



CITY OF HAINES CITY, FLORIDA  
**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
YEAR ENDED SEPTEMBER 30, 2013



**CITY OF HAINES CITY, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended  
September 30, 2013**

**Prepared by:  
Department of Finance**



**CITY OF HAINES CITY, FLORIDA**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended September 30, 2013**

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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

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March 31, 2014

To the Honorable Mayor, Members of the 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, 2013.

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'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. Because 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, LLC, 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, 2013, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Haines City's financial statements for the fiscal year ended September 30, 2013, 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 2013 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 is located in Central Florida, some 40 miles west of Orlando and 60 miles east of Tampa. Because of this central location, Haines City is referred to as the “Heart of Florida.” The current permanent population is 20,661. The jurisdiction of the City encompasses 18.6 square miles of territory. The City is empowered to levy a property tax on real estate and personal properties located within its boundaries. It is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the City Commission.

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

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

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

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

The annual budget serves as a foundation for the City of Haines City's financial planning and control systems. All departments of the City are required to submit requests for appropriations to the City Manager and these requests are the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Commission for review. The City Commission holds 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 year has not been very favorable. Property values continued to decline with a three percent (3%) decrease for the year ended September 30, 2013. The unemployment rate continues to drop. It has declined from a high of 13.3% in 2010 to the current rate of 7.2%. This is one sign that the local economy is making a gradual turn upwards. Another sign, is 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 the year ended September 30, 2013. That is almost double the 91 issued in the previous year and indications suggest that trend will continue. 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.

As well as 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 2013, 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:

- Completion of the new City Hall/Library Municipal Complex which is funded by an \$11,748,000 bond through the Recovery Zone Economic Development Bond (RZEDB) Program administered through the U.S. Treasury Department. Construction of a new Fire Station will begin in fiscal year 2014.
- Continued the implementation of the Capacity, Management, Operations and Maintenance (CMOM) Program. It is a flexible, dynamic framework for municipalities to identify and incorporate widely accepted wastewater industry practices. Information collection and management practices are used to track how well each CMOM activity is meeting set performance goals, and whether overall system efficiency is improving.
- The City continues to make improvements at the existing wastewater treatment plant. The \$4.365 million bio-solids (BCR) treatment facility was completed and the renovations of the administration building, oxidation ditch and headworks are nearing completion. When those upgrades are completed, the existing filtration system will be replaced.

### **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 fourth consecutive year for the City's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2012. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

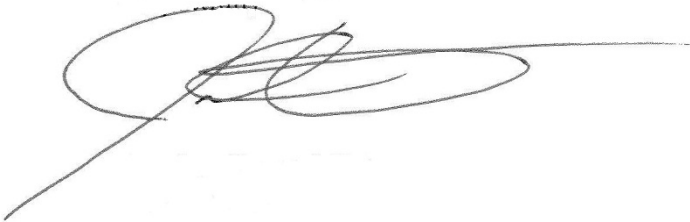
In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid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

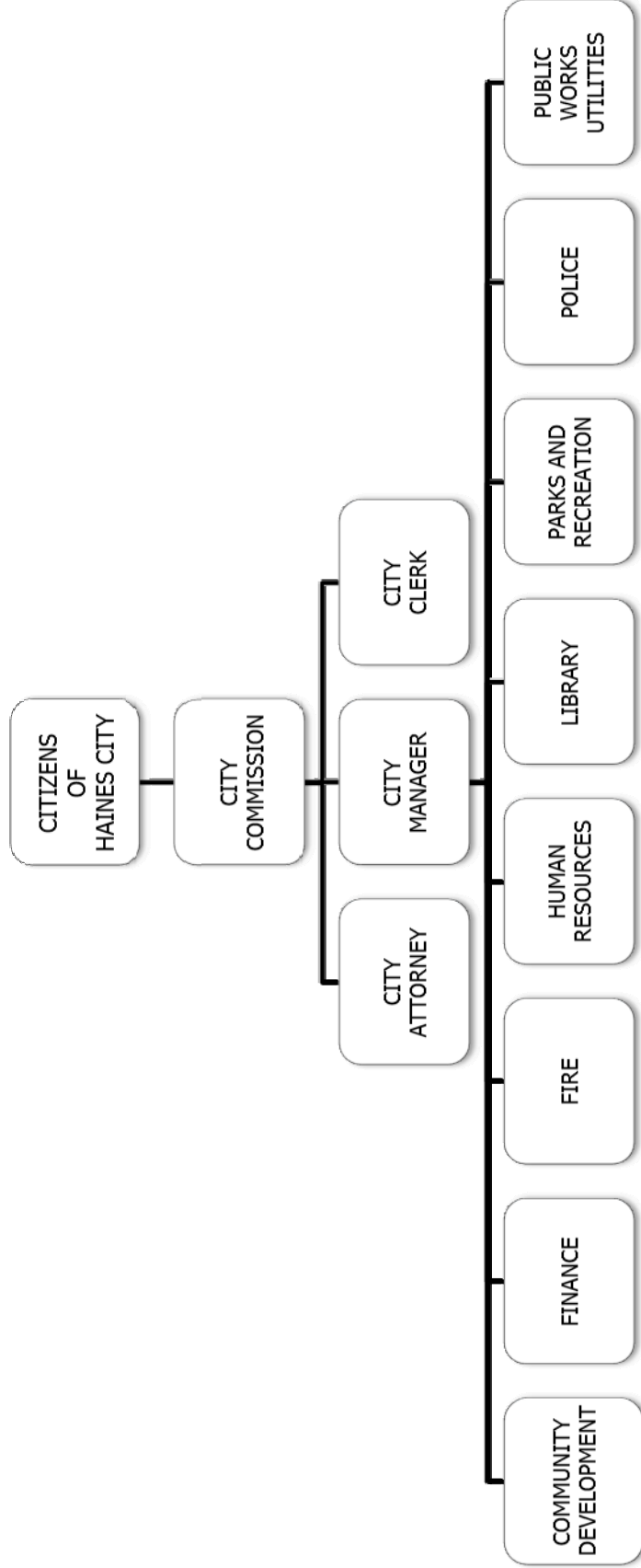
A handwritten signature in black ink, appearing to read "Jonathan Evans", with a long horizontal line extending to the right.

Jonathan Evans, MPA  
City Manager

A handwritten signature in blue ink, appearing to read "Donald Carter", with a long horizontal line extending to the right.

Donald Carter, CPA  
Finance Director

# CITY OF HAINES CITY ORGANIZATIONAL CHART





**CITY OF HAINES CITY, FLORIDA**

**LIST OF CITY OFFICIALS  
SEPTEMBER 30, 2013**

**ELECTED OFFICIALS**

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

**APPOINTED OFFICIALS**

Jonathan E. Evans, MPA	City Manager
Joshua Fruecht, MPA	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, 2012**

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

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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, 2013, 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, 2013, 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 A, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of October 1, 2012. 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 28, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 28, 2014





**CITY OF HAINES CITY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended September 30, 2013**

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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 of Haines City's financial statements and footnotes that follow this report.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities on September 30, 2013, by \$76,440,421 (net position). This amount includes \$57,724,375 invested in capital assets net of all related debt. Of this amount, unrestricted net position totals \$9,952,366.
- The City's total net position decreased by \$2,246,524 or 3%.
- As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$10,571,359, a decrease of \$4,195,175 from the prior year. The main cause of this decrease is the capital expenditures incurred in connection with the borrowing of \$11,748,000 through the Department of Treasury Recovery Zone Economic Development Bond (RZEDB) program to construct a new municipal complex to house a new city hall, library, and fire station.
- The City's total debt (including compensated absences) increased by \$1,333,342 (3%) 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, 2013, the City has implemented GASB 63 and 65, which redefines the manner in which deferred resources are classified and items that were previously reported as assets and liabilities are classified. The new standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all 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 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, 2013**

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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, 2013**

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. The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

**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 \$76,440,421.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current and other assets	\$ 12,244,448	17,300,668	13,788,224	10,459,636	26,032,672	27,760,304
Capital assets	66,064,984	66,411,910	48,179,502	46,685,886	114,244,486	113,097,796
Total assets	<u>78,309,432</u>	<u>83,712,578</u>	<u>61,967,726</u>	<u>57,145,522</u>	<u>140,277,158</u>	<u>140,858,100</u>
Long-term liabilities						
outstanding	44,791,562	46,409,542	14,629,474	12,342,388	59,421,036	58,751,930
Other liabilities	1,909,362	1,604,017	2,506,339	1,815,208	4,415,701	3,419,225
Total liabilities	<u>46,700,924</u>	<u>48,013,559</u>	<u>17,135,813</u>	<u>14,157,596</u>	<u>63,836,737</u>	<u>62,171,155</u>
Net investment in						
capital assets	23,437,379	22,215,410	34,286,996	34,429,194	57,724,375	56,644,604
Restricted	6,095,149	9,562,330	2,668,531	2,668,531	8,763,680	12,230,861
Unrestricted	2,075,980	3,921,279	7,876,386	5,890,201	9,952,366	9,811,480
Total net position	<u>\$ 31,608,508</u>	<u>35,699,019</u>	<u>44,831,913</u>	<u>42,987,926</u>	<u>76,440,421</u>	<u>78,686,945</u>

**CITY OF HAINES CITY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended September 30, 2013**

Seventy-six percent (76%) 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, 2013, 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**

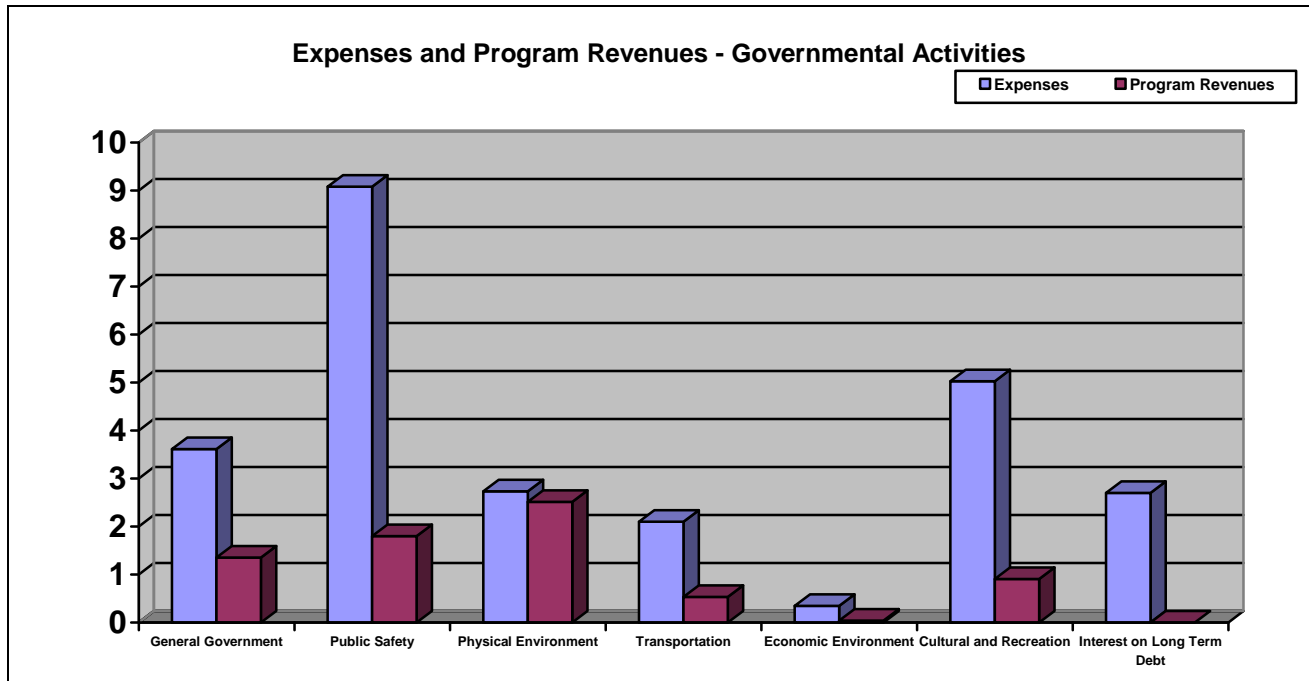
The following table reflects the condensed Statements of Activities for the current and prior years:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 6,691,057	6,019,130	9,785,780	8,792,686	16,476,837	14,811,816
Operating grants and contributions	411,253	627,691	4,987	-	416,240	627,691
Capital grants and contributions	38,463	709,149	335,604	65,088	374,067	774,237
General revenues						
Property taxes	6,457,679	6,048,218	-	-	6,457,679	6,048,218
Franchise fees	1,890,395	1,935,038	-	-	1,890,395	1,935,038
Utility taxes	1,472,363	1,418,290	-	-	1,472,363	1,418,290
Communications service tax	543,154	661,526	-	-	543,154	661,526
Local business tax	72,503	66,285	-	-	72,503	66,285
Gas and fuel taxes	778,859	746,463	-	-	778,859	746,463
State revenue sharing	1,750,552	1,659,850	-	-	1,750,552	1,659,850
Unrestricted investment earnings	273,878	382,319	29,087	33,980	302,965	416,299
Miscellaneous	-	-	58,193	14,085	58,193	14,085
Total revenues	<u>20,380,156</u>	<u>20,273,959</u>	<u>10,213,651</u>	<u>8,905,839</u>	<u>30,593,807</u>	<u>29,179,798</u>

