population estimate as of September 2018 is 105,586 residents. The City limits include approximately 75 square miles.

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

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

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

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

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

## Profile of the City of Lakeland (continued)

### Local Economy

Lakeland is home to the headquarters of Publix Super Markets, which was founded in nearby Winter Haven by Mr. George Jenkins in 1930. Publix operates 1,213 grocery stores in Florida, Georgia, South Carolina, North Carolina, Alabama, Tennessee and Virginia and is the largest employee-owned grocery chain in the United States. It is a Fortune 100 company with \$34.6 billion in retail sales in 2017 and employs over 190,000 people. The total taxable value of real property owned by Publix within the Lakeland city limits is approximately \$351 million.

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

Residential construction in Lakeland continues to gain strength and interest. Lakeland issued 400 single family permits in 2018, which represents a 9% increase from the previous year. Single-family residential construction activity in Lakeland has increased 448% since the post-recession low established in 2012. Based on the rise and fall of the single family residential market in Lakeland, it is widely believed that a healthy market in Lakeland could support 150-200 new single-family permits per year. As we grow beyond that number, Lakeland's market is demonstrating a great deal of core strength as the market signals an expanding pattern for residential development. Prior to the housing crash, Lakeland averaged more than 350 single family permits per year from 2002-2008. Inflated values and accessible financing drove up the volume of housing units as prices rose to a seemingly sudden and unmanageable peak. Understanding the combined cyclical effects of a historic recession and stagnant unemployment, economists are now seeing a recovery in Lakeland's residential real estate market that is both consistent and sustainable.

Unemployment rates for the Lakeland-Winter Haven MSA and the City of Lakeland both averaged 4.0 percent for the twelve months that ended December 31, 2018. These rates remain consistent with the national average of 3.9 percent and just slightly higher than Florida's 3.6 percent rate during the same period. Though not numerically significant, each of these rates indicate a continued decrease that signifies the strength of Lakeland's local job market.

As we have seen in previous years, Lakeland's industrial market continued to be very strong in 2018. Several new projects were completed as Lakeland added approximately 1,695,096 square feet of new industrial, commercial, institutional and retail space. Looking ahead to 2019, we expect this pace of construction to continue as the City has already permitted more than 2 million square feet of space for new and expanding employers. Lakeland has a history for recruiting high quality value added users to Lakeland, so we will look forward to more job growth in 2019. The Lakeland MSA expanded its labor force and grew by 6,398 from 2017 to 2018. Even with this sharp increase in available labor, the Lakeland market was able to create enough jobs to result in a (0.6) percent decrease in unemployment from 2017 to 2018.

Significant business and institutional development investments completed within the City in 2018 totaled more than \$85 million and committed to the creation of approximately 800 new jobs. As proof of Lakeland's evolving economy, a few of the examples below highlight the industrial, office, manufacturing and educational growth.

Based on our geographic location, much of Lakeland's economic strength revolves around logistics and distribution. In 2018 developers completed 1.4 million square feet of industrial space to support this active market. DHL purchased a new 520,000 square foot building that they will own and operate for IKEA, distributing products and servicing customers in Florida. PepsiCo purchased a new 605,000 square foot building that will house and distribute Gatorade products to Florida and southern Georgia. These acquisitions together totaled a \$100 million capital investment and will create approximately 200 new jobs that will pay 115% above the average annual wage.

GEICO completed a 50,000 square foot free standing office building at their Lakeland campus. This \$11.9-million-dollar building will add 500 new jobs paying more than 115% of the average annual wage. This expansion will bring GEICO's total employee count in Lakeland to 3,100 employees.

Treant USA added 65,000 square feet of space to their existing 75,000 square foot Lakeland facility. This \$15 million addition will be used as an office/research and development center and will allow Treant to create an additional 35 jobs.

Publix Supermarkets added an additional manufacturing line to their Lakeland Deli Plant. This \$10.8 million investment will support the creation of 25 new high skill jobs. Manufacturing is a valuable industry to Lakeland as the jobs pay above average wages and the businesses are large consumers of City owned water, wastewater and electric utilities.



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

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

With regards to higher education, Florida Southern College continued to expand their campus by adding a new 19,000 square foot Admissions Building in 2018. This \$8 million building will house some administrative offices and will serve as a welcome center for existing and new students. The College has also begun construction on two new academic buildings that will be completed in late 2019.

In early 2018, Southeastern University began construction on their new 27,000 square foot \$10 million Administration Building. This three-story building will allow the University to improve customer service to students and families by connecting all the offices they need to visit into one location. Also coming in 2019, the University is building an Athletic Operations Building and a NCAA 8-Lane Track and Field facility.

Finally, the state's 12<sup>th</sup> and newest public university, Florida Polytechnic University completed a \$2 million Aquatics and Wellness Center in 2018. This amenity will support the University's growing on-campus student population.

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

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

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

### **Relevant financial policies**

The City finances a portion of general governmental operating costs from the proceeds of transfers to the General Fund from various utility operations – primarily from an electric utility operation. These transfers finance approximately 22% of the operating costs for general governmental operations within Lakeland.

### **Reporting Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeland, Florida, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, of which its contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our current report continues to conform to Certificate of Achievement for Excellence in Financial Reporting Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

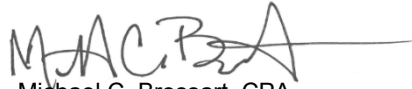
## Acknowledgements

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

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

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

Respectfully submitted,

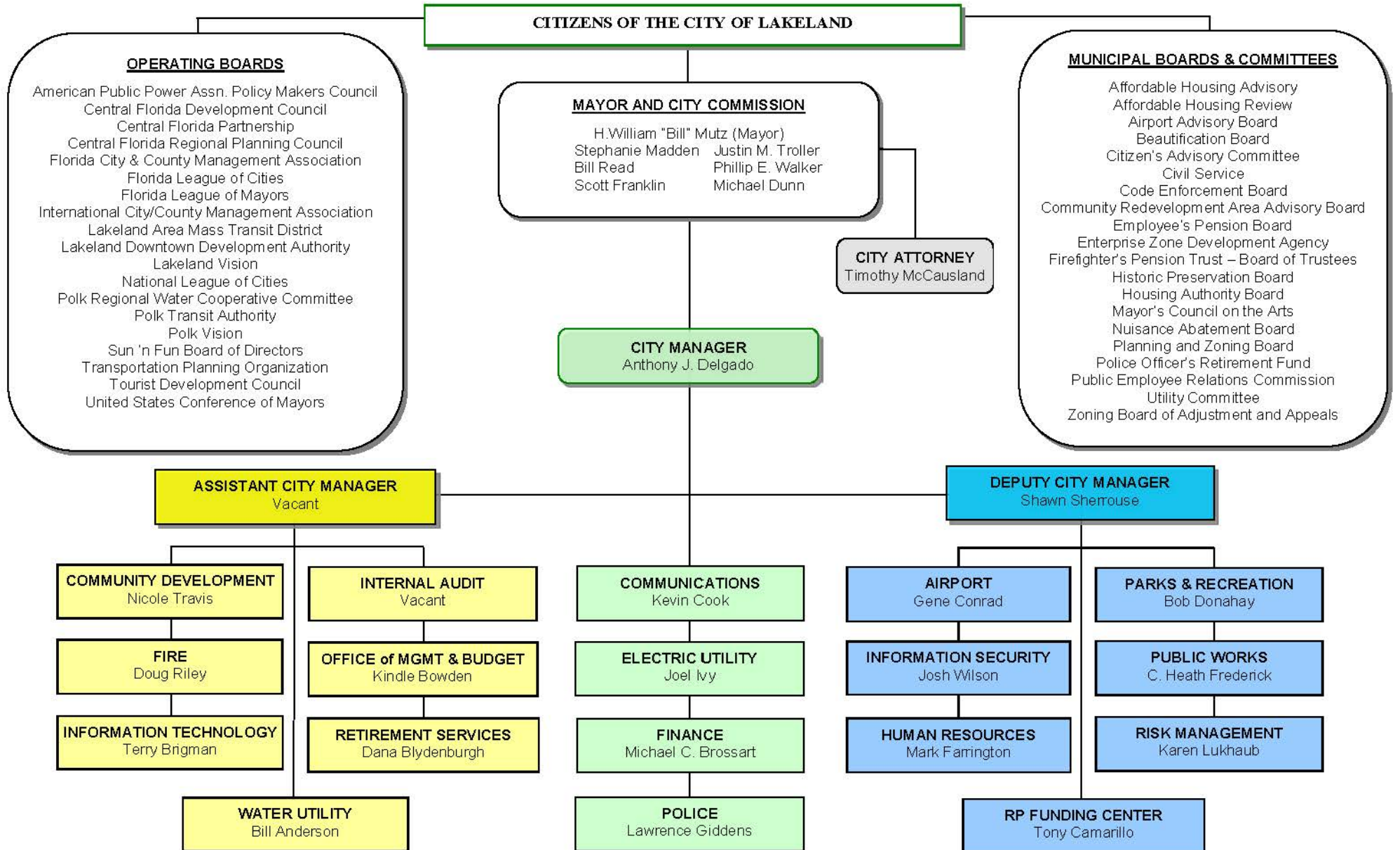
A handwritten signature in black ink that reads "M. C. Brossart" with a long horizontal flourish extending to the right.

Michael C. Brossart, CPA  
Finance Director

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

Deidra Joseph  
Assistant Finance Director

**CITY OF LAKELAND**  
**ORGANIZATION CHART**  
**2018**



**CITY OF LAKELAND, FLORIDA**

**CITY OFFICIALS**

COMMISSION-MANAGER FORM OF GOVERNMENT

**CITY COMMISSION**

William "Bill" Mutz, Mayor

Michael Dunn

Bill Read

Scott Franklin

Justin M. Troller

Stephanie Madden

Phillip E. Walker

**CITY MANAGER**

Anthony J. Delgado

**FINANCE DIRECTOR**

Michael C. Brossart, CPA

**CITY ATTORNEY**

Timothy J. McCausland

**CITY CLERK**

Kelly S. Koos





Government Finance Officers Association

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

Presented to

**City of Lakeland  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



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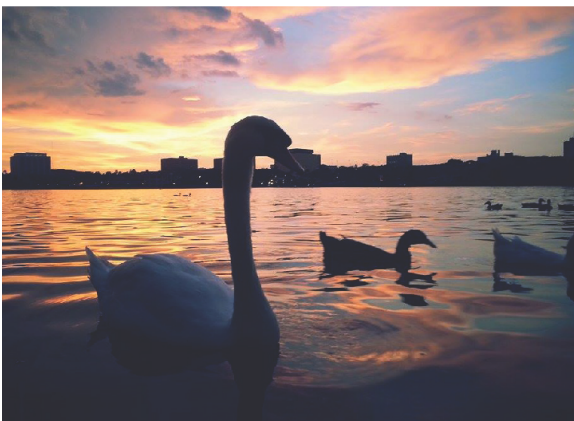
# Financial Section



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE CITY OF LAKELAND, FLORIDA

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018







**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeland, Florida (the "City"), as of and for the year ended September 30, 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 did not audit the financial statements of the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida (a pension trust fund included in aggregate remaining fund information) and the City of Lakeland Firefighters' Retirement System (a pension trust fund included in aggregate remaining fund information), which represent the percentages of assets, net position, and revenues of the pension and other employee benefit trust fund type listed below.

	<u>Assets</u>	<u>Net Position</u>	<u>Revenues</u>
Aggregate Remaining Fund Information:			
Pension and Other Employee Benefit Trusts			
Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida	14.85%	14.92%	14.52%
City of Lakeland Firefighters' Retirement System	11.53%	11.59%	9.58%
	<u>26.39%</u>	<u>26.51%</u>	<u>24.12%</u>

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

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 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 2 to the financial statements, in June 2015 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information requirements about OPEB are also addressed. Beginning net position was restated as part of the implementation of this standard. 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 schedule, schedule of changes in the City's net pension liability and related ratios, schedule of changes in the City's net OPEB liability and related ratios, schedule of OPEB investment returns, schedule of OPEB contributions, and schedule of contributions from employers and other contributing entities on pages C-1 through C-17, F-1, and F-2 through F-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

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

The introductory 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 12, 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.

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

Crowe LLP

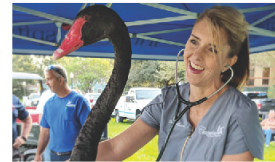
Tampa, Florida  
March 12, 2019

# Management's Discussion and Analysis



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

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018





**CITY OF LAKELAND, FLORIDA**

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

The Management's Discussion and Analysis section provides a narrative overview of the City of Lakeland's (City's) financial activities for fiscal year ending September 30, 2018. This discussion is broken down into three components:

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

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

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

In many cases, this full accrual method of accounting is very different than the accounting process used to budget and measure the cost of government. The annual budgets for most governmental operations only include provisions for cash outlays that will actually occur in a given year – which would include disbursements for capital assets, and excludes non-cash expenses such as depreciation or expenses paid out in future years. However, the Government Accounting Standards Board ("GASB") requires that a version of the financial activity for all aspects of the city be prepared using the full accrual basis in order to provide the ability to evaluate the financial status of the city in a manner that is compatible with accounting standards normally adopted within the private sector. Hence, the Government-Wide Financial Statements on pages D-2 thru D-4 are prepared on a full accrual basis.



**CITY OF LAKELAND, FLORIDA**

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

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

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

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

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

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

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**CITY OF LAKELAND, FLORIDA**

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

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

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

**CONDENSED STATEMENT OF NET POSITION (In thousands)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
Current assets	\$ 89,923	\$ 90,674	\$ 241,003	\$ 250,078	\$ 330,926	\$ 340,752
Asset Apportionments	13,400	8,961	184,676	166,930	198,077	175,891
Restricted assets	40,921	38,513	67,108	40,920	108,030	79,434
Capital assets	296,550	301,640	1,157,121	1,117,381	1,453,670	1,419,022
Other noncurrent assets	-	-	1,449	1,204	1,449	1,204
<b>Total assets</b>	<b>440,794</b>	<b>439,789</b>	<b>1,651,358</b>	<b>1,576,514</b>	<b>2,092,152</b>	<b>2,016,302</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources related to pensions	21,633	30,800	17,230	23,156	38,864	53,956
Decrease in fair value of interest rate swaps	-	-	20,206	26,073	20,206	26,073
Unamortized loss (gain) on refunding	26	32	29,694	33,620	29,719	33,652
<b>Total deferred outflows of resources</b>	<b>21,659</b>	<b>30,832</b>	<b>67,130</b>	<b>82,850</b>	<b>88,789</b>	<b>113,682</b>
<b>LIABILITIES</b>						
Current liabilities	15,662	16,169	87,365	90,312	103,027	106,480
Apportioned Asset liabilities	-	-	16,119	13,951	16,119	13,951
Restricted liabilities	210	-	18,709	18,393	18,919	18,393
Deferred credits	-	-	26,256	31,661	26,256	31,661
Accrued liabilities						
less current portion	169,179	122,754	177,330	132,727	346,509	255,481
Long term debt payable						
less current portion	51,439	55,165	572,878	553,573	624,316	608,738
<b>Total liabilities</b>	<b>236,489</b>	<b>194,087</b>	<b>898,657</b>	<b>840,617</b>	<b>1,135,146</b>	<b>1,034,704</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources related to pensions	7,328	3,025	10,790	1,066	18,118	4,090
Deferred inflows of resources related to OPEB	11,880	-	12,884	-	24,764	-
Over-recovery of fuel	-	-	19,271	18,001	19,271	18,001
Gain on hedges	-	-	1,265	929	1,265	929
Contributions in aid of construction	-	-	47,300	44,980	47,300	44,980
<b>Total deferred inflows of resources</b>	<b>19,208</b>	<b>3,025</b>	<b>91,510</b>	<b>64,976</b>	<b>110,717</b>	<b>68,001</b>
<b>NET POSITION</b>						
Net investment in capital assets	240,598	239,980	582,729	580,366	823,327	820,346
Restricted	40,712	38,513	48,399	22,527	89,111	61,040
Unrestricted	(74,555)	(4,985)	97,192	150,877	22,637	145,892
<b>Total net position</b>	<b>\$ 206,754</b>	<b>\$ 273,508</b>	<b>\$ 728,320</b>	<b>\$ 753,769</b>	<b>\$ 935,074</b>	<b>\$ 1,027,278</b>

**CITY OF LAKELAND, FLORIDA**

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

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

**Governmental activities:**

Current Assets consist predominantly of \$32.0 million of cash and investments, \$25.7 million of receivables, and \$22.7 million of assets held within internal balances of the City. In the aggregate, this represents a decrease of \$0.8 million in the value of current assets during 2018.

Asset Apportionments represents assets that are designated by the City Commission for certain specific uses – as opposed to current assets, which generally can be used to finance the cost of any general governmental operations. Apportioned assets are comprised of approximately \$4.7 million in assets related to Stormwater Utilities Fund, \$250 thousand set aside to fund contributions to cultural and community agencies, \$2.4 million set aside to pay future obligations, \$5.5 million set aside to pay for future capital expansion, and \$600 thousand in cash designated for maintaining recreation facilities.

Restricted Assets are legally restricted for expenses for certain purposes. These consist predominately of \$9.9 million in assets held within Community Redevelopment Districts, \$1.5 million in assets held for community development, \$0.8 million in assets held in trust for law enforcement; \$16.7 million of unspent impact fees, \$5.8 million in assets held from transportation, and approximately \$5.4 million held in a fund that is used to provide perpetual maintenance of cemetery plots sold by the City. In the aggregate, there was a \$2.4 million increase in the change in the value of these restricted assets from 2017 to 2018.

Current Liabilities represent obligations payable from Current Assets that are likely to be settled within the next year. These consist of primarily \$2.3 million in amounts owed to vendors, \$5.9 million in undistributed payroll obligations accrued during the last pay period of the fiscal year, \$4.1 million of principal due on long term debt and notes on October 1st.

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

Accrued Liabilities represent payroll-related obligations that are not likely to be settled within the next year. This includes approximately \$5.3 million in unpaid sick and vacation time, \$78.4 million representing the actuarially accrued liability for pension benefits payable to employees during retirement, and approximately \$85.4 million representing the actuarially accrued liability for health insurance benefits payable to employees during retirement. This obligation is the result of a state of Florida mandate, which requires that any city which offers health insurance coverage to retired employees must provide that coverage at the same health insurance premium rates applied to active employees. Since the population of retired employees is prone to higher medical costs than the population of active employees, there is an implied subsidy built into that retiree health insurance premium.

Long term debt payable decreased by approximately \$5.7 million from 2017 to 2018, predominantly because of the repayment of a variety of internal loans issued to finance road, park, and facility improvements. The dollar value of those outstanding loans was approximately \$54.1 million as of the end of 2018. Those loans are supported by two fixed interest revenue bonds. The City's long term capital plan calls for the repayment of a little over \$25 million of these loans within the course of the next five years.

**Business-type activities:**

Current Assets consist predominantly of \$108.5 million of cash and investments, \$52.1 million of receivables, and \$38.4 million of inventories; less approximately \$22.7 million representing the estimated value of those assets held within internal service funds of the City that are allocable to governmental activities. In the aggregate, these assets decreased \$9.1 million during 2018. There was a decrease of \$10.5 million within Electric Utilities system – as a result of a decrease in liquidity from operations; there was a \$2.6 million decrease within the Internal Loan Fund – as a result of net the repayment/issuance of loans during the year; and there was a \$0.8 million increase in the Solid Waste Fund resulting from an increase in liquidity from operations.

Asset Apportionments represents assets that are designated by the City Commission for certain specific uses – as opposed to current assets, which generally can be used to finance the cost of any general governmental operation. Apportioned assets are primarily comprised of \$129.5 million committed to financing the cost of capital improvements, \$34.2 million in assets held for vehicle replacements, and \$20.6 million in assets held by funds used to self-insure the city against certain risks.

**CITY OF LAKELAND, FLORIDA**

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

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

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

Restricted Assets are legally restricted for expenses for certain purposes. These consist predominately of \$18.1 million in customer deposits collected by utility operations, \$11.8 million of unspent water and wastewater impact fees, and \$26 million in unspent bond proceeds. This class of assets decreased approximately \$26.2 million during the year, predominantly from bonds proceeds related to new debt issuances.

Current Liabilities represent obligations payable from Current Assets that are likely to be settled within the next year. These consist of primarily \$23.6 million in amounts owed to vendors, \$6.1 million in obligations accrued during the last pay period of the fiscal year, \$43.6 million in bonded debt and loans principal and interest payable on October 1, 2018, \$6.1 million in current obligations of the city's self-insurance program, and approximately \$1.1 million in advance customer deposits held by the RP Funding Center fund for events that have not yet occurred.

Restricted and Apportioned Liabilities represent obligations payable from Restricted and Apportioned Assets. These consist of approximately \$16.1 in obligations of the city's self-insurance program, and \$18.1 million in customer deposits.

Accrued Liabilities represents obligations that are not likely to be settled within the next year. This includes approximately \$6.6 million in unpaid sick and vacation time, \$6.0 million in profits earned on settlement of a natural gas purchase agreement, approximately \$78.0 million representing the actuarially accrued liability for pension benefits, and approximately \$92.7 million representing the actuarially accrued liability for health insurance benefits payable to employees during retirement. This obligation is the result of a state of Florida mandate, which requires that any city which offers health insurance coverage to retired employees must provide that coverage at the same health insurance premium rates applied to active employees. Since the population of retired employees is prone to higher medical costs than the population of active employees, there is an implied subsidy built into that retiree health insurance premium.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Ratio of capital assets to related debt:

	Total Governmental Activities	Electric Utility	Water & Wastewater Utility	Other Business-type Activities
Capital assets	\$ 296,549,626	\$ 665,301,432	\$ 305,277,517	\$ 186,541,778
Related long term debt	(55,951,533)	(455,992,925)	(93,584,328)	(24,814,680)
Net investments in capital assets	<u>\$ 240,598,093</u>	<u>\$ 209,308,507</u>	<u>\$ 211,693,189</u>	<u>\$ 161,727,098</u>
 FY 2018 Ratio	 5.30	 1.46	 3.26	 7.52
FY 2017 Ratio	4.89	1.52	3.23	6.74

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

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

**Capital assets**

This investment in capital assets includes land, buildings, improvements, machinery and equipment, plant, distribution and generation facilities, and infrastructure. The total book value of capital assets as of September 30, 2018 was \$1,453,670,353 which represents a net increase of \$34,648,813 for the year.

Gross capital spending for the year exceeded \$135 million. Major capital asset additions during the current fiscal year included the following:

- \$ 2.4 million of land, right of way, and construction for roadway projects
- \$ 4.5 million in parks and recreation facility improvements
- \$ 163 thousand in public facility improvements
- \$ 1.4 million in public safety facility improvements
- \$ 0.8 million in Stormwater system improvements
- \$ 7.3 million for new vehicles
- \$ 2.2 million for computers and software; system upgrades
- \$ 8.8 million for improvements at the city-owned airport
- \$ 28.9 million in water and wastewater system improvements
- \$ 72.9 million in electric transmission, distribution, and generation improvements

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

**Long-term debt**

As of September 30, 2018, the City of Lakeland's total bonded debt outstanding was \$582 million. This represents a net increase of \$48.1 million compared to 2017. During the year, the City made scheduled retirements of debt of approximately \$36.0 million. There was also \$53.2 million of additional debt issued to finance water/wastewater utility and electric utility capital projects.

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

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

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**CITY OF LAKELAND, FLORIDA**

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

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

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

CHANGES IN NET POSITION (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 26,622	\$ 20,271	\$ 407,307	392,456	\$ 433,930	\$ 412,727
Operating grants and contributions	5,685	5,802	285	181	5,970	5,983
Capital grants and contributions	4,225	7,542	15,016	19,344	19,241	26,886
<b>General Revenues</b>						
Property taxes	37,046	33,363	-	-	37,046	33,363
Utility, fuel, and franchise taxes	20,833	20,554	-	-	20,833	20,554
Tourism taxes	-	-	460	1,379	460	1,379
State shared revenues	9,791	9,387	-	-	9,791	9,387
Rents and royalties	13,994	13,619	-	-	13,994	13,619
Investment earnings	3,756	4,757	8,096	8,013	11,852	12,770
Miscellaneous	5,484	9,391	3,222	1,343	8,706	10,734
Total revenues	<u>127,436</u>	<u>124,686</u>	<u>434,386</u>	<u>422,716</u>	<u>561,821</u>	<u>547,402</u>
<b>Program expenses</b>						
General government	17,906	15,804	-	-	17,906	15,804
Public safety	69,233	67,759	-	-	69,233	67,759
Physical environment	12,806	10,026	-	-	12,806	10,026
Transportation	19,657	17,587	-	-	19,657	17,587
Economic environment	11,142	5,380	-	-	11,142	5,380
Human services	292	202	-	-	292	202
Culture/recreation	28,794	30,923	-	-	28,794	30,923
Interest on long-term debt	2,214	2,501	-	-	2,214	2,501
Electric	-	-	271,956	273,136	271,956	273,136
Waste and wastewater	-	-	47,492	47,966	47,492	47,966
Parking	-	-	923	1,425	923	1,425
RP Funding Center	-	-	9,876	9,924	9,876	9,924
Lakeland Linder International Airport	-	-	9,897	9,050	9,897	9,050
Solid Waste	-	-	13,198	13,598	13,198	13,598
Cleveland Heights Golf Course	-	-	-	20	-	20
Total expenses	<u>162,045</u>	<u>150,182</u>	<u>353,342</u>	<u>355,119</u>	<u>515,387</u>	<u>505,301</u>
Excess before transfers	(34,609)	(25,496)	81,044	67,597	46,435	42,101
Transfers	35,494	38,477	(35,494)	(38,477)	-	-
<b>Increase in net position</b>	885	12,981	45,549	29,120	46,435	42,101
Net position, beginning of year	273,508	260,527	753,770	724,650	1,027,278	985,177
Prior period adjustment	(67,639)	-	(70,999)	-	(138,638)	-
Net position, end of year	<u>\$ 206,754</u>	<u>\$ 273,508</u>	<u>\$ 799,319</u>	<u>\$ 753,770</u>	<u>\$ 1,073,713</u>	<u>\$ 1,027,278</u>

**CITY OF LAKELAND, FLORIDA**

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

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

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

The combined amount of tax revenue from all sources (property tax, sales tax and utility taxes) was up 7.4% compared to the prior year due to higher than expected tax revenue collections and increased property values. Total spending on governmental activities was up by 5.2% due to increased personnel costs. Overall, the City's reliance on taxes as a source of revenue increased slightly from 42.2% in 2017 to 41.8% in 2018 due to relatively flat spending and increased tax revenues. For 2018, the City's property tax millage rate was unchanged at 5.5644 mills.

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

In the aggregate, total revenues collected, not including the Lakeland Regional Health lease payment, in FY 2018 were up 2.8% compared to 2017. Property tax revenues increased as a result of the increased property values; capital grants and contributions increased due to the Joker Marchant Stadium contributions.

Total governmental expenses for 2018 were 5.2% higher compared to 2017. Direct payroll costs were higher during 2018 (\$93 million) compared to 2017 by 9%, as a result of the cost of living adjustment, merit increases, and increased insurance costs.

Altogether, direct revenues of the governmental activities are not sufficient to pay all related expenses. The City has historically addressed the difference by relying on a portion of profits earned from certain business-type activities – namely electric, water, wastewater, and solid waste utility services - to finance a portion of the cost of general governmental activities. These subsidies are embedded in the net amount shown as "Transfers" on the Statement of Activities. For FY 2018, these transfers amounted to a net \$35.5 million. This represents approximately 21.9% of the operating cost of general governmental activities.

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

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

Contributions and grants from other governments decreased 22.4% during the year – predominantly the result of the decrease in capital grants and contributions for airport operations.

Overall profitability of these business-type activities increased from \$67.6 million (before transfers) in fiscal 2017 to \$81.0 million for 2018.

Of these profits, \$35 million was transferred to help finance the cost of general governmental activities. In the aggregate, the transfer of profits from these business type activities represented 8.7% of gross operating revenues of these business-type entities (excluding revenues associated with recovering the cost of fuel used to generate electricity).

**Prior Period Adjustment**

During FY 2018, the City implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of this implementation, the City booked a prior period adjustment resulting in a decrease of \$138.7 million in the beginning net position (\$67.7 million for Governmental and \$71 million for Business-type Activities) related to the recognition of a net OPEB liability and deferred inflow of resources related to OPEB. For FY 2018, the total net position, including the prior period adjustment, decreased \$92.3 million (\$46.4 increase from operations, net of transfers).

**Other Post Employment Benefit costs**

As previously mentioned, the Statement of Net Position of both the governmental and business-type operations includes approximately \$37.2 million in liabilities associated with post-employment health insurance benefits payable to retired city employees. Also included in both governmental and business-type expenses is approximately \$14.7 million of cost associated with increases in the unfunded portion of those OPEB costs. This cost and increase in liabilities is attributable to the fact that the City does not actuarially fund the implied cost associated with the state mandate to establish a uniform premium rate applying to both retired and active participants in the self-insured health insurance program. In lieu of funding the cost of this program in advance, the City will continue to address this cost on a "pay as you go basis", by offsetting the annual value of that implied subsidy for retired employees with increases in the cost of health insurance assessed against active employees – and paid by both the City (as the employer) and active employees themselves.



**CITY OF LAKELAND, FLORIDA**

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

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

**Pension Costs**

Also included in the Statement of Net Position of both the governmental and business-type operations are approximately \$156 million in liabilities associated with retirement benefits payable to city employees. Also, included in both governmental and business-type expenses is approximately \$26 million in pension expenses.

**FUND FINANCIAL STATEMENTS**

This is the second section of the basic financial statements, which starts on page D-5. It presents information in more detail, centered on individual "Funds". For record keeping and reporting purposes, the City separates many of its unique operations into separate accounting "companies" called funds. Separating the record keeping into individual funds enables the City to maintain accounting control over resources and expenses that are dedicated to specific activities. The City also uses fund accounting to separate financial transactions as needed to ensure compliance with finance-related legal requirements imposed on the City by other governments and bond covenants.

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

**Governmental funds**

There are two types of financial statements presented for governmental funds – a balance sheet (showing assets, liabilities, and the difference between the two – technically referred to as "fund balance") and a statement of revenues, expenditures, and changes in fund balance (which is similar to a profit or loss statement). The balance sheet appears on page D-5 and the statement of revenues, expenditures, and changes in fund balance is on page D-7.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**FUND FINANCIAL STATEMENTS (continued)**

**Proprietary funds**

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

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

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

The balance sheet (showing assets, liabilities, and the difference between the two) for the proprietary funds appears on pages D-9 and D-10 and a statement of revenues, expenses, and changes in net position (which is similar to a profit or loss statement) is on page D-13.

**Fiduciary funds**

The City also maintains separate funds called fiduciary funds, which account for the activities of the City's pension funds, private-purpose trust funds, and agency funds. These activities benefit private parties such as retired City employees and other governmental entities. The fact that these services are not provided to the general public mandates their accounting in this separate section of the report. The balance sheet and statement of changes in fiduciary net position appears on pages D-17 and D-18, respectively.

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

**General Fund**

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

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

**CITY OF LAKELAND, FLORIDA**

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

**FUND FINANCIAL STATEMENTS (continued)**

**General Fund (continued)**

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Amended Budget	2018 Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 46,633,932	\$ 46,633,932	\$ 47,094,214	\$ 460,282
Licenses and permits	4,737,715	4,737,715	4,843,389	105,674
Intergovernmental	10,895,180	10,915,756	11,503,925	588,169
Charges for services	5,757,850	6,530,967	7,043,704	512,737
Fines and forfeits	2,410,000	2,589,079	2,436,143	(152,936)
Miscellaneous	2,245,831	2,729,633	2,754,995	25,362
Total revenues	<u>72,680,508</u>	<u>74,137,082</u>	<u>75,676,370</u>	<u>1,539,288</u>
<b>EXPENDITURES</b>				
General government	14,671,318	13,942,916	13,122,790	820,126
Public safety	63,947,984	64,232,865	63,818,158	414,707
Physical environment:	6,260,534	11,256,462	11,238,375	18,087
Transportation	7,003,903	7,258,503	5,938,222	1,320,281
Economic environment	2,819,204	2,839,962	2,839,962	-
Human services	125,410	254,435	218,900	35,535
Culture/Recreation	23,821,871	22,969,817	22,839,097	130,720
Capital outlay	188,604	914,193	573,636	340,557
Debt Service	266,272	596,317	558,274	38,043
Total expenditures	<u>119,105,100</u>	<u>124,265,470</u>	<u>121,147,414</u>	<u>3,118,056</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(46,424,592)</u>	<u>(50,128,388)</u>	<u>(45,471,044)</u>	<u>4,657,344</u>
<b>OTHER FINANCING SOURCES AND USES</b>	<u>41,872,788</u>	<u>41,274,920</u>	<u>41,937,759</u>	<u>(662,839)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (4,551,804)</u>	<u>\$ (8,853,468)</u>	<u>\$ (3,533,285)</u>	<u>\$ 3,994,505</u>

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

Actual revenues in the aggregate were about 2.08% more than the final budget, with some significant variances within individual categories. Intergovernmental revenue, which includes grants and state shared revenue, were \$588 thousand greater than budget - \$586 thousand in state shared revenues were collected over the amount budgeted and federal, state, and local grant revenues were only \$4 thousand lower than the amount budgeted representing expenditures less than the amounts budgeted.

Fines and forfeits revenues were down \$9 thousand from the previous year, but were \$153 thousand less than the amounts budgeted as a result of stagnant revenues relating from revenues from red light cameras installed at certain intersections within the City.

Miscellaneous revenues were \$25 thousand more than the budget, primarily as a result of investment revenues that were less than budget by approximately \$350 thousand and \$375 thousand in miscellaneous revenues that were more than budget primarily due to the sale of fixed assets.

**CITY OF LAKELAND, FLORIDA**

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

**FUND FINANCIAL STATEMENTS (continued)**

**General Fund (continued)**

Spending was significantly below budget, however, spending was 8.5% lower than fiscal year 2017. Operating expenses have remained relatively flat. The decrease is due to less capital projects being completed in fiscal year 2018 as compared to 2017. Over \$20 million was expended in fiscal year 2017 on the renovation of Joker Marchant Stadium.

For the year ended September 30, 2018 the City realized a decrease in fund balance within the General Fund of \$3.53 million – which falls in line with the anticipated revenue increases and spending increases for fiscal years 2017 thru 2018. Total unrestricted reserves at the end of the year were \$20.4 million, of which \$7.8 million was appropriated to balance the 2018 budget and carryovers.

**Public Improvement Fund**

The Public Improvement Fund is used to finance a variety of capital and maintenance projects and debt service related to governmental activities of the City, including activities of the Police and Fire Departments; Public Works (road and drainage construction and maintenance); the Parks & Recreation Department; libraries; growth management; public utilities (such as street lighting); and general governmental City facilities. These activities are financed primarily from the hospital lease revenues and impact fee revenues.

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

**PUBLIC IMPROVEMENT FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>2018 Actual</u>	<u>Variance</u>
<b>REVENUES</b>				
Intergovernmental	\$ 2,144,561	\$ 2,904,618	\$ 2,897,318	\$ (7,300)
Charges for services	522,000	522,000	514,948	(7,052)
Miscellaneous	14,825,313	15,251,424	17,420,750	2,169,326
<b>Total revenues</b>	<u>17,491,874</u>	<u>18,678,042</u>	<u>20,833,016</u>	<u>2,154,974</u>
<b>EXPENDITURES</b>				
General government:	1,527,799	1,811,241	907,847	903,394
Public safety	16,380	484,641	450,408	34,233
Physical environment:	27,800	20,583	19,806	777
Culture/Recreation:	563,000	1,219,045	794,669	424,376
Capital outlay	8,365,000	16,714,791	6,036,403	10,678,388
Debt service	7,238,224	7,724,979	7,724,979	-
<b>Total expenditures</b>	<u>17,738,203</u>	<u>27,975,280</u>	<u>15,934,112</u>	<u>12,041,168</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(246,329)</u>	<u>(9,297,238)</u>	<u>4,898,904</u>	<u>14,196,142</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(4,140,421)</u>	<u>(1,466,825)</u>	<u>(4,329,162)</u>	<u>(2,862,337)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (4,386,750)</u>	<u>\$ (10,764,063)</u>	<u>\$ 569,742</u>	<u>\$ 11,333,805</u>

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

Actual revenues in the aggregate were about 11.54% more than the final budget, due an additional \$.5 million in interest income received over the amount budgeted, \$300 thousand from the sale of fixed assets, and an additional \$1.3 million in investment revenue.

**CITY OF LAKELAND, FLORIDA**

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

**FUND FINANCIAL STATEMENTS (continued)**

**Public Improvement Fund (continued)**

Spending was significantly below budget (43%) due to \$10.8 million in various capital projects not completed at year end. For the year ended September 30, 2018 the City realized an increase in fund balance within the Public Improvement Fund of \$0.6 million to unspent capital expenditures related to the renovations of various city facilities. Total unrestricted reserves at the end of the year were \$11.1 million, of which \$9.3 million was appropriated to balance the 2019 budget.

**Lakeland Electric**

The Lakeland Electric Fund is used to account for the generation and delivery of electric power to residential and commercial customers in the greater Lakeland area. The service territory for Lakeland Electric is a predefined, 245.8 square mile area, encompassing all of the incorporated City limits and the surrounding area. The utility serves approximately 130,183 retail customers.

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

**DEPARTMENT OF ELECTRIC UTILITIES**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
FISCAL YEARS ENDED SEPTEMBER 30, 2018, 2017, AND 2016 (in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>			
Sales of energy - retail	\$ 299,669	\$ 291,555	\$ 283,302
Sales of energy and capacity sales - wholesale	7,952	4,643	5,789
All other operating revenue	7,421	7,286	7,462
	<u>315,042</u>	<u>303,484</u>	<u>296,553</u>
<b>OPERATING EXPENSES</b>			
Fuel and Purchased Power	127,076	120,510	109,466
Generation	30,131	29,371	26,370
Transmission and distribution	30,398	31,752	23,860
Customer service and accounting	8,433	8,025	7,041
State tax on electric sales	7,512	7,186	7,463
Administrative and general	17,360	22,889	18,630
Depreciation	35,947	38,269	41,784
	<u>256,857</u>	<u>258,002</u>	<u>234,614</u>
<b>OPERATING INCOME</b>	58,185	45,482	61,939
<b>NON-OPERATING ACTIVITY:</b>			
Investment and other income	5,423	5,832	6,795
Interest on debt	(15,828)	(17,660)	(17,995)
Loss on disposal of fixed	-	-	(390)
Transfers to other funds	(30,139)	(28,448)	(30,678)
	<u>(40,544)</u>	<u>(40,276)</u>	<u>(42,268)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 17,641</u>	<u>\$ 5,206</u>	<u>\$ 19,671</u>

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

**FUND FINANCIAL STATEMENTS (continued)**

**Lakeland Electric (continued)**

The net position of Lakeland Electric increased by \$17.6 million during fiscal year 2018 compared to a \$5.2 million increase in 2017. Operating income was \$58.2 million in 2018 compared to \$45.5 million in the preceding year. The year-over-year increases primarily reflect the non-recurrence of \$10.4 million of system restoration costs incurred in 2017 following Hurricane Irma.

Lakeland Electric's 2018 retail megawatt hour (MWh) sales were up 2.0 percent from the previous fiscal year resulting in \$3.7 million higher non-fuel revenues. Approximately half of the increase in load was associated with growth in Lakeland Electric's customer base while the rest was weather-related

Non-operating revenue decreased by \$0.5 million from the previous fiscal year. Investment revenue increased by \$1.4 million, however a (\$4.7) million unfavorable fair value adjustment on Lakeland Electric's share of the City's pooled investments was recognized in 2018, compared to an unfavorable adjustment of (\$2.8) million recognized in the previous fiscal year. Fair value adjustments, up and down, are caused by the impact of interest rate changes on fixed income securities. Most of Lakeland Electric's investments are held through maturity.

Lakeland Electric's non-fuel operating expenses, excluding gross receipts tax and depreciation, were down (\$5.7) million or (6) percent from \$92.0 million in 2017 to \$86.3 million in 2018. The favorable variance is more than accounted for by the non-recurrence of \$10.4 million of restoration costs incurred following Hurricane Irma. Partially offsetting the \$10.4 million favorable variance in restoration costs were higher line clearance expenses of \$4.0 million in 2018, increased maintenance associated with McIntosh Units 3 and 5, and higher salaries and benefits. Administrative and General Expenses were \$5.5 million lower than the previous year mostly as the result of adjustments to the pension liability in 2017, which were made in accordance with GASB Statement No. 68. Total operating and maintenance costs (excluding fuel, gross receipts tax, and depreciation) averaged \$28.17 per retail MWh in 2018, compared to \$30.64 in 2017.

Although Lakeland Electric anticipates that a substantial percentage of the \$10.4 million of storm recovery costs will be eligible for reimbursement, no grant agreement was in place before the end of fiscal year 2018. Accordingly, no accrual was recorded in 2018 for any potential disaster relief funding. Subsequent to year-end, the City of Lakeland entered a master agreement with the Florida Department of Emergency Management for the receipt of federal funds from the Federal Emergency Management Agency (FEMA). The agreement will be amended as funds are obligated on a project-by-project basis (see Note V, Subsequent Events).

Administrative and General Expenses were \$5.5 million lower than the previous year mostly as the result of adjustments to the pension liability in 2017, which were made in accordance with GASB Statement No. 68. Total operating and maintenance costs (excluding fuel, gross receipts tax, and depreciation) averaged \$28.17 per retail MWh in 2018, compared to \$30.64 in 2017.

Fuel and purchased power expense were up \$6.5 million in 2018, reflecting increased MWh generated. In 2017, McIntosh Unit 5 underwent a series of outages which reduced production volumes available for wholesale sales. Lakeland Electric's coal tonnage burned increased by 9 percent as its average price of coal decreased by (2) percent.

Lakeland Electric recovers fuel costs from retail customers in the form of a fuel charge that is subject to a quarterly revision based on a forecast of fuel costs for the following twelve months. As of September 30, 2018, the retail fuel charge was \$40.75 per MWh, compared to \$38.75 per MWh twelve months earlier. The fuel recovery balance represents, on an accrual basis, the cumulative difference between fuel expenses incurred to serve retail load and fuel revenues realized. Lakeland Electric began 2018 with a cumulative over-recovered fuel position of \$22.0 million. A City of Lakeland ordinance provides for a fuel reserve balance of up to 15 percent of annual budgeted fuel costs (a maximum of \$19.3 million in FY2018) to offset costs associated with fuel inventories and prepaid fuel hedging. The cumulative fuel over-recovery as of September 30, 2018 was \$24.7 million. The fuel reserve was over-funded to the extent of \$5.5 million, for which a regulatory liability was recognized.

Lakeland Electric recovers environmental compliance costs from retail customers in the form of an environmental compliance charge which is set annually, with the objective of achieving a zero cumulative recovery balance at the end of the subsequent budget year. Environmental compliance rates of \$2.109 and \$2.532 per MWh were in effect during 2018 and 2017, respectively. Lakeland Electric had a cumulative over-recovered environmental compliance cost balance of \$0.4 million, classified as a regulatory liability, as of the end of 2018. Based on sales and environmental compliance expense projections, a rate of \$2.109 per MWh was recommended for 2019.

Lakeland Electric recovers energy conservation charges in a similar manner to environmental compliance charges. The conservation charge is currently a flat fee of 50¢ per month per customer. Lakeland Electric had a cumulative over-recovered energy conservation charge balance of \$0.2 million, classified as a regulatory liability, as of the end of 2018.

**CITY OF LAKELAND, FLORIDA**

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

**FUND FINANCIAL STATEMENTS (continued)**

**Lakeland Electric (continued)**

Lakeland Electric provides a dividend at a rate of \$9.68 per MWh to the City of Lakeland's General Fund in the form of monthly cash transfers. The total amount of the dividend in 2018 was \$29.5 million, compared to \$29.2 million in 2017.

Lakeland Electric has historically funded the cost of capital improvements through a combination of bond financing and cash generated from retail utility rates. Cash set aside from base rates provided funding for the majority of capital spending during the year. Proceeds from the Series 2018 bond issuance provided funding for \$10.3 million for the purchase of a 125 megawatt peaking unit as well as \$7.3 million for other energy supply and delivery projects. The remainder of the Series 2018 bond proceeds were carried over to fiscal year 2019 as the peaking unit is scheduled to be completed before the end of fiscal year 2020.

Capital spending (net of contributions in aid of construction) totaled \$47.1 million in 2018 compared to \$31.9 million during fiscal year 2017 and \$32.8 million in 2016. Capital expenditures during 2018 included \$28.8 million for energy supply projects, \$17.1 million for energy delivery projects, and \$1.2 million for building improvements and equipment. Lakeland Electric's projected capital improvement requirements from rates is expected to average approximately \$39 million over the next four years.

Depreciation expense has exceeded capital spending during recent fiscal years resulting in a gradual decline in the balance of net plant assets. Depreciation expense, net of amortization of contributions in aid of construction, was \$35.9 million in 2018 compared to \$38.3 million in 2017.

Lakeland Electric recorded contributions in aid of construction from outside the Department in the amount of \$5.7 million during fiscal year 2018, compared to \$2.4 million in 2017. These amounts are included in the *Plant in Service* balance in the Statements of Net Position.

**Economic Factors**

The average demand for energy placed on the system from retail customers during Fiscal Year 2018 was 358 megawatts (MW), compared to 351 MW during the previous year. The peak demand during the winter was 704 MW on January 18, 2018, and a summer peak demand of 637 MW was reached on September 17, 2018. Lakeland Electric expects to see a growth of approximately 1 percent in the retail customer base during fiscal year 2019. Lakeland Electric's ten largest customers account for less than 20 percent of revenue. Well over half of the annual revenue comes from residential customers.

The Bond Ratings Services of Fitch Ratings™, Moody's™, and Standard & Poor's™ have assigned long-term ratings of AA-, Aa3, and AA, respectively, to Lakeland Electric's energy system bonds.

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

Lakeland Electric's rates, among all customer classes, have consistently been among the lowest in Florida for many years. Residential electric rates during September 2018 were the fifth lowest of any municipal electric utility in the state.

Days cash is a key financial metric used as a measure of liquidity, essential for maintaining strong bond ratings. An internal goal of Lakeland Electric is to maintain 150-175 days of operating cash. At the end of 2018, Lakeland Electric had over 204 days of cash compared to 209 days in the previous fiscal year. Days cash is forecasted to remain above 175, with a base electric rate increase of 3%, effective FY2019.

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



**CITY OF LAKELAND, FLORIDA**

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

**FUND FINANCIAL STATEMENTS (continued)**

**Water and Wastewater Utility**

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

**WATER AND WASTEWATER UTILITIES FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
YEAR ENDED SEPTEMBER 30, 2018 AND 2017**

	2018			2017
	Water	Wastewater	Total	Total
Operating revenues:				
Charges for services	\$ 30,754,510	\$ 32,702,314	\$ 63,456,824	\$ 61,939,546
Operating expenses:				
Personal services	6,764,722	5,845,567	12,610,289	14,447,617
Other operating expenses	10,165,060	14,137,202	24,302,262	20,260,382
Depreciation	4,268,847	4,392,035	8,660,882	8,403,800
Total operating expenses	<u>21,198,629</u>	<u>24,374,804</u>	<u>45,573,433</u>	<u>43,111,799</u>
Operating income (loss)	9,555,881	8,327,510	17,883,391	18,827,747
Nonoperating revenues (expenses)				
Investment revenue	974,843	968,540	1,943,383	2,013,768
Miscellaneous revenue	129,557	304,096	433,653	447,478
Interest expense	(1,868,686)	(481,571)	(2,350,257)	(2,695,800)
Loss on disposal of capital assets	-	(51,411)	(51,411)	(26,373)
Capital grants and contributions	3,497,695	3,415,327	6,913,022	5,013,606
	<u>2,733,409</u>	<u>4,154,981</u>	<u>6,888,390</u>	<u>4,752,679</u>
Income before transfers	12,289,290	12,482,491	24,771,781	23,580,426
Net transfers	<u>(5,685,417)</u>	<u>(3,227,523)</u>	<u>(8,912,940)</u>	<u>(8,038,879)</u>
Change in net position	<u>\$ 6,603,873</u>	<u>\$ 9,254,968</u>	<u>\$ 15,858,841</u>	<u>\$ 15,541,548</u>

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

Total gallons of water sold, upon which the majority of wastewater operating revenues are based, were 6.6 billion gallons. Residential wastewater revenues are capped at 12,000 gallons per customer/per month. In the aggregate, operating revenues increased 4.3% due to the 2.5% rate increase and an additional 1,648 customers. Pretreatment revenues from high strength commercial waste increased by 7.6% over FY 17.

