



CITY OF HAINES CITY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR END SEPTEMBER 30, 2014



CITY OF HAINES CITY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2014**

**Prepared by:
Department of Finance**



CITY OF HAINES CITY, FLORIDA
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2014

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INTRODUCTORY SECTION

This section contains the following subsections:

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



HAINES CITY

www.HAINESCITY.COM

March 27, 2015

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

State law requires that all local governments publish each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Haines City for the fiscal year ended September 30, 2014.

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

The City of Haines City's financial statements have been audited by Mauldin & Jenkins, L.L.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City of Haines City for the fiscal year ended September 30, 2014, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Haines City's financial statements for the fiscal year ended September 30, 2014, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Haines City is sometimes part of a broader, Federal and state mandated “Single Audit” designed to meet the special needs of the Federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City’s internal controls and compliance with legal requirements, with special emphasis on the administration of Federal and state awards. A Single Audit was not required for our 2014 audit.

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

Profile of the City

The City of Haines City, Florida, is a municipal corporation of the State of Florida and was incorporated in 1914. The City of Haines City is located in Central Florida, some 40 miles west of Orlando and 60 miles east of Tampa. Because of this central location, the City of Haines City is referred to as the “Heart of Florida”. The current permanent population is 21,385. The jurisdiction of the City encompasses 18.6 square miles of territory. The City of Haines City is empowered to levy a property tax on real estate and personal properties located within its boundaries. It is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the City Commission.

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

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

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

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

The annual budget serves as a foundation for the City of Haines City's financial planning and control systems. All departments of the City are required to submit requests for appropriations to the City Manager and these requests are the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Commission for review. The City Commission holds two (2) public hearings on the proposed budget prior to adopting the final budget and setting the tax rates for the budget year. Budgetary control over expenditures is legally maintained at the fund level. Therefore, management must have the City Commission's approval to reallocate resources into or out of the fund. The budget to actual comparison for the General Fund is included as required supplementary information following the notes to the basic financial statements.

Factors Affecting Financial Condition

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

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

The economic condition of the area during the past several years has not been very favorable. Property values had declined by forty percent (40%) through the year ended September 30, 2013. But there are signs that this trend has ended. The unemployment rate continues to drop. It has declined from a high of 13.3% in 2010 to the current rate of 6.6%. Another sign, is that property values have begun to increase with a four percent (4%) increase for the current fiscal year 2014. Also, new housing starts are up. The City issued 171 new single family building permits for fiscal year 2013 and that number has been followed by 134 for fiscal year ended September 30, 2014. The last two (2) years activity has improved, nearly doubling the previous five (5) years. The City will continue to work in unison to be good stewards of the financial resources collected from our residents to ensure that we manage the financial resources we have judiciously for future generations. The City is optimistic with the economic growth that is occurring in the community but understand there is still work to be done and we have a long way to go.

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

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

Major Initiatives. During fiscal year 2014, the City of Haines City achieved many significant accomplishments in furtherance of the goals and objectives established by the City Commission.

The accomplishments include the following:

- Implementation of a non-ad valorem assessment for fire service, offsetting a portion of the cost to provide fire protection only. The available costs include personnel, operating and capital. The assessment was broken into two components. The first component levies each parcel of property within the City limits a flat readiness to serve fee of \$144.93. The second component assesses the relative improvements upon the property at \$.85 per every \$1,000 of value. Relative improvements are items such as homes, apartments, storage units, warehouses and other commercial structures. The value of such improvements are derived from information provided by the Polk County Property Appraiser's office.
- The City continues to make improvements at the existing water and wastewater treatment facilities. The renovations of the administration building, oxidation ditch and headworks have been completed. A new micro screen process is being installed at the wastewater treatment plant and should be operational in the third quarter Fiscal Year 2015. Also, a new anionic ion exchange process is being design to improve water quality, as well as system pressure within the water distribution system. The anionic ion exchange project is funded by a Florida Department of Environmental Protection State Revolving Fund (SRF) loan.

Awards and Acknowledgements

The City of Haines City received the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting award for the sixth consecutive year for the City's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

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

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

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

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

Respectfully submitted,

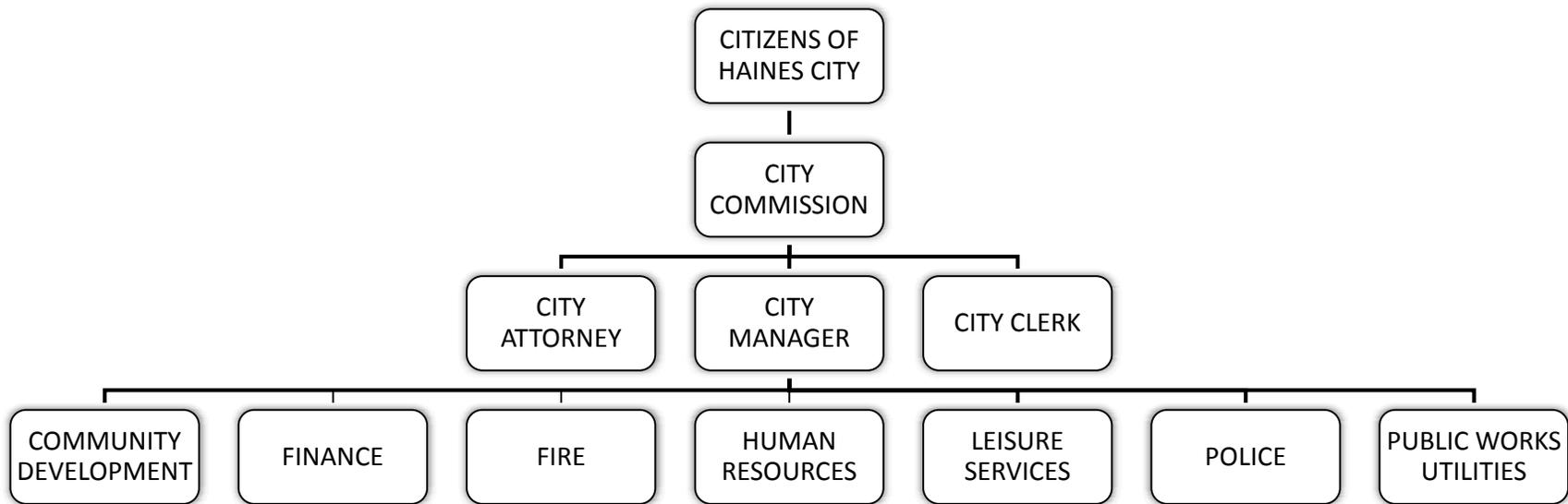
A handwritten signature in black ink that reads "Jonathan Evans". The signature is fluid and cursive, with a large initial "J" and "E".

Jonathan Evans, MPA, MBA, ICMA-CM
City Manager

A handwritten signature in blue ink that reads "Donald Carter". The signature is cursive and includes a long horizontal flourish at the end.

Donald Carter, CPA
Finance Director

CITY OF HAINES CITY ORGANIZATIONAL CHART



CITY OF HAINES CITY, FLORIDA

**LIST OF CITY OFFICIALS
SEPTEMBER 30, 2014**

ELECTED OFFICIALS

H.L. "Roy" Tyler	Commissioner/Mayor
Kenneth Kipp	Commissioner/Vice
Ronnie Cotton	Commissioner
Don Mason	Commissioner
Horace West	Commissioner

APPOINTED OFFICIALS

Jonathan E. Evans, MPA	City Manager
Rosie Hernandez	Interim City Clerk
Donald Carter	Finance Director/Treasurer
Fred Reilly	City Attorney



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Haines City
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

FINANCIAL SECTION

This section contains the following subsections:

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



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Haines City, Florida (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, 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 1, the City's pension trust funds implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* as of October 1, 2013. This standard modified the reporting requirements for financial statements of defined benefit pension plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other post-employment benefit schedules on pages 4-14, 56-57 and 58-60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015, 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.

Bradenton, Florida
March 26, 2015

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC". The signature is written in black ink and is positioned to the right of the typed text.

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014**

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

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities on September 30, 2014, by \$77,330,262 (net position). This amount includes \$56,673,023 invested in capital assets net of all related debt. Of this amount, unrestricted net position total \$11,711,638.
- The City's total net position increased by \$889,841 or 1.2%.
- As of September 30, 2014, the City's governmental funds reported combined ending fund balances of \$11,748,409, an increase of \$1,177,050 from the prior year. The improvement in the local economy along with cost saving measures implemented by the City is the reason for the modest improvement in the ending fund balance amount.
- The City's total debt (including compensated absences) Decreased by \$2,115,791 (3.5%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

For the year ending September 30, 2014, the City has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, which significantly changed the disclosures required related to the Plans.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense /expenditure) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City currently has no items that qualify for reporting in this category.

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

CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014

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

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

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

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

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

Fund financial statements

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

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

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

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014**

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

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

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

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

Notes to the financial statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statements of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. For the current year, the City's assets exceeded liabilities by \$77,330,262.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 13,643,793	12,244,448	13,432,499	13,788,224	27,076,292	26,032,672
Capital assets	63,152,149	66,064,984	49,113,758	48,179,502	112,265,907	114,244,486
Total assets	<u>76,795,942</u>	<u>78,309,432</u>	<u>62,546,257</u>	<u>61,967,726</u>	<u>139,342,199</u>	<u>140,277,158</u>
Long-term liabilities						
outstanding	43,703,329	44,791,562	13,195,602	14,629,474	56,898,931	59,421,036
Other liabilities	2,108,160	1,909,362	3,004,846	2,506,339	5,113,006	4,415,701
Total liabilities	<u>45,811,489</u>	<u>46,700,924</u>	<u>16,200,448</u>	<u>17,135,813</u>	<u>62,011,937</u>	<u>63,836,737</u>
Net investment in						
capital assets	21,701,775	23,437,379	34,971,248	34,286,996	56,673,023	57,724,375
Restricted	5,653,280	6,095,149	3,292,321	2,668,531	8,945,601	8,763,680
Unrestricted	3,629,398	2,075,980	8,082,240	7,876,386	11,711,638	9,952,366
Total net position	<u>\$ 30,984,453</u>	<u>31,608,508</u>	<u>46,345,809</u>	<u>44,831,913</u>	<u>77,330,262</u>	<u>76,440,421</u>

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014**

Seventy-three percent (73%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Twelve percent (12%) of the City's net position represents resources that are subject to external restrictions on how they may be used.

At September 30, 2014, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. This also held true for the previous fiscal year end.

The increase in assets and net position of the City's business-type activities is primarily due to the additions made to the City's water distribution and sewer collection systems.

Statements of Activities

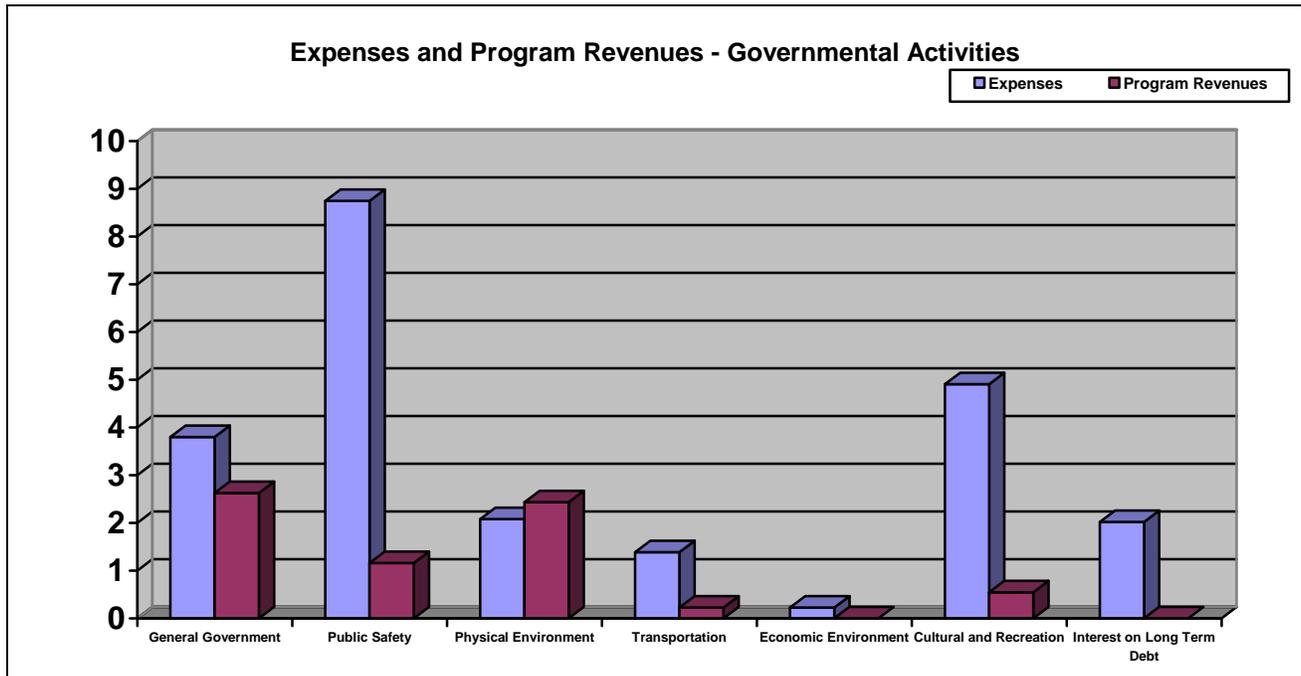
The following table reflects the condensed Statements of Activities for the current and prior years:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program revenues						
Charges for services	\$ 6,998,653	6,691,057	9,787,688	9,785,780	16,786,341	16,476,837
Operating grants and contributions	401,003	411,253	-	4,987	401,003	416,240
Capital grants and contributions	-	38,463	-	335,604	-	374,067
General revenues						
Property taxes	6,658,896	6,457,679	-	-	6,658,896	6,457,679
Franchise taxes	1,979,579	1,890,395	-	-	1,979,579	1,890,395
Utility taxes	1,557,792	1,472,363	-	-	1,557,792	1,472,363
Communications service tax	533,364	543,154	-	-	533,364	543,154
Local business tax	71,948	72,503	-	-	71,948	72,503
Gas and fuel taxes	824,130	778,859	-	-	824,130	778,859
State revenue sharing	1,872,644	1,750,552	-	-	1,872,644	1,750,552
Unrestricted investment earnings	257,673	273,878	22,778	29,087	280,451	302,965
Miscellaneous	-	-	-	58,193	-	58,193
Total revenues	<u>21,155,682</u>	<u>20,380,156</u>	<u>9,810,466</u>	<u>10,213,651</u>	<u>30,966,148</u>	<u>30,593,807</u>