**CITY OF HAINES CITY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended September 30, 2013**

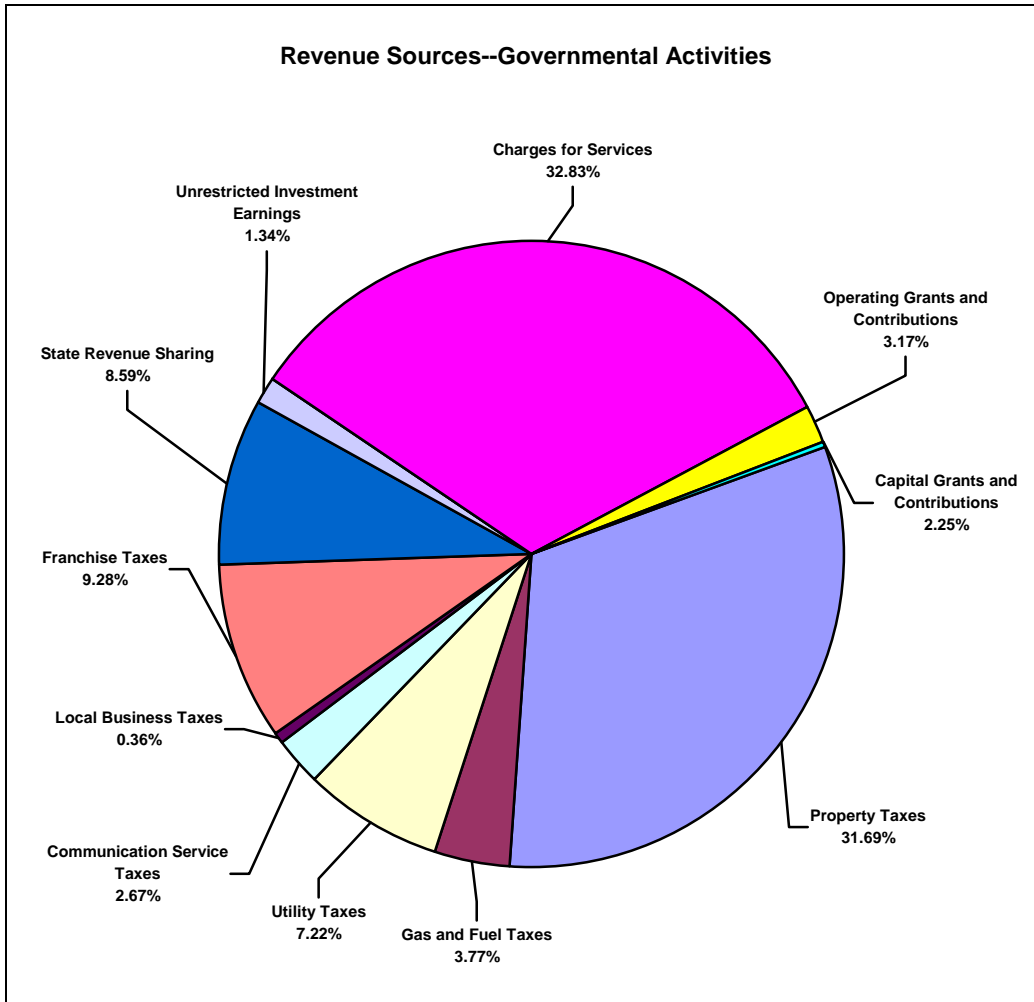
**Expenses**

General government	\$ 3,615,992	3,110,061	-	-	3,615,992	3,110,061
Public safety	9,082,035	8,949,795	-	-	9,082,035	8,949,795
Physical environment	2,732,178	2,407,824	-	-	2,732,178	2,407,824
Transportation	2,098,081	1,528,139	-	-	2,098,081	1,528,139
Economic environment	348,224	1,224,276	-	-	348,224	1,224,276
Culture and recreation	5,030,102	5,199,493	-	-	5,030,102	5,199,493
Interest on long-term debt	2,697,317	2,213,162	-	-	2,697,317	2,213,162
Water/sewer utility	-	-	6,660,710	6,954,698	6,660,710	6,954,698
Stormwater utility	-	-	323,119	450,929	323,119	450,929
Total expenses	<u>25,603,929</u>	<u>24,632,750</u>	<u>6,983,829</u>	<u>7,405,627</u>	<u>32,587,758</u>	<u>32,038,377</u>
Change in net position before transfers	(5,223,773)	(4,358,791)	3,229,822	1,500,212	(1,993,951)	(2,858,579)
Transfers	<u>1,385,835</u>	<u>1,146,165</u>	<u>(1,385,835)</u>	<u>(1,146,165)</u>	-	-
Change in net position	(3,837,938)	(3,212,626)	1,843,987	354,047	(1,993,951)	(2,858,579)
Net position, October 1, as restated	<u>35,446,446</u>	<u>38,911,645</u>	<u>42,987,926</u>	<u>42,633,879</u>	<u>78,434,372</u>	<u>81,545,524</u>
Net position, September 30	<u>\$ 31,608,508</u>	<u>35,699,019</u>	<u>44,831,913</u>	<u>42,987,926</u>	<u>76,440,421</u>	<u>78,686,945</u>



(Above Chart in Millions)

**CITY OF HAINES CITY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended September 30, 2013**



**Governmental Activities**

Governmental activities net position decreased by \$4,090,511.

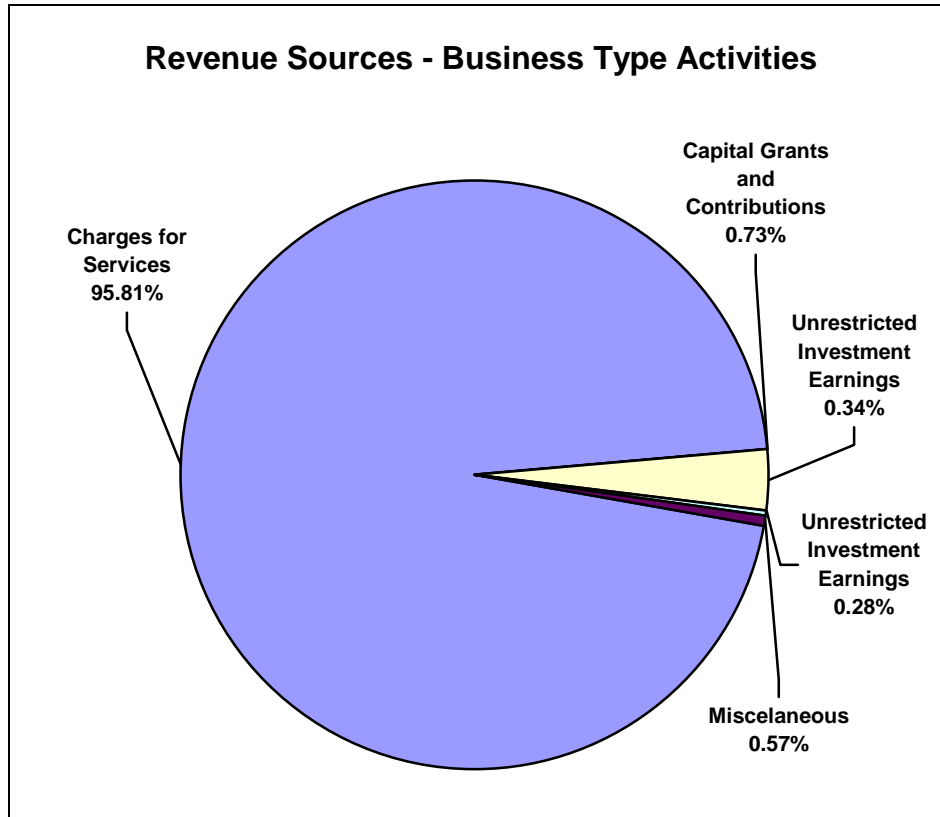
General revenues of governmental activities increased by \$321,393 which indicates the local economy is stabilizing and property values have increased.

Program revenues of governmental activities decreased by \$215,197, due to a drop in the amount the City received in both operating and capital grant funding. Charges for services increased by \$671,927, as Operating grants and contributions, and Capital grants and contributions decreased by a combined \$887,124. The City has been and will continue to be active in securing grant funding.

The expenses for governmental activities increased by \$971,179 compared to the prior year. This increase is primarily due to expending additional funds for general government activities and additional interest on long term debt.

**CITY OF HAINES CITY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended September 30, 2013**

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**Business-type Activities**

Business-type activities net position increased by \$1,843,987.

Program revenues of business-type activities increased by \$1,268,597 due to the scheduled increase in utility rates of 3.6%.

Expenses of business-type activities decreased by \$421,798. The City continues to develop the most effective and efficient ways to provide services to its citizens. During the year we placed in service a state of the art bio solids disposal process at our wastewater treatment plant which is more effective and less costly to operate. The result is a decrease in the cost operations of over \$200,000 annually.

**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, 2013**

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As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$10,571,359, a decrease of \$4,195,175 in comparison with the prior year. The decrease is due to the disbursement of bond funds to complete construction of the new City Municipal complex housing a new City Hall and Library. The City secured \$11,748,000 through the U.S. Department of Treasury Recovery Zone Economic Development Bond (RZEDB) program in fiscal year 2011.

The City implemented the requirements of GASB 54 in the previous fiscal year, one year early. GASB 54 defines 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 amount that is not in spendable form (inventory or long-term receivables) or amount that is required to be maintained intact (corpus of a permanent fund). Approximately \$74,724 or 0.7% of total fund balance is classified as non-spendable.
- Restricted fund balance is the amount 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 \$6,095,149 or 57.7% of total fund balance is classified as restricted.
- Committed fund balance is the amount 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.
- Assigned fund balance is the amount established by City Management intended to be used for specific purposes. Approximately \$400,000 or 3.8% of total fund balance is classified as assigned.
- Unassigned fund balance is the residual classification representing fund balance that has not been restricted, committed or assigned. Approximately \$4,001,486 or 37.9% of total fund balance is classified as unassigned.

The General Fund is the chief operating fund of the City. At September 30, 2013, total fund balance of the General Fund is \$7,842,945. Non-spendable fund balance equals \$74,724, or 1%; restricted fund balance equals \$3,366,735 or 42.9%; assigned fund balance equals \$400,000 or 5.1%; and unassigned fund balance equals \$4,001,486 or 51%.

The fund balance of the City's General Fund decreased by \$980,688 during the current fiscal year; which was the result of a continued decline in the City's revenue base. The City chose to continue to provide existing services and programs at established levels going forward which required the use of reserves to fund this policy.

All fund balance of the CRA fund has been utilized due to continued decline in the CRA's revenue base. As of September 30, 2013, there are no reserves remaining 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, 2013**

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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 an 18% 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, 2013, amounted to \$7,706,600 and \$169,786, 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. The City's net position invested in capital assets was \$33,872,319 in the Water and Sewer Fund at year end. The change in net position for these funds was an increase of \$1,661,648 and \$182,339, 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 \$366,905 difference in appropriations between the original budget and the final amended budget for this fiscal year. The original budget was amended for the following reasons:

- Professional services associated with the implementation of a Fire Service Assessment.
- Additional utility cost associated with the new municipal complex (City Hall and Library).
- Additional cost of property and general liability insurance.

The difference between the final amended budget and actual expenditures was \$3,577,159 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 2014 budget year.
- Paving projects cost savings.
- Transportation Impact fees budgeted but not expended. Projects have been carried over to the 2014 budget year.
- Salary savings in the Leisure Service Department - Parks Division.
- Salary savings in the Leisure Service Department - Pool Division.

**CITY OF HAINES CITY, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended September 30, 2013**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's net investment in capital assets for its governmental and business-type activities amounts to \$57,724,375 (net of accumulated depreciation) as of September 30, 2013. This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment. The total increase in the City's net investment in capital assets for the current fiscal year (net of accumulated depreciation) was \$1,079,771 (an increase of \$1,221,969 for governmental activities and a decrease of \$142,198 for business-type activities).