Operating expenses excluding depreciation were up 8% primarily due to the slight increase in routine repairs and maintenance and increased personnel costs associated with merits and across the board pay increases.

Unrestricted net current assets increased slightly by \$2.8 million over the course of the year, now totaling \$17.1 million. This was the result of increases in operating revenues – operating cash flows were as follows:

Operating income (excluding non-cash items)	\$ 13,660,000
Investment and Other Income (excluding designated and restricted assets)	1,000,000
Debt Service Transfers from rates	(2,700,000)
Capital Funded from rates	(5,960,000)
Transfers to Other Funds	<u>(3,200,000)</u>
Net	<u>\$ 2,800,000</u>

Unrestricted cash liquidity is \$14.2 million – up from \$11.2 million in 2017. The increase in the unrestricted cash component of this liquidity is the result of increases in operating revenues for the year, as documented above.

**CITY OF LAKELAND, FLORIDA**

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

**FUND FINANCIAL STATEMENTS (continued)**

**Water and Wastewater Utility (continued)**

Net position restricted and designated for capital improvements increased from \$22.9 to \$27.12 million during the year – the result of capital grant projects and debt proceeds for capital improvements not completed during the year.

**Water**

The Water utility system implemented a 4.5% rate increase for FY 18.

Water revenues are based on the measured flow of water sales into each customer's facility. Total sales volume for the water system tends to fluctuate significantly from year to year – due in some degree to changes in weather patterns that affect the amount of water sold for irrigation purposes. Over the past several years, Water Utilities across the state have seen consistent and significant declines- due partially to the introduction of tiered rate structures that encourage conservation, and also due to the slowdown in the economy. Total gallons of water sold in FY 18 were 6.8 billion, down by 8.3% in FY 18 from FY 17.

Operating expenses (excluding depreciation) increased slightly 4.3% for the year due to relatively flat operating costs. Interest costs of debt also remained virtually the same over the previous year. There was no change in the system financed \$1.0 million in debt service costs from impact fee revenues in 2018 from 2017.

Unrestricted net current assets decreased from \$16.0 million in 2017 to \$13.3 million in 2018. Excluding non-cash items such as depreciation, amortization, and OPEB expenses, the system earned an operating profit of approximately \$14.3 million. Of that amount, \$4 million was transferred to sinking funds to finance debt service obligations, and \$5.5 million was transferred to the General Fund as a dividend payment. The utility transferred \$7.5 million from revenues to finance capital improvements for the year.

The value of net position restricted and designated for financing capital improvements increased from \$23.8 million to \$25.7 million for the year, which was the result of the remaining funds available from the transfer from operations and debt proceeds for capital improvements expended on capital projects during the year.

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

The FY 2019 Budget is the City's numerical representation of the FY 2019 Strategic/Business Operating Plan. The Strategic/Business Operating Plan allocates resources through service prioritization based on strategic alignment with the City of Lakeland strategies. The FY 2019 Budget was developed in response to the community needs identified in the Strategic/Business Operating Plan. Factors such as eroding levels of federal, state, and local grants and shared revenue, level of increases in charges for services, citizen needs, and prioritized Strategic Plan and Actionable items.

The adopted operating budget for FY 2019 is \$612 million or 8.2% higher than the FY 2018 adopted budget of \$566 million. The General Fund Budget for FY 2019 is \$128 million or 4.0% higher than the 2018 adopted budget of \$123 million.

**REQUESTS FOR INFORMATION**

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



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# Basic Financial Statements



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

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018







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CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 32,033,757	\$ 108,538,890	\$ 140,572,647
Receivables, net	25,705,697	52,063,962	77,769,659
Fuel hedges	-	3,877,544	3,877,544
Internal balances	22,739,518	(22,739,518)	-
Due from fiduciary fund	1,287,593	-	1,287,593
Due from other governments	1,453,373	331,429	1,784,802
Inventories	-	38,397,617	38,397,617
Prepaid expenses	14,848	321,829	336,677
Asset apportionments set aside for (including \$58,137,174 in cash and cash equivalents):			
Current portion of bonds payable	4,079,781	31,154,375	35,234,156
Accrued interest payable	-	10,154,176	10,154,176
Accrued liabilities	217,103	12,531,739	12,748,842
Restricted assets set aside for (including \$8,762,180 in cash and cash equivalents):			
Accrued liabilities	2,391,121	6,371,059	8,762,180
Total current assets	<u>89,922,791</u>	<u>241,003,102</u>	<u>330,925,893</u>
Noncurrent assets:			
Asset apportionments:			
Other noncurrent asset apportionments (including \$190,397,439 in cash and cash equivalents and \$5,394,534 in investments)	13,400,451	184,676,072	198,076,523
Restricted assets (including \$92,685,564 in cash and cash equivalents and \$5,525,367 in investments)	40,921,474	67,108,364	108,029,838
Capital assets:			
Land	58,078,866	47,377,922	105,456,788
Construction in progress	13,233,973	86,808,698	100,042,671
Utility plant, facilities & equipment in service	442,972,617	2,120,721,049	2,563,693,666
Less accumulated depreciation	(217,735,830)	(1,097,786,942)	(1,315,522,772)
Total capital assets	<u>296,549,626</u>	<u>1,157,120,727</u>	<u>1,453,670,353</u>
Other noncurrent assets			
Regulatory assets	-	1,449,493	1,449,493
	<u>-</u>	<u>1,449,493</u>	<u>1,449,493</u>
Total noncurrent assets	<u>350,871,551</u>	<u>1,410,354,656</u>	<u>1,761,226,207</u>
Total assets	<u>440,794,342</u>	<u>1,651,357,758</u>	<u>2,092,152,100</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	21,633,317	17,230,405	38,863,722
Hedge derivative outflows	-	20,205,867	20,205,867
Unamortized loss on refunding	25,526	29,693,692	29,719,218
Total deferred outflows of resources	<u>21,658,843</u>	<u>67,129,964</u>	<u>88,788,807</u>

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION, CONTINUED  
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 2,338,293	\$ 17,502,129	\$ 19,840,422
Accrued liabilities	5,867,242	6,102,410	11,969,652
Deposits payable	287,625	1,054,514	1,342,139
Accrued interest payable	11,419	21,187	32,606
Notes and loans payable	458,512	2,303,962	2,762,474
Unearned revenue	10,863	169,687	180,550
Payable from apportioned assets	4,296,884	53,840,288	58,137,172
Payable from restricted assets:			
Accrued liabilities	2,391,121	6,371,059	8,762,180
Total current liabilities	<u>15,661,959</u>	<u>87,365,236</u>	<u>103,027,195</u>
Other liabilities:			
Liabilities payable from apportioned assets	-	16,119,000	16,119,000
Restricted liabilities	209,895	18,709,338	18,919,233
Interest rate swaps	-	20,205,867	20,205,867
Regulatory liabilities	-	6,049,686	6,049,686
Accrued liabilities, less current portion	5,314,723	6,649,081	11,963,804
Net pension liability	78,433,692	78,030,988	156,464,680
Net OPEB liability	85,431,103	92,651,380	178,082,483
Notes and loans payable, less current portion	1,462,954	35,691,331	37,154,285
Revenue bonds payable, less current portion	49,975,812	497,005,733	546,981,545
Unamortized bond premium	-	40,180,501	40,180,501
Revenue bonds payable, plus unamortized bond premium	49,975,812	537,186,234	587,162,046
Total other liabilities	<u>220,828,179</u>	<u>811,292,905</u>	<u>1,032,121,084</u>
Total liabilities	<u>236,490,138</u>	<u>898,658,141</u>	<u>1,135,148,279</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	7,328,508	10,790,285	18,118,793
Deferred inflows of resources related to OPEB	11,880,052	12,884,106	24,764,158
Over-recovery of fuel	-	19,270,871	19,270,871
Unrealized gain on hedges	-	1,264,554	1,264,554
Unamortized contributions in aid of construction	-	47,299,774	47,299,774
Total deferred inflows of resources	<u>19,208,560</u>	<u>91,509,590</u>	<u>110,718,150</u>
<b>NET POSITION</b>			
Net investment in capital assets	<u>240,598,093</u>	<u>582,728,794</u>	<u>823,326,887</u>
Restricted for:			
Expendable:			
Debt service	1,863,692	-	1,863,692
Capital improvement	196,639	48,399,026	48,595,665
Transportation	5,531,656	-	5,531,656
Law enforcement	839,240	-	839,240
Grant programs - community development	312,437	-	312,437
CRA	8,924,580	-	8,924,580
Impact fee programs	16,683,884	-	16,683,884
Donations received	1,077,161	-	1,077,161
Nonexpendable:			
Endowments	5,282,291	-	5,282,291
	<u>40,711,580</u>	<u>48,399,026</u>	<u>89,110,606</u>
Unrestricted	(74,555,186)	97,192,171	22,636,985
Total net position	<u>\$ 206,754,487</u>	<u>\$ 728,319,991</u>	<u>\$ 935,074,478</u>

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Program Revenues				Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 17,906,099	\$ 3,095,262	\$ 58,137	\$ -	\$ (14,752,700)	\$ -	\$ (14,752,700)
Public safety	69,232,703	9,977,945	1,903,918	-	(57,350,840)	-	(57,350,840)
Physical environment	12,805,678	6,777,128	-	32,809	(5,995,741)	-	(5,995,741)
Transportation	19,656,493	1,804,320	1,047,251	555,270	(16,249,652)	-	(16,249,652)
Economic environment	11,142,361	288,969	1,327,009	-	(9,526,383)	-	(9,526,383)
Human services	292,275	-	-	-	(292,275)	-	(292,275)
Culture recreation	28,793,914	4,678,777	1,348,588	3,636,429	(19,130,120)	-	(19,130,120)
Interest on long-term debt	2,214,004	-	-	-	(2,214,004)	-	(2,214,004)
Total governmental activities	162,043,527	26,622,401	5,684,903	4,224,508	(125,511,715)	-	(125,511,715)
Business-Type Activities							
Electric	271,955,588	315,042,404	-	-	-	43,086,816	43,086,816
Water and Wastewater	47,491,897	63,456,824	-	6,913,022	-	22,877,949	22,877,949
Parking	923,119	799,871	-	-	-	(123,248)	(123,248)
RP Funding Center	9,876,304	5,339,318	45,000	200,000	-	(4,291,986)	(4,291,986)
Lakeland Linder International Airport	9,896,981	6,470,785	239,665	7,903,233	-	4,716,702	4,716,702
Solid Waste	13,198,164	16,197,970	-	-	-	2,999,806	2,999,806
Total Business-Type Activities	353,342,053	407,307,172	284,665	15,016,255	-	69,266,039	69,266,039
Total Primary Government	\$ 515,385,580	\$ 433,929,573	\$ 5,969,568	\$ 19,240,763	(125,511,715)	69,266,039	(56,245,676)
General revenues:							
Taxes:							
Property taxes					37,045,511	-	37,045,511
Franchise Taxes					247,128	-	247,128
Motor fuel taxes					5,828,014	-	5,828,014
Utility taxes					14,758,072	-	14,758,072
Tourism taxes					-	459,655	459,655
State shared revenues (unrestricted)					9,791,361	-	9,791,361
Payments from Lakeland Regional Medical Center					13,993,785	-	13,993,785
Investment earnings					3,755,981	8,095,653	11,851,634
Miscellaneous					5,483,906	3,222,413	8,706,319
Transfers (to) from other funds					35,494,449	(35,494,449)	-
Total general revenues and transfers					126,398,207	(23,716,728)	102,681,479
Change in Net Position					886,492	45,549,311	46,435,803
Net position - beginning					273,507,262	753,770,001	1,027,277,263
Prior period adjustment (Note 2)					(67,639,267)	(70,999,321)	(138,638,588)
Net position - ending					\$ 206,754,487	\$ 728,319,991	\$ 935,074,478

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

CITY OF LAKELAND, FLORIDA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,653,180	\$ 16,356,268	\$ 37,116,687	\$ 80,126,135
Investments	2,382	5,394,534	5,522,985	10,919,901
Receivables	25,705,711	1,823	1,392,378	27,099,912
Due from other funds	1,402,435	-	-	1,402,435
Due from other governments	992,374	492,705	571,529	2,056,608
Prepaid expenses	14,848	-	201	15,049
Total assets	<u>\$ 54,770,930</u>	<u>\$ 22,245,330</u>	<u>\$ 44,603,780</u>	<u>\$ 121,620,040</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,152,582	\$ 1,188,836	\$ 1,346,477	\$ 3,687,895
Accrued liabilities	5,878,661	-	141,826	6,020,487
Deposits payable	282,625	5,000	209,896	497,521
Due to other funds	-	-	114,842	114,842
Unearned revenue	3,950	6,913	1,116,795	1,127,658
Total liabilities	<u>7,317,818</u>	<u>1,200,749</u>	<u>2,929,836</u>	<u>11,448,403</u>
Deferred inflows of resources:				
Deferred revenue	25,464,849	-	1,163,079	26,627,928
Total deferred inflows of resources	<u>25,464,849</u>	<u>-</u>	<u>1,163,079</u>	<u>26,627,928</u>
Fund Balances:				
Nonspendable:				
Prepays	14,848	-	201	15,049
Cemetery endowment	-	-	5,252,815	5,252,815
Permanent fund principal	-	-	29,476	29,476
	<u>14,848</u>	<u>-</u>	<u>5,282,492</u>	<u>5,297,340</u>
Restricted for:				
CRA	-	-	7,885,194	7,885,194
Law enforcement	839,240	-	-	839,240
Impact fee program	-	-	16,683,884	16,683,884
Transportation	-	-	5,529,857	5,529,857
Capital improvement	-	196,639	-	196,639
Donations received	730,998	-	231,321	962,319
Debt service	-	1,863,692	-	1,863,692
Grant programs - community development	-	-	191,962	191,962
	<u>1,570,238</u>	<u>2,060,331</u>	<u>30,522,218</u>	<u>34,152,787</u>
Committed to:				
Working Capital	-	5,494,483	-	5,494,483
Stormwater	-	-	4,707,680	4,707,680
	<u>-</u>	<u>5,494,483</u>	<u>4,707,680</u>	<u>10,202,163</u>
Assigned to:				
Subsequent years expenditures	7,849,813	-	-	7,849,813
Cultural activities	250,972	-	-	250,972
Recreational facilities	601,759	-	-	601,759
Debt service - assigned	-	2,345,461	-	2,345,461
Capital projects - assigned	-	11,144,306	-	11,144,306
	<u>8,702,544</u>	<u>13,489,767</u>	<u>-</u>	<u>22,192,311</u>
Unassigned	11,700,633	-	(1,525)	11,699,108
Total fund balances	<u>21,988,263</u>	<u>21,044,581</u>	<u>40,510,865</u>	<u>83,543,709</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,770,930</u>	<u>\$ 22,245,330</u>	<u>\$ 44,603,780</u>	<u>\$ 121,620,040</u>

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

CITY OF LAKELAND, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

Total Fund Balances - Total Governmental Funds \$ 83,543,709

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

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

Governmental capital assets	\$ 514,285,456	
Less accumulated depreciation	<u>(217,735,830)</u>	296,549,626

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

Revenues collected more than 60 days from year end.	26,627,928
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Deferred outflows of resources related to pensions (see Note 13).	21,633,317
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Certain long-term liabilities, including bonds payable, and deferred inflows of resources are not due and available in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Accrued liability for compensated absences.	(5,314,723)
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Net pension liability attributable to employee salaries financed from government fund types (see Note 13).	(78,433,692)
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Deferred inflows of resources related to pensions (see Note 13).	(7,328,508)
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Net OPEB liability attributable to retiree benefits financed from governmental fund types.	(85,431,103)
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Deferred inflows of resources related to OPEB (see Note 15).	(11,880,052)
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Bonds, loans and notes payable.	\$ (55,977,059)	
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Unamortized loss on refunding.	<u>25,526</u>	(55,951,533)
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Internal Service Funds are used to account for certain operating costs that are common to all City funds, such as the cost of vehicles, insurance, and centralized purchasing. These costs are allocated to the individual funds on a pro-rata basis, however the assets of these Internal Service Funds are recognized within the business-type activities component of the Government-wide Statement of Net Position. The Internal Service Funds operated at a gain for the fiscal year. The cumulative pro-rata share of these gains/losses attributable to governmental activities has been included in the allocation of costs to the governmental activities, resulting in an uncollected receivable from the business type activities.

	<u>22,739,518</u>
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Net Position of Governmental Activities.	<u>\$ 206,754,487</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF LAKELAND, FLORIDA

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

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 47,094,214	\$ -	\$ 10,784,511	\$ 57,878,725
Licenses and permits	4,843,389	-	-	4,843,389
Intergovernmental	11,503,925	2,897,318	2,548,673	16,949,916
Charges for services	7,043,704	514,948	10,184,667	17,743,319
Fines and forfeitures	2,436,143	-	18,771	2,454,914
Miscellaneous	2,754,995	17,420,750	3,187,659	23,363,404
Total revenues	<u>75,676,370</u>	<u>20,833,016</u>	<u>26,724,281</u>	<u>123,233,667</u>
<b>EXPENDITURES</b>				
Current:				
General government	13,122,790	907,847	2,015,759	16,046,396
Public safety	63,818,158	450,408	37,426	64,305,992
Physical environment	11,238,375	19,806	495,455	11,753,636
Transportation	5,938,222	-	7,495,039	13,433,261
Economic environment	2,839,962	-	7,841,213	10,681,175
Human services	218,900	-	73,372	292,272
Culture/recreation	22,839,097	794,669	43,721	23,677,487
Capital outlay	573,636	6,036,403	3,387,065	9,997,104
Debt service	558,274	7,724,979	1,388,709	9,671,962
Total expenditures	<u>121,147,414</u>	<u>15,934,112</u>	<u>22,777,759</u>	<u>159,859,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,471,044)</u>	<u>4,898,904</u>	<u>3,946,522</u>	<u>(36,625,618)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term debt	421,921	1,479,692	-	1,901,613
Transfers from other funds	45,556,018	1,191,488	414,284	47,161,790
Transfers to other funds	(4,040,180)	(7,000,342)	(1,485,773)	(12,526,295)
Total other financing sources (uses)	<u>41,937,759</u>	<u>(4,329,162)</u>	<u>(1,071,489)</u>	<u>36,537,108</u>
Net change in fund balances	(3,533,285)	569,742	2,875,033	(88,510)
FUND BALANCE, beginning of year	25,521,548	20,474,839	37,635,832	83,632,219
FUND BALANCE, end of year	<u>\$ 21,988,263</u>	<u>\$ 21,044,581</u>	<u>\$ 40,510,865</u>	<u>\$ 83,543,709</u>

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

CITY OF LAKELAND, FLORIDA

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

Net change in fund balances - total governmental funds \$ (88,510)

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

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

Capital outlay	\$ 9,997,104	
Depreciation expense	<u>(14,478,373)</u>	(4,481,269)

The book value of assets disposed of during the year are not reported as an expenditure in the governmental funds, however it is recognized as a component of gain or loss on the disposition of capital assets in the statement of activities. (686,030)

Proceeds from issuance of long-term debt is recorded as a revenue in the governmental funds, but the proceeds result in an additional liability in the statement of net position. (1,901,613)

Repayment of bond principal is recorded as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,930,693

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

Repayment of principal on other long-term debt is recorded as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 686,236

Some of the assets capitalized this year were donated from private, third parties. The value of these donations are not recorded as revenues in the governmental funds because they do not represent available, spendable resources. However, these are recognized as Capital Grants and Contributions in the statement of activities. 76,511

Contributions to certain pension plans use current financial resources and are recorded in full as expenditures in the governmental funds, however a portion of these disbursements decrease the net pension liability in the statement of activities. (3,213,794)

Contributions to the retiree benefits do not use current financial resources and are not recorded in full as expenditures in the governmental funds, however these disbursements decrease the net OPEB liability in the statement of activities. (726,539)

Certain deferred revenues that do not provide current financial resources are not reported as revenues in the governmental funds, but are included in the statement of activities. 1,580,779

In the governmental funds, personnel costs are measured by the amount of financial resources used, which does not include the increase in accrued, compensated absences. These expenses are recorded in the statement of activities. (197,389)

The revenue and expenses of the Internal Service Funds are reported as a component of proprietary funds and accordingly are not recognized in the governmental funds. A portion of these net revenues and expenses are recorded as governmental activities in the statement of activities. 2,913,798

Change in net position of governmental activities. \$ 886,492

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2018

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 38,233,488	\$ 26,899,214	\$ 8,943,059	\$ 74,075,761	\$ 34,463,129
Accounts receivable	48,882,389	-	-	48,882,389	-
Fuel hedges	3,877,544	-	-	3,877,544	-
Receivables	-	2,556,084	1,538,318	4,094,402	-
Less allowance for uncollectibles	(793,202)	(46,531)	(73,096)	(912,829)	-
Due from other funds	-	-	-	-	2,214,358
Due from other governments	-	-	-	-	331,429
Inventories	35,811,223	1,625,960	-	37,437,183	960,434
Prepaid expenses	28,985	129,989	160,337	319,311	2,518
Asset apportionments set aside for (including \$53,840,290 of cash and cash equivalents)					
Current portion of bonds payable	22,300,000	3,643,087	2,166,069	28,109,156	3,045,219
Accrued interest payable	6,531,254	1,355,182	346,178	8,232,614	1,921,561
Due to other funds	-	-	263,069	263,069	72,094
Accrued liabilities	1,823,665	1,497,068	2,773,902	6,094,635	6,437,104
Restricted assets, set aside for (including \$6,371,059 of cash and cash equivalents)					
Accrued liabilities	99,107	4,184,493	2,087,459	6,371,059	-
Total current assets	156,794,453	41,844,546	18,205,295	216,844,294	49,447,846
Noncurrent assets:					
Asset apportionments:					
Other asset apportionments (including \$182,647,394 of cash and cash equivalents and \$5,394,534 of investments)	82,676,040	36,951,385	4,988,879	124,616,304	59,724,606
Restricted assets (including \$59,031,236 of cash and cash equivalents)	43,765,249	16,901,874	6,441,241	67,108,364	-
	126,441,289	53,853,259	11,430,120	191,724,668	59,724,606
Restricted assets:					
Capital assets:					
Land	15,595,265	12,644,782	19,127,903	47,367,950	9,972
Construction in progress	42,009,696	27,276,844	14,911,651	84,198,191	2,610,507
Utility plant, facilities & equipment in service	1,369,167,198	452,540,945	202,280,081	2,023,988,224	96,732,825
Less accumulated depreciation	(761,470,727)	(187,185,054)	(91,883,243)	(1,040,539,024)	(57,247,918)
Total capital assets	665,301,432	305,277,517	144,436,392	1,115,015,341	42,105,386
Other noncurrent assets:					
Advances to other funds	-	-	-	-	16,373,571
Regulatory assets	1,449,493	-	-	1,449,493	-
Total other noncurrent assets	1,449,493	-	-	1,449,493	16,373,571
Total noncurrent assets	793,192,214	359,130,776	155,866,512	1,308,189,502	118,203,563
Total assets	949,986,667	400,975,322	174,071,807	1,525,033,796	167,651,409
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources related to pensions	8,508,069	3,794,488	1,663,969	13,966,526	3,263,879
Unamortized loss on refunding	27,319,503	1,661,378	152,251	29,133,132	560,560
Hedge derivative outflows	20,205,867	-	-	20,205,867	-
Total deferred outflows of resources	56,033,439	5,455,866	1,816,220	63,305,525	3,824,439



CITY OF LAKELAND, FLORIDA

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

	Business-type Activities				
	Enterprise Funds				Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 15,954,322	\$ 488,231	\$ 396,815	\$ 16,839,368	\$ 662,761
Accrued liabilities	3,799,962	950,295	507,548	5,257,805	844,605
Due to other funds	-	-	860,249	860,249	1,018,946
Accrued interest payable	-	-	9,355	9,355	11,832
Notes and Loans payable	-	2,189,488	114,474	2,303,962	-
Deposits payable	-	-	1,054,514	1,054,514	-
Unearned revenue	-	-	169,687	169,687	-
Payable from apportioned assets:					
Accrued interest payable	6,531,254	1,355,182	346,178	8,232,614	1,921,561
Current portion of bonds payable	22,300,000	3,643,087	2,166,069	28,109,156	3,045,219
Accrued liabilities	1,823,665	1,497,068	2,773,901	6,094,634	6,437,104
Due to other funds	-	-	263,069	263,069	72,094
Payable from restricted assets:					
Accrued liabilities	99,107	4,184,493	2,087,459	6,371,059	-
Total current liabilities	<u>50,508,310</u>	<u>14,307,844</u>	<u>10,749,318</u>	<u>75,565,472</u>	<u>14,014,122</u>
Other liabilities:					
Liabilities payable from apportioned assets:					
Advances from other funds, less current portion	-	-	-	-	92,768
Other liabilities payable from apportioned assets	-	-	-	-	16,119,000
Restricted liabilities	15,436,831	2,816,035	456,472	18,709,338	-
Accrued liabilities, less current portion	3,960,857	1,082,404	507,542	5,550,803	1,098,278
Advances from other funds, less current portion	-	-	10,448,398	10,448,398	5,832,405
Interest rate swaps	20,205,867	-	-	20,205,867	-
Net pension liability	43,697,119	13,323,004	7,165,404	64,185,527	13,845,461
Net OPEB liability	52,325,012	15,735,381	8,603,736	76,664,129	15,987,251
Regulatory liabilities	6,049,686	-	-	6,049,686	-
Notes and loans payable, less current portion	-	35,326,388	364,943	35,691,331	-
Revenue bonds payable, less current portion	385,120,000	50,965,546	28,305,637	464,391,183	32,614,550
Unamortized bond premium	30,042,147	3,121,199	-	33,163,346	7,017,155
Total other liabilities	<u>556,837,519</u>	<u>122,369,957</u>	<u>55,852,132</u>	<u>735,059,608</u>	<u>92,606,868</u>
Total liabilities	<u>607,345,829</u>	<u>136,677,801</u>	<u>66,601,450</u>	<u>810,625,080</u>	<u>106,620,990</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources related to pensions	6,309,506	1,551,531	1,104,957	8,965,994	1,824,291
Deferred inflows of resources related to OPEB	7,276,322	2,188,162	1,196,434	10,660,918	2,223,188
Unamortized contributions in aid of construction	47,299,774	-	-	47,299,774	-
Unrealized gain on hedges	1,264,554	-	-	1,264,554	-
Fuel reserve	19,270,871	-	-	19,270,871	-
Total deferred inflows of resources	<u>81,421,027</u>	<u>3,739,693</u>	<u>2,301,391</u>	<u>87,462,111</u>	<u>4,047,479</u>
<b>NET POSITION</b>					
Net investment in capital assets	209,308,507	211,693,189	119,621,711	540,623,407	42,105,387
Restricted					
Capital improvement	28,328,418	14,085,839	5,984,769	48,399,026	-
Unrestricted	79,616,325	40,234,666	(18,621,294)	101,229,697	18,701,992
Total net position	<u>\$ 317,253,250</u>	<u>\$ 266,013,694</u>	<u>\$ 106,985,186</u>	<u>\$ 690,252,130</u>	<u>\$ 60,807,379</u>

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

CITY OF LAKELAND, FLORIDA

RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET POSITION  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

Net position - business-type activities:

Enterprise Funds	\$ 690,252,130
Internal Service Funds	60,807,379
	<u>751,059,509</u>

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

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

(22,739,518)

Net Position of Business-type Activities	<u>\$ 728,319,991</u>
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The accompanying notes are an integral part of the financial statements.



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CITY OF LAKELAND, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities				
	Enterprise Funds			Total	Internal Service Funds
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds		
<b>OPERATING REVENUES</b>					
Charges for services	\$ 315,042,404	\$ 63,456,824	\$ 28,807,944	\$ 407,307,172	\$ 82,889,807
<b>OPERATING EXPENSES</b>					
Personal services	50,082,342	12,610,289	9,823,884	72,516,515	16,278,821
Other operating expenses	170,827,681	24,302,262	17,410,563	212,540,506	56,253,766
Depreciation	35,945,153	8,660,882	6,093,821	50,699,856	9,659,767
Total operating expenses	256,855,176	45,573,433	33,328,268	335,756,877	82,192,354
Operating income (loss)	58,187,228	17,883,391	(4,520,324)	71,550,295	697,453
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Property and other taxes	-	-	459,655	459,655	-
Federal, state and local grants	-	-	284,665	284,665	309,741
Investment revenue	9,568,048	3,922,520	1,128,626	14,619,194	4,409,141
Loss on disposal of fixed assets	-	(51,411)	(646)	(52,057)	(202,317)
Net decrease in the fair value of investments and cash equivalents	(4,667,795)	(1,979,137)	(635,582)	(7,282,514)	(2,363,835)
Interest income on internal loans	-	-	-	-	3,024,450
Miscellaneous revenue	520,955	433,653	617,833	1,572,441	1,388,678
Rebate on fuel taxes	-	-	-	-	179,662
Interest expense	(15,375,742)	(2,460,056)	(1,081,992)	(18,917,790)	(4,325,404)
Amortization	(452,367)	109,799	(38,063)	(380,631)	344,865
Proceeds from the sale of capital assets	-	-	1,649,972	1,649,972	1,116,685
Total nonoperating revenues (expenses)	(10,406,901)	(24,632)	2,384,468	(8,047,065)	3,881,666
Income (loss) before contributions and transfers	47,780,327	17,858,759	(2,135,856)	63,503,230	4,579,119
Capital grants and contributions	-	6,913,022	8,103,233	15,016,255	-
Transfers from other funds	-	-	4,670,810	4,670,810	1,958,459
Transfers to other funds	(30,138,934)	(8,912,940)	(1,971,349)	(41,023,223)	(241,541)
Total contributions and transfers	(30,138,934)	(1,999,918)	10,802,694	(21,336,158)	1,716,918
Change in net position	17,641,393	15,858,841	8,666,838	42,167,072	6,296,037
NET POSITION, beginning of year	338,863,576	262,544,252	104,981,830	706,389,658	67,206,063
Prior period adjustment (Note 2)	(39,251,719)	(12,389,399)	(6,663,482)	(58,304,600)	(12,694,721)
NET POSITION, end of year	\$ 317,253,250	\$ 266,013,694	\$ 106,985,186	\$ 690,252,130	\$ 60,807,379

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

CITY OF LAKELAND, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION OF THE PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Change in net position - business-type activities:

Enterprise Funds	\$ 42,167,072
Internal Service Funds	6,296,037
	<u>48,463,109</u>

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

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

(2,913,798)

Change in net position of business-type activities	<u>\$ 45,549,311</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF LAKELAND, FLORIDA

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

	Business-type Activities				
	Enterprise Funds				
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 315,148,674	\$ 64,415,035	\$ 30,774,873	\$ 410,338,582	\$ 59,764
Receipts for interfund services	-	-	-	-	84,162,246
Payments for interfund services	(13,419,551)	(5,466,711)	(5,709,667)	(24,595,929)	(3,181,312)
Payments to suppliers	(154,954,567)	(18,897,477)	(11,846,336)	(185,698,380)	(52,768,743)
Payments to employees	(52,931,284)	(12,093,161)	(9,636,785)	(74,661,230)	(15,897,421)
Cash flows provided by operating activities:	<u>93,843,272</u>	<u>27,957,686</u>	<u>3,582,085</u>	<u>125,383,043</u>	<u>12,374,534</u>
Cash flows from noncapital financing activities:					
Proceeds from local grants	-	-	188,477	188,477	-
Interest paid on customer deposits	(757,419)	(76,220)	(19,151)	(852,790)	-
Transfers from other funds	-	-	2,941,193	2,941,193	-
Transfers to other funds	(30,138,934)	(8,912,940)	(1,971,349)	(41,023,223)	(241,541)
Cash flows provided by (used in) noncapital financing activities	<u>(30,896,353)</u>	<u>(8,989,160)</u>	<u>1,139,170</u>	<u>(38,746,343)</u>	<u>(241,541)</u>
Cash flows from capital and related financing activities:					
Interest received on internal loans	-	-	-	-	3,024,450
Proceeds from repayment of interfund loans	-	-	-	-	9,926,012
Issuance of long-term debt - governmental funds	-	-	-	-	(1,479,692)
Payments on interfund loans	(5,050,000)	-	(2,100,379)	(7,150,379)	(3,317,360)
Taxes received for payments on long-term debt	-	-	459,655	459,655	-
Issuance of interfund loans	-	-	-	-	(5,365,000)
Interest paid on long-term debt issued to finance capital assets	(17,019,992)	(3,109,848)	(1,145,451)	(21,275,291)	(4,526,146)
Proceeds from issuance of interfund loans	5,050,000	-	315,000	5,365,000	-
Proceeds from the issuance of long-term debt	43,945,000	4,383,089	-	48,328,089	-
Repayments on & maturities of long-term debt - governmental funds	-	-	-	-	6,930,693
Proceeds from rebates received on interest payments	-	103,247	-	103,247	309,741
Debt issue costs	677,460	-	-	677,460	-
Payments on and maturities of long-term debt	(21,389,046)	(5,628,509)	(2,239,782)	(29,257,337)	(9,125,000)
Transfers from other funds for capital purposes	-	-	1,729,617	1,729,617	1,958,459
Proceeds from capital grant programs	-	-	12,349,678	12,349,678	-
Capital contributions from others	-	4,285,989	200,000	4,485,989	-
Proceeds from sale of capital assets	-	-	1,649,972	1,649,972	1,116,685
Purchase of capital assets	(49,411,982)	(16,491,448)	(15,326,049)	(81,229,479)	(9,606,420)
Cash flows provided by (used in) capital financing activities	<u>(43,198,560)</u>	<u>(16,457,480)</u>	<u>(4,107,739)</u>	<u>(63,763,779)</u>	<u>(10,153,578)</u>

CITY OF LAKELAND, FLORIDA

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

	Business-type Activities				
	Enterprise Funds				
	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from investing activities:					
Investment revenue	\$ 9,568,048	\$ 3,950,285	\$ 1,147,777	\$ 14,666,110	\$ 4,409,141
Net (decrease) in the fair value of cash equivalents	(4,667,795)	(1,979,137)	(635,582)	(7,282,514)	(2,363,835)
Cash flows provided by (used in) investing activities	4,900,253	1,971,148	512,195	7,383,596	2,045,306
Net increase in cash and cash equivalents	24,648,612	4,482,194	1,125,711	30,256,517	4,024,721
Cash and cash equivalents, beginning of year	170,278,269	81,459,389	23,834,589	275,572,247	100,575,384
Cash and cash equivalents, end of year	<u>\$ 194,926,881</u>	<u>\$ 85,941,583</u>	<u>\$ 24,960,300</u>	<u>\$ 305,828,764</u>	<u>\$ 104,600,105</u>
Classified as:					
Current	\$ 38,233,488	\$ 26,899,214	\$ 8,943,059	\$ 74,075,761	\$ 34,463,129
Apportioned	115,415,445	43,446,722	7,488,541	166,350,708	70,136,976
Restricted	41,277,948	15,595,647	8,528,700	65,402,295	-
Total	<u>\$ 194,926,881</u>	<u>\$ 85,941,583</u>	<u>\$ 24,960,300</u>	<u>\$ 305,828,764</u>	<u>\$ 104,600,105</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities					
Operating income (loss)	\$ 58,187,228	\$ 17,883,391	\$ (4,520,324)	\$ 71,550,295	\$ 697,453
Depreciation	39,317,215	8,660,882	6,093,821	54,071,918	9,659,767
Depreciation - contributions in aid of construction	(3,372,062)	-	-	(3,372,062)	-
Rebate on fuel taxes	-	-	-	-	179,662
Miscellaneous revenue	520,956	433,653	617,833	1,572,442	1,388,678
(Increase) decrease in receivables, net	(998,859)	377,240	(115,016)	(736,635)	(56,475)
(Increase) in due from other governments	-	-	-	-	(179,662)
(Increase) in regulatory asset	(246,577)	-	-	(246,577)	-
(Increase) in inventory	(1,775,299)	(79,881)	-	(1,855,180)	(75,424)
(Increase) decrease in prepaid expenses	(28,985)	(44,937)	2,995	(70,927)	(795)
Decrease in deferred outflows related to pensions	8,490,094	93,940	480,015	9,064,049	763,549
Increase in fair value of derivative	644,527	-	-	644,527	-
Increase (decrease) in accounts payable	2,051,321	17,955	(145,441)	1,923,835	(1,971,865)
Increase (decrease) in accrued liabilities	(7,092,822)	44,055	35,362	(7,013,405)	(6,744)
Increase in deferred regulatory liability	1,731,296	-	-	1,731,296	-
Increase in deposits payable	122,580	142,636	230,173	495,389	-
Increase in unearned revenue	-	-	1,237,296	1,237,296	-
(Decrease) in net pension liability	(9,836,993)	(907,851)	(1,413,392)	(12,158,236)	(2,141,230)
Increase in deferred inflows related to pensions	5,684,657	1,202,784	1,005,595	7,893,036	1,630,659
Increase in deferred inflows related to OPEB	3,714,539	1,117,048	610,775	5,442,362	1,134,929
(Decrease) in net OPEB liability	(3,269,544)	(983,229)	(537,607)	(4,790,380)	(998,968)
Increase in estimated liability for unpaid claims	-	-	-	-	2,351,000
Net cash provided by operating activities	<u>\$ 93,843,272</u>	<u>\$ 27,957,686</u>	<u>\$ 3,582,085</u>	<u>\$ 125,383,043</u>	<u>\$ 12,374,534</u>
Noncash investing, capital, or financing transactions:					
Capital grants and contributions not received, noncash capital activity	\$ -	\$ 4,931,644	\$ 3,041,124	\$ 7,972,768	\$ -
Developer contributed assets, a noncash capital activity	-	2,424,996	-	2,424,996	-
Capitalized interest	1,263,850	615,073	145,112	2,024,035	-
Net asset transfer to other funds, a noncash capital activities	<u>\$ 1,263,850</u>	<u>\$ 7,971,713</u>	<u>\$ 3,186,236</u>	<u>\$ 12,421,799</u>	<u>\$ -</u>

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

CITY OF LAKELAND, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2018

	Pension and Other Employees Benefit Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,555,173	\$ 7,772,203
Mutual Funds	450,933,312	-
US Government Obligations	57,550,103	-
Corporate Notes and Bonds	48,308,349	-
Municipal Bonds	958,231	-
Corporate Stocks	263,519,147	-
Consolidated Fund	11,660,266	-
Prepaid expenses	2,259	-
Accrued interest receivable	858,659	-
Receivables	90	-
Unsettled investment sales, net	4,843,855	-
Contributions	2,051,848	-
Due from other governments	731,610	-
Total assets	<u>848,972,902</u>	<u>\$ 7,772,203</u>
<b>LIABILITIES</b>		
Accounts payable	803,511	-
Due to other governmental units	-	7,772,203
Unsettled investment purchases, net	2,899,630	-
Due to other funds	1,287,593	-
Total liabilities	<u>4,990,734</u>	<u>\$ 7,772,203</u>
<b>NET POSITION</b>		
Restricted for DROP benefits	27,099,800	
Restricted for OPEB benefits	8,301,257	
Restricted for pension benefits and other purposes	808,581,111	
Total net position	<u>\$ 843,982,168</u>	

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



CITY OF LAKE LAND, FLORIDA

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

	<u>Pension and Other Employees Benefit Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 28,638,247
Plan Members	11,253,526
On-behalf payments - State of Florida	<u>1,662,120</u>
Total contributions	<u>41,553,893</u>
Net investment income:	
Interest and dividends	16,795,565
Net increase in fair value of investments	53,751,660
Investment advisor fee	<u>(2,545,704)</u>
Net investment income	<u>68,001,521</u>
Miscellaneous income:	
Miscellaneous income	<u>121,881</u>
Total additions, net	<u>109,677,295</u>
<b>DEDUCTIONS</b>	
Benefits paid	64,155,772
Refunds, former plan members	1,271,068
Administrative expenses	543,872
Other	<u>657,435</u>
Total deductions	<u>66,628,147</u>
Net increase in restricted net position	43,049,148
NET POSITION, beginning of year	<u>800,933,020</u>
NET POSITION, end of year	<u>\$ 843,982,168</u>

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

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

**A. Reporting Entity**

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

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

Blended Component Unit

The Lakeland Community Redevelopment Agency (CRA) was established in 1979 by the City of Lakeland, Florida (the City) under the provisions of Section 163.340, Florida Statutes. The board of directors of the Agency is comprised of seven members of the City Commission of the City. The City has operational responsibility for the LCRA. Although legally separate, the CRA is blended in the City's financial statements in accordance with the criteria for blending set by GASB 14, as amended by GASB 39 and GASB 61. The City has created a total of four Community Redevelopment Areas; Downtown (1979), Dixieland (2001), Midtown (2001), and Williams (2002). The purpose of the Agency is to eliminate blight and slum conditions within the redevelopment area of the Agency pursuant to the redevelopment plans of the Agency for new residential and commercial activity. In 2016, the City Commission voted to close the Williams Community Redevelopment Area as the decision was made not to pursue the redevelopment activities for which it was designated.

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

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

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

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

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

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

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

**C. Budget Policy and Budgetary Data**

The City prepares an annual operating budget for the two major funds, the General Fund and Public Improvement Fund (a Capital Projects Fund), and certain Special Revenue Funds and Capital Projects Funds (i.e. Transportation Fund, Community Development Fund, State Housing Initiatives Partnership Program, Neighborhood Stabilization Fund, the Stormwater Fund, and the Lakeland Community Redevelopment Agency Fund). These budgets are prepared on the modified accrual basis of accounting. As of September 30, 2018, there were no material violations of budgetary requirements.

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

**1. Cash and Cash Equivalents:**

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

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

**2. Investments Owned by Individual Funds**

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

**3. Receivables**

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

**3. Receivables (continued)**

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Unrestricted:		
Due from:		
Taxpayers	\$ 571,699	\$ -
Customers	25,128,182	52,063,962
Employees	5,816	-
	<u>25,705,697</u>	<u>52,063,962</u>
Apportioned:		
Due from:		
Customers	228,653	364,619
Restricted:		
Due from:		
Customers	1,165,562	-
	<u>\$ 27,099,912</u>	<u>\$ 52,428,581</u>

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

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

**5. Inventories and Prepaid Items**

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

**6. Apportioned Assets**

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

**7. Restricted Assets**

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

**7. Restricted Assets (continued)**

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Debt service	\$ 1,863,692	\$ -
Capital improvements	196,639	55,045,053
Transportation	5,795,433	-
Customer deposits	204,085	18,434,370
Law enforcement	840,739	-
CRA	9,897,973	-
Grant Programs - Community development	1,469,073	-
Endowments - nonspendable	5,628,454	-
Donations received	732,623	-
Impact fees	16,683,884	-
	<u>\$ 43,312,595</u>	<u>\$ 73,479,423</u>

**8. Capital Assets**

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

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

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

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

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

In proprietary funds (and for governmental activities, in the government-wide statements) bond discounts and bond premiums are amortized over the term of the bonds using the straight-line method, which is materially consistent with the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bonds payable. Issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

**10. Unearned Revenues**

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

	Governmental Activities	Business-Type Activities
Unrestricted	\$ 10,863	\$ 169,687
Restricted	1,116,795	-
	<u>\$ 1,127,658</u>	<u>\$ 169,687</u>

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

**11. Compensated Absences**

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

**12. Inter-fund Activity**

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

**13. Fund Equity**

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

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

The City uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. For further details of the various fund balance classifications refer to note 12.



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

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

The deferred inflows and outflows of resources balances presented in the Statement of Net position as of September 30, 2018 are as follows:

Deferred outflows of resources:	
Unamortized loss on refunding of debt, beginning balance	\$ 33,652,344
Amortization	<u>(3,933,126)</u>
Unamortized (gain) loss on refunding of debt, ending balance	29,719,218
Decrease in fair value of interest rate swaps	20,205,867
Deferred outflows of resources related to pensions	<u>38,863,722</u>
Total deferred outflows of resources	<u>\$ 88,788,807</u>
Deferred inflows of resources:	
Deferred inflows of resources related to OPEB	\$ 24,764,158
Contributions in aid of construction	47,299,774
Fuel reserve balance	19,270,871
Unrealized gain on hedges	1,264,554
Deferred inflows of resources related to pensions	<u>18,118,793</u>
Total deferred inflows of resources	<u>\$ 110,718,150</u>

**15. Derivatives and Hedging Activities**

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

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

**Fuel Hedges:**

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

**15. Derivatives and Hedging Activities (continued)**

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

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

Fuel related derivative transactions are executed in accordance with the fuel hedging policies established by Lakeland Electric's Energy Risk Management Oversight Committee. The primary objective of these policies is to minimize exposure to natural gas price volatility for cash flow and fuel rate stabilization purposes. The Committee has a defined organizational structure and responsibilities, which include approving all brokerage relationships, counterparty credit worthiness, specific fuel volumes and financial limits in addition to overall policy compliance. Acquisition of these hedge transactions are managed by The Energy Authority (TEA) based on a contractual relationship created in March 2007. TEA performs the front and back office functions associated with such trades in accordance with overall hedging policies developed jointly by TEA and the aforementioned oversight committee of Lakeland Electric. The recording of fuel derivatives, when appropriate, is included on the Statement of Net Position as either an asset or liability measured at fair value. Related gains and/or losses are deferred and recognized in the specific period in which the derivative is settled and included as part of Fuel and Purchased Power costs in the Statement of Revenues, Expenses and Changes in Net Position. The premiums associated with the purchase of options are expensed upon expiration of the option. Premiums associated with unexpired options are embedded in the valuation table displayed later in this note. The valuation of market changes for contracts entered into within Lakeland Electric's Risk Management Program resulted in a net increase of \$3,399,582 to the cost of fuel during the fiscal year ended September 30, 2018, which was approximately 3 percent of the total fuel cost.

Lakeland Electric's natural gas swaps and options have been evaluated using the regression analysis method cited above. According to this method, all of Lakeland Electric's derivatives were considered to be effective. Consequently, the R-Squared relationship between the derivative based on the NYMEX index as related to physical natural gas prices based on purchased gas from Florida Gas Transmission Zones 1, 2 and 3 was 0.8 or higher with a slope between -0.8 and -1.25 with a 95 percent confidence. In addition, the effectiveness of options was assessed consistent with the objective of the derivative instrument as mentioned in the goals of hedging above. With GASB compliance, the open swaps and options valuation of \$1,264,554 includes mark-to-market of the swaps and both intrinsic and extrinsic mark-to-market of the options.

**Derivate Instruments:**

**Natural Gas Derivative Instruments**

Lakeland Electric uses Over-the-Counter (OTC) swaps, put options, swing-swaps and fixed price firm physical purchases of natural gas as tools to stabilize the cost of natural gas that will be needed by the utility in the future. Any gain or loss of the value of these derivatives are ultimately rolled into the price of natural gas burned, offsetting the volatility in the price of that fuel. These derivative instruments are classified in Level 2 of the fair value hierarchy using the market approach of valuation. Derivative instruments classified as Level 2 receive clearing house prices, which are based on models that reflect the contractual terms of the derivatives. As of September 2018, Lakeland Electric had the following options, swaps and physical contracts outstanding in the following amounts, covered fiscal year 2018 and beyond:

<u>Fiscal Year</u>	<u>Options</u>	<u>Swaps</u>	<u>Market Value</u>
2018	\$ 11,770,000	\$ 7,890,000	\$ (569,469)
2019	3,950,000	3,950,000	(630,383)
2020	1,200,000	2,250,000	(64,702)
	<u>\$ 16,920,000</u>	<u>\$ 14,090,000</u>	<u>\$ (1,264,554)</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

**15. Derivatives and Hedging Activities (continued)**

Interest Rate Swaps

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

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

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

The interest rate swaps are classified in Level 2 of the fair value hierarchy using the market approach to valuation. Derivative instruments classified as Level 2 receive clearing house prices, which are based on models that reflect the contractual terms of the derivatives. The fair value of all of Lakeland Electric's derivatives as of September 30, 2018 was as follows:

Derivatives	
Interest rate swaps	\$ (20,205,867)
Prepaid fuel	2,612,990
Fuel hedge	1,264,554
	<u>\$ (16,328,323)</u>

**16. Regulatory Assets and Liabilities**

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

Unamortized debt issue costs

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

	September 30,
	2018
Beginning Balance	\$ 1,202,916
Additions	404,628
Less	
Amortization	(158,051)
Ending Balance	<u>\$ 1,449,493</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

**16. Regulatory Assets and Liabilities (continued)**

Environmental compliance and conservation charges

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

	September 30 2018
<u>Environmental compliance charge recovery:</u>	
Beginning regulatory liability	\$ (1,335,541)
Charges recovered through rates	6,398,151
Less environmental compliance expenses	7,330,114
Ending regulatory liability balance	<u>\$ (403,578)</u>

	September 30 2018
<u>Energy conservation charge recovery:</u>	
Beginning regulatory liability balance	\$ (298,855)
Charges recovered through rates	729,364
Less environmental compliance expenses	843,962
Ending regulatory liability balance	<u>\$ (184,257)</u>

Fuel charges

As of September 30, 2018, a cumulative over-recovery of fuel charges, in excess of the long-term fuel reserve balance (deferred inflow of resources) established by the City Commission in 2015, is classified as a regulatory liability, calculated as follows:

	September 30 2018
Fuel reserve balance	\$ 19,270,871
Cumulative over-recovery of fuel charges	24,732,722
Ending fuel reserve balance	<u>\$ (5,461,851)</u>

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

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

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**E. Revenues, Expenditures, and Expenses (continued)**

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

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

**1. Property Taxes**

The millage rate levied by the City for the fiscal year ended September 30, 2018 was 5.5644 mills. Current tax collections for the City were approximately 100% of the total levy. The property tax calendar provides for the tax revenue to be billed and collected within the applicable fiscal year.

