

Ratings: S&P: (Underlying): “A+”
S&P (Insured): “AA” (stable outlook)
Fitch: (Underlying): “A-”
Kroll (Insured): “AA+” (stable outlook)
 (See “RATINGS” herein.)

In the opinion of bond counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations and judicial decisions, the interest on the Series 2015B Bonds is excluded from gross income for federal income tax purposes of the holders thereof and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2015B Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. INTEREST ON THE SERIES 2015A BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. See “TAX MATTERS” herein for a description of certain other tax consequences to holders of the Bonds.



CITY OF HIALEAH, FLORIDA

\$25,000,000
Taxable Special Obligation
Revenue Bonds
Series 2015A

\$21,145,000
Special Obligation
Refunding Revenue Bonds
Series 2015B

Dated: Date of Delivery

Due: December 1, as shown on inside cover

The City of Hialeah, Florida (the “City”) is issuing its Taxable Special Obligation Revenue Bonds, Series 2015A (the “Series 2015A Bonds”), and its Special Obligation Refunding Revenue Bonds, Series 2015B (the “Series 2015B Bonds”, and together with the Series 2015A Bonds, the “Series 2015 Bonds”) as fully registered bonds, which initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Individual purchases will be made in book entry form only in denominations as described herein. Purchasers of the Series 2015 Bonds (the “Beneficial Owners”) will not receive physical delivery of the Series 2015 Bonds. Transfer of ownership in the Series 2015 Bonds will be effected by DTC’s book-entry system as described herein. As long as Cede & Co. is the registered owner as nominee of DTC, principal and interest payments will be made directly to such registered owner which will in turn remit such payments to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Interest on the Series 2015 Bonds is payable semi-annually on June 1 and December 1 of each year until maturity or redemption, commencing on June 1, 2016. Principal of the Series 2015 Bonds is payable, when due, to the registered owners upon presentation and surrender at the designated corporate office of U.S. Bank National Association, Jacksonville, Florida, as Registrar and Paying Agent. All payments of principal of, redemption premium, if applicable and interest on the Series 2015 Bonds shall be made payable in lawful money of the United States of America. Certain of the Series 2015 Bonds are subject to mandatory redemption prior to their stated dates of maturity as provided herein.

The Series 2015 Bonds are being issued pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida, including particularly Chapter 166, Florida Statutes, Chapter 159, Part VII, Florida Statutes, the municipal charter of the City (the “City Charter”) and other applicable provisions of law (the “Act”) and pursuant to Ordinance No. 2015-67 enacted by the City Council of the City (the “Council”) on November 10, 2015, as amended and supplemented from time to time, and as particularly supplemented by Resolution No. 2015-148 adopted by the City on November 10, 2015 (collectively, the “Bond Ordinance”). All terms used herein in capitalized form and not otherwise defined shall have the meanings ascribed thereto in the Bond Ordinance.

The Series 2015A Bonds are being issued to provide funds to (i) finance a portion of the annual required contribution for Fiscal Year 2015 and Fiscal Year 2016 with respect to the contributory defined benefit retirement plan known as the Employees’ Retirement System sponsored and administered by the City that covers substantially all employees of the City; and (ii) pay a portion of the costs associated with the issuance of the Series 2015A Bonds, including the municipal bond insurance premium.

The Series 2015B Bonds are being issued to provide funds to (i) pay the outstanding amount of a loan pursuant to a loan agreement between the City and the Florida Municipal Loan Council (“FMLC”) dated February 1, 2005 (the “Loan Agreement”) and such funds will be used by FMLC to refund all of that portion of the outstanding Florida Municipal Loan Council Revenue Bonds, Series 2005A, attributable to the City and for which the City is the obligor and (ii) pay a portion of the costs associated with the issuance of the Series 2015B Bonds, including the municipal bond insurance premium.

The 2015 Bonds are special limited obligations of the City payable exclusively from the Pledged Revenues, as described herein. Pledged Revenues are defined in the Bond Ordinance as the Franchise Fee Revenues and any funds on deposit in any bank or account created under the Bond Ordinance. To the extent that the Pledged Revenues are not adequate to pay the Bond Service Requirement, the City has covenanted to budget and appropriate and deposit Non-Ad Valorem Revenues in an amount which is equal to the deficiency into the Sinking Fund for the applicable Fiscal Year.

THE SERIES 2015 BONDS SHALL NOT BE DEEMED TO CONSTITUTE GENERAL OBLIGATIONS OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE CITY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, LEGISLATIVE OR CHARTER PROVISION OR LIMITATION, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND ORDINANCE. NEITHER THE STATE OF FLORIDA NOR ANY POLITICAL SUBDIVISION THEREOF, NOR THE CITY SHALL BE OBLIGATED (1) TO EXERCISE ITS AD VALOREM TAXING POWER OR ANY OTHER TAXING POWER IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY IN THE CITY TO PAY THE PRINCIPAL OF THE SERIES 2015 BONDS, THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO OR (2) TO PAY THE SAME FROM ANY OTHER FUNDS OF THE CITY, EXCEPT FROM THE PLEDGED REVENUES AND THE NON-AD VALOREM REVENUES IN THE MANNER PROVIDED HEREIN AND IN THE BOND ORDINANCE. IT IS FURTHER AGREED BETWEEN THE CITY AND THE REGISTERED OWNER OF THE SERIES 2015 BONDS THAT THE SERIES 2015 BONDS AND THE INDEBTEDNESS EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN ON ANY PROPERTY OF THE CITY BUT SHALL CONSTITUTE A LIEN ON THE PLEDGED REVENUES, IN THE MANNER PROVIDED IN THE BOND ORDINANCE.

The scheduled payment of principal of and interest on the Series 2015 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2015 Bonds, by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”).



SEE THE INSIDE COVER FOR THE MATURITY SCHEDULES FOR THE SERIES 2015 BONDS.

INVESTMENT IN THE SERIES 2015 BONDS POSES CERTAIN RISKS. SEE “CERTAIN INVESTMENT CONSIDERATIONS” herein.

This cover page contains certain information for quick reference only. It is not, and is not intended to be, a summary of this issue. Investors must read the entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision.

The Series 2015 Bonds are offered when, as, and if issued and received by the Underwriters, subject to the opinion on certain legal matters relating to their issuance by Bryant Miller Olive P.A., Miami, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by Lorena E. Bravo, Esq., Hialeah, Florida, City Attorney and Lewis, Longman & Walker, P.A., Jacksonville, Florida, Disclosure Counsel to the City. Lorente & Heckler, P.A., Miami Beach, Florida, is counsel to the Underwriters. Public Financial Management, Inc., Coral Gables, Florida is Financial Advisor to the City in regard to the issuance of the Series 2015 Bonds. It is expected that the Series 2015 Bonds in definitive form will be available for delivery to the Underwriters in New York, New York at the facilities of DTC on or about December 2, 2015.

STIFEL

BofA Merrill Lynch

RBC Capital Markets

Wells Fargo Securities

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES , YIELDS, PRICES AND CUSIP NUMBERS

**\$25,000,000
City of Hialeah, Florida
Taxable Special Obligation Revenue Bonds
Series 2015A**

| <u>Maturity Date (December 1)</u> | <u>Principal Amount</u> | <u>Interest Rate/Yield</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP**</u> |
|---------------------------------------|-----------------------------|--------------------------------|--------------|--------------|----------------|
| 2019 | \$ 1,145,000 | 2.657% | 2.657% | 100 | 428414 AA4 |
| 2020 | 1,180,000 | 3.057 | 3.057 | 100 | 428414 AB2 |
| 2021 | 1,220,000 | 3.453 | 3.453 | 100 | 428414 AC0 |
| 2022 | 1,265,000 | 3.603 | 3.603 | 100 | 428414 AD8 |
| 2023 | 1,310,000 | 3.781 | 3.781 | 100 | 428414 AE6 |
| 2024 | 1,360,000 | 3.931 | 3.931 | 100 | 428414 AF3 |
| 2025 | 1,415,000 | 4.031 | 4.031 | 100 | 428414 AG1 |
| 2026 | 1,475,000 | 4.231 | 4.231 | 100 | 428414 AH9 |
| 2027 | 1,540,000 | 4.381 | 4.381 | 100 | 428414 AJ5 |
| 2028 | 1,610,000 | 4.481 | 4.481 | 100 | 428414 AK2 |
| 2029 | 1,685,000 | 4.581 | 4.581 | 100 | 428414 AL0 |
| 2030 | 1,765,000 | 4.681 | 4.681 | 100 | 428414 AM8 |

\$8,030,000 5.137% Term Bond Due December 1, 2034;
Yield 5.137%; Price 100%; CUSIP 428414 AN6

**\$21,145,000
City of Hialeah, Florida
Special Obligation Refunding Revenue Bonds
Series 2015B**

| <u>Maturity Date (December 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP**</u> |
|---------------------------------------|-----------------------------|--------------------------|--------------|--------------|----------------|
| 2016 | \$ 725,000 | 2.000% | 0.520% | 101.470 | 428414 AP1 |
| 2017 | 740,000 | 3.000 | 1.100 | 103.743 | 428414 AQ9 |
| 2018 | 770,000 | 4.000 | 1.330 | 107.819 | 428414 AR7 |
| 2019 | 795,000 | 4.000 | 1.600 | 109.257 | 428414 AS5 |
| 2020 | 835,000 | 5.000 | 1.860 | 114.917 | 428414 AT3 |
| 2021 | 875,000 | 5.000 | 2.110 | 116.200 | 428414 AU0 |
| 2022 | 920,000 | 5.000 | 2.320 | 117.217 | 428414 AV8 |
| 2023 | 970,000 | 5.000 | 2.520 | 117.860 | 428414 AW6 |
| 2024 | 1,015,000 | 5.000 | 2.710 | 118.175 | 428414 AX4 |
| 2025 | 1,070,000 | 5.000 | 2.880 | 118.302 | 428414 AY2 |
| 2026 | 1,125,000 | 5.000 | 3.040* | 116.788* | 428414 AZ9 |
| 2027 | 1,185,000 | 5.000 | 3.150* | 115.760* | 428414 BA3 |
| 2028 | 1,240,000 | 5.000 | 3.260* | 114.743* | 428414 BB1 |
| 2029 | 1,300,000 | 5.000 | 3.340* | 114.010* | 428414 BC9 |
| 2030 | 1,365,000 | 5.000 | 3.420* | 113.283* | 428414 BD7 |
| 2031 | 1,440,000 | 5.000 | 3.460* | 112.921* | 428414 BE5 |
| 2032 | 1,515,000 | 5.000 | 3.490* | 112.651* | 428414 BF2 |
| 2033 | 1,590,000 | 5.000 | 3.530* | 112.292* | 428414 BG0 |
| 2034 | 1,670,000 | 5.000 | 3.580* | 111.845* | 428414 BH8 |

* Price and yield calculated to first optional payment date of December 1, 2025.

** The City is not responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

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NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SERIES 2015 BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2015 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY, THE INSURER, DTC AND OTHER SOURCES THAT ARE BELIEVED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY THE UNDERWRITERS. THE UNDERWRITERS LISTED ON THE COVER PAGE HEREOF HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH AND AS PART OF THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THE INFORMATION AND EXPRESSIONS OF OPINION STATED HEREIN ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL CREATE, UNDER ANY CIRCUMSTANCES, ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE MATTERS DESCRIBED HEREIN SINCE THE DATE HEREOF.

ASSURED GUARANTY MUNICIPAL CORP. (“AGM”) MAKES NO REPRESENTATION REGARDING THE SERIES 2015 BONDS OR THE ADVISABILITY OF INVESTING IN THE SERIES 2015 BONDS. IN ADDITION, AGM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING AGM SUPPLIED BY AGM AND PRESENTED UNDER THE HEADING “BOND INSURANCE” AND “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

IN CONNECTION WITH THIS OFFERING OF THE SERIES 2015 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2015 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2015 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT SHALL NOT CONSTITUTE A CONTRACT BETWEEN THE CITY OR THE UNDERWRITER AND ANY ONE OR MORE HOLDERS OF THE SERIES 2015 BONDS.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITES: WWW.MUNIOS.COM AND WWW.EMMA.MSRB.ORG. THIS OFFICIAL STATEMENT SHOULD BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITES.

ALL SUMMARIES HEREIN OF DOCUMENTS AND AGREEMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS AND AGREEMENTS, AND ALL SUMMARIES HEREIN OF THE SERIES 2015 BONDS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE FORM THEREOF INCLUDED IN THE AFORESAID DOCUMENTS AND AGREEMENTS.

CITY OF HIALEAH, FLORIDA

501 Palm Avenue
Hialeah, Florida 33010

MAYOR

Carlos Hernandez

MEMBERS OF THE CITY COUNCIL*

Isis Garcia-Martinez, Council President
Luis E. Gonzalez, Council Vice President
Vivian Casals-Munoz, Council Member
Jose F. Caragol, Council Member
Katharine Cue-Fuente, Council Member
Paul B. Hernandez, Council Member
Lourdes Lozano, Council Member

CITY OFFICIALS

Marbelys Fatjo, City Clerk
Ines Beecher, Budget Director
Lorena E. Bravo, Esq., City Attorney
Javier Collazo, Finance Director**

FINANCIAL ADVISOR

Public Financial Management, Inc.
Coral Gables, Florida

BOND COUNSEL

Bryant Miller Olive P.A.
Miami, Florida

DISCLOSURE COUNSEL

Lewis, Longman & Walker, P.A.
Jacksonville, Florida

AUDITOR

Alberni Caballero & Fierman, LLP
Coral Gables, Florida

* On November 10, 2015, the City Council elected a new Council President and Council Vice President. As of November 24, 2015, Luis E. Gonzalez will be the Council President and Katharine Cue-Fuente will be the Council Vice-President.

** Mr. Collazo has submitted his resignation effective January 15, 2016.

OFFICIAL STATEMENT

relating to

CITY OF HIALEAH, FLORIDA

\$25,000,000
Taxable Special Obligation
Revenue Bonds
Series 2015A

\$21,145,000
Special Obligation
Refunding Revenue Bonds
Series 2015B

INTRODUCTION

General

This Official Statement, including the cover page and the appendices hereto, is furnished with respect to the sale of \$25,000,000 aggregate principal amount of Taxable Special Obligation Revenue Bonds, Series 2015A (the "Series 2015A Bonds") and \$21,145,000 aggregate principal amount of Special Obligation Refunding Revenue Bonds, Series 2015B (the "Series 2015B Bonds," and together with the Series 2015A Bonds, the "Series 2015 Bonds") issued by the City of Hialeah, Florida (the "City").

This introduction is not, and is not intended to be, a summary of this Official Statement. It is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2015 Bonds is made only by means of this Official Statement and is subject in all respects to the information contained herein.

The City

The City is located in Miami-Dade County, Florida. As of 2010, the United States Census Bureau stated that the City had a population of 224,669. The Census Bureau's estimate for the City's 2014 population was 235,563. It is the sixth-largest city in the state and is a major municipality in greater Miami. It is the tenth-largest city in the United States among cities with a population density of more than 10,000 people per square mile. There are approximately 19.7 square miles of land included within the corporate boundaries of the City.

The City was incorporated on September 10, 1925 and has operated under a strong mayor form of government since its inception. Policy making and legislative authority are vested in a governing body consisting of a seven member Council. The Council is responsible for, among other things, passing ordinances and adopting the budget. The Mayor is responsible for carrying out the policies and ordinances of the Council, overseeing the day-to-day operation of the City, and appointing heads of the various departments. Both the Mayor and Council are elected by the people of Hialeah and serve a four-year term. Elections are held every two years due to the fact that no more than four seats on the Council are subject to election at any one time. The City Clerk, the City Attorney, the Finance Director and the Director of the Office of Management and

Budget are all subject to the supervision of the Mayor. In a strong Mayor form of government, there is no city manager. For additional information concerning the City, see "CITY OF HIALEAH, FLORIDA" herein and "APPENDIX A —General Information Concerning the City of Hialeah" attached hereto.

Authority for and Purpose of Issuance

The Series 2015 Bonds are being issued pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida, including particularly Chapter 166, Florida Statutes, Chapter 159, Part VII, Florida Statutes, the municipal charter of the City (the "City Charter") and other applicable provisions of law (the "Act") and pursuant to Ordinance No. 2015-67 enacted by the Council on November 10, 2015, as amended or supplemented from time to time, and as particularly supplemented by Resolution No. 2015-148 adopted by the Council on November 10, 2015 (collectively, the "Bond Ordinance"). All terms used herein in capitalized form and not otherwise defined shall have the meanings ascribed thereto in the Bond Ordinance.

The Series 2015A Bonds are being issued to provide funds to (i) finance a portion of the annual required contribution for Fiscal Year 2015 and Fiscal Year 2016 with respect to the contributory defined benefit retirement plan known as the Employees' Retirement System ("ERS") sponsored and administered by the City that covers substantially all of the employees of the City; and (ii) pay a portion of the costs associated with the issuance of the Series 2015A Bonds, including the municipal bond insurance premium.

The Series 2015B Bonds are being issued to provide funds to (i) pay the outstanding amount of a loan pursuant to a loan agreement between the City and the Florida Municipal Loan Council ("FMLC") dated February 1, 2005 (the "Refunded Bonds") and such funds will be used by FMLC to refund all of that portion of the outstanding Florida Municipal Loan Council Revenue Bonds, Series 2005A, attributable to the City and for which the City is the obligor and (ii) pay a portion of the costs associated with the issuance of the Series 2015B Bonds, including the municipal bond insurance premium.

Security for the Series 2015 Bonds

The Series 2015 Bonds are payable from and secured by a lien upon and pledge of the Pledged Revenues. Pledged Revenues are defined in the Bond Ordinance as the Franchise Fee Revenues and any funds on deposit in any fund or account created under the Bond Ordinance. To the extent that the Pledged Revenues are not adequate to pay the Bond Service Requirements on the Series 2015 Bonds, the City has covenanted in the Bond Ordinance to budget and appropriate Non-Ad Valorem Revenues equal to the deficiency in any applicable Fiscal Year. See "SECURITY FOR THE SERIES 2015 BONDS."

THE SERIES 2015 BONDS SHALL NOT BE DEEMED TO CONSTITUTE GENERAL OBLIGATIONS OR A PLEDGE OF THE FAITH, CREDIT OR TAXING POWER OF THE CITY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, LEGISLATIVE OR CHARTER

PROVISION OR LIMITATION, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY A LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES, IN THE MANNER AND TO THE EXTENT PROVIDED IN THE BOND ORDINANCE. NEITHER THE STATE OF FLORIDA NOR ANY POLITICAL SUBDIVISION THEREOF, NOR THE CITY SHALL BE OBLIGATED (1) TO EXERCISE ITS AD VALOREM TAXING POWER OR ANY OTHER TAXING POWER IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY IN THE CITY TO PAY THE PRINCIPAL OF THE SERIES 2015 BONDS, THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO OR (2) TO PAY THE SAME FROM ANY OTHER FUNDS OF THE CITY, EXCEPT FROM THE PLEDGED REVENUES AND THE NON-AD VALOREM REVENUES IN THE MANNER PROVIDED HEREIN AND IN THE BOND ORDINANCE. IT IS FURTHER AGREED BETWEEN THE CITY AND THE REGISTERED OWNER OF THE SERIES 2015 BONDS THAT THE SERIES 2015 BONDS AND THE INDEBTEDNESS EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN ON ANY PROPERTY OF THE CITY BUT SHALL CONSTITUTE A LIEN ON THE PLEDGED REVENUES, IN THE MANNER PROVIDED IN THE BOND ORDINANCE.