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

- New City Municipal Complex including New City Hall and Library.
- Wastewater Treatment Plant Upgrades.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land	\$ 8,970,718	8,970,718	290,820	290,820	9,261,538	9,261,538
Stormwater improvements	-	-	19,098	20,007	19,098	20,007
Plant improvements	-	-	38,649,963	39,342,680	38,649,963	39,342,680
Buildings and improvements	47,488,989	41,647,633	203,487	214,907	47,692,476	41,862,540
Equipment	1,572,260	1,854,433	4,628,377	5,093,738	6,200,637	6,948,171
Transportation equipment	667,941	634,193	346,405	129,097	1,014,346	763,290
Infrastructure	6,935,428	6,621,688	88,215	354,839	7,023,643	6,976,527
Library books	177,558	158,935	-	-	177,558	158,935
Construction in progress	252,090	6,524,310	3,953,137	1,239,798	4,205,227	7,764,108
Total	<u>\$ 66,064,984</u>	<u>66,411,910</u>	<u>48,179,502</u>	<u>46,685,886</u>	<u>114,244,486</u>	<u>113,097,796</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 debt of \$60,434,814, an increase of \$1,333,342 from the prior year.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Total long term liabilities	<u>\$ 44,791,562</u>	<u>46,409,542</u>	<u>15,643,252</u>	<u>12,691,930</u>	<u>60,434,814</u>	<u>59,101,472</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, 2013**

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**NEXT YEAR'S BUDGETS AND RATES**

The City's millage rate had remained stable over the past decade, with an average rate of 6.98 mills until the City found it necessary to raise the millage rate to 7.99 for fiscal year 2013. For the fiscal year 2014, the City's property tax valuation increased by \$23,235,812 (4%). 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. 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.

**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 seven years ago, activity is slowly gaining momentum. The City issued 171 new single family home permits in fiscal year 2013, almost double the prior year numbers and is on pace to match if not exceed that amount in the current fiscal year. The area's unemployment rate continues to drop. The current rate is 7.2%, 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 the 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, 2013**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,468,701	\$ 7,324,236	\$ 11,792,937
Accounts receivable, net	807,635	1,144,597	1,952,232
Internal balances	14,951	(14,951)	-
Due from other governments	324,048	16	324,064
Inventory	50,069	133,838	183,907
Prepaid items	158,045	-	158,045
Net pension asset	325,886	-	325,886
Restricted cash and cash equivalents	6,071,173	5,200,488	11,271,661
Long-term receivables	23,940	-	23,940
Capital assets			
Non-depreciable assets	9,222,808	4,243,957	13,466,765
Depreciable assets, net of depreciation	56,842,176	43,935,545	100,777,721
<b>TOTAL ASSETS</b>	<b>78,309,432</b>	<b>61,967,726</b>	<b>140,277,158</b>
<b>LIABILITIES</b>			
Accounts payable	672,337	363,296	1,035,633
Due to other governments	49,057	-	49,057
Accrued interest	719,489	-	719,489
Accrued payroll	396,322	88,170	484,492
Deposits	28,341	-	28,341
Unearned revenues	43,816	-	43,816
Current liabilities payable from restricted assets			
Accrued interest payable	-	125,132	125,132
Current portion of long-term debt	-	1,013,778	1,013,778
Deposits	-	902,948	902,948
Other liabilities	-	13,015	13,015
Noncurrent liabilities			
Portion due within one year	2,284,460	128,969	2,413,429
Portion due after one year	42,507,102	14,500,505	57,007,607
<b>TOTAL LIABILITIES</b>	<b>46,700,924</b>	<b>17,135,813</b>	<b>63,836,737</b>
<b>NET POSITION</b>			
Net investment in capital assets	23,437,379	34,286,996	57,724,375
Restricted for			
Building permits	31,476	-	31,476
Impact fee requirements	3,232,614	-	3,232,614
Confiscated property	76,955	-	76,955
Law enforcement training	25,690	-	25,690
Capital projects	1,440,290	2,202,403	3,642,693
Debt service	1,288,124	466,128	1,754,252
Unrestricted	2,075,980	7,876,386	9,952,366
<b>TOTAL NET POSITION</b>	<b>\$ 31,608,508</b>	<b>\$ 44,831,913</b>	<b>\$ 76,440,421</b>

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, 2013

	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
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental activities</b>							
General government	\$ 3,615,992	1,333,376	17,183	-	(2,265,433)	-	(2,265,433)
Public safety	9,082,035	1,781,354	16,150	-	(7,284,531)	-	(7,284,531)
Physical environment	2,732,178	2,513,053	-	-	(219,125)	-	(219,125)
Transportation	2,098,081	477,617	58,345	-	(1,562,119)	-	(1,562,119)
Economic environment	348,224	-	-	38,463	(309,761)	-	(309,761)
Culture and recreation	5,030,102	585,657	319,575	-	(4,124,870)	-	(4,124,870)
Interest on long-term debt	2,697,317	-	-	-	(2,697,317)	-	(2,697,317)
<b>Total governmental activities</b>	<b>25,603,929</b>	<b>6,691,057</b>	<b>411,253</b>	<b>38,463</b>	<b>(18,463,156)</b>	<b>-</b>	<b>(18,463,156)</b>
<b>Business-type activities</b>							
Water and sewer	6,660,710	9,286,484	-	335,604	-	2,961,378	2,961,378
Stormwater	323,119	499,296	4,987	-	-	181,164	181,164
<b>Total business-type activities</b>	<b>6,983,829</b>	<b>9,785,780</b>	<b>4,987</b>	<b>335,604</b>	<b>-</b>	<b>3,142,542</b>	<b>3,142,542</b>
<b>Total primary government</b>	<b>\$ 32,587,758</b>	<b>16,476,837</b>	<b>416,240</b>	<b>374,067</b>	<b>(18,463,156)</b>	<b>3,142,542</b>	<b>(15,320,614)</b>
<b>GENERAL REVENUES</b>							
Property taxes					6,457,679	-	6,457,679
Gas and fuel taxes					778,859	-	778,859
Utility taxes					1,472,363	-	1,472,363
Communications service tax					543,154	-	543,154
Local business tax					72,503	-	72,503
Franchise fees					1,890,395	-	1,890,395
State revenue sharing					1,750,552	-	1,750,552
Unrestricted investment earnings					273,878	29,087	302,965
Miscellaneous					-	58,193	58,193
<b>Total general revenues</b>					<b>13,239,383</b>	<b>87,280</b>	<b>13,326,663</b>
Transfers					1,385,835	(1,385,835)	-
<b>Total general revenues and transfers</b>					<b>14,625,218</b>	<b>(1,298,555)</b>	<b>13,326,663</b>
<b>Change in net position</b>					<b>(3,837,938)</b>	<b>1,843,987</b>	<b>(1,993,951)</b>
<b>Net position, beginning of year, as restated</b>					<b>35,446,446</b>	<b>42,987,926</b>	<b>78,434,372</b>
<b>Net position, end of year</b>					<b>\$ 31,608,508</b>	<b>44,831,913</b>	<b>76,440,421</b>

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

CITY OF HAINES CITY, FLORIDA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	General Fund	Capital Projects Fund	CRA Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 4,468,701	\$ -	\$ -	\$ -	\$ 4,468,701
Accounts receivable	807,635	-	-	-	807,635
Due from other funds	14,951	-	-	-	14,951
Due from other governments	324,048	-	-	-	324,048
Inventory	50,069	-	-	-	50,069
Prepaid items	715	-	-	-	715
Restricted cash and cash equivalents	3,335,259	1,447,790	-	1,288,124	6,071,173
Long-term receivables	23,940	-	-	-	23,940
Total assets	<u>\$ 9,025,318</u>	<u>\$ 1,447,790</u>	<u>\$ -</u>	<u>\$ 1,288,124</u>	<u>\$ 11,761,232</u>
<b>Liabilities</b>					
Accounts payable	\$ 664,837	\$ 7,500	\$ -	\$ -	\$ 672,337
Due to other governments	49,057	-	-	-	49,057
Accrued payroll	396,322	-	-	-	396,322
Other current liabilities	28,341	-	-	-	28,341
Unearned revenue	43,816	-	-	-	43,816
Total liabilities	<u>1,182,373</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>1,189,873</u>
<b>Fund Balances</b>					
Nonspendable					
Inventory	50,069	-	-	-	50,069
Prepaid items	715	-	-	-	715
Long-term receivables	23,940	-	-	-	23,940
Spendable					
Restricted for					
Building permits	31,476	-	-	-	31,476
Impact fee requirements	3,232,614	-	-	-	3,232,614
Confiscated property	76,955	-	-	-	76,955
Law enforcement training	25,690	-	-	-	25,690
Capital projects	-	1,440,290	-	-	1,440,290
Debt Service	-	-	-	1,288,124	1,288,124
Assigned for					
Subsequent years budget:					
Appropriation of fund balance	400,000	-	-	-	400,000
Unassigned	4,001,486	-	-	-	4,001,486
<b>Total fund balances</b>	<u>7,842,945</u>	<u>1,440,290</u>	<u>-</u>	<u>1,288,124</u>	<u>10,571,359</u>
<b>Total liabilities and fund balances</b>	<u>\$ 9,025,318</u>	<u>\$ 1,447,790</u>	<u>\$ -</u>	<u>\$ 1,288,124</u>	<u>\$ 11,761,232</u>

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, 2013**

Total fund balances for governmental funds \$ 10,571,359

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	\$ 8,970,718	
	Buildings and improvements, net of \$12,558,074 accumulated depreciation	47,488,989	
	Equipment, net of \$4,238,103 accumulated depreciation	1,572,260	
	Transportation equipment, net of \$3,313,084 accumulated depreciation	667,941	
	Library books, net of \$431,073 accumulated depreciation	177,558	
	Infrastructure, net of \$2,788,582 accumulated depreciation	6,935,428	
	Construction in progress	<u>252,090</u>	
	<b>Total capital assets, net</b>		66,064,984
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	(11,405,000)	
	Florida Municipal Loan Council loans	(31,175,000)	
	Deferred loss on refunding	93,919	
	Premium on debt issuance	(141,524)	
	Accrued interest on long-term debt	(719,489)	
	Compensated absences	(1,337,353)	
	Other post-employment benefits	<u>(826,604)</u>	
	<b>Total long-term liabilities and accrued interest</b>		(45,511,051)
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>325,886</u>	325,886
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>157,330</u>	<u>157,330</u>
	<b>Total net position of governmental activities</b>		<u><u>\$ 31,608,508</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, 2013

	General Fund	Capital Projects Fund	CRA Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 5,633,091	\$ -	\$ 824,588	\$ -	\$ 6,457,679
Gas and fuel taxes	778,859	-	-	-	778,859
Utility taxes	1,472,363	-	-	-	1,472,363
Communications service tax	543,154	-	-	-	543,154
Local business tax	72,503	-	-	-	72,503
Franchise fees	1,890,395	-	-	-	1,890,395
Licenses and permits	879,190	-	-	-	879,190
Intergovernmental	2,099,156	-	284,610	-	2,383,766
Charges for services	3,376,450	-	-	-	3,376,450
Fines and forfeitures	1,668,140	-	-	-	1,668,140
Impact fees	589,091	-	-	-	589,091
Contributions	191,149	-	-	-	191,149
Interest	30,471	5,897	2,713	234,797	273,878
Other	126,137	-	-	-	126,137
<b>Total revenues</b>	<u>19,350,149</u>	<u>5,897</u>	<u>1,111,911</u>	<u>234,797</u>	<u>20,702,754</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	3,223,343	84,464	-	-	3,307,807
Public safety	8,684,426	-	2,794	-	8,687,220
Physical environment	2,349,188	387,650	-	-	2,736,838
Transportation	1,389,560	-	-	-	1,389,560
Economic environment	145,500	-	5,434	-	150,934
Culture and recreation	3,100,941	-	3,878	-	3,104,819
Debt service					
Principal	-	-	-	1,471,000	1,471,000
Interest	-	-	-	2,132,915	2,132,915
Capital outlay	793,578	2,452,919	109,034	-	3,355,531
<b>Total expenditures</b>	<u>19,686,536</u>	<u>2,925,033</u>	<u>121,140</u>	<u>3,603,915</u>	<u>26,336,624</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(336,387)</u>	<u>(2,919,136)</u>	<u>990,771</u>	<u>(3,369,118)</u>	<u>(5,633,870)</u>
<b>Other financing sources (uses)</b>					
Insurance proceeds	52,860	-	-	-	52,860
Transfers in	1,385,835	-	1,007,755	3,383,587	5,777,177
Transfers out	(2,082,996)	-	(2,308,346)	-	(4,391,342)
<b>Total other financing sources (uses)</b>	<u>(644,301)</u>	<u>-</u>	<u>(1,300,591)</u>	<u>3,383,587</u>	<u>1,438,695</u>
<b>Net change in fund balances</b>	(980,688)	(2,919,136)	(309,820)	14,469	(4,195,175)
<b>Fund balances, beginning of year</b>	8,823,633	4,359,426	309,820	1,273,655	14,766,534
<b>Fund balances, end of year</b>	<u>\$ 7,842,945</u>	<u>\$ 1,440,290</u>	<u>\$ -</u>	<u>\$ 1,288,124</u>	<u>\$ 10,571,359</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, 2013**

Total net change in fund balances for governmental funds		\$ (4,195,175)
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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 depreciation expense in the current period.