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014**

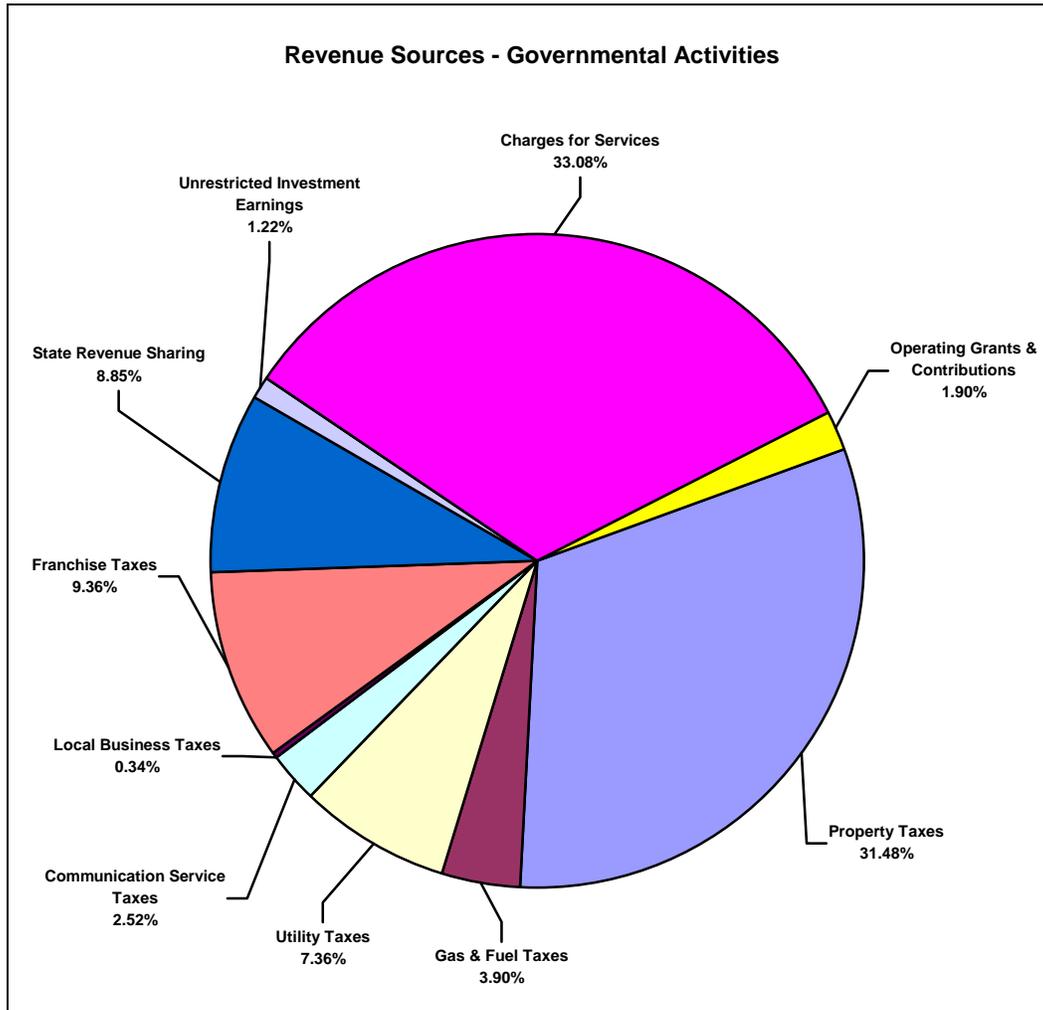
Expenses

General government	\$ 3,799,284	3,615,992	-	-	3,799,284	3,615,992
Public safety	8,746,663	9,082,035	-	-	8,746,663	9,082,035
Physical environment	2,078,854	2,732,178	-	-	2,078,854	2,732,178
Transportation	1,389,983	2,098,081	-	-	1,389,983	2,098,081
Economic environment	228,518	348,224	-	-	228,518	348,224
Culture and recreation	4,904,738	5,030,102	-	-	4,904,738	5,030,102
Interest on long-term debt	2,017,532	2,697,317	-	-	2,017,532	2,697,317
Water/sewer utility	-	-	6,655,355	6,660,710	6,655,355	6,660,710
Stormwater utility	-	-	255,380	323,119	255,380	323,119
Total expenses	<u>23,165,572</u>	<u>25,603,929</u>	<u>6,910,735</u>	<u>6,983,829</u>	<u>30,076,307</u>	<u>32,587,758</u>
Change in net position before transfers	(2,009,890)	(5,223,773)	2,899,731	3,229,822	889,841	(1,993,951)
Transfers	<u>1,385,835</u>	<u>1,385,835</u>	<u>(1,385,835)</u>	<u>(1,385,835)</u>	<u>-</u>	<u>-</u>
Change in net position	(624,055)	(3,837,938)	1,513,896	1,843,987	889,841	(1,993,951)
Net position, beginning	<u>31,608,508</u>	<u>35,446,446</u>	<u>44,831,913</u>	<u>42,987,926</u>	<u>76,440,421</u>	<u>78,434,372</u>
Net position, ending	<u>\$ 30,984,453</u>	<u>31,608,508</u>	<u>46,345,809</u>	<u>44,831,913</u>	<u>77,330,262</u>	<u>76,440,421</u>



(Above Chart in Millions)

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014**



Governmental Activities

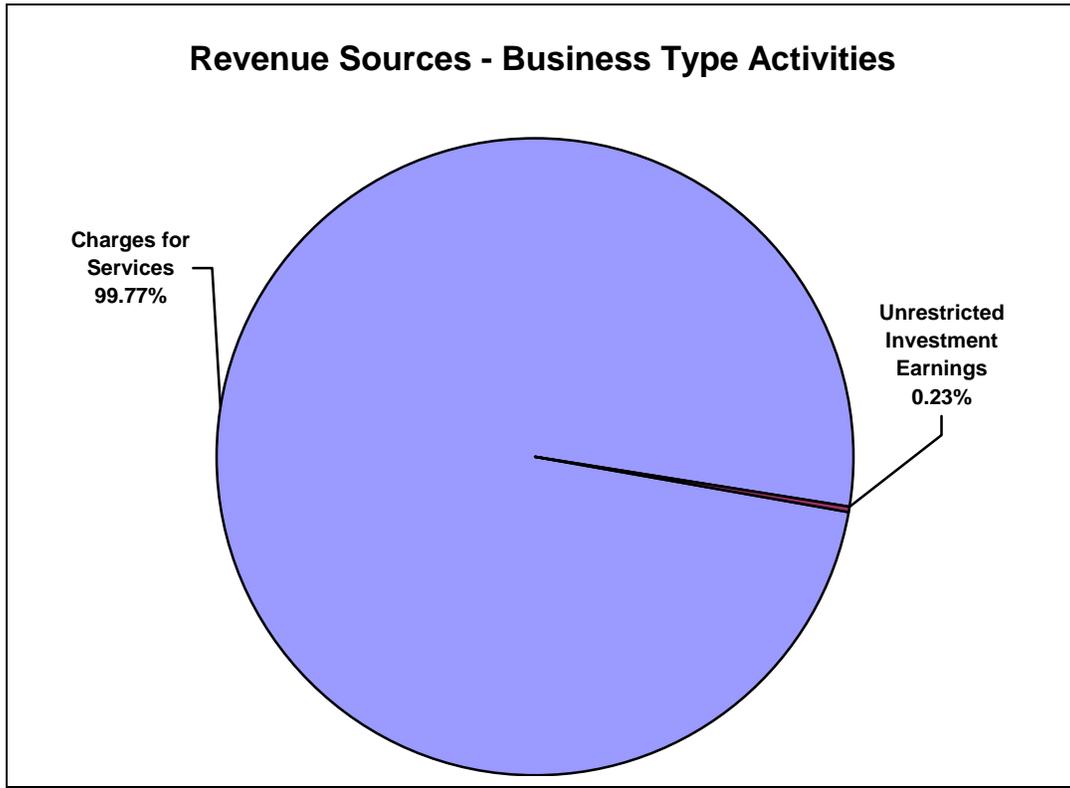
Governmental activities net position decreased by \$624,055.

General revenues of governmental activities increased by \$516,643 which indicates the local economy is stabilizing and property values have increased.

Program revenues of governmental activities increased by \$258,883, due to the implementation of a fire service assessment. Charges for services increased by \$307,596 as Operating grants and contributions and Capital grants and contributions decreased by a combined \$48,713. The City has been and will continue to be active in securing grant funding.

The expenses for governmental activities decreased by \$2,438,357 compared to the prior year. This decrease is primarily due the renegotiation of the City's solid waste collection contact that saw a drastic reduction in monthly rates; the contracting out of police dispatch services to the Polk County Sheriff's office and a reduction in interest expense.

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014**



Business-type Activities

Business-type activities net position increased by \$1,513,896.

Program revenues of governmental activities decreased by \$403,185, due to a drop in the amount the City received in both operating and capital grant funding.

Expenses of business-type activities decreased by \$73,094. The City continues to develop the most effective and efficient ways to provide services to its citizens.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014

As of September 30, 2014, the City's governmental funds reported combined ending fund balances of \$11,748,409, an increase of \$1,177,050 in comparison with the prior year. The increase is due to the improvement of the overall economic condition of the City. Overall revenues have increased and city staff has done a tremendous job in implementing cost saving measure to reduce expenditures by 5.5% from last year. The City implemented a non-ad valorem assessment for fire services to assist in offsetting a portion of the cost to provide fire protection. Each parcel of property is assessed \$144.93. Additionally any relative improvements upon the property are assessed at \$.85 per \$1,000 of value. The data used to develop the assessment amount was obtained from the Polk County Property Appraiser. Also, the City sold the old city hall building which had been declared surplus.

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

- Non-spendable fund balance is the amounts that are not in spendable form (inventory or long-term receivables) or amounts that are required to be maintained intact (corpus of a permanent fund). Approximately \$76,171 or 0.65% of total fund balance is classified as non-spendable.
- Restricted fund balance is the amounts that can be spent only for specific purposes stipulated by external resource providers such as creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Approximately \$5,653,280 or 48.1% of total fund balance is classified as restricted.
- Committed fund balance is the amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution or ordinance) of the City Commission, the City's highest level of decision-making authority. Committed amounts cannot be used for any other purposes unless the City Commission removes or changes the specified use by taking the same type of formal action (resolution or ordinance) it employed to commit those funds. Approximately \$496,226 or 4.2% of total fund balance is classified as committed.
- Assigned fund balance is the amount established by City Management intended to be used for specific purposes.
- Unassigned fund balance is the residual classification representing fund balance that has not been restricted, committed or assigned. Approximately \$5,522,732 or 47.0% of total fund balance is classified as unassigned.

The General Fund is the chief operating fund of the City. At September 30, 2014, total fund balance of the General Fund is \$9,072,263. Non-spendable fund balance equals \$76,171, or 1%; restricted fund balance equals \$2,977,134 or 32.9%; committed fund balance equals \$496,226 or 5.5%; and unassigned fund balance equals \$5,522,732 or 60.6%.

The fund balance of the City's General Fund increased by \$1,229,318 during the current fiscal year. As stated earlier, this increase is due to an overall improvement in the City' economic condition, as well as new realized revues streams and improved efficiencies in the delivery of services.

As of September 30, 2014, there are no reserves remaining in the CRA and any deficits that may occur in the fund will be subsidized by the General Fund.

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014**

It is essential that governments maintain an adequate level of fund balance to mitigate risks and provide a back-up for revenue shortfalls. Therefore the City has established the target minimum reserve balance in the City's General Fund Unassigned Fund Balance equal to 17% of the General fund's current fiscal year operating budget as recommended by the Governmental Finance Officers Association (GFOA). Currently the City is maintaining a 22.8% unassigned balance.

Proprietary Funds

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

Unrestricted net position of the Water and Sewer Fund and the Stormwater Utility Fund at September 30, 2014, amounted to \$7,711,767 and \$370,473, respectively. All stormwater fees are being collected through an assessment process on an annual basis. The stormwater fees will be collected in arrears going forward; therefore there is a natural lag in the collection cycle. Net position invested in capital assets, net of related debt, was \$34,513,511 in the Water and Sewer Fund at year end. The change in net position for these funds was an increase of \$1,270,149 and \$243,747, respectively. The change in net position for the Water and Sewer Fund and the Stormwater Fund was due to a positive result from operating activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

There is a \$101,745 difference in appropriations between the original budget and the final amended budget for this fiscal year. The major reason for the difference is an increase in funding received from the Library Co-op. This additional funding was utilized for various purposes within the library operations.

The difference between the final amended budget and actual expenditures was \$3,360,622 and can be summarized as follows:

- Various General Government departments under budget.
- Contingency not being utilized.
- Facilities Maintenance Division savings on building and repairs materials.
- Salary savings in the Police and Fire Departments due to vacant positions during the year.
- Police and Fire Impact fees budgeted but not expended. Projects have been carried over to the 2015 budget year.
- Paving projects cost savings.
- Transportation Impact fees budgeted but not expended. Projects have been carried over to the 2015 budget year.
- Salary savings within other departments throughout the City due to vacant positions.

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, net of related debt, amounts to \$56,673,023 (net of accumulated depreciation) as of September 30, 2014. This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment. The total decrease in the City's investment in capital assets, net of related debt, for the current fiscal year (net of accumulated depreciation) was \$1,051,352 (a decrease of \$1,735,604 for governmental activities and an increase of \$684,252 for business-type activities).

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

- Wastewater Treatment Plant Upgrades

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 8,916,112	8,970,718	345,853	290,820	9,261,965	9,261,538
Plant improvements	-	-	37,731,236	38,649,963	37,731,236	38,649,963
Buildings and improvements	44,455,300	47,488,989	192,068	203,487	44,647,368	47,692,476
Equipment	1,306,012	1,572,260	6,100,976	4,628,377	7,406,988	6,200,637
Transportation equipment	606,532	667,941	360,271	88,215	966,803	756,156
Infrastructure	6,628,139	6,935,428	356,748	365,503	6,984,887	7,300,931
Library books	200,961	177,558	-	-	200,961	177,558
Construction in progress	1,039,093	252,090	4,026,606	3,953,137	5,065,699	4,205,227
Total	<u>\$ 63,152,149</u>	<u>66,064,984</u>	<u>49,113,758</u>	<u>48,179,502</u>	<u>112,265,907</u>	<u>114,244,486</u>

Additional information on the City's capital assets can be found in Note 4 to the Financial Statements on pages 38-39 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total long term liabilities of \$58,319,023, a decrease of \$2,115,791 from the prior year.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Total long term liabilities	<u>\$ 43,703,329</u>	<u>44,791,562</u>	<u>14,615,694</u>	<u>15,643,252</u>	<u>58,319,023</u>	<u>60,434,814</u>

Additional information on the City's long-term debt can be found in Note 7 to the Financial Statements on pages 41-44 of this report.

**CITY OF HAINES CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2014**

NEXT YEAR'S BUDGETS AND RATES

The City's millage rate has remained the same since fiscal year 2013 at 7.99 mills. For the fiscal year 2015, the City's property tax valuation increased by \$47,061,289 (6%). The increase is due to the upturn in property values as well as a modest amount of new growth. Balancing the annual budget continues to be a struggle as the City moves forward. The City has approved the levy of a Fire Service Assessment for property within the city limits of Haines City for the second year. Each parcel of land will be assessed a flat amount of \$144.93 plus \$.85 per every \$1,000 of value for all relative improvements upon that parcel. The billing for the assessment will be included on the property owner's tax bill which is issued by the Polk County Tax Collector.

ECONOMIC FACTORS

With all major market indicators showing that the economy is slowly recovering, the City is optimistic about what lies ahead in the coming fiscal years. Although the City's housing market remains well below what it was in 2007, activity is slowly gaining momentum. The City issued 134 new single family home permits in fiscal year 2014, as compared to 171 for last year. The 134 for fiscal year 2014 is still much higher than the 91 issued in fiscal year 2012. Therefore optimism remains high that this upward trend will continue. The area's unemployment rate continues to drop. The current rate is 6.6%, well below the double digit rate of several years ago. The City will continue to work in unison to be good stewards of the financial resources collected from our residents to ensure that we manage the financial resources we have judiciously for future generations. The City is optimistic with the economic growth that is occurring in the community but understand there is still work to be done and we have a long way to go.

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

REQUESTS FOR INFORMATION

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

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,375,949	\$ 7,823,873	\$ 14,199,822
Accounts receivable, net	812,664	1,105,748	1,918,412
Internal balances	16,154	(16,154)	-
Due from other governments	321,254	4,192	325,446
Inventory	59,782	131,967	191,749
Prepaid items	158,318	-	158,318
Net pension asset	312,626	-	312,626
Restricted cash and cash equivalents	5,580,026	4,382,873	9,962,899
Long-term receivables	7,020	-	7,020
Capital assets			
Non-depreciable assets	9,955,205	4,372,459	14,327,664
Depreciable assets, net of depreciation	53,196,944	44,741,299	97,938,243
TOTAL ASSETS	76,795,942	62,546,257	139,342,199
LIABILITIES			
Accounts payable	848,717	388,885	1,237,602
Due to other governments	18,011	-	18,011
Accrued interest	674,351	-	674,351
Accrued payroll	455,173	89,540	544,713
Deposits	28,221	-	28,221
Unearned revenues	83,687	-	83,687
Current liabilities payable from restricted assets			
Accrued interest payable	-	125,021	125,021
Current portion of long-term debt	-	1,420,092	1,420,092
Deposits	-	968,293	968,293
Other liabilities	-	13,015	13,015
Noncurrent liabilities			
Portion due within one year	2,451,048	146,839	2,597,887
Portion due after one year	41,252,281	13,048,763	54,301,044
TOTAL LIABILITIES	45,811,489	16,200,448	62,011,937
NET POSITION			
Net investment in capital assets	21,701,775	34,971,248	56,673,023
Restricted for			
Building permits	95,057	-	95,057
Impact fee requirements	2,795,546	-	2,795,546
Confiscated property	70,604	-	70,604
Law enforcement training	15,927	-	15,927
Capital projects	1,365,494	2,429,780	3,795,274
Debt service	1,310,652	862,541	2,173,193
Unrestricted	3,629,398	8,082,240	11,711,638
TOTAL NET POSITION	\$ 30,984,453	\$ 46,345,809	\$ 77,330,262