Additional Bonds

Pursuant to the Bond Ordinance, the City may issue Additional Bonds in the future on parity with the Series 2015 Bonds subject to the conditions in the Bond Ordinance. See “SECURITY FOR THE SERIES 2015 BONDS – Additional Bonds.”

Bond Insurance

The scheduled payment of principal of and interest on the Series 2015 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2015 Bonds by AGM. See “BOND INSURANCE” herein and “APPENDIX G – Specimen Municipal Bond Insurance Policy” hereto.

Description of the Series 2015 Bonds

Denominations. The Series 2015 Bonds will be issued in denominations as described herein.

Redemption. Series 2015 Bonds are subject to optional and mandatory redemption prior to their stated dates of maturity as described herein.

Registration and Transfers. Transfer of ownership in the Series 2015 Bonds will be effected by The Depository Trust Company ("DTC") book-entry system as described herein. As long as Cede & Co. is the registered owner as nominee of DTC, principal and interest payments will be made directly to such registered owner which in turn is to remit such payments to the DTC Participants (as hereinafter defined) for subsequent disbursement to the Beneficial Owners (as hereinafter defined).

See “DESCRIPTION OF THE SERIES 2015 BONDS” for additional information.

Continuing Disclosure

The City has agreed and undertaken, for the benefit of Series 2015 Bondholders, to provide certain financial information and operating data relating to the City, the Pledged Revenues, the Non-Ad Valorem Revenues, the ERS and the Series 2015 Bonds to the Municipal Securities Rulemaking Board pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See “CONTINUING DISCLOSURE” herein and “APPENDIX F - Form of Continuing Disclosure Agreement.”

Other Obligations Payable from Non-Ad Valorem Revenues

The City has other debt obligations outstanding which are secured by and payable from specific non-ad valorem revenues, and debt obligations outstanding which are secured by a covenant to budget and appropriate from legally available Non-Ad Valorem Revenues. See “SECURITY FOR THE SERIES 2015 BONDS – Non-Ad Valorem Revenues” herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Bond Ordinance is attached hereto as Appendix D. Copies of other documents and information are available, upon request and upon payment to the City of a charge for copying, mailing and handling, from the City Clerk, 501 Palm Avenue, 3rd Floor, Hialeah, Florida 33010, telephone (305) 883-5820, or cityclerk@hialeahfl.gov.

For a complete description of the terms and conditions of the Series 2015 Bonds, reference is made to the Bond Ordinance, the form of which is included in "APPENDIX D -- The Bond Ordinance" attached hereto. The description of the Bond Ordinance, the Series 2015 Bonds and information from reports contained herein do not purport to be comprehensive or definitive.

SOURCES AND USES OF FUNDS

The proceeds received from the sale of the Series 2015 Bonds will be applied as follows:

| | 2015A Bonds | 2015B Bonds |
|-------------------------------|---------------------|---------------------|
| <u>SOURCES:</u> | | |
| Par Amount | \$25,000,000 | \$21,145,000 |
| Original Issue Premium | _____ | <u>2,843,265</u> |
| TOTAL SOURCES OF FUNDS | \$25,000,000 | \$23,988,265 |
| <u>USES:</u> | | |
| Deposit to Pension Plan | \$24,643,306 | \$ |
| Deposit to Escrow Account | | 23,670,902 |
| Underwriters' Discount | 70,992 | 62,358 |
| Costs of Issuance* | <u>285,702</u> | <u>255,005</u> |
| TOTAL USES OF FUNDS | \$25,000,000 | \$23,988,265 |

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* Includes counsel fees, registrar, paying agent and escrow holder fees, financial advisor fees, bond insurance premium, rating agency fees and printing costs.

DESCRIPTION OF THE SERIES 2015 BONDS

General

The Series 2015 Bonds are being issued in the aggregate principal amount, will be dated the date of their delivery, bear interest at the rates per annum and mature on December 1 in the years and principal amounts set forth on the cover page of this Official Statement. Interest on the Series 2015 Bonds is payable semi-annually on June 1 and December 1 of each year (each an "Interest Payment Date"), commencing June 1, 2016. Principal of, premium, if any, and interest on the Series 2015 Bonds will be payable in the manner described below under "Book-Entry Only System" herein.

Book-Entry Only System

THE FOLLOWING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT NEITHER THE CITY NOR THE UNDERWRITER TAKES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS THEREOF.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered Series 2015 Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 Bond certificate will be issued for each maturity of Series 2015 Bonds, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues; and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect

Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants." DTC has a Standard and Poor's Ratings Services ("S&P") rating of AA+. The DTC Rules applicable to its DTC Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within a series or maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity, to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City (or the Paying Agent on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments as applicable on the Series 2015 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE BENEFICIAL OWNERS, DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM DIRECT OR INDIRECT PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE SERIES 2015 BONDS FOR THE ACCURACY OF RECORDS OF DTC, CEDE & CO. OR ANY DIRECT OR INDIRECT PARTICIPANT WITH RESPECT TO THE SERIES 2015 BONDS OR THE PROVIDING OF NOTICE OR PAYMENT OF PRINCIPAL, OR ANY PREMIUM ON THE SERIES 2015 BONDS TO DIRECT OR INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS, OR THE SELECTION OF SERIES 2015 BONDS FOR REDEMPTION.

The City can give no assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2015 Bonds paid to DTC or its nominee, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve or act in a manner described in this Official Statement.

For every transfer and exchange of beneficial interests in the Series 2015 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

Discontinuance of Securities Depository

DTC may discontinue providing its services with respect to the Series 2015 Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry transfers through DTC at any time. In the event that the DTC book-entry only system is discontinued and it is not replaced with another book-entry system, the following provisions will apply: principal of the Series 2015 Bonds and redemption premium, if any, thereon will be payable in lawful money of the United States of America at the principal office of U.S. Bank National Association, Jacksonville, Florida as Paying Agent, (the "Paying Agent").

Interest on the Series 2015 Bonds will be payable on each June 1 and December 1 by check or draft mailed to the Registered Owners thereof at their addresses as they appear on the Bond Register at the close of business on the 15th day of the month (whether or not a business day) next preceding the Payment Date or in the case of a payment after default, a special record date, as provided in the Bond Ordinance or any ordinance or resolution supplemental thereto.

Registration, Transfer and Exchange

There shall be a Registrar for the Series 2015 Bonds, which may be the City or a designated bank or trust company located within or without the State of Florida. U.S. Bank National Association is the designated Registrar for the Series 2015 Bonds. The Registrar shall maintain the registration books of the City and be responsible for the transfer and exchange of the Series 2015 Bonds.

Each Series 2015 Bond shall be transferable only upon the Register of the City, at the office of the Registrar, under such reasonable regulations as the City may prescribe, by the Registered Owner thereof in person or by such Registered Owner's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Registered Owner or such Registered Owner's duly authorized attorney. Upon the transfer of any such Series 2015 Bond, the City shall issue, and cause to be authenticated, in the name of the transferee a new Series 2015 Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Series 2015 Bond. The City, the Registrar and any paying agent or fiduciary of the City may deem and treat the person in whose name any Series 2015 Bond shall be registered upon the books of the City as the absolute owner of such Series 2015 Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and interest on such Series 2015 Bond and for all other purposes, and all such payments so made to any such Registered Owner or upon such Registered Owner's order shall be valid and effectual to satisfy and discharge the liability upon such Series 2015 Bond to the extent of the sum or sums so paid and neither the City nor the Registrar nor any paying agent or other fiduciary of the City shall be affected by any notice to the contrary.

Upon surrender for transfer or exchange of any Series 2015 Bond, the City shall execute and the Registrar shall authenticate and deliver in the name of the Registered Owner or the transferee or transferees, as the case may be, a new fully registered Series 2015 Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the Registered Owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Bond Ordinance. The City or the Registrar may charge the owner of such Series 2015 Bond for every such transfer or exchange an amount sufficient to reimburse them for their reasonable fees and for any tax, fee, or other governmental charge required to be paid with respect to such transfer, and may require that such charge be paid before any such new Series 2015 Bond shall be delivered.

All Series 2015 Bonds presented for transfer, exchange, redemption or payment (if so required by the Registrar), shall be accompanied by a written instrument or instruments of transfer or

authorization for exchange, in form and with guaranty of signature satisfactory to the Registrar, duly executed by the registered holder or by his duly authorized attorney in fact or legal representative.

All Series 2015 Bonds delivered upon transfer or exchange shall bear interest from the preceding Payment Date so that neither gain nor loss in interest shall result from the transfer or exchange. New Series 2015 Bonds delivered upon any transfer or exchange shall be valid obligations of the City, evidencing the same debt as the Series 2015 Bond surrendered, shall be secured by the Bond Ordinance and shall be entitled to all of the security and the benefits to the same extent as the Series 2015 Bonds surrendered.

The City and the Registrar may treat the Registered Owner of any Series 2015 Bond as the absolute owner thereof for all purposes, whether or not such Series 2015 Bonds shall be overdue, and shall not be bound by any notice to the contrary.

Notwithstanding the foregoing provisions of this section, the city reserves the right, on or prior to the delivery of the Series 2015 Bonds to amend or modify the foregoing provisions relating to the registration of the Series 2015 Bonds by resolution or ordinance in order to comply with all applicable laws, rules, and regulations of the United States and/or the State of Florida relating thereto.

REDEMPTION PROVISIONS

Optional Redemption of Series 2015A Bonds. The Series 2015A Bonds maturing on or prior to December 1, 2025 shall not be subject to redemption at the option of the City prior to their stated dates of maturity. The Series 2015A Bonds maturing on or after December 1, 2026, may be redeemed prior to their stated dates of maturity, at the option of the City, from any moneys legally available therefor, in whole or in part at any time, on or after December 1, 2025, and, if in part, in such maturities as the City in its discretion shall select and by lot within a maturity if less than a full maturity, at par, plus accrued interest to the date of redemption, but without premium.

Mandatory Redemption of Series 2015A Bonds. The Series 2015A Bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption, prior to maturity, in part, by lot, on December 1, 2031 and on each December 1 thereafter, at a redemption price equal to the principal amount of such Series 2015A Bonds or portions thereof to be redeemed, plus interest accrued thereon to the date of redemption, on December 1 in the following years and in the following Amortization Installments:

| Year (December 1) | Amortization Installment |
|----------------------|--------------------------|
| 2031 | \$1,855,000 |
| 2032 | 1,955,000 |
| 2033 | 2,055,000 |
| 2034 | 2,165,000* |

*Maturity

Optional Redemption of Series 2015B Bonds. The Series 2015B Bonds maturing on or prior to December 1, 2025 shall not be subject to redemption at the option of the City prior to their stated dates of maturity. The Series 2015B Bonds maturing on or after December 1, 2026, may be redeemed prior to their stated dates of maturity, at the option of the City, from any moneys legally available therefor, in whole or in part at any time, on or after December 1, 2025, and, if in part, in such maturities as the City in its discretion shall select and by lot within a maturity if less than a full maturity, at par, plus accrued interest to the date of redemption, but without premium.

Notice and Effect of Redemption

Notice of redemption, identifying the Series 2015 Bonds or portions thereof called for redemption (i) shall be filed with the Paying Agent and any Registrar; and (ii) shall be mailed by the Registrar, first-class mail, postage prepaid, to all registered owners of the Series 2015 Bonds to be redeemed not more than thirty (30) days and not less than fifteen (15) days prior to the date fixed for redemption at their addresses as they appear on the registration books to be maintained in accordance with the provisions of the Bond Ordinance. Failure to give such notice by mailing to any owner of the Series 2015 Bonds, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Series 2015 Bonds.

If less than all of a Series of the Series 2015 Bonds of like maturity are called for redemption, the particular Series 2015 Bonds or portions thereof to be redeemed will be selected by lot by the Paying Agent and Registrar in such manner as the Paying Agent and Registrar deems fair and appropriate. The portion of any Series 2015 Bonds to be redeemed of a denomination of more than \$5,000 will be redeemed in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Series 2015 Bonds for redemption, the Paying Agent and Registrar will treat each such Series 2015 Bond as representing that number of Series 2015 Bonds in \$5,000 denominations which is obtained by dividing the principal amount of such Series 2015 Bonds to be redeemed in part by \$5,000.

Notice having been mailed and filed in the manner and under the conditions hereinabove provided, the Series 2015 Bonds or portions of the Series 2015 Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Series 2015 Bonds or portions of the Series 2015 Bonds on such date. On the date so designated for redemption, notice having been mailed and filed and moneys for payment of the redemption price being held in separate accounts in trust for the holders of the Series 2015 Bonds or portions thereof to be redeemed, all as provided in the Bond Ordinance, interest on the Series 2015 Bonds or portions of the Series 2015 Bonds so called for redemption shall cease to accrue, such Series 2015 Bonds and portions of the Series 2015 Bonds shall cease to be entitled to any lien, benefit or security under the Bond Ordinance, and the registered owners of such Series 2015 Bonds or portions of the Series 2015 Bonds, shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Upon surrender of any Series 2015 Bond for redemption in part only, the City shall issue and deliver to the holder thereof, the costs of which shall be paid by the holder, a new Series 2015

Bond or Series 2015 Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion surrendered.

In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent or a fiduciary institution acting as escrow agent no later than the redemption date or (2) the City retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this section. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the Finance Director delivers a written direction to the Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Series 2015 Bonds subject to Conditional Redemption where redemption has been rescinded shall remain outstanding, and neither the rescission nor the failure by the City to make such funds available shall constitute an Event of Default under the Bond Ordinance. The Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Series 2015 Bonds called for redemption and not so paid remain outstanding.

USES OF THE SERIES 2015 BONDS

The Series 2015A Bonds. The proceeds of the Series 2015A Bonds will be used by the City to finance a portion of the Fiscal Year 2015 and Fiscal Year 2016 annual required contribution with respect to the contributory defined benefit retirement plan known as the ERS sponsored and administered by the City that covers substantially all employees of the City and pay a portion of the costs associated with the issuance of the Series 2015A Bonds, including the municipal bond insurance premium. Such proceeds are expected to be expended on the date of issuance of the Series 2015A Bonds for such purposes.

The Series 2015B Bonds. The proceeds of the Series 2015B Bonds, together with certain moneys of the City, will be used by the City to pay the outstanding amount of a loan pursuant to a loan agreement between the City and FMLC dated February 1, 2005 and the funds will be used by FMLC to refund all of that portion of the outstanding Florida Municipal Loan Council Revenue Bonds, Series 2005A, attributable to the City and for which the City is the obligor and pay a portion of the costs associated with the issuance of the Series 2015B Bonds, including the municipal bond insurance premium.

FMLC, The Bank of New York Mellon Trust Company, N.A., as escrow holder (the "Escrow Holder"), and the City will enter into an Escrow Deposit Agreement (the "Escrow Agreement"), upon the deposit of the proceeds of the Series 2015B Bonds and certain other available funds of the City with the Escrow Holder. Upon such deposit, the City's loan will be legally defeased to the redemption date which will be 30 days from the date of the deposit.

DEBT SERVICE SCHEDULE

The following table sets forth the annual principal and interest requirements for the Series 2015 Bonds for each Fiscal Year ending September 30.

| <u>FY</u> <u>Ending</u> <u>9/30</u> | Series 2015A Bonds | | | Series 2015B Bonds | | | <u>Aggregate</u> <u>Series 2015</u> <u>Bonds Debt</u> <u>Service</u> |
|---|---------------------------|------------------|---------------------|---------------------------|------------------|---------------------|---|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2016 | \$ - | \$ 541,256.47 | \$ 541,256.47 | \$ - | \$ 499,733.19 | \$ 499,733.19 | \$ 1,040,989.66 |
| 2017 | - | 1,088,560.50 | 1,088,560.50 | 725,000 | 997,800.00 | 1,722,800.00 | 2,811,360.50 |
| 2018 | - | 1,088,560.50 | 1,088,560.50 | 740,000 | 979,450.00 | 1,719,450.00 | 2,808,010.50 |
| 2019 | - | 1,088,560.50 | 1,088,560.50 | 770,000 | 952,950.00 | 1,722,950.00 | 2,811,510.50 |
| 2020 | 1,145,000 | 1,073,349.18 | 2,218,349.18 | 795,000 | 921,650.00 | 1,716,650.00 | 3,934,999.18 |
| 2021 | 1,180,000 | 1,040,101.56 | 2,220,101.56 | 835,000 | 884,875.00 | 1,719,875.00 | 3,939,976.56 |
| 2022 | 1,220,000 | 1,001,001.96 | 2,221,001.96 | 875,000 | 842,125.00 | 1,717,125.00 | 3,938,126.96 |
| 2023 | 1,265,000 | 957,149.68 | 2,222,149.68 | 920,000 | 797,250.00 | 1,717,250.00 | 3,939,399.68 |
| 2024 | 1,310,000 | 909,595.15 | 2,219,595.15 | 970,000 | 750,000.00 | 1,720,000.00 | 3,939,595.15 |
| 2025 | 1,360,000 | 858,098.80 | 2,218,098.80 | 1,015,000 | 700,375.00 | 1,715,375.00 | 3,933,473.80 |
| 2026 | 1,415,000 | 802,848.68 | 2,217,848.68 | 1,070,000 | 648,250.00 | 1,718,250.00 | 3,936,098.68 |
| 2027 | 1,475,000 | 743,125.73 | 2,218,125.73 | 1,125,000 | 593,375.00 | 1,718,375.00 | 3,936,500.73 |
| 2028 | 1,540,000 | 678,188.40 | 2,218,188.40 | 1,185,000 | 535,625.00 | 1,720,625.00 | 3,938,813.40 |
| 2029 | 1,610,000 | 608,382.65 | 2,218,382.65 | 1,240,000 | 475,000.00 | 1,715,000.00 | 3,933,382.65 |
| 2030 | 1,685,000 | 533,715.68 | 2,218,715.68 | 1,300,000 | 411,500.00 | 1,711,500.00 | 3,930,215.68 |
| 2031 | 1,765,000 | 453,810.93 | 2,218,810.93 | 1,365,000 | 344,875.00 | 1,709,875.00 | 3,928,685.93 |
| 2032 | 1,855,000 | 364,855.43 | 2,219,855.43 | 1,440,000 | 274,750.00 | 1,714,750.00 | 3,934,605.43 |
| 2033 | 1,955,000 | 266,995.58 | 2,221,995.58 | 1,515,000 | 200,875.00 | 1,715,875.00 | 3,937,870.58 |
| 2034 | 2,055,000 | 163,998.73 | 2,218,998.73 | 1,590,000 | 123,250.00 | 1,713,250.00 | 3,932,248.73 |
| 2035 | <u>2,165,000</u> | <u>55,608.03</u> | <u>2,220,608.03</u> | <u>1,670,000</u> | <u>41,750.00</u> | <u>1,711,750.00</u> | <u>3,932,358.03</u> |
| Total | \$25,000,000 | \$14,317,764.14 | \$39,317,764.14 | \$21,145,000 | \$11,975,458.19 | \$33,120,458.19 | \$72,438,222.33 |

SECURITY FOR THE SERIES 2015 BONDS

The Series 2015 Bonds are payable from and secured by a lien on and pledge of the Pledged Revenues. Pledged Revenues are defined in the Bond Ordinance to mean the Franchise Fee Revenues and any funds on deposit in any fund or account created under the Bond Ordinance. See "APPENDIX D – The Bond Ordinance".