Capital outlay	\$ 3,029,771	
Depreciation expense	<u>(3,376,697)</u>	(346,926)

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

Principal payment	<u>1,471,000</u>	1,471,000
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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	(568,986)	
Net pension asset	(13,852)	
Compensated absences	111,643	
DCA settlement payable	145,500	
Other post-employment benefits payable	<u>(114,747)</u>	(440,442)

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

Prepaid debt insurance costs	(8,381)	
Debt issuance premium	10,109	
Loss on refunding debt	<u>(5,525)</u>	(3,797)

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available. This is the additional revenue recognized under the modified accrual basis.

(322,598)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

\$ (3,837,938)

**CITY OF HAINES CITY, FLORIDA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013**

<b>Assets</b>	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 7,069,371	\$ 254,865	\$ 7,324,236
Accounts receivable, net of allowances	1,144,597	-	1,144,597
Due from other governments	-	16	16
Inventories	133,838	-	133,838
<b>Total current assets</b>	<b>8,347,806</b>	<b>254,881</b>	<b>8,602,687</b>
<b>Noncurrent assets</b>			
<b>Restricted assets</b>			
Cash and cash equivalents	5,200,488	-	5,200,488
Capital assets:			
Land	289,901	919	290,820
Stormwater improvements	-	704,024	704,024
Plant and plant improvements	56,296,683	-	56,296,683
Buildings and improvements	285,976	-	285,976
Equipment	6,871,829	53,696	6,925,525
Transportation equipment	845,208	-	845,208
Construction in progress	3,917,768	35,369	3,953,137
Less: accumulated depreciation	(20,742,540)	(379,331)	(21,121,871)
Total capital assets (net of accumulated depreciation)	47,764,825	414,677	48,179,502
<b>Total noncurrent assets</b>	<b>52,965,313</b>	<b>414,677</b>	<b>53,379,990</b>
<b>Total assets</b>	<b>\$ 61,313,119</b>	<b>\$ 669,558</b>	<b>\$ 61,982,677</b>

See accompanying notes to the basic financial statements.

**CITY OF HAINES CITY, FLORIDA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013**

<b>Liabilities</b>	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Current liabilities</b>			
Accounts payable	\$ 355,307	\$ 7,989	\$ 363,296
Due to other funds	14,951	-	14,951
Accrued liabilities	78,818	9,352	88,170
Current portion of long-term debt	108,195	20,774	128,969
<b>Current liabilities payable from restricted assets</b>			
Current portion of long-term debt	1,013,778	-	1,013,778
Accrued interest payable	125,132	-	125,132
Deposits	902,948	-	902,948
Other liabilities	13,015	-	13,015
<b>Total current liabilities</b>	<u>2,612,144</u>	<u>38,115</u>	<u>2,650,259</u>
<b>Noncurrent liabilities</b>			
Long-term debt	<u>14,453,525</u>	<u>46,980</u>	<u>14,500,505</u>
<b>Total long-term liabilities</b>	<u>14,453,525</u>	<u>46,980</u>	<u>14,500,505</u>
<b>Total liabilities</b>	<u>17,065,669</u>	<u>85,095</u>	<u>17,150,764</u>
<b>Net Position</b>			
Net investment in capital assets	33,872,319	414,677	34,286,996
Restricted for:			
Capital projects	2,202,403	-	2,202,403
Debt service	466,128	-	466,128
Unrestricted	<u>7,706,600</u>	<u>169,786</u>	<u>7,876,386</u>
<b>Total Net Position</b>	<u>\$ 44,247,450</u>	<u>\$ 584,463</u>	<u>\$ 44,831,913</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, 2013**

	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
Operating revenues			
Charges for services	\$ 8,567,603	\$ 499,296	\$ 9,066,899
Impact fees	718,881	-	718,881
Total operating revenues	<u>9,286,484</u>	<u>499,296</u>	<u>9,785,780</u>
Operating expenses			
Personnel services	2,027,628	239,930	2,267,558
Other services and charges	2,729,123	68,476	2,797,599
Depreciation	1,585,297	14,713	1,600,010
Total operating expenses	<u>6,342,048</u>	<u>323,119</u>	<u>6,665,167</u>
Operating income	<u>2,944,436</u>	<u>176,177</u>	<u>3,120,613</u>
Nonoperating revenues (expenses)			
Intergovernmental revenue	-	4,987	4,987
Interest revenue	28,365	722	29,087
Interest expense	(318,662)	-	(318,662)
Other nonoperating revenue	57,740	453	58,193
Total nonoperating revenues (expenses)	<u>(232,557)</u>	<u>6,162</u>	<u>(226,395)</u>
Income before capital contributions and transfers	2,711,879	182,339	2,894,218
Capital contributions	335,604	-	335,604
Transfers out	<u>(1,385,835)</u>	<u>-</u>	<u>(1,385,835)</u>
Change in net position	1,661,648	182,339	1,843,987
Net position, beginning of year	<u>42,585,802</u>	<u>402,124</u>	<u>42,987,926</u>
Net position, end of year	<u>\$ 44,247,450</u>	<u>\$ 584,463</u>	<u>\$ 44,831,913</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, 2013**

	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 9,329,993	\$ 499,280	\$ 9,829,273
Cash payments to suppliers for goods and services	(2,735,057)	(58,850)	(2,793,907)
Cash payments to employees for services	(2,077,805)	(233,067)	(2,310,872)
Net cash provided by operating activities	<u>4,517,131</u>	<u>207,363</u>	<u>4,724,494</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers out	(1,385,835)	-	(1,385,835)
Other nonoperating revenue	<u>57,740</u>	<u>5,440</u>	<u>63,180</u>
Net cash provided (used in) by noncapital financing activities	<u>(1,328,095)</u>	<u>5,440</u>	<u>(1,322,655)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(2,748,428)	(9,594)	(2,758,022)
Principal paid on loans payable	(3,166,104)	-	(3,166,104)
Interest paid on loans payable	(257,123)	-	(257,123)
Proceeds from issuance of notes payable	<u>6,065,700</u>	-	<u>6,065,700</u>
Net cash used in capital and related financing activities	<u>(105,955)</u>	<u>(9,594)</u>	<u>(115,549)</u>
<b>Cash Flows from Investing Activities</b>			
Interest received	<u>28,365</u>	<u>722</u>	<u>29,087</u>
Net cash provided by investing activities	<u>28,365</u>	<u>722</u>	<u>29,087</u>
Net change in cash and cash equivalents	3,111,446	203,931	3,315,377
Cash and cash equivalents, beginning of year	<u>9,158,413</u>	<u>50,934</u>	<u>9,209,347</u>
Cash and cash equivalents, end of year	<u>\$ 12,269,859</u>	<u>\$ 254,865</u>	<u>\$ 12,524,724</u>
<b>Cash and cash equivalents classified as</b>			
Current assets	\$ 7,069,371	\$ 254,865	\$ 7,324,236
Restricted assets	<u>5,200,488</u>	-	<u>5,200,488</u>
	<u>\$ 12,269,859</u>	<u>\$ 254,865</u>	<u>\$ 12,524,724</u>

*(Continued)*

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, 2013**

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 2,944,436	\$ 176,177	\$ 3,120,613
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	1,585,297	14,713	1,600,010
Change in assets and liabilities			
(Increase) decrease in:			
Accounts receivable	(11,866)	-	(11,866)
Due from other governments	-	(16)	(16)
Inventory	(41,507)	-	(41,507)
Prepays	560	-	560
Increase (decrease) in:			
Accounts payable	(10,572)	9,626	(946)
Due to other funds	722	-	722
Accrued liabilities	(50,177)	-	(50,177)
Customer deposits	55,375	-	55,375
Other postemployment benefits	21,856	2,428	24,284
Compensated absences	23,007	4,435	27,442
Total adjustments	<u>1,572,695</u>	<u>31,186</u>	<u>1,603,881</u>
Net cash provided by operating activities	<u>\$ 4,517,131</u>	<u>\$ 207,363</u>	<u>\$ 4,724,494</u>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Donated assets	<u>\$ 335,604</u>	<u>\$ -</u>	<u>\$ 335,604</u>

See accompanying notes to the basic financial statements.

**CITY OF HAINES CITY, FLORIDA**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2013**

	<b>Pension Trust Funds</b>	<b>Right of Way Agency Fund</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 776,714	\$ 11,683
Receivables		
Contributions receivable	134,517	-
Accrued interest and dividends	29,963	-
Investments, at fair value		
U.S Government agencies	391,963	-
Municipal obligations	16,172	-
Corporate bonds	1,952,221	-
Common equity securities	17,085,044	-
Fixed income mutual funds	6,162,592	-
	<b>\$ 26,549,186</b>	<b>\$ 11,683</b>
<b>Liabilities</b>		
Deposits held in custody for others	\$ -	\$ 11,683
	<b>-</b>	<b>11,683</b>
<b>Net position</b>		
Held in trust for pension benefits	<b>\$ 26,549,186</b>	<b>\$ -</b>

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, 2013

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	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 1,788,486
Employee	555,716
State of Florida	213,501
<b>Total contributions</b>	<u>2,557,703</u>
Investment earnings	
Interest	127,728
Dividends	367,672
Net appreciation in fair value of investments	2,612,014
<b>Net investment earnings</b>	<u>3,107,414</u>
<b>Total additions</b>	<u>5,665,117</u>
<b>Deductions</b>	
Pension benefits	1,804,763
Administrative expenses	270,229
<b>Total deductions</b>	<u>2,074,992</u>
<b>Change in net position</b>	3,590,125
<b>Net position, beginning of year</b>	<u>22,959,061</u>
<b>Net position, end of year</b>	<u>\$ 26,549,186</u>

See accompanying notes to the basic financial statements.

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

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**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 or because the component unit exclusively serves the City:

*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, 2013**

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**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, 2013**

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**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 Firefighters' 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, 2013**

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**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, 2013**

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**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 \$433, respectively, at September 30, 2013. 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, 2013**

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**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:

<b>Assets</b>	<b>Years</b>
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

*Deferred revenue*

Governmental funds report deferred 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.

*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, 2013**

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**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, 2013**

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**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 new 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, 2013**

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**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, 2013, the carrying amount of the City’s total bank deposits was \$23,426,344. 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, 2013**

**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, 2013, other than investments in stocks and money market funds, 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.

<b>General Employees' Pension Fund</b> <b>Investment Type</b>	<b>Fair Value</b>	<b>Years to Maturity</b>			
		<b>&lt; 1</b>	<b>1-5</b>	<b>6-10</b>	<b>&gt;10</b>
Fixed income mutual funds	\$ 4,670,109	4,000,450	669,659	-	-
Common equity securities	9,779,126	9,779,126	-	-	-
Money market/cash	322,165	322,165	-	-	-
<b>Total fair value</b>	<b>\$ 14,771,400</b>	<b>14,101,741</b>	<b>669,659</b>	<b>-</b>	<b>-</b>

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

<b>Police Officers' Pension Fund</b>		<b>Years to Maturity</b>			
<b>Investment Type</b>	<b>Fair Value</b>	<b>&lt; 1</b>	<b>1-5</b>	<b>6-10</b>	<b>&gt;10</b>
U.S. Government securities	\$ 391,963	-	209,189	73,659	109,115
Corporate bonds	1,952,221	25,532	646,474	548,019	732,196
Common equity securities	4,377,463	4,377,463	-	-	-
Municipal obligations	16,172	-	-	-	16,172
Money market/cash	357,464	357,464	-	-	-
<b>Total fair value</b>	<b>\$ 7,095,283</b>	<b>4,760,459</b>	<b>855,663</b>	<b>621,678</b>	<b>857,483</b>

<b>Firefighters' Pension Fund</b>		<b>Years to Maturity</b>			
<b>Investment Type</b>	<b>Fair Value</b>	<b>&lt; 1</b>	<b>1-5</b>	<b>6-10</b>	<b>&gt;10</b>
Fixed income mutual funds	\$ 1,492,483	-	1,492,483	-	-
Common equity securities	2,928,454	2,928,454	-	-	-
Money market/cash	97,085	97,085	-	-	-
<b>Total fair value</b>	<b>\$ 4,518,022</b>	<b>3,025,539</b>	<b>1,492,483</b>	<b>-</b>	<b>-</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset balances and activity for the year ended September 30, 2013, were as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Ending Balance</b>
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 8,970,718	-	-	-	8,970,718
Construction in progress	6,524,310	252,090	(6,524,310)	-	252,090
Total capital assets not being depreciated	15,495,028	252,090	(6,524,310)	-	9,222,808
Capital assets being depreciated					
Buildings and improvements	51,958,167	1,970,778	6,118,118	-	60,047,063
Equipment	5,616,532	263,406	-	(69,575)	5,810,363
Transportation equipment	3,783,720	256,442	-	(59,137)	3,981,025
Infrastructure	9,107,657	210,161	406,192	-	9,724,010
Library books	531,737	76,894	-	-	608,631
Total capital assets being depreciated	70,997,813	2,777,681	6,524,310	(128,712)	80,171,092
Less accumulated depreciation for:					
Buildings and improvements	(10,310,534)	(2,247,540)	-	-	(12,558,074)
Equipment	(3,762,099)	(545,579)	-	69,575	(4,238,103)
Transportation equipment	(3,149,527)	(222,694)	-	59,137	(3,313,084)
Infrastructure	(2,485,969)	(302,613)	-	-	(2,788,582)
Library books	(372,802)	(58,271)	-	-	(431,073)
Total accumulated depreciation	(20,080,931)	(3,376,697)	-	128,712	(23,328,916)
Capital assets being depreciated, net	50,916,882	(599,016)	-	-	56,842,176
Governmental activities capital assets, net	\$ 66,411,910	(346,926)	-	-	66,064,984