The property tax calendar for revenues billed, received, and accrued for fiscal year ended September 30, 2018 is as follows:

Lien date	January 1, 2017
Levy date	January 1, 2017
Certificate of Taxable Value (DR-420)	July 25, 2017
Final public hearing to adopted proposed millage rate	September 15, 2017
Certificate of Final Taxable Value (DR-422)	October 8, 2017
Beginning of fiscal year for tax assessment	October 1, 2017
Due Dates	November 1, 2017 through March 31, 2018
Delinquent date	April 1, 2018
Tax certificate sale	On or before June 1, 2018

**2. Indirect Expenses**

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

**3. Expenses**

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

**F. Use of Estimates**

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

**G. Amortization**

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

**H. Fair Value Hierarchy**

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 2 – ACCOUNTING AND REPORTING CHANGES**

During fiscal year 2018, the City implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 75 established new accounting and financial reporting requirements for OPEB plans. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actual present values, and attribute that present value to periods of employee service, and specific requirements for note disclosure and required supplementary information. As a result, the City must report its collective OPEB liability, OPEB expense, deferred outflows of resources related to OPEB, and deferred inflows of resources related to OPEB as determined by the City's relative current year contributions to the OPEB Trust.

The implementation of the statement required the City to record beginning OPEB liability. As a result, net position for the governmental and business-type activities decreased by \$67,639,267 and \$70,999,321 respectively.

The effect of the implementation is summarized as follows:

	Government-wide Statements	
	Governmental Activities	Business-type Activities
Net Position, beginning of year	\$ 273,507,262	\$ 753,770,001
Prior period adjustment:		
Net OPEB obligation	28,945,350	33,748,222
Net OPEB liability	(90,769,290)	(98,440,728)
Deferred inflows of resources	(5,815,327)	(6,306,815)
Net Position, beginning of year, as restated	\$ 205,867,995	\$ 682,770,680

	Department of Electric Utilities	Water and Wastewater Utilities	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Net Position, beginning of year	\$ 338,863,576	\$ 262,544,252	\$ 104,981,830	\$ 706,389,658	\$ 67,206,063
Prior period adjustment:					
Net OPEB obligation	19,904,620	5,400,325	3,063,520	28,368,465	5,379,757
Net OPEB liability	(55,594,556)	(16,718,610)	(9,141,343)	(81,454,509)	(16,986,219)
Deferred inflows of resources	(3,561,783)	(1,071,114)	(585,659)	(5,218,556)	(1,088,259)
Net Position, beginning of year, as restated	\$ 299,611,857	\$ 250,154,853	\$ 98,318,348	\$ 648,085,058	\$ 54,511,342

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 2 – ACCOUNTING AND REPORTING CHANGES (continued)**

**New Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans, established new accounting and financial reporting requirements for OPEB plans. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The provisions for this Statement are effective for the City's fiscal year ending September 30, 2018. The new note disclosure (Note 15) and required supplementary information requirements about Other Post Employment Benefits (OPES) are addressed in the City's 2018 financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The provisions of this Statement are effective for the City's fiscal year ending September 30, 2018. However, implementation of GASB 81 had no effect on the financial statements of the City.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonable estimable. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements ending September 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements ending September 30, 2020.

In March, 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill and negative goodwill, real estate held by insurance entities, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The City has implemented the related OPEB plan provision of this statement for the period ending September 30, 2018.

In May, 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt prior to its maturity. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for defeased debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The provisions of this Statement are effective for the City's fiscal year ending September 30, 2018. The new note disclosure is addressed in the City's 2018 financial statements.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 2 – ACCOUNTING AND REPORTING CHANGES (continued)**

In June, 2017, the GASB issued Statement No. 87 Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has determined that this GASB statement will be implemented for the fiscal period ending September 30, 2021.

In April, 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed as the date the contractual obligation is established. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements ending September 30, 2019.

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

In August, 2018, the GASB issued Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not determined what impact, if any, this GASB statement might have on its financial statements ending September 30, 2020.

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

**A. Deposits**

The carrying amount of the amounts on deposit in banks, financial institutions, and cash on hand as of September 30, 2018 is as follows:

	<u>Primary Government</u>
Demand Deposits	\$ 55,906,066
Cash with Paying Agents	43,444,243
Cash on Hand	20,458
Total Deposits	<u>\$ 99,370,767</u>
Balance per bank	<u>\$ 62,565,954</u>

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

**Custodial Credit Risk** Custodial credit risk is the risk that in the event of a bank failure, the City of Lakeland's deposits may not be returned. Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* requires deposits by governmental units in a financial institution be collateralized. The City of Lakeland's policy, in accordance with Florida Statutes, also requires the use of only authorized dealers and institutions and qualified public depositories, meeting the standards as set forth by the State of Florida and the Securities and Exchange Commission's Rule 15c3-1. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name. As of September 30, 2018, \$62,565,954 and \$43,444,243 of the City of Lakeland's bank balance and paying agent deposits were exposed to custodial credit risk as follows:

	<u>Primary Government</u>
<u>Depository Account</u>	
Insured	\$ 659,675
Collateralized:	
Collateral held by the pledging financial institutions not in the City's name:	
Banking institutions	61,906,279
Cash with paying agents	43,444,243
Total Deposits	<u>\$ 106,010,197</u>

**B. Fair Value Hierarchy**

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

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

<b>Investments by fair value level</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
US Treasury Notes	\$ 692,356	\$ -	\$ 692,356	\$ -
US Treasury Bonds	20,574,813	20,375,091	199,722	-
US Government Back Bonds	1,317,795	-	1,317,795	-
Fed Farm Credit Bank	23,464,883	-	23,464,883	-
Fed Home Loan Bank	1,964,862	-	1,964,862	-
Fed Home Loan Mortgage Corp.	46,221,214	-	46,221,214	-
Fed National Mortgage Assoc.	69,286,018	-	69,286,018	-
Fed Agency Mortgage Backed Securities	37,343,679	-	37,343,679	-
Corporate Bonds	113,979,702	-	109,115,302	4,864,400
Corporate Mortgage Backed Securities	115,502,591	-	111,511,930	3,990,661
Foreign Corporate Bonds	24,002,761	-	24,002,761	-
Municipal Bonds	39,291,273	-	39,033,708	257,565
Corporate Stocks	259,495,599	256,771,434	2,724,165	-
Foreign Corporate Stocks	15,329,948	4,056,906	11,273,042	-
Accrued Interest Receivable	2,992,503	2,992,503	-	-
State Board of Admin LGIP	9	-	9	-
Money Market Account	11,534,514	11,534,514	-	-
Exchange Traded Funds	3,917,679	3,917,679	-	-
Foreign Exchange Traded Funds	1,536,551	1,536,551	-	-
Mutual Funds	153,368,330	130,644,539	14,608,387	8,115,404
Foreign Mutual Funds	66,367,195	61,796,195	4,571,000	-
<b>Total Investments by fair value level</b>	<b>1,008,184,275</b>	<b>493,625,412</b>	<b>497,330,833</b>	<b>17,228,030</b>

<b>Investments measured at the net asset value (NAV)</b>	<b>Total</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency if Currently Eligible</b>	<b>Redemption Notice Period</b>
Fixed Income Strategies <sup>1</sup>	26,180,292	575,000	n/a or quarterly*	100 days written*
Real Estate Strategies <sup>2</sup>	60,233,080	20,446,112	n/a or quarterly*	30 days, subjective*
Private Equity Strategies <sup>3</sup>	160,639,142	48,802,135	n/a, daily or quarterly*	n/a or 5-10 days*
<b>Total investments measure at NAV</b>	<b>247,052,514</b>	<b>69,823,247</b>		
<b>Total investments</b>	<b>\$ 1,255,236,789</b>	<b>\$ 69,823,247</b>		

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

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

<sup>3</sup>Private equity strategies - This type includes nine private equity funds with a variety of investment strategies that typically offer superior long-term risk/reward profiles, but with more limited liquidity characteristics. Ownership is measured in shares of partners' capital with distributions received as the underlying investments of the fund are liquidated. \*These holdings are typically illiquid with distributions received as underlying assets are liquidated; however, two of these funds are eligible for daily withdrawal subject to a 5 or 10 day notice and one fund is eligible for monthly withdrawal subject to a 5 day notice before month end.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**C. Cash Equivalents and Investments**

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

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

Pooled Investments – Swap Transaction As of September 30, 2018, the City had \$100 million in investment swaps outstanding.

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

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. All trades, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Safekeeping receipts or other evidence of ownership will be audited on a semi-annual basis with a variance report issued to the Investment Administrator. The following investments and maturities, held by the various funds of the City as of September 30, 2018, are collateralized by registered securities held by the City or its agents in the City's name:

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

As of September 30, 2018, the City of Lakeland held \$11,534,514 in Money Market Funds and \$219,735,525 in Mutual Funds. These investments are held by an investment's counterparty, not in the name of the City. The City of Lakeland's investment policy limits the investment in Money Market Funds and Mutual Funds to 10% of total investments in each.

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

<b>Investment Type</b>	<b>Reported Amount Fair Value</b>		<b>Investment Maturities (in years)</b>		
	<b>Primary Government</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
US Treasury Notes	\$ 692,356	\$ -	\$ 290,369	\$ 401,987	\$ -
US Treasury Bonds	20,574,813	-	4,177,297	9,168,477	7,229,039
US Government Back Bonds	1,317,795	-	2,803	988,356	326,636
Fed Farm Credit Bank	23,464,883	21,539,363	1,925,520	-	-
Fed Home Loan Bank	1,964,862	1,964,862	-	-	-
Fed Home Loan Mortgage Corp.	46,221,214	-	155,112	793,007	45,273,095
Fed National Mortgage Assoc.	69,286,018	220,396	214,232	-	68,851,390
Fed Agency Mortgage Backed Securities	37,343,679	-	294,970	9,527,089	27,521,620
Corporate Bonds	113,979,702	30,534,483	37,417,772	21,522,304	24,505,143
Corporate Mortgage Backed Securities	115,502,591	120,791	2,016,748	9,162,637	104,202,415
Foreign Corporate Bonds	24,002,761	-	4,380,758	6,340,510	13,281,493
Municipal Bonds	39,291,273	2,531,773	15,735,462	5,819,884	15,204,154
Corporate Stocks	259,495,599	259,495,599	-	-	-
Foreign Corporate Stocks	15,329,948	15,329,948	-	-	-
Sub-total	<u>768,467,494</u>	<u>331,737,215</u>	<u>66,611,043</u>	<u>63,724,251</u>	<u>306,394,985</u>

Other investments are evidenced by securities that exist in physical or book entry form and thus cannot be held in the City's name or are invested in external investment pools. The breakdown of these investments, held as of September 30, 2018, is as follows:

<b>Investment Type</b>	<b>Reported Amount Fair Value</b>		<b>Investment Maturities (in years)</b>		
	<b>Primary Government</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
Accrued Interest Receivable <sup>1</sup>	2,992,503	2,992,503	-	-	-
State Board of Admin. LGIP <sup>2</sup>	9	9	-	-	-
Money Market Account <sup>2</sup>	11,534,514	11,534,514	-	-	-
Exchange Traded Funds <sup>2</sup>	3,917,679	3,917,679	-	-	-
Foreign Exchange Traded Funds <sup>2</sup>	1,536,551	1,536,551	-	-	-
Mutual Funds <sup>2</sup>	153,368,330	153,368,330	-	-	-
Foreign Mutual Funds <sup>2</sup>	66,367,195	66,367,195	-	-	-
Fixed Income Strategies <sup>3</sup>	26,180,292	16,116,479	10,063,813	-	-
Real Estate Strategies <sup>3</sup>	60,233,080	10,605,140	23,343,279	18,470,903	7,813,758
Private Equity Strategies <sup>3</sup>	160,639,142	107,924,233	30,400,957	14,217,175	8,096,777
Sub-total	<u>486,769,295</u>	<u>374,362,633</u>	<u>63,808,049</u>	<u>32,688,078</u>	<u>15,910,535</u>
<b>Total Investments:</b>	<u>\$ 1,255,236,789</u>	<u>\$ 706,099,848</u>	<u>\$ 130,419,092</u>	<u>\$ 96,412,329</u>	<u>\$ 322,305,520</u>

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

<sup>2</sup>The rate of return on the money market funds, exchange traded funds, and mutual funds fluctuates during the year based on market conditions. Also, there is no stated maturity date for this type of investment. These funds may be invested, withdrawn, or reinvested at the City's discretion.

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City of Lakeland's investment policy structures the investment portfolio to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City of Lakeland's investment policy limits the length of maturities of investment securities held by funds of the City, except Pension Funds or any other monies invested under separate ordinance, resolution, policy, or agreement. Unless a portion of the investment is matched to a specific cash flow and invested in cash equivalent investments, the City will not directly invest in securities maturing more than ten (10) years from the date of purchase or in accordance with state and local statutes and ordinances. However, Section IV.7.b of the policy provides for investment horizons exceeding ten years for reserve funds and non-operating funds if, in the judgment of the Investment Administrator, any such investments are sufficiently liquid to provide for unexpected use of such funds. The City owns a significant amount of mortgage-backed debt that have long legal maturities. However, these bonds actually have relatively short average lives. The investment maturity limits and actual limits of investments held by funds of the City as of September 30, 2018, except for the aforementioned funds, are as follows:

<u>Maturity Limitations</u>	<u>% of Total Maximum</u>	<u>% of Total</u>
0-1 years	100%	17.8%
1-5 years	75%	8.6%
5-10 years	50%	9.5%
10+ years	0%*	64.1%

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

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

The Pooled Investment Fund held \$23,015,569 (5.8%) in fixed income investments of foreign issuers or non-US companies. The investment policy for this fund allows investments in high grade corporate debt consisting of U.S. dollar denominated debt obligations of domestic or foreign corporations, or foreign sovereignty's issued in the U.S. or in foreign markets. As of September 30, 2018 the funds foreign investment holdings were as follows:

<u>Foreign Investments:</u>	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
Corporate Bonds:			
DORIC NIMROD AIR 2013-1 144A PRIV PLCMT 6.125	\$ 569,572	USD	11/30/2021
ELECTRICITE DE FRANCE 144A PRIV PLCMT 5.250	5,000,000	USD	1/29/2049
ISRAEL ELECTRIC CORP LTD 144A PRIV PLCMT 6.875	1,095,150	USD	6/21/2023
BRASKEM FINANCE LTD SER REGS	1,026,750	USD	4/15/2021
EMBRAER NETHERLANDS BV DTD 06/15/15 5.050	1,254,700	USD	6/15/2025
ENSCO PLC DTD 03/12/15 5.200	1,740,000	USD	3/15/2025
INTESA SANPAOLO SPA DTD 01/14/14 5.250	1,978,280	USD	1/12/2024
ODEBRECHT OFFSHORE DRILLING FIN LTD DTD 04/07/17 6.720	811,833	USD	12/1/2022
ODEBRECHT OFFSHORE DRILLING FIN LTD DTD 04/07/17 7.720	851,256	USD	12/1/2026
ODEBRECHT OIL & GAS FIN LTD DTD 12/22/17	6,481	USD	12/31/2099
SCHAHIN II FINAN CO SPV DTD 03/28/12 5.875	406,536	USD	9/25/2022
ENBRIDGE INC DTD 12/19/16	1,921,680	USD	1/15/2077
TRANSCANADA TRUST DTD 08/11/16	5,050,081	USD	8/15/2076
CNP ASSURANCES DTD 10/18/12	1,303,250	USD	10/29/2049
Total Corporate Bonds:	<u>23,015,569</u>		
Total Foreign Investments	<u>\$ 23,015,569</u>		

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

The investments of the City's Perpetual Care Cemetery Fund, Survivor's Benefit Fund, the Baldwin Book Fund, and the Retiree Health Healthcare Trust Fund were pooled into the Consolidated Investment Fund. Section I.2 of the investment policy provides that the funds covered under the policy can be "pooled" for investment purposes to maximize earnings and to minimize associated fees. The Consolidated Investment Fund held \$2,773,401 (16.2%) in mutual fund investments and \$1,995,578 (11.6%) in equity investments of foreign issuers or non-US companies. The investment policy for this fund limits the investments in foreign securities up to 30% of the fair market value of the equity assets held by the fund. As of September 30, 2018, the fund holdings were as follows:

Foreign Investments:

Mutual Funds:	Market Value	\$ Denomination	Maturity
EATON VANCE MUTUAL FDS TR GLO MACABSRE I	\$ 107,108	USD	N/A
FIDELITY ADVISOR EMERGING MRKTS INC CL I	639,924	USD	N/A
JOHN HANCOCK FDS II GLOBAL ABS RTN STRATEGIES FD CL I	117,300	USD	N/A
PRINCIPAL FDS INC GLOBAL MULTI STRATEGY FD INSTL CL	81,278	USD	N/A
BLACKROCK GLOBAL LONG/SHORT CR FD INST CL SHS	73,091	USD	N/A
BLACKROCK STRATEGIC INCOME OPPORTUNITIES INST CL	1,499,995	USD	N/A
TEMPLETON INCOME TR GLOBAL BD FD ADVISOR	254,705	USD	N/A
Total Mutual Funds	2,773,401		

Corporate Stocks:

	Market Value	\$ Denomination	Maturity
AON PLC CLASS A	56,130	USD	N/A
ABB LTD -SPONS ADR	13,753	USD	N/A
ACCENTURE PLC IRELAND SHARES CLASS A	36,082	USD	N/A
ANHEUSER BUSCH INBEV SA/NV-SPONSORED ADR	35,729	USD	N/A
ARCH CAP GROUP LTD	23,908	USD	N/A
ASHTEAD GROUP PLC UNSPONSORED ADR	14,215	USD	N/A
ASML HOLDING NV NY REGISTRY SHS NEW 2012	27,263	USD	N/A
AUTOHOME INC-ADR	112,709	USD	N/A
BB SEGURIDADE ADR PARTICIPACOES S/A	10,852	USD	N/A
BHP BILLITON LTD SPON ADR	31,349	USD	N/A
BRITISH AMERN TOB PLC SPON ADR	24,341	USD	N/A
BROOKFIELD ASSET MANGMNT CLASS A	81,623	USD	N/A
CANADIAN PACIFIC RAILWAY LTD	20,134	USD	N/A
CANADIAN NATL RY CO	15,805	USD	N/A
CARLSBERG AS-B SPONSORED ADR	17,726	USD	N/A
CHUBB LTD	52,253	USD	N/A
CIA SANEAMENTO BASICO DE-ADR	6,130	USD	N/A
COMPAGNIE FINANCIERE RICHEMONT SA-UNSPON ADR	13,714	USD	N/A
COMPASS GRP PLC ADR SPONSORED NEW JUNE 2017	26,369	USD	N/A
CORE LABORATORIES INC	20,270	USD	N/A
DBS GROUP HOLDINGS SPON ADR	21,033	USD	N/A
DAIWA HOUSE IND LTD COMM ADRS JAPAN	26,607	USD	N/A
CIELO SA SPONSORED ADR	10,256	USD	N/A
IHS MARKIT LTD	32,322	USD	N/A
FRESENIUS SE & CO KGAA SPONSORED ADR	17,275	USD	N/A
GENMAB A/S SPON ADR	5,954	USD	N/A
EQUINOR ASA ADR SPONSORED	20,191	USD	N/A
ROCHE HOLDINGS LTD ADR	28,441	USD	N/A
ICICI BANK LTD SPON ADR	21,233	USD	N/A
SAFRAN SA-UNSPON ADR	26,085	USD	N/A
INFINEON TECHNOLOGIES AG ADR	17,903	USD	N/A
INTERXION HOLDING NV	8,345	USD	N/A
KDDI CORP-UNSPONSORED ADR	13,711	USD	N/A
KAO CORP ADR ADR REPSTG 1/5TH COM	14,303	USD	N/A
KASIKORNBANK PUB CO LTD UNSPONSORED ADR	10,245	USD	N/A
KOMATSU LTD SPON ADR NEW	15,167	USD	N/A
LIBERTY GLOBAL PLC SHS CL A	6,770	USD	N/A
LIBERTY GLOBAL PLC SHS CL C	13,066	USD	N/A
MAKITA CORPORATION ADR	28,467	USD	N/A
MEDTRONIC PLC	35,708	USD	N/A
MR PRICE GROUP LTD SPONSORED ADR	9,801	USD	N/A
MICHELIN (CGDE) UNSP ADR	16,272	USD	N/A
NESTLE S A REG ADR	28,954	USD	N/A
NORDEA BANK AB SPONSORED ADR	21,202	USD	N/A
NOVARTIS AG SPON ADR	32,482	USD	N/A

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

Corporate Stocks (continued):	Market Value	\$ Denomination	Maturity
NOVO NORDISK A S ADR	\$ 28,331	USD	N/A
PERUSAHAAN PERSEROAN PERSERO PT IND TELE SPON ADR	10,477	USD	N/A
PING AN INSURANCE-ADR	22,978	USD	N/A
ABN AMRO GRP NV ADR UNSPON	16,204	USD	N/A
PRUDENTIAL PLC SPON ADR	37,538	USD	N/A
RYOHIN KEIKAKU CO UNSP ADR	29,482	USD	N/A
RIGHTMOVE PLC UNSPONSORED ADR	79,072	USD	N/A
RED ELECTRICA CORPORACION SA	23,320	USD	N/A
RELX PLC ADR SPON	20,930	USD	N/A
RESTAURANT BRANDS INTL INC	48,787	USD	N/A
ROGERS COMMUNCTNS CL	16,297	USD	N/A
RYANAIR HLDGS PLC SPONSORED ADR NEW	15,367	USD	N/A
SAMPO OYJ-A SHS UNSP ADR	26,384	USD	N/A
SANLAM LTD SPONSORED ADR	14,835	USD	N/A
SAP SE-SPONSORED ADR	41,205	USD	N/A
ROYAL DUTCH SHELL PLC ADR CL A	32,980	USD	N/A
SHIRE PLC	27,372	USD	N/A
SHOPIFY INC CL A	3,618	USD	N/A
SONOVA HOLDING-UNSP ADR	8,043	USD	N/A
SUMITOMO MITSUI FINL GROUP INC SPON ADR	23,512	USD	N/A
SUNCOR ENERGY INC NEW	22,827	USD	N/A
TAIWAN SEMICONDUCTOR MFG CO LTD ADR	35,505	USD	N/A
TENCENT HOLDINGS LTD- UNSP ADR	36,307	USD	N/A
TELENOR ASA-ADS	15,717	USD	N/A
TOTAL S.A. SPONS ADR	20,347	USD	N/A
UBISOFT ENTERTAINMENT SA ADR	17,382	USD	N/A
UNILEVER PLC SPONS ADR	22,593	USD	N/A
VALEO SPONSORED ADR	15,484	USD	N/A
WABCO HOLDINGS INC	67,226	USD	N/A
WIX.COM LTD	2,633	USD	N/A
FERGUSON PLC SPON ADR NEW	21,811	USD	N/A
WOLTERS KLUWER N V SPONSORED ADR	33,799	USD	N/A
YANDEX NV SHS CLASS A	15,787	USD	N/A
VINCI S.A -ADR	19,280	USD	N/A
Total Corporate Stocks:	<u>1,995,578</u>		
Total Foreign Investments	<u>\$ 4,768,979</u>		

The Public Improvement Endowment Fund held \$293,532 (5.3%) in equities and \$1,536,551 (27.8%) in exchange traded funds of foreign issuers or non-US companies as follows as of September 30, 2018.

Foreign Investments:	Market Value	\$ Denomination	Maturity
Corporate Stocks:			
CHECK POINT SOFTWARE TECH LTD	\$ 40,361	USD	N/A
APTIV PLC	63,428	USD	N/A
ICON PLC	45,203	USD	N/A
MEDTRONIC PLC	62,268	USD	N/A
NUTRIEN LTD	36,928	USD	N/A
PENTAIR PLC	45,344	USD	N/A
Total Corporate Stocks:	<u>293,532</u>		
Exchange Traded Funds:			
ISHARES CORE MSCI ETF EMERGING MARKETS ETF	225,968	USD	N/A
ISHARES JP MORGAN ETF USD EMERGING MRKTS BOND	324,508	USD	N/A
VANGUARD GLOBAL ETF EX-U.S. REAL ESTATE	111,160	USD	N/A
VANGUARD INTL EQTY ETF INDX FDS FTSE EMRG MKTS ETF	401,390	USD	N/A
VANGUARD FTSE ETF PACIFIC	95,345	USD	N/A
VANGUARD FTSE ETF DEVELOPED MARKETS ETF	378,180	USD	N/A
Total Exchange Traded Funds:	<u>1,536,551</u>		
Total Foreign Investments:	<u>\$ 1,830,083</u>		

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

The Employee Pension Fund held \$114,362,928 (18.9%) in mutual fund and equity investments of foreign issuers of non-US companies. The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2018, the Employee Pension Fund holdings were as follows:

Foreign Investments:

Mutual Funds:

	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
TS&W INTL LG CAP EQ TRUST	\$ 33,853,433	USD	N/A
WCM FOCUSED INT'L GROWTH	39,769,796	USD	N/A
PIMCO DIVERSIFIED INC-INS	15,211,807	USD	N/A
TEMPLETON GL TOTL RETRN-R	14,350,127	USD	N/A
Total Mutual Funds:	<u>103,185,163</u>		

Corporate Stocks:

CITY OFFICE REIT INC	121,266	USD	N/A
LIQTECH INTERNATIONAL INC	21,537	USD	N/A
AXIS CAPITAL HOLDINGS LTD	124,942	USD	N/A
CHIPMOS TECHNOLOGIES INC-	85,664	USD	N/A
CONSTELLIUM NV-CLASS A	143,013	USD	N/A
COTT CORPORATION	107,220	USD	N/A
FGL HOLDINGS	192,237	USD	N/A
KORNIT DIGITAL LTD	208,181	USD	N/A
LIVANOVA PLC	355,298	USD	N/A
NABORS INDUSTRIES LTD	184,763	USD	N/A
OXFORD IMMUNOTEC GLOBAL P	34,018	USD	N/A
SEQUANS COMMUNICATIONS-AD	14,524	USD	N/A
SILICON MOTION TECHNOL-AD	208,195	USD	N/A
BANK OF NT BUTTERFIELD &	162,996	USD	N/A
VENATOR MATERIALS PLC	59,742	USD	N/A
WNS HOLDINGS LTD ADR	122,155	USD	N/A
AERCAP HOLDINGS NV	1,409,240	USD	N/A
AON PLC	3,339,486	USD	N/A
BARCLAYS PLC - ADR	1,347,664	USD	N/A
LIBERTY GLOBAL PLC-SERIES	2,935,624	USD	N/A
Total Corporate Stocks:	<u>11,177,765</u>		

Total Foreign Investments:

\$ 114,362,928

The City of Lakeland Firefighters' Retirement System held \$11,121,630 (11.5%) in foreign securities. The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2018, the fund held the following investments in foreign securities:

Foreign Investments:

Mutual Funds:

	<u>Market Value</u>	<u>\$ Denomination</u>	<u>Maturity</u>
American Europacific Growth Fund	\$ 6,550,630	USD	N/A
International Fixed Income - EB	4,571,000	USD	N/A
Total Mutual Funds	<u>11,121,630</u>		

Total Foreign Investments

\$ 11,121,630

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

The Municipal Police Officers' Pension Plan held \$25,732,992 (22.0%) in fixed income and equity investments of foreign issuers or non-US companies. The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2018, the fund held the following foreign investments:

Foreign Investments:	Market Value	\$ Denomination	Maturity
Mutual Funds:			
AMERICAN FUNDS EUROPACIFIC GROWTH FD CL R6	\$ 10,128,568	USD	N/A
TEMPLETON GLOBAL TOTAL RETURN R6	2,720,858	USD	N/A
VANGUARD TOTAL INTL STOCK INDEX FD INSTL CL	10,060,804	USD	N/A
Total Mutual Funds	<u>22,910,230</u>		
Corporate Stocks:			
BARCLAYS PLC SPONSORED ADR	238,079	USD	N/A
AON PLC	595,898	USD	N/A
LIBERTY GLOBAL SERIES C	788,480	USD	N/A
AERCAP HOLDINGS NV	232,956	USD	N/A
Total Corporate Stocks	<u>1,855,413</u>		
Corporate Bonds:			
BP CAPITAL MARKETS PLC BPLN 3.994	20,401	USD	9/26/2023
BP CAPITAL MARKETS PLC 3.814	70,825	USD	2/10/2024
CANADIAN NATL RESOURCES CNQCN 2.95	9,646	USD	1/15/2023
CANADIAN PACIFIC RR CO 4.5	51,486	USD	1/15/2022
DIAGEO CAPITAL PLC BOND 2.625	29,084	USD	4/29/2023
ETHIOPIAN LEASING 2012 ETHAIR 2.646	131,437	USD	5/12/2026
HSBC HOLDINGS PLC NON CALLABLE DTD 11/17/2011 4.875	41,480	USD	1/14/2022
KINGDOM OF JORDAN AID 3	196,506	USD	6/30/2025
MITSUBISHI UFJ FIN GRP MUFG 2.665	19,289	USD	7/25/2022
MITSUBISHI UFJ FIN GRP MUFG 3.455	9,870	USD	3/2/2023
MITSUBISHI UFJ FIN GRP MUFG 3.761	19,897	USD	7/26/2023
ROGERS COMM INC RCICN 3.625	39,078	USD	12/15/2025
SANOFI SANFP 3.375	60,040	USD	6/19/2023
SHELL INTERNATIONAL FIN 3.25	39,128	USD	5/11/2025
SHIRE ACQ INV IRELAND DA SHPLN 2.4	38,636	USD	9/23/2021
TEVA PHARMACEUTICALS NE 2.2	51,684	USD	7/21/2021
TORONTO-DOMINION BANK TD 3.5	29,945	USD	7/19/2023
TOYOTA MOTOR CORP TOYOTA 3.419	49,950	USD	7/20/2023
TYCO ELECTRONICS GROUP TEL 3.45	19,456	USD	8/1/2024
WESTPAC BANKING CORP WSTP 2.3	39,511	USD	5/26/2020
Total Corporate Bonds	<u>967,349</u>		
Total Foreign Investments	<u>\$ 25,732,992</u>		

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

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

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

As of September 30, 2018, the City of Lakeland, Consolidated Investment Fund, Public Improvement Endowment Fund, Employee Pension Fund, Firefighters' Retirement System, and Municipal Police Officers' Pension Fund investment types had the following credit quality ratings and aggregate S&P and Moody's unsecured credit quality ratings:

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

S&P Rating	US Government Agency Obligations		Corporate Bonds		Money Market Funds		Foreign Securities		Municipal Bonds		Aggregate Securities	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	Percent	Fair Value	%
<b>Pooled Investment Fund</b>												
AAA	\$ -	0.0%	\$ 5,582,096	3.1%	\$ 4,369,103	100.0%	\$ -	0.0%	\$ -	0.0%	\$ 9,951,199	2.5%
AA+ to AA-	105,480,227	4.5%	385,220	0.2%	-	0.0%	-	0.0%	7,298,810	19.0%	113,164,257	28.3%
A+ to A-	-	0.0%	18,113,961	10.0%	-	0.0%	-	0.0%	1,684,014	4.4%	19,797,975	5.0%
BBB+ to BBB-	14,061,640	9.2%	87,109,209	48.0%	-	0.0%	13,629,891	59.2%	9,456,827	24.6%	124,257,567	31.1%
BB+ to BB-	-	0.0%	11,842,649	6.5%	-	0.0%	5,000,000	21.7%	3,285,302	8.6%	20,127,951	5.0%
Below BB-	-	0.0%	4,975,000	2.7%	-	0.0%	2,551,833	11.1%	4,925,758	12.9%	12,452,591	3.1%
NR	33,016,781	86.3%	53,575,567	29.5%	-	0.0%	1,833,845	8.0%	11,682,331	30.5%	100,108,524	25.0%
	<u>152,558,648</u>	<u>100.0%</u>	<u>181,583,702</u>	<u>100.0%</u>	<u>4,369,103</u>	<u>100.0%</u>	<u>23,015,569</u>	<u>100.0%</u>	<u>38,333,042</u>	<u>100.0%</u>	<u>399,860,064</u>	<u>100.0%</u>
<b>Consolidated Investment Fund</b>												
AAA	-	0.0%	-	0.0%	506,949	100.0%	-	0.0%	-	0.0%	506,949	28.2%
AA+ to AA-	934,058	100.0%	50,858	14.3%	-	0.0%	-	0.0%	-	0.0%	984,916	54.8%
A+ to A-	-	0.0%	153,201	42.9%	-	0.0%	-	0.0%	-	0.0%	153,201	8.5%
BBB+ to BBB-	-	0.0%	152,528	42.8%	-	0.0%	-	0.0%	-	0.0%	152,528	8.5%
	<u>934,058</u>	<u>100.0%</u>	<u>356,587</u>	<u>100.0%</u>	<u>506,949</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>1,797,594</u>	<u>100.0%</u>
<b>Public Improvement Endowment Fund</b>												
AAA	-	0.0%	41,627	18.8%	-	0.0%	-	0.0%	-	0.0%	41,627	9.2%
AA+ to AA-	232,681	100.0%	42,204	19.1%	-	0.0%	-	0.0%	-	0.0%	274,885	60.6%
A+ to A-	-	0.0%	47,468	21.5%	-	0.0%	-	0.0%	-	0.0%	47,468	10.5%
BBB+ to BBB-	-	0.0%	89,549	40.6%	-	0.0%	-	0.0%	-	0.0%	89,549	19.7%
	<u>232,681</u>	<u>100.0%</u>	<u>220,848</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>453,529</u>	<u>100.0%</u>
<b>Employee Pension Fund</b>												
AAA	-	0.0%	-	0.0%	4,732,887	100.0%	-	0.0%	-	0.0%	4,732,887	5.8%
AA+ to AA-	37,092,522	100.0%	5,689,591	14.5%	-	0.0%	-	0.0%	-	0.0%	42,782,113	52.8%
A+ to A-	-	0.0%	20,859,241	53.1%	-	0.0%	-	0.0%	-	0.0%	20,859,241	25.7%
BBB+ to BBB-	-	0.0%	12,745,600	32.4%	-	0.0%	-	0.0%	-	0.0%	12,745,600	15.7%
	<u>37,092,522</u>	<u>100.0%</u>	<u>39,294,432</u>	<u>100.0%</u>	<u>4,732,887</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>81,119,841</u>	<u>100.0%</u>
<b>Firefighters' Retirement System</b>												
AAA	-	0.0%	-	0.0%	899,471	100.0%	-	0.0%	-	0.0%	899,471	100.0%
	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>899,471</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>899,471</u>	<u>100.0%</u>
<b>Municipal Police Officers' Pension Fund</b>												
AAA	-	0.0%	1,256,519	15.7%	1,026,104	100.0%	-	0.0%	287,590	30.0%	2,570,213	12.2%
AA+ to AA-	10,047,711	100.0%	801,927	10.0%	-	0.0%	310,882	31.5%	452,183	47.2%	11,612,703	55.2%
A+ to A-	-	0.0%	2,284,759	28.5%	-	0.0%	269,430	27.3%	15,036	1.6%	2,569,225	12.2%
BBB+ to BBB-	-	0.0%	2,347,074	29.2%	-	0.0%	158,690	16.1%	-	0.0%	2,505,764	11.9%
BB+ to BB-	-	0.0%	-	0.0%	-	0.0%	51,684	5.2%	-	0.0%	51,684	0.3%
NR	-	0.0%	1,336,445	16.6%	-	0.0%	196,506	19.9%	203,422	21.2%	1,736,373	8.2%
	<u>10,047,711</u>	<u>100.0%</u>	<u>8,026,724</u>	<u>100.0%</u>	<u>1,026,104</u>	<u>100.0%</u>	<u>987,192</u>	<u>100.0%</u>	<u>958,231</u>	<u>100.0%</u>	<u>21,045,962</u>	<u>100.0%</u>
<b>Total:</b>	<u>\$ 200,865,620</u>		<u>\$ 229,482,293</u>		<u>\$ 11,534,514</u>		<u>\$ 24,002,761</u>		<u>\$ 39,291,273</u>		<u>\$ 505,176,461</u>	

(continued)

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

Moody's Rating	US Government Agency Obligations		Corporate Bonds		Money Market Funds		Foreign Securities		Municipal Bonds		Aggregate Securities	
	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	%	Fair Value	Percent	Fair Value	%
<b>Pooled Investment Fund</b>												
Aaa	\$ 105,480,227	69.1%	\$ 833,780	0.5%	\$ 4,369,103	100.0%	\$ -	0.0%	\$ -	0.0%	\$ 110,683,110	27.7%
Aa1 to Aa3	-	0.0%	-	0.0%	-	0.0%	-	0.0%	3,044,233	7.9%	3,044,233	0.8%
A1 to A3	2,932,170	1.9%	5,670,390	3.1%	-	0.0%	-	0.0%	6,311,601	16.5%	14,914,161	3.7%
Baa1 to Baa3	15,666,200	10.3%	68,992,164	38.0%	-	0.0%	13,693,083	59.5%	12,251,134	31.9%	110,602,581	27.6%
Ba1 to Ba3	-	0.0%	10,847,883	6.0%	-	0.0%	3,176,380	13.8%	1,019,750	2.7%	15,044,013	3.8%
Below Ba3	-	0.0%	8,017,000	4.4%	-	0.0%	1,740,000	7.6%	6,900,544	18.0%	16,657,544	4.2%
NR	28,480,051	18.7%	87,222,485	48.0%	-	0.0%	4,406,106	19.1%	8,805,780	23.0%	128,914,422	32.2%
	<u>152,558,648</u>	<u>100.0%</u>	<u>181,583,702</u>	<u>100.0%</u>	<u>4,369,103</u>	<u>100.0%</u>	<u>23,015,569</u>	<u>100.0%</u>	<u>38,333,042</u>	<u>100.0%</u>	<u>399,860,064</u>	<u>100.0%</u>
<b>Consolidated Investment Fund</b>												
Aaa	934,058	100.0%	-	0.0%	506,949	100.0%	-	0.0%	-	0.0%	1,441,007	80.1%
Aa1 to Aa3	-	0.0%	50,858	14.3%	-	0.0%	-	0.0%	-	0.0%	50,858	2.8%
A1 to A3	-	0.0%	254,429	71.3%	-	0.0%	-	0.0%	-	0.0%	254,429	14.2%
Baa1 to Baa3	-	0.0%	51,300	14.4%	-	0.0%	-	0.0%	-	0.0%	51,300	2.9%
	<u>934,058</u>	<u>100.0%</u>	<u>356,587</u>	<u>100.0%</u>	<u>506,949</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>1,797,594</u>	<u>100.0%</u>
<b>Public Improvement Endowment Fund</b>												
Aaa	232,681	100.0%	41,627	18.9%	-	0.0%	-	0.0%	-	0.0%	274,308	60.5%
Aa1 to Aa3	-	0.0%	42,204	19.1%	-	0.0%	-	0.0%	-	0.0%	42,204	9.3%
A1 to A3	-	0.0%	89,102	40.3%	-	0.0%	-	0.0%	-	0.0%	89,102	19.6%
Baa1 to Baa3	-	0.0%	47,915	21.7%	-	0.0%	-	0.0%	-	0.0%	47,915	10.6%
	<u>232,681</u>	<u>100.0%</u>	<u>220,848</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>453,529</u>	<u>100.0%</u>
<b>Employee Pension Fund</b>												
Aaa	37,092,522	100.0%	-	0.0%	4,732,887	100.0%	-	0.0%	-	0.0%	41,825,409	51.6%
Aa1 to Aa3	-	0.0%	3,314,970	8.4%	-	0.0%	-	0.0%	-	0.0%	3,314,970	4.1%
A1 to A3	-	0.0%	21,733,762	55.3%	-	0.0%	-	0.0%	-	0.0%	21,733,762	26.8%
Baa1 to Baa3	-	0.0%	14,245,700	36.3%	-	0.0%	-	0.0%	-	0.0%	14,245,700	17.5%
	<u>37,092,522</u>	<u>100.0%</u>	<u>39,294,432</u>	<u>100.0%</u>	<u>4,732,887</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>81,119,841</u>	<u>100.0%</u>
<b>Firefighters' Retirement System</b>												
Aaa	-	0.0%	-	0.0%	899,471	100.0%	-	0.0%	-	0.0%	899,471	100.0%
	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>899,471</u>	<u>100.0%</u>	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>	<u>899,471</u>	<u>100.0%</u>
<b>Municipal Police Officers' Pension Fund</b>												
Aaa	10,047,711	100.0%	1,759,140	21.9%	1,026,104	100.0%	-	0.0%	275,091	28.7%	13,108,046	62.3%
Aa1 to Aa3	-	0.0%	622,210	7.8%	-	0.0%	158,533	16.1%	554,048	57.8%	1,334,791	6.3%
A1 to A3	-	0.0%	1,978,380	24.6%	-	0.0%	270,886	27.4%	15,036	1.6%	2,264,302	10.8%
Baa1 to Baa3	-	0.0%	2,400,451	29.9%	-	0.0%	178,146	18.1%	-	0.0%	2,578,597	12.3%
Ba1 to Ba3	-	0.0%	78,063	1.0%	-	0.0%	51,684	5.2%	-	0.0%	129,747	0.6%
NR	-	0.0%	1,188,480	14.8%	-	0.0%	327,943	33.2%	114,056	11.9%	1,630,479	7.7%
	<u>10,047,711</u>	<u>100.0%</u>	<u>8,026,724</u>	<u>100.0%</u>	<u>1,026,104</u>	<u>100.0%</u>	<u>987,192</u>	<u>100.0%</u>	<u>958,231</u>	<u>100.0%</u>	<u>21,045,962</u>	<u>100.0%</u>
<b>Total:</b>	<u>\$ 200,865,620</u>		<u>\$ 229,482,293</u>		<u>\$ 11,534,514</u>		<u>\$ 24,002,761</u>		<u>\$ 39,291,273</u>		<u>\$ 505,176,461</u>	

(continued)

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

The City of Lakeland's overall investment policy concentration limits and actual concentration limits in investment types for all funds with the exception of Pension funds, the Survivors' Benefit Fund, the Baldwin Book Fund, the Cemetery Perpetual Care Fund, and the Consolidated Investment Fund. As of September 30, 2018, the investments in the Pooled Investment fund were as follows:

<u>Type of Security (Market)</u>	<u>Maximum % of Total</u>	<u>% of Total</u>
US Government Obligations	100%	0.0%
Local Government Investment Pools	100%	12.1%
Federal Agency & Instrumentality Obligations	100%	32.0%
Asset Backed Securities	25%	31.1%
High Grade Corporate Debt & CP	25%	24.3%
State and Local Government Obligations*	25%	0.0%
Collateralized Repurchase Agreements	15%	0.0%
Certificates of Deposit	10%	0.0%
Other Investment Pools (rated "A" or better)	10%	0.5%

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

Investment policy provides discretion for temporary variances due to market changes, etc.; therefore, the Asset Backed Securities exceeds the maximum percentage, but the percentages are corrected in the subsequent quarter due to changes in the market.. No investments in a single security exceeded 15% of the fixed income portfolio. No individual issue purchased exceeded 50% in relation to the total portfolio.