To the extent that the Pledged Revenues are not adequate to pay the Bond Service Requirement, and all other payments required under the Bond Ordinance, the City covenants and agrees to budget and appropriate and deposit Non-Ad Valorem Revenues of the City in an amount which is equal to the deficiency in the Sinking Fund for the applicable Fiscal Year to the credit of the Sinking Fund. Such covenant and agreement on the part of the City to budget and appropriate sufficient amounts of Non-Ad Valorem Revenues shall be cumulative, and shall continue until such Non-Ad Valorem Revenues in amounts sufficient to make up all deficiencies with respect to the required payments as and when due, including any delinquent payments, shall have been budgeted, appropriated and actually paid into the Sinking Fund.

Until such monies are budgeted, appropriated and deposited as provided in the Bond Ordinance, such covenant to budget and appropriate does not create any lien upon or pledge of such Non-Ad

Valorem Revenues, nor does it preclude the City from pledging in the future its Non-Ad Valorem Revenues, nor does it require the City to levy and collect any particular Non-Ad Valorem Revenues (except the Pledged Revenues), nor does it give the Bondholders a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the City. Nothing in the Bond Ordinance shall be deemed a pledge of ad valorem revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the City and no Bondholder or any other person, the Bond Insurer or the Paying Agent, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the City. The obligations of the City under the Bond Ordinance do not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision or limitation, and neither the Paying Agent, the Bond Insurer or the Bondholders or any other person shall have the right to compel the exercise of the ad valorem taxing power of the City or taxation of any real or personal property therein for the payment by the City of its obligations under the Bond Ordinance. Except to the extent expressly set forth in the Bond Ordinance, the Bond Ordinance and the obligations of the City shall not be construed as a limitation on the ability of the City to pledge or covenant to pledge said Non-Ad Valorem Revenues or any revenues or taxes of the City for other legally permissible purposes. Notwithstanding any provisions of the Bond Ordinance to the contrary, the City shall never be obligated to maintain or continue any of the activities of the City which generate user service charges, regulatory fees or any Non-Ad Valorem Revenues or the rates for such services or regulatory fees. Neither the Bond Ordinance nor the obligations of the City thereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues, but shall be payable solely as provided in the Bond Ordinance and are subject in all respects to the provisions of Section 166.241, Florida Statutes, and are subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the City. The amounts available to be budgeted and appropriated from Non-Ad Valorem Revenues to make debt service payments hereunder are subject to the obligation of the City to provide essential services.

Funds And Accounts

The Bond Ordinance creates the Revenue Fund, the Sinking Fund and the accounts therein, the Bond Service Account, the Bond Amortization Account and the Reserve Account (a subaccount in the Reserve Account may be created for each Series of Bonds). No subaccount has been established in the Reserve Fund for the Series 2015 Bonds because the Reserve Requirement for the Series 2015 Bonds is zero.

The Sinking Fund and all accounts and subaccounts therein and any accounts created therein in the Bond Ordinance constitute trust funds for the purposes of the Bond Ordinance, shall be delivered to and held by the Finance Director (or an authorized depository designated by the Finance Director), in each case who shall act as trustee of such funds for the purposes of the Bond Ordinance, and shall at all times be kept separate and distinct from all other funds of the City and used only as provided in the Bond Ordinance. Moneys held in the Sinking Fund and the accounts and subaccounts therein shall be subject to a lien and charge in favor of the holders and registered owners of the Bonds as provided in the Bond Ordinance.

The designation and establishment of the various funds and accounts in and by the Bond Ordinance shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the City for certain purposes and to establish certain priorities for application of such revenues and assets.

Flow of Funds

Until all principal of and interest on the Bonds shall have been paid or provided for, the City in the Bond Ordinance covenants with the Bondholders as follows:

A. REVENUE FUND. The Pledged Revenues shall, upon receipt thereof by the City, be deposited in the Revenue Fund together with any Non-Ad Valorem Revenues, if necessary. Such Revenue Fund shall constitute a trust fund for the purposes provided in the Bond Ordinance, and shall be kept separate and distinct from all other funds of the City and used only for the purposes and in the manner provided in the Bond Ordinance.

B. DISPOSITION OF REVENUES. All Revenues at any time on deposit in the Revenue Fund shall be disposed of on or before the twentieth day of each month, only in the following manner and in the following order of priority:

(1) Revenues shall be applied and allocated to the Bond Service Account in the Sinking Fund, in such sums as will be sufficient to pay (a) one-sixth (1/6) of all interest becoming due on the Bonds on the next semi-annual interest Payment Date; (b) one-twelfth (1/12) of all principal or Accreted Value maturing annually on the Serial Bonds on the next maturity date and (c) an amount sufficient to pay the fees and charges of the paying agents. Such deposits shall be increased or may be decreased as necessary to ensure that sufficient money will be on deposit on each interest and principal Payment Date to pay the then maturing interest on and principal of the Bonds and any applicable fees and charges. The money in the Bond Service Account shall be used solely to pay such interest, principal, any fees and charges as and when the same shall become due.

(2) There shall be applied and allocated to a Bond Amortization Account in the Sinking Fund during each Bond Year, on a parity with the payments required in paragraph (1) above, an amount equal to one-twelfth (1/12) of the Amortization Installment or Accreted Value on a Capital Appreciation Term Bond, if any, becoming due and payable on the next Payment Date, less any amount then on deposit in such Bond Amortization Account and available for such one-twelfth portion of the payment of the next ensuing Amortization Installment. Such payments shall be credited to a separate special account for each Series of Term Bonds outstanding, and if there shall be more than one stated maturity for Term Bonds of a Series then into a separate special account in the Bond Amortization Account for each such separate maturity of Term Bonds. The funds and investments in each separate account shall be pledged solely to the payment of principal of the Term Bonds of the Series or maturity within a Series for which it is established and shall not be available for payment, purchase or redemption of Term Bonds of any

other Series or within a Series, or for transfer to the Bond Service Account in the Sinking Fund to make up any deficiencies in required payments therein.

Upon the sale of any Series of Term Bonds, the City shall, by resolution or ordinance, establish the amounts and maturities of such Amortization Installments for each Series and if there shall be more than one maturity of Term Bonds within a Series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested in the manner provided below, then the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the cumulative amounts of the principal amount of investments required to have been purchased by the payment date of such Amortization Installment.

Moneys in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the Series or maturity of Term Bonds within a Series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution or ordinance establishing the Amortization Installments for any Series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence.

(3) Revenues shall next be applied and allocated to the Reserve Account, if any, created and established in the Sinking Fund, to maintain an amount equal to the Reserve Requirement.

Moneys in the Reserve Account shall be used only for the purpose of the payment of maturing principal of, Accreted Value or interest on the Bonds, or maturing Amortization Installments, when the other moneys allocated to the Sinking Fund are insufficient therefor, and for no other purpose. However, whenever the moneys applied and allocated to the Reserve Account exceed the principal, interest and redemption premium, if any, on all then outstanding Bonds becoming due in the current or any ensuing Fiscal Year, or exceed the amount required to be on deposit pursuant to the first paragraph of this subsection (3), such excess may be withdrawn and applied and allocated into the Revenue Fund or the Sinking Fund.

Notwithstanding anything in the Bond Ordinance to the contrary, the City may establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Bondholders of such Bonds shall not be secured by any other moneys in the Reserve Account or any other subaccount therein. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Requirement applicable to such Series of Bonds secured by the subaccount; provided the supplemental resolution authorizing such Series of Bonds may establish the Reserve Requirement relating to such separate subaccount of the Reserve Account at such level as the City deems appropriate. Moneys shall be deposited in the separate subaccounts in the Reserve Account on a pro-rata basis.

(4) Upon the issuance of any Additional Bonds under the terms, limitations and conditions as provided herein, the applications and allocations into the Reserve Account and the Sinking Fund

shall be increased in such amounts as are necessary to make the payments required above for the principal of and interest on such Additional Bonds, all on the same basis as provided in the Bond Ordinance.

The City shall not be required to make any further applications or allocations to the Sinking Fund or the Reserve Account when the aggregate sums applied and allocated thereto are and remain at least equal to the amounts required pursuant to subsections (1) - (4) above.

Notwithstanding the foregoing provisions, in lieu of the required deposits of Pledged Revenues into the respective subaccount in the Reserve Account for a Series of Bonds, the City may cause to be deposited into the respective subaccount in the Reserve Account a Reserve Product issued by a reputable and recognized Reserve Product Provider for the benefit of the Bondholders of such Series in an amount equal to the difference between the amount required and the sums then on deposit in the respective subaccount in the Reserve Account, if any, which Reserve Product shall be payable (upon the giving of notice as required thereunder) on any interest payment date on which a deficiency exists which cannot be cured by funds in any other account held pursuant to the Bond Ordinance and available for such purpose. If a disbursement is made from a Reserve Product, the City shall be obligated to either reinstate the maximum limits of such surety bond or insurance policy immediately following such disbursement or to apply and allocate into the Reserve Account funds in the amount of the disbursement made under such policy, or a combination of such alternatives.

(5) The balance of any moneys remaining in the Revenue Fund after the above required applications and allocations have been made may be used by the City for any other lawful purpose.

Franchise Fee Revenues and Pro Forma Coverage

Franchise Fee Revenues are defined in the Bond Ordinance to mean the franchise fees levied and collected by the City, pursuant to Ordinance No. 07-55, enacted by the City Council on June 12, 2007 (the "Electric Franchise Ordinance"), granting to Florida Power & Light Company ("FPL") the franchise to supply electricity and other electric related services in the City.

The following is a record of the Franchise Fee Revenues collected by the City for the last six fiscal years and pro forma debt service coverage from such Franchise Fee Revenues if the Series 2015 Bonds had been outstanding during that period.

| <u>Fiscal Year</u> | <u>Franchise Fee Revenues⁽¹⁾</u> | <u>Maximum Bond Service Requirement⁽²⁾</u> | <u>Pro Forma Coverage</u> |
|--------------------|---|---|---------------------------|
| 2010 | \$ 9,957,417 | \$3,939,977 | 2.53x |
| 2011 | 10,104,878 | 3,939,977 | 2.56x |
| 2012 | 9,972,894 | 3,939,977 | 2.53x |
| 2013 | 9,828,418 | 3,939,977 | 2.49x |
| 2014 | 10,627,308 | 3,939,977 | 2.70x |
| 2015 (unaudited) | 11,021,000 | 3,939,977 | 2.80x |

⁽¹⁾ Source: City of Hialeah Finance Department. Includes only those franchise fee revenues attributable to the Electric Franchise Ordinance and pledged to the Series 2015 Bonds.

⁽²⁾ Maximum Bond Service Requirement assumes that the Series 2015 Bonds were outstanding in Fiscal Years 2010 through 2015.

Florida Power and Light Franchise

FPL. FPL is a subsidiary of NextEra Energy, Inc., which is based in Juno Beach, Florida. For more information regarding FPL and NextEra Energy, Inc., go to www.fpl.com and www.investor.nextenergy.com.

The Electric Franchise Ordinance. The term of the Electric Franchise Ordinance is for the period of 30 years from the effective date of the Electric Franchise Ordinance and terminating on June 15, 2037.

Pursuant to such Electric Franchise Ordinance, the City has granted to FPL the nonexclusive right, privilege and franchise to construct, operate and maintain in, under, upon, along, over and across the present and future roads, streets, alleys, bridges, easements, rights-of-way and other public places (hereinafter called "public rights-of-way") throughout all of the incorporated areas, as such incorporated areas may be constituted from time to time, of the City in accordance with FPL's customary practice with respect to construction and maintenance, electric light and power facilities, including, without limitation, conduits, poles, wires, transmission and distribution lines, and all other facilities installed in conjunction with or ancillary to all of FPL's operations (hereinafter called "facilities"), for the purpose of supplying electricity and other electric-related services to the City and its successors, the inhabitants thereof, and persons beyond the limits thereof (the "FPL Franchise").

FPL Franchise Fees. As a consideration for the FPL Franchise, FPL is required to pay to the City, commencing 90 days after the effective date of the FPL Franchise, and each month thereafter for the remainder of the term of the FPL Franchise, an amount which added to the amount of all licenses, excises, fees, charges and other impositions of any kind whatsoever (except ad valorem property taxes and non-ad valorem tax assessments on property) levied or imposed by the City against FPL's property, business or operations and those of its subsidiaries during FPL's monthly billing period ending 60 days prior to each such payment will equal 5.9 percent of FPL's billed revenues, less actual write-offs, from the sale of electrical energy to residential, commercial and industrial customers (as such customers are

defined by FPL's tariff) within the incorporated areas of the City for the monthly billing period ending 60 days prior to each such payment, and in no event shall payment for the rights and privileges granted in the FPL Franchise exceed 5.9 percent of such revenues for any monthly billing period of FPL. The FPL Franchise provides that the City understands and agrees that such revenues as described in the preceding paragraph are limited, as in the prior franchise to FPL Hialeah, Fla., Ordinance. 81-41 (Apr. 28, 1981) (the "Prior FPL Franchise"), to the precise revenues described therein, and that such revenues do not include, by way of example and not limitation: (a) revenues from the sale of electrical energy for Public Street and Highway Lighting (service for lighting public ways and areas); (b) revenues from Other Sales to Public Authorities (service with eligibility restricted to governmental entities); (c) revenues from Sales to Railroads and Railways (service supplied for propulsion of electric transit vehicles); (d) revenues from Sales for Resale (service to other utilities for resale purposes); (e) franchise fees; (f) Late Payment Charges; (g) Field Collection Charges; (h) other service charges.

Right of FPL to Terminate Franchise. Pursuant to the Electric Franchise Ordinance, if the City grants a right, privilege or franchise to any other person or otherwise enables any other such person to construct, operate or maintain electric light and power facilities within any part of the incorporated areas of the City in which FPL may lawfully serve or compete on terms and conditions which FPL reasonably determines are more favorable than the terms and conditions contained in the Electric Franchise Ordinances, FPL may at any time thereafter terminate the FPL Franchise if such terms and conditions are not remedied within the time period provided hereafter. FPL shall give the City at least 60 days advance written notice of its intent to terminate. Such notice shall, without prejudice to any of the rights reserved for FPL in the Electric Franchise Ordinance, advise the City of such terms and conditions that it considers more favorable and the objective basis or bases of the competitive disadvantage. The City shall then have 60 days in which to correct or otherwise remedy the terms and conditions complained of by FPL. If FPL determines that such terms or conditions are not remedied by the City within said time period, FPL may terminate the FPL Franchise by delivering written notice to the City's Clerk and termination shall be effective on the date of delivery of such notice.

If as a direct or indirect consequence of any legislative, regulatory or other action by the United States of America or the State of Florida (or any department, agency, authority, instrumentality or political subdivision of either of them) any person is permitted to provide electric service within the incorporated areas of the City to a customer then being served by FPL, or to any new applicant for electric service within any part of the incorporated areas of the City in which FPL may lawfully serve, and FPL reasonably determines that its obligations under the FPL Franchise, or otherwise resulting from the FPL Franchise in respect to rates and service, place it at a competitive disadvantage with respect to such other person, FPL may, at any time after the taking of such action, terminate the FPL Franchise if such competitive disadvantage is not remedied within the time period provided hereafter. FPL shall give the City at least 90 days advance written notice of its intent to terminate. Such notice shall, without prejudice to any of the rights reserved for FPL in the Electric

Franchise Ordinance, advise the City of the consequences of such action which resulted in the competitive disadvantage and the objective basis or bases of the competitive disadvantage. The City shall then have 90 days in which to correct or otherwise remedy the competitive disadvantage. If such competitive disadvantage is not remedied by the City within said time period, FPL may terminate the FPL Franchise by delivering written notice to the City's Clerk and termination shall take effect on the date of delivery of such notice.

Right of FPL to Withhold Payments. Failure on the part of the City to comply in substantial respect with any of the provisions of the Electric Franchise Ordinance, including but not limited to: (a) denying FPL use of public rights-of-way for reasons other than unreasonable interference with motor vehicular traffic; (b) imposing conditions for use of public rights-of-way contrary to Florida law or the terms and conditions of the Electric Franchise Ordinance; (c) unreasonable delay making a determination issuing FPL a use permit, if any, to construct its facilities in public rights-of-way, shall constitute breach of the Electric Franchise Ordinance and entitle FPL to withhold all or part of the payments provided for in the Electric Franchise Ordinance until such time as a determination is made on the issuance of a use permit or a court of competent jurisdiction has reached a final determination in the matter. FPL shall not withhold all or part of the payments provided for in the Electric Franchise Ordinance for the denial by the City to grant a permit to FPL provided the City has not engaged in unreasonable delay in making its determination. The City recognizes and agrees that nothing in the Electric Franchise Ordinance constitutes or shall be deemed to constitute a waiver of FPL's delegated sovereign right of condemnation and that FPL, in its sole discretion, may exercise such right.

Additional Bonds

Additional Bonds, payable on a parity from the Pledged Revenues with the Series 2015 Bonds and any Additional Bonds then outstanding issued pursuant to the Bond Ordinance, shall be issued only upon the conditions as set forth below:

The City shall prepare prior to the issuance of such Additional Bonds and keep on file a certificate: (a) stating that the financial statements of the City have been audited by an independent certified public accountant; (b) setting forth the amount of Franchise Fee Revenues received by the City for the most recent full Fiscal Year for which an audit has been prepared; (c) stating that the Franchise Fee Revenues for such Fiscal Year equal at least 2.00 times the Maximum Bond Service Requirement on (i) all outstanding Series 2015 Bonds and all Additional Bonds, if any, then outstanding and (ii) the Additional Bonds with respect to which such certificate is made.

Each ordinance or resolution authorizing the issuance of Additional Bonds must recite that all of the covenants contained in the Bond Ordinance will be applicable to such Additional Bonds.

The City must not be in default in performing any of the covenants and obligations contained in the Bond Ordinance, and all payments therein required to have been made into the accounts and funds, as provided in the Bond Ordinance, shall have been made to the full extent required.

Non-Ad Valorem Revenues

In addition to the Franchise Fee Revenues, the City collects other non-ad valorem revenues, a number of which are described below. The term "Non-Ad Valorem Revenues" does not include all non-ad valorem revenues of the City, but instead includes only those revenues, other than revenues generated from ad valorem taxation on real or personal property, and which are legally available to make the payments required under the Bond Ordinance, which analysis is based upon the uses financed with the proceeds of the Series 2015 Bonds. The following is a description of the primary sources of Non-Ad Valorem Revenues.