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

CITY OF HAINES CITY, FLORIDA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities							
General government	\$ 3,799,284	\$ 2,625,437	\$ 15,820	\$ -	\$ (1,158,027)	\$ -	\$ (1,158,027)
Public safety	8,746,663	1,159,008	8,686	-	(7,578,969)	-	(7,578,969)
Physical environment	2,078,854	2,433,752	-	-	354,898	-	354,898
Transportation	1,389,983	225,720	-	-	(1,164,263)	-	(1,164,263)
Economic environment	228,518	-	-	-	(228,518)	-	(228,518)
Culture and recreation	4,904,738	554,736	376,497	-	(3,973,505)	-	(3,973,505)
Interest on long-term debt	2,017,532	-	-	-	(2,017,532)	-	(2,017,532)
Total governmental activities	<u>23,165,572</u>	<u>6,998,653</u>	<u>401,003</u>	<u>-</u>	<u>(15,765,916)</u>	<u>-</u>	<u>(15,765,916)</u>
Business-type activities							
Water and sewer	6,655,355	9,289,419	-	-	-	2,634,064	2,634,064
Stormwater	255,380	498,269	-	-	-	242,889	242,889
Total business-type activities	<u>6,910,735</u>	<u>9,787,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,876,953</u>	<u>2,876,953</u>
Total primary government	<u>\$ 30,076,307</u>	<u>\$ 16,786,341</u>	<u>\$ 401,003</u>	<u>\$ -</u>	<u>\$ (15,765,916)</u>	<u>\$ 2,876,953</u>	<u>\$ (12,888,963)</u>
GENERAL REVENUES							
Property taxes					6,658,896	-	6,658,896
Gas and fuel taxes					824,130	-	824,130
Utility taxes					1,557,792	-	1,557,792
Communications service tax					533,364	-	533,364
Local business tax					71,948	-	71,948
Franchise taxes					1,979,579	-	1,979,579
State revenue sharing					1,872,644	-	1,872,644
Unrestricted investment earnings					257,673	22,778	280,451
Total general revenues					<u>13,756,026</u>	<u>22,778</u>	<u>13,778,804</u>
Transfers					1,385,835	(1,385,835)	-
Total general revenues and transfers					<u>15,141,861</u>	<u>(1,363,057)</u>	<u>13,778,804</u>
Change in net position					(624,055)	1,513,896	889,841
Net position, beginning of year					31,608,508	44,831,913	76,440,421
Net position, end of year					<u>\$ 30,984,453</u>	<u>\$ 46,345,809</u>	<u>\$ 77,330,262</u>

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

CITY OF HAINES CITY, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Capital Projects Fund	CRA Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 6,375,949	\$ -	\$ -	\$ -	\$ 6,375,949
Accounts receivable	812,664	-	-	-	812,664
Due from other funds	16,154	-	-	-	16,154
Due from other governments	321,254	-	-	-	321,254
Inventory	59,782	-	-	-	59,782
Prepaid items	9,369	-	-	-	9,369
Restricted cash and cash equivalents	2,903,880	1,365,494	-	1,310,652	5,580,026
Long-term receivables	7,020	-	-	-	7,020
Total assets	\$ 10,506,072	\$ 1,365,494	\$ -	\$ 1,310,652	\$ 13,182,218
Liabilities					
Accounts payable	\$ 848,717	\$ -	\$ -	\$ -	\$ 848,717
Due to other governments	18,011	-	-	-	18,011
Accrued payroll	455,173	-	-	-	455,173
Other current liabilities	28,221	-	-	-	28,221
Unearned revenue	83,687	-	-	-	83,687
Total liabilities	1,433,809	-	-	-	1,433,809
Fund Balances					
Nonspendable					
Inventory	59,782	-	-	-	59,782
Prepaid items	9,369	-	-	-	9,369
Long-term receivables	7,020	-	-	-	7,020
Restricted for					
Building permits	95,057	-	-	-	95,057
Impact fee requirements	2,795,546	-	-	-	2,795,546
Confiscated property	70,604	-	-	-	70,604
Law enforcement training	15,927	-	-	-	15,927
Capital projects	-	1,365,494	-	-	1,365,494
Debt Service	-	-	-	1,310,652	1,310,652
Committed for capital projects	496,226	-	-	-	496,226
Unassigned	5,522,732	-	-	-	5,522,732
Total fund balances	9,072,263	1,365,494	-	1,310,652	11,748,409
Total liabilities and fund balances	\$ 10,506,072	\$ 1,365,494	\$ -	\$ 1,310,652	\$ 13,182,218

See accompanying notes to the basic financial statements.

CITY OF HAINES CITY, FLORIDA

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances for governmental funds		\$ 11,748,409
Total net position reported for governmental activities in the statement of net position is different because:		
1. Capital assets used in governmental activities are not financial resources		
Land	\$ 8,916,112	
Buildings and improvements, net of \$14,232,276 accumulated depreciation	44,455,300	
Equipment, net of \$4,588,076 accumulated depreciation	1,306,012	
Transportation equipment, net of \$3,528,105 accumulated depreciation	606,532	
Library books, net of \$490,997 accumulated depreciation	200,961	
Infrastructure, net of \$3,092,918 accumulated depreciation	6,628,139	
Construction in progress	<u>1,039,093</u>	
Total capital assets, net		63,152,149
2. Long-term liabilities and related accrued interest applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate the liabilities. These liabilities consist of:		
CenterState Bank loan	(11,115,000)	
Florida Municipal Loan Council loans	(29,925,000)	
Deferred loss on refunding	88,394	
Premium on debt issuance	(132,679)	
Capital leases obligations	(366,089)	
Accrued interest on long-term debt	(674,351)	
Compensated absences	(1,309,996)	
Other post-employment benefits	<u>(942,959)</u>	
Total long-term liabilities and accrued interest		(44,377,680)
3. Pension assets resulting from contributions in excess of the annual required contributions are not available to pay current expenditures and therefore, are not reported in the funds.		
	<u>312,626</u>	312,626
4. Prepaid debt insurance costs are not expensed in government-wide statements, but are reported as prepaid items and amortized over the life of the debt.		
	<u>148,949</u>	<u>148,949</u>
Total net position of governmental activities		<u><u>\$ 30,984,453</u></u>

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

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	General Fund	Capital Projects Fund	CRA Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Property taxes	\$ 5,755,488	\$ -	\$ 903,408	\$ -	\$ 6,658,896
Gas and fuel taxes	824,130	-	-	-	824,130
Utility taxes	1,557,792	-	-	-	1,557,792
Communications service tax	533,364	-	-	-	533,364
Local business tax	71,948	-	-	-	71,948
Franchise fees	1,979,579	-	-	-	1,979,579
Licenses and permits	839,587	-	-	-	839,587
Intergovernmental	2,100,591	-	-	-	2,100,591
Charges for services	3,219,722	-	-	-	3,219,722
Fines and forfeitures	1,089,915	-	-	-	1,089,915
Assessments	1,375,927	-	-	-	1,375,927
Impact fees	357,460	-	-	-	357,460
Contributions	189,042	-	-	-	189,042
Interest	21,052	2,887	1,604	232,130	257,673
Other	90,029	10,027	-	-	100,056
Total revenues	<u>20,005,626</u>	<u>12,914</u>	<u>905,012</u>	<u>232,130</u>	<u>21,155,682</u>
Expenditures					
Current					
General government	3,205,594	1,661	400	-	3,207,655
Public safety	8,302,665	-	-	-	8,302,665
Physical environment	2,079,602	-	-	-	2,079,602
Transportation	1,006,979	-	-	-	1,006,979
Economic environment	-	-	22,762	-	22,762
Culture and recreation	3,014,287	-	-	-	3,014,287
Debt service					
Principal	-	-	-	1,651,907	1,651,907
Interest	-	-	-	2,065,990	2,065,990
Capital outlay	1,008,456	86,049	-	-	1,094,505
Total expenditures	<u>18,617,583</u>	<u>87,710</u>	<u>23,162</u>	<u>3,717,897</u>	<u>22,446,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,388,043</u>	<u>(74,796)</u>	<u>881,850</u>	<u>(3,485,767)</u>	<u>(1,290,670)</u>
Other financing sources (uses)					
Insurance proceeds	7,224	-	-	-	7,224
Proceeds from sale of capital assets	596,665	-	-	-	596,665
Issuance of capital leases	477,996	-	-	-	477,996
Transfers in	1,385,835	-	1,432,481	3,508,295	6,326,611
Transfers out	(2,626,445)	-	(2,314,331)	-	(4,940,776)
Total other financing sources (uses)	<u>(158,725)</u>	<u>-</u>	<u>(881,850)</u>	<u>3,508,295</u>	<u>2,467,720</u>
Net change in fund balances	1,229,318	(74,796)	-	22,528	1,177,050
Fund balances, beginning of year	7,842,945	1,440,290	-	1,288,124	10,571,359
Fund balances, end of year	<u>\$ 9,072,263</u>	<u>\$ 1,365,494</u>	<u>\$ -</u>	<u>\$ 1,310,652</u>	<u>\$ 11,748,409</u>

See accompanying notes to the basic financial statements.

CITY OF HAINES CITY, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Total net change in fund balances for governmental funds		\$ 1,177,050
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Capital outlay	\$ 1,295,467	
Depreciation expense	<u>(3,350,354)</u>	(2,054,887)

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

Net book value of assets disposed		(857,948)
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Proceeds of certain long-term debt are reported as financing sources in governmental funds and thus contribute to the increase in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which payment of principal on this debt exceeds (is exceeded by) the proceeds from issuance of new debt.

New capital leases	(477,996)	
Principal payments	<u>1,651,907</u>	1,173,911

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

Accrued interest on long-term debt	45,138	
Net pension asset	(13,260)	
Compensated absences	27,357	
Other post-employment benefits payable	<u>(116,355)</u>	(57,120)

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

Prepaid debt insurance costs	(8,381)	
Debt issuance premium	8,845	
Loss on refunding debt	<u>(5,525)</u>	<u>(5,061)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (624,055)</u>
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See accompanying notes to the basic financial statements.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

Assets	Water and Sewer Fund	Stormwater Fund	Total
Current assets			
Cash and cash equivalents	\$ 7,401,523	\$ 422,350	\$ 7,823,873
Accounts receivable, net of allowances	1,105,748	-	1,105,748
Due from other governments	3,753	439	4,192
Inventories	131,967	-	131,967
Total current assets	8,642,991	422,789	9,065,780
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	4,382,873	-	4,382,873
Capital assets			
Land	289,901	55,952	345,853
Stormwater improvements	-	704,024	704,024
Plant and plant improvements	56,426,941	-	56,426,941
Buildings and improvements	285,976	-	285,976
Equipment	8,891,632	53,696	8,945,328
Transportation equipment	1,148,936	-	1,148,936
Construction in progress	3,990,494	36,112	4,026,606
Less accumulated depreciation	(22,377,859)	(392,047)	(22,769,906)
Total capital assets (net of accumulated depreciation)	48,656,021	457,737	49,113,758
Total noncurrent assets	53,038,894	457,737	53,496,631
Total assets	\$ 61,681,885	\$ 880,526	\$ 62,562,411

See accompanying notes to the basic financial statements.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

Liabilities	Water and Sewer Fund	Stormwater Fund	Total
Current liabilities			
Accounts payable	\$ 384,205	\$ 4,680	\$ 388,885
Due to other funds	16,154	-	16,154
Accrued liabilities	80,974	8,566	89,540
Current portion of compensated absences	136,582	10,257	146,839
Current liabilities payable from restricted assets			
Current portion of long-term debt	1,420,092	-	1,420,092
Accrued interest payable	125,021	-	125,021
Deposits	968,293	-	968,293
Other liabilities	13,015	-	13,015
Total current liabilities	<u>3,144,336</u>	<u>23,503</u>	<u>3,167,839</u>
Noncurrent liabilities			
Long-term debt	<u>13,019,950</u>	<u>28,813</u>	<u>13,048,763</u>
Total long-term liabilities	<u>13,019,950</u>	<u>28,813</u>	<u>13,048,763</u>
Total liabilities	<u>16,164,286</u>	<u>52,316</u>	<u>16,216,602</u>
Net Position			
Net investment in capital assets	34,513,511	457,737	34,971,248
Restricted for			
Capital projects	2,429,780	-	2,429,780
Debt service	862,541	-	862,541
Unrestricted	<u>7,711,767</u>	<u>370,473</u>	<u>8,082,240</u>
Total Net Position	<u>\$ 45,517,599</u>	<u>\$ 828,210</u>	<u>\$ 46,345,809</u>

See accompanying notes to the basic financial statements.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Water and Sewer Fund	Stormwater Fund	Total
Operating revenues			
Charges for services	\$ 8,672,482	\$ 498,257	\$ 9,170,739
Impact fees	609,364	-	609,364
Miscellaneous	7,573	12	7,585
Total operating revenues	<u>9,289,419</u>	<u>498,269</u>	<u>9,787,688</u>
Operating expenses			
Personnel services	2,087,512	178,956	2,266,468
Other services and charges	2,510,916	63,708	2,574,624
Depreciation	1,718,931	12,716	1,731,647
Total operating expenses	<u>6,317,359</u>	<u>255,380</u>	<u>6,572,739</u>
Operating income	<u>2,972,060</u>	<u>242,889</u>	<u>3,214,949</u>
Nonoperating revenues (expenses)			
Interest revenue	21,920	858	22,778
Interest expense	(294,107)	-	(294,107)
Loss on disposal of capital assets	(43,889)	-	(43,889)
Total nonoperating revenues (expenses)	<u>(316,076)</u>	<u>858</u>	<u>(315,218)</u>
Income before transfers	2,655,984	243,747	2,899,731
Transfers out	<u>(1,385,835)</u>	-	<u>(1,385,835)</u>
Change in net position	1,270,149	243,747	1,513,896
Net position, beginning of year	<u>44,247,450</u>	<u>584,463</u>	<u>44,831,913</u>
Net position, end of year	<u>\$ 45,517,599</u>	<u>\$ 828,210</u>	<u>\$ 46,345,809</u>

See accompanying notes to the basic financial statements.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Water and Sewer Fund	Stormwater Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 9,389,860	\$ 497,846	\$ 9,887,706
Cash payments to suppliers for goods and services	(2,464,042)	(67,803)	(2,531,845)
Cash payments to employees for services	(2,085,356)	(207,640)	(2,292,996)
Net cash provided by operating activities	<u>4,840,462</u>	<u>222,403</u>	<u>5,062,865</u>
Cash Flows from Noncapital Financing Activities			
Transfers out	(1,385,835)	-	(1,385,835)
Net cash used in noncapital financing activities	<u>(1,385,835)</u>	<u>-</u>	<u>(1,385,835)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(2,654,017)	(55,776)	(2,709,793)
Principal paid on loans payable	(1,013,775)	-	(1,013,775)
Interest paid on loans payable	(294,218)	-	(294,218)
Net cash used in capital and related financing activities	<u>(3,962,010)</u>	<u>(55,776)</u>	<u>(4,017,786)</u>
Cash Flows from Investing Activities			
Interest received	21,920	858	22,778
Net cash provided by investing activities	<u>21,920</u>	<u>858</u>	<u>22,778</u>
Net change in cash and cash equivalents	(485,463)	167,485	(317,978)
Cash and cash equivalents, beginning of year	<u>12,269,859</u>	<u>254,865</u>	<u>12,524,724</u>
Cash and cash equivalents, end of year	<u>\$ 11,784,396</u>	<u>\$ 422,350</u>	<u>\$ 12,206,746</u>
Cash and cash equivalents classified as			
Current assets	\$ 7,401,523	\$ 422,350	\$ 7,823,873
Restricted assets	4,382,873	-	4,382,873
	<u>\$ 11,784,396</u>	<u>\$ 422,350</u>	<u>\$ 12,206,746</u>

(Continued)

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 2,972,060	\$ 242,889	\$ 3,214,949
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	1,718,931	12,716	1,731,647
Change in assets and liabilities			
(Increase) decrease in			
Accounts receivable	38,849	-	38,849
Due from other governments	-	(423)	(423)
Inventory	1,871	-	1,871
Increase (decrease) in			
Accounts payable	28,898	(4,095)	24,803
Due to other funds	1,203	-	1,203
Accrued liabilities	2,156	-	2,156
Due from other governments	(3,753)	-	(3,753)
Customer deposits	65,345	-	65,345
Other postemployment benefits	22,163	2,463	24,626
Compensated absences	(7,261)	(31,147)	(38,408)
Total adjustments	<u>1,868,402</u>	<u>(20,486)</u>	<u>1,847,916</u>
Net cash provided by operating activities	<u>\$ 4,840,462</u>	<u>\$ 222,403</u>	<u>\$ 5,062,865</u>

See accompanying notes to the basic financial statements.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014**

	Pension Trust Funds	Right of Way Agency Fund
Assets		
Cash and cash equivalents	\$ 764,453	\$ 11,712
Receivables		
Contributions receivable	147,402	-
Accrued interest and dividends	28,847	-
Investments, at fair value		
U.S Government agencies	284,621	-
Collateralized mortgage obligations	29,451	-
Municipal obligations	55,451	-
Corporate bonds	2,574,349	-
Common equity securities	18,910,428	-
Fixed income mutual funds	7,074,018	-
	\$ 29,869,020	\$ 11,712
Liabilities		
Deposits held in custody for others	\$ -	\$ 11,712
	-	11,712
Net position		
Restricted for pension benefits	\$ 29,869,020	\$ -

See accompanying notes to the basic financial statements.