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated					
Land	\$ 290,820	-	-	-	290,820
Construction in progress	1,239,799	2,720,388	(7,050)	-	3,953,137
Total capital assets not being depreciated	<u>1,530,619</u>	<u>2,720,388</u>	<u>(7,050)</u>	<u>-</u>	<u>4,243,957</u>
Capital assets being depreciated					
Stormwater improvements	27,280	-	-	-	27,280
Plant and plant improvements	55,943,334	353,349	-	-	56,296,683
Buildings and improvements	285,976	-	-	-	285,976
Equipment	6,902,506	19,889	5,682	(2,552)	6,925,525
Infrastructure	676,744	-	-	-	676,744
Transportation equipment	867,954	-	-	(22,746)	845,208
Total capital assets being depreciated	<u>64,703,794</u>	<u>373,238</u>	<u>5,682</u>	<u>(25,298)</u>	<u>65,057,416</u>
Less accumulated depreciation					
Stormwater improvements	(7,273)	(909)	-	-	(8,182)
Plant and plant improvements	(16,600,650)	(1,046,070)	-	-	(17,646,720)
Buildings and improvements	(71,069)	(11,420)	-	-	(82,489)
Equipment	(1,808,773)	(492,295)	1,368	2,552	(2,297,148)
Infrastructure	(321,905)	(8,434)	-	-	(330,339)
Transportation equipment	(738,857)	(40,882)	-	22,746	(756,993)
Total accumulated depreciation	<u>(19,548,527)</u>	<u>(1,600,010)</u>	<u>1,368</u>	<u>25,298</u>	<u>(21,121,871)</u>
Capital assets being depreciated, net	<u>45,155,267</u>	<u>(1,226,772)</u>	<u>7,050</u>	<u>-</u>	<u>43,935,545</u>
Business-type activities capital assets, net	<u>\$ 46,685,886</u>	<u>1,493,616</u>	<u>-</u>	<u>-</u>	<u>48,179,502</u>

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

Governmental activities:	
General government	\$ 474,439
Public safety	396,391
Physical environment	748
Transportation	374,868
Economic environment	207,774
Culture and recreation	<u>1,922,477</u>
Total depreciation expense, governmental functions	<u>\$ 3,376,697</u>

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

Business-type activities:	
Water and sewer	\$ 1,585,297
Stormwater	<u>14,713</u>
Total depreciation expense, business-type functions	<u>\$ 1,600,010</u>

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

**NOTE 5 – CONSTRUCTION COMMITMENTS**

Commitments under uncompleted construction projects at September 30, 2013, consist of the following:

	<b>Committed</b>
Water and Sewer Fund	
Headworks & Administration / Operation	
Building Improvements	\$ 1,013,447
Hinson Avenue Sewer Project	73,988
Total	\$ 1,087,435

**NOTE 6 – INTERFUND BALANCES AND TRANSFERS**

Interfund loans for short-term operating purposes resulted in the following balances at September 30, 2013:

	<b>Receivable</b>	<b>Payable</b>
General Fund	\$ 14,951	-
Water and Sewer Fund	-	14,951
	\$ 14,951	14,951

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, 2013:

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 1,385,835	2,082,996
CRA Fund	1,007,755	2,308,346
Debt Service Fund	3,383,587	-
Water and Sewer Fund	-	1,385,835
	\$ 5,777,177	5,777,177

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, 2013**

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**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, 2013:

1. Governmental activities debt

\$11,748,000 loan payable (\$11,405,000 in principal remaining at September 30, 2013), 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 \$18,827,374, less a subsidy of \$3,340,068, as of September 30, 2013. Interest paid was \$569,953 and total pledged revenue was \$1,007,755 for the fiscal year ended September 30, 2013.

\$5,000,000 loan payable (\$2,355,000 in principal remaining at September 30, 2013), 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 (\$2,635,000 in principal remaining at September 30, 2013), 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 (\$2,965,000 in principal remaining at September 30, 2013), 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 (\$23,220,000 in principal remaining at September 30, 2013), 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%.

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, 2013.

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

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**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

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.

The City signed a non-interest bearing settlement agreement with the State of Florida Department of Community Affairs (“DCA”) during the year ended September 30, 2009, in the amount of \$727,500 for expenditures disallowed under the terms of a Community Development Block Grant. The disallowance related to funds received to construct a railroad spur for which the City was unable to find a business to use the spur and provide required job creation and investment. The City paid \$145,500 to the DCA during the year ended September 30, 2013, and this agreement is now paid in full.

2. Business-type activities debt

\$10,755,818 State Revolving Fund Loan (paid off at September 30, 2013) – Funds borrowed to finance the construction of wastewater treatment, reuse and sludge facilities. The loan included interest at 2.59% and 2.63%, which applied to various loan increments.

\$3,990,747 State Revolving Fund Loan (\$3,814,678 in principal remaining at September 30, 2013)– 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, 2013. 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.

\$369,362 State Revolving Fund Loan (\$335,663 in principal remaining at September 30, 2013)– 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 (\$291,649 in principal remaining at September 30, 2013)– 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 (\$4,754,298 in principal remaining on September 30, 2013)– 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, 2013, including interest of 2.18%.

\$3,670,000 Utility System Revenue Note, Series 2013A (\$3,670,000 in principal remaining on September 30, 2013)– 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%.



**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

\$2,290,000 Utility System Refunding Revenue Note, Series 2013B (\$2,290,000 in principal remaining on September 30, 2013)– Funds borrowed to refinance the debt owed by the City to the Florida State Revolving Fund Loan Agreement. Semi-annual loan payments will begin 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 \$11,309,218 (includes interest of \$2,112,930) as of September 30, 2013. Principal and interest paid was \$494,225 (excludes the refinancing of the Loan and Reuse loan) and total available pledged revenue was \$3,839,217 for the fiscal year ended September 30, 2013. 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.

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, 2013:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental activities:					
CenterState Bank Loan	\$ 11,681,000	-	(276,000)	11,405,000	290,000
FMLC, CRA	2,695,000	-	(340,000)	2,355,000	355,000
FMLC, rail spur	2,705,000	-	(70,000)	2,635,000	75,000
FMLC, police station	3,080,000	-	(115,000)	2,965,000	120,000
FMLC, CRA	23,890,000	-	(670,000)	23,220,000	700,000
DCA settlement payment	145,500	-	(145,500)	-	-
Loans/settlement payable	<u>44,196,500</u>	<u>-</u>	<u>(1,616,500)</u>	<u>42,580,000</u>	<u>1,540,000</u>
Less unamortized costs:					
Deferred loss on refunding	(99,444)	-	5,525	(93,919)	-
Plus unamortized premium	151,633	-	(10,109)	141,524	-
Total loans/settlement payable, net of unamortized costs	<u>44,248,689</u>	<u>-</u>	<u>(1,621,084)</u>	<u>42,627,605</u>	<u>1,540,000</u>
Compensated absences	1,448,996	133,667	(245,310)	1,337,353	744,460
Other postemployment benefits	711,857	114,747	-	826,604	-
	<u>2,160,853</u>	<u>248,414</u>	<u>(245,310)</u>	<u>2,163,957</u>	<u>744,460</u>
Total governmental activities long-term liabilities	<u>\$ 46,409,542</u>	<u>248,414</u>	<u>(1,866,394)</u>	<u>44,791,562</u>	<u>2,284,460</u>

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
Utility System Revenue Note, Series 2013	\$ -	5,960,000	-	5,960,000	607,000
State Revolving Fund Loan and Reuse	2,910,902	-	(2,910,902)	-	-
State Revolving Fund Loan, WW765080	3,915,182	-	(100,504)	3,814,678	167,380
State Revolving Fund Loan, DW530410	350,550	-	(14,887)	335,663	15,220
State Revolving Fund Loan, DW530411	304,736	-	(13,087)	291,649	13,352
State Revolving Fund Loan, WW530400	4,775,322	105,700	(126,724)	4,754,298	210,826
	<u>12,256,692</u>	<u>6,065,700</u>	<u>(3,166,104)</u>	<u>15,156,288</u>	<u>1,013,778</u>
Compensated absences	284,580	41,268	(13,827)	312,021	128,969
Other post-employment benefits	150,658	24,285	-	174,943	-
	<u>435,238</u>	<u>65,553</u>	<u>(13,827)</u>	<u>486,964</u>	<u>128,969</u>
Total business-type activities long-term liabilities	<u>\$ 12,691,930</u>	<u>6,131,253</u>	<u>(3,179,931)</u>	<u>15,643,252</u>	<u>1,142,747</u>

**4. Principal and Interest Requirements to Maturity**

The following represents the annual debt service requirements to maturity for debt outstanding as of September 30, 2013, including the General Government's \$31,175,000 of FMLC debt principal, \$11,405,000 of Center State Bank Loan, and State Revolving Fund Loans and Utility System Revenue Note of \$15,156,288.

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-type Activities</b>		
	<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Subsidy</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 1,540,000	2,067,063	(250,127)	3,356,936	1,013,778	294,218	1,307,996
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
2019-2023	8,749,000	7,451,030	(981,621)	15,218,409	4,267,431	808,355	5,075,786
2024-2028	10,616,000	5,109,545	(726,297)	14,999,248	3,068,375	402,263	3,470,638
2029-2033	12,768,000	2,160,863	(400,053)	14,528,810	2,012,293	89,936	2,102,229
2034-2037	1,986,000	121,936	(50,374)	2,057,562	-	-	-
	<u>\$ 42,580,000</u>	<u>24,409,970</u>	<u>(3,340,068)</u>	<u>63,649,902</u>	<u>15,156,288</u>	<u>2,578,401</u>	<u>17,734,689</u>

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

**NOTE 8 – RESTRICTED ASSETS**

Certain cash and cash equivalents that are legally restricted in the statement of net position at September 30, 2013, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital projects	\$ 1,447,790	1,263,802
Impact fees	3,232,614	2,429,780
Debt service	1,288,124	590,943
Other purposes:		
Confiscated property	76,955	-
Law enforcement training	25,690	-
Deposits	-	902,948
Bond and loan reserves	-	13,015
Total	<u>\$ 6,071,173</u>	<u>5,200,488</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.

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, 2013.

As of September 30, 2013, the City's risk retention for certain types of risk is as follows:

	<b>Retention/Deductible</b>	<b>Coverage after Retention/Deductible</b>
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.

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

**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.

*Membership*

As of October 1, 2012, 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 \$2,133,280 and an ARC of \$301,458, 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 charges in the City’s net OPEB obligation:

Annual Required Contribution (ARC)	\$ 301,458
Interest on Net OPEB Obligation	34,501
Adjustment to ARC	(49,879)
Annual OPEB cost	<u>286,080</u>
Contributions made	<u>(147,048)</u>
Increase in Net OPEB Obligation	139,032
Net OPEB Obligation, beginning of year	<u>862,515</u>
Net OPEB Obligation, end of year	<u><u>\$ 1,001,547</u></u>

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

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

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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2011	\$ 274,856	36%	\$ 707,963
September 30, 2012	271,741	43%	862,515
September 30, 2013	286,080	51%	1,001,547

The funded status of the plan as of October 1, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Accrued Liability (AAL)	\$ 2,133,280
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 2,133,280</u>
Funded Ratio	0%
Covered Payroll	8,510,287
Ratio of UAAL to Covered Payroll	25.07%

*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.

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

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

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.

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, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Closed
Remaining amortization period	30 Years
Asset valuation method	Market Value
Actuarial assumptions	
Investment return	4.0% per year, compounded annually
Healthcare cost trend rate	9.6% initially, 4.2% ultimately in 2080
Inflation rate	2.75% 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.

**CITY OF HAINES CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2013**

**NOTE 12 – PENSION PLANS (CONTINUED)**

Membership

At October 1, 2013, 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	52	14	14
Terminated employees entitled to benefits but not yet receiving them	56	9	2
Active plan members	<u>128</u>	<u>50</u>	<u>27</u>
Total membership	<u><u>236</u></u>	<u><u>73</u></u>	<u><u>43</u></u>

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 Firefighters</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

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

**NOTE 12 – PENSION PLANS (CONTINUED)**

<b>Eligibility for Benefits</b>	<u>General Employees</u>	<u>Police Officers and Fire fighters</u>
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
<b>Benefits</b>		
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.