Utility Tax. The Utility Tax, also known as the Public Service Tax, is levied and collected pursuant to Section 166.231, Florida Statutes, and Chapter 86, Sections 86-86 through 86-93 of the City's Code of Ordinances, as amended. The tax is levied, with certain exceptions, on each and every purchase of electricity, metered or bottled gas (natural, liquefied, petroleum gas or manufactured), fuel oil and water service, within the corporate limits of the City, in the amount of 10% of the amount charged for the utility service or commodity, which tax shall be paid by the purchaser to the seller for the use of the City at the time of paying the charge therefor, but not less often than monthly. The tax may not be applied against any fuel adjustment charge that represents an increase in the cost of utility services to the ultimate customer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973.

Certain purchases are exempt from the Utility Tax including, but not limited to, purchases by the United States, the state, counties, school districts, municipalities and certain other public bodies, purchases of special fuels to be used in internal combustion engines or motors to propel a vehicle, fuel oil for aircraft and in manufacturing or to be used as a cleaning agent or solvent and purchases by a recognized church used exclusively for church purposes.

Half-Cent Sales Tax. Pursuant to Chapter 218, Florida Statutes, the State of Florida levies and collects a sales tax of 6% on, among other things, the sales price of each item or article of tangible personal property sold at retail in the State of Florida, subject to certain exceptions and dealer allowances. Chapter 218, Florida Statutes, was amended in 1982 to add part VI thereto entitled "Participation in Half-Cent Sales Tax Proceeds" (hereinafter referred to as the "Local Government Sales Tax Act"). Of the proceeds remitted by a sales tax dealer located within a county, after providing for certain transfers to the State's general fund, 8.8854% is required to be transferred into the Local Government Half-Cent Sales Tax Clearing Trust Fund in the State Treasury (the "Trust Fund") and earmarked for distribution to the governing body of that county which meets the eligibility requirements in Section 218.23, Florida Statutes, pursuant to a distribution formula described below. Such money is referred to in the Local Government Sales Tax Act as the "Local Government Half-Cent Sales Tax." Money in the Trust Fund is distributed on a monthly basis to participating cities and counties. Section 218.64, Florida Statutes, permits the cities and counties to pledge their share of the proceeds of the Local Government Half-Cent Sales Tax for the payment of principal of and interest on the financing for any capital project and therefore, these revenues would not be legally available for payment of debt service on the Series 2015A Bonds.

The Local Government Half-Cent Sales Tax is collected within a county and distributed to each eligible city in accordance with the following formula as set forth in Section 218.62, Florida Statutes:

$$\begin{array}{l}
 \text{County's share (percentage of total Local} \\
 \text{Government Half-cent Sales Tax earmarked} \\
 \text{for distribution within the County)} \\
 \\
 \\
 \text{Municipality's share (percentage of total Local} \\
 \text{Government Half-cent Sales Tax earmarked} \\
 \text{for distribution within the County)}
 \end{array}
 =
 \begin{array}{l}
 \text{unincorporated} \\
 \text{area population} \\
 \\
 \text{total county} \\
 \text{population} \\
 \\
 \text{population of municipality} \\
 \text{total county} \\
 \text{population}
 \end{array}
 +
 \begin{array}{l}
 \text{2/3 of the} \\
 \text{incorporated area} \\
 \text{population} \\
 \\
 \text{2/3 of the} \\
 \text{incorporated} \\
 \text{area population} \\
 \\
 \text{2/3 of the incorporated} \\
 \text{area population}
 \end{array}$$

The population figures are changed by the State Department of Revenue, effective retroactively to October 1 of each year based on revisions to population estimates prepared by the University of Florida Bureau of Economic and Business Research.

The City has complied with all of the requirements for participation in the Local Government Half-Cent Sales Tax proceeds as set forth in the Local Government Sales Tax Act, as well as the requirement for state revenue sharing incorporated therein, including the filing of a certificate of compliance with the State Department of Revenue, which is necessary in order for the City to receive its distribution of funds from the Trust Fund during the current fiscal year. Although the Local Government Sales Tax Act does not impose any limitation on the number of years during which the City can receive distributions of the Local Government Half-Cent Sales Tax from the Trust Fund, there may be future amendments to the Local Government Sales Tax Act in subsequent years imposing additional requirements of eligibility for cities and counties to receive distribution of the Local Government Half-Cent Sales Tax, or the distribution formula in Section 218.62, Florida Statutes, may be revised. To continue to be eligible to participate in the distribution of money from the Trust Fund in future years, the City must comply with the requirements of the Local Government Sales Tax Act. Otherwise, the City would lose its Trust Fund distributions for 12 months following a "determination of non-compliance" by the State Department of Revenue.

The amount of Half-Cent Sales Tax received by the City is subject to increase or decrease due to (i) increases or decreases in the dollar volume of taxable sales within the City, (ii) legislative changes relating to the overall sales tax, which may include changes in the scope of taxable sales, changes in the tax rate and changes in the amount of sales tax revenue deposited into the Half-Cent Sales Tax Trust Fund, (iii) changes in the relative population of the City, which affect the percentage of Local Government Half-Cent Sales Tax received by the City, and (iv) other factors which may be beyond the control of the City, including but not limited to the potential for increased use of electronic commerce and other internet-related sales activity that could have a material adverse impact upon the amount of sales tax collected by the State and then distributed to the City.

Communication Service Tax. The Florida Legislature, during the 2000 Regular Session passed the "Communication Service Tax", which created Chapter 202, Florida Statutes. This replaced the telecommunication and cable franchise taxes. The City adopted Ordinance No. 2001-47 on June 15, 2001, and codified at Chapter 86, Sections 86-200 through 86-215 of the City's Code of Ordinances, which established the rate for collection.

State Revenue Sharing Funds. Pursuant to Section 218.215(1), Florida Statutes, the State has created the Revenue Sharing Trust Fund for Municipalities. Each municipality receives a minimum entitlement from the Revenue Sharing Trust Fund for Municipalities. The "minimum entitlement" is the amount of revenue, certified by each municipality and determined by DOR, that must be shared with such municipality such that the municipality will receive the amount of revenue necessary to meet its obligations as a result of pledges or assignments or trusts entered into which obligated funds received from revenue sources or proceeds to be distributed out of the Revenue Sharing Trust Fund for Municipalities pursuant to the Florida Revenue Sharing Act of 1972, Part II of Chapter 218, Florida Statutes, as amended.

After giving effect to the minimum entitlements for each city, moneys in the Revenue Sharing Trust Fund for Municipalities are apportioned among eligible counties based on an apportionment factor composed of three equally weighted portions: (i) each eligible city's percentage of the total population of all eligible cities in the State (with such population being weighted as required by applicable law); (ii) the proportion of sales tax collected within a given city to the total sales tax collected within all the eligible cities in the State (the sales tax collected within a given city is derived by allocating the amount of sales tax collections for the county in which the city is located to each city in the county on the basis of the proportion of each city's population to the total population of the county; and (iii) additional criteria relating to the relative ability of the given city to raise revenue, based upon the population of the given city and its assessed property values. These factors are also used to determine the amount of revenue sharing funds that will be shared with the cities in each State fiscal year.

In order to be eligible to receive moneys apportioned from the Revenue Sharing Trust Fund for Municipalities after giving effect to the minimum entitlement, each year the City must meet certain requirements set forth in Section 218.23, Florida Statutes, as amended. The City is in compliance with such requirements.

The sales and use tax provides the majority of the receipts for the guaranteed entitlement from the Revenue Sharing Trust Fund for Municipalities. For the State's 2015 fiscal year, approximately 75.14% of the deposits of the Revenue Sharing Trust Fund for Municipalities were from sales and use tax, approximately 24.86% were from the municipal fuel tax. The portion of the guaranteed entitlement received by the City from the municipal fuel tax may only be used to pay debt service allocable to transportation facilities and therefore is not available for payment of debt service on the Series 2015A Bonds.

Local Business Tax. The City is authorized to levy and collect local business taxes (formerly called occupational license taxes) for the privilege of engaging in or managing any business, profession or occupation within the jurisdiction of the City pursuant to Section 205.042, Florida

Statutes, under the provisions of Chapter 86, Sections 86-26 through 86-57 of the City's Code of Ordinances, as amended. Section 205.043, Florida Statutes, outlines the conditions for imposing a tax which include, but are not limited to, a tax based upon reasonable classifications, be uniform throughout any loss of business or occupation, be for one year to coincide with the City's fiscal year and may be transferable under certain conditions.

Each person engaged in a business, occupation or profession within the City is required to obtain an occupational license on an annual basis prior to September 30 of each year. After September 30, any unpaid license is delinquent and a delinquency penalty accrues, commencing October 1. The penalty is 10% of the applicable fee for any delinquent payment made in October and 5% per month thereafter, up to a maximum penalty of 25% of the initial fee.

Fines and Forfeitures. Section 316.660, Florida Statutes, generally provides that, except as otherwise might be provided in such section, all fines and forfeitures received by any county court from violations of the provisions of said chapter, or from violation of any ordinances, pertaining to matter covered by said chapter, that are committed within a municipality, shall be paid monthly to that municipality. Furthermore, said section goes on to state that it is the intent of the Legislature that such fines and forfeitures shall be paid monthly to that municipality in addition to any other fines and forfeitures received by a county court that are required to be paid to that municipality as may otherwise have been provided by law. Likewise, Section 318.21, Florida Statutes, relating to disposition of traffic infractions, requires that all civil penalties and forfeitures received by a county court pursuant to provisions of said chapter shall be distributed and paid monthly to the municipalities and counties, respectively, in the same manner upon the same basis, and upon the same terms and conditions that fines and forfeitures are distributed and paid to municipalities and counties under the provisions of Section 316.660, Florida Statutes.

Water and Wastewater Payment. Pursuant to Ordinance No. 2013-82, as amended by Ordinance No. 2015-68, the City adopted a water and wastewater payment in lieu of franchise fee applicable to all sales of water and wastewater service by the City equal to between 7.5 percent and 10 percent of the bi-monthly rates, fees, and charges (including base facility and consumption rates) from the sale of water and wastewater service to customers of the City's water and wastewater system. The City's water and wastewater utility is required to budget and transfer to the City's General Fund this payment in lieu of franchise fee on a monthly basis. The water and wastewater payments are not part of the Franchise Fee Revenues pledged to the Series 2015 Bonds.

Other Non-Ad Valorem Revenues and Charges. This is a broad category that includes a wide variety of Non-Ad Valorem Revenues, including but not limited to regulatory fees, fees for services including police, library, education and community services and parks and recreation activities and events, site rental fees, fuel tax refunds, transfers from other governmental units, interest earnings and other miscellaneous revenues.

CITY OF HIALEAH, FLORIDA

HISTORICAL GENERAL FUND NON-AD VALOREM REVENUES

FISCAL YEAR ENDED SEPTEMBER 30, 2011 THROUGH 2015

| <u>Revenues</u> | <u>FY 2011</u> | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>(Unaudited) FY 2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|--------------------------------|
| General Fund Non-Ad Valorem Taxes | | | | | |
| Utility Taxes - Electricity | \$ 10,993,230 | \$ 11,491,228 | \$ 12,254,172 | \$ 13,440,089 | \$ 13,505,114 |
| Communications Services Taxes | 8,807,237 | 7,971,748 | 7,084,188 | 6,163,911 | 5,831,491 |
| Utility Taxes - Water & Sewer | 1,962,013 | 2,232,511 | 2,076,221 | 2,426,059 | 2,284,011 |
| Utility Taxes - Gas | 449,879 | 485,887 | 494,960 | 457,339 | 434,567 |
| Franchise Fees - Electricity (1) | 10,104,878 | 9,972,894 | 9,828,418 | 10,627,308 | 11,021,000 |
| Franchise Fees - Gas | 284,395 | 353,727 | 314,808 | 331,182 | 286,750 |
| Franchise Fees - Water & Sewer (2) | - | - | - | 4,271,702 | 5,326,663 |
| Franchise Fees - Bus Bench | 110,881 | 151,760 | 134,738 | 140,590 | 130,148 |
| <u>Total General Fund Non-Ad Valorem Taxes</u> | <u>32,712,513</u> | <u>32,659,755</u> | <u>32,187,505</u> | <u>37,858,180</u> | <u>38,819,744</u> |
| Licenses and Permits | | | | | |
| Business Tax Licenses | 4,446,579 | 4,400,029 | 3,976,835 | 4,492,486 | 4,291,111 |
| Building Permits (3) | 2,467,725 | - | - | - | - |
| Planning and Zoning | 137,337 | 241,422 | 247,344 | 360,718 | 409,670 |
| <u>Total Licenses and Permits</u> | <u>7,051,641</u> | <u>4,641,451</u> | <u>4,224,179</u> | <u>4,853,204</u> | <u>4,700,781</u> |
| Intergovernmental Revenues | | | | | |
| Half Cent Sales Tax | 14,057,818 | 14,614,902 | 15,582,457 | 16,355,645 | 17,869,924 |
| State Revenue Sharing | 7,295,957 | 6,968,429 | 7,907,098 | 8,527,350 | 9,392,611 |
| Other | 168,127 | 292,482 | 944,209 | 211,322 | 200,000 |
| <u>Total Intergovernmental Revenues</u> | <u>21,521,902</u> | <u>21,875,813</u> | <u>24,433,764</u> | <u>25,094,317</u> | <u>27,462,535</u> |
| Government Grant and Other Revenues | | | | | |
| Fines and Forfeitures | 1,300,881 | 1,512,411 | 1,197,481 | 1,328,469 | 1,481,850 |
| Interest | 17,159 | 4,776 | 14,096 | 7,498 | 16,714 |
| Government Grants and Other Revenues (4) | 9,136,210 | 12,136,027 | 14,282,319 | 10,516,737 | 11,050,000 |
| <u>Total Government Grants and Other Revenues</u> | <u>10,454,250</u> | <u>13,653,214</u> | <u>15,493,896</u> | <u>11,852,704</u> | <u>12,548,564</u> |
| <u>Total General Fund Non-Ad Valorem Revenues</u> | <u>\$ 71,740,306</u> | <u>\$ 72,830,233</u> | <u>\$ 76,339,344</u> | <u>\$ 79,658,405</u> | <u>\$ 83,531,624</u> |

(1) Pledged Revenues securing the Series 2015 Bonds.

(2) Pursuant to Ordinance No. 2013-82 as amended by Ordinance No. 2015-68, the City adopted a water and wastewater payment in lieu of franchise fee applicable to all sales of water and wastewater service by the City equal to between 7.5 percent and 10 percent of the bi-monthly rates, fees and charges (including base facility and consumption rates) from the sale of water and wastewater service to customers of the City's water and wastewater system. The City's water and wastewater utility is required to budget and transfer to the City's General Fund this payment in lieu of franchise fee on a monthly basis.

(3) The Building Department was converted to a Special Revenue Fund in fiscal-year 2012; consequently, in fiscal-years 2012 through 2015 it is not reflected under the category of the General Fund, instead it is reflected under the category of Other Governmental Funds in the Comprehensive Annual Financial Reports for the respective years.

(4) This category reflects charges for various services provided by the City to residents, property owners, other City departments, and grants received from other governments. Among these revenues are fees for parks and recreation, education and community services (including library fees), fees for police services (other than fines and forfeitures) and cost allocation fees charged to other special revenue, enterprise and general fund activities of the City incurred by the general fund in their support.

Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal Years 2011 through 2014 and 2015 year end unaudited financial statements.

The table above is only an indication of the relative amounts of Non-Ad Valorem Revenues of the City which may be available, if necessary, for the payment of principal of and interest on the Series 2015 Bonds and other general governmental expenditures. The ability of the City to appropriate Non-Ad Valorem Revenues in sufficient amounts to pay the principal of and the interest on the Series 2015 Bonds is subject to a variety of factors, including the City's satisfaction of funding requirements for obligations having an express lien on or pledge of such revenues and after satisfaction of funding requirements for essential governmental services of the City. No representation is being made by the City that any particular Non-Ad Valorem

Revenues will be available in future years, or if available, will be budgeted to pay debt service on the Series 2015 Bonds.

Continued consistent receipt of Non-Ad Valorem Revenues is dependent upon a variety of factors, including annexation and/or de-annexation policies by the City or greater growth in the unincorporated areas of the County as compared to the City which could have an adverse effect on Non-Ad Valorem Revenues. The amounts and availability of any of the Non-Ad Valorem Revenues to the City are also subject to change, including reduction or elimination by change of State law or changes in the facts or circumstances according to which certain of the Non-Ad Valorem Revenues are allocated. In addition, the amount of certain of the Non-Ad Valorem Revenues collected by the City is directly related to the general economy of the City. Accordingly, adverse economic conditions could have a material adverse effect on the amount of Non-Ad Valorem Revenues or covenant to budget and appropriate legally available Non-Ad Valorem Revenues of the City to future obligations that it issues. In the case of a specific pledge, such Non-Ad Valorem Revenues would be required to be applied to such obligations prior to paying the principal of and interest on the Series 2015 Bonds.

SELECTED FINANCIAL MATTERS RELATING TO THE CITY

Certain Matters Relating to Annual Budget Process and General Fund Budget

The City follows the procedures set forth in Chapters 166 and 200 of the Florida Statutes and the City's Charter in establishing its annual budget. The Mayor submits to the Council of the City a proposed operating budget for the Fiscal Year commencing on October 1. The proposed operating budget includes proposed expenditures and revenues. The Mayor and Council are assisted by the City's budget oversight committee created by the City's Code of Ordinances. Public hearings are then conducted to obtain taxpayer comments on the proposed operating budget. The annual budget is enacted through the passage of an ordinance by the Mayor and Council.

The City's Fiscal Year 2015-2016 annual budget was adopted on September 24, 2015 in the amount of \$273,881,743 with a General Fund budget of \$128,000,000 (including transfers in). \$47,050,000 of the General Fund budget is estimated to come from ad valorem taxes. The Florida Constitution provides that no municipality may levy ad valorem taxes of more than 10 mills, exclusive of voted millage. The City's millage rate for Fiscal Year 2015-2016 is 6.3018 mills. The estimated revenues from ad valorem taxes in the 2016 budget are more than the actual revenues received in Fiscal Year 2014-2015.

Selected Information Regarding the City's General Fund

The following table reflects historical financial information for the City's General Fund (the City's main operating fund) for the past four Fiscal Years (2011 through 2014), as audited by an independent certified public accountant, and unaudited financial information for the Fiscal Year ended September 30, 2015. For further information see "APPENDIX B – Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2014."