CITY OF HAINES CITY, FLORIDA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 1,679,666
Employee	523,844
State of Florida	227,901
Total contributions	2,431,411
Investment earnings	
Interest	52,126
Dividends	464,780
Net appreciation in fair value of investments	2,519,973
Net investment earnings	3,036,879
Total additions	5,468,290
Deductions	
Pension benefits	1,857,596
Administrative expenses	290,860
Total deductions	2,148,456
Change in net position	3,319,834
Net position, restricted for pension benefits	
Beginning of year	26,549,186
End of year	\$ 29,869,020

See accompanying notes to the basic financial statements.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Blended Component Unit

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

Community Redevelopment Agency (CRA)

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

Government-wide and Fund Financial Statements

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

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

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

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Budget Process and Accounting

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

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

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

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position or Equity

Deposits and investments

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

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

Receivables and payables

Receivables consist of trade receivables, due from other governments and interest receivable, recorded net of an allowance for doubtful accounts. The City's General Fund, Water and Sewer Fund and Stormwater Fund accounts receivable are presented net of an allowance for doubtful accounts of \$30,491, \$105,423 and \$415, respectively, at September 30, 2014. All other receivables are considered fully collectible.

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

Inventory

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

Restricted assets

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

Capital assets

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

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

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Unavailable revenue / unearned revenue

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

Compensated absences

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

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

Long-term obligations

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

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund balance reporting

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

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

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

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

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

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred Outflows / Inflows of Resources

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

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has no items that qualify for reporting in this category.

Use of estimates

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

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 2 – PROPERTY TAXES

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

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

A calendar of property tax events is as follows:

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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

The City pools the majority of its cash in a single bank account that is available for use by all funds, except the Pension Trust Funds. The City has entered into an agreement with the bank concerning the sweeping of this account to pay all cleared charges against other accounts and pay the City a stipulated variable rate of interest on the account’s daily balance. At September 30, 2014, the carrying amount of the City’s total bank deposits was \$24,297,166. All such deposits are covered either by the Federal Deposit Insurance Corporation or by the State of Florida Collateral Pool, a multiple financial institution pool with the ability to assess its members' financial institution for collateral shortfalls if a member fails.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

The City's Pension Trust Funds' investment balances at September 30, 2014, are as shown below and on the following page. For purposes of credit quality rating, investments explicitly guaranteed by the United States government are rated as “N/A.”

Interest rate risk policy

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

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

Credit risk policy

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

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

General Employees' Pension Investment Type	Fair Value	Years to Maturity			
		< 1	1-5	6-10	>10
Fixed income mutual funds	\$ 5,775,855	5,775,855	-	-	-
Common equity securities	10,509,778	10,509,778	-	-	-
Money market/cash	305,389	305,389	-	-	-
Total fair value	\$ 16,591,022	16,591,022	-	-	-

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Police Officers' Pension Investment Type	Fair Value	Years to Maturity			
		< 1	1-5	6-10	>10
U.S. Government securities	\$ 284,621	-	162,262	14,681	107,678
Collateralized mortgage obligations	29,451	-	-	-	29,451
Corporate bonds	2,574,349	20,196	745,228	855,414	953,511
Common equity securities	4,794,059	4,794,059	-	-	-
Municipal obligations	55,451	-	-	25,085	30,366
Money market/cash	223,303	223,303	-	-	-
Total fair value	\$ 7,961,234	5,037,558	907,490	895,180	1,121,006

Firefighters' Pension Investment Type	Fair Value	Years to Maturity			
		< 1	1-5	6-10	>10
Fixed income mutual funds	\$ 1,298,163	-	1,298,163	-	-
Common equity securities	3,606,591	3,606,591	-	-	-
Money market/cash	235,761	235,761	-	-	-
Total fair value	\$ 5,140,515	3,842,352	1,298,163	-	-

NOTE 4 – CAPITAL ASSETS

Capital asset balances and activity for the year ended September 30, 2014, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 8,970,718	-	(54,606)	8,916,112
Construction in progress	252,090	787,003	-	1,039,093
Total capital assets not being depreciated	<u>9,222,808</u>	<u>787,003</u>	<u>(54,606)</u>	<u>9,955,205</u>
Capital assets being depreciated				
Buildings and improvements	60,047,063	17,150	(1,376,637)	58,687,576
Equipment	5,810,363	254,375	(170,650)	5,894,088
Transportation equipment	3,981,025	153,612	-	4,134,637
Infrastructure	9,724,010	-	(2,953)	9,721,057
Library books	608,631	83,327	-	691,958
Total capital assets being depreciated	<u>80,171,092</u>	<u>508,464</u>	<u>(1,550,240)</u>	<u>79,129,316</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,558,074)	(2,267,697)	593,495	(14,232,276)
Equipment	(4,238,103)	(502,666)	152,693	(4,588,076)
Transportation equipment	(3,313,084)	(215,021)	-	(3,528,105)
Infrastructure	(2,788,582)	(305,046)	710	(3,092,918)
Library books	(431,073)	(59,924)	-	(490,997)
Total accumulated depreciation	<u>(23,328,916)</u>	<u>(3,350,354)</u>	<u>746,898</u>	<u>(25,932,372)</u>
Capital assets being depreciated, net	56,842,176	(2,841,890)	(803,342)	53,196,944
Governmental activities capital assets, net	<u>\$ 66,064,984</u>	<u>(2,054,887)</u>	<u>(857,948)</u>	<u>63,152,149</u>

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 290,820	55,033	-	345,853
Construction in progress	3,953,137	73,469	-	4,026,606
Total capital assets not being depreciated	<u>4,243,957</u>	<u>128,502</u>	<u>-</u>	<u>4,372,459</u>
Capital assets being depreciated				
Plant and plant improvements	56,296,683	177,771	(47,513)	56,426,941
Buildings and improvements	285,976	-	-	285,976
Equipment	6,925,525	2,078,308	(58,506)	8,945,327
Infrastructure	704,024	-	-	704,024
Transportation equipment	845,208	325,211	(2,700)	1,167,719
Total capital assets being depreciated	<u>65,057,416</u>	<u>2,581,290</u>	<u>(108,719)</u>	<u>67,529,987</u>
Less accumulated depreciation				
Plant and plant improvements	(17,646,720)	(1,054,607)	5,622	(18,695,705)
Buildings and improvements	(82,489)	(11,419)	-	(93,908)
Equipment	(2,297,148)	(604,341)	57,138	(2,844,351)
Infrastructure	(338,521)	(8,755)	-	(347,276)
Transportation equipment	(756,993)	(52,525)	2,070	(807,448)
Total accumulated depreciation	<u>(21,121,871)</u>	<u>(1,731,647)</u>	<u>64,830</u>	<u>(22,788,688)</u>
Capital assets being depreciated, net	<u>43,935,545</u>	<u>849,643</u>	<u>(43,889)</u>	<u>44,741,299</u>
Business-type activities capital assets, net	<u>\$ 48,179,502</u>	<u>978,145</u>	<u>(43,889)</u>	<u>49,113,758</u>

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

Governmental activities:	
General government	\$ 501,737
Public safety	395,862
Transportation	375,001
Economic environment	207,774
Culture and recreation	1,869,980
Total depreciation expense, governmental functions	<u>\$ 3,350,354</u>

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

Business-type activities:	
Water and sewer	\$ 1,718,931
Stormwater	12,716
Total depreciation expense, business-type functions	<u>\$ 1,731,647</u>

**CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014**

NOTE 5 – CONSTRUCTION COMMITMENTS

Commitments under uncompleted construction projects at September 30, 2014, consist of the following:

	Committed
General Fund	
Street Paving	\$ 496,226
Johnson Avenue Road Project	128,210
	624,436
Capital Projects Fund	
Fire Station #1 Renovations	52,991
Water and Sewer Fund	
WWTP Filtration System Replacement	838,662
SR 17 Utility Relocation & Replacement	143,421
WTP #1 Anionic Ion Exchange	122,331
	1,104,414
Stormwater Fund	
Lake Eva Alum	81,324
Ledwith Ave & 5th St./Hill Dr	89,988
	171,312
Total	\$ 1,953,153

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund loans for short-term operating purposes resulted in the following balances at September 30, 2014:

	Receivable	Payable
General Fund	\$ 16,154	-
Water and Sewer Fund	-	16,154
	\$ 16,154	16,154

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

Interfund transfers for operating purposes from the fund that collected them to the fund that is authorized to expend them were as follows for the year ended September 30, 2014:

	Transfers In	Transfers Out
General Fund	\$ 1,385,835	2,626,445
CRA Fund	1,432,481	2,314,331
Debt Service Fund	3,508,295	-
Water and Sewer Fund	-	1,385,835
	\$ 6,326,611	6,326,611

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

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 7 – LONG-TERM DEBT

Summarized below is the City's debt issued to finance the acquisition and construction of major capital facilities that is outstanding as of September 30, 2014:

1. Governmental activities debt

\$11,748,000 loan payable (\$11,115,000 in principal remaining at September 30, 2014), CenterState Bank–Funds borrowed to finance the construction of a new City Hall/Library municipal complex and fire station in the downtown area. The financing was accomplished through the Build America Bond Program, under the Recovery Zone Economic Development Bond (RZEDB) provision, with a 25 year variable rate bank note with CenterState Bank in the principal amount of \$11,748,000. The RZEDB program is a stimulus program administered through the Department of Treasury/IRS where 45% of interest payments associated with qualified financing is federally subsidized.

The CenterState Bank loan is secured by a pledge and lien upon the revenues derived by the City from the electricity portion of the City's Utility Services Tax together with a lien on the rebate subsidy credit that it will receive from the Federal Government. Semi-annual payments will be made over a 25 year period, including interest at 4.92%. The total principal and interest remaining to be paid on the CenterState Bank loan was \$17,981,537, less a subsidy of \$3,089,942, as of September 30, 2014. Interest paid was \$555,770 and total pledged revenue was \$1,242,415 for the fiscal year ended September 30, 2014.

\$5,000,000 loan payable (\$2,000,000 in principal remaining at September 30, 2014), Florida Municipal Loan Council–Funds borrowed to finance various redevelopment projects within the City by the CRA Fund. Semi-annual payments will be made over a 15 year period, including interest which varies from 3.5% to 4.625%.

\$3,200,000 loan payable (\$2,560,000 in principal remaining at September 30, 2014), Florida Municipal Loan Council–Funds borrowed to finance construction of the railroad spur project. Semi-annual payments will be made over a 30 year period, including interest which varies from 4.0% to 5.125%.

\$3,850,000 loan payable (\$2,845,000 in principal remaining at September 30, 2014), Florida Municipal Loan Council–Funds borrowed during fiscal year 2005 to refund \$3,215,000 of the Police Station Loan from the Florida Municipal Loan Council. Semi-annual payments will be made over a 25 year period, including interest which varies from 3.25% to 5.0%. The excess of the reacquisition price over the net carrying amount of the old debt of \$138,125 is netted against this loan and amortized over 25 years, which represents both the remaining life of the old debt and the life of the new debt.

\$26,200,000 loan payable (\$22,520,000 in principal remaining at September 30, 2014), Florida Municipal Loan Council–Funds borrowed during fiscal year 2007 to finance various redevelopment projects within the City by the CRA Fund. Annual payments will be made over a 25 year period, including interest which varies from 4.25% to 5.00%.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 7 – LONG-TERM DEBT (CONTINUED)

The Florida Municipal Loan Council loans are subject to arbitrage. The arbitrage rebate requirement requires issuers of tax exempt debt to rebate to the U.S. Treasury investment income arising from proceeds of tax exempt debt to the extent that such income results from an investment yield in excess of the bond yield. There was no arbitrage liability at September 30, 2014.

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

Capital Leases:

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

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

Vehicles and Equipment	\$ 477,996
Less Accumulated Depreciation	(47,800)
Total	<u>\$ 430,196</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 for governmental activities are as follows:

Fiscal Year	
2015	\$ 159,450
2016	162,385
2017	<u>52,469</u>
Total minimum lease payments	374,304
Less: Amount representing interest	<u>(8,215)</u>
Present value of minimum lease payments	<u>\$ 366,089</u>

2. Business-type activities debt

\$3,990,747 State Revolving Fund Loan (\$3,647,298 in principal remaining at September 30, 2014)—Funds borrowed to finance construction of a sewer plant expansion project. The maximum amount of the loan is \$4,124,761, including capitalized interest of \$75,565. Semi-annual loan payments began on April 15, 2014. The loan will be repaid in forty semi-annual payments including interest at 2.26%, 2.31% and 2.34%, which applies to various loan increments.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 7 – LONG-TERM DEBT (CONTINUED)

\$369,362 State Revolving Fund Loan (\$320,443 in principal remaining at September 30, 2014)—Funds borrowed to finance construction of a water main expansion and new ground storage reservoirs projects. Semi-annual loan payments began on June 15, 2011. The loan will be repaid in forty semi-annual payments including interest at 2.71%. The loan is part of an agreement with the Florida Department of Environmental Protection which provides principal forgiveness on loans funded by the American Recovery and Reinvestment Act. Of the total \$2,462,413 awarded under this agreement, the estimated amount of principal forgiveness is \$2,093,051, the amount of money awarded pursuant to this agreement that is not to be repaid.

\$319,529 State Revolving Fund Loan (\$278,297 in principal remaining at September 30, 2014)—Funds borrowed to finance construction of a water main expansion and new ground storage reservoirs projects. Semi-annual loan payments began on June 15, 2011. The loan is paid in forty semi-annual payments, including interest at 2.61%.

\$4,912,507 State Revolving Fund Loan (\$4,543,472 in principal remaining on September 30, 2014)—Funds borrowed to finance construction of the BCR Neutralizer and Sludge Treatment Facilities Project. The maximum amount of the loan is \$5,222,820, including capitalized interest of \$38,600. Semi-annual loan payments began on May 15, 2014, including interest of 2.18%.

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

\$2,290,000 Utility System Refunding Revenue Note, Series 2013B (\$1,683,000 in principal remaining on September 30, 2014)—Funds borrowed to refinance the debt owed by the City to the Florida State Revolving Fund Loan Agreement. Semi-annual loan payments began in October 2013, including interest of 1.28%.

State Revolving Fund Loans Payable

The total principal and interest remaining to be paid on these loans was \$10,695,419 (includes interest of \$1,905,909) as of September 30, 2014. Principal and interest paid was \$613,799 and total available pledged revenue was \$4,103,547 for the fiscal year ended September 30, 2014. The loans are secured by pledged revenue, which consists of the gross revenues derived from the operation of the Water and Sewer Systems after payment of the Operations and Maintenance Expense and the satisfaction of all yearly payment obligations on account of the Senior Revenue Obligations.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 7 – LONG-TERM DEBT (CONTINUED)

3. Changes in long-term debt

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
CenterState Bank Loan	\$ 11,405,000	-	(290,000)	11,115,000	306,000
FMLC, CRA	2,355,000	-	(355,000)	2,000,000	365,000
FMLC, rail spur	2,635,000	-	(75,000)	2,560,000	80,000
FMLC, police station	2,965,000	-	(120,000)	2,845,000	120,000
FMLC, CRA	23,220,000	-	(700,000)	22,520,000	740,000
Loans payable	<u>42,580,000</u>	<u>-</u>	<u>(1,540,000)</u>	<u>41,040,000</u>	<u>1,611,000</u>
Less unamortized costs:					
Deferred loss on refunding	(93,919)	-	5,525	(88,394)	-
Plus unamortized premium	141,524	-	(8,845)	132,679	-
Total loans payable, net	<u>42,627,605</u>	<u>-</u>	<u>(1,543,320)</u>	<u>41,084,285</u>	<u>1,611,000</u>
Capital leases	-	477,996	(111,907)	366,089	154,483
Compensated absences	1,337,353	202,145	(229,502)	1,309,996	685,565
Other postemployment benefits	826,604	245,356	(129,001)	942,959	-
	<u>2,163,957</u>	<u>925,497</u>	<u>(470,410)</u>	<u>2,619,044</u>	<u>840,048</u>
Total governmental activities long-term liabilities	<u>\$ 44,791,562</u>	<u>925,497</u>	<u>(2,013,730)</u>	<u>43,703,329</u>	<u>2,451,048</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business- type activities:</u>					
Utility System Revenue Note, Series 2013	\$ 5,960,000	-	(607,000)	5,353,000	1,004,000
State Revolving Fund Loan, WW765080	3,814,678	-	(167,380)	3,647,298	171,271
State Revolving Fund Loan, DW530410	335,663	-	(15,220)	320,443	15,636
State Revolving Fund Loan, DW530411	291,649	-	(13,352)	278,297	13,701
State Revolving Fund Loan, WW530400	4,754,298	-	(210,826)	4,543,472	215,484
	<u>15,156,288</u>	<u>-</u>	<u>(1,013,778)</u>	<u>14,142,510</u>	<u>1,420,092</u>
Compensated absences	312,021	73,316	(111,721)	273,616	146,839
Other post-employment benefits	174,943	51,927	(27,302)	199,568	-
	<u>486,964</u>	<u>125,243</u>	<u>(139,023)</u>	<u>473,184</u>	<u>146,839</u>
Total business-type activities long-term liabilities	<u>\$ 15,643,252</u>	<u>125,243</u>	<u>(1,152,801)</u>	<u>14,615,694</u>	<u>1,566,931</u>

**CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014**

NOTE 7 – LONG-TERM DEBT (CONTINUED)

4. Principal and Interest Requirements to Maturity

The following represents the annual debt service requirements to maturity for debt outstanding as of September 30, 2014, including the General Government's \$29,925,000 of FMLC debt principal, \$11,115,000 of Center State Bank Loan, and State Revolving Fund Loans and Utility System Revenue Note of \$14,142,510.