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, 2013:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Fire fighters</u>
Annual Required Contributions (ARC)	\$ 970,067	462,433	413,179
Interest on net pension asset	(24,616)	(1,267)	(1,214)
Adjustments to ARC	37,735	1,267	1,947
Annual pension cost	983,186	462,433	413,912
Contributions made	(970,067)	(462,433)	(413,179)
Decrease (increase) in net pension asset	13,119	-	733
Net Pension Obligation (asset), beginning of year	(307,841)	(16,898)	(14,999)
Net Pension Obligation (asset), end of year	\$ (294,722)	(16,898)	(14,266)



**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

**NOTE 12 – PENSION PLANS (CONTINUED)**

Three-year trend

	<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
General Employees' Plan	9/30/2013	\$ 983,186	99%	\$ (294,722)
	9/30/2012	112,267	99%	(307,841)
	9/30/2011	831,674	98%	(321,545)
Police Officers' Plan *	9/30/2013	462,433	100%	(16,898)
	9/30/2012	390,263	100%	(16,898)
	9/30/2011	264,600	100%	(5,772)
Firefighters' Plan*	9/30/2013	413,912	100%	(14,266)
	9/30/2012	307,926	100%	(14,999)
	9/30/2011	289,268	100%	(15,767)

\* Prior year figures for the Police Officers' and Firefighters' plans have been corrected to include applicable premium tax refunds from the State of Florida that were passed through the City to the respective trust funds.

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 \$325,886 are presented as assets on the City's government-wide financial statements.

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 2013 was \$109,171. The City recognizes these on-behalf payments as revenues and expenditures in the governmental funds financial statements.

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

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**NOTE 12 – PENSION PLANS (CONTINUED)**

Members of the Firefighters' 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 2013 was \$104,330. 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, 2013. As of this date, the actuarial accrued liability for benefits was \$17,882,669 and the actuarial value of investments was \$14,106,355, resulting in an unfunded actuarial accrued liability of \$3,776,314 and a funded ratio of 78.88%. The annual covered payroll was \$4,858,315 and the ratio of the unfunded actuarial accrued liability to covered payroll was 77.73%.

The most recent actuarial report for the Police Officers' plan was prepared as of October 1, 2013. As of this date, the actuarial accrued liability for benefits was \$9,807,174 and the actuarial value of investments was \$6,593,093, resulting in an unfunded actuarial accrued liability of \$3,214,081 and a funded ratio of 67.23%. The annual covered payroll was \$2,353,380 and the ratio of the unfunded actuarial accrued liability to covered payroll was 136.57%.

The most recent actuarial report for the Firefighters' plan was prepared as of October 1, 2013. As of this date, the actuarial accrued liability for benefits was \$7,286,776 and the actuarial value of investments was \$4,380,879, resulting in an unfunded actuarial accrued liability of \$2,905,897 and a funded ratio of 60.12%. The annual covered payroll was \$1,161,285, and the ratio of the unfunded actuarial accrued liability to covered payroll was 250.23%.

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, 2013**

**NOTE 12 – PENSION PLANS (CONTINUED)**

Actuarial methods and assumptions

The information regarding required contributions for the year ended September 30, 2013, 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:

	<u>General Employees' Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>
Valuation date	October 1, 2013	October 1, 2013	October 1, 2013
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%
*Includes inflation at	3.0%	3.0%	3.0%
Post-retirement COLA	0.0%	0.0%	0.0%
Mortality table	RP 2000 Combined Healthy Mortality Table Table projected to 2012 with scale AA Disabled Lives set forward five years	RP 2000 Table with no projection Disabled Lives set forward five years	RP 2000 Combined Healthy Mortality Table Disabled Lives set forward five years

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

**NOTE 12 – PENSION PLANS (CONTINUED)**

Financial statements for the City’s pension plans at September 30, 2013, are as follows:

	<u>General Employees'</u> <u>Pension Fund</u>	<u>Police Officers'</u> <u>Pension Fund</u>	<u>Firefighters'</u> <u>Pension Fund</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 322,165	357,464	97,085	776,714
Receivables				
Contributions receivable	90,711	26,063	17,743	134,517
Accrued interest and dividends	9,751	13,601	6,611	29,963
Investments, at fair value:				
U.S government agencies	-	391,963	-	391,963
Municipal obligations	-	16,172	-	16,172
Corporate bonds	-	1,952,221	-	1,952,221
Common equity securities	9,779,126	4,377,464	2,928,454	17,085,044
Fixed income mutual funds	4,670,109	-	1,492,483	6,162,592
<b>Total assets</b>	<u>\$ 14,871,862</u>	<u>7,134,948</u>	<u>4,542,376</u>	<u>26,549,186</u>
<b>Net Position</b>				
Held in trust for pension benefits	<u>\$ 14,871,862</u>	<u>7,134,948</u>	<u>4,542,376</u>	<u>26,549,186</u>
	<u>General Employees'</u> <u>Pension Fund</u>	<u>Police Officers'</u> <u>Pension Fund</u>	<u>Firefighters'</u> <u>Pension Fund</u>	<u>Total</u>
<b>Additions</b>				
Contributions				
Employer	\$ 1,046,397	384,222	357,867	1,788,486
Employees	286,052	202,564	67,100	555,716
State of Florida	-	109,171	104,330	213,501
Total contributions	<u>1,332,449</u>	<u>695,957</u>	<u>529,297</u>	<u>2,557,703</u>
Investment earnings				
Interest	273	81,354	46,101	127,728
Dividends	195,800	105,690	66,182	367,672
Net appreciation in fair value of investments	<u>1,419,256</u>	<u>849,012</u>	<u>343,746</u>	<u>2,612,014</u>
Net investment earnings	<u>1,615,329</u>	<u>1,036,056</u>	<u>456,029</u>	<u>3,107,414</u>
Total additions	<u>2,947,778</u>	<u>1,732,013</u>	<u>985,326</u>	<u>5,665,117</u>
<b>Deductions</b>				
Pension benefits	934,463	422,264	448,036	1,804,763
Administrative expenses	<u>129,124</u>	<u>72,540</u>	<u>68,565</u>	<u>270,229</u>
Total deductions	<u>1,063,587</u>	<u>494,804</u>	<u>516,601</u>	<u>2,074,992</u>
Change in net position	1,884,191	1,237,209	468,725	3,590,125
Net position, beginning of year	<u>12,987,671</u>	<u>5,897,739</u>	<u>4,073,651</u>	<u>22,959,061</u>
Net position, end of year	<u>\$ 14,871,862</u>	<u>7,134,948</u>	<u>4,542,376</u>	<u>26,549,186</u>

**CITY OF HAINES CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Fiscal Year Ended September 30, 2013**

**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, 2013:

	<b>Revenues</b>	<b>Expenditures</b>
<b>Source of Revenues</b>		
Ad valorem taxes	\$ 1,007,755	-
Ad valorem taxes received from Polk County	824,588	-
Florida Department of Community Affairs Community Development Block Grant	284,610	-
Interest	2,713	
<b>Purpose of Expenditures</b>		
Personal services	-	7,121
Professional services	-	4,985
Capital outlay MLK Streetscape	-	109,034
Debt service	-	2,308,346
	\$ 2,119,666	2,429,486

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City is required to change its accounting treatment of debt issuance costs. The new standard requires that debt issuance costs be recognized as an expense in the period incurred rather than capitalized and recognized as an expense (amortized) in a systematic and rational manner over the duration of the related debt as was the required treatment in prior reporting periods.

Therefore, in conjunction with the implementation of Statement No. 65, the following restatements were required to the beginning net position of the Governmental Activities to properly recognize debt issuance costs as expenses in the periods in which they were incurred:

Governmental Activities, September 30, 2012, as previously reported	\$ 35,699,019
Adjustment for change in accounting principle - issuance costs	<u>(252,573)</u>
Governmental Activities, September 30, 2012, as restated	<u><u>\$ 35,446,446</u></u>



## **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 and 50, 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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 5,669,070	5,669,070	5,633,091	(35,979)
Gas and fuel taxes	768,000	768,000	778,859	10,859
Utility taxes	1,673,000	1,673,000	1,472,363	(200,637)
Communications service tax	645,000	645,000	543,154	(101,846)
Local business tax	68,200	68,200	72,503	4,303
Franchise fees	2,008,000	2,008,000	1,890,395	(117,605)
Licenses and permits	553,000	553,000	879,190	326,190
Intergovernmental	1,907,285	1,907,285	2,099,156	191,871
Charges for services	3,344,670	3,344,670	3,376,450	31,780
Fines and forfeitures	2,257,550	2,257,550	1,668,140	(589,410)
Impact fees	170,000	170,000	589,091	419,091
Contributions	173,700	173,700	191,149	17,449
Interest	107,740	107,740	30,471	(77,269)
Other	217,260	217,260	126,137	(91,123)
Total revenues	<u>19,562,475</u>	<u>19,562,475</u>	<u>19,350,149</u>	<u>(212,326)</u>
<b>Expenditures</b>				
Current				
General government	3,318,255	3,442,695	3,223,343	219,352
Public safety	8,792,510	8,734,395	8,684,426	49,969
Physical environment	2,249,105	2,353,495	2,349,188	4,307
Transportation	3,840,585	3,840,585	1,389,560	2,451,025
Economic development	145,500	145,500	145,500	-
Culture and recreation	3,446,645	3,463,715	3,100,941	362,774
Capital outlay	1,104,190	1,283,310	793,578	489,732
Total expenditures	<u>22,896,790</u>	<u>23,263,695</u>	<u>19,686,536</u>	<u>3,577,159</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(3,334,315)</u>	<u>(3,701,220)</u>	<u>(336,387)</u>	<u>3,364,833</u>
<b>Other financing sources (uses)</b>				
Insurance proceeds	-	-	52,860	52,860
Transfers in	2,185,545	2,540,635	1,385,835	(1,154,800)
Transfers out	(2,118,055)	(2,106,240)	(2,082,996)	23,244
Total other financing sources (uses)	<u>67,490</u>	<u>434,395</u>	<u>(644,301)</u>	<u>(1,078,696)</u>
Net change in fund balance	(3,266,825)	(3,266,825)	(980,688)	2,286,137
<b>Fund balance, beginning of year</b>	<u>8,823,633</u>	<u>8,823,633</u>	<u>8,823,633</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 5,556,808</u>	<u>5,556,808</u>	<u>7,842,945</u>	<u>2,286,137</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 825,190	825,190	824,588	(602)
Intergovernmental revenues	-	109,035	284,610	175,575
Interest revenue	14,000	14,000	2,713	(11,287)
Total revenues	<u>839,190</u>	<u>948,225</u>	<u>1,111,911</u>	<u>163,686</u>
<b>Expenditures</b>				
Current				
General government	6,000	6,000	-	6,000
Public safety	-	-	2,794	(2,794)
Economic development	22,250	22,250	5,434	16,816
Culture and recreation	-	-	3,878	(3,878)
Capital outlay	-	109,035	109,034	1
Total expenditures	<u>28,250</u>	<u>137,285</u>	<u>121,140</u>	<u>16,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>810,940</u>	<u>810,940</u>	<u>990,771</u>	<u>179,831</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,483,020	1,483,020	1,007,755	(475,265)
Transfers out	(2,293,960)	(2,293,960)	(2,308,346)	(14,386)
Total other financing sources (uses)	<u>(810,940)</u>	<u>(810,940)</u>	<u>(1,300,591)</u>	<u>(489,651)</u>
Net change in fund balance	-	-	(309,820)	(309,820)
Fund balance, beginning of year	<u>309,820</u>	<u>309,820</u>	<u>309,820</u>	<u>-</u>
Fund balance, end of year	<u>\$ 309,820</u>	<u>309,820</u>	<u>-</u>	<u>(309,820)</u>

**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, 2013**

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)
<b><u>General Employees' Pension Fund</u></b>						
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%
<b><u>Police Officers' Pension Fund</u></b>						
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%
<b><u>Firefighters' Pension Fund</u></b>						
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 CONTRIBUTIONS FROM THE CITY AND OTHER CONTRIBUTING ENTITIES—  
GENERAL EMPLOYEES', POLICE OFFICERS' AND FIREFIGHTERS' PENSION FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

<b>Year Ended September 30</b>	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>State Contribution</b>	<b>Percentage Contributed</b>
<b><u>General Employees' Pension Fund</u></b>				
2013	\$ 970,067	\$ 970,067	-	100.00%
2012	1,098,563	1,098,563	-	100.00%
2011	817,361	817,361	-	100.00%
2010	838,234	838,234	-	100.00%
2009	635,495	635,737	-	100.00%
2008	616,985	684,555	-	110.95%
2007	950,753	950,753	-	100.00%
<b><u>Police Officers' Pension Fund</u></b>				
2013	\$ 462,433	\$ 369,298	93,135 *	100.00%
2012	390,263	297,128	93,135 *	100.00%
2011	357,735	264,600	93,135 *	100.00%
2010	279,426	196,549	82,877 *	100.00%
2009	197,714	114,837	82,877 *	100.00%
2008	173,267	90,390	82,877 *	100.00%
2007	151,239	68,362	82,877 *	100.00%
<b><u>Firefighters' Pension Fund</u></b>				
2013	\$ 413,179	\$ 345,966	67,213 *	100.00%
2012	307,158	239,945	67,213 *	100.00%
2011	355,677	288,464	67,213 *	100.00%
2010	299,334	232,121	67,213 *	100.00%
2009	250,030	191,280	77,351 *	107.44%
2008	158,578	108,409	50,169 *	100.00%
2007	140,026	89,857	50,169 *	100.00%

\* Frozen per Florida Statutes, Chapters 175 and 185, as amended. This represents the amount of State funding allowed to be used for current benefits. The increment between this amount and the actual amount provided by the State must be retained by the pension plans until it is spent on increased benefits. Therefore, the actuary excludes the “frozen increment” for current funding calculation purposes.