CITY OF HIALEAH, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND**

FISCAL YEAR ENDED SEPTEMBER 30, 2011 THROUGH 2015

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>(unaudited)</u> <u>2015</u> |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------------------|
| Revenues: | | | | | |
| Ad valorem taxes | \$ 48,550,595 | \$ 44,867,987 | \$ 41,687,822 | \$ 41,424,199 | \$ 43,571,665 |
| Utility taxes | 13,405,122 | 14,209,626 | 14,825,353 | 16,323,487 | 16,223,692 |
| Communication services tax | 8,807,237 | 7,971,748 | 7,084,188 | 6,163,911 | 5,831,491 |
| Franchise fees (1) (2) | 10,500,154 | 10,478,381 | 10,277,964 | 15,370,782 | 16,764,561 |
| Licenses and permits (3) | 7,051,641 | 4,641,451 | 4,924,571 | 4,853,204 | 4,700,781 |
| State and local shared revenues | 21,521,902 | 21,875,813 | 23,733,372 | 25,094,317 | 27,462,535 |
| Fines and forfeitures | 1,300,881 | 1,512,411 | 1,197,481 | 1,328,469 | 1,481,850 |
| Interest | 17,159 | 4,776 | 14,096 | 7,498 | 16,714 |
| Government grants and other revenues | 9,136,210 | 12,136,027 | 14,282,319 | 10,516,737 | 11,050,000 |
| Total revenues | <u>120,290,901</u> | <u>117,698,220</u> | <u>118,027,166</u> | <u>121,082,604</u> | <u>127,103,289</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 22,998,342 | 23,821,995 | 25,015,678 | 26,520,903 | 4,193,995 |
| Police | 41,568,007 | 39,659,198 | 38,292,740 | 39,772,491 | 49,379,730 |
| Fire | 31,677,255 | 29,530,754 | 28,794,425 | 30,648,389 | 36,783,120 |
| 911 communications | 3,057,095 | 2,877,722 | 2,842,064 | 3,432,867 | 3,637,775 |
| City Clerk's office | 813,123 | 1,074,523 | 676,279 | 992,671 | 967,782 |
| Office of Management and Budget | 576,663 | 551,784 | 494,087 | 461,476 | 510,884 |
| Office of the Mayor | 532,856 | 416,047 | 441,278 | 557,105 | 685,636 |
| Communications and special events | 747,618 | - | 47,427 | 221,436 | 267,171 |
| Employee retirement | 463,361 | 501,114 | 636,543 | 632,686 | 573,454 |
| Library | 1,364,642 | 1,158,859 | 1,124,518 | 1,241,652 | 1,556,638 |
| Code compliance | 447,585 | 310,669 | 392,052 | 447,571 | 593,935 |
| Finance | 879,174 | 932,222 | 880,172 | 1,032,730 | 1,283,054 |
| Business tax division | 286,569 | 248,847 | 392,421 | 429,010 | 629,152 |
| Information technology | 1,608,553 | 1,405,939 | 1,358,607 | 1,532,664 | 1,448,102 |
| Fleet maintenance | 1,966,394 | 1,984,209 | 2,052,285 | 2,286,994 | 3,043,553 |
| Construction and maintenance | 3,268,194 | 2,169,116 | 2,178,352 | 2,034,254 | 2,836,074 |
| Parks and recreation | 8,402,552 | 8,480,480 | 8,504,481 | 8,442,246 | 9,453,619 |
| Planning and zoning | 1,909,454 | 476,241 | 484,169 | 528,781 | 648,991 |
| Education and community services | 1,750,844 | 2,166,341 | 2,171,059 | 2,451,185 | 2,372,054 |
| Law | 730,159 | 805,255 | 768,888 | 1,231,716 | 1,247,784 |
| Risk management | 877,824 | 976,285 | 819,238 | 847,325 | 429,287 |
| Human resources | 752,723 | 572,277 | 513,118 | 731,129 | 705,715 |
| Debt service: | | | | | |
| Principal | 273,462 | 453,605 | 1,655,157 | 153,393 | 699,888 |
| Interest | 433,262 | 75,547 | 182,450 | 60,311 | 144,232 |
| Debt issuance costs | - | - | 12,000 | - | - |
| Capital outlay | 806,885 | 506,160 | 196,364 | 958,573 | 546,495 |
| Total expenditures | <u>128,192,596</u> | <u>121,155,189</u> | <u>120,925,852</u> | <u>127,649,558</u> | <u>124,638,117</u> |
| (Deficiency) of revenues over expenditures before other financing sources (uses) | <u>(7,901,695)</u> | <u>(3,456,969)</u> | <u>(2,898,686)</u> | <u>(6,566,954)</u> | <u>2,465,172</u> |
| Other financing sources (uses): | | | | | |
| Proceeds from disposal of capital assets | - | - | 163,973 | 4,076,089 | - |
| Refunding debt issued | 1,036,465 | - | - | - | - |
| Issuance of debt | 212,560 | 323,659 | 1,620,000 | - | - |
| Transfers in | - | 3,198,400 | 26,895 | 15,033,705 | - |
| Transfers out | (41,258) | (59,919) | (4,562) | (4,747,653) | (2,000,000) |
| Total other financing sources (uses) | <u>1,207,767</u> | <u>3,462,140</u> | <u>1,806,306</u> | <u>14,362,141</u> | <u>(2,000,000)</u> |
| Net change in fund balances | <u>(6,693,928)</u> | <u>5,171</u> | <u>(1,092,380)</u> | <u>7,795,187</u> | <u>465,172</u> |
| Fund balances - beginning (4) | <u>20,684,173</u> | <u>13,990,245</u> | <u>13,995,416</u> | <u>9,770,362</u> | <u>17,565,549</u> |
| Fund balances - ending | <u>\$ 13,990,245</u> | <u>\$ 13,995,416</u> | <u>\$ 12,903,036</u> | <u>\$ 17,565,549</u> | <u>\$ 18,030,721</u> |

(1) Only the portion of the franchise fees associated with the Electric Franchise Ordinance are pledged as security to the Series 2015 Bonds.

(2) Pursuant to Ordinance No. 2013-82 as amended by Ordinance No. 2015-68, the City adopted a water and wastewater payment in lieu of franchise fee applicable to all sales of water and wastewater service by the City equal to between 7.5 percent and 10 percent of the bi-monthly rates, fees and charges (including base facility and consumption rates) from the sale of water and wastewater service to customers of the City's water and wastewater system. The City's water and wastewater utility is required to budget and transfer to the City's General Fund this payment in lieu of franchise fee on a monthly basis.

(3) The Building Department was converted to a Special Revenue Fund in fiscal-year 2012; consequently, in fiscal-years 2012 through 2015 it is not reflected under the category of the General Fund, instead it is reflected under the category of Other Governmental Funds in the Comprehensive Annual Financial Reports for the respective years.

(4) In fiscal year 2014 it was determined that the October 1, 2013 beginning net position and liabilities for the government activities were to be restated to decrease beginning net position and increase liabilities in the government activities by \$3,132,674 for the underfunded portion of the City's contribution to the pension plan as of September 30, 2013.

Source: City of Hialeah Finance Department, derived from Comprehensive Annual Financial Report for Fiscal Years 2011 through 2014 and 2015 year end unaudited financial statements.

Budget Reform

The City has experienced, and expects to continue to experience, increasing costs of the ERS, including the annual required contributions and the total Unfunded Actuarial Accrued Liability for the foreseeable future. Such increased costs have caused the City to consider its ongoing ability to continue to pay for current services without budgetary reform.

In order to address these concerns, the City has taken actions towards budget reforms designed to decrease expenditures and increase revenues, including reductions in City staff to the minimum to maintain current service levels; requiring payment from the proprietary departments of money due to the General Fund; repayment of money advanced by the General Fund to capital projects; and implementing a plan to outsource solid waste collection in order to recoup funds due to the General Fund from the Solid Waste Fund.

Additional examples of actions taken include, but are not limited to, the following:

The City approved the closure of the ERS to any person other than a police officer or firefighter hired after April 1, 2012 (with certain exceptions); and the City adopted a defined contribution plan with a 7% contribution from new general employees and management (non-police officers and firefighters) that is matched by the City at the same level.

In 2013, the City approved a water and wastewater payment that will provide additional revenue to the General Fund. In FY 2014 and FY 2015, the amount of this fee collected was \$4.3 million and \$5.3 million, respectively. See "SECURITY FOR THE SERIES 2015 BONDS-Non-Ad Valorem Revenues-Water and Wastewater Payment" herein.

In 2014, the City approved the closure of the Elected Officials Retirement System (EORS) to new elected officers and internal counsel; and the City required contributions for non-vested elected officers and internal counsel of 7% to the EORS; the City increased the retirees' dependent insurance premiums; the City negotiated a change to union contracts to require from employees for the first-time contributions to the ERS of 5% (4% for 2015 and 2016); the City implemented other changes to the ERS pension benefits for new public safety employees.

In 2015, the City continued to cut certain General Fund expenses and raise additional revenue. The City hired a budget consultant to review the FY 2015 budget estimates of future shortfalls in payments to the ERS and perform a cash analysis of the General Fund. As a result of that review, the consultant prepared and delivered to the City a Budget Review dated May 29, 2015, (the “Budget Review”) which included recommendations to the City regarding a deficit reduction plan. In the Budget Review, the consultant recommendations included the issuance of bonds to fund the ERS shortfalls for FY 2015 and 2016. The consultant concluded that because of the short term nature of this option for relief, the City also needs to initiate negotiations with the bargaining units to produce a reduction in costs of the ERS prior to FY 2018. The Budget Review also includes a recommendation that the City establish and include an emergency contingency reserve in the General Fund.

In connection with the recommendations of the budget consultant, the City has engaged a financial consultant and is currently working with that consultant to produce a five year forecast of revenues and expenses. The City also plans to engage in negotiations with the bargaining units beginning as early as April, 2016 in an effort to negotiate a reduction in ERS costs. The City has not established a contingency reserve in the FY 2016 budget.

For additional information on the ERS, required contributions and unfunded actuarial accrued liability see “EMPLOYEES’ RETIREMENT PLANS,” “APPENDIX C – Employees’ Retirement System Actuarial Valuation as of October 1, 2014- Contribution Applicable to the FY Ended September 30, 2016” and “APPENDIX B – Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2014.”

EMPLOYEES’ RETIREMENT PLANS

Employees’ Retirement System

The City is the administrator of a single-employer Employees’ Retirement System (the “ERS”) established to provide pension, annuity, death, and disability benefits through a defined benefit and a defined contribution pension plan that covers substantially all of the employees of the City. The City’s ERS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Hialeah Employees’ Retirement System, 501 Palm Avenue, 3rd Floor, Hialeah, Florida, 33010.

In 2012, the City closed membership to the ERS to any person other than a police officer or firefighter hired after April 1, 2012 (with certain exceptions). New employees participate in a defined contribution plan created in April 2012 in accordance with the Internal Revenue Service Code Section 401(a) (the “Employees’ Retirement Plan” or “ERP”). The City as a single-employer contributes to ERP which is available to all full-time general and management employees hired after April 1, 2012. The City contributes 7% of the employees’ salary and employees are required to contribute 7% of their salaries.

Pension Funding

The ERS Actuarial Valuation as of October 1, 2014 Contributions Applicable to the Fiscal Year ended September 30, 2016 is APPENDIX C hereto. Such report was prepared by Foster & Foster, Fort Myers, Florida (the “Actuary”). The Actuary has not participated in the preparation or review of this Official Statement. The actuarial report is attached hereto as a matter of public record. The consent of the Actuary has not been sought.

Annual required contributions to the ERS have increased annually, include payments to reduce the unfunded actuarial accrued liability, have had a material effect upon the City’s General Fund and are expected to continue to increase. The City’s annual required contributions for the Fiscal Years 2012 through 2016, inclusive are set forth below.

| <u>2012</u> ¹ | <u>2013</u> ¹ | <u>2014</u> ^{1,2} | <u>2015</u> ¹ | <u>2016</u> ¹ |
|--------------------------|--------------------------|----------------------------|--------------------------|--------------------------|
| \$23,667,606 | \$24,853,597 | 26,981,849 | \$25,640,942 | \$26,015,586 |

¹ Source: Actuarial Valuation as of October 1, 2010-2014 Contributions Applicable to the Fiscal Year ended September 30, 2012-2016 – See “APPENDIX C” hereto.

² The full payment for Fiscal Year 2014 was made prior to the date hereof.

The annual required contribution for 2016 is 9.5% of the total budgeted expenditures in the 2016 budget for the City and 42.12% of payroll for 2016.

While the Total Unfunded Actuarial Accrued Liability is expected to be high for the foreseeable future, the City is on schedule to achieve 100% funding by 2044. The Total Unfunded Actuarial Accrued Liability projections through 2044 are set forth below:

| | |
|------|---------------|
| 2014 | \$233,445,124 |
| 2015 | 233,832,649 |
| 2016 | 233,611,096 |
| 2019 | 228,547,750 |
| 2029 | 188,866,933 |
| 2034 | 115,857,061 |
| 2044 | 0 |

Source: Actuarial Valuation as of October 1, 2014 Contributions Applicable to the Fiscal Year ended September 30, 2016 – See “APPENDIX C” hereto.

The assumptions used in the calculation of the City's Unfunded Actuarial Liability are described below. Such assumptions may or may not materialize.

| | |
|----------------------------------|---------------------------------|
| Contribution rates as of 9/30/14 | |
| City and State | 42.1% |
| Plan Members to D13 Plan | 2.7% |
| Plan Members to Annuity Savings | Up to 7.0% |
| Annual Pension Cost | 27,103,738 |
| Contributions made | 26,231,130 |
| Actuarial valuation date | 10/1/2012 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percentage of Pay, Closed |
| Remaining amortization period | 30 Years (as of 10/1/12) |
| Asset valuation method | 4 Year Smooth |
| Actuarial assumptions: | |
| Investment rate of return | 8.00% |
| Projected salary increase* | 3.0% to 9.0% |
| *Includes inflation at | 3.0% |
| Post Retirement COLA | 2.0% (10 increases) |

Source: Actuarial Valuation as of October 1, 2014 Contributions Applicable to the Fiscal Year ended September 30, 2016 – See “APPENDIX C” hereto.

The City's annual pension cost and net pension obligation for the ERS for the prior three Fiscal Years were as follows:

| <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|----------------------------------|-----------------------------------|-------------------------------|
| 9/30/14 | 27,103,738 | 97% | 40,151,921 |
| 9/30/13 | 24,585,273 | 103% | 39,279,313 |
| 9/30/12 | 23,016,028 | 105% | 40,009,514 |

Source: Actuarial Valuation as of October 1, 2014 Contributions Applicable to the Fiscal Year ended September 30, 2016 – See “APPENDIX C” hereto.

DROP Plan

The City established a deferred retirement option plan (DROP) for general employees on February 19, 2008, and for police and firefighters on March 1, 2007. An active participant of the City's retirement system may enter into the DROP, on the first day of the month following completion of 25 years of membership service credit, provided that the sum of the member's age and years of service is 70 points or more. Upon entry into the DROP, a member's monthly retirement benefits (basic plus service pension), based on final average earnings and service upon entering the DROP, which would have been payable had the member elected to cease employment and receive a normal retirement benefit, shall be paid into the member's DROP account. At the end of each fiscal year, interest will be credited to the DROP account at the same rate credited to the annuity savings account. Member contributions cease upon entering the DROP and the member shall be ineligible for disability benefits provided by the Plan. Upon

termination of employment or death, the DROP account balance will be paid in a cash lump sum. The maximum duration for participation in the DROP shall not exceed thirty-six (36) months and members cannot buy service in order to be eligible for the DROP. General employees who are members of the retirement system are prohibited from entering the DROP on or after April 2, 2012.

Elected Officials' Retirement System

The City of Hialeah Elected Officials' Retirement System (EORS) is a single employer defined benefit pension plan administered by the City. The EORS was established in 1998. The Plan is considered part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. All qualified elected officials and city attorneys were eligible to participate in the plan. However, this System was closed to new entrants on January, 2014. The Plan does not issue a stand-alone financial report.

Defined Contribution Plans

In addition to the ERP, the City has two other defined contribution plans; the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund (together, the "Fund Plans"). The Fund Plans were created in 1984 and 1981, respectively. The purpose of the Fund Plans is to provide a means whereby police officers and firefighters of the City may receive benefits from funds provided for that purpose by contributions of the City through state contributions provided by Chapter 175/185 of the Florida Statutes. The participants do not contribute to the Fund Plans. These funds are a supplement to and in no way affect police officer and firefighter benefits under the City's ERS. The City no longer receives passed-through State contributions for the police officers or firefighters. The City under Chapter 175/185 of the Florida Statutes has provided authorization to the State for the direct contribution of benefits to the Fund Plans. The City's ERS received passed-through contributions from the two defined contribution plans totaling \$461,877 for the fiscal year ended September 30, 2014.

Both of the Fund Plans issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to Hialeah Employees' Retirement Department, 501 Palm Avenue, 3rd Floor, Hialeah, Florida, 33010.

Other Post-Employment Benefits

The City sponsors a defined benefit OPEB plan. Retirees who meet certain age and service requirements may elect coverage for themselves and dependents. Self-funded and fully insured options are available. The City pays the full cost of the premium for single coverage for retirees for the HMO Low Option, HMO High Option, or Base Plan. The OPEB obligation is funded on a pay-as-you-go basis.

The City's unfunded actuarial accrued liability for its OPEB obligations was \$307,171,250 as of October 1, 2013. The City's OPEB contribution for the Fiscal Year ended September 30, 2014 was 56.5% of its OPEB obligation for that year resulting in an increase of \$8,051,322 in the net

OPEB obligation. For more information on the City's OPEB obligation see "APPENDIX B - Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2014 – Note 16."

OUTSTANDING INDEBTEDNESS

The City has entered into three loan agreements with the Florida Municipal Loan Council: (i) Loan Agreement dated February 1, 2005, the proceeds of which financed improvements and construction of roads (which is being paid from the proceeds of the Series 2015B Bonds); (ii) Loan Agreement dated May 1, 2011, the proceeds of which financed improvements to the City's water and sewer system, outstanding in the aggregate principal amount of \$46,175,000 and secured by a pledge of and lien upon the net revenues of the City's water and sewer system; and (iii) Loan Agreement dated November 1, 2012, the proceeds of which financed various improvements to roads and the refinancing of a portion of a loan through FMLC issued in 2003, outstanding in the aggregate principal amount of \$38,725,000 and secured by a covenant of the City to appropriate in its annual budget by amendment, if required, and to pay when due amounts of Non-Ad Valorem Revenues of the City sufficient to pay the loan repayments. For more detailed information regarding the outstanding indebtedness of the City, see "APPENDIX B – Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2014.

The City also has various other loans and capital leases outstanding. For more detailed information regarding the outstanding indebtedness of the City as of September 30, 2014, see "APPENDIX B – Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2014" hereto. In addition, since that date the City has entered into capital leases with an outstanding principal amount of \$1,384,227 as of the date hereof for the purchase of a new human resources and payroll software system and a fire truck.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2015 Bonds, AGM will issue its Municipal Bond Insurance Policy for the Series 2015 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2015 Bonds when due as set forth in the form of the Policy included in APPENDIX G hereto.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its

shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). On February 18, 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Capitalization of AGM. At September 30, 2015, AGM's policyholders' surplus and contingency reserve were approximately \$3,769 million and its net unearned premium reserve was approximately \$1,603 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (filed by AGL with the SEC on May 8, 2015);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 (filed by AGL with the SEC on August 6, 2015); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015 (filed by AGL with the SEC on November 6, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters. AGM makes no representation regarding the Series 2015 Bonds or the advisability of investing in the Series 2015 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

MUNICIPAL BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Series 2015 Bonds when all or some becomes due, any owner of the Series 2015 Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Series 2015 Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due in the absence of such prepayment by the City unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to the Bond Ordinance.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Series 2015 Bonds are payable solely from the moneys received pursuant to the Bond Ordinance. In the event the Insurer becomes obligated to make payments with respect to the Series 2015 Bonds, no assurance is given that such event will not adversely affect the market price of the Series 2015 Bonds or the marketability (liquidity) for the Series 2015 Bonds.