Fiscal Year Ending	Governmental Activities				Business-type Activities		
	Principal	Interest	Subsidy	Total	Principal	Interest	Total
2015	\$ 1,611,000	1,994,563	(243,573)	3,361,990	1,420,092	281,193	1,701,285
2016	1,685,000	1,918,117	(236,671)	3,366,446	1,445,619	256,869	1,702,488
2017	1,771,000	1,837,033	(229,476)	3,378,557	1,126,365	232,094	1,358,459
2018	1,854,000	1,749,820	(221,876)	3,381,944	802,335	213,473	1,015,808
2019	1,950,000	1,661,321	(213,906)	3,397,415	818,535	196,686	1,015,221
2020-2024	8,717,000	7,016,838	(935,410)	14,798,428	4,357,051	718,955	5,076,006
2025-2029	11,157,000	4,569,789	(667,311)	15,059,478	2,731,566	337,431	3,068,997
2030-2034	11,276,000	1,557,519	(324,661)	12,508,858	1,440,947	47,483	1,488,430
2035-2037	1,019,000	37,909	(17,059)	1,039,850	-	-	-
	<u>\$ 41,040,000</u>	<u>22,342,909</u>	<u>(3,089,943)</u>	<u>60,292,966</u>	<u>14,142,510</u>	<u>2,284,184</u>	<u>16,426,694</u>

NOTE 8 – RESTRICTED ASSETS

Certain cash and cash equivalents that are legally restricted in the statement of net position at September 30, 2014, are as follows:

	Governmental Activities	Business-type Activities
Capital projects	\$ 1,365,494	20
Impact fees	2,814,401	2,413,983
Debt service	1,310,652	987,562
Other purposes:		
Confiscated property	75,564	-
Law enforcement training	13,915	-
Deposits	-	968,293
Bond and loan reserves	-	13,015
Total	<u>\$ 5,580,026</u>	<u>4,382,873</u>

NOTE 9 – RISK MANAGEMENT

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

**CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014**

NOTE 9 – RISK MANAGEMENT (Continued)

The City’s former worker’s compensation insurer, Governmental Risk Insurance Trust (GRIT), a governmental insurance pool, filed for Chapter 11 bankruptcy on March 30, 2000. As a result, the City is contingently liable for certain worker’s compensation claims that otherwise would have been subject to GRIT coverage. There was one such claim outstanding at September 30, 2014.

As of September 30, 2014, the City’s risk retention for certain types of risk is as follows:

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

NOTE 10 – CONTINGENT LIABILITIES

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

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to providing pension benefits, the City offers its retirees the option of continuing to participate in health and dental insurance benefits and a \$5,000 group term life insurance benefit at the same rate as active employees, in accordance with state statutes. Retirees can also insure eligible dependents for health and dental insurance only. Each retiree must pay 100% of the costs of any insurance they elect to continue. Funding is on a “pay as you go” basis. Most of the City’s employees would become eligible for those benefits should they reach normal retirement age while working for the City. Life, dental and health insurance are fully insured and provided through outside providers. Retiree premium costs are paid in full by the retirees.

In order to comply with the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, the City contracted with a certified actuarial firm to provide an actuarial valuation of post-employment benefits. The post-employment health insurance benefits will continue to be offered on a pay-as-you-go basis with no premium subsidy to the retirees. As required by the State of Florida Statute 112.08011, the claims experience of the retirees is co-mingled with that of active employees in determining the health plan cost. In accordance with GASB 45, the co-mingling of claims requirement equates to an implicit subsidy to retirees that creates an OPEB liability on the part of the City. Therefore, the City has incurred a liability for the implicit rate subsidy as the City implemented GASB 45. The City does not intend to fund the actuarial accrued liability. The post-employment benefit plan is a single-employer plan.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

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

Membership

As of October 1, 2013, the most recent actuarial evaluation date, membership consisted of:

Active Employees	200
Retired Participants	22
Retiree Covered Spouses	6

Annual OPEB Costs and Net OPEB Obligation

The City’s annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The calculation produced an unfunded obligation of \$2,246,712 and an ARC of \$315,141, defined in level dollars. The following table shows the components of the City’s OPEB cost for the year, the amount contributed to the plan, and changes in the City’s net OPEB obligation:

Annual Required Contribution (ARC)	\$ 315,141
Interest on Net OPEB Obligation	40,062
Adjustment to ARC	(57,920)
Annual OPEB cost	<u>297,283</u>
Contributions made	<u>(156,303)</u>
Increase in Net OPEB Obligation	140,980
Net OPEB Obligation, beginning of year	<u>1,001,547</u>
Net OPEB Obligation, end of year	<u><u>\$ 1,142,527</u></u>

The above OPEB obligation is presented as part of long-term debt, as summarized in Note 7. The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2012	\$ 271,741	43%	\$ 862,515
September 30, 2013	286,080	51%	1,001,547
September 30, 2014	297,283	53%	1,142,527

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

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

The funded status of the plan as of October 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Accrued Liability (AAL)	\$ 2,246,712
Actuarial Value of Plan Assets	-
	<u> </u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$ 2,246,712</u></u>
Funded Ratio	0%
Covered Payroll	8,510,287
Ratio of UAAL to Covered Payroll	26.40%

Valuation method and assumptions

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. A separate, publicly available post-employment benefit plan report is not prepared for the defined benefit plans.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future.

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the time of each valuation and on the pattern of sharing the costs between the employer and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and the plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

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

The information presented in the required supplementary schedule was determined as a part of the actuarial valuation at the date indicated.

Valuation date	October 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, open
Remaining amortization period	30 Years
Asset valuation method	Market Value
Actuarial assumptions	
Investment return	0.0% per year
Discount rate	4.0% per year, compounded annually
Healthcare cost trend rate	9.6% initially, 4.2% ultimately in 2080
Inflation rate	2.50% per annum, compounded annually
Projected salary increases	N/A, not relevant to determination of benefits

NOTE 12 – PENSION PLANS

Defined benefit plans

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

Membership

At October 1, 2014, the date of the latest actuarial valuations for the plans, participation in the plans consisted of:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>
Retirees and beneficiaries receiving benefits	55	14	14
Terminated employees entitled to benefits but not yet receiving them	62	11	3
Active plan members	116	46	24
Total membership	<u>233</u>	<u>71</u>	<u>41</u>

**CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014**

NOTE 12 – PENSION PLANS (CONTINUED)

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

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

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

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 12 – PENSION PLANS (CONTINUED)

Plan Disclosures

Effective October 1, 2013, the City’s Pension Plans implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plans. The information disclosed below is presented in accordance with this new standard. The Plans do not issue separate financial statements.

Net Pension Liability of the City

The components of the net pension liability of the City at September 30, 2014 are as follows:

	General Employees'	Police Officers'	Fire Fighters'	Total
Total pension liability	\$ 19,135,635	\$ 9,932,232	\$ 7,277,852	\$ 36,345,719
Plan fiduciary net position	(16,691,872)	(8,009,502)	(5,167,646)	(29,869,020)
City's net pension liability	<u>\$ 2,443,763</u>	<u>\$ 1,922,730</u>	<u>\$ 2,110,206</u>	<u>\$ 6,476,699</u>
Plan fiduciary net position as a percentage of Total pension liability	87.23%	80.64%	71.01%	82.18%

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

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated through September 30, 2014. The following actuarial assumptions applied to all periods included in the measurement:

	General Employees'	Police Officers'	Fire Fighters'
Inflation	3.0%	3.0%	3.0%
Salary increases	6.0%	4.0% - 10.0%	4.0% - 5.5%
Investment rate of return	8.0%	7.5%	7.5%

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

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 2008 – 2013.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2014 are: Domestic Equities – 7.5%; International Equities – 8.5% and Broad Market Fixed Income – 2.5% for the Fire Fighters’ plan.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 12 – PENSION PLANS (CONTINUED)

The target asset allocation as of September 30, 2014 are: Domestic Equities – 7.8%; International Equities – 2.2%; Bonds – 3.70%; Convertibles – 5.30% and MLPs – 12.7% for the Police Officers’ plan.

The target asset allocation as of September 30, 2014 are: Domestic Equities – 7.5%; International Equities – 8.5%; Broad Market Fixed Income – 2.5%; and Global Bonds – 3.5% for the General Employees’ plan.

Discount rate. The discount rate used to measure the total pension liability was 7.50% for the Fire Fighters’ and Police Officers’ plans and was 8.00% for the General Employees’ plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following table 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
General Employees:	7.00%	8.00%	9.00%
City's Net Pension Liability	\$ 4,778,178	\$ 2,443,763	\$ 665,223
Police Officers:	6.50%	7.50%	8.50%
City's Net Pension Liability	\$ 3,265,386	\$ 1,922,730	\$ 909,849
Fire Fighters:	6.50%	7.50%	8.50%
City's Net Pension Liability	\$ 2,982,265	\$ 2,110,206	\$ 1,464,545
Total:	<u>\$ 11,025,829</u>	<u>\$ 6,476,699</u>	<u>\$ 3,039,617</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2014 and the current sharing pattern of costs between employer and employee.

Employer Disclosures

Until the City implements the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective October 1, 2014, the provisions of GASB Statement No. 27 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the Plan under GASB Statement No. 67 as previously discussed.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 12 – PENSION PLANS (CONTINUED)

Annual Pension Cost and Net Pension Asset. The annual required contribution, annual pension cost and net pension asset for fiscal year 2014 was determined as part of the October 1, 2013 actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

Annual pension cost and net pension asset

The following table shows the components of the plans' annual cost, the amount contributed and the changes in the net pension asset (contributions in excess of requirements) as of September 30, 2014:

	General Employees	Police Officers	Fire Fighters
Annual Required Contributions (ARC)	\$ 890,882	517,215	385,144
Interest on net pension asset	(23,566)	(1,267)	(1,159)
Adjustments to ARC	36,126	1,267	1,859
Annual pension cost	<u>903,442</u>	<u>517,215</u>	<u>385,844</u>
Contributions made	<u>(890,882)</u>	<u>(517,215)</u>	<u>(385,144)</u>
Decrease (increase) in net pension asset	12,560	-	700
Net Pension Obligation (asset), beginning of year	<u>(294,722)</u>	<u>(16,898)</u>	<u>(14,266)</u>
Net Pension Obligation (asset), end of year	<u><u>\$ (282,162)</u></u>	<u><u>(16,898)</u></u>	<u><u>(13,566)</u></u>

Three-year trend

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
General Employees' Plan	9/30/2014	\$ 903,442	99%	\$ (282,162)
	9/30/2013	983,186	99%	(294,722)
	9/30/2012	112,267	98%	(307,841)
Police Officers' Plan	9/30/2014	517,215	100%	(16,898)
	9/30/2013	462,433	100%	(16,898)
	9/30/2012	390,263	100%	(16,898)
Fire Fighters' Plan	9/30/2014	385,844	100%	(13,566)
	9/30/2013	413,912	100%	(14,266)
	9/30/2012	307,926	100%	(14,999)

In accordance with Statement No. 27 of the Governmental Accounting Standards Board, *Accounting for Pensions by State and Local Governmental Employers*, the cumulative net contributions in excess of the annual required contributions for the City of \$312,626 are presented as assets on the City's government-wide financial statements.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 12 – PENSION PLANS (CONTINUED)

Contributions

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

Members of the Police Officers' plan are required to contribute 9% of their salary. The City is required to contribute the actuarially determined rates less amounts received from the State of Florida for insurance surcharges on policies sold within the City. The State's contribution to the Police Officer's Pension Fund for fiscal year 2014 was \$117,527. The City recognizes these on-behalf payments as revenues and expenditures in the governmental funds financial statements.

Members of the Fire Fighters' plan are required to contribute 5.4% of their salary. The City is required to contribute the actuarially determined rates less amounts received from the State of Florida for insurance surcharges on policies sold within the City. The State's contribution to the Firefighter's Pension Fund for fiscal year 2014 was \$110,374. The City recognizes these on-behalf payments as revenues and expenditures in the governmental funds financial statements.

Funded status and funding progress

The most recent actuarial report for the General Employees' plan was prepared as of October 1, 2014. As of this date, the actuarial accrued liability for benefits was \$18,721,298 and the actuarial value of investments was \$15,741,195, resulting in an unfunded actuarial accrued liability of \$2,980,103 and a funded ratio of 84.08%. The annual covered payroll was \$4,283,894 and the ratio of the unfunded actuarial accrued liability to covered payroll was 69.57%.

The most recent actuarial report for the Police Officers' plan was prepared as of October 1, 2014. As of this date, the actuarial accrued liability for benefits was \$9,774,145 and the actuarial value of investments was \$7,427,269, resulting in an unfunded actuarial accrued liability of \$2,346,876 and a funded ratio of 75.99%. The annual covered payroll was \$2,209,930 and the ratio of the unfunded actuarial accrued liability to covered payroll was 106.20%.

The most recent actuarial report for the Fire Fighters' plan was prepared as of October 1, 2014. As of this date, the actuarial accrued liability for benefits was \$7,339,856 and the actuarial value of investments was \$4,380,987, resulting in an unfunded actuarial accrued liability of \$2,508,869 and a funded ratio of 65.82%. The annual covered payroll was \$1,092,349, and the ratio of the unfunded actuarial accrued liability to covered payroll was 229.68%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 12 – PENSION PLANS (CONTINUED)

Actuarial methods and assumptions

The information regarding required contributions for the year ended September 30, 2014, presented in the required supplementary schedules was determined as a part of the actuarial valuations at the dates indicated below. The following is a summary of the methods and assumptions used in those schedules:

	General Employees' Pension Fund	Police Officers' Pension Fund	Fire Fighters' Pension Fund
Valuation date	October 1, 2014	October 1, 2014	October 1, 2014
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset valuation method	Four year smooth (market); market value	Five year smooth (market); market value	Five year smooth (market); market value
Amortization method	Level percentage of pay, closed	Level percentage of pay, closed	Level percentage of pay, closed
Remaining amortization period	30 years	29 years	28 years

Actuarial Assumptions:

Investment rate of return	8.0%	7.5%	7.5%
Projected salary increase*	6.0%	7.0%	6.5%
Post-retirement COLA	0.0%	0.0%	0.0%
	Healthy Mortality Table Table projected to 2012 with scale AA Disabled Lives set forward five years	with no projection Disabled Lives set forward five years	Healthy Mortality Table Disabled Lives set forward five years

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 12 – PENSION PLANS (CONTINUED)

Financial statements for the City’s pension plans at September 30, 2014, are as follows:

	General Employees'	Police Officers'	Fire Fighters'	
	Pension Fund	Pension Fund	Pension Fund	Total
Assets				
Cash and cash equivalents	\$ 305,389	223,303	235,761	764,453
Receivables				
Contributions receivable	92,105	31,318	23,979	147,402
Accrued interest and dividends	8,745	16,950	3,152	28,847
Investments, at fair value:				
U.S government agencies	-	284,621	-	284,621
Collateralized mortgage obligations	-	29,451	-	29,451
Municipal obligations	-	55,451	-	55,451
Corporate bonds	-	2,574,349	-	2,574,349
Common equity securities	10,509,778	4,794,059	3,606,591	18,910,428
Fixed income mutual funds	5,775,855	-	1,298,163	7,074,018
Total assets	\$ 16,691,872	8,009,502	5,167,646	29,869,020
Net Position				
Restricted for pension benefits	\$ 16,691,872	8,009,502	5,167,646	29,869,020
Additions				
Contributions				
Employer	\$ 893,398	434,076	352,192	1,679,666
Employees	221,592	196,385	105,867	523,844
State of Florida	-	117,527	110,374	227,901
Total contributions	1,114,990	747,988	568,433	2,431,411
Investment earnings				
Interest	21	52,100	5	52,126
Dividends	201,704	164,159	98,917	464,780
Net appreciation in fair value of investments	1,568,139	458,141	493,693	2,519,973
Net investment earnings	1,769,864	674,400	592,615	3,036,879
Total additions	2,884,854	1,422,388	1,161,048	5,468,290
Deductions				
Pension benefits	923,182	466,873	467,541	1,857,596
Administrative expenses	141,662	80,961	68,237	290,860
Total deductions	1,064,844	547,834	535,778	2,148,456
Change in net position	1,820,010	874,554	625,270	3,319,834
Net position, beginning of year	14,871,862	7,134,948	4,542,376	26,549,186
Net position, end of year	\$ 16,691,872	8,009,502	5,167,646	29,869,020

CITY OF HAINES CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2014

NOTE 13 – COMMUNITY REDEVELOPMENT AGENCY

Pursuant to Florida Statute 163.387, listed below is a summary of the sources and amounts of deposits into, and the amount and purpose of withdrawals from the Community Redevelopment Agency (CRA) for the fiscal year ended September 30, 2014:

	Revenues	Expenditures
Source of Revenues		
Ad valorem taxes	\$ 1,432,481	-
Ad valorem taxes received from Polk County	903,408	-
Interest	1,604	-
Purpose of Expenditures		
Professional services	-	23,162
Debt service	-	2,314,331
	\$ 2,337,493	2,337,493

REQUIRED SUPPLEMENTARY INFORMATION

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

In accordance with the Governmental Accounting Standards Board Statements Number 25, 27, 50 and 67, the following historical trend information of the City's General Employees, Police Officers' and Firefighters' Pension Trust Funds is required supplementary information.