\*\* The General Employees’ Pension Fund received contributions from the City of \$1,394,280 in fiscal 2008, \$709,725 of which related to 2006 and 2007. The remaining contribution of \$684,555 was applied to 2008.

**CITY OF HAINES CITY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS—OTHER POST-EMPLOYMENT BENEFITS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL) (2) - (1)</b>	<b>Funded Ratio (1)/(2)</b>	<b>(3) Annual Covered Payroll</b>	<b>UAAL as a % of Payroll [(2) - (1)] / (3)</b>
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%
10/1/2010	-	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, 2010, October 1, 2011, and October 1, 2012, 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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest revenue	\$ -	-	5,897	5,897
Total revenues	-	-	5,897	5,897
<b>Expenditures</b>				
Current				
General government	-	-	84,464	(84,464)
Physical environment	-	-	387,650	(387,650)
Capital outlay	5,181,000	5,181,000	2,452,919	2,728,081
Total expenditures	5,181,000	5,181,000	2,925,033	2,255,967
Net change in fund balance	(5,181,000)	(5,181,000)	(2,919,136)	2,261,864
Fund balance, beginning of year	4,359,426	4,359,426	4,359,426	-
Fund balance, end of year	\$ (821,574)	(821,574)	1,440,290	2,261,864

**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, 2013**

	<u>Balance</u> <u>09/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>09/30/13</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 11,663	20	-	11,683
<b>Liabilities</b>				
Deposits held in custody for others	\$ 11,663	20	-	11,683

## 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.

	<b>Page</b>
Financial Trends.....	63
<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 .....	68
<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 .....	72
<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 .....	77
<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 .....	79
<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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
Net investment in capital assets	\$ 762,361	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
Restricted	10,804,365	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
Unrestricted	439,259	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
Total governmental activities net position	\$ 12,005,985	17,168,956	22,010,075	35,485,125	39,837,606	41,733,327	41,297,856	38,911,645	35,699,019	31,577,032
<b>Business-type activities</b>										
Net investment in capital assets	\$ 10,208,235	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
Restricted	995,196	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
Unrestricted	7,480,443	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
Total business-type activities net position	\$ 18,683,874	21,229,876	23,846,947	26,168,388	35,471,420	37,194,431	41,474,719	42,633,879	42,987,926	44,831,913
<b>Primary government</b>										
Net investment in capital assets	\$ 10,970,596	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
Restricted	11,799,561	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
Unrestricted	7,919,702	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
Total primary government net position	\$ 30,689,859	38,398,832	45,857,022	61,653,513	75,309,026	78,927,758	82,772,575	81,545,524	78,686,945	76,408,945

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

<b>Expenses</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Governmental activities										
General government	\$ 1,629,592	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
Public safety	5,052,601	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
Physical environment	1,199,349	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
Transportation	783,165	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
Economic environment	1,123,437	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
Culture and recreation	1,701,023	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
Interest on long-term debt	390,570	551,071	524,467	600,813	1,971,844	1,774,790	961,109	1,999,634	2,213,162	2,697,317
Total governmental activities expenses	11,879,737	12,723,853	15,056,565	19,095,395	20,312,707	22,477,569	22,565,859	23,818,218	24,632,750	25,603,929
Business-type activities										
Water/sewer utility	3,434,551	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
Stormwater utility	37,054	24,544	20,901	152,697	75,017	61,416	271,814	270,175	450,929	323,119
Total business-type activities expenses	3,471,605	3,831,181	4,091,248	5,112,196	5,439,181	6,004,863	6,174,066	6,186,198	7,405,627	6,983,829
Total primary government net position	15,351,342	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
<b>Program revenues</b>										
Governmental activities										
Charges for services										
General government	1,096,080	2,384,646	2,108,237	1,724,427	1,218,390	684,283	817,763	943,347	1,026,206	1,333,376
Public safety	330,291	678,343	736,806	792,494	736,734	472,928	492,529	1,812,473	2,065,746	1,781,354
Physical environment	1,218,128	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
Transportation	35,633	370,053	615,253	1,071,798	736,696	485,559	336,351	291,073	152,524	477,617
Economic environment	15,111	146,490	265,427	443,273	875,517	379,227	23,968	27,800	-	-
Culture and recreation	259,746	626,413	473,378	288,562	177,593	382,083	528,904	512,225	486,031	585,657
Operating grants and contributions	1,187,130	1,044,996	878,350	887,006	861,011	1,098,414	1,077,708	1,215,422	627,691	411,253
Capital grants and contributions	2,368,322	1,625,951	277,844	550,854	268,133	833,670	2,333	18,667	709,149	38,463
Total governmental activities program revenues	6,510,441	8,236,645	7,309,623	7,992,376	7,233,267	6,621,457	5,491,077	7,037,117	7,355,970	7,140,773
Business-type activities										
Charges for services	4,510,608	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
Operating grants and contributions	15,577	114,981	-	39,790	-	-	-	-	37,578	4,987
Capital grants and contributions	1,638,091	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	6,164,276	7,172,351	7,192,470	7,534,333	15,536,189	8,688,222	11,543,867	8,404,411	8,857,774	10,126,371
Total primary government program revenues	12,674,717	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
<b>Net (expenses)/revenue</b>										
Governmental activities	(5,369,296)	(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)
Business-type activities	2,692,671	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
Total primary government net expenses	\$ (2,676,625)	(1,146,038)	(4,645,720)	(8,680,882)	(2,982,432)	(13,172,753)	(11,704,981)	(14,562,888)	(15,824,633)	(15,320,614)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General revenues and other changes in net position</b>										
Governmental activities										
Property taxes	\$ 2,950,981	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
Franchise taxes	931,158	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
Utility taxes	852,452	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
Communications taxes	582,675	664,363	696,625	686,392	725,155	767,190	677,765	649,988	661,526	543,154
Local business tax	-	-	-	-	70,575	71,389	76,213	84,424	66,285	72,503
Gas and fuel taxes	756,847	773,685	776,898	825,075	823,395	805,145	796,859	766,757	746,463	778,859
State revenue sharing	1,266,618	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
Unrestricted investment earnings	26,096	112,888	403,712	530,837	267,850	131,663	75,906	101,433	382,319	273,878
Gain/(loss) on sale of capital assets	(887)	(329,209)	(31,318)	(100,841)	(87,186)	-	-	-	-	-
Transfers in (out)	988,737	999,446	790,864	266,329	951,798	1,043,601	1,130,339	1,100,000	1,146,165	1,385,835
<b>Total governmental activities</b>	<b>8,354,677</b>	<b>9,650,179</b>	<b>12,588,061</b>	<b>15,322,988</b>	<b>17,431,921</b>	<b>17,751,833</b>	<b>16,630,005</b>	<b>14,404,196</b>	<b>14,064,154</b>	<b>14,625,218</b>
Business-type activities										
Unrestricted investment earnings	53,920	210,261	333,584	355,856	170,236	83,253	38,736	43,037	33,956	29,087
Miscellaneous	-	-	-	-	-	-	-	-	14,109	58,193
Gain/(loss) on sale of capital assets	-	(5,983)	(26,871)	(208,659)	(12,414)	-	-	-	-	-
Transfers in (out)	(988,737)	(999,446)	(790,864)	(266,329)	(951,798)	(1,043,601)	(1,130,339)	(1,100,000)	(1,146,165)	(1,385,835)
<b>Total business-type activities</b>	<b>(934,817)</b>	<b>(795,168)</b>	<b>(484,151)</b>	<b>(119,132)</b>	<b>(793,976)</b>	<b>(960,348)</b>	<b>(1,091,603)</b>	<b>(1,056,963)</b>	<b>(1,098,100)</b>	<b>(1,298,555)</b>
<b>Total primary government</b>	<b>7,419,860</b>	<b>8,855,011</b>	<b>12,103,910</b>	<b>15,203,856</b>	<b>16,637,945</b>	<b>16,791,485</b>	<b>15,538,402</b>	<b>13,347,233</b>	<b>12,966,054</b>	<b>13,326,663</b>
<b>Change in net position</b>										
Governmental activities	2,985,381	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)
Business-type activities	1,757,854	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
<b>Total primary government</b>	<b>\$ 4,743,235</b>	<b>7,708,973</b>	<b>7,458,190</b>	<b>6,522,974</b>	<b>13,655,513</b>	<b>3,618,732</b>	<b>3,833,421</b>	<b>(1,215,655)</b>	<b>(2,858,579)</b>	<b>(1,993,951)</b>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Fund</b>										
Nonspendable	\$ -	-	-	-	-	-	-	95,210	110,524	74,724
Restricted	-	-	-	-	-	-	-	3,884,159	3,610,815	3,335,259
Assigned	-	-	-	-	-	-	-	3,022,660	492,770	400,000
Unassigned	-	-	-	-	-	-	-	3,543,346	4,609,524	4,001,486
Reserved	5,330,054	2,358,037	1,660,879	1,395,837	364,481	129,359	59,038	-	-	-
Unreserved	1,442,004	5,341,251	8,867,913	10,719,891	10,686,550	10,437,566	11,103,810	-	-	-
Total general fund	\$ 6,772,058	7,699,288	10,528,792	12,115,728	11,051,031	10,566,925	11,162,848	10,545,375	8,823,633	7,811,469
<b>All other governmental funds</b>										
Restricted, reported in										
Capital Projects Fund	\$ -	-	-	-	-	-	-	10,057,898	4,359,426	1,440,290
CRA Fund	-	-	-	-	-	-	-	1,825,119	309,820	-
Debt Service Fund	-	-	-	-	-	-	-	1,260,774	1,273,655	1,288,124
Reserved	4,936,524	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	537,786	-	-	-	18,122,376	3,186,179	2,558,788	-	-	-
Debt Service Fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 5,474,310	5,728,141	5,510,038	29,852,182	19,252,880	4,416,410	3,802,091	13,143,791	5,942,901	2,728,414

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 6,074,113	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
Licenses and permits	892,769	1,425,001	1,722,151	1,381,617	931,930	326,256	327,821	360,953	538,662	879,190
Intergovernmental revenues	4,674,030	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
Charges for services	1,521,378	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
Fines and forfeitures	144,390	155,900	196,205	265,432	190,237	261,004	361,709	1,735,716	1,970,254	1,668,140
Impact fees	169,005	1,153,815	1,125,907	1,296,464	756,229	333,233	348,306	258,661	151,992	589,091
Miscellaneous revenues	289,183	507,845	926,283	1,311,855	1,401,974	939,395	358,655	718,903	626,419	591,164
Total revenues	13,764,868	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
<b>Expenditures</b>										
Current										
General government	1,471,226	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
Public safety	4,700,747	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
Physical environment	1,197,440	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
Transportation	762,239	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
Economic environment	1,122,253	941,151	1,097,353	1,754,870	1,431,838	1,312,872	1,353,196	1,173,554	900,125	150,934
Culture and recreation	1,500,228	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
Capital outlay	4,673,728	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
Debt service										
Principal retirement	232,300	515,991	517,445	536,915	643,862	1,158,011	1,320,473	1,299,247	1,324,402	1,471,000
Interest and fiscal charges	390,570	622,953	516,063	518,278	1,239,109	1,771,137	1,724,917	2,131,212	2,194,376	2,132,915
Total expenditures	16,050,731	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
Excess of revenues over (under) expenditures	(2,285,863)	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)
<b>Other financing sources (uses)</b>										
Bond/Loan proceeds	8,254,001	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
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	5,150	-
Operating transfers in	1,839,820	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
Operating transfers (out)	(851,083)	(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)
Total other financing sources (uses)	9,242,738	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
Net change in fund balances	\$ 6,956,875	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)
Debt service as a percentage of non-capital expenditures	5.47%	9.06%	7.10%	5.70%	9.62%	14.28%	14.46%	15.55%	15.36%	15.46%

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**

<b>Fiscal Year</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Totals</b>		<b>Total Direct Tax Rate</b>
	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	
2004	\$ 312,266,958	312,266,958	62,759,270	62,759,270	375,026,228	375,026,228	6.990
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

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 <sup>(a)</sup>				
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
2004	6.990	0.000	6.990	7.727	0.284	8.206	0.195	23.402
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