The long-term ratings on the Series 2015 Bonds are dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Series 2015 Bonds will not be subject to downgrade and such event could adversely affect the market price of the Series 2015 Bonds or the marketability (liquidity) for the Series 2015 Bonds.

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

CERTAIN INVESTMENT CONSIDERATIONS

PURCHASE AND OWNERSHIP OF THE SERIES 2015 BONDS IS SUBJECT TO A VARIETY OF RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2015 BONDS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE INVESTMENT CONSIDERATIONS DESCRIBED BELOW WHICH, AMONG OTHER THINGS, COULD

AFFECT THE FINANCIAL CONDITION OF THE CITY AND COULD ALSO AFFECT THE MARKETABILITY AND/OR MARKET PRICE OF THE SERIES 2015 BONDS AFTER THEY ARE ISSUED TO AN EXTENT THAT CANNOT BE DETERMINED AT PRESENT. THE CONSIDERATIONS DESCRIBED BELOW ARE NOT ALL OF THE INVESTMENT CONSIDERATIONS ASSOCIATED WITH THE PURCHASE AND OWNERSHIP OF THE SERIES 2015 BONDS. NEITHER THE INCLUSION OR OMISSION OF CONSIDERATIONS FROM THIS SECTION, NOR THE ORDER IN WHICH THEY ARE PRESENTED, NECESSARILY REFLECTS THE RELATIVE IMPORTANCE OF THE VARIOUS INVESTMENT CONSIDERATIONS.

Appropriation

The City has covenanted to budget and appropriate Non-Ad Valorem Revenues in any Fiscal Year in which the Pledged Revenues are insufficient to pay the Bond Services Requirements and all the payments required to be made under the Bond Ordinance. No assurance can be given that the City has or will have in the future sufficient funds to appropriate Non-Ad Valorem Revenues, or that an appropriation will be made, for the purpose of paying Bond Service Requirements under the Bond Ordinance.

Additional Indebtedness

The City has not incurred any indebtedness with a first lien on the Franchise Fee Revenues, however, the City may do so in the future after complying with the Additional Bonds test in the Bond Ordinance. At this time, the City has no plans to issue additional indebtedness with a parity first lien on the Franchise Fee Revenues. The City has incurred, and may hereafter issue, indebtedness secured by or payable from the Pledged Revenues and the Non Ad-Valorem Revenues that may be budgeted and appropriated by the City which would otherwise be available to the City to make the Bond Service Requirements on the Series 2015 Bonds without the consent of the Owners of the Series 2015 Bonds; provided that, the conditions contained in the Bond Ordinance for the issuance of such debt have been satisfied. Such indebtedness may adversely affect the City's ability to make the Bond Service Requirements. See "SECURITY FOR THE SERIES 2015 BONDS – Non-Ad Valorem Revenues " herein.

Legislative Initiatives and Economic Conditions

The amounts and availability of any of the City's Non-Ad Valorem Revenues are subject to change, including reduction or elimination by change of state law, City ordinances or resolutions or changes in the facts or circumstances according to which certain Non-Ad Valorem Revenues of the City are allocated. In addition, the amount of the Pledged Revenues and the Non-Ad Valorem Revenues collected by or distributed to the City is directly related to the general economy of the City and the state. Accordingly, adverse legislative changes or economic conditions could have a material adverse effect on the amount of Pledged Revenues and Non-Ad Valorem Revenues generally collected or received by the City in any Fiscal Year.

It is impossible to predict what new proposals may be presented regarding sources of Non-Ad Valorem Revenues or ad valorem tax reform during upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Florida Senate and House of Representatives and signed by the Governor, and, if adopted, the form thereof. A reduction in the City's ad valorem tax revenues may increase the need for the City to apply Non-Ad Valorem Revenues to fund essential public services and functions of the City. In that case, the Non-Ad Valorem Revenues available to the City to pay the Bond Service Requirements on the Series 2015 Bonds could be reduced. In addition, no assurance can be given that, pursuant to action by the Florida Legislature in the future, (i) changes will not be made to the statutes that give rise to certain of the sources of Non-Ad Valorem Revenues, (ii) such changes, if any, will not have a material adverse impact on the collection of affected sources of Non-Ad Valorem Revenues, or (iii) a repeal of such statutes will not be attempted and, if attempted, will not be successful. In such event, the Non-Ad Valorem Revenues available to the City to pay Bond Service Requirements on the Series 2015 Bonds in the event the Pledged Revenues are not sufficient therefore could be reduced.

CITY OF HIALEAH, FLORIDA

Background

The City is located in Miami-Dade County. The City has an area of approximately 19.7 square miles. According to the 2000 Census, the City's population was 224,669. The U.S. Census Bureau estimated that the 2014 population of the City was 235,563. It is the sixth largest city in the state and is the tenth largest city in the United States among cities with a population density of more than 10,000 people per square mile. The City was incorporated on September 10, 1925.

Municipal Government

Under Florida law, municipalities have full home rule powers, i.e., the governmental, corporate and proprietary powers to enable them to conduct municipal government. The governing body of a Florida municipality may enact legislation on any subject matter upon which the State of Florida legislature may act, except as prohibited by the state constitution, a state statute, or, in certain circumstances, the charter of a municipality.

The charter of the City provides for a "strong mayor/council" form of government. The City Council is a legislative body, with the power to enact ordinances and adopt resolutions. There is no city manager. The Mayor is the chief administrative officer.

The City Council consists of seven Council members. The City Council is elected on a non-partisan basis. Council members and the Mayor are elected at large by the voters for four year staggered terms.

Listed below are the current Mayor and Council members and their respective term expiration dates.

| <u>Mayor</u> | <u>Date Term Expires</u> |
|--|--------------------------|
| Carlos Hernandez | November, 2017 |
| <u>Council Members</u> | |
| Isis Garcia-Martinez, Council President | November, 2019 |
| Luis E. Gonzalez, Council Vice President | November, 2017 |
| Vivian Casals-Munoz, Council Member | November, 2019 |
| Jose F. Caragol, Council Member | November, 2019 |
| Katharine Cue-Fuente, Council Member | November, 2017 |
| Paul B. Hernandez, Council Member | November, 2017 |
| Lourdes Lozano, Council Member | November, 2019 |

On November 10, 2015, the City Council elected a new Council President and Council Vice President. As of November 24, 2015, Luis E. Gonzalez will be the Council President and Katharine Cue-Fuente will be the Council Vice-President.

For administrative purposes, the City is divided into departments. Currently, there are seventeen (17) departments (treating the City Clerk as a separate department).

Mayor.

Carlos Hernandez, the Mayor of the City, was born on March 8, 1961 in Camaguey, Cuba. He grew up in the City and he graduated from Saint Thomas University with a Bachelor's Degree in Organizational Leadership.

Before being elected to public office, Mayor Hernandez served the community as a police officer in the Hialeah Police Department for over twenty-two years. He has served the City as a Council Member since 2005. He was elected in 2007 to serve as Council Vice President and in 2009 to serve as Council President, a position he held until he was appointed Mayor of the City on May 23, 2011. On November 15, 2011, he was elected by the citizens of the City to continue serving as their Mayor, and he was re-elected as Mayor of the City on November 5, 2013.

Selected Administrative Staff.

Marbelys Fatjo, the City Clerk, assumed her position in September 2012. Prior to that, she served as an Assistant City Attorney in the Law Department. She is a Florida licensed attorney admitted to practice since April 2011. She obtained her law degree from Nova Southeastern University Shepard Broad Law Center in June 2010.

Ines Beecher, the Budget Director of the City, assumed her position in 2013. Prior to that, she served as Assistant Director for Administration in the City's Department of Public Works.

Lorena E. Bravo, the City Attorney of the City, assumed her position in April 2014 and was appointed City Attorney by the Mayor and Council in November 2014. She joined the City as an Assistant City Attorney in July 2005. She was admitted to the Florida Bar in September 2004

having graduated law school *cum laude* from the University of Miami School of Law in May 2004.

Javier Collazo, the Finance Director of the City, assumed his position in May 2012. Prior to that, he served as Assistant Finance Director in the City's Finance Department. He joined the City as an Accountant in May 2005 after working in public accounting since February 2001. Mr. Collazo has submitted his resignation as of January 15, 2016. The City expects to have an interim Finance Director in place prior to that date.

Description of Financial Practices and Financial Statements

The financial statements of the City are prepared in conformity with Generally Accepted Accounting Principles. The City uses funds and accounts groups to report on its financial position and the results of its operations. A summary of significant accounting policies of the City is contained in the notes to the City's Comprehensive Annual Financial Report, which are included in Appendix B hereto.

INVESTMENT POLICY

The City's Investment Policy is set forth in Resolution No. 06-44, adopted on April 26, 2006, as amended by Resolution No. 12-127, adopted on November 15, 2012. With respect to objectives, the Policy provides that the City consider the safety of capital, liquidation of funds and investment income. It also states that the City shall follow the "prudent person" rule. The revision adopted in 2012 was for the purpose of providing for greater maturities and diversification of low-risk investments and wider range of investment grade securities to produce a higher interest on yield of such investments. The City's stated objective is to, without sacrificing safety, to keep pace with inflation, to the extent of the limitations imposed by state law.

It is the policy of the City to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling. No more than 55% of the overall portfolio may be deposited in a single bank, except in the case of money center banks, for which the limit is 75%. No more than 55% of the overall portfolio may be invested in cooperative investment programs and no more than 25% of the overall portfolio may be invested in the securities of a single issuer, except the U.S. Treasury.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the Series 2015 Bonds are subject to an approving legal opinion of Bryant Miller Olive P.A., Miami, Florida, Bond Counsel, whose approving opinion (a form of which is attached hereto as "APPENDIX E--Form of Bond Counsel Opinion") will be available at the time of delivery of the Series 2015 Bonds. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to

the date of the opinion Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion.

Certain legal matters will be passed on for the City by Lorena E. Bravo., Esq., Hialeah, Florida, City Attorney and Lewis, Longman & Walker, P.A., Jacksonville, Florida, Disclosure Counsel. Llorente & Heckler, P.A., Miami Beach, Florida, is serving as counsel to the Underwriters.

LITIGATION

Except as described below, there is no pending or, to the knowledge of the City, any threatened litigation against the City of any nature whatsoever which in any way questions or affects the validity of the Series 2015 Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the adoption of the Bond Ordinance, or the pledge of the Pledged Revenues, or the use of the proceeds of the Series 2015A Bonds to fund the pension obligations or of the Series 2015B Bonds to refund the Refunded Bonds. Neither the creation, organization or existence, nor the title of the Mayor or the present members of the Council, or other officers of the City is being contested.

The City experiences routine litigation and claims incidental to the conduct of its affairs. In the opinion of the City Attorney, to the best of her knowledge, there are no actions presently pending or threatened, the adverse outcome of which would have a material adverse effect on the availability of the Pledged Revenues or the ability of the City to pay the Series 2015 Bonds from the Pledged Revenues other than the actions stated below. From time to time, the City is party to other various legal proceedings which individually are not expected to have a material adverse effect on the operations or financial condition of the City or the General Fund, but may, in the aggregate, have a material impact thereon.

The City is a defendant in various lawsuits incidental to its operations, including several federal claims cases which are not subject to a cap on damages. The outcome of these claims is undeterminable as is an amount or range of potential loss. The following claims are considered significant if determined against the City.

Unfair Labor Practice Charge. On August 27, 2010, Florida Public Employees Council 79, American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME) (collectively referred to as the Union) filed an unfair labor practice charge with the State of Florida Public Employees Relations Commission (PERC) alleging that the City violated Section 447.51(1)(a) and (c), Florida Statutes (2010), by the manner in which it conducted itself during the impasse resolution procedure. On March 4, 2011, PERC concluded that the City engaged in an unfair labor practice violating Section 447.51(1)(a) and (c), Florida Statutes (2010). The PERC order did not require the City to make a monetary reimbursement to the employees. On July 15, 2013, the Union filed an action in the Eleventh Judicial Circuit Court in Miami-Dade County against the City seeking to enforce the PERC Order of March 2011 requesting that the Court make the Union members whole for the economic changes and other benefits imposed by the City Council in 2010 and for attorney's fees and costs. On July 20, 2015, the Court ruled in favor of the Union. In August 2015, based on the agreement of the parties, the entry of judgment

was ordered stayed for a period of 120 days to allow the parties an opportunity to explore settlement. The City has not made a decision whether or not to appeal the order. Settlement discussions are being scheduled for the end of 2015.

Inima/AECOM. The City and Miami-Dade County (MDC), as parties to a joint participation agreement, contracted with GS Inima USA Construction Corporation (the "Company") for the design, construction and operation of a reverse osmosis water treatment plant. The City has not accepted the plant at this time. The Company has asserted claims against the City of \$4,006,980 and the City has claims against the company of approximately \$4,100,000 in liquidated damages. The parties are in settlement discussions.

DMG Properties, LLLP. On December 4, 2014, the City received a notice of claim for compensation pursuant to the Bert J. Harris, Jr., Private Property Rights Protection Act (the "Harris Act") alleging that the City's failure to designate a zoning classification for the property in question and its denial of the landowners vested right in continuing heavy industrial uses on the property have inordinately burdened the property reducing its fair market value in an estimated amount of \$5.7 million based on an appraisal submitted by claimant as required by the Harris Act. Since annexation, the City adopted a comprehensive land use plan for the area allowing for less intense, light industrial uses. The Harris Act requires the notice and a 6-month settlement period preceding the filing of an action. The 6-month settlement period has expired, but the parties continue to explore settlement.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Florida Department of Banking and Finance (the "Department"). Pursuant to Rule 3E-400.003, Florida Administrative Code, the Department has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. To the best knowledge of City staff after review and inquiry, the City is not and has not been in default on any of its obligations since December 31, 1975 that would be considered material by a reasonable investor.

TAX MATTERS

Series 2015A Bonds

General. INTEREST ON THE SERIES 2015A BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. Except as described herein, Bond Counsel will express no opinion as to any other tax consequences regarding the Series 2015A Bonds. Holders of the Series 2015A Bonds should consult their tax advisors with respect to the inclusion of interest on Series 2015A Bonds in gross income for federal income tax purposes.

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2015A Bonds by certain persons. The summary is based upon provisions of the Code, the regulations promulgated thereunder and rulings and court decisions now in effect, all of which are subject to change. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2015A Bonds, limited to those persons who hold the Series 2015A Bonds as “capital assets” within the meaning of Section 1221 of the Code. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding the Series 2015A Bonds as a hedge against currency risks or as a position in a straddle for tax purposes, foreign investors or persons whose functional currency is not the U.S. dollar. This summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of the Series 2015A Bonds. Potential purchasers of the Series 2015A Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, ownership and disposition of the Series 2015A Bonds.

As stated above, interest on the Series 2015A Bonds is not excluded from gross income for federal income tax purposes. Purchasers other than those who purchase the Series 2015A Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2015A Bonds. Generally, interest paid on the Series 2015A Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to the Bondholder, and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Market Discount. If a bondholder purchases the Series 2015A Bonds in the secondary market for an amount that is less than the adjusted issue price of the Series 2015A Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount. Absent an election to accrue market discount currently, upon a sale, exchange or other disposition of the Series 2015A Bonds, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of the sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense intended to carry a market discount bond is limited. Such bondholders should consult their own tax advisors with respect to whether or not they should elect to accrue market discount currently, the determination and treatment of market discount for federal income tax purposes and the state and local tax consequences of owning such Series 2015A Bonds.

Tax Treatment of Bond Premium for the Series 2015A Bonds. If a bondholder purchases a Series 2015A Bond at a cost greater than its principal amount, the bondholder may elect to treat such excess as amortizable bond premium. As the tax accounting treatment of bond premium is complex, such bondholders should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Sale, Exchange or Redemption. Upon a sale, exchange or redemption of the Series 2015A Bonds, bondholders will generally realize a capital gain or loss on the Series 2015A Bonds equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the bondholder's adjusted tax basis on the Series 2015A Bonds. The bondholder's adjusted tax basis for the Series 2015A Bonds is the price such owner pays for the Series 2015A Bonds plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than qualified periodic interest payments) and any amortized bond premium. The legal defeasance of the Series 2015A Bonds may result in a deemed sale or exchange of such bonds under certain circumstances, in which event an owner of the Series 2015A Bonds will also recognize taxable gain or loss as described above. Owners of such Series 2015A Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

Information Reporting and Backup Withholding. The Code subjects certain non-corporate owners of Series 2015A Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Series 2015A Bonds and proceeds from the sale of Series 2015A Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2015A Bonds. This withholding generally applies if the owner of Series 2015A Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2015A Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Nonresidents. Under the Code, interest and original issue discount income with respect to the Series 2015A Bonds held by nonresident alien individuals, foreign corporations and other non-United States persons ("Nonresidents") may not be subject to withholding. Payments on the Series 2015A Bonds to a Nonresident that has no connection with the United States other than holding the Series 2015A Bonds will generally be made free of withholding tax, as long as such holder has complied with certain tax identification and certification requirements. Nonresidents should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, ownership and disposition of the Series 2015A Bonds.

The above discussion was written to support the promotion and marketing of the Bonds and was not intended or written to be used, and cannot be used, by a taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Series 2015B Bonds

General. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance of the Series 2015B Bonds in order that interest on the Series 2015B Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Series 2015B Bonds to be included in federal gross income retroactive to the date of issuance of the Series 2015B Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Series 2015B Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The City has covenanted in the Bond Ordinance to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Series 2015B Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2015B Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Series 2015B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, interest on the Series 2015B Bonds may be subject to the federal alternative minimum tax when any Series 2015B Bond is held by a corporation. The federal alternative minimum taxable income of a corporation must be increased by seventy-five percent (75%) of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Series 2015B Bonds.

Except as described above, Bond Counsel will express no opinion regarding other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Series 2015B Bonds. Prospective purchasers of Series 2015B Bonds should be aware that the ownership of Series 2015B Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2015B Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on the Series 2015B Bonds; (iii) the inclusion of interest on the Series 2015B Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Series 2015B Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on the Series 2015B Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City in the Bond Ordinance, certificates of

appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Series 2015B Bonds and of the property financed or refinanced thereby).

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2015B BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE HOLDERS OF THE SERIES 2015B BONDS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE HOLDERS OF THE SERIES 2015B BONDS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Information Reporting and Backup Withholding. Interest paid on tax-exempt bonds such as the Series 2015B Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2015B Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2015B Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Series 2015B Bonds and proceeds from the sale of Series 2015B Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2015B Bonds. This withholding generally applies if the owner of Series 2015B Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2015B Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Other Tax Matters. During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2015B Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2015B Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2015B Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2015B Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2015B Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative

proposals may affect, perhaps significantly, the market price for, or marketability of, the Series 2015B Bonds.