In accordance with the Governmental Accounting Standards Board Statement Number 45, the following historical trend information of the City's Post-Employment Benefits Other than Pensions is required supplementary information

CITY OF HAINES CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES–
BUDGET AND ACTUAL–GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 5,819,050	5,819,050	5,755,488	(63,562)
Gas and fuel taxes	778,000	778,000	824,130	46,130
Utility taxes	1,454,000	1,454,000	1,557,792	103,792
Communications service tax	605,000	605,000	533,364	(71,636)
Local business tax	70,000	70,000	71,948	1,948
Franchise fees	1,968,000	1,968,000	1,979,579	11,579
Licenses and permits	719,700	719,700	839,587	119,887
Intergovernmental	1,942,785	2,009,700	2,100,591	90,891
Charges for services	3,377,910	3,377,910	3,219,722	(158,188)
Fines and forfeitures	1,654,200	1,654,200	1,089,915	(564,285)
Assessments	1,500,000	1,500,000	1,375,927	(124,073)
Impact fees	288,100	288,100	357,460	69,360
Contributions	160,700	160,700	189,042	28,342
Interest	50,200	50,200	21,052	(29,148)
Other	62,390	64,165	90,029	25,864
Total revenues	<u>20,450,035</u>	<u>20,518,725</u>	<u>20,005,626</u>	<u>(513,099)</u>
Expenditures				
Current				
General government	3,536,785	3,468,275	3,205,594	262,681
Public safety	8,670,845	8,737,350	8,302,665	434,685
Physical environment	2,115,600	2,115,600	2,079,602	35,998
Transportation	3,635,920	3,639,120	1,006,979	2,632,141
Culture and recreation	3,337,425	3,318,425	3,014,287	304,138
Capital outlay	849,885	969,435	1,008,456	(39,021)
Total expenditures	<u>22,146,460</u>	<u>22,248,205</u>	<u>18,617,583</u>	<u>3,630,622</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,696,425)</u>	<u>(1,729,480)</u>	<u>1,388,043</u>	<u>3,117,523</u>
Other financing sources (uses)				
Insurance proceeds	-	6,855	7,224	369
Proceeds from sale of capital assets	-	-	596,665	596,665
Proceeds from capital lease	181,705	181,705	477,996	296,291
Transfers in	1,885,835	1,912,035	1,385,835	(526,200)
Transfers out	(2,649,115)	(2,649,115)	(2,626,445)	22,670
Total other financing sources (uses)	<u>(581,575)</u>	<u>(548,520)</u>	<u>(158,725)</u>	<u>389,795</u>
Net change in fund balance	(2,278,000)	(2,278,000)	1,229,318	3,507,318
Fund balance, beginning of year	<u>7,842,945</u>	<u>7,842,945</u>	<u>7,842,945</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,564,945</u>	<u>5,564,945</u>	<u>9,072,263</u>	<u>3,507,318</u>

The City's budget basis is in accordance with accounting standards generally accepted in the United States of America.

CITY OF HAINES CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES–
BUDGET AND ACTUAL–CRA FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 850,000	850,000	903,408	53,408
Interest revenue	5,000	5,000	1,604	(3,396)
Total revenues	<u>855,000</u>	<u>855,000</u>	<u>905,012</u>	<u>50,012</u>
Expenditures				
Current				
General government	-	-	400	(400)
Economic development	22,265	22,265	22,762	(497)
Total expenditures	<u>22,265</u>	<u>22,265</u>	<u>23,162</u>	<u>(897)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>832,735</u>	<u>832,735</u>	<u>881,850</u>	<u>49,115</u>
Other financing sources (uses)				
Transfers in	1,459,235	1,459,235	1,432,481	(26,754)
Transfers out	(2,291,970)	(2,291,970)	(2,314,331)	(22,361)
Total other financing sources (uses)	<u>(832,735)</u>	<u>(832,735)</u>	<u>(881,850)</u>	<u>(49,115)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF HAINES CITY, FLORIDA

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

	2014
Total pension liability	
Service cost	\$ 797,644
Interest on total pension liability	1,451,733
Differences between expected and actual experience	-
Benefit payments, including refunds of employee contributions	(925,509)
Net change in total pension liability	1,323,868
Total pension liability - beginning	17,811,767
Total pension liability - ending (a)	\$ 19,135,635
 Plan fiduciary net position	
Contributions - employer	\$ 893,398
Contributions - state	-
Contributions - employee	221,592
Net investment income	1,769,864
Benefit payments, including refunds of member contributions	(923,182)
Administrative expenses	(141,662)
Net change in plan fiduciary net position	1,820,010
Plan fiduciary net position - beginning	14,871,862
Plan fiduciary net position - ending (b)	\$ 16,691,872
 City's net pension liability - ending (a) - (b)	\$ 2,443,763
 Plan fiduciary net position as a percentage of the total pension liability	87.23%
 Covered-employee payroll	\$ 4,454,410
 City's net pension liability as a percentage of covered-employee payroll	54.86%

Notes to the Schedule:

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

CITY OF HAINES CITY, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES PENSION**

	2014
Actuarially determined contribution	\$ 890,882
Contributions in relation to the actuarially determined contribution	893,398
Contribution deficiency (excess)	\$ (2,516)
Covered employee payroll	\$ 4,454,410
Contributions as a percentage of covered-employee payroll	20.00%

Notes to the Schedule:

Valuation Date October 1, 2012
 Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding method:	Entry age normal actuarial cost method
Amortization method:	Level percentage of pay, closed
Remaining amortization period:	29 years (as of 10/1/2012)
Asset valuation method:	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a four year period.
Inflation:	3.0% per year
Salary increases:	retirement age.
Final salary load:	Individually determined based upon current accruals.
Interest Rate:	8.0% per year, compounded annually, net of investment-related expenses
Payroll increases:	3% per year for amortizing UAAL. None for required contribution projection.
Retirement age:	The earlier of age 60 with the completion of 7 years of service and age 55 with the completion of 25 years of service. Members at or over the normal retirement age on the valuation date are assumed to work one additional year.
Early retirement:	Commencing with the earliest early retirement age (55 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

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

CITY OF HAINES CITY, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PENSION INVESTMENT RETURNS**

	<u>2014</u>
General Employees:	
Annual money-weighted rate of return, net of investment expenses	11.18%
Police Officers:	
Annual money-weighted rate of return, net of investment expenses	8.76%
Fire Fighters:	
Annual money-weighted rate of return, net of investment expenses	12.42%

Notes to the Schedules:

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

CITY OF HAINES CITY, FLORIDA

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

	2014
Total pension liability	
Service cost	\$ 355,679
Interest on total pension liability	704,103
Change in excess state money	24,392
Benefit payments, including refunds of employee contributions	(466,873)
Net change in total pension liability	617,301
Total pension liability - beginning	9,314,931
Total pension liability - ending (a)	\$ 9,932,232
Plan fiduciary net position	
Contributions - employer	\$ 434,076
Contributions - state	117,527
Contributions - employee	196,385
Net investment income	674,400
Benefit payments, including refunds of member contributions	(466,873)
Administrative expenses	(80,961)
Net change in plan fiduciary net position	874,554
Plan fiduciary net position - beginning	7,134,948
Plan fiduciary net position - ending (b)	\$ 8,009,502
City's net pension liability - ending (a) - (b)	\$ 1,922,730
Plan fiduciary net position as a percentage of the total pension liability	80.64%
Covered-employee payroll	\$ 2,173,174
City's net pension liability as a percentage of covered-employee payroll	88.48%

Notes to the Schedule:

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

CITY OF HAINES CITY, FLORIDA

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

	2014
Total pension liability	
Service cost	\$ 130,593
Interest on total pension liability	506,406
Change in excess state money	70,342
Benefit payments, including refunds of employee contributions	(467,541)
Net change in total pension liability	239,800
Total pension liability - beginning	7,038,052
Total pension liability - ending (a)	\$ 7,277,852
Plan fiduciary net position	
Contributions - employer	\$ 352,192
Contributions - state	110,374
Contributions - employee	105,867
Net investment income	592,615
Benefit payments, including refunds of member contributions	(467,541)
Administrative expenses	(68,237)
Net change in plan fiduciary net position	625,270
Plan fiduciary net position - beginning	4,542,376
Plan fiduciary net position - ending (b)	\$ 5,167,646
City's net pension liability - ending (a) - (b)	\$ 2,110,206
Plan fiduciary net position as a percentage of the total pension liability	71.01%
Covered-employee payroll	\$ 1,146,263
City's net pension liability as a percentage of covered-employee payroll	184.09%

Notes to the Schedule:

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

CITY OF HAINES CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS—GENERAL EMPLOYEES',
POLICE OFFICERS' AND FIREFIGHTERS' PENSION FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1)/(2)	(3) Annual Covered Payroll	UAAL as a % of Payroll [(2) - (1)] / (3)
General Employees' Pension Fund						
10/1/2014	\$ 15,741,195	\$ 18,721,298	\$ 2,980,103	84.08%	\$ 4,283,894	69.57%
10/1/2013	14,106,355	17,882,669	3,776,314	78.88%	4,858,315	77.73%
10/1/2012	12,573,291	17,949,163	5,375,872	70.05%	5,268,563	102.04%
10/1/2011	10,842,107	15,647,778	4,805,671	69.29%	5,676,298	84.66%
10/1/2010	9,871,374	13,155,133	3,283,759	75.04%	5,508,442	59.61%
10/1/2009	8,787,403	12,380,989	3,593,586	70.97%	5,822,858	61.72%
10/1/2008	8,005,844	11,359,615	3,353,771	70.48%	5,047,389	66.45%
Police Officers' Pension Fund						
10/1/2014	\$ 7,427,269	\$ 9,774,145	\$ 2,346,876	75.99%	\$ 2,209,930	106.20%
10/1/2013	6,593,093	9,807,174	3,214,081	67.23%	2,353,380	136.57%
10/1/2012	5,927,924	9,356,856	3,428,932	63.35%	2,106,203	162.80%
10/1/2011	5,695,292	8,585,899	2,890,607	66.33%	1,886,237	153.25%
10/1/2010	5,638,678	8,480,935	2,842,257	66.49%	2,063,013	137.77%
10/1/2009	5,363,613	8,098,622	2,735,009	66.23%	1,840,497	148.60%
10/1/2008	5,190,671	7,598,494	2,407,823	68.31%	1,819,756	132.32%
10/1/2007	5,194,322	6,959,819	1,765,497	74.63%	1,696,881	104.04%
Fire Fighters' Pension Fund						
10/1/2014	\$ 4,830,987	\$ 7,339,856	\$ 2,508,869	65.82%	\$ 1,092,349	229.68%
10/1/2013	4,380,879	7,286,776	2,905,897	60.12%	1,161,285	250.23%
10/1/2012	4,080,275	7,165,347	3,085,072	56.94%	1,135,521	271.69%
10/1/2011	4,153,121	7,120,473	2,967,352	58.33%	1,164,891	254.73%
10/1/2010	4,249,784	6,993,323	2,743,539	60.77%	1,318,324	208.11%
10/1/2009	4,155,185	6,752,346	2,597,161	61.54%	1,265,114	205.29%
10/1/2008	4,053,215	6,651,664	2,598,449	60.94%	1,225,191	212.09%
10/1/2007	3,882,968	6,137,447	2,254,479	63.27%	1,124,100	200.56%

CITY OF HAINES CITY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS—OTHER POST-EMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1)/(2)	(3) Annual Covered Payroll	UAAL as a % of Payroll [(2) - (1)] / (3)
10/1/2013	\$ -	\$ 2,246,712	\$ 2,246,712	0.00%	\$ 8,372,980	26.83%
10/1/2012	-	2,133,280	2,133,280	0.00%	8,510,287	25.07%
10/1/2011	-	1,955,679	1,955,679	0.00%	8,727,426	22.41%

As stated in GASB 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, OPEB plans with a total membership of 200 or more must have actuarial valuations at least biennially.

September 30, 2009, was the first fiscal year that an actuarial valuation was performed on the City's Other Post-employment Benefits Plan. The above information is as of October 1, 2011, October 1, 2012 and October 1, 2013, the most recent actuarial valuation dates.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAINES CITY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES–
BUDGET AND ACTUAL–CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest revenue	\$ 6,000	\$ 6,000	\$ 2,887	\$ (3,113)
Other	-	-	10,027	10,027
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>12,914</u>	<u>6,914</u>
Expenditures				
Current				
General government	-	1,446,290	1,661	1,444,629
Capital outlay	1,452,450	-	86,049	(86,049)
Total expenditures	<u>1,452,450</u>	<u>1,446,290</u>	<u>87,710</u>	<u>1,358,580</u>
Net change in fund balance	(1,446,450)	(1,440,290)	(74,796)	1,365,494
Fund balance, beginning of year	<u>1,440,290</u>	<u>1,440,290</u>	<u>1,440,290</u>	<u>-</u>
Fund balance, end of year	<u>\$ (6,160)</u>	<u>\$ -</u>	<u>\$ 1,365,494</u>	<u>\$ 1,365,494</u>

CITY OF HAINES CITY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
RIGHT OF WAY AGENCY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Balance</u> <u>09/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>09/30/14</u>
Assets				
Cash and cash equivalents	\$ 11,683	\$ 29	\$ -	\$ 11,712
Liabilities				
Deposits held in custody for others	\$ 11,683	\$ 29	\$ -	\$ 11,712

Statistical Section

The statistical section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the City's overall financial health. Below is a summary of the components and purpose for the tables provided herein.

	Page
Financial Trends.....	71
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	76
<i>These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	80
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt, the City's ability to issue additional debt in the future and related historical trend data..</i>	
Demographic and Economic Information	85
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	87
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.</i>	

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 3,505,247	11,065,309	23,476,903	29,857,420	29,415,076	28,576,391	26,940,200	22,215,410	23,437,379	21,701,775
Restricted	8,470,899	2,676,256	3,615,300	4,780,831	4,924,785	5,095,130	6,975,641	9,562,330	6,063,673	5,653,280
Unrestricted	5,192,810	8,268,510	8,392,922	5,199,355	7,393,466	7,626,335	4,995,804	3,921,279	2,075,980	3,629,398
Total governmental activities net position	<u>\$ 17,168,956</u>	<u>22,010,075</u>	<u>35,485,125</u>	<u>39,837,606</u>	<u>41,733,327</u>	<u>41,297,856</u>	<u>38,911,645</u>	<u>35,699,019</u>	<u>31,577,032</u>	<u>30,984,453</u>
Business-type activities										
Net investment in capital assets	\$ 11,873,709	16,008,934	18,130,167	27,145,002	29,787,837	34,390,110	37,287,641	37,274,891	34,286,996	34,971,248
Restricted	7,123,704	6,011,873	5,232,984	4,932,384	4,249,432	2,387,606	2,558,210	2,668,531	2,668,531	3,292,321
Unrestricted	2,232,463	1,826,140	2,805,237	3,394,034	3,157,162	4,697,003	2,788,028	3,044,504	7,876,386	8,082,240
Total business-type activities net position	<u>\$ 21,229,876</u>	<u>23,846,947</u>	<u>26,168,388</u>	<u>35,471,420</u>	<u>37,194,431</u>	<u>41,474,719</u>	<u>42,633,879</u>	<u>42,987,926</u>	<u>44,831,913</u>	<u>46,345,809</u>
Primary government										
Net investment in capital assets	\$ 15,378,956	27,074,243	41,607,070	57,002,422	59,202,913	62,966,501	64,227,841	59,490,301	57,724,375	56,673,023
Restricted	15,594,603	8,688,129	8,848,284	9,713,215	9,174,217	7,482,736	9,533,851	12,230,861	8,732,204	8,945,601
Unrestricted	7,425,273	10,094,650	11,198,159	8,593,389	10,550,628	12,323,338	7,783,832	6,965,783	9,952,366	11,711,638
Total primary government net position	<u>\$ 38,398,832</u>	<u>45,857,022</u>	<u>61,653,513</u>	<u>75,309,026</u>	<u>78,927,758</u>	<u>82,772,575</u>	<u>81,545,524</u>	<u>78,686,945</u>	<u>76,408,945</u>	<u>77,330,262</u>