<sup>(a)</sup> 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 2012/2013</u>			<u>Fiscal Year 2003/2004</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	\$ 24,728,256	3.4%	1	*	*	*
Progress Energy	22,130,871	3.0%	2	*	*	*
Aldi Florida LLC	21,747,248	3.0%	3	*	*	*
Heart of Florida Hospital	11,771,081	1.6%	4	*	*	*
Cellyne Corp.	10,766,460	1.5%	5	*	*	*
Verizon Florida	10,409,863	1.4%	6	*	*	*
Matrice of Florida LLC	8,586,649	1.2%	7	*	*	*
FR/Cal Haines City LLC	8,388,553	1.2%	8	*	*	*
WalMart	7,866,260	1.1%	9	*	*	*
Royal Palm Village LLC	7,682,638	1.1%	10	*	*	*
Total ten largest taxpayers	134,077,879	18.4%		0	0.0%	
Other taxpayers	594,599,560	81.6%				
Total per 2013 tax roll	<u>\$ 728,677,439</u>	<u>100%</u>		<u>0</u>	<u>0%</u>	

\*Data not available

Source : Polk County Property Appraiser

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

<b>Fiscal Year</b>	<b>Total Tax Levy <sup>(1)</sup></b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Prior Years Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percentage of Total Collections To Tax Levy</b>
2004	\$ 2,621,433	2,542,309	96.98%	*	2,542,309	96.98%
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%

<sup>(1)</sup> Total assessed value times millage rate. Gross taxes before discounts

\* Data Not Available

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	Revenue Bonds/Notes	Haines City Personal Income				
2004	\$ 525,475	11,805,000	2,400,877	7,726,879	181,321		22,639,552	405,128,750	5.59%	1,393	
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	

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**

<b>Fiscal Year</b>	<b>Florida Municipal Loan Council</b>			<b>CenterState Library/ City Hall</b>	<b>Total</b>	<b>Percent of Actual Taxable Value of Property</b>	<b>Per Capita</b>
	<b>CRA</b>	<b>Police</b>	<b>Rail Spur</b>				
2004	\$ 5,000,000	3,605,000	3,200,000	-	11,805,000	3.22%	726
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	-	11,250,000	1.79%	599
2007	30,410,000	3,585,000	3,030,000	-	37,025,000	3.89%	1,866
2008	30,125,000	3,490,000	2,970,000	-	36,585,000	3.06%	1,934
2009	29,360,000	3,395,000	2,905,000	-	35,660,000	3.00%	1,901
2010	28,475,000	3,295,000	2,840,000	-	34,610,000	3.31%	1,685
2011	27,550,000	3,190,000	2,775,000	11,748,000	45,263,000	5.47%	2,191
2012	26,736,633	2,980,556	2,705,000	11,681,000	44,103,189	5.84%	2,132
2013	25,716,524	2,871,081	2,635,000	11,405,000	42,627,605	5.85%	1,993

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**  
**September 30, 2013**

<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	\$ 196,441,264	2.7% <sup>(1)</sup>	<u>\$ 5,303,914</u>
Total overlapping debt			5,303,914
Total direct debt	42,627,605	100.0%	<u>42,627,605</u>
Total direct and overlapping debt			<u><u>\$ 47,931,519</u></u>

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

Source: Polk County School Board



**CITY OF HAINES CITY, FLORIDA**  
**LEGAL DEBT MARGIN INFORMATION**  
**September 30, 2013**

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

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

Fiscal Year	Gross Revenues <sup>(1)</sup>	Less Operating Expenses <sup>(2)</sup>	Net Available For Debt Service	Debt Service Requirements		
				Principal	Interest	Coverage
<b>Water and Sewer Revenue Bonds</b>						
2004	\$ 4,640,857	2,429,034	2,211,823	195,000	161,515	6.20
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	-	-	-
<b>State Revolving Fund Loans</b>						
2004	4,640,857	2,785,549	1,855,308	535,693	217,906	2.46
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 <sup>(3)</sup>	279,756	3.33

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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**

<b>Year</b>	<b>Population <sup>(1)</sup></b>	<b>Polk County Per Capita Personal Income <sup>(2)</sup></b>	<b>Personal Income <sup>(2)</sup></b>	<b>Public School Enrollment <sup>(3)</sup></b>	<b>Unemployment Rate <sup>(4)</sup></b>
2004	16,250	\$ 24,931	405,128,750	6,131	5.3%
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	35,746	764,428,210	8,449	7.2%

- Sources:
- <sup>(1)</sup> City of Haines City Community Development Department
  - <sup>(2)</sup> 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.
  - <sup>(3)</sup> Polk County School Board
  - <sup>(4)</sup> 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**

<u>Employer</u>	<u>Type of Business</u>	<u>Fiscal Year 2012/2013</u>			<u>Fiscal Year 2003/2004</u>		
		<u>Number of Employees</u>	<u>Percent of Total City Employment</u>	<u>Rank</u>	<u>Number of Employees</u>	<u>Percent of Total City Employment</u>	<u>Rank</u>
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	*	*	*
City of Haines City	Municipal Government	251	2.22%	5	*	*	*
Cellyne	Manufacturer	250	2.21%	6	*	*	*
Haines City CGA	Food Service	243	2.15%	7	*	*	*
Publix Super Market	Food Service	200	1.77%	8	*	*	*
Haines City Health Care	Health Care	100	0.88%	9	*	*	*
Lowes	Retailer	<u>100</u>	0.88%	10	*	*	*
Total		<u><u>3,335</u></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**

	<b>Full-time Equivalent Employees as of September 30,</b>									
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>General government</b>										
City Manager	4	4	5	5	5	4	4	4	4	3
City Clerk	1	1	1	2	2	2	2	2	2	1.5
Finance	6.5	5.5	5.5	7.5	6.5	6.5	6.5	5.5	5.5	3.3
Human Resources		2	2	2	2	2	2	2	2	2
Information Technology										2
Community Development	11	15	18	20	21	19	17	16	16	13
Facilities Maintenance				1	1	1	6	6	6	7
<b>Public safety</b>										
Police	59	63	67	76	74	74	76	76	76	76
Fire	20	22	28	31	31	31	31	31	31	31
<b>Public works</b>	10.5	11.5	14.5	18.5	17	17	12.5	12.5	12.5	10
<b>Utilities</b>	32	34	37	39	42.5	42.5	46	46	46	46.7
<b>Parks and recreation</b>	21	23	24	31	35	47	42	42	40	34
<b>Library</b>	4	6	6	7	7	6	6	5	6	9
<b>Total</b>	<u>169</u>	<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>

Source: City of Haines City Annual Budget

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Building inspection</b>										
Building permits issued	3,342	3,301	1,677	1,374	1,052	767	788	810	865	935
Number of building inspections completed	9,256	16,163	11,575	6,874	3,678	2,639	2,297	2,383	3,531	3,567
Number of re-inspections	*	*	*	*	*	*	*	*	*	*
Number of total building construction plans reviewed	*	*	*	*	387	308	298	322	300	323
<b>Law enforcement</b>										
Physical arrests	1,918	1,795	1,494	1,221	1,154	1,093	1,504	1,527	1,768	1,355
DUI arrests	158	140	93	95	54	63	66	62	58	59
Traffic violations	2,878	3,671	4,444	3,548	2,620	2,987	5,090	4,974	4,943	3,825
Red light camera violations	*	*	*	*	*	*	*	25,189	21,454	20,427
Traffic crashes	956	997	827	672	685	712	816	536	616	610
Calls for service	11,092	13,069	14,572	14,702	14,906	13,541	19,632	16,265	20,974	23,571
<b>Fire</b>										
Emergency responses	2,565	2,775	2,832	2,242	2,572	2,424	2,096	2,127	2,212	2,684
Number of actual fires suppressed	27	41	16	24	27	33	26	70	93	106
Number of building inspections	126	209	244	259	699	720	669	370	370	492
Number of school inspections	7	7	7	8	8	8	9	12	12	12
Number of re-inspection	*	*	*	*	*	722	1,260	652	1,150	655
Number of plans reviewed	*	*	*	*	*	46	67	115	54	62
<b>Public works</b>										
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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Transportation</b>										
Miles of streets	*	*	*	*	*	*	*	*	*	*
<b>Public safety</b>										
Number of fire stations	1	1	1	1	1	1	1	1	1	1
Number of firefighters and officers	19	21	27	30	30	30	30	30	30	30
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of sworn officers	43	43	45	50	51	51	51	53	53	53
<b>Municipal water system</b>										
Number of customers	6,409	7,070	7,684	8,121	8,097	7,733	7,891	8,167	8,333	8,333
Average daily consumption	*	*	*	3.99MGD	3.99MGD	3.99MGD	3.99MGD	3.99MGD	3.99MGD	3.99MGD
Plant capacity, all plants	*	*	*	5.72MGD	5.72MGD	5.72MGD	5.72MGD	5.72MGD	5.72MGD	5.72MGD
Deep wells	*	*	*	7	7	7	7	7	7	7
Number of fire hydrants	*	*	*	700	700	700	700	700	700	700
<b>Municipal sewer system</b>										
Number of customers	5,135	5,722	6,325	6,755	6,813	6,566	6,566	6,899	7,170	7,170
Treatment facility capacity	*	*	*	2.97MGD	2.97MGD	2.97MGD	2.97MGD	2.97MGD	2.97MGD	2.97MGD
Annual average flow	*	*	*	1.65MGD	1.65MGD	1.65MGD	1.65MGD	1.65MGD	1.65MGD	1.65MGD
<b>Municipal stormwater system</b>										
Number of customers	5,851	6,505	7,112	7,535	7,541	7,205	7,332	7,426	7,426	7,426
<b>Building permits issued</b>										
Number of customers	4,438	2,197	1,533	714	544	767	788	810	865	935
<b>Recreation and culture</b>										
Number of neighborhood parks	3	3	3	3	4	4	4	4	4	4
Park area, number of acres	31	31	31	39	39	39	39	39	39	39
Number of books	45,593	46,951	50,383	52,607	58,000	61,854	62,510	60,521	61,525	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***

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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, 2013, 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 28, 2014. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Management Letter as item 2013-01 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the CityCityCityCityCityCityCityCity'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Management Letter as item 2013-02.

## **City's Responses to Findings**

Management's responses to the findings identified in our audit are described in the accompanying Management Letter. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 28, 2014



CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

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, 2013, and have issued our report thereon dated March 28, 2014.

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, OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.550, Rules of the Florida Auditor General. 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 those reports dated March 28, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports.

- 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 except as noted below in the tabulation of uncorrected audit findings.

Table with 3 columns: Current Year Finding Number, 2011-2012 FY Finding Number, 2010-2011 FY Finding Number. Rows: 2013-03, 2013-04; 2012-02, 2012-03; 2011-01, 2011-02.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.



## CURRENT YEAR FINDINGS AND RECOMMENDATIONS

### FINDINGS

#### 2013-01 – Contributions Receivable

During our testing of the City's three pension trust funds (General Employees, Police Officers and Firefighters), we noted the need for the City to record matching year end accruals for contributions receivable from the City and the City's employees which was properly accrued within the funds of the City as accrued liabilities. An adjusting journal entry was required to increase contributions receivable across the City's three pension funds in the total amount of \$134,518.

*Recommendation:* We recommend the City review closely all year end transactions between the City's funds and those of the pension trust funds to ensure that all necessary accruals are booked on both sets of books.

*Management Response:* We agree with the observation and recommendation and will ensure going forward that all accruals properly match between the City's funds and those of the pension trust funds.

#### 2013-02 – Budgeting

During our audit, we noted the City did not properly prepare a balanced budget in accordance with Florida Statutes 166.241 for the City's Capital Projects Fund. The City budgeted expenditures in the amount of \$5,181,000 and use of prior year fund balance in the same amount. The prior year fund balance however was only \$4,359,426. As such, the City's budget was unbalanced by \$821,574.

*Recommendation:* We recommend the City institute procedures to ensure that all annual budgets are properly balanced in accordance with Florida Statutes. Additionally, we recommend the City monitor its budgets throughout the year and amend revenues and expenditures when necessary.

*Management Response:* We agree with the observation and recommendation and will ensure going forward that all budgets are properly balanced and that any intended use of prior year fund balance is appropriate.

### RECOMMENDATIONS

#### Information Systems

##### *Publicly Accessible Email Servers*

**2013-03** - Publicly accessible email servers are not segmented in an area of the network known as the DMZ. If the email servers are not segmented from the City's network by a DMZ, the threat of a Denial of Service (DoS) attack is increased resulting in access to the network by unauthorized individuals. In addition, the City's network could be targeted and used as a spam relay.

*Recommendation:* We recommend that publicly accessible servers be segmented from the network by a DMZ.

*Management Response:* Cisco Iron Port Email Security Device has been purchased and installed subsequent to the fiscal year ending September 30, 2013.

*Technology Disaster Recovery Plan*

**2013-04** - 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:* City staff has completed the Disaster Recovery Plan and is currently awaiting City Commission approval prior to implementation.