Prospective purchasers of the Series 2015B Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2015B Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Tax Treatment of Bond Premium. The difference between the principal amount of the Series 2015B Bonds (collectively, the “Premium Bonds”), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

RATINGS

Standard & Poor’s Ratings Services (“S&P”) and Fitch Ratings (“Fitch”) have assigned underlying ratings of A+ (stable outlook) and A- (negative outlook), respectively, to the Series 2015 Bonds without regard to the Policy. S&P and Kroll Bond Rating Agency, Inc. (“KBRA”) have assigned ratings to the Series 2015 Bonds as insured by the Policy of “AA” (stable outlook) and “AA+” (stable outlook), respectively. The ratings reflect only the views of said rating agencies and an explanation of the ratings may be obtained only from said rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely by the rating agencies, if in their judgment, circumstances so warrant. A downward change in or withdrawal of any of such ratings may have an adverse effect on the market price of the Series 2015 Bonds. An explanation of the significance of the ratings can be received from the rating agencies, at the following addresses: Standard & Poor’s Ratings Services, 55 Water Street, New York, NY 10004, Fitch Ratings, One State Street Plaza, New York, New York 10004 and Kroll Bond Rating Agency, Inc., 845 Third Avenue, 4th Floor, New York, NY 10022.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., Coral Gables, Florida, as Financial Advisor in connection with the City's financing plans and with respect to the authorization and issuance of the Series 2015 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement.

Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of general purpose underwriting, trading or distributing municipal or other public securities.

AUDITED FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report of the City as of September 30, 2014 and for the year then ended, attached hereto as "APPENDIX B - Comprehensive Annual Financial Report of the City," has been audited by Alborn Caballero & Fierman, LLP, Coral Gables, Florida, the City's independent auditors (the "Auditor"), as stated in their report appearing therein. The Auditor has not participated in the preparation or review of this Official Statement. The financial statements are attached hereto as a matter of public record. Such financial statements speak only as of September 30, 2014. The consent of the Auditor has not been sought.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2015 Bonds upon an event of default under the Bond Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Bond Ordinance, and the Series 2015 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See "APPENDIX D —The Bond Ordinance" attached hereto for a description of events of default and remedies thereunder.

CONTINUING DISCLOSURE

Prior to the issuance of the Series 2015 Bonds, the City will enter into a Continuing Disclosure Agreement, in the form described in "APPENDIX F — Form of Continuing Disclosure Agreement" attached hereto (the "Continuing Disclosure Agreement"), for the benefit of the Beneficial Owners of the Series 2015 Bonds. The City has agreed to provide certain financial information and operating data relating to the City, the Franchise Fee Revenues and the Series 2015 Bonds annually, notices of the occurrence of certain enumerated material events, its annual audited financial statements and its annual actuarial valuation of the Employees' Retirement

System, by filing such information with the Municipal Securities Rulemaking Board (“MSRB”) through the MSRB’s electronic municipal market access system (“EMMA”). The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is intended to assist the Underwriters in complying with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

With respect to the Series 2015 Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule.

Failure to File Prior Continuing Disclosure Information and Notices

The City failed to timely file financial information and operating data with respect to (i) the outstanding Florida Municipal Loan Council Revenue Bonds, Series 2011D (City of Hialeah Series) for which the City is the obligor for the fiscal years 2011 through 2013, respectively, that were due on June 26-27, 2012, 2013 and 2014, respectively; and (ii) the outstanding Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series) for which the City is the obligor for the fiscal years 2012 and 2013 that were due on June 27, 2013 and 2014, respectively. The City did not file failure to provide notices in a timely manner for each failure. On January 14, 2015, the City filed a notice of failure to file and an Annual Report of Financial Information and Operating Data containing the information and data with the Municipal Securities Rulemaking Board for the years in which the filings were not made. The City filed its Comprehensive Annual Financial Reports late for fiscal years 2013 (3 days) and 2014 (5 days), and the City did not link its Comprehensive Annual Financial Report for fiscal year 2011 to the Florida Municipal Loan Council Revenue Bonds, Series 1999, which were redeemed in full in April 2013. The City failed to timely file notices of certain rating changes due to changes in the rating of the bond insurer.

The City voluntarily participated in the SEC’s Municipalities Continuing Disclosure Cooperation (MCDC) Initiative, a voluntary self disclosure program, to self report that the City did not disclose an item related to the Series 2011D Bonds in their disclosure document for the Series 2012A Bonds. The City is not aware of any enforcement initiative by the SEC.

The City has adopted written policies and procedures with respect to continuing disclosure and, to provide an additional resource for investors, has updated its website to include (i) the official statements for the Series 2011D Bonds and the Series 2012A Bonds; (ii) the continuing disclosure agreements executed in connection with the issuance of the Series 2011D and Series 2012A Bonds; and (iii) the annual reports of financial information and operating data filed with the Municipal Securities Rulemaking Board with respect to the Series 2011D and Series 2012A Bonds.

UNDERWRITING

The Series 2015A Bonds are being purchased by the Underwriters shown on the cover of the Official Statement (the "Underwriters") at an aggregate purchase price of \$24,929,007.95 (which includes Underwriters' discount of \$70,992.05). The Series 2015B Bonds are being purchased by the Underwriters at an aggregate purchase price of \$23,925,906.58 (which includes a premium of \$2,843,264.65 and Underwriters' discount of \$62,358.07). The Underwriters' obligations are subject to certain conditions precedent described in a contract of purchase with the City, and they will be obligated to purchase all of the Series 2015 Bonds if any Series 2015 Bonds are purchased. The Series 2015 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2015 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the underwriters and their affiliates may have certain creditor and/or other rights against the issuer and its affiliates in connection with such activities. In the various course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the Series 2015 Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2015 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2015 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2015 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's

expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

CONTINGENT FEES

The City has retained Bond Counsel, Disclosure Counsel and the Financial Advisor with respect to the authorization, sale, execution and delivery of the Series 2015 Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriters (including the fees of their counsel) are each contingent upon the issuance of the Series 2015 Bonds.

ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

The references, excerpts, and summaries of all documents, statutes, and information concerning the City and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2015 Bonds, the security for the payment of the Series 2015 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument. Copies of such documents may be obtained from either the office of the Clerk of the City, 501 Palm Avenue, 3rd Floor, Hialeah, Florida 33010, telephone (305) 883-5820, cityclerk@hialeahfl.gov or the City's Financial Advisor, Public Financial Management, Inc., 255 Alhambra Circle, Suite 404, Coral Gables, Florida 33134, telephone (786) 671-7480.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2015 Bonds.

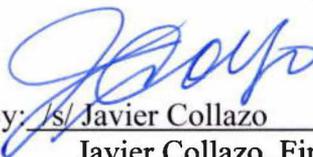
The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

AUTHORIZATION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has been duly authorized and approved by the City. At the time of delivery of the Series 2015 Bonds, the City will furnish a certificate to the effect that nothing has come to its attention which would lead it to believe that the Official Statement (other than information herein related to DTC, the book-entry only system of registration and the information contained under the caption "TAX MATTERS" as to which no opinion shall be expressed), as of its date and as of the date of delivery of the Series 2015 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

CITY OF HIALEAH, FLORIDA


By: /s/ Carlos Hernandez
Carlos Hernandez, Mayor


By: /s/ Javier Collazo
Javier Collazo, Finance Director

APPENDIX A
General Information
City of Hialeah, Florida

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CITY OF HIALEAH, FLORIDA
GENERAL INFORMATION

The following information concerning the City of Hialeah, Florida, is included for informational purposes only. The Series 2015 Bonds are payable only from the Pledged Revenues and, if necessary, by a covenant to budget and appropriate from legally available Non-Ad Valorem Revenues in amounts sufficient to pay the Series 2015 Bonds whenever the Pledged Revenues are insufficient, all as set forth in the Bond Ordinance, and the Series 2015 Bonds are not payable from or secured by any other revenue or property of the City or any other political subdivision of the State of Florida.

CITY OF HALLANDALE, FLORIDA
 LAST FISCAL YEARS
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | |
|--|---------------|----------------|----------------|-----------------|---------------|----------------|----------------|----------------|----------------|---------------|------|--|
| Revenue: | | | | | | | | | | | | |
| Ad valorem taxes | \$ 48,050,028 | \$ 64,286,804 | \$ 81,246,802 | \$ 68,823,215 | \$ 86,066,026 | \$ 89,648,370 | \$ 48,350,896 | \$ 44,867,987 | \$ 41,087,822 | \$ 41,424,190 | | |
| Utility taxes | 23,258,851 | 23,752,832 | 24,798,869 | 23,622,524 | 26,196,078 | 25,065,093 | 29,908,723 | 22,187,274 | 21,500,541 | 22,487,298 | | |
| Franchise fees | 8,082,288 | 11,028,487 | 11,826,276 | 11,665,715 | 11,862,686 | 10,268,647 | 10,500,154 | 10,479,261 | 10,277,864 | 15,377,782 | | |
| Licenses and permits | 5,800,527 | 7,788,884 | 6,754,391 | 6,888,228 | 6,487,212 | 7,021,941 | 7,628,822 | 7,628,822 | 8,238,427 | 9,218,828 | | |
| State and local shared revenues | 38,993,880 | 36,372,488 | 34,277,457 | 32,378,198 | 31,721,202 | 30,518,499 | 33,586,018 | 34,780,683 | 37,373,488 | 40,112,007 | | |
| Fines and forfeitures | 2,130,286 | 1,780,918 | 2,031,480 | 2,217,048 | 2,687,287 | 1,890,281 | 1,890,281 | 2,382,987 | 1,942,987 | 2,025,037 | | |
| Interest | 1,481,075 | 2,594,270 | 2,402,888 | 882,438 | 172,005 | 49,820 | 22,944 | 8,234 | 14,748 | 7,500 | | |
| Government grants and other revenues | 28,729,917 | 34,813,482 | 41,541,202 | 33,778,880 | 34,772,891 | 48,859,457 | 40,648,280 | 60,297,889 | 69,422,811 | 31,157,205 | | |
| Total revenues | 164,109,492 | 171,487,874 | 185,248,248 | 182,877,148 | 178,964,748 | 183,141,584 | 168,129,813 | 173,875,889 | 171,875,889 | 182,987,892 | | |
| Expenditures: | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| General government | 30,582,888 | 43,422,882 | 32,284,210 | 32,808,834 | 31,914,072 | 30,178,608 | 27,317,406 | 32,484,271 | 38,478,728 | 38,024,280 | | |
| Police | 29,831,207 | 37,481,043 | 40,825,970 | 42,028,904 | 41,728,180 | 42,218,817 | 41,846,236 | 40,471,429 | 38,871,281 | 40,484,246 | | |
| Fire | 26,134,687 | 27,735,885 | 30,621,288 | 33,091,275 | 34,707,078 | 34,688,840 | 36,432,207 | 34,244,522 | 33,627,289 | 34,811,104 | | |
| 911 communications | - | - | - | - | 2,334,640 | 2,794,880 | 3,057,026 | 2,877,722 | 2,842,094 | 3,432,067 | | |
| Streets | 5,153,437 | 5,581,116 | 5,528,438 | 5,484,218 | 4,051,787 | 4,588,071 | 4,286,487 | 5,144,287 | 2,781,894 | 3,291,821 | | |
| Storm and harbor services | 1,117,880 | 1,084,981 | 2,448,508 | 2,146,882 | 2,772,020 | 5,888,026 | 8,822,729 | 8,170,283 | 5,228,027 | 6,104,005 | | |
| State housing initiative programs | 1,800,485 | 890,480 | 1,280,179 | 1,017,205 | 860,483 | 867,212 | 1,017,205 | 2,288,879 | 688,804 | 1,507,789 | | |
| Work investment act programs | 1,843,001 | 2,121,473 | 2,131,280 | 2,209,804 | 2,247,285 | 2,444,219 | 2,044,010 | 2,288,879 | 2,021,437 | 1,887,126 | | |
| City Center office | 1,217,191 | 1,288,523 | 1,112,882 | 1,112,882 | 1,516,791 | 1,164,135 | 813,123 | 1,078,830 | 678,278 | 668,140 | | |
| Office of Management and Budget | 498,740 | 598,284 | 753,185 | 688,288 | 821,285 | 488,548 | 878,883 | 861,784 | 484,087 | 461,478 | | |
| Communications and special events | 889,169 | 875,188 | 714,702 | 685,088 | 882,240 | 837,843 | 832,888 | 418,847 | 441,278 | 927,025 | | |
| Employee retirement | - | - | 841,837 | 1,018,370 | 841,146 | 801,972 | 747,818 | 501,144 | 417,827 | 221,436 | | |
| Library | 487,825 | 483,886 | 465,228 | 465,228 | 498,789 | 537,162 | 463,351 | 1,188,880 | 628,048 | 632,888 | | |
| Comprehensive division | 1,084,147 | 2,087,074 | 1,742,218 | 1,886,884 | 1,700,888 | 1,514,989 | 1,284,842 | 1,188,880 | 1,241,810 | 1,241,810 | | |
| Finance | 488,231 | 544,886 | 628,520 | 683,589 | 683,521 | 655,821 | 447,886 | 310,888 | 282,032 | 447,871 | | |
| Business tax division | 728,228 | 778,088 | 880,882 | 880,882 | 880,882 | 880,882 | 878,174 | 878,174 | 880,172 | 1,032,750 | | |
| Information technology | 382,888 | 387,085 | 387,028 | 478,074 | 593,228 | 413,087 | 288,889 | 248,847 | 388,421 | 428,070 | | |
| Pier maintenance | 641,417 | 887,225 | 1,188,824 | 1,448,884 | 1,878,888 | 1,428,308 | 1,888,883 | 1,488,888 | 1,888,888 | 1,828,884 | | |
| Construction and maintenance | 2,048,240 | 2,281,788 | 2,107,247 | 2,381,705 | 2,585,219 | 2,281,877 | 1,888,288 | 2,688,288 | 2,688,288 | 2,688,288 | | |
| Ports and navigation | 2,282,085 | 2,888,887 | 2,878,244 | 3,121,788 | 4,484,077 | 3,484,104 | 3,288,184 | 3,188,282 | 2,024,284 | 2,024,284 | | |
| Planning and zoning | 10,114,055 | 11,213,187 | 10,288,244 | 9,891,115 | 9,088,913 | 8,940,525 | 8,402,832 | 8,488,481 | 8,488,481 | 8,488,481 | | |
| Education and community services | 2,188,218 | 2,888,881 | 3,135,288 | 2,588,020 | 2,588,832 | 2,588,486 | 1,288,484 | 2,188,241 | 2,171,058 | 2,481,185 | | |
| Law | 787,988 | 888,833 | 888,189 | 888,913 | 888,878 | 888,422 | 728,189 | 888,288 | 788,888 | 1,218,888 | | |
| Risk management | 407,888 | 452,882 | 452,882 | 452,882 | 452,882 | 452,882 | 452,882 | 452,882 | 452,882 | 452,882 | | |
| Human resources | 888,878 | 888,882 | 888,235 | 888,235 | 888,235 | 888,235 | 888,235 | 888,235 | 888,235 | 888,235 | | |
| Debt service: | | | | | | | | | | | | |
| Principal | 2,577,312 | 515,887 | 3,112,284 | 3,112,284 | 4,808,511 | 5,591,347 | 33,808,421 | 4,584,237 | 38,724,137 | 4,407,028 | | |
| Interest | 4,286,428 | 8,788,087 | 5,512,278 | 8,288,286 | 8,442,484 | 8,094,284 | 5,037,310 | 3,408,184 | 4,822,024 | 3,420,878 | | |
| Debt maturities cost | - | - | - | - | - | - | - | - | - | - | | |
| Capital outlay | 44,841,772 | 20,479,817 | 42,088,284 | 33,281,888 | 19,289,022 | 22,178,229 | 14,680,882 | 22,180,821 | 22,887,880 | 8,828,288 | | |
| Total expenditures | 178,163,884 | 184,723,882 | 187,178,682 | 193,811,107 | 183,518,288 | 188,243,871 | 203,088,857 | 178,552,828 | 211,088,242 | 171,288,884 | | |
| Excess (deficiency) of revenues over expenditures | (14,054,492) | (13,246,008) | (11,852,284) | (11,033,859) | (4,553,540) | (6,882,647) | (34,948,244) | (11,987,157) | (38,288,888) | (8,281,882) | | |
| Other financing sources (uses): | | | | | | | | | | | | |
| Premiums on debt | - | - | - | - | - | - | - | - | - | - | | |
| Transfers in: | | | | | | | | | | | | |
| Transfers out | 2,271,137 | 4,288,884 | 8,478,278 | 1,714,830 | 3,418,880 | 1,287,818 | 87,788 | 3,288,218 | 28,888 | 18,781,288 | | |
| Payment to refund bond escrow agent | (1,813,837) | (4,288,884) | (8,478,278) | (2,810,000) | (2,100,881) | (1,287,818) | (87,788) | (7,477,882) | (28,888) | (4,787,833) | | |
| Proceeds of refunding bonds | - | - | - | 2,588,000 | - | - | - | - | - | - | | |
| Proceeds from disposal of capital assets | - | - | - | - | - | - | - | - | - | - | | |
| Issuance of debt | 28,888,246 | 18,038,000 | 4,888,882 | 4,888,882 | 3,488,112 | 4,888,000 | 31,282,482 | 228,488 | 37,288,481 | 4,078,888 | | |
| Total other financing sources (uses) | 30,084,342 | 18,038,000 | 4,888,882 | (327,000) | 3,788,112 | 5,288,788 | 31,282,482 | 0,888,018 | 37,488,484 | 19,533,884 | | |
| Net change in fund balances | \$ 8,338,883 | \$ (2,216,008) | \$ (8,882,284) | \$ (11,280,889) | \$ (778,937) | \$ (1,242,759) | \$ (2,888,244) | \$ (8,888,181) | \$ (1,888,131) | \$ 11,211,822 | | |
| Debt service as a percentage of non-capital expenditures | 6.50% | 4.74% | 5.89% | 5.42% | 6.50% | 6.47% | 20.80% | 5.07% | 22.34% | 4.81% | | |

CITY OF HIALEAH, FLORIDA
NET ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

| <u>Fiscal Year Ended September 30,</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Centrally Assessed</u> | <u>Total Net Assessed Value</u> | <u>Total Direct Tax Rate</u> |
|--|--------------------------|------------------------------|-------------------------------|---|----------------------------------|
| 2005 | 6,670,557,535 | 631,915,093 | 6,396,334 | 7,308,868,962 | 7.1000 |
| 2006 | 7,907,932,115 | 619,146,007 | 5,884,955 | 8,532,963,077 | 6.8000 |
| 2007 | 9,001,150,803 | 625,028,036 | 6,671,929 | 9,632,850,768 | 6.8000 |
| 2008 | 10,369,515,975 | 649,134,069 | 7,039,040 | 11,025,689,084 | 6.5400 |
| 2009 | 10,126,361,853 | 554,764,657 | 7,711,059 | 10,688,837,569 | 6.5400 |
| 2010 | 8,940,547,673 | 538,044,784 | 10,027,214 | 9,488,619,671 | 6.5400 |
| 2011 | 7,222,367,199 | 520,988,608 | 7,357,864 | 7,750,713,671 | 6.5400 |
| 2012 | 6,744,572,176 | 531,432,543 | 10,363,835 | 7,286,368,554 | 6.5400 |
| 2013 | 6,695,064,915 | 523,612,469 | 5,972,673 | 7,224,650,057 | 6.3018 |
| 2014 | 6,416,539,571 | 549,698,400 | 5,474,876 | 6,971,712,847 | 6.3018 |

Note: Property in the City is reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: Miami-Dade County Property Appraiser's Office.