The City of Lakeland's Consolidated Investment Fund and Public Improvement Endowment Fund are managed in accordance with the guidelines set forth by city ordinance. The investment manager may invest in common stocks, long-term fixed income investments and cash equivalents. Fixed income securities may be US government and agency obligations, obligations guaranteed by the US government, marketable corporate bonds and notes, GNMA's, US agency collateralized mortgage-backed securities, debentures, hybrid securities, commercial paper, and CDs. Up to 10% of fixed income investments may consist of issuers not domiciled in the US. Policy allows for temporary variances due to market shifts and allows the administrator to bring investment allocations into compliance within a short term time frame. As of September 30, 2018 these funds held investments in the following percentages:

<u>Asset Class (Market)</u>	<u>Minimum %</u>	<u>Maximum %</u>	<u>Actual %</u>
<b>Consolidated Investment Fund</b>			
Domestic Equity:			
Large Cap Equity	30%	50%	40.8%
Small/Mid Cap Equity	7%	15%	12.7%
International Equity	15%	30%	14.3%
Total Equity	50%	75%	67.8%
Total Fixed Income (Incl. Cash)	25%	35%	32.2%
<b>Public Improvement Endowment Fund</b>			
Domestic Equity:			
Large Cap Equity	30%	50%	31.4%
Small/Mid Cap Equity	7%	15%	20.1%
International Equity	15%	30%	22.1%
Total Equity	50%	75%	73.6%
Total Fixed Income (Incl. Cash)	25%	35%	26.4%

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

The City of Lakeland's Employee Pension Fund, Firefighters' Retirement System, and Municipal Police Officers' Retirement Fund are each managed by their respective Pension Board of Trustees (Board). The Boards employ investment professionals to oversee and invest the assets of their respective funds. Assets are diversified to minimize overall portfolio risk consistent with the level of expected return to improve the long-term return potential of assets. If at the end of any calendar quarter the allocation of an asset class falls outside its allowable range (barring extenuating circumstances) the asset allocation is rebalanced into the allowable range. As of September 30, 2018 no single company's fixed securities or common stock represented more than 3% and 5% respectively of the market value of assets in any fund. The investment allocation limits and actual percentages for these funds as of September 30, 2018 are as follows:

<u>Asset Class (Market)</u>	<u>Minimum %</u>	<u>Maximum %</u>	<u>Actual %</u>
<b>Employee Pension Fund</b>			
Total Domestic Equity	35.0%	50.0%	44.8%
Total International Equity	10.0%	20.0%	17.8%
Total Global Fixed Income	0.0%	10.0%	4.9%
Total Aggregate Fixed Income	10.0%	40.0%	17.2%
Total Real Estate	0.0%	15.0%	9.6%
Total Cash Composite	0.0%	0.0%	0.2%
Total Alternatives	0.0%	15.0%	5.5%
<b>Firefighters' Retirement System</b>			
Domestic Equities	40.0%	50.0%	45.9%
International Equities	10.0%	20.0%	13.3%
US Core Fixed Income	15.0%	25.0%	19.6%
Total International Fixed	0.0%	10.0%	4.7%
Total Real Return Alternative	0.0%	15.0%	9.9%
Total Real Estate	0.0%	10.0%	5.6%
Cash Account	0.0%	0.0%	1.0%
<b>Municipal Police Officers' Retirement Fund</b>			
Domestic Equity Index	25.0%	45.0%	35.1%
Domestic Equity - Value	7.0%	17.0%	12.1%
Total International Equity	10.0%	20.0%	16.2%
Total Domestic Fixed Income	15.0%	25.0%	16.3%
Total Global Fixed Income	0.0%	7.5%	4.5%
Total Real Estate	0.0%	7.5%	6.4%
Total Real Return	5.0%	15.0%	8.8%
Total Cash Composite	0.0%	0.0%	0.6%

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Pension and Employee Benefit Funds</u>	<u>Agency Funds</u>	<u>Total</u>
<u>Current:</u>					
Unrestricted					
Cash and cash equivalents	\$ 32,033,757	\$ 108,538,890	\$ -	\$ -	140,572,647
Asset Apportionments					
Cash and cash equivalents	217,103	14,475,828	-	-	14,692,931
Cash with paying agent	4,079,781	39,364,462	-	-	43,444,243
Restricted assets					
Cash and cash equivalents	2,391,121	6,371,059	-	-	8,762,180
<u>Non-current:</u>					
Asset Apportionments					
Cash and cash equivalents	7,750,045	182,647,394	-	-	190,397,439
Investments	5,394,534	-	-	-	5,394,534
Restricted assets					
Cash and cash equivalents	33,654,328	59,031,236	7,555,173	7,772,203	108,012,940
Investments	5,525,367	-	832,929,408	-	838,454,775
	<u>\$ 91,046,036</u>	<u>\$ 410,428,869</u>	<u>\$ 840,484,581</u>	<u>\$ 7,772,203</u>	<u>\$ 1,349,731,689</u>
 <u>Totals - all classifications</u>					
Cash and cash equivalents	\$ 76,046,354	\$ 371,064,407	\$ 7,555,173	\$ 7,772,203	\$ 462,438,137
Cash with paying agents	4,079,781	39,364,462	-	-	43,444,243
Investments	10,919,901	-	832,929,408	-	843,849,309
	<u>\$ 91,046,036</u>	<u>\$ 410,428,869</u>	<u>\$ 840,484,581</u>	<u>\$ 7,772,203</u>	<u>\$ 1,349,731,689</u>
 <u>Totals - note disclosures</u>					
Total investments					\$ 1,255,236,789
Investments in transit - Pooled Investments					(4,875,867)
Total deposits					<u>99,370,767</u>
					<u>\$ 1,349,731,689</u>

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 4 – CAPITAL ASSETS**

**A. Capital Activity**

Capital assets of the City as of September 30, 2018, consisted of the following:

	Balance September 30,2017	Additions	Deletions	Balance September 30,2018
<b>Governmental Activities</b>				
Non-depreciable assets				
Land	\$ 57,675,769	\$ 425,796	\$ 22,699	\$ 58,078,866
Construction in process	9,612,499	5,771,701	2,150,227	13,233,973
Depreciable assets				
Buildings	183,714,640	235,199	-	183,949,839
Improvements, other than buildings	64,061,262	748,377	-	64,809,639
Infrastructure	151,529,254	2,577,292	-	154,106,546
Equipment	39,762,246	1,867,867	1,523,520	40,106,593
	<u>506,355,670</u>	<u>11,626,232</u>	<u>3,696,446</u>	<u>514,285,456</u>
Less accumulated depreciation				
Buildings	80,440,906	4,671,429	-	85,112,335
Improvements, other than buildings	34,401,137	2,204,604	-	36,605,741
Infrastructure	57,878,971	5,742,220	-	63,621,191
Equipment	31,994,241	1,860,120	1,457,798	32,396,563
	<u>204,715,255</u>	<u>14,478,373</u>	<u>1,457,798</u>	<u>217,735,830</u>
Net capital assets	<u>\$ 301,640,415</u>	<u>\$ (2,852,141)</u>	<u>\$ 2,238,648</u>	<u>\$ 296,549,626</u>
<b>Business-type Activities</b>				
Non-depreciable assets:				
Land	\$ 47,329,924	\$ 47,998	\$ -	\$ 47,377,922
Construction in process	43,662,720	65,610,757	22,464,779	86,808,698
Depreciable assets:				
Buildings	165,472,888	1,685,604	-	167,158,492
Improvements	85,201,108	4,449,711	-	89,650,819
Machinery and equipment	127,150,812	12,943,202	14,094,730	125,999,284
Electric transmission and distribution	536,799,855	14,009,267	958,154	549,850,968
Water transmission and distribution	154,829,406	4,161,296	856	158,989,846
Pumping stations	33,312,744	852,323	-	34,165,067
Sewer lines	93,907,484	1,613,247	-	95,520,731
Sewer plants	74,745,866	4,202,627	-	78,948,493
Electric and water plant in service	803,323,656	17,346,463	232,770	820,437,349
	<u>2,165,736,463</u>	<u>126,922,495</u>	<u>37,751,289</u>	<u>2,254,907,669</u>
Less accumulated depreciation:				
Buildings	81,288,788	5,124,159	-	86,412,947
Improvements	39,654,825	2,711,242	-	42,366,067
Machinery and equipment	74,269,569	11,143,453	12,398,594	73,014,428
Electric transmission and distribution	213,696,278	15,687,625	1,787,226	227,596,677
Water transmission and distribution	50,829,850	2,966,954	857	53,795,947
Pumping stations	10,170,445	768,005	-	10,938,450
Sewer lines	34,550,547	2,034,162	-	36,584,709
Sewer plants	43,623,627	1,131,395	-	44,755,022
Electric and water plant in service	500,271,409	22,164,690	113,404	522,322,695
	<u>1,048,355,338</u>	<u>63,731,685</u>	<u>14,300,081</u>	<u>1,097,786,942</u>
Net capital assets	<u>\$ 1,117,381,125</u>	<u>\$ 63,190,810</u>	<u>\$ 23,451,208</u>	<u>\$ 1,157,120,727</u>



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**B. Depreciation Expense**

Included in the government-wide Statement of Activities is depreciation expense for the year ended September 30, 2018, distributed to governmental and business-type functions as follows:

Governmental activities:	
General government	\$ 557,432
Public safety	1,404,614
Physical environment	1,037,738
Transportation, including depreciation of general infrastructure assets	5,684,618
Economic environment	366,052
Culture/recreation	5,427,919
Total depreciation expense - governmental activities	<u>\$ 14,478,373</u>
Business-type activities:	
Electric	\$ 39,317,215
Water and Wastewater	8,660,882
Parking	168,298
RP Funding Center	946,723
Lakeland Linder International Airport	4,850,500
Solid Waste	128,300
Internal Service Funds	9,659,767
	<u>63,731,685</u>
Contributions in aid of construction - Lakeland Electric Utilities	(3,372,062)
Total depreciation expense - business-type activities	<u>\$ 60,359,623</u>

**NOTE 5 –INTERFUND BALANCES AND TRANSFERS**

**A. Interfund Receivables and Payables**

Individual fund interfund receivables and payables at September 30, 2018 are presented in the following table.

	<u>Advances to and Due from other funds</u>		
<u>Advances from and Due to other funds</u>	<u>General Fund</u>	<u>Internal Service Funds</u>	<u>Totals</u>
Internal Service Funds	\$ -	\$ 7,016,213	\$ 7,016,213
Nonmajor Enterprise Funds	-	11,571,716	11,571,716
Nonmajor Governmental Funds	114,842	-	114,842
Fiduciary Funds	1,287,593	-	1,287,593
Totals	<u>\$ 1,402,435</u>	<u>\$ 18,587,929</u>	<u>\$ 19,990,364</u>

The interfund balance of the Internal Service Funds represents the unpaid component of internal loans issued from an internal service fund to finance various capital and operating projects. Of this amount, \$16,373,571 is to be repaid over a period exceeding one year. The interfund balance of the General Fund represents the unpaid component of amounts transferred to cover cash deficits in other funds.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**B. Interfund Transfers**

Interfund transfers for the year ending September 30, 2018 are presented in the following table:

Interfund Transfers From:	Interfund Transfers To:					Total
	General Fund	Public Improvement Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 548,193	\$ 41,417	\$ 2,762,147	\$ 688,423	\$ 4,040,180
Public Improvement Fund	5,100,000	-	-	1,885,892	14,450	7,000,342
Nonmajor Governmental Funds	470,402	643,295	152,855	22,771	196,450	1,485,773
Department of Electric Utilities	29,701,896	-	-	-	437,038	30,138,934
Water & Wastewater Utilities Fund	8,575,158	-	-	-	337,782	8,912,940
Nonmajor Enterprise Funds	1,668,193	-	220,012	-	83,144	1,971,349
Internal Service Funds	40,369	-	-	-	201,172	241,541
Total	<u>\$ 45,556,018</u>	<u>\$ 1,191,488</u>	<u>\$ 414,284</u>	<u>\$ 4,670,810</u>	<u>\$ 1,958,459</u>	<u>\$ 53,791,059</u>

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

**NOTE 6 – LONG-TERM LIABILITIES**

**A. Totals by Activity**

The following is a summary of long-term obligation transactions of the City for the year ended September 30, 2018. Additional details are provided on subsequent pages.

	Balance October 1, 2017 (restated)	Incurred	Satisfied	Balance September 30, 2018	Amount Due within One Year
<b>Governmental Activities:</b>					
Notes and loans payable	\$ 2,185,781	\$ 421,921	\$ 686,236	\$ 1,921,466	\$ 458,512
Revenue bonds payable	59,506,594	1,479,692	6,930,693	54,055,593	4,079,781
Net pension liability	88,690,891	16,023,010	26,280,209	78,433,692	-
Net OPEB liability	90,769,290	7,223,248	12,561,435	85,431,103	-
Compensated absences	6,636,459	201,189	94,120	6,743,528	1,428,805
Total Governmental Activities:	<u>247,789,015</u>	<u>25,349,060</u>	<u>46,552,693</u>	<u>226,585,382</u>	<u>5,967,098</u>
<b>Business-type Activities:</b>					
Notes and loans payable	31,066,489	9,319,177	2,390,373	37,995,293	2,303,962
Revenue bonds payable	514,756,073	42,465,308	29,061,273	528,160,108	31,154,375
Net pension liability	92,330,453	19,085,093	33,384,558	78,030,988	-
Net OPEB liability	98,440,728	7,833,725	13,623,073	92,651,380	-
Compensated absences	7,644,409	199,507	187,318	7,656,598	1,007,517
Total Business-type Activities:	<u>744,238,152</u>	<u>78,902,810</u>	<u>78,646,595</u>	<u>744,494,367</u>	<u>34,465,854</u>
	<u>\$ 992,027,167</u>	<u>\$ 104,251,870</u>	<u>\$ 125,199,288</u>	<u>\$ 971,079,749</u>	<u>\$ 40,432,952</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

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

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

<u>Current</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Notes and loans payable	\$ 458,512	\$ 2,303,962	\$ 2,762,474
Payable from apportioned assets:			
Revenue bonds payable	4,079,781	31,154,375	35,234,156
Accrued Liabilities:			
Compensated absences	1,428,805	1,007,517	2,436,322
 <u>Other</u>			
Notes and loans payable	1,462,954	35,691,331	37,154,285
Revenue bonds payable	49,975,812	497,005,733	546,981,545
Accrued liabilities:			
Compensated absences	5,314,723	6,649,081	11,963,804
Net pension liability	78,433,692	78,030,988	156,464,680
Net OPEB liability	85,431,103	92,651,380	178,082,483
	<u>\$ 226,585,382</u>	<u>\$ 744,494,367</u>	<u>\$ 971,079,749</u>

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**B. Revenue Bonds**

Revenue bonds issued and outstanding as of September 30, 2018 are as follows:

<u>Purpose</u>	<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Year-End Balances</u>
<b>Governmental Activities:</b>					
Capital Improvement Refunding Note	2012A	\$ 1,368,107	10/1/2022	0.0175	\$ 1,368,107
Capital Improvement Revenue Bonds	2010A	6,891,986	10/1/2023	3.00 to 5.00	6,891,986
Capital Improvement Revenue Bonds	2010C	3,046,832	10/1/2028	5.929 to 6.029	3,046,832
Taxable Capital Improvement Refunding Revenue Note	2015	4,750,000	10/1/2020	2.00 to 5.00	4,750,000
Capital Improvement Revenue Bonds	2015	37,998,668	10/1/2036	2.00 to 5.00	37,998,668
<b>Total Governmental Activities:</b>					<b>54,055,593</b>
<b>Business Type Activities:</b>					
Capital Improvement Refunding Note	2012A	11,006,893	10/1/2022	0.0175	8,347,893
Capital Improvement Revenue Bonds	2010A	41,598,014	10/1/2023	3.00 to 5.00	4,888,014
Capital Improvement Revenue Bonds	2010B	10,140,000	10/1/2020	4.407	3,425,000
Capital Improvement Revenue Bonds	2010C	18,068,168	10/1/2040	5.929 to 6.029	18,068,168
Capital Improvement Revenue Bonds	2015	134,662,332	10/1/2036	2.00 to 5.00	10,581,332
Taxable Capital Improvement Refunding Revenue Note	2015	250,000	10/1/2020	2.00 to 5.00	250,000
Capital Improvement Revenue Note	2017A	16,370,569	4/1/2032	2.440	15,387,331
Capital Improvement Revenue Note	2017B	15,879,855	4/1/2036	2.440	15,084,374
Water and Wastewater Capital Improvement Note	2015	10,600,000	10/1/2026	2.420	9,387,996
Energy System Revenue and Refunding Bonds	2016	138,650,000	10/1/2036	2.00 to 5.00	130,965,000
Energy System Revenue and Refunding Bonds	2010	199,300,000	10/1/2036	4.000 to 5.250	135,510,000
Energy System Refunding Bonds	2017	97,000,000	10/1/2037	Variable rate	97,000,000
Energy Sytem Revenue Bonds	2018	43,945,000	10/1/2037	3.250 to 5.000	43,945,000
Water and Wastewater Revenue Refunding and Improvement	2012A	37,325,000	10/1/2032	.930 to 5.000	35,320,000
<b>Total Business Type Activities:</b>					<b>528,160,108</b>
					<b>\$ 582,215,701</b>

Capital Improvement Revenue and Refunding Bonds, Series 2010

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

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

The Capital Improvement Revenue Bonds are secured by a covenant to budget and appropriate non-ad valorem revenues of the City in sufficient annual amounts to satisfy the debt service requirements on those bonds in each such fiscal year. The City pledged future non ad-valorem revenues to repay \$79,745,000 Capital Improvement Revenue and Refunding bonds. The total principal and interest remaining to be paid on the Capital Improvement Revenue bonds aggregate \$49,339,468.

The Capital Improvement bonds require the establishment of debt service reserve accounts and sinking funds to accumulate the funds needed to make annual debt service payments. Principal and Interest paid for the current year and total non-ad valorem revenues were \$9,079,493 and \$122,743,519 respectively.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**B. Revenue Bonds (continued)**

Capital Improvement Refunding Note, Series 2012

In September 2013, the City issued Capital Improvement Refunding Notes, Series A, and B, in the amounts of \$15,983,000, and \$1,625,000 respectively, to refund, on a current basis, all of the City's outstanding 2002 Utility Tax Revenue Refunding Bonds, Series A and B, and 2002 Tourist Development Series C and to pay certain costs and expenses relating to the issuance of the Series 2012 Bonds. A portion of the Series 2012A bonds matured on October 1, 2015 and the remainder of the Series 2012A bonds will mature on October 1, 2022. The Series 2012B bonds matured on October 1, 2017. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total remaining principal and interest requirement of these bonds aggregate \$10,147,112.

Taxable Capital Improvement Refunding Revenue Note, Series 2015

In September 2015, the City issued a Taxable Capital Improvement Refunding Revenue Note, Series 2015, in the amount of \$5,000,000, to refund certain prior bonds which were issued to support a downtown redevelopment project and to pay certain costs and expenses relating to the issuance of the Series 2015 note. The series will mature on October 1, 2020. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total remaining principal and interest requirement of these notes aggregate \$5,156,250.

Capital Improvement Revenue Bonds, Series 2015

In May, 2015, the City issued Capital Improvement Revenue Bonds, Series 2015, in the amount of \$51,465,000, to pay a variety of capital improvement projects within the City, including the renovation of Joker Marchant Stadium, the spring training facility for the Detroit Tigers professional baseball team and to pay certain costs and expenses relating to the issuance of the Series 2015 note. The series will mature on October 1, 2036. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total remaining principal and interest requirement of these bonds aggregate \$68,723,476.

Capital Improvement Revenue Notes, Series 2017A and 2017B

In May, 2017, the City issued its Series 2017A and 2017B Capital Improvement Revenue Notes in the amounts of \$16,370,569 and \$15,879,855 respectively. The 2017A Notes were issued to fund improvements at the City's civic center and certain improvements at the Lakeland Linder International Airport. The 2017A Notes bear interest at the rate of 2.44% and mature on April 1, 2032. The 2017B Notes were issued to fund certain other improvements at the Lakeland Linder International Airport. The 2017B Notes bear interest at the rate of 2.10% and mature on April 1, 2026. Both the 2017A and 2017B Notes are payable from non-ad valorem revenues of the City. In addition, the 2017A Notes are payable, in part, from certain tourist development tax revenues payable to the City by Polk County. The total remaining principal and interest requirement of these bonds aggregate \$34,548,964

Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012

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

The Series 2012 Bonds are subject to optional and mandatory redemption payable October 1 of each year. Interest on the Series 2012 Bonds is payable on October 1 and April 1 of each year. The total principal and interest requirement for these bonds aggregate \$48,856,475. The current refunding reduced the aggregate debt service requirement for the City from \$82.2 million to \$71.6 million over the remaining twenty-two-year life of the bonds. The transaction resulted in a recognized net gain on refunding of \$1,849,547, representing the difference in the carrying value of the new debt and the refunded debt, including the write-off and recognition of unamortized bond issue costs associated with each issue.

The Series 2012 Bonds are secured by an irrevocable, valid, and binding lien on and security interest in the gross revenues derived from the operation of the City's Water and Wastewater Utility system, certain connection charges, moneys deposited into certain funds and accounts created by the Bond Ordinance and the earnings thereon, on parity with the Series 2002 Bonds that matured on October 2012, and a portion of the Series 2002 Bonds that matured on October 1, 2016, all of which were not refunded in connection with the issuance of the Series 2012 Bonds, all in the manner and to the extent provided in the Bond Ordinance. The total principal and interest remaining to be paid on the Series 2012 Bonds is \$48,856,475. Principal and interest paid for the current year and total net customer revenues were \$3,280,750 and \$28,166,408 respectively.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**B. Revenue Bonds (continued)**

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

In November 2015, the City issued the Water and Wastewater Revenue Note, Series 2015 in the amount of \$10,600,000 to finance the construction and acquisition of improvements to the City's Water and Wastewater Systems and to pay certain costs and expenses relating to the issuance of the Series 2015 note. The series will mature on October 1, 2025. Principal payments are payable on October 1 of each year and interest payments are payable October 1 and April 1 of each year. The total remaining principal and interest requirement of these bonds aggregate \$10,758,687.

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

In October 2010, the City issued the Energy System Revenue and Refunding Bonds, Series 2010 in the amount of \$199,300,000 to (1) finance certain capital improvements to the electric power system of the City, (2) to refund on a current basis, a portion of the City's outstanding Electric and Water Refunding Revenue Bonds, Series 1999A and to refund on an advance basis, all of the City's outstanding Energy System Revenue Bonds, Series 2001B, (3) to pay costs associated with the termination of a conditional bond warrant agreement, and (4) to pay certain costs and expenses related to the issuance of the Bonds. The bonds mature on October 1, 2036. Principal payments are payable October 1 of each year and interest payments are payable October 1 and April 1 of each year. The remaining principal and interest requirement for these bonds aggregate to \$197,333,213.

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

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

**Energy System Revenue and Refunding Bonds, Series 2016**

In February 2016, the City issued the Energy System Revenue and Refunding Bonds, Series 2016 in the amount of \$138,650,000. The Series 2016 bonds refunded all of the Series 2014 bonds, a portion of the outstanding Series 2006 bonds, and provided \$37.4 million in proceeds to fund Electric System capital projects. The Series 2016 bonds bear fixed interest rates ranging from 2.00% to 5.00%, and mature from October 1, 2016 through October 1, 2036. In concert with the refunding of the 2014 bonds, which were variable rate obligations, the City terminated portions of three associated floating-to-fixed interest rate swaps. The refunding portion of the transaction did not produce net present value savings or a material economic gain or loss. Rather, it was designed to restructure and simplify the Electric System's debt profile. The remaining principal and interest requirements for these bonds aggregate to \$173,301,781. See Footnote 6.F regarding the interest rate swaps associated with the refunding.

The Electric and Energy bonds series are secured by a pledge of operating revenues of the Electric Utility. The total principal and interest remaining to be paid on all of the Electric Revenue Bonds is \$551,478,251. Principal and interest paid for the current year and total net customer revenues were \$40,704,725 and \$99,553,589 respectively.

**Variable Rate Energy System Refunding Bonds, Series 2017**

In August 2017, the City issued the Variable Rate Energy System Refunding Bond, Series 2017 in the amount of \$97,000,000 to pay the City's outstanding Variable Rate Energy System Revenue and Refunding Bonds, Series 2012 that were scheduled to mature on October 1, 2017. Immediately prior to this 2017 refunding, the City paid down \$3,000,000 of outstanding principal on the Series 2012 Bonds. The 2017 bonds mature on October 1, 2022. The bonds bear a variable rate of interest equal to the one-month LIBOR index plus 0.52 percent. Principal payments of \$1,795,000 and \$7,000,000 are payable on April 1, 2019 and 2020, respectively. Interest payments are payable on the first business day of each month. Although the 2017 bonds bear a variable rate of interest, they have been effectively converted to a fixed rate as a result of pre-existing interest rate swap agreements. There was no gain or loss on refunding of the debt.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**B. Revenue Bonds (continued)**

Energy System Revenue Bonds, Series 2018

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

As of September 30, 2018, the City is in compliance with all required covenants of the bond ordinances, including compliance with federal arbitrage regulations.

**C. Promissory Notes**

Outstanding loans as of September 30, 2018 are as follows:

<u>Lender</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Year-End Balance</u>
<b>Governmental Activities:</b>				
US Bancorp	\$ 1,280,000	2/10/2022	3.07%	\$ 458,005
Nally Property	455,000	1/01/2018	N/A	2,500
Key Financial	975,000	3/21/2021	4.24%	283,544
Gradall Telescope Excavators	784,107	11/15/2023	5.75%	615,963
Santander Leasing LLC - Cues Truck	252,000	11/15/2021	2.68%	164,581
Konica Minolta Business Solutions	9,175	4/1/2020	3.27%	4,955
Canon Financial Services	7,275	11/1/2020	12.95%	4,400
PNC	776,379	12/1/2021	2.85 to 3.577%	387,518
<b>Total Governmental Activities:</b>				<u>1,921,466</u>
<b>Business Type Activities:</b>				
Wastewater Revolving Loan Program	1,649,093	10/15/2035	1.69%	1,212,830
Wastewater Revolving Loan Program	42,734,405	9/30/2028	2.96%	24,734,896
Wastewater Revolving Loan Program	12,284,141	1/15/2040	0.44%	9,145,795
Wastewater Revolving Loan Program	10,843,750	12/15/2042	1.16%	1,675,687
Wastewater Revolving Loan Program	1,000,000	11/15/2039	1.16%	573,905
Wastewater Revolving Loan Program	1,050,000	12/15/2042	1.16%	172,763
US Bancorp	1,166,640	2/10/2022	3.07%	479,417
<b>Total Business Type Activities:</b>				<u>37,995,293</u>
				<u>\$ 39,916,759</u>

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

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

As of September 30, 2018, the City is in compliance with all covenants of these loan agreements.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**D. Conduit Debt**

The City has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. This includes bonds issued to provide financial assistance for the acquisition and construction of retirement and nursing home facilities having an unmatured principal balance of \$21,689,936 as of September 30, 2018; bonds issued to finance capital improvements at the Lakeland Regional Health having an unmatured principal balance of \$313,395,000 as of September 30, 2018; and bonds issued to finance and refinance the acquisition, construction, and equipping of educational facilities located in the City of Lakeland having an unmatured principal balance of \$35,610,000 as of September 30, 2018.

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

**E. Debt Service Requirement to Maturity**

The requirements to repay all long-term debt outstanding as of September 30, 2018 are summarized in the following table.

Year	Governmental Activities:		Business Type Activities:	
	Principal	Interest	Principal	Interest
2019	\$ 4,538,293	\$ 1,915,493	\$ 33,458,337	\$ 18,329,034
2020	3,855,997	1,764,682	37,005,206	18,888,527
2021	8,117,992	1,843,905	39,889,155	17,386,268
2022	3,090,139	1,427,465	28,366,828	16,414,849
2023	5,678,215	2,004,164	24,864,919	14,514,108
2024-2028	12,303,838	5,042,853	136,586,249	57,927,668
2029-2033	10,791,936	2,690,014	135,016,189	31,543,302
2034-2038	7,600,649	503,989	126,397,141	9,523,073
2039-2043	-	-	4,571,377	221,571
	<u>\$ 55,977,059</u>	<u>\$ 17,192,565</u>	<u>\$ 566,155,401</u>	<u>\$ 184,748,400</u>

**F. Interest Rate Swaps**

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

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

In the case of the City’s interest rate swaps, effectiveness testing measures the extent to which the terms of the interest rate swaps insulated the City from changes in the market rate of interest payable on the bonds. All of the interest rate swaps employed by the City have passed at least one of the effectiveness tests prescribed by the GASB 53. Accordingly, the market values of the derivatives are recorded as offsetting items on the balance sheet i.e. recognition of changes in fair market value are deferred. The fair value of Lakeland Electric’s interest rate swaps as of September 30, 2018 was (\$20,205,867).



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

**2004 Basis Swap**

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

Under the swap agreement, the City pays Citigroup Financial Products Inc. (the counterparty) a payment equal to the notional amount of the swap times an interest rate equal to the SIFMA Municipal Bond index. In return, the counterparty pays the City an amount equal to the notional amount times an interest rate equal to 68 percent of the three-month USD-LIBOR-BBA index, plus a spread of 0.46%. To the extent the relationship between SIFMA and LIBOR approximates a marginal tax rate of more than 33 percent; the net borrowing costs on the underlying debt will be reduced. During FY2018 the counterparty paid the City about \$0.3 million under the agreement, reducing the City's net borrowing cost by that amount. Since inception, the counterparty has paid the City approximately \$11.0 million, reducing the City's net borrowing cost since 2004, by that amount. Settlement payments to the City have been positive in each fiscal year since inception.

On September 7, 2018 the City of Lakeland optionally terminated the 2004 Basis Swap. The City received a termination payment of \$2,173,000 from the swap counterparty, Citigroup Financial Products, Inc.

**Variable Rate Hedges**

As a means to hedge the variable rate risk exposure related to certain variable rate Electric System bonds, the City has entered into several interest rate swap agreements. These agreements, which were entered into between 2001 and 2008, were related to certain prior variable rate debt, which has been refunded. The City has elected to apply the existing swap agreements to hedge the new variable rate refunding debt. In August 2017, the City issued the Variable Rate Energy System Refunding Bond, Series 2017 which refunded the outstanding Series 2012 bonds, which were variable rate obligations. Concurrently, the City modified the terms of several of the outstanding variable rate hedges to bring them into closer alignment with the outstanding variable rate bonds. No termination payments were made. The existing swap agreements are summarized in the chart below:

Notional 9/30/2018	Counterparty	Start Date	Maturity Date	City Receives	City Pays	Fair Market Value 9/30/2018
24,772,000	Goldman Sachs Mitsui Marine Derivative Products, LP	10/2/2017	10/1/2035	67% of 1 mo. LIBOR	3.92%	\$ (5,689,212)
14,053,000	Citigroup Global Markets Holdings, Inc.	8/29/2017	10/1/2035	67% of 1 mo. LIBOR	3.92%	(3,163,080)
47,860,000	Citigroup Global Markets Holdings, Inc.	1/22/2003	10/1/2037	67% of 1 mo. LIBOR	3.74%	(11,156,795)
1,520,000	Goldman Sachs Mitsui Marine Derivative Products, LP	10/2/2017	10/1/2035	67% of 1 mo. LIBOR	3.16%	(196,780)
						<u>\$ (20,205,867)</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

As a result of the swap agreements, the City will receive variable rate payments equal to 67% of LIBOR times the notional amount of the swap agreements. The notional amount of the swap agreements roughly corresponds to the outstanding amount of the Series 2017 variable rate bond. In return, the City will make fixed rate payments of between 3.163% and 3.92% times the notional amount of the swap agreements. These agreements fix the variable rate exposure of the 2017 bond at the fixed rates noted above (plus the fixed rate spread paid on the bond) to the extent that the variable rate payments received by the City under the swap agreements are equal to the variable rates paid by the City on the 2017 Bond. Over time the variable rates paid and received are expected to be equivalent.

On September 7, 2018, the City optionally terminated basis swap with a notional value of \$90,000,000 related to its variable rate debt. The City received a termination payment of \$227,000 from the counterparty, Citigroup Financial Products, Inc.

The swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, bankruptcy, or rating downgrades to either counterparty. As of September 30, 2018, the City was not subject to credit risk with its counterparties because the fair market values of the swap agreements were negative.

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

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

In May 2014, the City defeased certain special obligations bonds by transferring an existing escrow and pledging it to the payment of the new bonds. At September 30, 2018, \$25,218,774 of special obligation bonds outstanding are considered defeased. Accordingly, the assets and the liability for the defeased bonds are not included in the City's financial statements. The special obligation bonds are defeased by an escrow consisting of U.S. Treasury bonds and notes. This City is not allowed to restructure or replace the escrow with other types of securities.

**NOTE 7 – INTEREST EXPENSE**

All interest expense of governmental activities is disclosed separately from related functional expenses on the government-wide Statement of Activities. Interest expense of business-type activities is consolidated into the functional expense categories on the government-wide Statement of Activities. The total amount of interest charged to expenses and the total amount capitalized for the year ended September 30, 2018 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Amount charged to expense	\$ 2,214,004	\$ 23,243,194
Add: interest expense capitalized	-	2,024,035
Total	<u>\$ 2,214,004</u>	<u>\$ 25,267,229</u>

**NOTE 8 – LEASES**

The Lakeland Linder International Airport leases land and commercial and industrial space to a variety of tenants. These leases contain terms ranging from 1 to 60 years. Total revenue earned under these leases for the year ended September 30, 2018 was \$6,343,477. The City has leased the operations of the Lakeland Regional Health to a private not-for-profit corporation. A new amendment was entered into in August 2015. Under the terms of this amendment, the lessee paid the City \$13,254,750 for fiscal year 2016 and \$13,254,750 plus a 2.75% annual escalation starting in fiscal year 2017 through fiscal year 2040. This lease expires in September 2040, and may be extended by mutual agreement. The amount recorded as lease revenues in the current year is \$13,993,785. The projected lease revenue on leases having initial or remaining terms of more than one year is as follows.

<u>Fiscal Year</u>	<u>Airport</u>	<u>LRH</u>
2019	\$ 4,929,542	\$ 14,378,615
2020	6,340,818	14,774,027
2021	6,630,869	15,180,313
2022	7,120,356	15,597,772
2023	6,838,314	16,026,711
Thereafter	32,901,664	350,879,913
Total future minimum lease revenue	<u>\$ 64,761,563</u>	<u>\$ 426,837,351</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 8 – LEASES (continued)**

Included in the description of long-term liabilities in Note 6 is the carrying value of capital leases that the City has entered into for the acquisition of golf carts and maintenance for the benefit of the City-owned golf course, (2) Gradall Excavators to assist Construction and Maintenance with projects, a Cues truck for Stormwater maintenance, (2) copiers, and various HVAC Equipment purchases and installations at the RP Funding Center. Information about these leases is as follows:

Assets acquired under capital lease program:	
Machinery and equipment:	
Original cost	\$ 4,275,575
Carrying value	2,666,253
Current depreciation expense	439,716

Lease obligations remaining to be paid:	
Current	460,643
Long-Term	1,654,196
	<u>\$ 2,114,839</u>

Future minimum lease payments:			
	<u>Total</u>	<u>Interest</u>	<u>Net</u>
2019	\$ 523,457	\$ 62,814	\$ 460,643
2020	516,182	48,278	467,904
2021	512,358	33,433	478,925
2022	514,926	17,291	497,635
2023	113,160	4,415	108,745
2024	101,430	443	100,987
	<u>\$ 2,281,513</u>	<u>\$ 166,674</u>	<u>\$ 2,114,839</u>

**NOTE 9 – DONOR RESTRICTED ENDOWMENTS**

The City is the recipient of donor-restricted endowments used to finance maintenance of a mausoleum located at a City-owned cemetery, to finance maintenance of City-owned cemeteries, and to purchase reading materials for the City-owned library system. Total assets held by the City for these endowments equaled \$5,628,454 and total nonspendable fund balances were 5,282,291 as of September 30, 2018. The dollar value of these assets experienced a net increase of \$437,724 for the year ended September 30, 2018.

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

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

**NOTE 10 – RISK FINANCING ACTIVITIES**

The City has established a self-insurance fund for worker's compensation, general liability, automobile liability, prescriptions, and health insurance. Significant losses from other forms of risk, including property damage, are covered by commercial insurance. Settlements exceeded the cost of insurance coverage in Fiscal Year 2016-2017 as a result of the McIntosh Power Plant Unit 5 GSU Transformer claim. Settlements have not exceeded the cost of insurance coverage in Fiscal Year 2015-2016 nor 2017-2018.

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

The IBNR reserve for the self-insurance reserve portion of the fund is the actuarially determined funding requirement minus any unpaid claims outstanding at year-end (current liability). As of September 30, 2018, the current claims due within one year for the self-insurance reserve portion were \$3,951,000. The IBNR reserve for the health insurance reserve portion of the fund is actuarially determined, plus any unpaid claims outstanding at year-end (current liability). As of September 30, 2018, the claims due within one year for the health insurance reserve portion were \$1,798,892. City policy requires that all claims be submitted to the administrator within 90 days of the date of service. Claims received after that period will not be paid. However, any possible liability related to any such claims must be recognized. Expenses resulting from these claims could be incurred over subsequent periods.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 10 – RISK FINANCING ACTIVITIES (continued)**

The City has also purchased a stop-loss policy to reduce the City's exposure to large losses on health insurance claims. This policy reimburses the City for expenses related to claims exceeding \$435,000. As of September 30, 2018, the City paid \$1,094,810 in premiums for its stop-loss insurance policy and no amounts were deducted from claims liability.

All claims pending and a provision for incurred but not reported claims have been accrued in the financial statements of the self-insurance fund. A reconciliation of the change in the aggregate liabilities reported as liabilities payable from apportioned assets in the Basic Financial Statements of the self-insurance fund as of September 30, 2018 is as follows:

	<u>2018</u>	<u>2017</u>
Claims liability at beginning of year	\$ 21,941,867	\$ 20,069,685
Claims incurred during the year	(33,268,555)	(32,321,091)
Changes in the estimate for claims	721,508	1,431,730
Claims payments	32,870,238	32,761,543
Claims liability at end of year	<u>\$ 22,265,058</u>	<u>\$ 21,941,867</u>
Amount due within one year		
Self insurance reserve	\$ 4,027,038	\$ 5,693,979
Health insurance reserve	2,119,020	2,479,888
Total amount due within one year	<u>\$ 6,146,058</u>	<u>\$ 8,173,867</u>

**NOTE 11 – UTILITY PLANT PARTICIPATION AGREEMENT**

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

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

The City has operational control of this project and accounts for its undivided ownership interest based on its pro-rata share of the project's construction costs and operating expenses. Capital costs related to renewal and replacement of Unit 3 during fiscal year 2018 were \$5,086,466 with an OUC share of \$3,390,978. Shared operating expenses for the fiscal year ending September 30, 2018 were as follows:

	<u>City Share</u>	<u>OUC Share</u>	<u>Total</u>
McIntosh unit #3 fuel expense	\$ 38,264,708	\$ 25,509,806	\$ 63,774,514
McIntosh unit #3 direct operating & maintenance expenses	10,552,026	7,034,684	17,586,710
Other shared operating and administrative expenses	5,917,982	3,945,321	9,863,303
	<u>\$ 54,734,716</u>	<u>\$ 36,489,811</u>	<u>\$ 91,224,527</u>

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

**NOTE 12 – FUND BALANCES**

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

- Non-spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. This includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.
- Restricted Fund Balance – Amounts that are restricted for a specific purpose when constraints are (a) externally imposed by creditors (through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

- Committed Fund Balance – Amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action (ordinance) of the City Commission, the City's highest level of decision making authority.
- Assigned Fund Balance – Spendable amounts established by Management of the City (i.e. City Manager or designee), per the City's expenditure and budgetary policy, intended to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds (Debt Service, Capital Projects, and Special Revenue Funds), other than the general fund that are not classified as non-spendable and are neither restricted or committed and (b) amounts in the general fund intended to be used for a specific purpose.
- Unassigned Fund Balance – The residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**A. Non-Spendable Fund Balance**

Non-Spendable fund balance as of September 30, 2018 is described below:

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

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

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

**B. Restricted Fund Balance**

Restricted fund balance as of September 30, 2018 is described below:

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

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

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

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

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

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

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**C. Committed Fund Balances**

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

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

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

**D. Assigned Fund Balances**

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

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

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

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

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

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

**E. Unassigned Fund Balances**

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

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

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**E. Unassigned Fund Balances (continued)**

The governmental fund balance in detail as of September 30, 2018 is as follows:

	General Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable				
Prepays	\$ 14,848	\$ -	\$ 201	\$ 15,049
Cemetery Endowment	-	-	5,252,815	5,252,815
Permanent Fund Principal	-	-	29,476	29,476
Restricted for:				
CRA	-	-	7,885,194	7,885,194
Law Enforcement	839,240	-	-	839,240
Impact Fee Programs	-	-	16,683,884	16,683,884
Transportation	-	-	5,529,857	5,529,857
Capital Improvement	-	196,639	-	196,639
Donations Received	730,998	-	231,321	962,319
Grant Programs:				
Community Development	-	-	191,962	191,962
Debt Service	-	1,863,692	-	1,863,692
Committed to:				
Working Capital	-	5,494,483	-	5,494,483
Stormwater	-	-	4,707,680	4,707,680
Assigned to:				
Subsequent Year's				
Expenditures	7,849,813	-	-	7,849,813
Cultural Activities	250,972	-	-	250,972
Debt Service	-	2,345,461	-	2,345,461
Recreational Facilities	601,759	-	-	601,759
Capital Projects	-	11,144,306	-	11,144,306
Unassigned	11,700,633	-	(1,525)	11,699,108
Total Fund Balance	\$ 21,988,263	\$ 21,044,581	\$ 40,510,865	\$ 83,543,709

**NOTE 13 – DEFINED BENEFIT PENSION PLANS**

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

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

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

On-behalf Payments - Within the basic financial statements, the proceeds of the excise tax from the State of Florida in The City of Lakeland Firefighters' Retirement System and the Police Officers' Defined Benefit Retirement System are recorded as operating grants and contributions and public safety expenses in the amounts of \$731,610 and \$930,510 respectively in the Government-wide Statement of Activities.

For the fiscal year ended September 30, 2018, the City recognized an aggregate pension expense of \$28,177,545.

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

Summary of Significant Accounting Principles

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

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

Plan Description

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

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

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

Pension plan membership for the Plan as of the actuarial valuation date October 1, 2016 is shown in the following table.

Active plan members	1,422
Retirees and beneficiaries	1,070
DROP Participants	192
Terminated vested plan members	68
Transferred Members	17
	<u>2,769</u>



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

Deferred Retirement Option Plan (DROP)

A Deferred Retirement Option Plan (DROP) was enacted on December 19, 2009 by Ordinance 4727. Under this Plan, participants who have attained eligibility may continue working with the city for up to sixty months while receiving a retirement benefit that is deposited into a DROP account. At October 1, 2016, there were 192 DROP participants.

Cost of Living Adjustment No cost of living increase was awarded for fiscal year 2018.

Funding Policy, Contributions Required, and Contributions Made

The City obtains an annual review by an independent actuary utilizing census data covering both retired and active plan members and balance sheet data regarding net position of the Plan based on an effective date of October 1 with the report being issued within 6 months of the fiscal year. This review is used to determine the required funding level upon which the City bases its annual contribution to the Employees' Pension and Retirement System for the budget year commencing after the issuance of that report. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute at least quarterly to the fund in an amount equal to the required city contribution as shown by the applicable actuarial valuation system. The actuarial experience 1.20 and the Amortization Payment on UAAL (0.38) are added to the prior Contribution Rate (19.27%), plus Change in Cost Sharing (0.38), assumption change of (0.18), a variable rate of (0.04), Change in Normal Cost Rate (0.10) and actuarial experience from DROP variable interest rate option (.04) to calculate the current year Contribution Rate of 19.75%. For the year ended September 30, 2018, the City contributed \$15,473,351, the employees contributed \$7,593,222, including buybacks.

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

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

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

Net Pension Liability

The City's actuarial valuation date is October 1, 2016 rolled forward to September 30, 2017 and net pension liability was measured as of September 30, 2017.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

*Actuarial assumptions.* The total pension liability in the October 1, 2016 actuarial evaluation rolled-forward to September 30, 2017 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.25%
Salary increases	4.0% to 12.50% depending on service, including inflation
Inflation rate	2.50%
Post-retirement benefit increases	N/A
Retirement rate	(1)
Mortality table	The RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. (2)

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

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

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

The projected long-term real rate of return for the Plan net of investment expenses is 6.126%. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of measurement date September 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table as required by GASB 67 and 68:

Asset Class (Market)	Target Allocation	Long-Term Expected Real Rate of Return	Asset Group Contribution
Domestic Equity	35.00%	7.50%	2.625%
International Equity	15.00%	8.50%	1.275%
Domestic Bonds	15.00%	2.50%	0.375%
International Bonds	5.00%	3.50%	0.175%
Real Estate	10.00%	4.50%	0.450%
Alternate Assets	20.00%	6.13%	1.226%
Total Investments	100.00%		6.126%

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning balances	\$ 664,920,640	\$ 529,861,611	\$ 135,059,029
Changes for the year:			
Service cost	12,438,914	-	12,438,914
Interest	47,570,311	-	47,570,311
Difference between actual & expected experience	2,417,270	-	2,417,270
Contribution - employer	-	14,739,830	(14,739,830)
Contribution - employee	-	7,600,019	(7,600,019)
Projected Earnings on investments	-	37,677,787	(37,677,787)
Difference between projected & actual earnings	-	29,891,605	(29,891,605)
Assumption changes	7,390,055	-	7,390,055
Benefit payments	(41,464,441)	(41,464,441)	-
Refunds	(970,232)	(970,232)	-
Administrative Expense	-	(241,172)	241,172
Net Changes	<u>27,381,877</u>	<u>47,233,396</u>	<u>(19,851,519)</u>
Ending Balances	<u>\$ 692,302,517</u>	<u>\$ 577,095,007</u>	<u>\$ 115,207,510</u>

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

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

	1.00% Decrease Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase Rate (8.25%)
City's net pension liability	\$ 188,694,689	\$ 115,207,510	\$ 53,345,202

Changes in Assumptions

The following changes in assumptions affected the measurement of the total pension liability since the prior measurement date:

- The mortality assumption was changed to the mortality rates used by the Florida Retirement System (FRS) for regular class members of the FRS, as mandated by Florida House Bill 1309.
- The assumed rate of inflation was lowered from 3.0% to 2.5%.
- The assumed rates of salary increase, payroll growth, retirement, and employment termination were updated to reflect observed experience covering ten years ending September 30, 2016.

Pension Plan Fiduciary Net Position

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

For the fiscal year ended September 30, 2018, the City recognized pension expenses of \$19,609,390. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 1,891,777	\$ 903,876
Net Difference between projected and actual earnings	-	11,488,912
Changes of Assumptions	5,783,521	-
Cost Share Change	2,469,384	2,469,384
Contributions Subsequent to the Measurement Date	15,473,351	-
Total	<u>\$ 25,618,033</u>	<u>\$ 14,862,172</u>

\$15,473,351 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Total</u>
2019	\$ 1,078,232
2020	2,296,322
2021	(3,392,938)
2022	(4,699,106)
2023	-
Thereafter	-
	<u>\$ (4,717,490)</u>

Payable to the Pension Plan

At September 30, 2018, the City reported a payable of \$949,817 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2018.

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

Summary of Significant Accounting Principles

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

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

**Plan Description**

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

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

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

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

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

Pension plan membership for the Plan as of the actuary report dated October 1, 2016 is shown in the following table.

Active plan members	212
Retirees and beneficiaries	183
DROP Participants	20
Terminated vested plan members	25
	<u>440</u>

**Deferred Retirement Option Plan (DROP)**

Any participant who is eligible to receive a normal retirement pension benefit may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a police officer. Upon participation in the DROP, the participant becomes a retiree for all plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. Participation in the DROP ceases for a member after the 60 months. At October 1, 2016, there were 20 DROP participants.

**Partial Lump Sum Option Plan (PLOP)**

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

**Cost of Living Adjustment**

No cost of living increase was awarded for fiscal year 2018.

**Funding Policy, Contributions Required, and Contributions Made**

The Tier 2 participant contribution rate is re-determined each year, such that the increase in the City's required contribution and the participant's required contribution are equal. The required participant's contribution rate for Tier 2 and Tier 3 were 15.71% and 1.00% respectively for the fiscal year ended September 30, 2018.

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

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

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

The City's actuarially determined contribution rate for the year ended September 30, 2018 was 19.89%. For the year ended September 30, 2018, the City contributed \$3,339,013 and the employees contributed \$2,512,699.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the October 1, 2016 actuarial evaluation rolled-forward to September 30, 2017 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%
Salary increases	5% - 15%
Inflation rate	2.50%
Mortality table	
Active employees	Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.
Retired pensioners	Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB. Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.
Disabled pensioners	Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of measurement date September 30, 2017 are summarized in the following table:

Asset Class (Market)	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity value	40.00%	7.50%
International	15.00%	8.50%
Fixed income	25.00%	2.50%
Global fixed income	5.00%	3.50%
Alternative	10.00%	3.50%
Real estate	5.00%	4.50%
TOTAL	100.00%	

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan members’ contributions will be made at the current contribution rate and the City contributions will be made at the rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.50%) was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Changes for the year:			
Service cost	\$ 2,795,894	\$ -	\$ 2,795,894
Interest	11,149,058	-	11,149,058
Gain share reserve	425,192	-	425,192
Share plan allocation	77,471	-	77,471
Benefit changes	40	-	40
Contribution - employer	-	2,691,292	(2,691,292)
Contribution - employee	-	2,024,438	(2,024,438)
Contribution - state	-	856,398	(856,398)
Projected Earnings on investments	-	8,465,385	(8,465,385)
Changes of Assumptions	3,019,734	-	3,019,734
Difference between actual & expected experience	(808,693)	-	(808,693)
Difference between projected & actual earnings	-	4,247,590	(4,247,590)
Benefit payments	(7,542,647)	(7,542,647)	-
Contributions - buy back	162,221	162,221	-
Administrative Expense	-	(198,498)	198,498
Other (Misc. income)	-	3,202	(3,202)
Net Change	<u>9,278,270</u>	<u>10,709,381</u>	<u>(1,431,111)</u>
Total - Beginning	<u>144,383,932</u>	<u>108,627,007</u>	<u>35,756,925</u>
Total - Ending	<u>\$ 153,662,202</u>	<u>\$ 119,336,388</u>	<u>\$ 34,325,814</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate.

	Decrease Rate (6.50%)	Discount Rate (7.50%)	Increase Rate (8.50%)
City’s net pension liability \$	\$ 51,443,791	\$ 34,325,814	\$ 20,847,930



**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

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

Pension Plan Fiduciary Net Position

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

Changes in Assumptions

The following changes in assumptions affected the measurement of the total pension liability since the prior measurement date:

- The investment return assumption was reduced from 7.75% to 7.50%, net of investment expenses.
- The assumed rates of individual salary increases were changed at several different service brackets.
- The assumed rates of retirement were changed for 26 and 27 years of service.
- The assumed rates of turnover were increased by 50% at each age.
- The mortality assumption was changed to the mortality rates used by the Florida Retirement System (FRS) for regular class members of the FRS, as mandated by Florida House Bill 1309.
- The inflation rate was lowered from 3.00% to 2.50%.

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

For the fiscal year ended September 30, 2018, the City recognized pension expenses of \$5,491,949 at September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to measurement date	\$ 4,269,523	\$ -
Difference between actual and expected experience	-	2,427,039
Changes of assumptions	4,864,186	-
Net difference between projected and actual earnings	-	152,151
Total	<u>\$ 9,133,709</u>	<u>\$ 2,579,190</u>

\$4,269,523 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended September 30th:	
2019	\$ 1,274,290
2020	1,636,294
2021	(218,278)
2022	(407,310)
	<u>\$ 2,284,996</u>

Payable to the Pension Plan

At September 30, 2018, the City reported a payable of \$945,741 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2018.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 13 - DEFERRED BENEFIT PENSION PLANS (continued)**

**C. Firefighters' Retirement System**

Summary of Significant Accounting Principles

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

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

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

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

Plan Description

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

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

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

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

The amount of the normal retirement benefit is as follows:

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**C. Firefighters' Retirement System (continued)**

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

(1) Prior to Vesting. The beneficiary of a deceased member who was not yet vested, or who has no surviving spouse, shall receive a refund of 100% of the member's accumulated contributions, without interest.

(2) Deceased Firefighters with Ten or More Years Credited Service. For any actively employed member who has ten or more years of credited service as of his date of death, his or her beneficiary is entitled to the benefits otherwise payable to the member at early or normal retirement age.

Pension plan membership for the Plan as of October 1, 2016 is shown in the following table.