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

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

Expenses	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
General government	\$ 1,931,233	2,320,516	3,122,071	2,541,726	3,722,262	3,624,171	3,400,467	3,110,061	3,615,992	3,799,284
Public safety	5,311,867	6,099,180	6,898,270	7,163,470	7,404,678	7,646,714	8,406,667	8,949,795	9,082,035	8,746,663
Physical environment	1,302,187	2,035,618	2,279,492	2,389,786	2,311,304	2,256,065	2,270,203	2,407,824	2,732,178	2,078,854
Transportation	790,373	914,764	2,103,696	1,741,826	1,792,055	1,432,913	1,366,502	1,528,139	2,098,081	1,389,983
Economic environment	943,428	1,107,999	1,385,515	1,550,587	1,393,596	1,693,953	1,513,205	1,224,276	348,224	228,518
Culture and recreation	1,893,694	2,054,021	2,705,538	2,953,468	4,078,884	4,950,934	4,861,540	5,199,493	5,030,102	4,904,738
Interest on long-term debt	551,071	524,467	600,813	1,971,844	1,774,790	961,109	1,999,634	2,213,162	2,697,317	2,017,532
Total governmental activities expenses	<u>12,723,853</u>	<u>15,056,565</u>	<u>19,095,395</u>	<u>20,312,707</u>	<u>22,477,569</u>	<u>22,565,859</u>	<u>23,818,218</u>	<u>24,632,750</u>	<u>25,603,929</u>	<u>23,165,572</u>
Business-type activities										
Water/sewer utility	3,806,637	4,070,347	4,959,499	5,364,164	5,943,447	5,902,252	5,916,023	6,954,698	6,660,710	6,655,355
Stormwater utility	24,544	20,901	152,697	75,017	61,416	271,814	270,175	450,929	323,119	255,380
Total business-type activities expenses	<u>3,831,181</u>	<u>4,091,248</u>	<u>5,112,196</u>	<u>5,439,181</u>	<u>6,004,863</u>	<u>6,174,066</u>	<u>6,186,198</u>	<u>7,405,627</u>	<u>6,983,829</u>	<u>6,910,735</u>
Total primary government net position	16,555,034	19,147,813	24,207,591	25,751,888	28,482,432	28,739,925	30,004,416	32,038,377	32,587,758	30,076,307
Program revenues										
Governmental activities										
Charges for services										
General government	2,384,646	2,108,237	1,724,427	1,218,390	684,283	817,763	943,347	1,026,206	1,333,376	2,625,437
Public safety	678,343	736,806	792,494	736,734	472,928	492,529	1,812,473	2,065,746	1,781,354	1,159,008
Physical environment	1,359,753	1,954,328	2,233,962	2,359,193	2,285,293	2,211,521	2,216,110	2,288,623	2,513,053	2,433,752
Transportation	370,053	615,253	1,071,798	736,696	485,559	336,351	291,073	152,524	477,617	225,720
Economic environment	146,490	265,427	443,273	875,517	379,227	23,968	27,800	-	-	-
Culture and recreation	626,413	473,378	288,562	177,593	382,083	528,904	512,225	486,031	585,657	554,736
Operating grants and contributions	1,044,996	878,350	887,006	861,011	1,098,414	1,077,708	1,215,422	627,691	411,253	401,003
Capital grants and contributions	1,625,951	277,844	550,854	268,133	833,670	2,333	18,667	709,149	38,463	-
Total governmental activities program revenues	<u>8,236,645</u>	<u>7,309,623</u>	<u>7,992,376</u>	<u>7,233,267</u>	<u>6,621,457</u>	<u>5,491,077</u>	<u>7,037,117</u>	<u>7,355,970</u>	<u>7,140,773</u>	<u>7,399,656</u>
Business-type activities										
Charges for services	6,773,379	6,950,127	7,351,255	8,128,627	7,458,032	7,623,873	8,279,379	8,755,108	9,785,780	9,787,688
Operating grants and contributions	114,981	-	39,790	-	-	-	-	37,578	4,987	-
Capital grants and contributions	283,991	242,343	143,288	7,407,562	1,230,190	3,919,994	125,032	65,088	335,604	-
Total business-type activities program revenues	<u>7,172,351</u>	<u>7,192,470</u>	<u>7,534,333</u>	<u>15,536,189</u>	<u>8,688,222</u>	<u>11,543,867</u>	<u>8,404,411</u>	<u>8,857,774</u>	<u>10,126,371</u>	<u>9,787,688</u>
Total primary government program revenues	15,408,996	14,502,093	15,526,709	22,769,456	15,309,679	17,034,944	15,441,528	16,213,744	17,267,144	17,187,344
Net (expenses)/revenue										
Governmental activities	(4,487,208)	(7,746,942)	(11,103,019)	(13,079,440)	(15,856,112)	(17,074,782)	(16,781,101)	(17,276,780)	(18,463,156)	(15,765,916)
Business-type activities	3,341,170	3,101,222	2,422,137	10,097,008	2,683,359	5,369,801	2,218,213	1,452,147	3,142,542	2,876,953
Total primary government net expenses	<u>\$ (1,146,038)</u>	<u>(4,645,720)</u>	<u>(8,680,882)</u>	<u>(2,982,432)</u>	<u>(13,172,753)</u>	<u>(11,704,981)</u>	<u>(14,562,888)</u>	<u>(15,824,633)</u>	<u>(15,320,614)</u>	<u>(12,888,963)</u>

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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General revenues and other changes in net position										
Governmental activities										
Property taxes	\$ 3,914,675	5,806,571	8,722,091	10,213,697	10,286,101	8,940,798	6,878,624	6,048,218	6,457,679	6,658,896
Franchise taxes	1,049,398	1,375,670	1,572,079	1,644,848	1,936,734	2,085,373	1,968,887	1,935,038	1,890,395	1,979,579
Utility taxes	961,352	1,125,498	1,218,588	1,254,101	1,303,509	1,471,442	1,437,394	1,418,290	1,472,363	1,557,792
Communications taxes	664,363	696,625	686,392	725,155	767,190	677,765	649,988	661,526	543,154	533,364
Local business tax	-	-	-	70,575	71,389	76,213	84,424	66,285	72,503	71,948
Gas and fuel taxes	773,685	776,898	825,075	823,395	805,145	796,859	766,757	746,463	778,859	824,130
State revenue sharing	1,503,581	1,643,541	1,602,438	1,567,688	1,406,501	1,375,310	1,416,689	1,659,850	1,750,552	1,872,644
Unrestricted investment earnings	112,888	403,712	530,837	267,850	131,663	75,906	101,433	382,319	273,878	257,673
Gain/(loss) on sale of capital assets	(329,209)	(31,318)	(100,841)	(87,186)	-	-	-	-	-	-
Transfers in (out)	999,446	790,864	266,329	951,798	1,043,601	1,130,339	1,100,000	1,146,165	1,385,835	1,385,835
Total governmental activities	<u>9,650,179</u>	<u>12,588,061</u>	<u>15,322,988</u>	<u>17,431,921</u>	<u>17,751,833</u>	<u>16,630,005</u>	<u>14,404,196</u>	<u>14,064,154</u>	<u>14,625,218</u>	<u>15,141,861</u>
Business-type activities										
Unrestricted investment earnings	210,261	333,584	355,856	170,236	83,253	38,736	43,037	33,956	29,087	22,778
Miscellaneous	-	-	-	-	-	-	-	14,109	58,193	-
Gain/(loss) on sale of capital assets	(5,983)	(26,871)	(208,659)	(12,414)	-	-	-	-	-	-
Transfers in (out)	(999,446)	(790,864)	(266,329)	(951,798)	(1,043,601)	(1,130,339)	(1,100,000)	(1,146,165)	(1,385,835)	(1,385,835)
Total business-type activities	<u>(795,168)</u>	<u>(484,151)</u>	<u>(119,132)</u>	<u>(793,976)</u>	<u>(960,348)</u>	<u>(1,091,603)</u>	<u>(1,056,963)</u>	<u>(1,098,100)</u>	<u>(1,298,555)</u>	<u>(1,363,057)</u>
Total primary government	<u>8,855,011</u>	<u>12,103,910</u>	<u>15,203,856</u>	<u>16,637,945</u>	<u>16,791,485</u>	<u>15,538,402</u>	<u>13,347,233</u>	<u>12,966,054</u>	<u>13,326,663</u>	<u>13,778,804</u>
Change in net position										
Governmental activities	5,162,971	4,841,119	4,219,969	4,352,481	1,895,721	(444,777)	(2,376,905)	(3,212,626)	(3,837,938)	(624,055)
Business-type activities	2,546,002	2,617,071	2,303,005	9,303,032	1,723,011	4,278,198	1,161,250	354,047	1,843,987	1,513,896
Total primary government	<u>\$ 7,708,973</u>	<u>7,458,190</u>	<u>6,522,974</u>	<u>13,655,513</u>	<u>3,618,732</u>	<u>3,833,421</u>	<u>(1,215,655)</u>	<u>(2,858,579)</u>	<u>(1,993,951)</u>	<u>889,841</u>

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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Nonspendable	\$ -	-	-	-	-	-	95,210	110,524	74,724	76,171
Restricted	-	-	-	-	-	-	3,884,159	3,610,815	3,335,259	3,473,360
Assigned	-	-	-	-	-	-	3,022,660	492,770	400,000	-
Unassigned	-	-	-	-	-	-	3,543,346	4,609,524	4,001,486	5,522,732
Reserved	2,358,037	1,660,879	1,395,837	364,481	129,359	59,038	-	-	-	-
Unreserved	<u>5,341,251</u>	<u>8,867,913</u>	<u>10,719,891</u>	<u>10,686,550</u>	<u>10,437,566</u>	<u>11,103,810</u>	-	-	-	-
Total general fund	<u>\$ 7,699,288</u>	<u>10,528,792</u>	<u>12,115,728</u>	<u>11,051,031</u>	<u>10,566,925</u>	<u>11,162,848</u>	<u>10,545,375</u>	<u>8,823,633</u>	<u>7,811,469</u>	<u>9,072,263</u>
All other governmental funds										
Restricted, reported in										
Capital Projects Fund	\$ -	-	-	-	-	-	10,057,898	4,359,426	1,440,290	1,365,494
CRA Fund	-	-	-	-	-	-	1,825,119	309,820	-	-
Debt Service Fund	-	-	-	-	-	-	1,260,774	1,273,655	1,288,124	1,310,652
Reserved	5,728,141	5,510,038	29,852,182	1,130,504	1,230,231	1,243,303	-	-	-	-
Unreserved, reported in										
Special Revenue Fund	-	-	-	-	-	-	-	-	-	-
CRA Fund	-	-	-	18,122,376	3,186,179	2,558,788	-	-	-	-
Debt Service Fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 5,728,141</u>	<u>5,510,038</u>	<u>29,852,182</u>	<u>19,252,880</u>	<u>4,416,410</u>	<u>3,802,091</u>	<u>13,143,791</u>	<u>5,942,901</u>	<u>2,728,414</u>	<u>2,676,146</u>

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

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

Revenues	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Taxes	\$ 7,363,473	9,781,262	13,024,223	14,731,771	15,170,068	14,048,450	11,786,074	10,875,820	11,214,953	11,625,709
Licenses and permits	1,425,001	1,722,151	1,381,617	931,930	326,256	327,821	360,953	538,662	879,190	839,587
Intergovernmental revenues	4,029,059	2,882,415	4,314,080	3,061,894	3,415,042	2,606,694	2,539,687	2,755,865	2,383,766	2,100,591
Charges for services	1,785,109	2,457,159	2,604,445	2,790,219	2,860,203	2,952,486	2,965,271	3,091,021	3,376,450	3,219,722
Fines and forfeitures	155,900	196,205	265,432	190,237	261,004	361,709	1,735,716	1,970,254	1,668,140	1,089,915
Assessments	-	-	-	-	-	-	-	-	-	1,375,927
Impact fees	1,153,815	1,125,907	1,296,464	756,229	333,233	348,306	258,661	151,992	589,091	357,460
Miscellaneous revenues	507,845	926,283	1,311,855	1,401,974	939,395	358,655	718,903	626,419	591,164	546,771
Total revenues	16,420,202	19,091,382	24,198,116	23,864,254	23,305,201	21,004,121	20,365,265	20,010,033	20,702,754	21,155,682
Expenditures										
Current										
General government	1,826,659	1,975,155	2,696,557	3,284,156	2,677,030	3,154,632	3,164,419	2,916,138	3,307,807	3,207,655
Public safety	4,933,697	5,710,807	6,427,643	6,615,670	6,734,418	6,983,796	7,836,139	8,452,010	8,687,220	8,302,665
Physical environment	1,300,278	2,033,972	2,278,212	2,387,630	2,306,117	2,250,786	2,268,838	2,406,891	2,736,838	2,079,602
Transportation	752,554	859,531	1,836,469	1,432,343	1,462,387	1,087,489	1,021,361	1,196,014	1,389,560	1,006,979
Economic environment	941,151	1,097,353	1,754,870	1,431,838	1,312,872	1,353,196	1,173,554	900,125	150,934	22,762
Culture and recreation	1,673,418	1,836,180	2,448,921	2,528,911	3,092,972	3,191,007	3,168,448	3,516,158	3,104,819	3,014,287
Capital outlay	3,271,475	2,861,965	6,940,050	17,063,982	19,344,204	1,126,872	2,429,369	7,187,108	3,355,531	1,094,505
Debt service										
Principal retirement	515,991	517,445	536,915	643,862	1,158,011	1,320,473	1,299,247	1,324,402	1,471,000	1,651,907
Interest and fiscal charges	622,953	516,063	518,278	1,239,109	1,771,137	1,724,917	2,131,212	2,194,376	2,132,915	2,065,990
Total expenditures	15,838,176	17,408,471	25,437,915	36,627,501	39,859,148	22,193,168	24,492,587	30,093,222	26,336,624	22,446,352
Excess of revenues over (under) expenditures	582,026	1,682,911	(1,239,799)	(12,763,247)	(16,553,947)	(1,189,047)	(4,127,322)	(10,083,189)	(5,633,870)	(1,290,670)
Other financing sources (uses)										
Bond/Loan proceeds	99,657	90,873	26,883,224	106,996	159,644	-	11,748,000	-	-	-
Insurance proceeds	705,154	46,756	20,852	38,928	30,126	40,312	3,549	9,242	52,860	7,224
Proceeds from sale of capital assets	-	-	-	-	-	-	-	5,150	-	596,665
Issuance of capital lease	-	-	-	-	-	-	-	-	-	477,996
Operating transfers in	2,603,975	2,761,154	2,912,335	6,370,837	6,345,401	5,977,136	5,571,045	5,440,893	5,777,177	6,326,611
Operating transfers (out)	(1,604,529)	(1,970,290)	(2,646,006)	(5,419,040)	(5,301,800)	(4,846,797)	(4,471,045)	(4,294,728)	(4,391,342)	(4,940,776)
Total other financing sources (uses)	1,804,257	928,493	27,170,405	1,097,721	1,233,371	1,170,651	12,851,549	1,160,557	1,438,695	2,467,720
Net change in fund balances	\$ 2,386,283	2,611,404	25,930,606	(11,665,526)	(15,320,576)	(18,396)	8,724,227	(8,922,632)	(4,195,175)	1,177,050
Debt service as a percentage of non-capital expenditures	9.06%	7.10%	5.70%	9.62%	14.28%	14.46%	15.55%	15.36%	15.46%	17.58%

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

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

Fiscal Year	Real Property		Personal Property		Totals		Total Direct Tax Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2005	\$ 407,247,722	407,247,722	81,232,027	81,232,027	488,479,749	488,479,749	6.990
2006	568,961,490	568,961,490	86,300,203	86,300,203	655,261,693	655,261,693	6.990
2007	857,437,095	857,437,095	112,760,393	112,760,393	970,197,488	970,197,488	6.890
2008	1,067,094,603	1,067,094,603	140,332,168	140,332,168	1,207,426,771	1,207,426,771	6.819
2009	1,074,623,840	1,074,623,840	113,068,291	113,068,291	1,187,692,131	1,187,692,131	6.990
2010	921,434,087	921,434,087	123,794,471	123,794,471	1,045,228,558	1,045,228,558	6.990
2011	720,234,408	720,234,408	106,622,010	106,622,010	826,856,418	826,856,418	6.990
2012	647,527,857	647,527,857	106,138,512	106,138,512	753,666,369	753,666,369	6.990
2013	615,872,764	615,872,764	112,804,675	112,804,675	728,677,439	728,677,439	7.990
2014	651,343,372	651,343,372	110,380,551	110,380,551	761,723,923	761,723,923	7.990

Source: Polk County Property Appraiser

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

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

City of Haines City				Overlapping Rates ^(a)				
Fiscal Year	Operating Millage	GO Debt Service Millage	Total Direct Millage	Polk County	Southwest Florida Water Management District	Polk County School Board	Peace River Water Basin	Total
2005	6.990	0.000	6.990	8.727	0.284	8.078	0.195	24.274
2006	6.990	0.000	6.990	8.727	0.422	8.078	0.195	24.412
2007	6.890	0.000	6.890	8.333	0.422	7.770	0.195	23.610
2008	6.819	0.000	6.819	6.867	0.387	7.512	0.183	21.766
2009	6.990	0.000	6.990	6.867	0.387	7.586	0.183	22.013
2010	6.990	0.000	6.990	6.867	0.377	7.792	0.183	22.208
2011	6.990	0.000	6.990	6.867	0.377	7.792	0.183	22.208
2012	6.990	0.000	6.990	7.499	0.393	7.670	0.183	22.735
2013	7.990	0.000	7.990	6.867	0.393	7.492	0.000	22.742
2014	7.990	0.000	7.990	6.867	0.365	7.208	0.000	22.430