Active plan members	151
Retirees and beneficiaries	107
DROP Participants	12
Terminated vested plan members	12
	<u>282</u>

**Deferred Retirement Option Plan (DROP)**

Any eligible participant may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a firefighter. Upon participation in the DROP, the participant becomes a retiree for all plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. An eligible member may participate in DROP for a maximum of sixty months or any time before and must provide a thirty-day advance notice.

**Back DROP**

An eligible member may elect the Back-DROP option and must immediately retire and terminate city employment, and is not eligible to participate in DROP or PLOP. Under this option, a member receives a lump sum amount equal to up to sixty months of retirement benefits plus interest at a rate of 3% per annum, upon entry into the DROP, deposited into the DROP account. The member's monthly benefit is actuarially reduced to reflect the actuarial cost to the system of the lump sum amount. The monthly pension benefit is calculated based on the benefit levels in place on the date the member first became eligible for DROP.

**Partial Lump Sum (PLOP)**

A member with twenty-five (25) or more years of credited service who is eligible for normal or early retirement may, at the time of retirement or entry into DROP, elect to receive or have deposited into the member's DROP account, up to a maximum of twenty percent (20%) in five percent increments, of the total actuarial equivalent value of the member's accrued benefit paid as a lump sum, with the remaining percentage paid in a monthly amount in accordance with the option selected by the member. The benefit amount of the member who has attained age 50 but is not eligible for normal retirement upon electing a partial lump sum option shall be reduced in accordance with the terms of the Plan. The benefit amount of a member who elects a partial lump sum option prior to age 50 shall be actuarially reduced to reflect the actuarial cost to the system of the partial lump sum option.

At October 1, 2016 there were 12 DROP participants.

**Cost of Living Adjustment**

No cost of living increase was awarded for fiscal year 2018.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**C. Firefighters’ Retirement System (continued)**

Funding Policy, Contributions Required, and Contributions Made

As of September 30, 2018, participants were required to contribute 7.24% of their annual earnings to the Plan. The exception is for members that were already participating in the Employees Plan DROP Plan. These participants will contribute 3% of their annual earnings. Prior to October 1, 1995, contributions to the System were made on an after-tax basis. Subsequent to this date, contributions are made on a pre-tax basis pursuant to an amendment to the Plan terms. These contributions are designated as employee contributions under Section 414(h)(2) of the Internal Revenue Code. Contribution requirements of the Plan’s participants are established and may be amended by the City of Lakeland, Florida. The City’s funding policy is to make actuarially computed monthly contributions to the Plan in amounts, such that when combined with participants’ contributions and the State insurance excise tax rebate, all participants’ benefits will be fully provided for by the time that they retire.

The City’s actuarially determined contribution rate for the year ended September 30, 2018 was 12.97%. For the year ended September 30, 2018, the City contributed \$1,575,442 and the employees contributed \$948,721.

Net Pension Liability

The City’s net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability in the October 1, 2016 actuarial evaluation rolled-forward to September 30, 2017 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%
Salary increases	5.00% to 15.00%
Inflation rate	2.50%
Mortality table	
Active employees	Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.
Retired pensioners	Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.
Disabled pensioners	Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of measurement date September 30, 2017 are summarized in the following table:

<u>Asset Class (Market)</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	40.00%	7.50%
International Equity	15.00%	8.50%
US Core Fixed Income	25.00%	2.50%
International Fixed Income	5.00%	3.50%
Real Return Alternative	12.50%	5.00%
REITS	2.50%	2.50%
<b>TOTAL</b>	<b>100.00%</b>	

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**C. Firefighters’ Retirement System (continued)**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Changes for the year:			
Service cost	\$ 2,181,230	\$ -	\$ 2,181,230
Interest	7,283,494	-	7,283,494
Contribution - employer	-	1,410,862	(1,410,862)
Contribution - employee	-	697,667	(697,667)
Contribution - state	-	726,180	(726,180)
Projected Earnings on investments	-	6,491,210	(6,491,210)
Difference between actual & expected experience	(414,996)	-	(414,996)
Difference between projected & actual earnings	-	3,107,980	(3,107,980)
Benefit payments	(5,846,514)	(5,846,514)	-
Contributions - buy back	170,424	170,424	-
Administrative Expense	-	(110,237)	110,237
Other (Misc. Income)	-	100	(100)
Net Change	3,373,638	6,647,672	(3,274,034)
Total - Beginning	97,661,480	87,456,090	10,205,390
Total - Ending	\$ 101,035,118	\$ 94,103,762	\$ 6,931,356

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	Decrease Rate (6.50%)	Discount Rate (7.50%)	Increase Rate (8.50%)
City’s net pension liability	\$ 18,304,669	\$ 6,931,356	\$ (2,599,226)

Changes in Assumptions

The following changes in assumptions affected the measurement of the total pension liability since the prior measurement date:

- The mortality assumption was changed to the mortality rates used by the Florida Retirement System (FRS) for regular class members of the FRS, as mandated by Florida House Bill 1309.
- The assumed rates of individual salary increases have been changed from 6.0% to an age based assumption ranging from 5.0% to 15.0% depending upon age.
- The assumed rates of retirement at each age were amended.
- The assumed rates of termination were increased by 10% at each age.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued City of Lakeland’s Firefighters’ Retirement System financial report.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**C. Firefighters’ Retirement System (continued)**

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

For the fiscal year ended September 30, 2018, the City recognized pension expenses of \$3,076,206 at September 30, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 2,307,052	\$ -
Difference between actual and expected experience	163,688	677,431
Changes if assumptions	1,311,203	-
Net difference between projected and actual earnings	330,037	-
Total	<u>\$ 4,111,980</u>	<u>\$ 677,431</u>

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2018. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Fiscal year ended September 30th:	
2019	\$ 888,051
2020	981,984
2021	(533,042)
2022	(385,903)
2023	235,693
Thereafter	(59,286)
	<u>\$ 1,127,497</u>

\$2,307,052 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019.

Payable to the Pension Plan

At September 30, 2018, the City reported a payable of \$88,495 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2018.

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**D. Condensed Financial Information**

The aggregate net pension liability, deferred inflows of resources related to pensions, deferred outflows of resources related to pensions, and pension expense for the City as of September 30, 2018 are as follows:

	Employees' Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System	Total
Deferred outflows of resources related to pensions	\$ 25,618,033	\$ 9,133,709	\$ 4,111,980	\$ 38,863,722
Net pension liability	115,207,510	34,325,814	6,931,356	156,464,680
Deferred inflows of resources related to pensions	14,862,172	2,579,190	677,431	18,118,793
Pension expense	19,609,390	5,491,949	3,076,206	28,177,545

Condensed financial data for the City's Defined Benefit Pension Plans for the year ended September 30, 2018 is presented below.

**Condensed Statement of Net Position**

	Employees' Pension And Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System
Assets	\$ 612,904,950	\$ 126,084,491	\$ 97,893,854
Liabilities	3,468,638	186,433	48,070
Net Position			
Restricted for DROP benefits	23,622,139	1,897,188	1,580,473
Restricted for pension benefits	585,814,173	124,000,870	96,265,311
	<u>\$ 609,436,312</u>	<u>\$ 125,898,058</u>	<u>\$ 97,845,784</u>

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

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

**D. Condensed Financial Information (continued)**

	<b>Condensed Statement of Changes in Plan Net Position</b>		
	<b>Employees' Pension And Retirement System</b>	<b>Police Officers' Defined Benefit Retirement System</b>	<b>Firefighters' Retirement System</b>
<b>Additions</b>			
Contributions	\$ 23,066,573	\$ 6,782,222	\$ 3,255,773
Investment income	50,694,933	9,140,410	7,255,560
All other	113,957	7,924	-
Total additions	<u>73,875,463</u>	<u>15,930,556</u>	<u>10,511,333</u>
<b>Deductions</b>			
Benefits paid	40,282,918	8,995,833	6,581,293
Refunds, former employees	1,028,249	177,690	62,446
All other	222,991	195,309	125,572
Total deductions	<u>41,534,158</u>	<u>9,368,832</u>	<u>6,769,311</u>
Change in net position	32,341,305	6,561,724	3,742,022
Net position, beginning of year	577,095,007	119,336,334	94,103,762
Net position, end of year	<u>\$ 609,436,312</u>	<u>\$ 125,898,058</u>	<u>\$ 97,845,784</u>

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

**NOTE 14 – DEFINED CONTRIBUTION PENSION PLAN**

The Police Officers' Defined Benefit Retirement System (PODBRS) included a defined contribution Share plan component as of September 30, 2010. In subsequent years, the POBRS Board will determine Share allocations based on election made by the participants in the plan and their service during the plan year.

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

The assets of the City's Alternate Pension Plan were transferred to a third party administrator in the name of the participants. The City no longer has any fiduciary responsibilities concerning the plan. The City's involvement in the plan is limited to remitting the amounts paid by the participants to a third party.

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**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS**

**A. Health Insurance Trust Fund**

Plan Description

Effective October 1, 2017, the Retiree Healthcare Trust Fund adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement replaces Statements No. 45, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. In addition to the relevant disclosures within this note, the City's financial statements reflect a long-term liability of \$85,431,103 and \$92,651,380 related expenses of \$4,684,50 and \$5,080,417 in governmental and business-type activities respectively, resulting from the adoption.

In addition to providing pension benefits, the City Commission has agreed to offer subsidized post-employment health care benefits to former employees who are receiving retirement benefits from the City in conjunction with the Employees' Pension and Retirement System Plan.

The Retiree Health Insurance Plan is a single-employer defined benefit healthcare plan administered by the City of Lakeland Retiree Healthcare Trust. The City Commission serves as the trustees of the plan. The plan provides for healthcare insurance for eligible retirees and their spouses and dependents through the City-sponsored health insurance plan as formally adopted by City ordinance. One other form of subsidy consists of a payment of up to 50 percent of the cost of Part A Medicare insurance coverage purchased by a former employee who is not otherwise eligible for Medicare coverage. To date, there have been no participants in this program. Under Florida Statute 112.08 if the City offers insurance to active employees, the City must offer the same to the retirees. The difference is the City can charge the full premium to the retiree based on the active employees'/city portion of the premiums for the plan their enrolled in.

Funding Policy

The contribution percentages are set forth by City ordinance. The City subsidy is equal to \$5 per month for each year of service accumulated at retirement (maximum 30 years of service or \$150 per month). The City will fund the benefit by placing 1.5% of annual covered payroll into a trust. Retirees are required to make an election as to participation in the City-sponsored health insurance plan upon retirement. Effective January 1, 2003, any employee, who wishes to have his/her spouse and dependents insured on the City of Lakeland's Health Insurance Plan prior to retirement, will be required to have them on the plan one year prior to retirement. Should a participant at any time elect not to purchase coverage from the City-sponsored plan, all eligibility for future participation in that plan, including rights to the subsidy, is terminated. Plan provisions may be amended by city ordinance.

Effective January 1, 2003, all new hires will not be eligible for the retiree subsidy plan which has been formally adopted by City ordinance 4379. The City has established a Trust to accumulate and invest assets necessary to pay for the accumulated liability.

Plan Membership

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

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

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**A. Health Insurance Trust Fund continued)**

Actuarial assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of actuarial methods and assumptions used including techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events into the future; as such these actuarial amounts are subject to continual valuation.

Significant Assumptions: The date of the actuarial valuation on which the plan's liability was determined is September 30, 2018. The following actuarial assumptions were applied.

Actuarial cost method	Entry age normal based on level percentage of projected salary
Valuation Date	September 30, 2018
Projected benefit payment period	6.2 years
Discount rate	
Implicit	4.18%
Explicit	6.96%
Health care cost trend rate:	
Medical and Rx benefits	
Select	6.00%
Ultimate	4.50%
Stop loss fees	
Select	7.00%
Ultimate	4.50%
Administrative	
Select	4.50%
Ultimate	4.50%
Inflation rate	2.5% per annum
Salary changes	3.5% per annum
Postemployment benefit changes	N/A
Mortality rates	RP-2014 Table generational table scheduled using MP-17 and applied gender specific
Long-term expected rate of return	tax-exempt, high quality municipal bond
Asset valuation	fair market value
Date of experience study	24 months ending September 30, 2017

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the previously listed actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The discount rate is the only applicable change in the simplified evaluation.

Interest rates

Discount (or interest) rates are used to reflect the time value of money. Discount rates are used in determining the present value of the valuation date of future cash flows currently expected to be required to satisfy the postretirement benefit obligation. The long-term expected rate of return using arithmetic mean on OPEB investments was determined using the rate of return on tax-exempt, high quality municipal bonds (20 year, tax-exempt municipal bond - 4.18%) blended with the expected rate of return on trust assets.

The discount rate used to measure the total OPEB liability was 4.18% for the implicit subsidy and 6.96% for the explicit subsidy. The discount rate increased from 3.63%. The municipal bond rate used in the discount rate is the Bond Buyer 20-Bond GO Index.

The annual money-weighted rate of return that expresses investment performance, net of investment expense, adjusted for changes in the amount actually invested was 8.3%.

Investments

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**A. Health Insurance Trust Fund continued)**

Concentration

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

The rate of return for the assets of the Trust as of September 30, 2018 are summarized in the following table.

<u>Asset Allocation:</u>	<u>%</u>	<u>Returns (with inflation)</u>	<u>Balance</u>	<u>% of Net Position</u>
Consolidated funds	95.30%	7.30%	\$ 7,871,916	95%
Money market funds	3.10%	1.50%	361,546	4%
Cash	0.60%	0.00%	-	0%
Accounts receivable	1.00%	0.00%	67,795	1%
<b>Total</b>	<b>100.00%</b>		<b>\$ 8,301,257</b>	<b>100%</b>

Rate of Return

For the year ended September 30, 2018, the annual rate of return (with inflation) was 6.96%.

Projected Benefit Payments

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

Net OPEB Liability

The components of the Net OPEB Liability for the Health Insurance Trust Fund as September 30, 2018 were as follows:

Total OPEB Liability	\$ 186,383,740
Fiduciary Net Position	8,301,257
Net OPEB Liability	<u>\$ 178,082,483</u>
Fiduciary Net Position as a percentage of the total OPEB liability	4.45%

Changes in Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning balances.	\$ 196,734,741	\$ 7,524,723	\$ 189,210,018
Changes for the year:			
Service cost	7,461,585	-	7,461,585
Interest cost	8,045,959	-	8,045,959
Benefit payments	(8,099,526)	(8,099,526)	-
Changes in assumptions	(17,759,019)	-	(17,759,019)
Contributions - employers	-	8,250,441	(8,250,441)
Investment income	-	625,619	(625,619)
Net changes	<u>(10,351,001)</u>	<u>776,534</u>	<u>(11,127,535)</u>
Ending balances	<u>\$ 186,383,740</u>	<u>\$ 8,301,257</u>	<u>\$ 178,082,483</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**A. Health Insurance Trust Fund continued)**

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

The sensitivity of the net OPEB liability to a discount rate 1% (5.18%) higher and 1% lower (3.18%) than the discount rate of 4.18% is as follows:

<u>Discount Rate</u>	<u>Net OPEB Liability</u>	<u>% Difference</u>
5.18%	\$ 143,615,000	(19)%
4.18%	178,082,483	N/A
3.18%	211,779,000	19%

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

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

<u>Trend</u>	<u>Net OPEB Liability</u>	<u>% Difference</u>
1% decrease	\$ 146,222,000	(18)%
Current trend	178,082,483	N/A
1% increase	207,755,000	17%

Changes in Assumptions

- The discount rate for the implicit subsidy was increased from 3.63% to 4.18%.

Plan Fiduciary Net Position

The Plan does not issue a stand-alone publicly available financial report. In accordance with the requirements of GASB Statement 74, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, the City has elected to present the Lakeland Retiree Healthcare Trust as fiduciary fund and include the required disclosures and required supplementary information in its annual financial statements.

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

For the fiscal year ended September 30, 2018, the City recognized OPEB expenses of \$9,764,922. At September 30, 2018, the City reported 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 projected and actual earnings	\$ -	\$ 460,931
Changes in assumptions	-	24,303,227
<b>Total</b>	<b>\$ -</b>	<b>\$ 24,764,158</b>

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

<u>Fiscal year ended September 30th:</u>	
2019	\$ 5,292,051
2020	5,292,051
2021	5,292,051
2022	5,185,088
2023	3,244,075
2024	458,842
	<u>\$ 24,764,158</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 15 – OTHER POST EMPLOYMENT BENEFITS (continued)**

**A. Health Insurance Trust Fund continued)**

Financial Statements

STATEMENT OF PLAN NET POSITION  
RETIREE HEALTH CARE TRUST FUND  
September 30, 2018

ASSETS	
Cash and cash equivalents	\$ 361,546
Consolidated Fund	7,871,916
Contributions	67,795
Total assets	<u>8,301,257</u>
NET POSITION	
Restricted for other post employment benefits	8,301,257
	<u>\$ 8,301,257</u>

STATEMENT OF CHANGES IN PLAN NET POSITION  
RETIREE HEALTH CARE TRUST FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

ADDITIONS	
Contributions:	
Employer	\$ 8,250,441
Plan members	198,884
Total contributions	<u>8,449,325</u>
Net investment income:	
Net increase in the fair value of investments	(7,773)
Interest and dividends	633,393
Net investment income	<u>625,620</u>
Total additions, net	<u>9,074,945</u>
DEDUCTIONS	
Benefits paid	8,295,728
Refunds, former plan members	2,683
Total deductions	<u>8,298,411</u>
Change in net position	776,534
NET POSITION, beginning of year	<u>7,524,723</u>
NET POSITION, end of year	<u>\$ 8,301,257</u>

**B. Survivor Benefit Trust Fund**

The City Commission through Ordinance No. 3434, established the Employees' Survivor's Benefit Fund to provide a life insurance benefit of 12 times the monthly retiree benefits up to \$150,000 to eligible beneficiaries of certain retirees meeting eligibility requirements. Upon the death of any employee who is regularly retired and currently receiving a pension benefit under the City of Lakeland Employee Pension Fund. The City pays an annual insurance premium to the underwriter who assumes the liability for benefit payments to beneficiaries. The City paid \$657,435 in insurance premiums for fiscal year 2018.

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

Various suits and claims arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities, which may arise from such actions, would not result in losses which would materially affect the financial position of the City or materially compromise its operations. The City relies upon the sovereign immunity protection afforded to local governments under Section 768.28, Florida Statutes, which limits the collection of any judgment to \$200,000 per person and to \$300,000 arising out of the same incident or occurrence. Some cases which arise out of police activity represent a possibility of exposure that would exceed sovereign immunity limits, although the City carries excess coverage for that risk.

**B. Contractual Commitments**

The City's Fleet Management Operations has contracts to purchase motor vehicles with various vendors. The amount outstanding as of September 30, 2018 is \$1,307,443.

Lakeland Electric has contracts for the purchase and delivery of coal requiring the purchase of a minimum number of tons per year.

Lakeland Electric also has contracts for the supply and transportation of natural gas requiring the purchase and transportation of a minimum and a maximum number of cubic feet of natural gas per year.

Lakeland Electric has contracts for the purchase/sale and delivery of electric energy setting a maximum number of megawatts available for purchase.

Lakeland Electric has a long-term service agreement with Siemens/Westinghouse to provide labor, parts, and materials to cover all planned annual outages for McIntosh Unit 5, a 354 MW combined cycle gas turbine unit. In December 2012, the Lakeland City Commission approved changes to the contract which included a revised payment schedule. During fiscal year 2018 milestone payments of \$8,011,817 were made under the contract. The agreement, which is scheduled to run through 2025, include annual milestone payments and an economic index escalation factor. Future base payments per the schedule, excluding escalation, are as follows:

Fiscal Year	Operating	Capital	Total
2019	\$ 367,320	\$ 6,238,946	\$ 6,606,266
2020	367,320	7,267,796	7,635,116
2021	367,320	7,267,796	7,635,116
2022	367,320	7,267,796	7,635,116
2023-2025	1,101,960	38,785,927	39,887,887
	<u>\$ 2,571,240</u>	<u>\$ 66,828,261</u>	<u>\$ 69,399,501</u>

Lakeland Electric entered into a total of five Solar Energy Participation Agreements (SEPAs) with Sun Edison, LLC from 2009 through 2016. During FY 2018, Sun Edison's ownership interests were assigned to new owners as follows:

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

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES (continued)**

**B. Contractual Commitments (continued)**

Lakeland Electric has no equity interest in and assumes no financial responsibility for the solar generation systems. Four systems are located on properties owned by the City of Lakeland. The West Bella Vista property is owned by the vendor. The system installations are as follows: the roof of the RP Funding Center, the runway protection zones of the Lakeland Linder International Airport, and 70 acres adjacent to the Sutton Electric Substation. Four of the SEPAs are in effect for twenty-five years and one is at twenty years at a fixed price per MWh with no price escalation clauses. Lakeland Electric's purchases under the SEPAs totaled \$3,282,984 in 2018 and \$3,512,157 in 2017. The total MWs purchased in fiscal year 2018 was 23,718.11 MWs at an average cost of \$138.42 MWh.

Lakeland Electric participates in federal and state programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. In the opinion of management, no significant contingent liabilities exist related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The City has active construction projects as of September 30, 2018. The projects include infrastructure projects, construction of existing streets, wastewater treatment facilities, and electric plant. The commitments of major construction projects and capital outlay issued by the City which have not been completed as of September 30, 2018, are as follows:

Transportation/street projects	\$	437,799	*
Public Improvement projects		8,858,360	*
Public Safety projects		894,506	*
Airport projects		2,849,339	*
Wastewater treatment facilities projects		9,895,932	*
Water Distribution projects		4,208,375	*
McIntosh unit 3 renewal and replacement projects		757,059	
McIntosh unit 5 renewal and replacement projects		133,834	*
McIntosh gas turbine 2 project		20,713	
Other power production plant improvements		323,882	*
Energy delivery capital projects		1,197,007	*
Building Improvement projects		501,931	*
Equipment		78,560	*
	\$	<u>30,157,297</u>	

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

**C. Encumbrances**

The City had the following encumbrances outstanding as of September 30, 2018 that were not reported as designations:

Electric Utility Fund	\$	116,711,621
Water and Wastewater Utilities		14,334,616
Internal Service Funds		2,425,728
Nonmajor Enterprise Funds		10,888,778
	\$	<u>144,360,743</u>

The following is a summary of the City's encumbrances for Governmental Funds as of September 30, 2018.

	Public Improvement Fund	All Other Governmental Funds	Total Governmental Funds
Building improvements	\$ 1,224,454	\$ -	\$ 1,224,454
Land improvements	1,236,814	-	1,236,814
Equipment	29,845	-	29,845
Infrastructure	-	561,716	561,716
Maintenance and repair	375,466	-	375,466
Transportation projects			
Road improvements	-	437,799	437,799
Total	<u>\$ 2,866,579</u>	<u>\$ 999,515</u>	<u>\$ 3,866,094</u>

**CITY OF LAKELAND, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES (continued)**

**C. Encumbrances (continued)**

In addition to the commitments for capital projects, Lakeland Electric had other outstanding purchase orders in the amount of \$113,698,637 as of September 30, 2018. \$107,692,551 of which represents contracts for the procurement and transportation of fuel and purchased power. It is the opinion of Lakeland Electric's management that Lakeland Electric is in compliance with the requirements of all the aforementioned contractual commitments.

**D. Contingencies**

On September 10, 2017 Hurricane Irma inflicted widespread damage to the City of Lakeland's electric system. \$11.2 million of the cost of restoration was funded from the Emergency Repair Reserve of Lakeland Electric including \$4.4 million in cash paid in fiscal year 2017 with the remainder paid in fiscal year 2018.

As of the date of this report, the City of Lakeland has not entered into an agreement with the Federal Emergency Management Agency or any other agency. Any future Financial assistance to Lakeland Electric related to Hurricane Irma storm recovery efforts will be used to replenish the Emergency Repair Reserve. The amount of any possible financial assistance that may be received cannot be determined at this time.

**NOTE 17 – SUBSEQUENT EVENTS**

**Auburndale Peaker Energy Center Facility**

In October 2018 Lakeland Electric entered into agreements with Sargent & Lundy, LLC and Rayco Industrial, Inc. for services related to the relocation of the Auburndale Peaker Energy Center Facility to the McIntosh Power Plant on 1 Oct 2018. The expected completion date and commissioning of the Combustion Turbine is anticipated to occur in January 2020. The total cost of the engineering and relocation services are expected to total \$21,611,958 to be funded by an eventual bond issue.

**Heritage Plaza Parking Garage**

In December 2018 The Lakeland Community Redevelopment Agency (LCRA) entered into a purchase and sale agreement with BKP Five, LLC to construct the Heritage Plaza Parking Garage with a condominium form of ownership. The LCRA agreed to purchase 399 spaces at a cost of \$15,736.77 per space for a total cost to the LCRA of \$6,278,970. The agreement also contains a provision that allows the developer to lease or purchase back from the City 125 spaces once a remaining parcel that can contain a building of up to 35,000 feet is developed. The LCRA expects to eventually fund the project through a future bond issue.

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# Required Supplementary Information



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

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018





CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Amended Budget	2018 Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 46,633,932	\$ 46,633,932	\$ 47,094,214	\$ 460,282
Licenses and permits	4,737,715	4,737,715	4,843,389	105,674
Intergovernmental	10,895,180	10,915,756	11,503,925	588,169
Charges for services	5,757,850	6,530,967	7,043,704	512,737
Fines and forfeitures	2,410,000	2,589,079	2,436,143	(152,936)
Miscellaneous	2,245,831	2,729,633	2,754,995	25,362
Total revenues	<u>72,680,508</u>	<u>74,137,082</u>	<u>75,676,370</u>	<u>1,539,288</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Executive	665,221	650,585	618,232	32,353
Legislative	166,301	189,177	189,177	-
Financial and administrative	5,773,490	5,546,222	5,379,722	166,500
Legal counsel	399,420	442,345	442,345	-
Comprehensive planning	3,512,840	2,960,541	2,701,078	259,463
Other general government	4,154,046	4,154,046	3,792,236	361,810
	<u>14,671,318</u>	<u>13,942,916</u>	<u>13,122,790</u>	<u>820,126</u>
Public safety:				
Law enforcement	41,805,825	41,839,860	41,803,254	36,606
Fire control	18,829,875	18,874,620	18,718,190	156,430
Protective inspections	3,312,284	3,518,385	3,296,714	221,671
	<u>63,947,984</u>	<u>64,232,865</u>	<u>63,818,158</u>	<u>414,707</u>
Physical environment:				
Utility services	5,199,127	4,899,127	4,881,406	17,721
Conservation and resource management	18,000	18,000	17,688	312
Other physical environment	1,043,407	6,339,335	6,339,281	54
	<u>6,260,534</u>	<u>11,256,462</u>	<u>11,238,375</u>	<u>18,087</u>
Transportation:				
Road and street facilities	7,003,903	7,258,503	5,938,222	1,320,281
Economic environment:				
Other economic environment	2,819,204	2,839,962	2,839,962	-
Human services:				
Other human services	125,410	254,435	218,900	35,535
Culture/Recreation:				
Libraries	3,834,613	3,911,348	3,882,844	28,504
Parks and recreation	19,665,858	18,733,451	18,639,617	93,834
Cultural services	255,000	257,212	257,212	-
Special events	66,400	67,806	59,424	8,382
	<u>23,821,871</u>	<u>22,969,817</u>	<u>22,839,097</u>	<u>130,720</u>
Capital outlay	188,604	914,193	573,636	340,557
Debt Service				
Principal retirement	224,470	530,648	492,605	38,043
Interest	41,802	65,669	65,669	-
	<u>266,272</u>	<u>596,317</u>	<u>558,274</u>	<u>38,043</u>
Total expenditures	<u>119,105,100</u>	<u>124,265,470</u>	<u>121,147,414</u>	<u>3,118,056</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(46,424,592)</u>	<u>(50,128,388)</u>	<u>(45,471,044)</u>	<u>4,657,344</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	421,921	421,921
Transfers from other funds	45,503,275	45,450,852	45,556,018	105,166
Transfers to other funds	(3,630,487)	(4,175,932)	(4,040,180)	135,752
Total other financing sources (uses)	<u>41,872,788</u>	<u>41,274,920</u>	<u>41,937,759</u>	<u>662,839</u>
NET CHANGE IN FUND BALANCE	<u>(4,551,804)</u>	<u>(8,853,468)</u>	<u>(3,533,285)</u>	<u>5,320,183</u>
FUND BALANCE, beginning of year	25,521,548	25,521,548	25,521,548	-
FUND BALANCE, end of year	<u>\$ 20,969,744</u>	<u>\$ 16,668,080</u>	<u>\$ 21,988,263</u>	<u>\$ 5,320,183</u>

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2018

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

Measurement date:	EMPLOYEE PENSION			
	09/30/2017	09/30/2016	09/30/2015	09/30/2014
Total pension liability:				
Service cost	\$ 12,438,914	\$ 12,454,643	\$ 12,479,291	\$ 12,663,875
Interest and dividends	47,570,311	46,369,839	45,023,294	43,427,938
Changes in benefit terms	-	(1,360,522)	-	-
Differences between expected and actual experience	2,417,270	(189,908)	(2,104,773)	(200,874)
Assumption Changes	7,390,055			
Benefit payments, including refunds of member contributions	(42,434,673)	(38,965,501)	(34,634,781)	(32,658,024)
Net change in total pension liability	27,381,877	18,308,551	20,763,031	23,232,915
Total pension liability, beginning	664,920,640	646,612,089	625,849,058	602,616,143
Total pension liability, ending	692,302,517	664,920,640	646,612,089	625,849,058
Plan fiduciary net position:				
Contributions , employer	14,739,830	29,175,783	15,697,557	15,395,603
Contributions, members	7,600,019	7,468,541	7,394,407	7,129,361
Net investment income	67,569,392	33,659,515	6,072,542	39,349,445
Benefit payments, including refunds of member contributions	(42,434,673)	(38,965,501)	(34,634,781)	(32,658,024)
Administrative expenses	(241,172)	(246,010)	(217,810)	(288,901)
Net change in plan fiduciary net position	47,233,396	31,092,328	(5,688,085)	28,927,484
Plan fiduciary net position, beginning	529,861,611	498,769,283	504,457,368	475,529,884
Plan fiduciary net position, ending	577,095,007	529,861,611	498,769,283	504,457,368
City's net pension liability, ending	\$ 115,207,510	\$ 135,059,029	\$ 147,842,806	\$ 121,391,690
Plan fiduciary net position as a % of total pension liability	83.36%	79.69%	77.14%	80.60%
Actual covered payroll as of year-end	\$ 84,102,850	\$ 80,397,748	\$ 79,725,716	\$ 78,211,736
City's net pension liability as a % of covered payroll	136.98%	167.99%	185.44%	155.21%

GASB 68 was implemented in fiscal year 2015. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2018

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

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

GASB 68 was implemented in fiscal year 2015. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2018

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

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

GASB 68 was implemented in fiscal year 2015. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2018

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

	OPEB	
	Measurement date: 09/30/2018	09/30/2017
Total OPEB liability:		
Service cost	\$ 7,461,585	\$ 7,162,205
Interest and dividends	8,045,959	8,573,827
Assumption Changes or other inputs	(17,759,019)	(13,961,000)
Benefit payments	<u>(8,099,526)</u>	<u>(8,100,958)</u>
Net change in total OPEB liability	(10,351,001)	(6,325,926)
Total OPEB liability, beginning	<u>196,734,741</u>	<u>203,060,667</u>
Total OPEB liability, ending	<u>186,383,740</u>	<u>196,734,741</u>
Plan fiduciary net position:		
Contributions , employer	8,250,441	8,100,958
Net investment income	625,619	989,661
Benefit payments	<u>(8,099,526)</u>	<u>(8,100,958)</u>
Net change in plan fiduciary net position	776,534	989,661
Plan fiduciary net position, beginning	<u>7,524,723</u>	<u>6,535,062</u>
Plan fiduciary net position, ending	<u>8,301,257</u>	<u>7,524,723</u>
City's net OPEB liability, ending	<u>\$ 178,082,483</u>	<u>\$ 189,210,018</u>
Plan fiduciary net position as a % of total OPEB liability	4.45%	3.82%
Actual covered payroll as of September 30th	\$ 128,224,000	\$ 123,888,256
City's net OPEB as a % of covered payroll	138.88%	152.73%

SCHEDULE OF OPEB INVESTMENT RETURNS

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

SCHEDULE OF OPEB CONTRIBUTIONS

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

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

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2018

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Employees' Pension &  
Retirement System

Year Ended Sep 30th	Actuarly Determined Contribution **	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2018	\$ 16,751,336	\$ 15,473,351	\$ 1,277,985	\$ 84,816,890	18.24%
2017	16,206,619	14,739,830	1,466,789	84,102,850	17.53%
2016	15,181,468	29,175,783	(13,994,315)	80,367,748	36.30%
2015	14,781,148	15,697,556	(916,408)	79,725,716	19.69%
2014	14,078,112	15,395,603	(1,317,491)	78,211,736	19.68%

\*\* The actuarially determined contribution is calculated as the actuarially determined contribution percentage multiplied by the actual pensionable payroll for the fiscal year.

The City contributed \$15 million to the Employee Pension Fund in FY 2016 as an advance payment against the employer's share of the unfunded pension liability. In return for this advance payment, the City (as the employer) will receive an annual credit against its regular payment into the fund. As a result of the \$15,000,000 advance payment, a contribution deficiency will be reflected in future years thru FY 2031 as the credit will be amortized over the next 15 years.

Police Officers' Defined  
Benefit Retirement System

Year Ended Sep 30th	Actuarly Determined Contribution **	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll (1)	Contributions as a % of Covered Payroll
2018	\$ 2,350,742	\$ 3,339,013	\$ (988,271)	\$ 14,765,970	22.61%
2017	2,775,136	2,691,292	83,844	14,698,821	18.31%
2016	2,514,511	2,686,671	(172,160)	14,554,279	18.46%
2015	2,436,649	2,436,649	-	14,868,655	16.39%
2014	2,502,539	2,502,539	-	13,413,482	18.66%
2013	2,754,395	2,754,395	-	13,851,580	19.89%

\*\* The actuarially determined contribution is calculated as the actuarially determined contribution percentage multiplied by the actual pensionable payroll for the fiscal year.

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

Firefighters'  
Retirement System

Year Ended Sep 30th	Actuarly Determined Contribution **	Annual Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll (1)	Contributions as a % of Covered Payroll
2018	\$ 1,923,080	\$ 1,575,442	\$ 347,638	\$ 11,735,762	13.42%
2017	1,410,862	1,410,862	-	11,091,670	12.72%
2016	1,558,306	1,558,306	-	10,415,009	14.96%
2015	1,765,332	1,765,332	-	10,942,161	16.13%
2014	2,006,793	2,006,793	-	9,951,374	20.17%
2013	1,387,474	1,387,474	-	9,805,452	14.15%

\*\* The actuarially determined contribution is calculated as the actuarially determined contribution percentage multiplied by the actual pensionable payroll for the fiscal year.

GASB 68 was implemented in fiscal year 2015. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2018

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

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

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CITY OF LAKELAND, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION  
EMPLOYEE PENSION AND OPEB FUNDS  
SEPTEMBER 30, 2018

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets

Budgets of the City are adopted on a modified accrual basis of accounting, which is consistent with Generally Accepted Accounting Principles (GAAP). In cases where appropriations and estimated revenues have been revised during the year, budget data represents final authorized amounts. As of September 30, 2018 there were no material violations of budgetary requirements.

General, Fire, and Police Pension Plans

Within the basic financial statements, the proceeds of the excise tax from the State of Florida in the City of Lakeland Firefighters' Retirement System and the Police Pension Plan are recorded as operating grants and contributions and public safety expenses in the Government-wide Statement of Activities.

Changes in assumptions/inputs:

The following assumption changes are reflected in the Actuarially Determined Contribution rate as of September 30, 2018.

Employee Pension and Retirement System -The amounts reported as changes in assumptions resulted primarily from the adjustments resulting from the adoption of the RP2000 Generational Mortality Table, changes in the rate of inflation used, assumed salary increases, payroll growth, retirement and employment termination.

Police Officers' Defined Benefit Retirement System - The amounts reported as changes in assumptions resulted primarily from the adjustments resulting from the adoption of the RP2000 Generational Mortality Table, the investment rate of return, salary increases, years of service, turnover rates, and inflation rates.

Firefighters' Retirement System - the amounts reported as changes in assumptions resulted primarily from the adjustments resulting from the adoption of the RP2000 Generational Mortality Table, assumed salary increases, retirement rates, and termination rates.

For additional information regarding the pensions please refer to Note 13 in the notes to the Basic Financial Statements.

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

OPEB

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

The only applicable change in the valuation was the increase in the discount rate to 4.18%.

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# Supplementary Information



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

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018





CITY OF LAKELAND, FLORIDA

SUPPLEMENTARY INFORMATION  
PUBLIC IMPROVEMENT FUND  
BUDGETARY COMPARISON SCHEDULE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Amended Budget	2018 Actual	Variance
<b>REVENUES</b>				
Intergovernmental	\$ 2,144,561	\$ 2,904,618	\$ 2,897,318	\$ (7,300)
Charges for services	522,000	522,000	514,948	(7,052)
Miscellaneous	14,825,313	15,251,424	17,420,750	2,169,326
Total revenues	<u>17,491,874</u>	<u>18,678,042</u>	<u>20,833,016</u>	<u>2,154,974</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,527,799	1,811,241	907,847	903,394
Public safety	16,380	484,641	450,408	34,233
Physical environment	27,800	20,583	19,806	777
Culture recreation	563,000	1,219,045	794,669	424,376
Capital outlay	8,365,000	16,714,791	6,036,403	10,678,388
Debt service	7,238,224	7,724,979	7,724,979	-
Total expenditures	<u>17,738,203</u>	<u>27,975,280</u>	<u>15,934,112</u>	<u>12,041,168</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(246,329)</u>	<u>(9,297,238)</u>	<u>4,898,904</u>	<u>14,196,142</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term debt	350,000	2,375,192	1,479,692	(895,500)
Transfers from other funds	1,634,425	3,200,638	1,191,488	(2,009,150)
Transfers to other funds	(6,124,846)	(7,042,655)	(7,000,342)	42,313
Total other financing sources (uses)	<u>(4,140,421)</u>	<u>(1,466,825)</u>	<u>(4,329,162)</u>	<u>(2,862,337)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(4,386,750)</u>	<u>(10,764,063)</u>	<u>569,742</u>	<u>11,333,805</u>
FUND BALANCE, beginning of year	20,474,839	20,474,839	20,474,839	-
FUND BALANCE, end of year	<u>\$ 16,088,089</u>	<u>\$ 9,710,776</u>	<u>\$ 21,044,581</u>	<u>\$ 11,333,805</u>



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# Combining and Individual Fund Financial Statements



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

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018







## NON-MAJOR FUNDS

### OTHER GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

Special revenue funds are used to account for proceeds from certain specific revenue sources for purposes other than debt service or capital projects. These funds are recorded separately as directed by legal requirements, regulatory provisions, or administrative action. As with the General Fund, the primary accounting focus is on the sources and uses of available funds and the financial activity is reported using the modified accrual basis accounting.

**Community Development Fund** – The Federal Department of Housing and Urban Development provides funds for improvement projects and economic development assistance in low to moderate –income areas and down payment assistance to first time home buyers.

**State Housing Initiatives Partnership Program** – The Florida Housing Finance Corporation through the local housing assistance trust fund provides funds for emergency repairs, new construction, rehabilitation, and other assistance in very low to moderate-income areas.

**Neighborhood Stabilization Program** – The Federal Department of Housing and Urban Development provides funds for the purchase and rehabilitation of foreclosed homes in low to moderate income areas.

**Stormwater Fund** – Revenues, received primarily through the collection of residential and commercial fees as well as transfers from the Transportation Fund for drainage and lake projects, are used for projects approved by the City Commission for stormwater capital activities.

**Lakeland Community Redevelopment Agency** – Revenues that are received primarily from the tax increment of the special taxing district established for the purpose of revitalizing the downtown Lakeland area.

#### CAPITAL PROJECTS FUNDS

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

**Transportation Fund** – Major sources of revenues for the Transportation Fund include taxes levied on motor fuels and impact fees. These revenues are used for projects approved by the City Commission, such as street improvements.

**Impact Fee Fund** – The Impact Fee Fund is used to account for impact fees collected for transportation, law enforcement, fire protection, and parks and recreation.

#### PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Cemetery Perpetual Care Fund** – When the corpus of this fund is sufficient, it will be used to account for the accumulation of resources used to maintain all City-owned cemeteries.

**Scott Morris Mausoleum Fund** – This fund accounts for a contribution to provide maintenance of the Scott Morris Mausoleum.

**Webster Book Fund** – This fund accounts for a bequest received by the City to purchase nonfiction books and periodicals for the City of Lakeland Public Library.

**Baldwin Book Fund** – This fund accounts for a bequest received by the City to purchase general science and wholesome fiction books for the City of Lakeland Public Library.

CITY OF LAKELAND, FLORIDA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	Capital Projects Funds		Special Revenue Funds				
	Transportation Fund	Impact Fee Fund	Community Development Fund	State Housing Initiative Partnership Program	Neighborhood Stabilization Program	Stormwater Fund	Lakeland Community Redevelopment Agency
<b>ASSETS</b>							
Cash and cash equivalents	\$ 5,469,660	\$ 16,683,884	\$ 15,530	\$ 676,389	\$ 440,409	\$ 4,869,242	\$ 8,856,104
Investments	-	-	-	-	-	-	-
Receivables	1,799	-	92,351	29,596	-	226,816	1,041,816
Due from other governments	323,974	-	214,745	-	-	32,810	-
Prepaid expenses	-	-	53	-	-	95	53
<b>Total assets</b>	<b>\$ 5,795,433</b>	<b>\$ 16,683,884</b>	<b>\$ 322,679</b>	<b>\$ 705,985</b>	<b>\$ 440,409</b>	<b>\$ 5,128,963</b>	<b>\$ 9,897,973</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 219,255	\$ -	\$ 17,675	\$ 5,025	\$ -	\$ 141,439	\$ 963,083
Accrued liabilities	44,522	-	15,246	1,895	-	75,664	4,499
Deposits payable	-	-	-	-	-	204,085	5,811
Due to other funds	-	-	-	-	-	-	-
Unearned revenue	-	-	5,392	670,994	440,409	-	-
<b>Total liabilities</b>	<b>263,777</b>	<b>-</b>	<b>38,313</b>	<b>677,914</b>	<b>440,409</b>	<b>421,188</b>	<b>973,393</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred revenue	1,799	-	92,351	29,596	-	-	1,039,333
<b>Total deferred inflows of resources</b>	<b>1,799</b>	<b>-</b>	<b>92,351</b>	<b>29,596</b>	<b>-</b>	<b>-</b>	<b>1,039,333</b>
<b>FUND BALANCES</b>							
Nonspendable:							
Prepays	-	-	53	-	-	95	53
Cemetery endowment	-	-	-	-	-	-	-
Permanent fund principal	-	-	-	-	-	-	-
	-	-	53	-	-	95	53
Restricted for:							
CRA	-	-	-	-	-	-	7,885,194
Impact fee program	-	16,683,884	-	-	-	-	-
Transportation	5,529,857	-	-	-	-	-	-
Donations received	-	-	-	-	-	-	-
Grant programs - community development	-	-	191,962	-	-	-	-
	5,529,857	16,683,884	191,962	-	-	-	7,885,194
Committed to:							
Stormwater	-	-	-	-	-	4,707,680	-
	-	-	-	-	-	4,707,680	-
Unassigned	-	-	-	(1,525)	-	-	-
<b>Total fund balances</b>	<b>5,529,857</b>	<b>16,683,884</b>	<b>192,015</b>	<b>(1,525)</b>	<b>-</b>	<b>4,707,775</b>	<b>7,885,247</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 5,795,433</b>	<b>\$ 16,683,884</b>	<b>\$ 322,679</b>	<b>\$ 705,985</b>	<b>\$ 440,409</b>	<b>\$ 5,128,963</b>	<b>\$ 9,897,973</b>

CITY OF LAKELAND, FLORIDA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS, CONTINUED  
SEPTEMBER 30, 2018

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery Perpetual Care Fund	Scott Morris Mausoleum Fund	Webster Book Fund	Baldwin Book Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 81,063	\$ 24,406	\$ -	\$ 37,116,687
Investments	5,367,657	-	-	155,328	5,522,985
Receivables	-	-	-	-	1,392,378
Due from other governments	-	-	-	-	571,529
Prepaid expenses	-	-	-	-	201
Total assets	<u>\$ 5,367,657</u>	<u>\$ 81,063</u>	<u>\$ 24,406</u>	<u>\$ 155,328</u>	<u>\$ 44,603,780</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,346,477
Accrued liabilities	-	-	-	-	141,826
Deposits payable	-	-	-	-	209,896
Due to other funds	114,842	-	-	-	114,842
Unearned revenue	-	-	-	-	1,116,795
Total liabilities	<u>114,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,929,836</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	-	-	-	-	1,163,079
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,163,079</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepays	-	-	-	-	201
Cemetery endowment	5,252,815	-	-	-	5,252,815
Permanent fund principal	-	4,476	15,000	10,000	29,476
	<u>5,252,815</u>	<u>4,476</u>	<u>15,000</u>	<u>10,000</u>	<u>5,282,492</u>
Restricted for:					
CRA	-	-	-	-	7,885,194
Impact fee program	-	-	-	-	16,683,884
Transportation	-	-	-	-	5,529,857
Donations received	-	76,587	9,406	145,328	231,321
Grant programs - community development	-	-	-	-	191,962
	<u>-</u>	<u>76,587</u>	<u>9,406</u>	<u>145,328</u>	<u>30,522,218</u>
Committed to:					
Stormwater	-	-	-	-	4,707,680
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,707,680</u>
Unassigned	-	-	-	-	(1,525)
Total fund balances	<u>5,252,815</u>	<u>81,063</u>	<u>24,406</u>	<u>155,328</u>	<u>40,510,865</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,367,657</u>	<u>\$ 81,063</u>	<u>\$ 24,406</u>	<u>\$ 155,328</u>	<u>\$ 44,603,780</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Capital Projects Funds		Special Revenue Funds				Lakeland Community Redevelopment Agency
	Transportation Fund	Impact Fee Fund	Community Development Fund	State Housing Initiative Partnership Program	Neighborhood Stabilization Program	Stormwater Fund	
<b>REVENUES</b>							
Taxes	\$ 5,828,014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,956,497
Intergovernmental	1,188,855	-	896,500	430,509	-	32,809	-
Charges for services	-	4,112,825	-	-	-	6,071,842	-
Fines and forfeitures	-	-	-	-	-	18,771	-
Miscellaneous	1,468,805	225,669	57,690	110,308	8,751	67,208	812,468
Total revenues	<u>8,485,674</u>	<u>4,338,494</u>	<u>954,190</u>	<u>540,817</u>	<u>8,751</u>	<u>6,190,630</u>	<u>5,768,965</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	81,885	-	5,781	1,199,362	728,731
Public safety	-	-	37,426	-	-	-	-
Physical environment	-	-	-	-	-	495,455	-
Transportation	4,562,748	-	-	-	-	2,715,608	216,683
Economic environment	-	-	721,847	518,107	2,970	-	6,598,289
Human services	-	-	73,372	-	-	-	-
Culture recreation	-	-	43,721	-	-	-	-
Capital outlay	2,375,364	-	-	-	-	833,973	177,728
Debt service	934,500	-	-	-	-	54,209	400,000
Total expenditures	<u>7,872,612</u>	<u>-</u>	<u>958,251</u>	<u>518,107</u>	<u>8,751</u>	<u>5,298,607</u>	<u>8,121,431</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>613,062</u>	<u>4,338,494</u>	<u>(4,061)</u>	<u>22,710</u>	<u>-</u>	<u>892,023</u>	<u>(2,352,466)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers from other funds	177,867	-	-	-	-	195,000	-
Transfers to other funds	(126,766)	(928,892)	-	-	-	(75,916)	(248,179)
Total other financing sources (uses)	<u>51,101</u>	<u>(928,892)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,084</u>	<u>(248,179)</u>
Net change in fund balances	664,163	3,409,602	(4,061)	22,710	-	1,011,107	(2,600,645)
FUND BALANCE, beginning of year	4,865,694	13,274,282	196,076	(24,235)	-	3,696,668	10,485,892
FUND BALANCE, end of year	<u>\$ 5,529,857</u>	<u>\$ 16,683,884</u>	<u>\$ 192,015</u>	<u>\$ (1,525)</u>	<u>\$ -</u>	<u>\$ 4,707,775</u>	<u>\$ 7,885,247</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS, CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Permanent Funds				Total NonMajor Governmental Funds
	Cemetery Perpetual Care Fund	Scott Morris Mausoleum Fund	Webster Book Fund	Baldwin Book Fund	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 10,784,511
Intergovernmental	-	-	-	-	2,548,673
Charges for services	-	-	-	-	10,184,667
Fines and forfeitures	-	-	-	-	18,771
Miscellaneous	421,880	2,025	602	12,253	3,187,659
Total revenues	421,880	2,025	602	12,253	26,724,281
EXPENDITURES					
Current:					
General government	-	-	-	-	2,015,759
Public safety	-	-	-	-	37,426
Physical environment	-	-	-	-	495,455
Transportation	-	-	-	-	7,495,039
Economic environment	-	-	-	-	7,841,213
Human services	-	-	-	-	73,372
Culture recreation	-	-	-	-	43,721
Capital outlay	-	-	-	-	3,387,065
Debt service	-	-	-	-	1,388,709
Total expenditures	-	-	-	-	22,777,759
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	421,880	2,025	602	12,253	3,946,522
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	41,417	-	-	-	414,284
Transfers to other funds	(105,420)	(600)	-	-	(1,485,773)
Total other financing sources (uses)	(64,003)	(600)	-	-	(1,071,489)
Net change in fund balances	357,877	1,425	602	12,253	2,875,033
FUND BALANCE, beginning of year	4,894,938	79,638	23,804	143,075	37,635,832
FUND BALANCE, end of year	\$ 5,252,815	\$ 81,063	\$ 24,406	\$ 155,328	\$ 40,510,865



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CITY OF LAKELAND, FLORIDA

BUDGETARY COMPARISON SCHEDULE  
 BUDGET (GAAP BASIS) AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Transportation Fund			Community Development Fund			State Housing Initiative Partnership Program		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES</b>									
Taxes	\$ 5,469,000	\$ 5,828,014	\$ 359,014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,488,149	1,188,855	(3,299,294)	1,939,314	896,500	(1,042,814)	1,187,934	430,509	(757,425)
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Miscellaneous	122,211	1,468,805	1,346,594	67,465	57,690	(9,775)	151,358	110,308	(41,050)
Total revenues	<u>10,079,360</u>	<u>8,485,674</u>	<u>(1,593,686)</u>	<u>2,006,779</u>	<u>954,190</u>	<u>(1,052,589)</u>	<u>1,339,292</u>	<u>540,817</u>	<u>(798,475)</u>
<b>EXPENDITURES</b>									
Current:									
General government	-	-	-	125,000	81,885	43,115	-	-	-
Public safety	-	-	-	69,310	37,426	31,884	-	-	-
Physical environment	-	-	-	-	-	-	-	-	-
Transportation	8,389,197	4,562,748	3,826,449	-	-	-	-	-	-
Economic environment	-	-	-	1,883,602	721,847	1,161,755	1,339,292	518,107	821,185
Human services	-	-	-	75,200	73,372	1,828	-	-	-
Culture recreation	-	-	-	50,132	43,721	6,411	-	-	-
Capital outlay	11,905,930	2,375,364	9,530,566	-	-	-	-	-	-
Debt service	934,500	934,500	-	-	-	-	-	-	-
Total expenditures	<u>21,229,627</u>	<u>7,872,612</u>	<u>13,357,015</u>	<u>2,203,244</u>	<u>958,251</u>	<u>1,244,993</u>	<u>1,339,292</u>	<u>518,107</u>	<u>821,185</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(11,150,267)</u>	<u>613,062</u>	<u>11,763,329</u>	<u>(196,465)</u>	<u>(4,061)</u>	<u>192,404</u>	<u>-</u>	<u>22,710</u>	<u>22,710</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers from other funds	9,479,335	177,867	(9,301,468)	-	-	-	-	-	-
Transfers to other funds	(154,527)	(126,766)	27,761	-	-	-	-	-	-
Total other financing sources (uses)	<u>9,324,808</u>	<u>51,101</u>	<u>(9,273,707)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,825,459)</u>	<u>664,163</u>	<u>2,489,622</u>	<u>(196,465)</u>	<u>(4,061)</u>	<u>192,404</u>	<u>-</u>	<u>22,710</u>	<u>22,710</u>
FUND BALANCE, beginning of year	4,865,694	4,865,694	-	196,076	196,076	-	(24,235)	(24,235)	-
FUND BALANCE, end of year	<u>\$ 3,040,235</u>	<u>\$ 5,529,857</u>	<u>\$ 2,489,622</u>	<u>\$ (389)</u>	<u>\$ 192,015</u>	<u>\$ 192,404</u>	<u>\$ (24,235)</u>	<u>\$ (1,525)</u>	<u>\$ 22,710</u>



Neighborhood Stabilization Program			Stormwater Fund			Lakeland Community Redevelopment Agency		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,494,000	\$ 4,956,497	\$ (3,537,503)
169,268	-	(169,268)	60,000	32,809	(27,191)	-	-	-
-	-	-	5,900,412	6,071,842	171,430	-	-	-
-	-	-	-	18,771	18,771	-	-	-
280,415	8,751	(271,664)	126,685	67,208	(59,477)	173,512	812,468	638,956
449,683	8,751	(440,932)	6,087,097	6,190,630	103,533	8,667,512	5,768,965	(2,898,547)
11,810	5,781	6,029	1,199,363	1,199,362	1	2,118,728	728,731	1,389,997
-	-	-	-	-	-	-	-	-
-	-	-	1,196,743	495,455	701,288	-	-	-
-	-	-	3,557,639	2,715,608	842,031	1,827,638	216,683	1,610,955
437,873	2,970	434,903	-	-	-	15,653,958	6,598,289	9,055,669
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	2,202,307	833,973	1,368,334	4,155,690	177,728	3,977,962
-	-	-	60,000	54,209	5,791	800,000	400,000	400,000
449,683	8,751	440,932	8,216,052	5,298,607	2,917,445	24,556,014	8,121,431	16,434,583
-	-	-	(2,128,955)	892,023	3,020,978	(15,888,502)	(2,352,466)	13,536,036
-	-	-	195,000	195,000	-	-	-	-
-	-	-	(111,515)	(75,916)	35,599	(498,988)	(248,179)	250,809
-	-	-	83,485	119,084	35,599	(498,988)	(248,179)	250,809
-	-	-	(2,045,470)	1,011,107	3,056,577	(16,387,490)	(2,600,645)	13,786,845
-	-	-	3,696,668	3,696,668	-	12,055,921	10,485,892	(1,570,029)
\$ -	\$ -	\$ -	\$ 1,651,198	\$ 4,707,775	\$ 3,056,577	\$ (4,331,569)	\$ 7,885,247	\$ 12,216,816

## NON-MAJOR FUNDS

### PROPRIETARY FUNDS

#### PROPRIETARY FUNDS

Proprietary funds are used to account for business-type activities and include both Enterprise funds and Internal Service funds.

#### ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The primary customer of enterprise funds is the general public and the intent is that the costs relating to providing certain goods or services are primarily recovered through user fees and charges.

**Parking System Fund** – This fund accounts for operating and maintaining parking facilities throughout the City, including three municipal parking garages.

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

**Lakeland Linder Regional Airport Fund** – This fund accounts for revenues from leases of buildings and land, commissions on the sale of gasoline, related operating expenses, and capital outlays necessary for maintaining a general aviation facility and an industrial park.

**Solid Waste Management Fund** – This fund accounts for all activities necessary to provide refuse collection, disposal services and recycling to residents of the City.

**NON-MAJOR FUNDS**

**PROPRIETARY FUNDS**

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
SEPTEMBER 30, 2018

Business-type Activities  
Enterprise Funds

	Parking System Fund	RP Funding Center	Lakeland Linder International Airport Fund	Solid Waste Management Fund	Total Other Proprietary Funds
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 470,335	\$ 1,108,001	\$ 255,680	\$ 7,109,043	\$ 8,943,059
Receivables	11,513	372,384	573,836	580,585	1,538,318
Less allowance for uncollectibles	(1,576)	(7,765)	(63,707)	(48)	(73,096)
Prepaid expenses	67	103,403	55,987	880	160,337
Asset apportionments set aside for (including \$5,549,217 in cash and cash equivalents)					
Current portion of bonds payable	-	857,066	1,309,003	-	2,166,069
Accrued interest payable	-	169,674	176,504	-	346,178
Due to other funds - Appt Asset	-	-	263,069	-	263,069
Accrued liabilities	-	-	2,773,902	-	2,773,902
Restricted Assets set aside for (including \$2,087,459 in cash and cash equivalents)					
Accrued liabilities	-	2,087,459	-	-	2,087,459
Total current assets	<u>480,339</u>	<u>4,690,222</u>	<u>5,344,274</u>	<u>7,690,460</u>	<u>18,205,295</u>
<b>Non-current assets:</b>					
Asset apportionments (including \$1,939,324 in cash and cash equivalents)	40,103	-	4,948,776	-	4,988,879
Restricted assets (including \$6,441,241 in cash and cash equivalents)	-	5,984,192	577	456,472	6,441,241
<b>Capital assets:</b>					
Land	1,553,061	2,611,443	14,029,120	934,279	19,127,903
Construction in progress	21,413	10,383,541	4,506,697	-	14,911,651
Utility plant, facilities & equipment in service	7,766,007	41,959,038	149,192,412	3,362,624	202,280,081
Less accumulated depreciation	(4,851,045)	(27,729,992)	(57,664,332)	(1,637,874)	(91,883,243)
Total capital assets	<u>4,489,436</u>	<u>27,224,030</u>	<u>110,063,897</u>	<u>2,659,029</u>	<u>144,436,392</u>
Total noncurrent assets	<u>4,529,539</u>	<u>33,208,222</u>	<u>115,013,250</u>	<u>3,115,501</u>	<u>155,866,512</u>
Total assets	<u>5,009,878</u>	<u>37,898,444</u>	<u>120,357,524</u>	<u>10,805,961</u>	<u>174,071,807</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources related to pensions	44,449	750,633	182,785	686,102	1,663,969
Unamortized loss on refunding	-	152,251	-	-	152,251
Total deferred outflows of resources	<u>44,449</u>	<u>902,884</u>	<u>182,785</u>	<u>686,102</u>	<u>1,816,220</u>

## NON-MAJOR FUNDS

### PROPRIETARY FUNDS

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS, CONTINUED  
SEPTEMBER 30, 2018

	Business-type Activities Enterprise Funds				Total Other Proprietary Funds
	Parking System Fund	RP Funding Center	Lakeland Linder International Airport Fund	Solid Waste Management Fund	
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 357	\$ 159,504	\$ 14,789	\$ 222,165	\$ 396,815
Accrued liabilities	16,715	210,943	89,338	190,552	507,548
Due to other funds	-	186,885	673,364	-	860,249
Accrued interest payable	-	9,355	-	-	9,355
Current portion of loans payable	-	114,474	-	-	114,474
Deposits payable	-	922,752	131,762	-	1,054,514
Unearned revenue	-	169,687	-	-	169,687
Current portion payable from apportioned assets					
Accrued interest payable	-	169,674	176,504	-	346,178
Bonds payable	-	857,066	1,309,003	-	2,166,069
Accrued liabilities	-	-	2,773,901	-	2,773,901
Due to other funds - apport	-	-	263,069	-	263,069
Current portion payable from restricted assets					
Accrued liabilities - restr	-	2,087,459	-	-	2,087,459
Total current liabilities	<u>17,072</u>	<u>4,887,799</u>	<u>5,431,730</u>	<u>412,717</u>	<u>10,749,318</u>
<b>Noncurrent liabilities:</b>					
Restricted liabilities	-	-	-	456,472	456,472
Accrued liabilities, less current portion	10,638	232,130	78,959	185,815	507,542
Advances from other funds, less current portion	-	328,145	10,120,253	-	10,448,398
Net pension liability	248,082	2,612,411	858,447	3,446,464	7,165,404
Net OPEB liability	293,392	3,130,085	1,086,909	4,093,350	8,603,736
Notes and loans payable, less current portion	-	364,943	-	-	364,943
Revenue bonds payable, less current portion	-	13,047,011	15,258,626	-	28,305,637
Total noncurrent liabilities	<u>552,112</u>	<u>19,714,725</u>	<u>27,403,194</u>	<u>8,182,101</u>	<u>55,852,132</u>
Total liabilities	<u>569,184</u>	<u>24,602,524</u>	<u>32,834,924</u>	<u>8,594,818</u>	<u>66,601,450</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of resources related to pensions	43,463	303,860	328,624	429,010	1,104,957
Deferred inflows of resources related to OPEB	40,798	435,270	151,144	569,222	1,196,434
Total deferred inflows of resources	<u>84,261</u>	<u>739,130</u>	<u>479,768</u>	<u>998,232</u>	<u>2,301,391</u>
<b>NET POSITION</b>					
Net investment in capital assets	4,489,436	18,976,979	93,496,268	2,659,028	119,621,711
Restricted:					
Capital improvement	-	5,984,192	577	-	5,984,769
Unrestricted	<u>(88,554)</u>	<u>(11,501,497)</u>	<u>(6,271,228)</u>	<u>(760,015)</u>	<u>(18,621,294)</u>
Total net position	<u>\$ 4,400,882</u>	<u>\$ 13,459,674</u>	<u>\$ 87,225,617</u>	<u>\$ 1,899,013</u>	<u>\$ 106,985,186</u>

## NON-MAJOR FUNDS

### PROPRIETARY FUNDS

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Enterprise Funds				Total Other Proprietary Funds
	Parking System Fund	RP Funding Center	Lakeland Linder International Airport Fund	Solid Waste Management Fund	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 799,871	\$ 5,339,318	\$ 6,470,785	\$ 16,197,970	\$ 28,807,944
<b>OPERATING EXPENSES</b>					
Personal services	252,567	3,976,761	1,335,659	4,258,897	9,823,884
Other operating expenses	502,254	4,702,726	2,825,894	9,379,689	17,410,563
Depreciation	168,298	946,723	4,850,500	128,300	6,093,821
Total operating expenses	<u>923,119</u>	<u>9,626,210</u>	<u>9,012,053</u>	<u>13,766,886</u>	<u>33,328,268</u>
Operating income (loss)	<u>(123,248)</u>	<u>(4,286,892)</u>	<u>(2,541,268)</u>	<u>2,431,084</u>	<u>(4,520,324)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Property and other taxes	-	459,655	-	-	459,655
Federal, state and local grants	-	45,000	239,665	-	284,665
Investment revenue	23,665	476,287	289,162	339,512	1,128,626
Loss on disposal of fixed assets	-	-	-	(646)	(646)
Net increase (decrease) in the fair value of investments and cash equivalents	(14,045)	(15,554)	(404,953)	(201,030)	(635,582)
Miscellaneous revenue	13,510	170,397	420,172	13,754	617,833
Interest expense	-	(253,945)	(828,047)	-	(1,081,992)
Amortization	-	(38,063)	-	-	(38,063)
Proceeds from the sale of capital assets	-	-	1,649,972	-	1,649,972
Total nonoperating revenues (expenses)	<u>23,130</u>	<u>843,777</u>	<u>1,365,971</u>	<u>151,590</u>	<u>2,384,468</u>
Income (loss) before contributions, transfers	<u>(100,118)</u>	<u>(3,443,115)</u>	<u>(1,175,297)</u>	<u>2,582,674</u>	<u>(2,135,856)</u>
Capital grants and contributions	-	200,000	7,903,233	-	8,103,233
Transfers from other funds	22,771	4,648,039	-	-	4,670,810
Transfers to other funds	(26,511)	(12,258)	(62,360)	(1,870,220)	(1,971,349)
Total contributions and transfers	<u>(3,740)</u>	<u>4,835,781</u>	<u>7,840,873</u>	<u>(1,870,220)</u>	<u>10,802,694</u>
Change in net position	(103,858)	1,392,666	6,665,576	712,454	8,666,838
NET POSITION, beginning of year	4,730,141	14,680,580	81,317,105	4,254,004	104,981,830
Prior period adjustment (Note 2)	(225,401)	(2,613,572)	(757,064)	(3,067,445)	(6,663,482)
NET POSITION, end of year	<u>\$ 4,400,882</u>	<u>\$ 13,459,674</u>	<u>\$ 87,225,617</u>	<u>\$ 1,899,013</u>	<u>\$ 106,985,186</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
SEPTEMBER 30, 2018

	Business-type Activities				Total Other Proprietary Funds
	Enterprise Funds				
	Parking System Fund	RP Funding Center	Lakeland Linder International Airport Fund	Solid Waste Management Fund	
Cash flows from operating activities:					
Receipts from customers	\$ 832,738	\$ 5,636,830	\$ 8,090,752	\$ 16,214,553	\$ 30,774,873
Payments for interfund services	(162,434)	(322,986)	(374,379)	(4,849,868)	(5,709,667)
Payments to suppliers	(339,760)	(4,484,246)	(2,460,162)	(4,562,168)	(11,846,336)
Payments to employees	(247,542)	(3,863,517)	(1,337,481)	(4,188,245)	(9,636,785)
Cash flows provided by (used in) operating activities	83,002	(3,033,919)	3,918,730	2,614,272	3,582,085
Cash flows from noncapital financing activities:					
Interest paid on customer deposits	-	-	-	(19,151)	(19,151)
Proceeds from local grants	-	45,000	143,477	-	188,477
Transfers from other funds	-	2,941,193	-	-	2,941,193
Transfers to other funds	(26,511)	(12,258)	(62,360)	(1,870,220)	(1,971,349)
Cash flows provided by (used in) noncapital financing activities	(26,511)	2,973,935	81,117	(1,889,371)	1,139,170
Cash flows from capital financing activities:					
Taxes received for payments on long-term debt	-	459,655	-	-	459,655
Interest paid on long-term debt issued to finance capital assets	-	(350,438)	(795,013)	-	(1,145,451)
Payments on interfund loans	-	(179,494)	(1,920,885)	-	(2,100,379)
Proceeds from issuance of internal loans	-	-	315,000	-	315,000
Payments on and maturities of long-term debt	-	(1,298,125)	(941,657)	-	(2,239,782)
Proceeds from capital grant programs	-	-	12,349,678	-	12,349,678
Transfers from other funds for capital purposes	22,771	1,706,846	-	-	1,729,617
Proceeds from the sale of capital assets	-	-	1,649,972	-	1,649,972
Capital contributions from others	-	200,000	-	-	200,000
Purchase of capital assets	(21,412)	(6,550,637)	(8,689,761)	(64,239)	(15,326,049)
Cash flows provided by (used in) capital financing activities	1,359	(6,012,193)	1,967,334	(64,239)	(4,107,739)
Cash flows from investing activities:					
Investment revenue	23,665	476,287	289,162	358,663	1,147,777
Net increase (decrease) in the fair value of cash equivalents	(14,045)	(15,554)	(404,953)	(201,030)	(635,582)
Cash flows provided by (used in) investing activities	9,620	460,733	(115,791)	157,633	512,195
Net increase (decrease) in cash and cash equivalents	67,470	(5,611,444)	5,851,390	818,295	1,125,711
Cash and cash equivalents, beginning of year	442,968	15,817,836	826,565	6,747,220	23,834,589
Cash and cash equivalents, end of year	\$ 510,438	\$ 10,206,392	\$ 6,677,955	\$ 7,565,515	\$ 24,960,300
Classified as:					
Current	\$ 470,335	\$ 1,108,001	\$ 255,680	\$ 7,109,043	\$ 8,943,059
Apportioned	40,103	1,026,740	6,421,698	-	7,488,541
Restricted	-	8,071,651	577	456,472	8,528,700
Total	\$ 510,438	\$ 10,206,392	\$ 6,677,955	\$ 7,565,515	\$ 24,960,300
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (123,248)	\$ (4,286,892)	\$ (2,541,268)	\$ 2,431,084	\$ (4,520,324)
Depreciation	168,298	946,723	4,850,500	128,300	6,093,821
Miscellaneous revenue	13,510	170,397	420,172	13,754	617,833
(Increase) decrease in receivables, net	19,357	(189,184)	103,461	(48,650)	(115,016)
(Increase) decrease in prepaid expenses	(21)	(16,281)	19,569	(272)	2,995
(Increase) decrease in deferred outflows related to pension	33,158	(31,083)	129,047	348,893	480,015
Increase (decrease) in accounts payable	60	(104,506)	(8,648)	(32,347)	(145,441)
Increase (decrease) in accrued liabilities	(3,531)	37,556	17,574	(16,237)	35,362
Increase in unearned revenue	-	144,988	1,092,308	-	1,237,296
(Decrease) in net pension liability	(66,810)	(182,369)	(486,771)	(677,442)	(1,413,392)
Increase in deferred inflows related to pensions	39,735	272,920	312,042	380,898	1,005,595
Increase in deferred inflows related to OPEB	20,827	222,204	77,158	290,586	610,775
(Decrease) in net OPEB liability	(18,333)	(195,584)	(67,916)	(255,774)	(537,607)
Increase in deposits payable	-	177,192	1,502	51,479	230,173
Net cash provided by (used in) operating activities	\$ 83,002	\$ (3,033,919)	\$ 3,918,730	\$ 2,614,272	\$ 3,582,085
Noncash investing, capital, or financing transactions:					
Capitalized interest	\$ -	\$ 134,348	\$ 10,764	\$ -	\$ 145,112
Capital grants and contributions not received, a noncash capital activity	-	-	3,041,124	-	3,041,124
Net noncash investing, capital, or financing transactions	\$ -	\$ 134,348	\$ 3,051,888	\$ -	\$ 3,186,236



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## NON-MAJOR FUNDS

### INTERNAL SERVICE FUNDS

#### INTERNAL SERVICE FUNDS

Internal service funds account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

**Purchasing and Stores Fund** – This fund accounts for the costs of purchasing and maintaining custody of supplies and materials. Services provided are billed based on an estimate of actual cost, including operating expenses, and overhead.

**Fleet Management Fund** – This fund accounts for renting and maintaining automotive equipment used by other City departments. User charges are assessed to cover actual costs, including operating expenses, overhead, and depreciation.

**Facilities Maintenance Fund** – This fund accounts for the cost of maintenance and janitorial services for all City-owned buildings. User charges are assessed to cover actual costs, including operating expenses, and overhead.

**Information Technology Fund** – This fund accounts for the cost of the information services incurred in providing network services, telephone, radio communications, and general computer services and supplies. User charges are assessed to cover actual costs, including operating expenses, overhead, and depreciation.

**Self-Insurance Fund** – This fund accounts for the cost of claims and management fees incurred in providing employee health insurance, workers' compensation, general liability, public officials' liability, airport general liability, automobile liability and trustee and fiduciary liability for the City of Lakeland.

**Internal Loan Fund** – This fund accounts for internal loans that are made to other funds of the City of Lakeland for the purpose of financing operating deficits and capital acquisition costs that the City has determined should not be financed through the traditional tax-free debt market. All loans are interest bearing with defined repayment terms.



CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Purchasing And Stores Fund	Fleet Management Fund	Facilities Maintenance Fund
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 249,188	\$ 607,902	\$ 1,313,624
Due from other funds	-	-	-
Due from other governments	-	331,429	-
Inventories	955,301	5,133	-
Prepaid expenses	217	388	811
Asset apportionments set aside for (including \$11,475,978 in cash and cash equivalents)			
Current portion of bonds payable	-	-	-
Accrued interest payable	-	-	-
Due to other funds	-	-	-
Accrued liabilities	-	51,741	-
Total current assets	<u>1,204,706</u>	<u>996,593</u>	<u>1,314,435</u>
Noncurrent assets:			
Assets apportionments (including \$70,136,976 in cash and cash equivalents)			
Other asset apportionments	-	34,211,025	-
	<u>-</u>	<u>34,211,025</u>	<u>-</u>
Capital assets:			
Land	-	9,972	-
Construction in progress	-	48,807	-
Utility plant, facilities & equipment in service	3,564,943	63,473,913	436,654
Less accumulated depreciation	(2,116,670)	(39,878,189)	(367,390)
Total capital assets	<u>1,448,273</u>	<u>23,654,503</u>	<u>69,264</u>
Other noncurrent assets:			
Advances to other funds, less current portion	-	-	-
Total other noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>1,448,273</u>	<u>57,865,528</u>	<u>69,264</u>
Total assets	<u>2,652,979</u>	<u>58,862,121</u>	<u>1,383,699</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	211,634	300,854	827,056
Unamortized loss on refunding	-	-	-
Total deferred outflows of resources	<u>211,634</u>	<u>300,854</u>	<u>827,056</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	44,967	227,343	47,914
Accrued liabilities	51,136	122,385	189,154
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Payable from apportioned assets:			
Accrued interest payable	-	-	-
Current portion of bonds payable	-	-	-
Accrued liabilities	-	51,741	-
Due to other funds	-	-	-
Total current liabilities	<u>96,103</u>	<u>401,469</u>	<u>237,068</u>
Noncurrent liabilities:			
Liabilities payable from apportioned assets			
Advances from other funds, less current portion	-	-	-
Other liabilities payable from apportioned assets	-	-	-
Accrued liabilities, less current portion	74,802	186,349	174,473
Advances from other funds, less current portion	-	-	-
Net pension liability	836,851	1,477,893	2,583,875
Net OPEB liability	970,638	1,714,892	3,052,930
Revenue bonds payable, less current portion	-	-	-
Unamortized bond premium	-	-	-
Total noncurrent liabilities	<u>1,882,291</u>	<u>3,379,134</u>	<u>5,811,278</u>
Total liabilities	<u>1,978,394</u>	<u>3,780,603</u>	<u>6,048,346</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	94,077	438,830	305,762
Deferred inflows of resources related to OPEB	134,977	238,473	424,540
Total deferred inflows of resources	<u>229,054</u>	<u>677,303</u>	<u>730,302</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,448,273	23,654,503	69,264
Restricted			
Unrestricted	(791,108)	31,050,566	(4,637,157)
Total net position	<u>\$ 657,165</u>	<u>\$ 54,705,069</u>	<u>\$ (4,567,893)</u>

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 5,739,678	\$ -	\$ 26,552,737	\$ 34,463,129
-	-	2,214,358	2,214,358
-	-	-	331,429
-	-	-	960,434
1,102	-	-	2,518
-	-	3,045,219	3,045,219
-	-	1,921,561	1,921,561
72,094	-	-	72,094
239,305	6,146,058	-	6,437,104
<u>6,052,179</u>	<u>6,146,058</u>	<u>33,733,875</u>	<u>49,447,846</u>
<u>4,927,605</u>	<u>20,585,976</u>	<u>-</u>	<u>59,724,606</u>
<u>4,927,605</u>	<u>20,585,976</u>	<u>-</u>	<u>59,724,606</u>
-	-	-	9,972
2,561,700	-	-	2,610,507
29,257,315	-	-	96,732,825
(14,885,669)	-	-	(57,247,918)
<u>16,933,346</u>	<u>-</u>	<u>-</u>	<u>42,105,386</u>
<u>-</u>	<u>-</u>	<u>16,373,571</u>	<u>16,373,571</u>
<u>-</u>	<u>-</u>	<u>16,373,571</u>	<u>16,373,571</u>
<u>21,860,951</u>	<u>20,585,976</u>	<u>16,373,571</u>	<u>118,203,563</u>
<u>27,913,130</u>	<u>26,732,034</u>	<u>50,107,446</u>	<u>167,651,409</u>
<u>1,924,335</u>	<u>-</u>	<u>-</u>	<u>3,263,879</u>
<u>-</u>	<u>-</u>	<u>560,560</u>	<u>560,560</u>
<u>1,924,335</u>	<u>-</u>	<u>560,560</u>	<u>3,824,439</u>
342,537	-	-	662,761
481,930	-	-	844,605
1,018,946	-	-	1,018,946
-	-	11,832	11,832
-	-	1,921,561	1,921,561
-	-	3,045,219	3,045,219
239,305	6,146,058	-	6,437,104
72,094	-	-	72,094
<u>2,154,812</u>	<u>6,146,058</u>	<u>4,978,612</u>	<u>14,014,122</u>
92,768	-	-	92,768
-	16,119,000	-	16,119,000
662,654	-	-	1,098,278
5,832,405	-	-	5,832,405
8,946,842	-	-	13,845,461
10,248,791	-	-	15,987,251
-	-	32,614,550	32,614,550
-	-	7,017,155	7,017,155
<u>25,783,460</u>	<u>16,119,000</u>	<u>39,631,705</u>	<u>92,606,868</u>
<u>27,938,272</u>	<u>22,265,058</u>	<u>44,610,317</u>	<u>106,620,990</u>
985,622	-	-	1,824,291
1,425,198	-	-	2,223,188
<u>2,410,820</u>	<u>-</u>	<u>-</u>	<u>4,047,479</u>
16,933,347	-	-	42,105,387
(17,444,974)	4,466,976	6,057,689	18,701,992
<u>\$ (511,627)</u>	<u>\$ 4,466,976</u>	<u>\$ 6,057,689</u>	<u>\$ 60,807,379</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Purchasing And Stores Fund</u>	<u>Fleet Management Fund</u>	<u>Facilities Maintenance Fund</u>
OPERATING REVENUES			
Charges for services	\$ 3,244,694	\$ 15,311,629	\$ 5,474,222
OPERATING EXPENSES			
Personal services	1,109,123	2,163,144	3,756,082
Other operating expenses	2,117,559	6,368,272	2,418,523
Depreciation	97,491	7,043,046	25,232
Total operating expenses	<u>3,324,173</u>	<u>15,574,462</u>	<u>6,199,837</u>
Operating income (loss)	<u>(79,479)</u>	<u>(262,833)</u>	<u>(725,615)</u>
NONOPERATING REVENUES (EXPENSES)			
Federal, state and local grants	-	-	-
Investment revenue	11,874	1,617,173	79,014
Loss on disposal of fixed assets	-	(152,794)	(2,201)
Net increase (decrease) in the fair value of investments and cash equivalents	(2,795)	(841,572)	(3,051)
Interest income on internal loans	-	10,071	-
Miscellaneous revenue	13,581	16,924	6
Rebate on fuel taxes	-	179,662	-
Interest expense	-	(11,689)	-
Amortization	-	-	-
Proceeds from the sale of capital assets	-	1,116,685	-
Total nonoperating revenues	<u>22,660</u>	<u>1,934,460</u>	<u>73,768</u>
Income (loss) before transfers	<u>(56,819)</u>	<u>1,671,627</u>	<u>(651,847)</u>
Transfers from other funds	-	597,951	-
Transfers to other funds	<u>(17,485)</u>	<u>(13,798)</u>	<u>(85,917)</u>
Total contributions and transfers	<u>(17,485)</u>	<u>584,153</u>	<u>(85,917)</u>
Change in net position	<u>(74,304)</u>	<u>2,255,780</u>	<u>(737,764)</u>
NET POSITION, beginning of year	1,378,830	53,585,130	(1,335,727)
Prior period adjustment (Note 2)	<u>(647,361)</u>	<u>(1,135,841)</u>	<u>(2,494,402)</u>
NET POSITION, end of year	<u>\$ 657,165</u>	<u>\$ 54,705,069</u>	<u>\$ (4,567,893)</u>

Information Technology Fund	Self- Insurance Fund	Internal Loan Fund	Total Internal Service Funds
\$ 20,353,688	\$ 38,505,574	\$ -	\$ 82,889,807
9,250,472	-	-	16,278,821
8,316,187	37,033,225	-	56,253,766
2,493,998	-	-	9,659,767
20,060,657	37,033,225	-	82,192,354
293,031	1,472,349	-	697,453
-	-	309,741	309,741
452,166	1,152,082	1,096,832	4,409,141
(47,322)	-	-	(202,317)
(294,984)	(697,748)	(523,685)	(2,363,835)
-	-	3,014,379	3,024,450
29,253	1,328,914	-	1,388,678
-	-	-	179,662
(307,112)	-	(4,006,603)	(4,325,404)
-	-	344,865	344,865
-	-	-	1,116,685
(167,999)	1,783,248	235,529	3,881,666
125,032	3,255,597	235,529	4,579,119
1,360,508	-	-	1,958,459
(23,813)	(100,528)	-	(241,541)
1,336,695	(100,528)	-	1,716,918
1,461,727	3,155,069	235,529	6,296,037
6,443,763	1,311,907	5,822,160	67,206,063
(8,417,117)	-	-	(12,694,721)
\$ (511,627)	\$ 4,466,976	\$ 6,057,689	\$ 60,807,379

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Purchasing and Stores Fund</u>	<u>Fleet Management Fund</u>	<u>Facilities Maintenance Fund</u>
Cash flows from operating activities:			
Receipts from customers	\$ 13,581	\$ 16,924	\$ 6
Receipts for interfund services	3,244,694	15,311,629	5,474,222
Payments to suppliers	(1,431,438)	(5,952,196)	(1,966,274)
Payments for interfund services	(806,133)	(332,799)	(459,209)
Payments to employees	(1,080,498)	(2,166,237)	(3,683,806)
Cash flows provided by operating activities	<u>(59,794)</u>	<u>6,877,321</u>	<u>(635,061)</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	<u>(17,485)</u>	<u>(13,798)</u>	<u>(85,917)</u>
Cash flows provided by (used in) noncapital financing activities	<u>(17,485)</u>	<u>(13,798)</u>	<u>(85,917)</u>
Cash flows from capital financing activities:			
Interest received on internal loans	-	10,071	-
Repayments on and maturities of long-term debt - governmental funds	-	-	-
Issuance of long-term debt - governmental funds	-	-	-
Proceeds from repayment of interfund loans	-	1,089,237	-
Payments on interfund loans	-	(1,167,035)	-
Issuance of interfund loans	-	-	-
Interest paid on long-term debt issued to finance capital assets	-	(11,689)	-
Payments on and maturities of long-term debt	-	-	-
Transfers from other funds for capital purposes	-	597,951	-
Proceeds from rebates received on interest payments	-	-	-
Proceeds from sale of capital assets	-	1,116,685	-
Purchase of capital assets	-	(7,620,010)	(6,157)
Cash flows (used in) capital financing activities	<u>-</u>	<u>(5,984,790)</u>	<u>(6,157)</u>
Cash flows from investing activities:			
Investment revenue	11,874	1,617,173	79,014
Net Increase (decrease) in the fair value of cash equivalents	(2,795)	(841,572)	(3,051)
Cash flows provided by investing activities	<u>9,079</u>	<u>775,601</u>	<u>75,963</u>
Net increase (decrease) in cash and cash equivalents	(68,200)	1,654,334	(651,172)
Cash and cash equivalents, beginning of year	317,388	33,216,334	1,964,796
Cash and cash equivalents, end of year	<u>\$ 249,188</u>	<u>\$ 34,870,668</u>	<u>\$ 1,313,624</u>
Classified as:			
Current	\$ 249,188	\$ 607,902	\$ 1,313,624
Apportioned	-	34,262,766	-
Total	<u>\$ 249,188</u>	<u>\$ 34,870,668</u>	<u>\$ 1,313,624</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (79,479)	\$ (262,833)	\$ (725,615)
Depreciation	97,491	7,043,046	25,232
Rebate on fuel taxes	-	179,662	-
Miscellaneous revenue	13,581	16,924	6
(Increase) decrease in receivables, net	-	-	-
(Increase) in due from other governments	-	(179,662)	-
(Increase) decrease in inventory	(105,767)	30,343	-
(Increase) in prepaid expenses	(66)	(108)	(287)
(Increase) decrease in deferred outflows related to pensions	41,844	207,098	(120,345)
Increase (decrease) in accounts payable	(14,245)	52,934	(6,960)
Increase (decrease) in accrued liabilities	4,495	18,580	10,474
(Decrease) in net pension liability	(96,659)	(655,991)	(119,112)
(Decrease) in net OPEB liability	(60,651)	(107,155)	(190,763)
Increase in estimated liability for unpaid claims	-	-	-
Increase in deferred inflows related to pensions	70,757	412,743	275,583
Increase in deferred inflows related to OPEB	68,905	121,740	216,726
Net cash provided by (used in) operating activities	<u>\$ (59,794)</u>	<u>\$ 6,877,321</u>	<u>\$ (635,061)</u>

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018 (CONTINUED)

	Information Technology Fund	Self-Insurance Fund	Internal Loan Fund	Total Internal Service Funds
Cash flows from operating activities:				
Receipts from customers	\$ 29,253	\$ -	\$ -	\$ 59,764
Receipts for interfund services	20,353,688	39,778,013	-	84,162,246
Payments to Suppliers	(6,708,801)	(36,710,034)	-	(52,768,743)
Payments for interfund services	(1,583,171)	-	-	(3,181,312)
Payments to employees	(8,966,880)	-	-	(15,897,421)
Cash flows provided by operating activities	<u>3,124,089</u>	<u>3,067,979</u>	<u>-</u>	<u>12,374,534</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(23,813)	(100,528)	-	(241,541)
Cash flows provided by (used in) noncapital financing activities	<u>(23,813)</u>	<u>(100,528)</u>	<u>-</u>	<u>(241,541)</u>
Cash flows from capital financing activities:				
Interest received on internal loans	-	-	3,014,379	3,024,450
Repayments on & maturities of LTD - Governmental funds	-	-	6,930,693	6,930,693
Issuance of long-term debt - govt'l funds	-	-	(1,479,692)	(1,479,692)
Proceeds from repayment of interfund loans	-	-	8,836,775	9,926,012
Payments on interfund loans	(1,061,088)	-	(1,089,237)	(3,317,360)
Issuance of interfund loans	-	-	(5,365,000)	(5,365,000)
Interest paid on LT debt issued to finance capital assets	(307,112)	-	(4,207,345)	(4,526,146)
Payments on and maturities of long-term debt	-	-	(9,125,000)	(9,125,000)
Transfers from other funds for capital purposes	1,360,508	-	-	1,958,459
Proceeds from rebates on interest payments	-	-	309,741	309,741
Proceeds from the sale of capital assets	-	-	-	1,116,685
Purchase of capital assets	(1,980,253)	-	-	(9,606,420)
Cash flows provided by (used in) capital financing activities	<u>(1,987,945)</u>	<u>-</u>	<u>(2,174,686)</u>	<u>(10,153,578)</u>
Cash Flows from investing activities:				
Investment revenue	452,166	1,152,082	1,096,832	4,409,141
Net increase (decrease) in the fair value of cash equivalents	(294,984)	(697,748)	(523,685)	(2,363,835)
Cash flows provided by (used in) investing activities	<u>157,182</u>	<u>454,334</u>	<u>573,147</u>	<u>2,045,306</u>
Net increase (decrease) in cash and cash equivalents	1,269,513	3,421,785	(1,601,539)	4,024,721
Cash and cash equivalents, beginning of year	9,709,169	22,246,641	33,121,056	100,575,384
Cash and cash equivalents, end of year	<u>\$ 10,978,682</u>	<u>\$ 25,668,426</u>	<u>\$ 31,519,517</u>	<u>\$ 104,600,105</u>
Classified as:				
Current	\$ 5,739,678	\$ -	\$ 26,552,737	\$ 34,463,129
Apportioned	5,239,004	25,668,426	4,966,780	70,136,976
Total	<u>\$ 10,978,682</u>	<u>\$ 25,668,426</u>	<u>\$ 31,519,517</u>	<u>\$ 104,600,105</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 293,031	\$ 1,472,349	\$ -	\$ 697,453
Depreciation	2,493,998	-	-	9,659,767
Rebate on fuel taxes	-	-	-	179,662
Miscellaneous revenue	29,253	1,328,914	-	1,388,678
(Increase) decrease in receivables, net	-	(56,475)	-	(56,475)
(Increase) in due from other governments	-	-	-	(179,662)
(Increase) decrease in inventory	-	-	-	(75,424)
(Increase) in prepaid expenses	(334)	-	-	(795)
(Increase) decrease in deferred outflows related to pensions	634,952	-	-	763,549
Increase (decrease) in accounts payable	24,215	(2,027,809)	-	(1,971,865)
Increase (decrease) in accrued liabilities	(40,293)	-	-	(6,744)
(Decrease) in net pension liability	(1,269,468)	-	-	(2,141,230)
(Decrease) in net OPEB liability	(640,399)	-	-	(998,968)
Increase in estimated liability for unpaid claims	-	2,351,000	-	2,351,000
Increase in deferred inflows related to pensions	871,576	-	-	1,630,659
Increase in deferred inflows related to OPEB	727,558	-	-	1,134,929
Net cash provided by (used in) operating activities	<u>\$ 3,124,089</u>	<u>\$ 3,067,979</u>	<u>\$ -</u>	<u>12,374,534</u>

## NON-MAJOR FUNDS

### FIDUCIARY FUNDS

#### FIDUCIARY FUNDS

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Fiduciary funds include both pension trust funds and agency funds.

**Employees' Pension and Retirement System** – This fund accounts for the accumulation of resources used for retirement payments for City employees. Resources for retirement benefits are contributed by employees at a rate of 8.5% of their salary and by the City at a rate of 17.44% of the covered employee's salary.

**Police Officers' Defined Benefit Retirement System** – This fund accounts for the accumulation of resources used for retirement annuity payments to police officers. Resources are contributed by police officers at a rate of 1% of their salary and by the State of Florida from the proceeds of an excise tax imposed by the City on casualty insurance companies.

**Firefighters' Supplemental Pension Plan** – This fund accounts for the accumulation of resources used for retirement annuity and death benefit payments for firefighters. Resources are contributed by firefighters at a rate of 3% of their salary and by the State of Florida from the proceeds of an excise tax imposed by the City on fire insurance companies. The tax is collected by the State of Florida and remitted to the fund.

**Retiree Healthcare Trust Fund** – This fund accounts for the accumulation of resources used for health insurance payments for eligible retirees.

**Survivor's Benefit Trust Fund** – This fund accounts for the accumulation of resources used for payment of premiums for the insurance policy purchased by the City for the payment of death benefit to surviving spouses of certain retired employees.

**Impact Fee Agency Fund** – This fund accounts for the deposits of transportation, emergency medical, and jail construction impact fees collected on behalf of the County.

CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
TRUST FUNDS  
SEPTEMBER 30, 2018

	Pension and Other Employees Benefit Trust Funds				Private Purpose Trust Fund	Total Trust Funds
	Employees Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System	Retiree Healthcare Trust Fund	Survivor's Benefit Trust Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,232,617	\$ 1,057,135	\$ 903,875	\$ 361,546	\$ -	7,555,173
Mutual Funds	276,614,446	78,194,577	96,124,289	-	-	450,933,312
US Government Obligations	37,092,523	20,457,580	-	-	-	57,550,103
Corporate Notes and Bonds	39,294,432	9,013,917	-	-	-	48,308,349
Municipal Bonds	-	958,231	-	-	-	958,231
Corporate Stocks	248,417,779	15,101,368	-	-	-	263,519,147
Consolidated Fund	-	-	-	7,871,916	3,788,350	11,660,266
Prepaid expenses	-	570	1,689	-	-	2,259
Accrued interest receivable	697,473	117,290	43,896	-	-	858,659
Receivables	90	-	-	-	-	90
Unsettled investment sales, net	4,605,773	238,082	-	-	-	4,843,855
Contributions	949,817	945,741	88,495	67,795	-	2,051,848
Due from other governments	-	-	731,610	-	-	731,610
<b>Total assets</b>	<b>612,904,950</b>	<b>126,084,491</b>	<b>97,893,854</b>	<b>8,301,257</b>	<b>3,788,350</b>	<b>848,972,902</b>
<b>LIABILITIES</b>						
Accounts payable	569,008	186,433	48,070	-	-	803,511
Unsettled investment purchases, net	2,899,630	-	-	-	-	2,899,630
Due to other funds	-	-	-	-	1,287,593	1,287,593
<b>Total liabilities</b>	<b>3,468,638</b>	<b>186,433</b>	<b>48,070</b>	<b>-</b>	<b>1,287,593</b>	<b>4,990,734</b>
<b>NET POSITION</b>						
Restricted for DROP benefits	23,622,139	1,897,188	1,580,473	-	-	27,099,800
Restricted for OPEB benefits	-	-	-	8,301,257	-	8,301,257
Net Position Restricted for pension benefits and other purposes	585,814,173	124,000,870	96,265,311	-	2,500,757	808,581,111
<b>Total net position</b>	<b>\$ 609,436,312</b>	<b>\$ 125,898,058</b>	<b>\$ 97,845,784</b>	<b>\$ 8,301,257</b>	<b>\$ 2,500,757</b>	<b>\$ 843,982,168</b>



CITY OF LAKELAND, FLORIDA

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION  
TRUST FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Pension and Other Employees Benefit Trust Funds				Private Purpose Trust Fund	Total Trust Funds
	Employees Pension and Retirement System	Police Officers' Defined Benefit Retirement System	Firefighters' Retirement System	Retiree Healthcare Trust Fund	Survivor's Benefit Trust Fund	
<b>ADDITIONS</b>						
Contributions:						
Employer	\$ 15,473,351	\$ 3,339,013	\$ 1,575,442	\$ 8,250,441	\$ -	\$ 28,638,247
Plan Members	7,593,222	2,512,699	948,721	198,884	-	11,253,526
On-behalf payments - State of Florida	-	930,510	731,610	-	-	1,662,120
Total contributions	<u>23,066,573</u>	<u>6,782,222</u>	<u>3,255,773</u>	<u>8,449,325</u>	<u>-</u>	<u>41,553,893</u>
Net investment income:						
Interest and dividends	10,346,239	2,940,899	2,586,295	633,393	288,739	16,795,565
Net increase in fair value of investments	42,519,265	6,422,304	4,821,605	(7,773)	(3,741)	53,751,660
Investment advisor fee	(2,170,571)	(222,793)	(152,340)	-	-	(2,545,704)
Net investment income (loss)	<u>50,694,933</u>	<u>9,140,410</u>	<u>7,255,560</u>	<u>625,620</u>	<u>284,998</u>	<u>68,001,521</u>
Miscellaneous income	113,957	7,924	-	-	-	121,881
Total additions	<u>73,875,463</u>	<u>15,930,556</u>	<u>10,511,333</u>	<u>9,074,945</u>	<u>284,998</u>	<u>109,677,295</u>
<b>DEDUCTIONS</b>						
Benefits paid	40,282,918	8,995,833	6,581,293	8,295,728	-	64,155,772
Refunds, former plan members	1,028,249	177,690	62,446	2,683	-	1,271,068
Administrative expenses	222,991	195,309	125,572	-	-	543,872
Other	-	-	-	-	657,435	657,435
Total deductions	<u>41,534,158</u>	<u>9,368,832</u>	<u>6,769,311</u>	<u>8,298,411</u>	<u>657,435</u>	<u>66,628,147</u>
<b>CHANGE IN NET POSITION</b>						
RESTRICTED	32,341,305	6,561,724	3,742,022	776,534	(372,437)	43,049,148
NET POSITION, beginning of year	577,095,007	119,336,334	94,103,762	7,524,723	2,873,194	800,933,020
NET POSITION, end of year	<u>\$ 609,436,312</u>	<u>\$ 125,898,058</u>	<u>\$ 97,845,784</u>	<u>\$ 8,301,257</u>	<u>\$ 2,500,757</u>	<u>\$ 843,982,168</u>

CITY OF LAKELAND, FLORIDA

AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED SEPTEMBER 30, 2018

	<u>2018</u>
<u>County Impact Fee Fund</u>	
Cash and cash equivalents, beginning balance	\$ 8,653,325
Add:	
Impact fee collections	4,300,412
Net investment income:	
Interest and dividends	410,987
Net increase (decrease) in the fair value of investments	(137,382)
Less:	
Impact fee remittance to the County	(4,030,874)
Impact fee refunds	(8,190)
Administrative fee	(85,005)
Joint City/County transportation projects	<u>(1,331,070)</u>
Cash and cash equivalents, ending balance	<u>\$ 7,772,203</u>
Accounts payable/due to other governments, beginning balance	\$ 8,653,325
Add:	
Impact fee collections	4,300,412
Net investment income:	
Interest and dividends	410,987
Net increase (decrease) in the fair value of investments	(137,382)
Less:	
Impact fee remittances to the County	(4,030,874)
Impact fee refunds	(8,190)
Administrative fee	(85,005)
Joint City/County transportation projects	<u>(1,331,070)</u>
Accounts payable/due to other governments, ending balance	<u>\$ 7,772,203</u>



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# Schedules



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

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018







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CITY OF LAKELAND, FLORIDA  
SCHEDULE OF LONG-TERM DEBT - ALL FUNDS  
SEPTEMBER 30, 2018

	Interest Rate	Date		Original Issue Amount	Outstanding October 1, 2017	Issued During Year	Retired During Year	Outstanding September 30, 2018	Interest Payable in Future Years	Principal and Interest Payable in Future Years
		Issue	Final Maturity							
<b>GOVERNMENTAL FUNDS</b>										
Lease Payable - Leasing2 - Gradall Telescope Excavators	5.75	08-03-16	11-15-23	\$ 784,107	\$ 710,719	\$ -	\$ 94,756	\$ 615,963	\$ 51,266	\$ 667,229
Lease Payable - Santander Leasing LLC - Cues Truck	2.68	12-15-16	11-15-21	252,000	213,727	-	49,146	164,581	7,255	171,836
Lease Payable - Konica Minolta Business Solutions	3.269	04-05-17	04-01-20	9,175	7,954	-	2,999	4,955	136	5,091
Lease Payable - Canon Financial Services	12.947	12-01-16	11-01-20	7,275	6,052	-	1,652	4,400	670	5,070
Loan Payable - US Bancorp	3.07	02-10-12	02-10-22	1,280,000	562,350	-	104,345	458,005	42,250	500,255
Loan Payable - Nally Property	N/A	12-01-02	01-01-18	455,000	10,000	-	7,500	2,500	-	2,500
Loan Payable - Key Financial	4.240	03-21-11	03-21-21	975,000	388,851	-	105,307	283,544	18,967	302,511
Lease Payable - PNC	2.850 to 5.700	12-20-10	11-24-18	776,379	286,128	421,921	320,531	387,518	27,745	415,263
Internal Loans	3.000 to 4.000	03-31-03	09-30-36	80,071,397	59,506,594	1,479,692	6,930,693	54,055,593	17,044,276	71,099,869
				<u>84,610,333</u>	<u>61,692,375</u>	<u>1,901,613</u>	<u>7,616,929</u>	<u>55,977,059</u>	<u>17,192,565</u>	<u>73,169,624</u>
<b>DEPARTMENT OF ELECTRIC UTILITIES</b>										
Energy System Revenue and Refunding Bonds, Series 2016	2.500 to 5.000	02-05-16	10-01-36	138,650,000	135,110,000	-	4,145,000	130,965,000	42,336,781	173,301,781
Energy System Refunding Bonds, Series 2017	Variable	08-29-17	10-01-37	97,000,000	97,000,000	-	-	97,000,000	20,562,527	117,562,527
Energy System Revenue and Refunding Bonds, Series 2010	4.000 to 5.250	10-01-10	10-01-36	199,300,000	152,615,000	-	17,105,000	135,510,000	61,823,213	197,333,213
Energy System Revenue Bonds, Series 2018	3.250 to 5.000	09-27-18	10-01-37	43,945,000	-	43,945,000	-	43,945,000	19,335,730	63,280,730
Lease Payable - Caterpillar Lease 2	2.600	11-05-12	02-05-18	1,572,285	139,046	-	139,046	-	-	-
Internal Loans	4.000	06-13-18	09-27-18	5,050,000	-	5,050,000	5,050,000	-	-	-
				<u>485,517,285</u>	<u>384,864,046</u>	<u>48,995,000</u>	<u>26,439,046</u>	<u>407,420,000</u>	<u>144,058,251</u>	<u>551,478,251</u>
<b>LAKELAND LINDER INTERNATIONAL AIRPORT FUND</b>										
Capital Improvement Revenue Note, Series 2017A	2.440	05-23-17	04-01-32	1,629,431	1,629,431	-	146,177	1,483,254	186,652	1,669,906
Capital Improvement Revenue Note, Series 2017B	2.440	05-23-17	04-01-26	15,879,855	15,879,855	-	795,481	15,084,374	1,245,725	16,330,099
Internal Loans	2.500 to 4.000	09-30-10	09-30-35	13,686,064	12,120,844	315,000	1,379,158	11,056,686	3,293,068	14,349,754
				<u>31,195,350</u>	<u>29,630,130</u>	<u>315,000</u>	<u>2,320,816</u>	<u>27,624,314</u>	<u>4,725,445</u>	<u>32,349,759</u>
<b>LAKELAND CENTER FUND</b>										
Capital Improvement Refunding Note, Series 2012B	0.010	12-20-12	10-01-17	1,625,000	350,000	-	350,000	-	-	-
Capital Improvement Revenue Note, Series 2017A	2.440	05-23-17	04-01-32	14,741,138	14,741,138	-	837,061	13,904,077	2,644,882	16,548,959
Lease Payable - US Bancorp	3.070	02-10-12	02-10-22	1,166,640	590,481	-	111,064	479,417	37,352	516,769
Internal Loans	3.500 to 4.000	09-30-10	09-30-21	1,576,600	694,524	-	179,494	515,030	29,580	544,610
				<u>19,109,378</u>	<u>16,376,143</u>	<u>-</u>	<u>1,477,619</u>	<u>14,898,524</u>	<u>2,711,814</u>	<u>17,610,338</u>
<b>WATER AND WASTEWATER UTILITIES</b>										
Capital Improvement Revenue and Refunding Bonds, Series 2010A	3.000 to 5.000	09-30-10	10-01-23	8,336,615	5,966,615	-	1,275,000	4,691,615	498,442	5,190,057
Capital Improvement Revenue and Refunding Bonds, Series 2010C	5.929 to 6.029	09-30-10	10-01-40	5,209,023	5,209,023	-	-	5,209,023	2,225,705	7,434,728
Water and Wastewater Revenue Refunding and Improvement Bonds, Series 2012A	0.930 to 5.000	01-12-12	10-01-32	37,325,000	36,920,000	-	1,600,000	35,320,000	13,536,475	48,856,475
Water and Wastewater Revenue Note, Series 2015	2.420	11-12-15	10-01-25	10,600,000	10,001,243	-	613,247	9,387,996	1,370,691	10,758,687
Loan Payable - Wastewater Revolving Loan Program	0.440	10-24-16	01-15-40	12,284,141	1,996,896	7,148,899	-	9,145,795	1,128,274	10,274,069
Loan Payable - Wastewater Revolving Loan Program	2.960	01-31-04	09-30-28	42,734,405	26,817,953	-	2,083,057	24,734,896	3,333,106	28,068,002
Loan Payable - Wastewater Revolving Loan Program	1.160	05-07-18	12-15-42	10,843,750	-	1,675,687	-	1,675,687	206,724	1,882,411
Loan Payable - Wastewater Revolving Loan Program	1.160	05-07-18	12-15-42	1,050,000	-	172,763	-	172,763	21,315	194,078
Loan Payable - Wastewater Revolving Loan Program	1.160	03-03-17	08-15-39	1,000,000	252,077	321,828	-	573,905	74,036	647,941
Loan Payable - Wastewater Revolving Loan Program	1.690	02-11-14	10-15-35	1,649,093	1,270,036	-	57,206	1,212,830	198,887	1,411,717
				<u>131,032,027</u>	<u>88,433,843</u>	<u>9,319,177</u>	<u>5,628,510</u>	<u>92,124,510</u>	<u>22,593,655</u>	<u>114,718,165</u>
<b>INFORMATION TECHNOLOGY FUND</b>										
Internal Loans	4.0000	02-28-09	09-30-25	15,850,151	8,077,300	-	1,061,087	7,016,213	1,001,595	8,017,808
				<u>15,850,151</u>	<u>8,077,300</u>	<u>-</u>	<u>1,061,087</u>	<u>7,016,213</u>	<u>1,001,595</u>	<u>8,017,808</u>
<b>INTERNAL LOAN FUND</b>										
Taxable Capital Improvement Refunding Revenue Note, Series 2015	5.0000	09-29-15	10-01-20	5,000,000	5,000,000	-	-	5,000,000	156,250	5,156,250
Capital Improvement Revenue Bonds, Series 2015	2.00 to 5.00	05-20-15	10-01-36	51,465,000	50,620,000	-	2,040,000	48,580,000	20,143,476	68,723,476
Capital Improvement Refunding Note, Series 2012A	0.0175	12-20-12	10-01-22	12,375,000	11,086,000	-	1,370,000	9,716,000	431,112	10,147,112
Capital Improvement Revenue and Refunding Bonds, Series 2010A	3.000 to 5.000	09-30-10	10-01-23	40,153,385	11,738,385	-	4,650,000	7,088,385	734,361	7,822,746
Capital Improvement Revenue and Refunding Bonds, Series 2010B	4.407	09-30-10	10-01-20	10,140,000	4,490,000	-	1,065,000	3,425,000	229,715	3,654,715
Capital Improvement Revenue and Refunding Bonds, Series 2010C	5.929 to 6.029	09-30-10	10-01-40	15,905,977	15,905,977	-	-	15,905,977	9,331,245	25,237,222
				<u>135,039,362</u>	<u>98,840,362</u>	<u>-</u>	<u>9,125,000</u>	<u>89,715,362</u>	<u>31,026,159</u>	<u>120,741,521</u>
<b>TOTAL ALL FUNDS</b>				<u>\$ 902,353,886</u>	<u>\$ 687,914,199</u>	<u>\$ 60,530,790</u>	<u>\$ 53,669,007</u>	<u>\$ 694,775,982</u>	<u>\$ 223,309,484</u>	<u>\$ 918,085,466</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY  
SEPTEMBER 30, 2018

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010A

Fiscal Year	<u>INTERNAL LOAN PORTION</u>			<u>WATER UTILITIES PORTION</u>		
	SERIES 2010A			SERIES 2010A		
	Principal	Interest	Total	Principal	Interest	Total
2018-19	\$ 1,505,000	\$ 261,832	\$ 1,766,832	\$ 1,350,000	\$ 184,681	\$ 1,534,681
2019-20	1,570,000	192,482	1,762,482	1,400,000	122,681	1,522,681
2020-21	1,545,000	130,057	1,675,057	470,000	80,631	550,631
2021-22	870,000	85,132	955,132	480,000	61,581	541,581
2022-23	935,000	48,276	983,276	510,000	36,831	546,831
2023-24	663,385	16,582	679,967	481,615	12,037	493,652
TOTALS	<u>\$ 7,088,385</u>	<u>\$ 734,361</u>	<u>\$ 7,822,746</u>	<u>\$ 4,691,615</u>	<u>\$ 498,442</u>	<u>\$ 5,190,057</u>

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010B

Fiscal Year	<u>INTERNAL LOAN FUND</u>		
	SERIES 2010B		
	Principal	Interest	Total
2018-19	\$ 1,105,000	\$ 126,591	\$ 1,231,591
2019-20	1,140,000	77,123	1,217,123
2020-21	1,180,000	26,001	1,206,001
TOTALS	<u>\$ 3,425,000</u>	<u>\$ 229,715</u>	<u>\$ 3,654,715</u>

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS, SERIES 2010C

Fiscal Year	<u>INTERNAL LOAN PORTION</u>			<u>WATER UTILITIES PORTION</u>		
	SERIES 2010C			SERIES 2010C		
	Principal	Interest	Total	Principal	Interest	Total
2018-19	\$ -	\$ 619,435	\$ 619,435	\$ -	\$ 201,742	\$ 201,742
2019-20	-	619,435	619,435	-	201,742	201,742
2020-21	-	619,435	619,435	-	201,742	201,742
2021-22	-	619,435	619,435	-	201,742	201,742
2022-23	-	619,435	619,435	-	201,741	201,741
2023-24	-	619,435	619,435	-	201,741	201,741
2024-25	790,000	604,212	1,394,212	460,000	192,878	652,878
2025-26	825,000	573,092	1,398,092	480,000	174,765	654,765
2026-27	805,000	541,683	1,346,683	515,000	155,592	670,592
2027-28	850,000	509,793	1,359,793	520,000	135,648	655,648
2028-29	885,000	476,361	1,361,361	540,000	115,223	655,223
2029-30	910,000	441,772	1,351,772	570,000	93,834	663,834
2030-31	930,000	406,317	1,336,317	595,000	71,385	666,385
2031-32	825,000	372,231	1,197,231	620,000	47,772	667,772
2032-33	855,000	339,313	1,194,313	645,000	22,985	667,985
2033-34	925,977	304,416	1,230,393	264,023	5,173	269,196
2034-35	930,000	268,049	1,198,049	-	-	-
2035-36	965,000	230,918	1,195,918	-	-	-
2036-37	1,000,000	192,416	1,192,416	-	-	-
2037-38	1,040,000	152,443	1,192,443	-	-	-
2038-39	1,080,000	110,903	1,190,903	-	-	-
2039-40	1,120,000	67,796	1,187,796	-	-	-
2040-41	1,170,000	22,920	1,192,920	-	-	-
TOTALS	<u>\$ 15,905,977</u>	<u>\$ 9,331,245</u>	<u>\$ 25,237,222</u>	<u>\$ 5,209,023</u>	<u>\$ 2,225,705</u>	<u>\$ 7,434,728</u>



CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2018

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2012A

<u>Fiscal Year</u>	<u>INTERNAL LOAN PORTION</u>		
	<u>SERIES 2012A</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 1,875,000	\$ 153,624	\$ 2,028,624
2019-20	1,908,000	120,523	2,028,523
2020-21	1,943,000	86,826	2,029,826
2021-22	1,977,000	52,526	2,029,526
2022-23	2,013,000	17,613	2,030,613
TOTALS	<u>\$ 9,716,000</u>	<u>\$ 431,112</u>	<u>\$ 10,147,112</u>

CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2015

<u>Fiscal Year</u>	<u>INTERNAL LOAN FUND</u>		
	<u>SERIES 2015</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 2,640,000	\$ 2,212,188	\$ 4,852,188
2019-20	4,375,000	2,036,813	6,411,813
2020-21	4,330,000	1,819,188	6,149,188
2021-22	1,785,000	1,666,313	3,451,313
2022-23	1,870,000	1,574,938	3,444,938
2023-24	1,965,000	1,479,063	3,444,063
2024-25	2,060,000	1,378,438	3,438,438
2025-26	2,035,000	1,276,063	3,311,063
2026-27	2,075,000	1,173,313	3,248,313
2027-28	2,180,000	1,066,938	3,246,938
2028-29	2,215,000	957,063	3,172,063
2029-30	2,325,000	843,563	3,168,563
2030-31	2,445,000	724,313	3,169,313
2031-32	2,570,000	598,938	3,168,938
2032-33	2,685,000	484,344	3,169,344
2033-34	2,800,000	381,500	3,181,500
2034-35	2,895,000	271,100	3,166,100
2035-36	3,010,000	153,000	3,163,000
2036-37	2,320,000	46,400	2,366,400
TOTALS	<u>\$ 48,580,000</u>	<u>\$ 20,143,476</u>	<u>\$ 68,723,476</u>

TAXABLE CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2015

<u>Fiscal Year</u>	<u>SERIES 2015</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2018-19	\$ -	\$ 75,000
2019-20	-	75,000	75,000
2020-21	5,000,000	6,250	5,006,250
TOTALS	<u>\$ 5,000,000</u>	<u>\$ 156,250</u>	<u>\$ 5,156,250</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2018

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2017A

Fiscal Year	<u>AIRPORT PORTION</u>			<u>RP FUNDING CENTER PORTION</u>		
	SERIES 2017A			SERIES 2017A		
	Principal	Interest	Total	Principal	Interest	Total
2018-19	\$ 149,670	\$ 36,192	\$ 185,862	\$ 857,066	\$ 336,475	\$ 1,193,541
2019-20	153,247	32,540	185,787	877,550	315,844	1,193,394
2020-21	156,910	28,800	185,710	898,524	294,719	1,193,243
2021-22	160,660	24,972	185,632	919,999	273,090	1,193,089
2022-23	164,500	21,051	185,551	941,986	250,943	1,192,929
2023-24	168,432	17,037	185,469	964,500	228,268	1,192,768
2024-25	172,457	12,928	185,385	987,552	205,050	1,192,602
2025-26	176,579	8,720	185,299	1,011,154	181,278	1,192,432
2026-27	180,799	4,412	185,211	1,035,321	156,937	1,192,258
2027-28				1,031,583	132,014	1,163,597
2028-29				1,056,238	106,844	1,163,082
2029-30				1,081,482	81,072	1,162,554
2030-31				1,107,329	54,683	1,162,012
2031-32				1,133,793	27,665	1,161,458
TOTALS	<u>\$ 1,483,254</u>	<u>\$ 186,652</u>	<u>\$ 1,669,906</u>	<u>\$ 13,904,077</u>	<u>\$ 2,644,882</u>	<u>\$ 16,548,959</u>

CAPITAL IMPROVEMENT REFUNDING NOTE, SERIES 2017B

Fiscal Year	<u>AIRPORT PORTION</u>		
	SERIES 2017B		
	Principal	Interest	Total
2018-19	\$ 1,159,333	\$ 316,771	\$ 1,476,104
2019-20	1,187,041	292,426	1,479,467
2020-21	6,292,701	267,498	6,560,199
2021-22	1,929,534	135,352	2,064,886
2022-23	1,239,263	94,831	1,334,094
2023-24	1,064,104	68,806	1,132,910
2024-25	1,089,536	46,460	1,135,996
2025-26	1,122,862	23,581	1,146,443
TOTALS	<u>\$ 15,084,374</u>	<u>\$ 1,245,725</u>	<u>\$ 16,330,099</u>

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CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2018

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

WATER UTILITIES PORTION

<u>Fiscal Year</u>	<u>SERIES 2012A</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 1,665,000	\$ 1,615,450	\$ 3,280,450
2019-20	1,730,000	1,543,225	3,273,225
2020-21	1,805,000	1,459,175	3,264,175
2021-22	1,900,000	1,366,550	3,266,550
2022-23	1,995,000	1,269,175	3,264,175
2023-24	2,090,000	1,167,050	3,257,050
2024-25	2,195,000	1,059,925	3,254,925
2025-26	2,305,000	947,425	3,252,425
2026-27	2,420,000	829,300	3,249,300
2027-28	2,545,000	705,175	3,250,175
2028-29	2,670,000	574,800	3,244,800
2029-30	2,805,000	437,925	3,242,925
2030-31	2,945,000	308,900	3,253,900
2031-32	3,065,000	188,700	3,253,700
2032-33	3,185,000	63,700	3,248,700
<b>TOTALS</b>	<b>\$ 35,320,000</b>	<b>\$ 13,536,475</b>	<b>\$ 48,856,475</b>

CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2015

WATER UTILITIES PORTION

WASTEWATER UTILITIES PORTION

<u>Fiscal Year</u>	<u>SERIES 2015</u>			<u>SERIES 2015</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 288,087	\$ 155,921	\$ 444,008	\$ 340,000	\$ 71,269	\$ 411,269
2019-20	298,287	148,949	447,236	345,000	63,041	408,041
2020-21	303,854	141,730	445,584	355,000	54,692	409,692
2021-22	309,799	134,377	444,176	365,000	46,101	411,101
2022-23	321,129	126,880	448,009	370,000	37,268	407,268
2023-24	327,854	119,109	446,963	380,000	28,314	408,314
2024-25	334,984	111,174	446,158	390,000	19,118	409,118
2025-26	4,259,002	103,068	4,362,070	400,000	9,680	409,680
<b>TOTALS</b>	<b>\$ 6,442,996</b>	<b>\$ 1,041,208</b>	<b>\$ 7,484,204</b>	<b>\$ 2,945,000</b>	<b>\$ 329,483</b>	<b>\$ 3,274,483</b>

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CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2018

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2010

<u>Fiscal Year</u>	<u>SERIES 2010</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 17,950,000	\$ 6,404,800	\$ 24,354,800
2019-20	13,840,000	5,610,050	19,450,050
2020-21	4,695,000	5,146,675	9,841,675
2021-22	4,925,000	4,924,644	9,849,644
2022-23	5,140,000	4,710,762	9,850,762
2023-24	5,355,000	4,481,050	9,836,050
2024-25	5,595,000	4,220,688	9,815,688
2025-26	5,885,000	3,933,688	9,818,688
2026-27	6,180,000	3,624,338	9,804,338
2027-28	5,180,000	3,326,138	8,506,138
2028-29	5,450,000	3,047,100	8,497,100
2029-30	5,745,000	2,753,231	8,498,231
2030-31	6,040,000	2,443,875	8,483,875
2031-32	6,360,000	2,118,375	8,478,375
2032-33	6,695,000	1,775,681	8,470,681
2033-34	7,045,000	1,415,006	8,460,006
2034-35	7,415,000	1,035,431	8,450,431
2035-36	7,800,000	636,038	8,436,038
2036-37	8,215,000	215,643	8,430,643
TOTALS	<u>\$ 135,510,000</u>	<u>\$ 61,823,213</u>	<u>\$ 197,333,213</u>

ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2016

<u>Fiscal Year</u>	<u>SERIES 2016</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ 4,350,000	\$ 5,495,419	\$ 9,845,419
2019-20	4,560,000	5,272,669	9,832,669
2020-21	4,770,000	5,039,419	9,809,419
2021-22	9,620,000	4,679,669	14,299,669
2022-23	10,020,000	4,188,669	14,208,669
2023-24	10,480,000	3,676,169	14,156,169
2024-25	10,955,000	3,140,294	14,095,294
2025-26	11,480,000	2,579,419	14,059,419
2026-27	12,005,000	1,992,294	13,997,294
2027-28	12,550,000	1,535,294	14,085,294
2028-29	12,820,000	1,202,144	14,022,144
2029-30	8,820,000	899,081	9,719,081
2030-31	5,965,000	682,819	6,647,819
2031-32	1,875,000	564,047	2,439,047
2032-33	1,935,000	486,375	2,421,375
2033-34	2,030,000	387,250	2,417,250
2034-35	2,135,000	283,125	2,418,125
2035-36	2,240,000	173,750	2,413,750
2036-37	2,355,000	58,875	2,413,875
TOTALS	<u>\$ 130,965,000</u>	<u>\$ 42,336,781</u>	<u>\$ 173,301,781</u>

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REQUIRED DEBT PAYMENTS TO MATURITY (CONTINUED)  
SEPTEMBER 30, 2018

ENERGY SYSTEM REFUNDING BONDS, SERIES 2017

<u>Fiscal Year</u>	<u>SERIES 2017</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ -	\$ 1,316,775	\$ 1,316,775
2019-20	1,795,000	1,304,591	3,099,591
2020-21	7,000,000	1,244,895	8,244,895
2021-22	-	1,197,383	1,197,383
2022-23	-	1,197,383	1,197,383
2023-24	-	1,197,383	1,197,383
2024-25	-	1,197,383	1,197,383
2025-26	-	1,197,383	1,197,383
2026-27	-	1,197,383	1,197,383
2027-28	-	1,197,383	1,197,383
2028-29	-	1,197,383	1,197,383
2029-30	195,000	1,196,059	1,391,059
2030-31	3,285,000	1,172,439	4,457,439
2031-32	6,895,000	1,103,342	7,998,342
2032-33	7,190,000	1,007,740	8,197,740
2033-34	7,520,000	907,896	8,427,896
2034-35	16,515,000	744,758	17,259,758
2035-36	17,115,000	516,495	17,631,495
2036-37	9,725,000	334,318	10,059,318
2037-38	19,765,000	134,155	19,899,155
<b>TOTALS</b>	<b>\$ 97,000,000</b>	<b>\$ 20,562,527</b>	<b>\$ 117,562,527</b>

ENERGY SYSTEM REFUNDING BONDS, SERIES 2018

<u>Fiscal Year</u>	<u>SERIES 2018</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018-19	\$ -	\$ 1,974,005	\$ 1,974,005
2019-20	2,630,000	1,952,313	4,582,313
2020-21	3,995,000	1,820,813	5,815,813
2021-22	2,930,000	1,621,063	4,551,063
2022-23	1,985,000	1,474,563	3,459,563
2023-24	1,520,000	1,375,313	2,895,313
2024-25	855,000	1,299,313	2,154,313
2025-26	380,000	1,256,563	1,636,563
2026-27	1,345,000	1,237,562	2,582,562
2027-28	1,025,000	1,170,312	2,195,312
2028-29	4,870,000	1,119,061	5,989,061
2029-30	4,360,000	875,562	5,235,562
2030-31	4,875,000	657,562	5,532,562
2031-32	4,460,000	499,125	4,959,125
2032-33	4,050,000	348,600	4,398,600
2033-34	-	186,600	186,600
2034-35	-	186,600	186,600
2035-36	2,310,000	186,600	2,496,600
2036-37	2,355,000	94,200	2,449,200
<b>TOTALS</b>	<b>\$ 43,945,000</b>	<b>\$ 19,335,730</b>	<b>\$ 63,280,730</b>

CITY OF LAKELAND, FLORIDA

ANALYSIS OF SINKING FUND AND RESERVE ACCOUNT REQUIREMENTS  
SEPTEMBER 30, 2018

	<u>Sinking Fund</u>	<u>Reserve Account</u>	<u>Total</u>
<u>CAPITAL IMPROVEMENT REVENUE BONDS</u>			
FUNDS REQUIRED, all series	\$ 3,779,094	\$ -	\$ 3,779,094
FUNDS AVAILABLE			
Cash	-	-	-
Cash with paying agent	3,779,094	-	3,779,094
Investments	4	-	4
Market value	(4)	-	(4)
Total funds available	<u>3,779,094</u>	<u>-</u>	<u>3,779,094</u>
FUNDING OVER REQUIREMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS

FUNDS REQUIRED, all series	\$ 6,878,493	\$ -	\$ 6,878,493
FUNDS AVAILABLE			
Cash	-	-	-
Cash with paying agent	6,878,493	-	6,878,493
Investments	2	-	2
Market value	(2)	-	(2)
Receivables	-	-	-
Total funds available	<u>6,878,493</u>	<u>-</u>	<u>6,878,493</u>
FUNDING OVER REQUIREMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WATER AND WASTEWATER REVENUE REFUNDING AND IMPROVEMENT BONDS

FUNDS REQUIRED, all series	\$ 2,489,375	\$ -	\$ 2,489,375
FUNDS AVAILABLE			
Cash with paying agent	2,489,375	-	2,489,375
Investments	1	-	1
Market value	(1)	-	(1)
Total funds available	<u>2,489,375</u>	<u>-</u>	<u>2,489,375</u>
FUNDING OVER REQUIREMENTS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY  
ALL OUTSTANDING REVENUE BOND SERIES  
2019 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year Ending Sept 30	Capital Improvement Revenue and Refunding Bonds Series 2010A	Capital Improvement Revenue and Refunding Bonds Series 2010B	Capital Improvement Revenue and Refunding Bonds Series 2010C	Capital Improvement Refunding Note - Internal Loan Fund Portion Series 2012A	Capital Improvement Revenue Bonds Series 2015
2019	\$ 3,301,513	\$ 1,231,591	\$ 821,177	\$ 2,028,624	\$ 4,852,188
2020	3,285,163	1,217,123	821,177	2,028,523	6,411,813
2021	2,225,688	1,206,001	821,177	2,029,826	6,149,188
2022	1,496,713	-	821,177	2,029,526	3,451,313
2023	1,530,107	-	821,176	2,030,613	3,444,938
2024	1,173,619	-	821,176	-	3,444,063
2025	-	-	2,047,090	-	3,438,438
2026	-	-	2,052,857	-	3,311,063
2027	-	-	2,017,275	-	3,248,313
2028	-	-	2,015,441	-	3,246,938
2029	-	-	2,016,584	-	3,172,063
2030	-	-	2,015,606	-	3,168,563
2031	-	-	2,002,702	-	3,169,313
2032	-	-	1,865,003	-	3,168,938
2033	-	-	1,862,298	-	3,169,344
2034	-	-	1,499,589	-	3,181,500
2035	-	-	1,198,049	-	3,166,100
2036	-	-	1,195,918	-	3,163,000
2037	-	-	1,192,416	-	2,366,400
2038	-	-	1,192,443	-	-
2039	-	-	1,190,903	-	-
2040	-	-	1,187,796	-	-
2041	-	-	1,192,920	-	-
	<u>\$ 13,012,803</u>	<u>\$ 3,654,715</u>	<u>\$ 32,671,950</u>	<u>\$ 10,147,112</u>	<u>\$ 68,723,476</u>

CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY  
ALL OUTSTANDING REVENUE BOND SERIES, CONTINUED  
2019 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year Ending Sept 30</u>	<u>Capital Improvement Revenue Refunding Note Series 2015</u>	<u>Capital Improvement Revenue Note Series 2017A</u>	<u>Capital Improvement Revenue Note Series 2017B</u>	<u>Water and Wastewater Capital Improvement Revenue Note Series 2015</u>	<u>Water and Wastewater Revenue Refunding and Improvement Bonds Series 2012A</u>
2019	\$ 75,000	\$ 1,382,188	\$ 1,476,104	\$ 855,277	\$ 3,280,450
2020	75,000	1,381,684	1,479,467	855,277	3,273,225
2021	5,006,250	1,381,169	6,560,199	855,276	3,264,175
2022	-	1,380,641	2,064,886	855,277	3,266,550
2023	-	1,380,101	1,334,094	855,277	3,264,175
2024	-	1,379,548	1,132,910	855,277	3,257,050
2025	-	1,378,981	1,135,996	855,276	3,254,925
2026	-	1,378,401	1,146,443	4,771,750	3,252,425
2027	-	1,377,807	-	-	3,249,300
2028	-	1,163,597	-	-	3,250,175
2029	-	1,163,081	-	-	3,244,800
2030	-	1,162,553	-	-	3,242,925
2031	-	1,162,012	-	-	3,253,900
2032	-	1,147,102	-	-	3,253,700
2033	-	-	-	-	3,248,700
2034	-	-	-	-	-
2035	-	-	-	-	-
2036	-	-	-	-	-
2037	-	-	-	-	-
2038	-	-	-	-	-
2039	-	-	-	-	-
2040	-	-	-	-	-
2041	-	-	-	-	-
	<u>\$ 5,156,250</u>	<u>\$ 18,218,865</u>	<u>\$ 16,330,099</u>	<u>\$ 10,758,687</u>	<u>\$ 48,856,475</u>



CITY OF LAKELAND, FLORIDA

SUMMARY OF REQUIRED DEBT PAYMENTS TO MATURITY  
ALL OUTSTANDING REVENUE BOND SERIES, CONTINUED  
2019 TO 2041

ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS

<u>Fiscal Year Ending Sept 30</u>	<u>Energy System Refunding Revenue Bonds Series 2010</u>	<u>Energy System Refunding Revenue Bonds Series 2016</u>	<u>Energy System Refunding Bonds Series 2017</u>	<u>Energy System Refunding Bonds Series 2018</u>	<u>Total</u>
2019	\$ 24,354,800	\$ 9,845,419	\$ 1,316,775	\$ 1,974,005	\$ 56,795,111
2020	19,450,050	9,832,669	3,099,591	4,582,313	57,793,075
2021	9,841,675	9,809,419	8,244,895	5,815,813	63,210,751
2022	9,849,644	14,299,669	1,197,383	4,551,063	45,263,842
2023	9,850,762	14,208,669	1,197,383	3,459,563	43,376,858
2024	9,836,050	14,156,169	1,197,383	2,895,313	40,148,558
2025	9,815,688	14,095,294	1,197,383	2,154,313	39,373,384
2026	9,818,688	14,059,419	1,197,383	1,636,563	42,624,992
2027	9,804,338	13,997,294	1,197,383	2,582,562	37,474,272
2028	8,506,138	14,085,294	1,197,383	2,195,312	35,660,278
2029	8,497,100	14,022,144	1,197,383	5,989,061	39,302,216
2030	8,498,231	9,719,081	1,391,059	5,235,562	34,433,580
2031	8,483,875	6,647,819	4,457,439	5,532,562	34,709,622
2032	8,478,375	2,439,047	7,998,342	4,959,125	33,309,632
2033	8,470,681	2,421,375	8,197,740	4,398,600	31,768,738
2034	8,460,006	2,417,250	8,427,896	186,600	24,172,841
2035	8,450,431	2,418,125	17,259,758	186,600	32,679,063
2036	8,436,038	2,413,750	17,631,495	2,496,600	35,336,801
2037	8,430,643	2,413,875	10,059,318	2,449,200	26,911,852
2038	-	-	19,899,155	-	21,091,598
2039	-	-	-	-	1,190,903
2040	-	-	-	-	1,187,796
2041	-	-	-	-	1,192,920
	<u>\$ 197,333,213</u>	<u>\$ 173,301,781</u>	<u>\$ 117,562,527</u>	<u>\$ 63,280,730</u>	<u>\$ 779,008,683</u>



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CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2018

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>	<u>Current Year Expenditures</u>	<u>Adjustment to Prior Year Expenditures</u>	<u>Outstanding Loan Balance</u>	<u>Total Expenditures</u>	<u>Transfers To Sub recipients</u>
<b>DEPARTMENT OF AGRICULTURE - FOOD</b>							
<b>Direct Programs:</b>							
Department of Health Child Care Food Program	A-5449	10.558	\$ 1,449	\$ -	\$ -	\$ 1,449	\$ -
<b>TOTAL DEPARTMENT OF AGRICULTURE - FOOD</b>			<u>1,449</u>	<u>-</u>	<u>-</u>	<u>1,449</u>	<u>-</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
<b>Direct Programs:</b>							
<b>CDBG - Entitlement Grants Cluster</b>							
Community Development Block Grant	B-16-MC-12-0011	14.218	442,290	-	-	442,290	-
Community Development Block Grant	B-17-MC-12-0011	14.218	276,067	-	-	276,067	117,093
CDBG - Neighborhood Stabilization Program Part 3	B-11-MN-12-0013	14.218	-	187,058	-	187,058	-
Total CDBG - Entitlement Grants Cluster			<u>718,357</u>	<u>187,058</u>	<u>-</u>	<u>905,415</u>	<u>117,093</u>
Home Investment Partnership Program	M-16-MC-12-0228	14.239	178,143	-	-	178,143	-
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>896,500</u>	<u>187,058</u>	<u>-</u>	<u>1,083,558</u>	<u>117,093</u>
<b>DEPARTMENT OF JUSTICE</b>							
<b>Direct Programs:</b>							
Edward Byrne Memorial Justice Assist Grant Program; DOJ Byrne Memorial Justice Assistance Grant FY 17/18	2017-DJ-BX-0891	16.738	31,706	-	-	31,706	-
<b>Indirect Programs:</b>							
Passed through the Florida Office of the Attorney General FOAG Victim Assistance (VOCA) FY 16/17	VOCA-2017-City of Lakeland Police D-00546	16.575	127,752	-	-	127,752	-
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<u>159,458</u>	<u>-</u>	<u>-</u>	<u>159,458</u>	<u>-</u>

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

CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>	<u>Current Year Expenditures</u>	<u>Adjustment to Prior Year Expenditures</u>	<u>Outstanding Loan Balance</u>	<u>Total Expenditures</u>	<u>Transfers To Sub recipients</u>
<b>FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION</b>							
<b>Direct Programs:</b>							
FAA/FDOT Customs Apron	3-12-0041-040-2017	20.106	\$ 799,907	\$ -	\$ -	\$ 799,907	\$ -
FAA/FDOT Southeast Apron	3-12-0041-040-2017	20.106	854,282	-	-	854,282	-
FAA/FDOT Master Plan	3-12-0041-039-2017	20.106	227,050	-	-	227,050	-
FAA/FDOT Rehab TWY H	3-12-0041-041-2017	20.106	186,387	-	-	186,387	-
FAA/FDOT Rehab of Taxiway A & Connectors	3-12-0041-038-2016	20.106	3,556,124	-	-	3,556,124	-
FAA/FDOT Taxiway G Rehab & Realign Phase II	3-12-0041-038-2016	20.106	957	-	-	957	-
			<u>5,624,707</u>	<u>-</u>	<u>-</u>	<u>5,624,707</u>	<u>-</u>
<b>TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION</b>							
<b>FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION</b>							
<b>Direct Programs:</b>							
<b>Highway Planning and Construction Cluster</b>							
FDOT LPA Westgate - Central Mutli Use Trail (Phase I)	431353-1-58-01	20.205	7,246	-	-	7,246	-
FDOT LPA Westgate - Central Mutli Use Trail (Phase I)	431353-1-68-01	20.205	5,938	-	-	5,938	-
FDOT LAP Rose St (Main St to Ingraham Ave	435104-1-58-01	20.205	179,058	-	-	179,058	-
FDOT LAP Rose St (Main St to Ingraham Ave	435104-1-68-01	20.205	26,054	-	-	26,054	-
FDOT LAP Brunnell Parkway (Memorial Blvd to 10th St)	435107-1-58-01	20.205	118,728	-	-	118,728	-
FDOT LAP Brunnell Parkway (Memorial Blvd to 10th St)	435107-1-68-01	20.205	26,381	-	-	26,381	-
FDOT LAP - New York Avenue Cycle Track	433260-1-58-01	20.205	303	-	-	303	-
FDOT-Main Street Pathways	438267-1-38-01	20.205	12,055	-	-	12,055	-
FDOT-Three Parks Trail E	440277-1-38-01	20.205	17,137	-	-	17,137	-
Fiber Optic - Maintenance/Lease	197620-4-8B-01	20.205	20,278	-	-	20,278	-
			<u>413,178</u>	<u>-</u>	<u>-</u>	<u>413,178</u>	<u>-</u>
<b>TOTAL FEDERAL DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION</b>							
<b>FEDERAL DEPARTMENT OF HOMELAND SECURITY</b>							
<b>Indirect Programs:</b>							
<b>Passed through the Florida Division of Emergency Management</b>							
CMP5017 West Sub. Cyber Security Pilot Project	18-DS-07-63-01	97.067	40,000	-	-	40,000	-
<b>Passed through the Florida Department of Financial Services</b>							
Mutual Aid - Florence Mission AHIMT Region 4/6	18-253	97.036	12,032	-	-	12,032	-
			<u>52,032</u>	<u>-</u>	<u>-</u>	<u>52,032</u>	<u>-</u>
<b>TOTAL FEDERAL DEPARTMENT OF HOMELAND SECURITY</b>							
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 7,147,324</u>	<u>\$ 187,058</u>	<u>\$ -</u>	<u>\$ 7,334,382</u>	<u>\$ 117,093</u>

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

.CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2018

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>	<u>Current Year Expenditures</u>	<u>Adjustment to Prior Year Expenditures</u>	<u>Outstanding Loan Balance</u>	<u>Total Expenditures</u>	<u>Transfers To Sub recipients</u>
<b>FLORIDA DEPARTMENT OF TRANSPORTATION</b>							
<b>Direct Programs:</b>							
<b>Transportation System Dev - Aviation Development Grants:</b>							
FDOT-Construction of T-Hangars	FM 441004-1-94-01	55.004	\$ 304,520	\$ -	\$ -	\$ 304,520	\$ -
FAA/FDOT Customs Apron	FM 440993-1-94-01	55.004	44,439	-	-	44,439	-
FAA/FDOT Southeast Apron	FM 441005-1-94-01	55.004	880,040	-	-	880,040	-
FDOT - Airfield Equipment	FM 441368-1-94-01	55.004	181,252	-	-	181,252	-
FAA/FDOT Master Plan	FM 440992-1-94-01	55.004	12,615	-	-	12,615	-
FAA/FDOT Rehab TWY H	FM 436977-1-94-01	55.004	54,311	-	-	54,311	-
FDOT RPZ Clearing	FM 441850-1-94-01	55.004	32,603	-	-	32,603	-
FDOT - Door/Gates Access Control System	FM 420418-1-94-01	55.004	22,063	-	-	22,063	-
FDOT US Customs & Border Protection Services	FM 437700-1-94-01	55.004	106,608	-	-	106,608	-
FAA/FDOT Rehab of Taxiway A & Connectors	FM 439160-1-94-01	55.004	287,828	-	-	287,828	-
FAA/FDOT Taxiway G Rehab & Realign Phase II	FM 436978-1-94-01	55.004	-	(35)	-	(35)	-
			<u>1,926,279</u>	<u>(35)</u>	<u>-</u>	<u>1,926,244</u>	<u>-</u>
<b>Direct Programs:</b>							
<b>Transportation System Dev - Intermodal Development Grants:</b>							
FDOT-Site Prep and Utility Installation for Intermodal Center	FM 438836-1-94-01	55.014	127,719	-	-	127,719	-
FDOT NOAA	FM 436990-1-94-01	55.014	281,000	-	-	281,000	-
			<u>408,719</u>	<u>-</u>	<u>-</u>	<u>408,719</u>	<u>-</u>
<b>Direct Programs:</b>							
<b>Economic Development Transportation Projects - Road Fund:</b>							
FDOT County Line Rd @ US 92	434531-2-38-01	55.032	99,253	-	-	99,253	-
<b>TOTAL FLORIDA DEPARTMENT OF TRANSPORTATION</b>			<u>2,434,251</u>	<u>(35)</u>	<u>-</u>	<u>2,434,216</u>	<u>-</u>
<b>FLORIDA DEPARTMENT OF STATE</b>							
<b>Direct Programs:</b>							
SOF-Lake Mirror Park/Dixie Hwy Landing Column Repair	18.h.sm.100.046	45.031	50,000	-	-	50,000	-
<b>TOTAL FLORIDA DEPARTMENT OF STATE</b>			<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>

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

CITY OF LAKELAND, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED SEPTEMBER 30, 2018

	<u>Contract/Grant Number</u>	<u>CFDA/ CSFA Number</u>	<u>Current Year Expenditures</u>	<u>Adjustment to Prior Year Expenditures</u>	<u>Outstanding Loan Balance</u>	<u>Total Expenditures</u>	<u>Transfers To Sub recipients</u>
<b>FLORIDA OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT</b>							
<b>Direct Programs:</b>							
Facilities For New Professional Sports, Retained Professional Sports, or Retained Spring Training Franchise; Marchant Stadium	N/A	73.016	\$ 999,996	\$ -	\$ -	\$ 999,996	\$ -
<b>TOTAL FLORIDA OFFICE OF TOURISM, TRADE, AND ECONOMIC DEVELOPMENT</b>			<u>999,996</u>	<u>-</u>	<u>-</u>	<u>999,996</u>	<u>-</u>
<b>FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>							
<b>Direct Programs:</b>							
<b>Water Management District Operations Grant:</b>							
Seven Wetlands Park	L53064	37.039	<u>725,101</u>	<u>(105,763)</u>	<u>-</u>	<u>619,338</u>	<u>-</u>
<b>Drinking Water Facility Construction</b>							
Williams WTP Clearwell Design & Construction (SRL)	DW530666	37.076	<u>172,763</u>	<u>-</u>	<u>-</u>	<u>172,763</u>	<u>-</u>
<b>Wastewater Treatment Facility Construction Grants:</b>							
English Oaks Phase III - Construction	WW530651	37.077	1,675,687	-	-	1,675,687	-
English Oaks Phase III - Design	WW530650	37.077	317,386	-	252,077	569,463	-
Energy Efficiencies / Digestion System Improvements (SRL)	WW530630	37.077	7,148,899	-	1,996,896	9,145,795	-
			<u>9,141,972</u>	<u>-</u>	<u>2,248,973</u>	<u>11,390,945</u>	<u>-</u>
<b>TOTAL FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</b>			<u>10,039,836</u>	<u>(105,763)</u>	<u>2,248,973</u>	<u>12,183,046</u>	<u>-</u>
<b>FLORIDA HOUSING AND FINANCE CORPORATION</b>							
<b>Direct Programs:</b>							
State Housing Initiatives Partnership Program 17	146	40.901	<u>430,509</u>	<u>-</u>	<u>-</u>	<u>430,509</u>	<u>4,820</u>
<b>TOTAL FLORIDA HOUSING AND FINANCE CORPORATION</b>			<u>430,509</u>	<u>-</u>	<u>-</u>	<u>430,509</u>	<u>4,820</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<u>\$ 13,954,592</u>	<u>\$ (105,798)</u>	<u>\$ 2,248,973</u>	<u>\$ 16,097,767</u>	<u>\$ 4,820</u>

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

CITY OF LAKELAND, FLORIDA

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

SEPTEMBER 30, 2018

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance include the federal and state activities of the City of Lakeland, Florida. This schedule summarizes the expenditures incurred under all federal programs and state projects by the City of Lakeland, Florida for the fiscal year ended September 30, 2018. For purposes of this schedule, federal programs and state projects include all grants and contracts entered into directly between the City and agencies and departments of the federal and state government with expenditures during the fiscal year ended September 30, 2018. Federal programs and state projects passed through to other government agencies, if any, are also included in the schedule. Grant-related expenditures for the governmental fund types are presented using the modified accrual basis of accounting. Grant-related expenditures for the proprietary fund types are presented using the accrual basis of accounting.

The information in these schedules is presented in accordance with the requirements of 2 CFR 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section 215.97, *Florida Statutes*, and Chapter 10.550, *Rules of the State of Florida Auditor General*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The City maintains separate grant-related accounts in the general ledger system. Individual grant revenue and expense accounts are assigned at the time the City is awarded a grant and it is approved by the City Commission. All grant revenues and eligible expenses are recorded in the individual accounts. The City's accounting policies relating to encumbrances, receivables, and designations of fund balance, and other financial matters are applied to the grant accounts.

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agency as a result of an audit or any claim for reimbursement to the grantor agencies, the expenditures would become a liability of the City. All grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

There were no non-cash awards or Federal Insurance maintained in the current year.

**NOTE B - LOAN PAYABLE**

The City enters into a low interest loan agreements with the State of Florida Department of Environmental Protection to finance the cost of specified capital improvements to the wastewater system. The loans carry a fixed interest rate of .44% - 1.16% and are to be repaid over a period of 20 years. The loans are secured by a pledge of excess revenues of the wastewater system, and by a pledge of certain amounts, deposited into a loan amortization account and loan amortization reserve established by the City for the purpose of funding future debt service on the loans. Amounts required for deposit are classified as restricted assets.

The proceeds from the loans are disbursed to the City on a reimbursement basis as eligible construction expenditures are incurred. The amount of the loans outstanding at September 30, 2018 are \$573,905 and \$9,145,794.



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# Statistical Section



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

FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2018





## **STATISTICAL SECTION**

The Statistical Section of the City of Lakeland's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### **FINANCIAL TRENDS**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

### **REVENUE CAPACITY**

These schedules contain information to help the reader assess the City's most significant local governmental revenue source, the property tax.

### **DEBT CAPACITY**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

### **DEMOGRAPHIC AND ECONOMIC INFORMATION**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

### **OPERATING INFORMATION**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF LAKELAND, FLORIDA

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

Fiscal Year	Net investment in capital assets		Restricted		Unrestricted		Primary Government			Total Primary Government Net Position
	Governmental activities	Business-type activities	Governmental activities	Business-type activities	Governmental activities	Business-type activities	Net investment in capital assets	Restricted	Unrestricted	
2018	\$ 240,598,093	\$ 582,728,794	\$ 40,711,580	\$ 48,399,026	\$ (74,555,186)	\$ 97,192,171	\$ 823,326,887	\$ 89,110,606	\$ 22,636,985	\$ 935,074,478
2017	239,979,947	580,365,594	38,513,166	22,526,785	(4,985,851)	150,877,622	820,345,541	61,039,951	145,891,771	1,027,277,263
2016	219,338,182	562,480,632	46,257,829	21,540,948	(5,069,285)	140,628,243	781,818,814	67,798,777	135,558,958	985,176,549
2015	212,571,955	536,302,359	32,773,860	19,150,752	(6,590,545)	120,992,996	748,874,314	51,924,612	114,402,451	915,201,377
2014	215,879,146	504,477,690	29,000,672	8,804,616	(11,698,052)	124,983,617	720,356,836	37,805,288	113,285,565	871,447,689
2013	214,327,186	460,658,131	23,715,023	9,330,457	68,512,128	210,359,562	674,985,317	33,045,480	278,871,690	986,902,487
2012	208,390,191	419,514,482	24,913,665	14,000,191	65,151,099	235,920,759	627,904,673	38,913,856	301,071,858	967,890,387
2011	198,753,948	380,456,873	30,903,258	22,506,057	61,894,773	244,613,150	579,210,821	53,409,315	306,507,923	939,128,059
2010	175,735,919	362,773,767	40,840,631	29,744,580	57,912,320	222,113,920	538,509,686	70,585,211	280,026,240	889,121,137
2009	184,357,364	327,856,209	14,504,002	33,032,023	62,105,873	225,564,434	512,213,573	47,536,025	287,670,307	847,419,905



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CITY OF LAKELAND, FLORIDA

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 12,114,881	\$ 13,411,626	\$ 11,720,163	\$ 14,256,075	\$ 12,617,996	\$ 13,385,621	\$ 14,927,037	\$ 30,451,530	\$ 15,803,840	\$ 17,906,099
Public safety	50,365,075	51,714,259	53,708,521	57,635,369	51,547,172	59,205,104	58,028,791	62,767,315	67,759,386	69,232,703
Physical environment	9,596,634	9,629,695	9,782,784	9,897,909	9,890,479	10,259,789	11,447,894	7,981,243	10,026,332	12,805,678
Transportation	10,167,850	9,966,939	10,797,329	11,561,184	11,792,561	11,098,119	11,952,761	16,541,996	17,587,164	19,656,493
Economic environment	6,358,212	6,717,250	3,559,235	3,205,448	4,074,977	6,878,755	3,913,276	4,665,615	5,379,589	11,142,361
Human services	193,021	192,554	162,927	181,199	152,255	156,787	164,557	162,184	201,972	292,275
Culture/recreation	19,846,837	19,837,301	20,724,013	20,444,431	21,178,989	21,636,313	22,695,304	22,312,077	30,923,273	28,793,914
Interest on long-term debt	2,374,551	2,017,776	2,785,287	2,496,531	2,191,905	2,061,003	1,507,237	1,352,883	2,501,490	2,214,004
Total governmental activities	<u>111,017,061</u>	<u>113,487,400</u>	<u>113,240,259</u>	<u>119,678,146</u>	<u>113,446,334</u>	<u>124,681,491</u>	<u>124,636,857</u>	<u>146,234,843</u>	<u>150,183,046</u>	<u>162,043,527</u>
<b>Business-type activities:</b>										
Electric	317,121,139	321,742,799	315,822,552	272,574,227	274,763,944	278,358,542	272,297,874	252,575,808	273,135,947	271,955,588
Water and Wastewater	37,584,376	37,967,877	40,417,973	39,496,784	40,105,713	40,037,611	43,346,589	42,993,126	47,965,952	47,491,897
Parking	831,847	811,028	744,108	863,953	933,995	788,386	906,654	1,042,575	1,424,789	923,119
RP Funding Center	8,214,912	8,296,844	8,414,552	8,419,661	8,526,844	8,526,771	8,982,016	8,842,716	9,924,255	9,876,304
Lakeland Linder International Airport	6,362,631	5,435,167	5,619,351	5,822,414	6,136,321	7,050,444	7,851,437	8,945,961	9,049,549	9,896,981
Solid Waste	11,289,856	10,922,588	12,461,879	12,340,644	13,292,731	12,875,982	12,234,732	12,058,132	13,598,326	13,198,164
Cleveland Heights Golf Course	2,440,050	2,471,331	2,541,949	2,873,847	3,169,630	3,031,751	2,438,137	2,534,521	20,181	-
Total business-type activities	<u>383,844,811</u>	<u>387,647,634</u>	<u>386,022,364</u>	<u>342,391,530</u>	<u>346,929,178</u>	<u>350,669,487</u>	<u>348,057,439</u>	<u>328,992,839</u>	<u>355,118,999</u>	<u>353,342,053</u>
Total primary government	<u>\$ 494,861,872</u>	<u>\$ 501,135,034</u>	<u>\$ 499,262,623</u>	<u>\$ 462,069,676</u>	<u>\$ 460,375,512</u>	<u>\$ 475,350,978</u>	<u>\$ 472,694,296</u>	<u>\$ 475,227,682</u>	<u>\$ 505,302,045</u>	<u>\$ 515,385,580</u>
<b>Program revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services</b>										
General government	\$ 1,656,852	\$ 1,784,641	\$ 1,540,527	\$ 1,593,276	\$ 1,679,049	\$ 1,741,102	\$ 1,810,344	\$ 1,828,094	\$ 1,888,223	\$ 3,095,262
Public safety	4,284,457	5,930,955	4,832,611	4,434,285	4,526,577	5,744,162	6,201,388	7,495,330	6,778,946	9,977,945
Economic environment	214,767	-	-	-	-	-	-	-	-	288,969
Physical environment	5,103,747	4,998,612	5,050,411	5,108,330	5,185,830	5,276,415	5,277,189	5,178,153	5,869,182	6,777,128
Transportation	25,001	84,930	881,350	1,239,080	807,028	1,134,660	2,442,139	1,606,156	1,543,805	1,804,320
Culture/recreation	2,143,131	2,100,609	2,095,544	2,231,789	2,307,382	2,165,827	2,563,396	2,970,870	4,190,440	4,678,777
Operating grants and contributions	7,844,077	7,670,116	7,202,574	8,774,082	7,704,598	8,553,341	7,072,763	9,713,034	5,802,190	5,684,903
Capital grants and contributions	4,883,194	3,462,700	6,181,789	4,764,174	4,793,210	4,380,146	2,255,870	2,153,019	7,542,427	4,224,508
Total governmental activities	<u>26,155,226</u>	<u>26,032,563</u>	<u>27,784,806</u>	<u>28,145,016</u>	<u>27,003,674</u>	<u>28,995,653</u>	<u>27,623,089</u>	<u>30,944,656</u>	<u>33,615,213</u>	<u>36,531,812</u>

CITY OF LAKELAND, FLORIDA

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Business-type activities:</b>										
Charges for services										
Electric	\$ 343,366,946	\$ 354,215,696	\$ 340,881,856	\$ 290,336,885	\$ 302,055,713	\$ 306,337,851	\$ 309,502,891	\$ 296,552,463	\$ 303,483,541	\$ 315,042,404
Water and Wastewater	43,716,273	44,711,059	47,953,984	50,375,714	49,081,049	52,338,409	54,359,528	57,241,393	61,939,546	63,456,824
Parking	571,887	528,934	559,848	607,748	617,655	679,107	710,911	784,689	800,453	799,871
RP Funding Center	4,675,529	4,305,738	4,890,963	5,130,877	5,043,652	5,038,210	5,293,426	5,423,307	5,097,975	5,339,318
Lakeland Linder International Airport	3,940,803	3,424,359	3,249,082	3,831,506	3,962,024	4,245,029	4,497,642	4,491,436	5,194,038	6,470,785
Solid Waste	13,154,714	13,228,110	13,044,710	13,283,914	13,281,928	13,814,416	15,108,680	15,417,836	15,940,869	16,197,970
Cleveland Heights Golf Course	2,125,416	1,709,030	1,837,824	2,047,094	2,243,941	2,016,163	1,222,406	1,289,155	-	-
Operating grants and contributions	48,887	38,334	38,461	39,733	41,017	33,599	39,943	55,845	181,127	284,665
Capital grants and contributions	8,115,917	8,650,040	20,005,980	11,446,333	9,294,635	14,571,418	21,077,731	16,039,633	19,343,540	15,016,255
Total business-type activities	<u>419,716,372</u>	<u>430,811,300</u>	<u>432,462,708</u>	<u>377,099,804</u>	<u>385,621,614</u>	<u>399,074,202</u>	<u>411,813,158</u>	<u>397,295,757</u>	<u>411,981,089</u>	<u>422,608,092</u>
Total primary government	<u>\$ 445,871,598</u>	<u>\$ 456,843,863</u>	<u>\$ 460,247,514</u>	<u>\$ 405,244,820</u>	<u>\$ 412,625,288</u>	<u>\$ 428,069,855</u>	<u>\$ 439,436,247</u>	<u>\$ 428,240,413</u>	<u>\$ 445,596,302</u>	<u>\$ 459,139,904</u>
<b>Net (expense) revenue</b>										
Governmental activities	\$ (84,861,835)	\$ (87,454,837)	\$ (85,455,453)	\$ (91,533,130)	\$ (86,442,660)	\$ (95,685,838)	\$ (97,013,768)	\$ (115,290,187)	\$ (116,567,833)	\$ (125,511,715)
Business-type activities	35,871,561	43,163,666	46,440,344	34,708,274	38,692,436	48,404,715	63,755,719	68,302,918	56,862,090	69,266,039
Total primary government	<u>\$ (48,990,274)</u>	<u>\$ (44,291,171)</u>	<u>\$ (39,015,109)</u>	<u>\$ (56,824,856)</u>	<u>\$ (47,750,224)</u>	<u>\$ (47,281,123)</u>	<u>\$ (33,258,049)</u>	<u>\$ (46,987,269)</u>	<u>\$ (59,705,743)</u>	<u>\$ (56,245,676)</u>
<b>General Revenues</b>										
<b>Governmental activities:</b>										
Property taxes	\$ 25,618,865	\$ 24,651,942	\$ 22,641,400	\$ 20,909,045	\$ 21,784,397	\$ 22,577,691	\$ 23,935,374	\$ 30,912,106	\$ 33,362,591	\$ 37,045,511
Gas taxes	4,932,542	4,914,311	4,943,075	4,910,650	4,879,101	4,903,358	5,214,687	5,436,168	5,584,212	5,828,014
Utility taxes	15,453,734	15,246,102	15,304,814	14,995,497	14,758,065	14,773,594	14,870,425	15,073,871	14,969,677	15,005,200
State shared revenues (unrestricted)	6,590,471	6,368,677	6,573,788	7,186,312	7,482,060	7,955,128	8,456,135	9,093,120	9,387,340	9,791,361
Payment from Lakeland Regional Medical Center	10,954,493	11,721,484	11,739,471	12,853,062	12,095,713	12,096,534	12,900,000	28,254,750	13,619,256	13,993,785
Investment earnings	6,122,559	5,219,537	5,315,885	6,364,420	(168,141)	5,206,175	2,028,242	7,330,101	4,757,400	3,755,981
Miscellaneous	2,756,424	4,482,593	8,058,420	3,573,704	5,836,383	5,549,849	2,510,905	6,904,306	9,390,690	5,483,906
Transfers	27,510,418	28,371,822	27,941,709	27,643,416	27,874,464	29,229,008	32,671,504	34,057,221	38,477,203	35,494,449
Total governmental activities	<u>99,939,506</u>	<u>100,976,468</u>	<u>102,518,562</u>	<u>98,436,106</u>	<u>94,542,042</u>	<u>102,291,337</u>	<u>102,587,272</u>	<u>137,061,643</u>	<u>129,548,369</u>	<u>126,398,207</u>
<b>Business-type activities:</b>										
Tourism taxes	403,337	440,004	440,004	440,004	238,623	321,258	318,081	319,440	1,379,040	459,655
Investment earnings	16,887,512	11,680,877	12,927,375	13,220,991	(1,126,540)	14,929,721	5,494,383	10,776,341	8,013,419	8,095,653
Miscellaneous	922,067	1,266,876	1,077,799	1,133,499	982,663	7,518,743	1,283,505	2,862,238	1,342,832	3,222,413
Transfers	(27,510,418)	(28,371,822)	(27,941,709)	(27,643,416)	(27,874,464)	(29,229,008)	(32,671,504)	(34,057,221)	(38,477,203)	(35,494,449)
Total business-type activities	<u>(9,297,502)</u>	<u>(14,984,065)</u>	<u>(13,496,531)</u>	<u>(12,848,922)</u>	<u>(27,779,718)</u>	<u>(6,459,286)</u>	<u>(25,575,535)</u>	<u>(20,099,202)</u>	<u>(27,741,912)</u>	<u>(23,716,728)</u>
Total primary government	<u>\$ 90,642,004</u>	<u>\$ 85,992,403</u>	<u>\$ 89,022,031</u>	<u>\$ 85,587,184</u>	<u>\$ 66,762,324</u>	<u>\$ 95,832,051</u>	<u>\$ 77,011,737</u>	<u>\$ 116,962,441</u>	<u>\$ 101,806,457</u>	<u>\$ 102,681,479</u>
<b>Change in net position</b>										
Governmental activities	\$ 15,077,671	\$ 13,521,631	\$ 17,063,109	\$ 6,902,976	\$ 8,099,382	\$ 6,605,499	\$ 5,573,504	\$ 21,771,456	\$ 12,980,536	\$ 886,492
Business-type activities	26,574,059	28,179,601	32,943,813	21,859,352	10,912,718	41,945,429	38,180,184	48,203,716	29,120,178	45,549,311
Total primary government	<u>\$ 41,651,730</u>	<u>\$ 41,701,232</u>	<u>\$ 50,006,922</u>	<u>\$ 28,762,328</u>	<u>\$ 19,012,100</u>	<u>\$ 48,550,928</u>	<u>\$ 43,753,688</u>	<u>\$ 69,975,172</u>	<u>\$ 42,100,714</u>	<u>\$ 46,435,803</u>

CITY OF LAKELAND, FLORIDA

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

	<u>2009</u>	<u>2010</u>	<u>*2011</u>	<u>*2012</u>	<u>*2013</u>	<u>*2014</u>	<u>*2015</u>	<u>*2016</u>	<u>*2017</u>	<u>*2018</u>
General Fund										
Reserved	\$ 1,292,513	\$ 1,604,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	19,288,021	23,585,168	-	-	-	-	-	-	-	-
Nonspendable	-	-	312	4,409	312	10,078	-	10,101	10,966	14,848
Restricted	-	-	2,569,215	2,306,796	2,128,909	1,809,898	1,667,267	1,756,600	1,618,870	1,570,238
Assigned	-	-	9,910,841	12,348,664	14,003,810	11,861,510	7,983,980	9,003,579	8,227,224	8,702,544
Unassigned	-	-	15,384,762	11,157,295	5,475,418	5,759,634	9,483,062	13,664,847	15,664,488	11,700,633
Total general fund	<u>20,580,534</u>	<u>25,189,968</u>	<u>27,865,130</u>	<u>25,817,164</u>	<u>21,608,449</u>	<u>19,441,120</u>	<u>19,134,309</u>	<u>24,435,127</u>	<u>25,521,548</u>	<u>21,988,263</u>
Other governmental funds										
Reserved	13,413,700	31,012,902	-	-	-	-	-	-	-	-
Unreserved:										
Special revenue funds	18,007,048	16,718,714	-	-	-	-	-	-	-	-
Nonspendable, reported in										
Permanent funds	-	-	3,155,248	3,726,868	4,152,133	4,455,176	4,175,583	4,432,060	4,924,414	5,282,291
Prepays	-	-	-	106	-	151	-	160	66	201
Restricted, reported in										
Special revenue funds	-	-	9,543,193	8,753,664	9,112,906	10,032,431	11,987,184	12,423,425	10,681,968	8,077,156
Capital projects funds	-	-	15,128,386	9,441,958	7,801,070	11,323,028	50,699,369	26,476,694	20,072,417	24,274,072
Permanent funds	-	-	141,319	160,032	168,322	183,564	181,365	199,162	217,041	231,321
Committed, reported in										
Special revenue funds	-	-	4,546,829	5,300,799	5,818,487	6,017,177	5,468,299	3,954,698	3,696,602	4,707,680
Capital projects funds	-	-	-	-	-	-	-	1,818,335	3,909,623	5,494,483
Assigned, reported in										
Capital projects funds	-	-	5,160,281	6,955,600	7,825,692	9,503,454	8,500,313	21,672,921	14,632,775	13,489,767
Unassigned	-	-	-	-	-	-	-	(9,200)	(24,235)	(1,525)
Total other governmental funds	<u>31,420,748</u>	<u>47,731,616</u>	<u>37,675,256</u>	<u>34,339,027</u>	<u>34,878,610</u>	<u>41,514,981</u>	<u>81,012,113</u>	<u>70,968,255</u>	<u>58,110,671</u>	<u>61,555,446</u>
Total governmental funds	<u>\$ 52,001,282</u>	<u>\$ 72,921,584</u>	<u>\$ 65,540,386</u>	<u>\$ 60,156,191</u>	<u>\$ 56,487,059</u>	<u>\$ 60,956,101</u>	<u>\$ 100,146,422</u>	<u>\$ 95,403,382</u>	<u>\$ 83,632,219</u>	<u>\$ 83,543,709</u>

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



CITY OF LAKELAND, FLORIDA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (UNAUDITED)  
LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>REVENUES</b>										
Taxes	\$ 46,005,141	\$ 44,812,355	\$ 42,889,289	\$ 40,815,192	\$ 41,421,563	\$ 42,254,643	\$ 44,020,486	\$ 51,422,145	\$ 53,916,480	\$ 57,878,725
Licenses and permits	2,561,889	2,837,757	2,820,389	2,809,143	3,146,388	3,563,220	3,962,233	4,289,098	3,886,903	4,843,389
Intergovernmental	15,718,944	15,642,963	16,185,384	15,339,588	15,624,442	15,231,913	14,101,765	15,147,483	18,190,572	16,949,916
Charges for services	9,227,127	8,704,652	9,808,643	10,447,020	10,055,673	10,639,264	12,613,562	12,264,132	13,924,987	17,743,319
Fines and forfeits	1,638,939	3,357,338	1,771,411	1,350,597	1,303,805	1,859,682	1,718,661	2,525,373	2,458,706	2,454,914
Miscellaneous	17,929,744	20,143,277	24,155,095	20,881,916	19,398,075	21,586,436	16,444,991	52,854,535	29,752,209	23,363,404
<b>Total revenues</b>	<b>93,081,784</b>	<b>95,498,342</b>	<b>97,630,211</b>	<b>91,643,456</b>	<b>90,949,946</b>	<b>95,135,158</b>	<b>92,861,698</b>	<b>138,502,766</b>	<b>122,129,857</b>	<b>123,233,667</b>
<b>EXPENDITURES</b>										
General government	10,192,808	11,513,779	9,767,997	11,311,456	11,346,768	12,332,196	12,580,992	28,769,624	14,148,310	16,046,396
Public safety	47,200,094	49,373,109	50,177,776	52,388,896	53,480,901	54,826,981	56,737,346	58,731,548	61,224,273	64,305,992
Physical environment	5,583,619	5,630,677	5,652,541	5,682,062	5,562,590	5,757,799	6,546,813	6,803,399	8,372,184	11,753,636
Transportation	9,141,125	9,459,409	9,830,872	10,662,829	10,594,039	10,359,390	11,047,810	12,320,329	11,483,530	13,433,261
Economic environment	6,219,881	6,599,322	3,402,397	2,912,890	3,277,658	3,639,445	2,766,183	4,113,926	4,842,624	10,681,175
Human services	193,021	192,554	162,927	181,199	152,255	156,787	164,557	162,184	201,972	292,272
Culture/recreation	16,297,991	16,792,062	17,096,301	16,978,064	17,744,340	18,215,386	18,736,157	19,490,098	23,667,143	23,677,487
Capital outlay	17,006,903	15,666,370	25,935,038	16,015,051	13,857,972	12,584,688	12,119,034	36,598,813	34,608,536	9,997,104
Debt service										
Principal	3,734,306	8,763,468	9,242,882	7,649,604	6,433,383	5,612,655	8,838,625	7,988,031	12,173,785	7,464,339
Interest	2,375,189	2,018,415	2,785,925	2,497,169	2,242,779	2,052,163	2,052,163	1,349,127	2,495,109	2,207,623
<b>Total expenditures</b>	<b>117,944,937</b>	<b>126,009,165</b>	<b>134,054,656</b>	<b>126,279,220</b>	<b>124,692,685</b>	<b>125,537,490</b>	<b>131,589,680</b>	<b>176,327,079</b>	<b>173,217,466</b>	<b>159,859,285</b>
Excess (deficiency) of revenues over (under) expenditures	(24,863,153)	(30,510,823)	(36,424,445)	(34,635,764)	(33,742,739)	(30,402,332)	(38,727,982)	(37,824,313)	(51,087,609)	(36,625,618)
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from issuance of long-term debt	2,180,898	23,071,596	1,863,504	2,271,279	3,329,339	6,540,041	46,824,935	7,470	3,302,556	1,901,613
Transfers from other funds	38,533,483	39,735,249	39,626,330	40,173,420	40,899,461	42,944,955	44,604,939	45,284,417	49,407,313	47,161,790
Transfers to other funds	(11,415,637)	(11,375,720)	(12,446,587)	(13,193,130)	(14,155,193)	(14,613,622)	(13,511,571)	(12,210,614)	(13,393,423)	(12,526,295)
<b>Total other financing sources and (uses)</b>	<b>29,298,744</b>	<b>51,431,125</b>	<b>29,043,247</b>	<b>29,251,569</b>	<b>30,073,607</b>	<b>34,871,374</b>	<b>77,918,303</b>	<b>33,081,273</b>	<b>39,316,446</b>	<b>36,537,108</b>
<b>Net change in fund balances</b>	<b>\$ 4,435,591</b>	<b>\$ 20,920,302</b>	<b>\$ (7,381,198)</b>	<b>\$ (5,384,195)</b>	<b>\$ (3,669,132)</b>	<b>\$ 4,469,042</b>	<b>\$ 39,190,321</b>	<b>\$ (4,743,040)</b>	<b>\$ (11,771,163)</b>	<b>\$ (88,510)</b>
Debt Service as a percentage of noncapital expenditures	6%	10%	11%	9%	8%	7%	9%	7%	11%	7%

CITY OF LAKELAND, FLORIDA

GENERAL FUND PROPERTY TAX LEVIES, TAX COLLECTIONS,  
 ASSESSED VALUATIONS AND PROPERTY TAX RATES (UNAUDITED)  
LAST TEN FISCAL YEARS

Fiscal Year Ending September 30	Total Taxable (1)						Total Direct Tax Rate	Total Tax Levy (2)	Collected Within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Tax Collections
	Real Property	Tangible Property	Railroad Property	Adjustments	Less: Tax Exempt Real Property	Total Taxable Assessed Value			Amount	Percent of Levy		
2018	\$ 8,275,942,113	\$ 845,944,658	\$ 9,819,966	\$ (12,758,422)	\$ 3,158,285,650	\$ 5,960,662,665	8.064	\$ 31,962,315	\$ 31,932,914	99.91	\$ 133,363	\$ 32,066,277
2017	7,470,286,970	855,102,507	9,518,567	(8,299,667)	2,869,022,296	5,457,586,081	8.064	29,269,819	29,137,412	99.55	85,883	29,223,295
2016	6,978,652,027	849,218,740	8,893,616	(8,883,088)	2,742,795,786	5,085,085,509	8.064	27,282,157	27,165,521	99.57	126,554	27,292,075
2015	6,450,121,917	766,023,882	9,491,549	12,180,119	2,529,644,082	4,708,173,385	7.164	21,174,556	21,081,639	99.56	63,577	21,145,216
2014	6,029,544,930	694,944,816	9,322,964	2,218,998	2,318,246,201	4,417,785,507	7.164	19,882,769	19,844,964	99.81	49,587	19,894,551
2013	5,717,402,332	678,256,876	4,170,924	(2,317,304)	2,135,322,232	4,262,190,596	7.164	19,186,053	19,079,925	99.45	50,459	19,130,384
2012	6,011,568,956	704,558,301	4,037,506	(4,714,474)	2,235,629,322	4,479,820,967	6.659	18,006,725	17,905,063	99.44	53,239	17,958,302
2011	6,347,423,303	735,988,173	3,833,023	263,361	2,327,716,616	4,759,791,244	6.664	19,139,967	19,074,651	99.58	82,951	19,157,602
2010	7,496,927,845	797,882,468	4,011,704	33,810,496	2,784,803,140	5,547,829,373	6.028	19,593,509	19,475,083	99.40	55,682	19,530,765
2009	8,232,870,282	842,392,409	4,095,467	26,130,612	3,127,769,383	5,977,719,387	5.778	19,668,005	19,543,935	99.37	93,745	19,637,680

(1) The State of Florida, by statute, requires property appraisers to assess all property within the State at 100% of market value. Therefore, the assessed valuation and estimated actual value is the same.

(2) Total property tax levy minus any discounts given to taxpayers . Therefore, the realized tax rate may be less than the tax rate used to assess property taxes.

Source: Polk County Property Appraiser

CITY OF LAKELAND, FLORIDA

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

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

Fiscal Year Ending September 30	City of Lakeland				County	Southwest Florida Water Management District	Polk County School Board	Peace River Water Basin	Total Direct & Overlapping Rates
	Municipal	Lakeland Area Mass Transit District	Lakeland Downtown Development District	Total					
2018	\$ 5.564	\$ 0.500	\$ 2.000	\$ 8.064	\$ 6.782	\$ 0.313	\$ 6.514	\$ -	\$ 21.673
2017	5.564	0.500	2.000	8.064	6.782	0.332	6.780	-	21.958
2016	5.564	0.500	2.000	8.064	6.782	0.349	7.149	-	22.344
2015	4.664	0.500	2.000	7.164	6.867	0.366	7.208	-	21.605
2014	4.664	0.500	2.000	7.164	6.867	0.382	7.547	-	21.960
2013	4.664	0.500	1.995	7.159	6.867	0.393	7.492	-	21.911
2012	4.164	0.500	2.000	6.664	6.867	0.393	7.670	-	21.594
2011	4.164	0.500	1.874	6.538	6.867	0.377	7.792	0.183	21.757
2010	3.654	0.500	1.874	6.028	6.867	0.387	7.586	0.183	21.051
2009	3.403	0.500	1.874	5.777	6.867	0.387	7.634	0.183	20.848

Source: Polk County Property Appraiser

CITY OF LAKELAND, FLORIDA

TEN PRINCIPAL TAXPAYERS (UNAUDITED)  
 SEPTEMBER 30, 2018 For the Current Year and Nine Years Prior

Taxpayer Name	Type of Business	2018			2009		
		Assessed Value of Real And Personal Property	Rank	Percentage of Total Assessed Value of Real And Personal Property	Assessed Value of Real And Personal Property	Rank	Percentage of Total Assessed Value of Real and Personal Property
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	\$ 351,052,673	1	5.89%	\$ 244,355,214	1	4.09%
RTG Furniture Corp.	Retail/Distribution-Furniture	96,146,107	2	1.61%	52,429,631	3	0.88%
Amazon	Retail/Distribution	94,899,076	3	1.59%			
Lakeland Property Partners LLC	Real Estate	64,303,475	4	1.08%	25,899,926	9	0.43%
Watson Clinic	Medical Facility	56,006,331	5	0.94%	45,149,047	5	0.76%
Pepperidge Farm Inc. - Lakeland Plant	Retail/Distribution-Bakery	45,123,754	6	0.76%	26,334,097	8	0.44%
Casto Oakbridge Venture LTD	Real Estate	44,755,784	7	0.75%	55,266,065	2	0.92%
Lakeland Square Mall LLC	Retail/General Merchandise	40,945,892	8	0.69%	37,361,470	6	0.63%
Lakeland Multifamily Partners LLC	Real Estate-Apartment Complex	40,809,093	9	0.68%			
Walmart	Retail/Distribution-Grocery	37,815,792	10	0.63%			
Verizon	Telecommunications	-	-	-	46,414,816	4	0.78%
Carlton Arms of North Lakeland	Real Estate-Apartment Complex	-	-	-	30,750,499	7	0.51%
Mosaic	Chemical Manufacturing	-	-	-	20,031,286	10	0.34%
		<u>\$ 871,857,977</u>		<u>14.63%</u>	<u>\$ 583,992,051</u>		<u>9.77%</u>

Source: Polk County Property Appraiser

CITY OF LAKELAND, FLORIDA

LAKELAND ELECTRIC UTILITY FUND (UNAUDITED)  
 CHARGES FOR SERVICES AND AVERAGE RATES  
LAST TEN FISCAL YEARS

Fiscal Year Ending September 30	Charges for Services							Rates*				
	Residential Sales	Commercial and Industrial Sales	Public Street and Highway Lighting	Public Authority Sales Intra City	Sales for Resale	Fuel Charges	Other Operating Revenue	Total Charges for Services	Residential	General Service	General Service Demand	General Service Large Demand
2018	\$ 108,822,625	\$ 62,817,789	\$ 5,467,882	\$ 3,516,727	\$ 7,952,236	\$ 119,043,795	\$ 7,421,350	315,042,404	\$ 0.06796	\$ 0.05636	\$ 0.04644	\$ 0.03734
2017	105,596,437	62,532,243	5,474,740	3,367,713	4,642,718	114,583,411	7,286,279	303,483,541	0.06850	0.05725	0.04708	0.03773
2016	110,895,061	60,749,309	5,423,535	3,446,418	5,788,651	102,787,515	7,461,974	296,552,463	0.06825	0.05723	0.04692	0.03806
2015	105,088,149	63,000,051	5,404,581	3,404,024	5,521,230	120,058,077	7,026,779	309,502,891	0.06855	0.05758	0.04726	0.03810
2014	96,895,133	60,064,894	5,487,187	3,082,790	3,839,947	130,097,472	6,870,428	306,337,851	0.06434	0.06367	0.04587	0.03578
2013	94,055,789	58,123,028	4,739,732	3,056,517	13,372,122	121,822,652	6,885,873	302,055,713	0.06434	0.06367	0.04587	0.03562
2012	93,739,868	57,794,362	4,695,180	3,113,445	13,605,585	110,868,151	6,520,294	290,336,885	0.06452	0.06405	0.04681	0.03543
2011	101,699,309	60,081,729	5,567,490	3,269,563	15,874,978	146,923,431	7,465,356	340,881,856	0.06428	0.06415	0.04714	0.03998
2010	106,398,775	60,476,492	4,708,179	3,173,859	10,086,724	163,133,146	6,238,521	354,215,696	0.06451	0.06319	0.04737	0.03452
2009	98,532,307	57,374,119	5,526,960	3,101,949	9,905,591	163,116,048	5,809,972	343,366,946	0.06382	0.06125	0.04598	0.02865

\* Average revenue billed per kwh (\$/kwh) excluding fuel inside the City.

Source: Lakeland Electric

CITY OF LAKELAND, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	% of Personal Income	Per Capita
	Loans Payable	Utility Tax Notes	Capital Improvement Bonds	Loans Payable	Revenue Bonds & Notes	Capital Leases			
2018	\$ 1,921,466	\$ 1,368,107	\$ 52,687,486	\$ 37,995,293	\$ 528,160,108	\$ -	\$ 622,132,460	*	\$ 5,892
2017	2,185,781	2,616,803	56,889,791	30,927,443	514,756,073	139,046	607,514,937	17%	5,831
2016	1,192,854	4,817,594	63,979,671	30,155,243	509,520,735	1,617,931	611,284,028	17%	5,963
2015	1,416,818	7,094,564	69,459,298	32,493,561	512,530,138	2,204,057	625,198,436	18%	6,159
2014	1,633,392	10,892,464	28,009,822	33,518,432	522,943,217	2,231,412	599,228,739	18%	5,949
2013	1,841,515	11,023,543	26,743,234	36,132,683	556,304,921	2,839,164	634,885,060	19%	6,430
2012	2,212,164	10,638,779	30,206,393	38,985,249	591,634,793	1,721,004	675,398,382	19%	6,878
2011	1,125,394	12,269,881	35,020,386	41,520,826	619,242,208	805,673	709,984,368	22%	7,268
2010	220,000	13,933,855	41,626,184	44,385,565	624,734,654	745,176	725,645,434	24%	7,718
2009	6,657,426	15,027,658	19,771,827	57,060,761	622,510,924	909,347	721,937,943	25%	7,667

\* Information not available.  
Source: City of Lakeland CAFR

CITY OF LAKELAND, FLORIDA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE (UNAUDITED)  
LAST TEN FISCAL YEARS  
 (accrual basis)

Fiscal Year	Property Tax	Utility & Communication Service Tax	Motor Fuel Tax	Franchise Tax	Half Cent Sales Tax	State Shared Revenues				Total
						State Revenue Sharing	Mobile Home License Fees	Alcoholic Beverage Tax	Firefighters' Compensation Tax	
2018	\$ 37,045,511	\$ 14,758,072	\$ 5,828,014	\$ 247,128	\$ 6,586,865	\$ 2,805,371	\$ 246,617	\$ 88,162	\$ 64,346	\$ 67,670,086
2017	33,362,591	14,735,018	5,584,212	234,659	6,292,201	2,699,611	232,445	93,563	69,520	63,303,820
2016	30,912,106	14,831,215	5,436,168	242,656	6,202,015	2,550,919	217,330	86,116	36,740	60,515,265
2015	23,935,374	14,644,431	5,214,687	225,994	5,656,163	2,443,691	208,150	89,776	58,355	52,476,621
2014	22,577,691	14,534,094	4,903,358	239,500	5,395,592	2,248,500	197,654	80,487	32,895	50,209,771
2013	21,784,397	14,523,106	4,879,101	234,959	5,098,715	2,078,795	188,449	76,919	39,182	48,903,623
2012	20,909,045	14,761,856	4,910,650	233,641	4,817,062	2,060,351	184,560	79,897	44,441	48,001,503
2011	22,641,400	15,057,722	4,943,075	247,092	4,486,691	1,799,097	189,840	71,750	26,410	49,463,077
2010	24,651,942	14,979,375	4,914,311	266,727	4,287,133	1,789,260	190,380	69,789	32,115	51,181,032
2009	25,618,865	15,202,390	4,932,542	251,344	4,478,244	1,801,908	192,284	71,405	46,630	52,595,612

Source: City of Lakeland CAFR

CITY OF LAKELAND, FLORIDA

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

<u>Fiscal Year</u>	<u>General Bonded Debt</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Legally Available &amp; Pledged Revenues</u>	<u>Ratio of Debt to Pledged Revenues</u>	<u>Per Capita<sup>1</sup></u>
2018	\$ 54,055,593	\$ -	\$ 54,055,593	\$ 94,577,111	0.57	\$ 512
2017	59,506,594	-	59,506,594	96,899,142	0.61	571
2016	68,797,265	-	68,797,265	115,496,620	0.60	671
2015	76,553,862	-	76,553,862	91,900,186	0.83	754
2014	38,902,286	-	38,902,286	89,473,920	0.43	386
2013	37,766,777	-	37,766,777	81,855,337	0.46	385
2012	40,845,172	345,000	40,500,172	84,840,176	0.48	415
2011	47,290,267	325,000	46,965,267	85,053,370	0.55	481
2010	55,560,039	310,000	55,250,039	85,142,699	0.65	588
2009	34,799,485	295,000	34,504,485	81,421,565	0.42	366

Source: City of Lakeland CAFR

<sup>1</sup>City of Lakeland, Community Development



CITY OF LAKELAND, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED)  
SEPTEMBER 30, 2018

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated % Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Tax Supported Ad Valorem Debt:			
District School Board of Polk County Bonds Payable	\$ 218,565,000	10.57%	\$ 23,102,321
City Direct Debt - Governmental Activities			<u>55,951,533</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>			<u><u>\$ 79,053,854</u></u>

<sup>1</sup>The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by dividing the City's taxable assessed values by the County's total taxable assessed value.

Source: Polk County School Board  
 Polk Country Property Appraiser

CITY OF LAKELAND, FLORIDA

SCHEDULE OF REVENUE BONDS COVERAGE (UNAUDITED)  
LAST TEN FISCAL YEARS

ENERGY SYSTEM REVENUE BONDS

Fiscal Year	Gross Revenues <sup>1</sup>	Operating Expenses <sup>2</sup>	Net Operating Revenues Available for Debt Service	Principal	Interest	Total	Coverage
2018	\$ 320,463,612	\$ 220,910,023	\$ 99,553,589	\$ 22,300,000	\$ 15,806,087	\$ 38,106,087	2.61
2017	309,315,618	219,734,277	89,581,341	21,250,000	17,299,223	38,549,223	2.32
2016	303,347,574	192,829,916	110,517,658	20,875,000	17,567,094	38,442,094	2.87
2015	313,729,994	215,211,535	98,518,459	16,530,000	18,575,791	35,105,791	2.81
2014	321,886,606	216,676,686	105,209,920	20,775,503	25,469,790	46,245,293	2.28
2013	302,803,530	212,530,976	90,272,554	20,313,195	26,313,189	46,626,384	1.94
2012	298,933,627	201,280,148	97,653,479	24,456,267	25,040,946	49,497,213	1.97
2011	349,649,942	241,985,273	107,664,669	23,632,510	27,423,459	51,055,969	2.11
2010	361,827,646	251,861,002	109,966,644	21,992,218	27,974,283	49,966,501	2.20
2009	354,120,030	247,374,940	106,745,090	28,180,719	28,309,330	56,490,049	1.89

WATER AND WASTEWATER SYSTEM REVENUE BONDS

Fiscal Year	Gross Revenues	Operating Expenses <sup>2</sup>	Net Revenues Available for Debt Service	Principal	Interest	Total	Coverage
2018	\$ 65,078,959	\$ 36,912,551	\$ 28,166,408	\$ 3,643,087	\$ 2,289,362	\$ 5,932,449	4.75
2017	63,720,012	34,707,999	29,012,013	3,488,247	2,368,078	5,856,325	4.95
2016	60,567,604	31,598,007	28,969,597	3,373,757	2,490,070	5,863,827	4.94
2015	55,530,104	31,237,468	24,292,636	2,690,000	2,377,209	5,067,209	4.79
2014	54,769,116	27,976,557	26,792,559	1,510,000	1,813,722	3,323,722	8.06
2013	48,878,811	28,161,365	20,717,446	1,490,000	1,823,257	3,313,257	6.25
2012	52,702,160	26,117,153	26,585,007	4,390,000	1,485,113	5,875,113	4.53
2011	50,495,118	25,248,944	25,246,174	3,165,000	2,604,107	5,769,107	4.38
2010	46,941,005	25,386,062	21,554,943	3,010,000	2,754,607	5,764,607	3.74
2009	46,536,929	24,497,510	22,039,419	2,875,000	2,898,356	5,773,356	3.82

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

<sup>2</sup>Excludes depreciation expense.

Source: City of Lakeland CAFR

CITY OF LAKELAND, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS (UNAUDITED)  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population<sup>1</sup></u>	<u>Personal Income</u>	<u>Per Capita Personal Income<sup>2</sup></u>	<u>Median Age<sup>3</sup></u>	<u>School Enrollment<sup>4</sup></u>	<u>Unemployment Rate<sup>1</sup></u>
2018	105,586	*	*	41.30	38,684	4.00%
2017	104,185	3,564,481,405	34,213	40.55	37,536	4.80%
2016	102,507	3,505,636,893	34,199	39.60	38,207	5.20%
2015	101,517	3,423,457,791	33,723	40.00	37,212	5.70%
2014	100,728	3,288,970,656	32,652	40.10	37,987	6.20%
2013	98,733	3,395,724,069	34,393	39.40	36,601	7.40%
2012	98,200	3,510,257,200	35,746	38.33	35,613	9.10%
2011	97,690	3,267,437,430	33,447	38.12	39,032	11.08%
2010	94,024	3,045,625,408	32,392	37.29	39,355	12.00%
2009	94,163	2,877,809,606	30,562	36.46	37,191	10.60%

<sup>1</sup>City of Lakeland, Community Development

<sup>2</sup> US Bureau of Economic Analysis

<sup>3</sup>Lakeland Economic Development Council Demographics

<sup>4</sup>Polk County School Board

\* Information not available

CITY OF LAKELAND, FLORIDA

PRINCIPAL EMPLOYERS (UNAUDITED)

SEPTEMBER 30, 2018 For the Current Year and Nine Years Prior

Employer	Type of Business	2018			2009		
		Employees	Rank	% of Total	Employees	Rank	% of Total
Publix Supermarkets, Inc.	Retail/Distribution-Grocery	8,008	1	30.65%	6,644	1	31.32%
Lakeland Regional Health	Hospital	5,500	2	21.05%	4,540	2	21.40%
Government Employees Insurance Co. (GEICO)	Insurance	3,300	3	12.63%	1,850	4	8.72%
City of Lakeland	Government	2,724	4	10.42%	2,600	3	12.25%
Watson Clinic	Medical Clinic	1,857	5	7.11%	1,500	5	7.07%
Sykes	Telemarketing	1,150	6	4.40%			
GC Services	Telemarketing	1,000	7	3.83%	1,000	6	4.71%
Amazon	Retail/Distribution	900	8	3.44%			
Saddle Creek Logistics	Trucking & Logistics	872	9	3.34%	680	9	3.20%
Rooms To Go Furniture	Retail/Distribution-Furniture	820	10	3.14%	900	7	4.24%
FedEx National LTL	Trucking & Logistics				850	8	4.01%
Summit Consulting	Insurance				654	10	3.08%
Total		<u>26,131</u>		<u>100.00%</u>	<u>21,218</u>		<u>100.00%</u>

Source: Lakeland Economic Development Council

CITY OF LAKELAND, FLORIDA

FTE EMPLOYEES BY FUNCTION (UNAUDITED)  
LAST TEN FISCAL YEARS

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Function:										
General government	292	285	280	273	274	277	270	238	278	282
Public safety										
Law enforcement										
Officers	231	218	200	215	205	217	209	234	239	237
Civilians	106	107	127	112	114	111	117	103	118	111
Fire control										
Firefighters and officers	141	140	136	123	132	142	150	145	165	168
Civilians	7	7	11	23	19	13	14	13	5	6
Physical environment	5	5	5	3	5	5	6	7	7	8
Transportation	99	93	92	99	100	97	97	98	105	104
Economic environment	57	53	51	53	51	50	58	57	60	61
Culture/recreation	216	231	232	245	243	227	224	231	248	243
Electric	576	567	561	549	549	544	543	530	507	501
Water and Wastewater	195	191	191	196	193	194	200	197	203	201
Parking	7	5	5	5	5	5	5	4	5	5
RP Funding Center	33	34	33	38	37	36	42	50	50	48
Lakeland Linder International Airport	12	14	13	14	15	15	14	14	15	15
Solid Waste	79	72	66	62	63	62	63	62	62	61
Cleveland Heights Golf Course	17	16	17	16	21	14	14	12	-	-

Source: City of Lakeland Payroll

CITY OF LAKELAND, FLORIDA

OPERATING INDICATORS BY FUNCTION (UNAUDITED)  
LAST TEN FISCAL YEARS

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public safety										
Law enforcement										
Arrests	6,349	4,640	5,182	5,490	4,858	6,845	5,638	4,646	5,654	5,100
Traffic citations	20,915	21,852	18,152	15,633	12,542	8,177	11,119	10,649	9,585	9,484
Fire control										
Calls for service	17,434	16,587	17,031	18,319	20,390	21,637	22,515	24,262	24,940	25,314
Inspections	3,727	3,792	3,785	3,753	2,531	2,088	6,705	4,604	3,802	3,204
Physical environment										
Cemetery										
Burials	451	479	409	400	409	410	412	407	392	421
Spaces sold	485	394	379	336	375	367	412	312	368	408
Transportation										
Street resurfacing (miles)	24	28	29	26	32	38.7	26.1	23.8	21.7	32.0
Culture/recreation										
Parks										
Field rentals	7,370	7,738	7,815	8,179	8,299	8,491	8,400	7,103	6,484	6,150
Swimming Pools										
Attendance/use	134,043	315,768	493,591	248,839	243,805	433,466	154,134	93,822	84,359	95,611
Aquatic programs/events	12	12	15	10	10	11	7	33	29	30
Community centers										
Attendance/use	347,866	333,548	336,436	377,267	352,688	728,912	380,121	459,808	388,109	350,554
Facility rentals	1,361	1,312	1,379	1,228	1,219	1,195	1,799	1,759	2,000	1,111
Economic environment										
Building permits issued	7,657	8,255	7,947	7,521	7,899	5,770	6,301	6,776	7,203	9,235
Electric										
New connections <sup>1</sup>	429	(205)	(362)	(606)	1,689	1,157	1,348	1,810	1,949	1,648
Number of customers	121,944	121,739	121,377	120,771	122,460	123,617	124,965	126,775	128,535	130,183
Energy sales (gWh)	3,052	3,197	3,335	3,273	3,199	3,004	2,991	3,066	3,004	3,064
Water and Wastewater										
New connections	352	345	312	295	337	340	351	533	612	472
Number of customers	53,112	52,316	52,030	52,770	52,983	53,400	54,322	55,712	56,750	57,222
Peak month peak day pumping <sup>2</sup>	25	23	27	25	27	28	29	27	33	29
Average daily sewage treatment <sup>2</sup>	8.47	11.51	12	12	11.77	12.32	13.01	12.84	12.95	14.75
Parking										
Parking violations	3,388	4,381	4,778	6,404	6,102	5,596	5,735	6,538	5,556	7,534
RP Funding Center										
Number of events	391	418	490	537	492	454	458	450	414	371
Lakeland Linder International Airport										
Daily average traffic count	285	200	195	246	250	281	322	333	338	383
Solid Waste										
Refuse collected (tons/day)	340	341	326	318	319	247	223	196	284	261
Recyclables collected (tons/day)	14	14	15	15	19	27	21	22	31	22
Number of customers										
Commercial	4,064	5,325	5,282	5,303	4,711	4,909	5,082	5,224	5,314	5,436
Residential	43,430	43,054	42,371	43,472	37,436	38,956	43,455	46,531	48,657	50,095
Cleveland Heights Golf Course										
Number of memberships	264	204	128	144	104	115	103	93	75	66
Number of tournaments/outings	34	20	21	35	28	37	35	38	47	39
Rounds of golf played	-	-	41,720	61,212	57,528	61,076	60,292	63,829	67,860	64,460

<sup>1</sup>Net of new connections and disconnections of service.

<sup>2</sup>Measured in millions of gallons per day.  
 - Information not available.

Note: Indicators are not available for the general government function.

Source: City of Lakeland Departments.

CITY OF LAKELAND, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED)  
LAST TEN FISCAL YEARS

<b>Function</b>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Public Safety										
Law enforcement										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	143	151	151	151	151	151	155	155	159	154
Fire control										
Fire stations	7	7	7	7	7	7	7	7	7	7
Transportation										
Streets (miles)	381	381	381	389	389	390	389	399	400	400
Traffic signals	167	169	176	175	177	176	174	174	174	174
Culture/recreation										
Parks acreage	585	618	618	743	736	736	769	769	769	736
Parks	55	56	56	57	58	58	60	60	60	56
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	37	37	37	37	37	37	37	37	37	37
Community centers	2	2	2	2	2	2	2	3	3	3
Special recreational facilities	5	5	5	5	5	5	5	5	5	5
Electric										
Power plants	3	3	3	3	3	3	3	3	3	3
Distribution stations	23	23	23	23	25	25	25	25	25	25
Miles of service lines	2,045	2,046	2,053	2,056	2,059	2,065	2,074	2,084	2,100	2,111
Water and Wastewater										
Miles of service lines	987	991	992	994	994	996	996	998	998	1,002
Fire hydrants	4,018	4,041	4,096	4,122	4,172	4,191	4,219	4,266	4,261	4,281
Maximum daily capacity <sup>1</sup>	59	59	59	59	59	59	59	59	59	59
Maximum daily treatment <sup>1</sup>	36	36	36	36	36	36	36	35	35	35
Parking										
Parking Garages	3	3	3	3	3	3	3	3	3	3
Surface lots	11	11	13	13	13	13	13	13	11	10
RP Funding Center										
Sports arenas	1	1	1	1	1	1	1	1	1	1
Theatres	1	1	1	1	1	1	1	1	1	1
Other rental facilities	9	9	9	9	9	9	9	9	9	8
Lakeland Linder International Airport										
Terminals	1	1	1	1	1	1	1	1	1	1
Hangers	99	99	99	99	99	99	100	100	100	100
Runways	2	2	2	2	2	2	2	2	2	2
Solid Waste										
Refuse Trucks	47	51	52	49	55	53	51	47	54	54
Cleveland Heights Golf Course										
Acreage	286	286	286	286	286	286	286	286	286	286
Clubhouse facilities	1	1	1	1	1	1	1	1	1	1

<sup>1</sup>Measured in millions of gallons per day

Note: No capital asset indicators are available for the general government, economic environment, or physical environment functions.

Source: City of Lakeland Departments

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeland, Florida (the "City") as of and for the year ended September 30, 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 12, 2019. Our report includes a reference to other auditors who audited the financial statements of the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida (a pension trust fund included in aggregate remaining fund information) and the City of Lakeland Firefighters' Retirement System (a pension trust fund included in aggregate remaining fund information), as described in our report on the City's financial statements. The financial statements of the Police Officers' Defined Benefit Retirement System of the City of Lakeland, Florida and the City of Lakeland Firefighters' Retirement System were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



Crowe LLP

Tampa, Florida  
March 12, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND STATE FINANCIAL ASSISTANCE PROJECT; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE PROJECT REQUIRED BY THE UNIFORM GUIDANCE AND  
CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

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

**Report on Compliance for Each Major Federal Program and State Financial Assistance Project**

We have audited the City of Lakeland, Florida's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs or state financial assistance projects for the year ended September 30, 2018. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state financial assistance projects.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program and State Financial Assistance Project***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance project for the year ended September 30, 2018.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 12, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



Crowe LLP

Tampa, Florida  
March 12, 2019

CITY OF LAKELAND, FLORIDA

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

YEAR ENDED SEPTEMBER 30, 2018

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	None reported
Noncompliance material to financial statements noted	No

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Internal control over major programs:	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a), and Chapter 10.550, Rules of the Auditor General	No

Identification of major programs:

CFDA/CSFA Number

Name of Program

Federal:

20.106	Airport Improvement Program
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State:

37.039	Statewide Surface Water Restoration and Wastewater Projects
37.077	Wastewater Treatment Facility Construction

Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
State	\$300,000
Auditee qualified as low-risk	Yes

CITY OF LAKE LAND, FLORIDA

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

YEAR ENDED SEPTEMBER 30, 2018

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No items noted.

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

No items noted.

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

No items noted.

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

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

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

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

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City's complied, in all material respects, with the requirements contained in Section 218.415, Florida Statutes during the year ended September 30, 2018.

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



Crowe LLP

Tampa, Florida  
March 12, 2019