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

Source: Polk County Tax Collector

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

<u>Taxpayer</u>	<u>Fiscal Year 2013/2014</u>			<u>Fiscal Year 2004/2005</u>		
	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>	<u>Rank</u>	<u>Taxable Value</u>	<u>Percent of Total Taxable Value</u>	<u>Rank</u>
Health Management Associates	\$ 31,535,314	4.1%	1	*	*	*
Duke Energy/Florida Power	25,694,055	3.4%	2	*	*	*
Aldi Florida LLC	22,222,110	2.9%	3	*	*	*
Sofidel America Corp	21,713,592	2.9%	4	*	*	*
Verizon Florida	10,433,071	1.4%	5	*	*	*
Heart of Florida Hospital	10,146,698	1.3%	6	*	*	*
Royal Palm Village LLC	10,134,506	1.3%	7	*	*	*
FR/Cal Haines City LLC	7,998,186	1.1%	8	*	*	*
WalMart	8,762,820	1.2%	9	*	*	*
Lowes Home Centers Inc.	7,294,683	1.0%	10	*	*	*
Total ten largest taxpayers	155,935,035	20.5%		0	0.0%	
Other taxpayers	605,788,888	79.5%				
Total per 2014 tax roll	<u>\$ 761,723,923</u>	<u>100.0%</u>		<u>0</u>	<u>0.0%</u>	

*Data not available

Source : Polk County Property Appraiser

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

Fiscal Year	Total Tax Levy ⁽¹⁾	Current Tax Collections	Percent of Levy Collected	Prior Years Tax Collections	Total Tax Collections	Percentage of Total Collections To Tax Levy
2005	\$ 3,414,473	3,293,963	96.47%	11,037	3,305,000	96.79%
2006	4,580,279	4,435,346	96.84%	20,061	4,455,407	97.27%
2007	6,684,661	6,470,906	96.80%	14,881	6,485,787	97.02%
2008	8,232,839	7,783,524	94.54%	139,007	7,922,531	96.23%
2009	8,301,968	8,052,643	97.00%	100,973	8,153,616	98.21%
2010	7,306,148	7,117,451	97.42%	70,945	7,188,396	98.39%
2011	5,779,726	5,598,844	96.87%	72,540	5,671,384	98.13%
2012	5,268,128	5,048,229	95.83%	63,901	5,112,130	97.04%
2013	5,822,133	5,600,105	96.19%	32,986	5,633,091	96.75%
2014	6,086,174	5,718,569	93.96%	36,919	5,755,488	94.57%

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

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

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Haines City Personal Income	Percentage of Personal Income	Per Capita
	Capital Leases	Capital Projects Revenue Bonds	Utility System Revenue Bonds/ Notes	State Revolving Loans	Capital Leases				
2005	\$ 412,260	11,430,000	2,198,797	7,179,524	142,887	21,363,468	455,216,112	4.69%	1,201
2006	375,693	11,048,400	1,981,433	6,611,101	103,559	20,120,186	517,480,416	3.89%	1,071
2007	757,356	36,563,186	1,748,767	6,030,184	63,036	45,162,529	584,515,251	7.73%	2,276
2008	660,409	36,142,330	1,500,762	5,433,340	21,260	43,758,101	582,291,228	7.51%	2,313
2009	587,123	35,236,474	1,237,412	5,452,095	-	42,513,104	587,512,737	7.24%	2,267
2010	316,650	34,205,618	958,687	5,826,178	-	41,307,133	668,866,020	6.18%	2,012
2011	112,402	44,877,752	-	7,023,004	-	52,013,158	668,094,096	7.79%	2,517
2012	-	44,103,189	-	12,256,692	-	56,359,881	691,048,467	8.16%	2,728
2013	-	42,627,605	5,960,000	9,196,289	-	57,783,894	691,048,467	8.36%	2,702
2014	366,089	41,084,285	5,353,000	8,789,510	-	55,592,884	735,494,305	7.56%	2,600

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

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

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

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

Fiscal Year	Florida Municipal Loan Council			CenterState Library/ City Hall	Less: Amounts Available in Debt Service Fund	Total	Percent of Actual Taxable Value of Property	Per Capita
	CRA	Police	Rail Spur					
2005	\$ 4,750,000	3,745,000	3,145,000	-	-	11,640,000	2.42%	654
2006	4,485,000	3,675,000	3,090,000	-	5,352	11,244,648	1.79%	599
2007	30,410,000	3,585,000	3,030,000	-	1,529	37,023,471	3.89%	1,866
2008	30,125,000	3,490,000	2,970,000	-	1,130,504	35,454,496	3.06%	1,934
2009	29,360,000	3,395,000	2,905,000	-	1,230,231	34,429,769	3.00%	1,901
2010	28,475,000	3,295,000	2,840,000	-	1,243,303	33,366,697	3.31%	1,685
2011	27,550,000	3,190,000	2,775,000	11,748,000	1,260,774	44,002,226	5.47%	2,191
2012	26,736,633	2,980,556	2,705,000	11,681,000	1,273,655	42,829,534	5.84%	2,132
2013	25,716,524	2,871,081	2,635,000	11,405,000	1,288,124	41,339,481	5.85%	1,993
2014	24,652,679	2,756,606	2,560,000	11,115,000	1,310,652	39,773,633	5.22%	1,860

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

CITY OF HAINES CITY, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
General Obligation Bonds
September 30, 2014

<u>Jurisdiction</u>	<u>Total Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Haines City</u>	<u>Amount Applicable to City of Haines City</u>
District School Board of Polk County	\$ 193,300,000	2.7% ⁽¹⁾	<u>\$ 5,219,100</u>
Total overlapping debt			5,219,100
Total direct debt	41,084,285	100.0%	<u>41,084,285</u>
Total direct and overlapping debt			<u><u>\$ 46,303,385</u></u>

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

Source: Polk County School Board

CITY OF HAINES CITY, FLORIDA
LEGAL DEBT MARGIN INFORMATION
September 30, 2014

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

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

Fiscal Year	Gross Revenues ⁽¹⁾	Less Operating Expenses ⁽²⁾	Net Available For Debt Service	Debt Service Requirements		
				Principal	Interest	Coverage
Water and Sewer Revenue Bonds						
2005	\$ 5,121,630	2,777,124	2,344,506	205,000	149,213	6.62
2006	5,714,708	2,983,681	2,731,027	220,000	135,928	7.67
2007	6,592,401	3,809,716	2,782,685	235,000	121,536	7.80
2008	7,195,273	4,118,344	3,076,929	250,000	105,950	8.64
2009	6,930,688	4,542,408	2,388,280	265,000	89,213	6.74
2010	7,287,830	4,585,174	2,702,656	280,000	71,500	7.69
2011	7,897,736	4,598,332	3,299,404	960,000	64,209	3.22
2012	8,359,524	5,373,126	2,986,398	-	-	-
2013	8,595,968	4,756,751	3,839,217	-	-	-
2014	8,701,975	4,598,428	4,103,547	-	-	-
State Revolving Fund Loans						
2005	5,121,630	3,131,337	1,990,293	550,353	203,245	2.64
2006	5,714,708	3,339,609	2,375,099	565,424	188,175	3.15
2007	6,592,401	4,166,252	2,426,149	588,743	172,682	3.19
2008	7,195,273	4,474,294	2,720,979	596,845	156,754	3.61
2009	6,930,688	4,896,621	2,034,067	613,218	140,380	2.70
2010	7,287,830	4,936,674	2,351,156	630,053	123,545	3.12
2011	7,897,736	5,622,541	2,275,195	657,475	112,029	2.96
2012	8,359,524	5,373,126	2,986,398	918,559	203,785	2.66
2013	8,595,968	4,756,751	3,839,217	873,206 ⁽³⁾	279,786	3.33
2014	8,701,975	4,598,428	4,103,547	406,778	207,021	6.69

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

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

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

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

Source: City of Haines City Finance Department

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

Year	Population ⁽¹⁾	Polk County Per Capita Personal Income ⁽²⁾	Personal Income ⁽²⁾	Public School Enrollment ⁽³⁾	Unemployment Rate ⁽⁴⁾
2005	17,793	\$ 25,584	455,216,112	6,321	4.3%
2006	18,784	27,549	517,480,416	6,654	4.2%
2007	19,843	29,457	584,515,251	7,394	5.2%
2008	18,916	30,783	582,291,228	7,468	8.7%
2009	18,753	31,329	587,512,737	7,673	12.8%
2010	20,535	32,572	668,866,020	7,701	13.3%
2011	20,661	32,336	668,094,096	7,653	10.7%
2012	20,661	33,447	691,048,467	7,846	8.6%
2013	21,385	33,647	719,541,095	8,449	7.2%
2014	21,385	34,393	735,494,305	8,533	6.6%

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

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

Employer	Type of Business	Fiscal Year 2013/2014			Fiscal Year 2004/2005		
		Number of Employees	Percent of Total City Employment	Rank	Number of Employees	Percent of Total City Employment	Rank
Polk County School Board	Education/Government	761	6.73%	1	*	*	*
HFRMC	Manufacturer	600	5.31%	2	*	*	*
Wal-Mart	Retailer	480	4.24%	3	*	*	*
Aldi	Food Service	350	3.09%	4	*	*	*
Sofidel America Corp	Manufacturer	250	2.21%	5	*	*	*
Haines City CGA	Food Service	243	2.15%	6	*	*	*
City of Haines City	Municipal Government	221	1.95%	7	*	*	*
Publix Super Market	Food Service	200	1.77%	8	*	*	*
Haines City Health Care	Health Care	100	0.88%	9	*	*	*
Lowe's	Retailer	100	0.88%	10	*	*	*
Total		<u>3,305</u>					

* Data not available

Source: Community Development Department
Haines City Economic Development Council

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

	Full-time Equivalent Employees as of September 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
City Manager	4	5	5	5	4	4	4	4	3	3
City Clerk	1	1	2	2	2	2	2	2	1.5	2
Finance	5.5	5.5	7.5	6.5	6.5	6.5	5.5	5.5	3.3	2.8
Human Resources	2	2	2	2	2	2	2	2	2	2
Information Technology									2	2.5
Community Development	15	18	20	21	19	17	16	16	13	12
Facilities Maintenance			1	1	1	6	6	6	7	5
Public safety										
Police	63	67	76	74	74	76	76	76	76	64
Fire	22	28	31	31	31	31	31	31	31	32
Public works	11.5	14.5	18.5	17	17	12.5	12.5	12.5	10	8.8
Utilities	34	37	39	42.5	42.5	46	46	46	46.7	45.95
Parks and recreation	23	24	31	35	47	42	42	40	34	33
Library	<u>6</u>	<u>6</u>	<u>7</u>	<u>7</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>6</u>	<u>9</u>	<u>8</u>
Total	<u>187</u>	<u>208</u>	<u>240</u>	<u>244</u>	<u>252</u>	<u>251</u>	<u>248</u>	<u>247</u>	<u>239</u>	<u>221</u>

Source: City of Haines City Annual Budget

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Building inspection										
Building permits issued	3,301	1,677	1,374	1,052	767	788	810	865	935	1,235
Number of building inspections completed	16,163	11,575	6,874	3,678	2,639	2,297	2,383	3,531	3,567	5,129
Number of re-inspections	*	*	*	*	*	*	*	*	*	*
Number of total building construction plans reviewed	*	*	*	387	308	298	322	300	323	368
Law enforcement										
Physical arrests	1,795	1,494	1,221	1,154	1,093	1,504	1,527	1,768	1,355	1,435
DUI arrests	140	93	95	54	63	66	62	58	59	77
Traffic violations	3,671	4,444	3,548	2,620	2,987	5,090	4,974	4,943	3,825	4,011
Red light camera violations	*	*	*	*	*	*	25,189	21,454	20,427	22,357
Traffic crashes	997	827	672	685	712	816	536	616	610	719
Calls for service	13,069	14,572	14,702	14,906	13,541	19,632	16,265	20,974	23,571	22,741
Fire										
Emergency responses	2,775	2,832	2,242	2,572	2,424	2,096	2,127	2,212	2,684	2,440
Number of actual fires suppressed	41	16	24	27	33	26	70	93	106	48
Number of building inspections	209	244	259	699	720	669	370	370	492	448
Number of school inspections	7	7	8	8	8	9	12	12	12	12
Number of re-inspection	*	*	*	*	722	1,260	652	1,150	655	995
Number of plans reviewed	*	*	*	*	46	67	115	54	62	69
Public works										
Street resurfacing (miles)	*	*	*	*	*	*	*	*	*	*
Other street repairs	*	*	*	*	*	*	*	*	*	*
Paved streets (miles)	*	*	*	*	*	*	*	*	*	*
Unpaved streets (miles)	*	*	*	*	*	*	*	*	*	*

* Data not available

Source: Various City departments

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Transportation										
Miles of streets	*	*	*	*	*	*	*	*	*	*
Public safety										
Number of fire stations	1	1	1	1	1	1	1	1	1	1
Number of firefighters and officers	21	27	30	30	30	30	30	30	30	32
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of sworn officers	43	45	50	51	51	51	53	53	53	53
Municipal water system										
Number of customers	7,070	7,684	8,121	8,097	7,733	7,891	8,167	8,333	8,333	8,333
Average daily consumption	*	*	3.99MGD							
Plant capacity, all plants	*	*	5.72MGD							
Deep wells	*	*	7	7	7	7	7	7	7	7
Number of fire hydrants	*	*	700	700	700	700	700	700	700	700
Municipal sewer system										
Number of customers	5,722	6,325	6,755	6,813	6,566	6,566	6,899	7,170	7,170	7,170
Treatment facility capacity	*	*	2.97MGD							
Annual average flow	*	*	1.65MGD							
Municipal stormwater system										
Number of customers	6,505	7,112	7,535	7,541	7,205	7,332	7,426	7,426	7,426	7,426
Building permits issued										
	2,197	1,533	714	544	767	788	810	865	935	1,235
Recreation and culture										
Number of neighborhood parks	3	3	3	4	4	4	4	4	4	4
Park area, number of acres	31	31	39	39	39	39	39	39	39	39
Number of books	46,951	50,383	52,607	58,000	61,854	62,510	60,521	61,525	61,500	61,500

* Data not available

Source: Various City departments



COMPLIANCE SECTION

This section contains the following subsections:

- Independent Auditors' report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Schedule of Findings and Questioned Costs
- Independent Auditor's Management Letter
- Management Letter Comments

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Haines City, Florida (the "City"), as of and for the year ended September 30, 2014, 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 26, 2015. Also, as referenced in our report, the City's pension trust funds adopted new accounting guidance and implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment to GASB No. 25* as of October 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

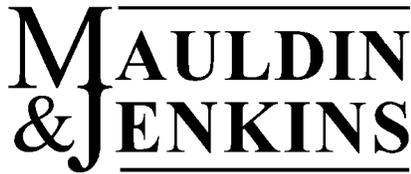
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Purpose of this Report

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

Bradenton, Florida
March 26, 2015

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.



CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Haines City, Florida (the "City"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 26, 2015.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated March 26, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as recommendations 2013-01, 2013-02 and 2013-03 were corrected during the current year and are not repeated in this year's report. Recommendation 2013-04 was not corrected in the current year and is repeated as Recommendation 2014-01. This is a repeat recommendation for the sixth consecutive year.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Haines City, Florida was incorporated in 1914. Additional information on the City's creation and the City's component unit is disclosed within the City's footnotes.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

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

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

Purpose of this Letter

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



Bradenton, Florida
March 26, 2014

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

FINDINGS

None

RECOMMENDATIONS

Information Systems

Technology Disaster Recovery Plan

2014-01 - Although the City is in the development stage of the technology disaster recovery plan, currently the City does not have a written disaster and recovery plan in place. Therefore, in the event of disaster, the City would not have a formal set of procedures to follow as guidance for recovery.

Recommendation: We recommend the City finish developing the technology disaster recovery plan and submit for City Commission approval as soon as possible. The City should have a written plan in place in the event of disaster.

Management Response: The draft disaster plan has been presented in a workshop format to the City Commission but has not been officially approved. Since last year, the IT department has gone through a significant change in personnel. Two out of the three budgeted positions in the department were vacant for an extended period during the last year. The IT Manager position was vacant for several months and just recently filled and the Network Technician position has been vacant for eight months. Due to this understaffing, the disaster recovery plan has not moved forward. The new IT Manager is aware of the significance of the plan and has made it a priority going forward.

INDEPENDENT AUDITOR'S REPORT

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

We have examined the City of Haines City, Florida's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

Mauldin & Jenkins, LLC

Bradenton, Florida
March 26, 2015