CITY HIALEAH, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

| Fiscal Year | Overlapping Rates (1) | | | | | | | | | | | |
|-------------|-----------------------|-------------------|-------------------|----------------------|--------------------------------|-------------------|----------------------|---------------------------|------------------|------------------|-----------------|------------------------------------|
| | City of Hialeah | Miami-Dade County | | | Miami-Dade County School Board | | | Water Management District | Special District | Children's Trust | Everglades C.P. | Total Direct and Overlapping Rates |
| | | Operating Millage | Operating Millage | Debt Service Millage | Total County Millage | Operating Millage | Debt Service Millage | | | | | |
| 2005 | 7.1000 | 5.8350 | 0.2850 | 6.1200 | 7.9470 | 0.4910 | 8.4380 | 0.5970 | 0.0385 | 0.4288 | 0.1000 | 22.8223 |
| 2006 | 6.8000 | 5.6150 | 0.2850 | 5.9000 | 7.6910 | 0.4140 | 8.1050 | 0.5970 | 0.0385 | 0.4223 | 0.1000 | 21.9628 |
| 2007 | 6.8000 | 4.5796 | 0.2850 | 4.8646 | 7.5700 | 0.3780 | 7.9480 | 0.5346 | 0.0345 | 0.4223 | 0.0894 | 20.6934 |
| 2008 | 6.5400 | 4.8379 | 0.2850 | 5.1229 | 7.5330 | 0.2640 | 7.7970 | 0.5346 | 0.0345 | 0.4212 | 0.0894 | 20.5396 |
| 2009 | 6.5400 | 4.8379 | 0.2850 | 5.1229 | 7.6980 | 0.2970 | 7.9950 | 0.5346 | 0.0345 | 0.5000 | 0.0894 | 20.8164 |
| 2010 | 6.5400 | 5.4275 | 0.4450 | 5.8725 | 7.8640 | 0.3850 | 8.2490 | 0.5346 | 0.0345 | 0.5000 | 0.0894 | 21.8200 |
| 2011 | 6.5400 | 4.8050 | 0.2850 | 5.0900 | 7.7650 | 0.2400 | 8.0050 | 0.3739 | 0.0345 | 0.5000 | 0.0624 | 20.6058 |
| 2012 | 6.5400 | 4.7035 | 0.2850 | 4.9885 | 7.7650 | 0.2330 | 7.9980 | 0.3676 | 0.0345 | 0.5000 | 0.0613 | 20.4899 |
| 2013 | 6.3018 | 4.7035 | 0.4220 | 5.1255 | 7.6440 | 0.3330 | 7.9770 | 0.3523 | 0.0345 | 0.5000 | 0.0587 | 20.3498 |
| 2014 | 6.3018 | 4.6669 | 0.4500 | 5.1189 | 7.7750 | 0.1990 | 7.9740 | 0.1577 | 0.0345 | 0.5000 | 0.0548 | 20.1397 |

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Sources: City of Hialeah Office of Management & Budget and Miami-Dade County Property Appraiser's Office.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Hialeah. Not all overlapping rates apply to all City of Hialeah property owners (i.e. the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

CITY OF HIALEAH, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

FISCAL YEAR 2014

| <u>Taxpayer</u> | <u>Net Assessed Value</u> | <u>Rank</u> | <u>Percent of Total City Net Assessed Value</u> |
|----------------------------------|---------------------------|-------------|---|
| Florida Power & Light CO | \$ 177,727,802 | 1 | 2.46% |
| Palm Springs Mile Associates LTD | 118,190,268 | 2 | 1.64% |
| Westland Mall LLC | 80,800,000 | 3 | 1.12% |
| Lifemark Hospitals Inc. | 59,361,352 | 4 | 0.82% |
| Centergate at Gratigny LLC | 37,959,961 | 5 | 0.53% |
| SC Westland Promenade Ltd Prtshp | 30,748,897 | 6 | 0.43% |
| Tenat Hialeah Healthsystems Inc | 24,534,244 | 7 | 0.34% |
| United Parcel Service Inc. | 24,085,139 | 8 | 0.33% |
| FH: Hialeah Fee Commons LTD | 20,900,000 | 9 | 0.29% |
| FDG Beacon Countyline LLC | 19,978,142 | 10 | 0.28% |
| | <u>\$ 594,285,805</u> | | <u>8.24%</u> |

Note: Information is not available for fiscal year 2005 comparison.

Source: Miami-Dade County Property Appraisers Office.

CITY OF HIALEAH, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

| Fiscal Year Ended <u>September 30,</u> | Total Taxes Levied for Fiscal Year | Levied Taxes Collected within the Fiscal Year | | Delinquent Tax Collections | Total Tax Collections | |
|--|--|---|----------------------------|-------------------------------|--------------------------|----------------------------|
| | | <u>Amount</u> | <u>Percent of Levy</u> | | <u>Amount</u> | <u>Percent of Levy</u> |
| 2005 | \$ 51,892,970 | \$ 48,596,777 | 93.65% | \$ 386,261 | \$ 48,983,038 | 94.39% |
| 2006 | 58,024,149 | 53,351,595 | 91.95% | 423,624 | 53,775,219 | 92.68% |
| 2007 | 65,503,385 | 60,909,886 | 92.99% | 299,605 | 61,209,491 | 93.44% |
| 2008 | 72,108,007 | 67,599,293 | 93.75% | 779,007 | 68,378,300 | 94.83% |
| 2009 | 69,904,998 | 66,521,182 | 95.16% | 810,759 | 67,331,941 | 96.32% |
| 2010 | 62,055,573 | 56,475,555 | 89.40% | 2,465,365 | 57,940,920 | 93.37% |
| 2011 | 48,499,075 | 46,209,687 | 95.28% | 2,008,136 | 48,217,821 | 99.42% |
| 2012 | 47,652,850 | 43,747,005 | 91.80% | 1,120,983 | 44,867,987 | 94.16% |
| 2013 | 45,528,300 | 40,894,173 | 89.82% | 793,648 | 41,687,821 | 91.56% |
| 2014 | 43,934,340 | 39,589,518 | 90.11% | 1,467,597 | 41,057,115 | 93.45% |

Source: City of Hialeah Office of Management & Budget.

CITY OF HIALEAH, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | Governmental Activities | | | | Business-Type Activities | | | | | Total | Percentage of Personal Income (1) | Per Capita (1) |
|---------------------------------------|-------------------------|------------------|-------------------|---------------------|--------------------------|------------------|-------------------|-------------------|-----------------------------|-------------|---|-------------------|
| | Revenue Bonds | Notes Payable | Capital Leases | Mortgage Payable | Revenue Bonds | Notes Payable | Revolving Loan | Capital Leases | Water Purchase Agreement | | | |
| 2005 | 2,940,000 | 102,620,000 | 316,218 | 113,720 | 970,000 | 5,415,000 | 900,989 | - | - | 113,275,927 | 1.44% | 492 |
| 2006 | 2,780,000 | 109,930,000 | 252,391 | 103,841 | 465,000 | 2,305,000 | 1,021,188 | - | 514,546 | 117,371,966 | 1.47% | 509 |
| 2007 | 2,610,000 | 112,010,000 | 185,047 | 97,891 | 465,000 | 1,185,000 | 2,158,254 | - | 352,832 | 119,084,024 | 1.43% | 514 |
| 2008 | 2,223,591 | 109,035,000 | 113,992 | 91,761 | - | - | 2,047,309 | - | 176,418 | 113,688,069 | 1.38% | 490 |
| 2009 | 2,047,751 | 107,553,325 | 334,426 | 85,444 | - | - | 1,875,810 | - | - | 111,896,758 | 1.55% | 490 |
| 2010 | 1,864,063 | 102,418,870 | 527,519 | 117,969 | - | - | 1,705,629 | - | - | 106,634,060 | 1.48% | 471 |
| 2011 | 1,872,177 | 100,102,362 | 596,872 | 117,969 | - | - | 52,070,567 | - | - | 154,559,937 | 2.14% | 678 |
| 2012 | 1,471,927 | 88,242,884 | 143,267 | - | - | 57,688,324 | 1,810,149 | - | - | 149,436,551 | 2.08% | 650 |
| 2013 | - | 79,970,161 | 72,425 | - | - | 64,620,036 | 1,791,969 | - | - | 146,454,591 | 1.93% | 631 |
| 2014 | - | 75,661,188 | 398,279 | - | - | 63,087,659 | 1,670,450 | - | - | 140,627,586 | 2.14% | 603 |

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

(1) See the Schedule of Demographic and Economic Statistics on page 124 for personal income and population data.

CITY OF HIALEAH, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2014

(amounts expressed in thousands)

| <u>Government Unit</u> | 2014 | | |
|-----------------------------------|-----------------------------|--|---|
| | <u>Net Debt Outstanding</u> | <u>Estimated Percentage Applicable (1)</u> | <u>Amount Applicable to the City of Hialeah</u> |
| Miami-Dade County School Board | \$ 359,623 | 7.98% | \$ 28,687 |
| Miami-Dade County | <u>1,293,364</u> | 2.76% | <u>35,658</u> |
| Subtotal, Overlapping Debt | 1,652,987 | | 64,345 |
| City of Hialeah Direct Debt | <u>145,141</u> | 100% | <u>145,141</u> |
| Total Direct and Overlapping Debt | <u>\$ 1,798,128</u> | | <u>\$ 209,486</u> |

Sources: Data provided by the Miami-Dade County Finance Department and the Miami-Dade County School Board, Finance Department

(1) The percentage of overlapping debt applicable is estimated using net taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

CITY OF HIALEAH, FLORIDA
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | FMLC Bond Series 2011D | | | | | | Rescue Transportation 2007 Revenue Bond | | | |
|---------------------------------------|---------------------------------|-------------------------------|-----------------------------|--------------|-----------|----------|---|--------------|----------|----------|
| | Utility Charges and Other | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage | Rescue Transportation Fees (a) | Debt Service | | Coverage |
| | | | | Principal | Interest | | | Principal | Interest | |
| 2005 | 42,439,031 | 36,554,800 | 5,884,231 | 3,435,000 | 528,471 | 1.48 | 1,827,090 | 155,000 | 169,755 | 5.63 |
| 2006 | 42,901,913 | 36,984,771 | 5,917,142 | 3,615,000 | 337,265 | 1.50 | 1,968,192 | 160,000 | 161,540 | 6.12 |
| 2007 | 41,236,360 | 36,154,466 | 5,081,894 | 1,585,000 | 138,400 | 2.95 | 2,394,917 | 170,000 | 152,900 | 7.42 |
| 2008 | 46,070,878 | 38,241,216 | 7,829,662 | 1,185,000 | 65,175 | 6.26 | 2,602,700 | 59,409 | 75,876 | 19.24 |
| 2009 | 40,702,131 | 39,699,976 | 1,002,155 | - | - | N/A | 2,763,685 | 175,840 | 94,730 | 10.21 |
| 2010 | 56,463,162 | 46,051,730 | 10,411,432 | - | - | N/A | 3,324,801 | 183,688 | 66,882 | 12.29 |
| 2011 | 47,536,277 | 48,531,832 | (995,555) | - | - | N/A | 2,956,713 | 270,570 | 78,674 | 8.47 |
| 2012 | 48,361,859 | 45,883,620 | 2,478,239 | 310,000 | 2,401,538 | 0.91 | 3,658,191 | 200,250 | 70,320 | 13.52 |
| 2013 | 49,265,671 | 41,497,509 | 7,768,162 | 320,000 | 2,392,088 | 2.86 | 4,051,551 | - | - | N/A |
| 2014 | 58,913,986 | 52,358,264 | 6,555,722 | 580,000 | 2,387,288 | 2.21 | 4,369,019 | - | - | N/A |

Source: City of Hialeah Finance Department

Note (a): During 2006, the City paid off the State of Florida Loan.

Note (b): Rescue transportation fees are net of related uncollectible accounts.

Note (c): During 2011, the City issued Florida Municipal Loan Council Revenue Bond Series 2011D for which the City has pledged Project Revenues, see Note 11.

CITY OF HIALEAH, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

| <u>Year</u> | <u>Population (1)</u> | <u>Total Personal Income (Amounts Expressed in Thousands) (1)</u> | <u>Per Capita Personal Income (1)</u> | <u>Median Age (2)</u> | <u>School Enrollment (3)</u> | <u>Unemployment Rate (4)</u> |
|-------------|-----------------------|---|---------------------------------------|-----------------------|------------------------------|------------------------------|
| 2005 | 230,226 | 7,850,903 | 34,101 | 38 | 29,370 | 5.9% |
| 2006 | 230,407 | 7,998,968 | 34,708 | 39 | 29,885 | 5.1% |
| 2007 | 231,500 | 8,352,752 | 36,081 | 39 | 30,105 | 5.8% |
| 2008 | 232,155 | 8,224,091 | 35,425 | 38 | 31,228 | 8.0% |
| 2009 | 228,157 | 7,230,067 | 31,689 | 42 | 29,370 | 14.5% |
| 2010 | 226,419 | 7,183,822 | 31,728 | 41 | 29,685 | 15.9% |
| 2011 | 227,962 | 7,227,763 | 31,708 | 38 | 34,194 | 12.6% |
| 2012 | 229,969 | 7,151,118 | 31,098 | 41 | 38,794 | 9.2% |
| 2013 | 231,941 | 7,606,737 | 32,796 | 43 | 28,912 | 10.3% |
| 2014 | 233,394 | 6,571,208 | 28,155 | 42 | 25,239 | 5.6% |

Sources:

- (1) *University of Florida, Bureau of Economic Research and American Factfinder, City of Hialeah, FL*
- (2) *United States Census Bureau*
- (3) *Miami-Dade County School Board Budget Office*
- (4) *U.S. Department of Labor*

Note: Population, median age and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF HIALEAH, FLORIDA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

| <u>Employer</u> | <u>2014</u> | | | <u>2005</u> | | |
|---------------------------------------|---------------------|-------------|--|---------------------|-------------|--|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| City of Hialeah | 1,866 | 1 | 1.97% | 1,345 | 2 | 1.50% |
| Palmetto General Hospital | 1,648 | 2 | 1.74% | 1,815 | 1 | 2.03% |
| United Parcel Service | 1,162 | 3 | 1.22% | 1,310 | 3 | 1.46% |
| Hialeah Hospital | 1,075 | 4 | 1.13% | 1,305 | 4 | 1.46% |
| Winn Dixie Super Markets | 1,031 | 5 | 1.09% | 1,279 | 5 | 1.43% |
| Publix Super Markets | 827 | 6 | 0.87% | 697 | 6 | 0.78% |
| Palm Springs Hospital | 618 | 7 | 0.65% | 607 | 7 | 0.68% |
| Sedano's Super Markets | 547 | 8 | 0.58% | 388 | 8 | 0.43% |
| Yellow Stone Group | 414 | 9 | 0.44% | 374 | 9 | 0.42% |
| Bank of America | 391 | 10 | 0.41% | 366 | 10 | 0.41% |
| Coulter Electronic | - | - | - | - | - | - |
| Gator Industries | - | - | - | - | - | - |
| Interamerican Transport Equipment Co. | - | - | - | - | - | - |
| Piba Industries Inc. | - | - | - | - | - | - |
| Total | <u>9,579</u> | | <u>10.09%</u> | <u>9,486</u> | | <u>10.60%</u> |

Source: Hialeah Dade Development, Inc.

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APPENDIX B

**Comprehensive Annual Financial Report for
Fiscal Year Ended September 30, 2014**

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CITY OF HIALEAH, FLORIDA COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

CITY OF HIALEAH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2014

Prepared by:
Finance Department

CITY OF HIALEAH, FLORIDA

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CITY OF HIALEAH, FLORIDA

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Carlos Hernandez
Mayor
Isis Garcia-Martinez
Council President
Luis E. Gonzalez
Council Vice President



Council Members
Jose F. Caragol
Vivian Casals-Muhuz
Lourdes Lozano
Katharine Cue
Paul B. Hernandez

City of Hialeah

June 30, 2015

To the Members of the City Council and Residents of the City of Hialeah:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the City of Hialeah, Florida, for the fiscal year ending September 30, 2014. The financial statements included in this report conform to generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The City of Hialeah's financial statements have been audited by Alberti, Caballero & Fierman, LLP Certified Public Accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Hialeah's financial statements for the fiscal year ended September 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

This report consists of management's representation concerning the finances of the City of Hialeah. 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 Hialeah has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to complete sufficient reliable information for the preparation of the City of Hialeah's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Hialeah'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 misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. 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 Hialeah's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Hialeah was incorporated in 1925 by the laws of the State of Florida contained in Chapter 11516 Special Acts of 1925. The City of Hialeah occupies a land area of 23 square miles and serves a population of approximately 234,000 residents. The City of Hialeah has operated under a strong mayor form of government since its inception. Policy making and legislative authority are vested in a governing council consisting of a seven member council. The council is responsible for, among other things, passing ordinances and adopting the budget.

+

INTRODUCTORY SECTION

The Mayor is responsible for carrying out the policies and ordinances of the council, overseeing the day-to-day operations of the government, and appointing the heads of various departments.

The City of Hialeah offers a wide range of services, including, public safety (police and fire), public works, streets, water and wastewater, sanitation, social services, cultural activities, public improvements, planning and zoning, libraries and educational services, and general administrative services.

ECONOMIC CONDITION AND OUTLOOK

Each fiscal year provides the City an opportunity to identify, address and resolve issues facing our community and our citizens. The City's major challenges are to provide the infrastructure and services needed to maintain the quality of life, which has attracted considerable growth to our economy. The City continues to emphasize the support of systems such as transportation, public safety (police and fire), storm water management, potable (drinking) water, waste treatment and solid waste collection which must be balanced carefully with the quality of life amenities which include parks and recreation, entertainment and cultural opportunities to maintain the beauty and attractiveness of our community.

In the past year, home taxable values in the City of Hialeah have declined approximately 3.5% based on the Miami Dade County Property Appraiser's Office assessments. Nevertheless, the City continues to maintain a stable economic base despite the negative impacts of property tax reform and a slowing housing market being felt nationwide. As our tax rolls decline, we have honored our commitment to the residents and have not increased the millage rate above the levels that have been set by the Administrator for the last two (2) years. The following discussion is intended to demonstrate the growth and vitality of the City and to address the challenges and concerns of the near future.

Annexation Area - In 2005 the City of Hialeah annexed from Miami Dade County an area located along the northwest corner of the City of Hialeah between Highway I-75 and the Florida Turnpike lying directly to the west of City. The Annexation Area consists of 1,890 acres of land, of which, a third has been designated for residential use and two-thirds have been designated for commercial and industrial use. As part of the inter-local agreement between the City and Miami-Dade County, the City will provide the necessary regional pre-development infrastructure, including water and sewer services, road improvements, and regional recreational facilities. The Annexation Area will provide continued strong economic growth to the City of Hialeah by expanding its revenue base and maximizing the land use within its borders. Current development began in fiscal 2013 and as of the date of this report several projects have been completed and others are well underway in the construction phase.

MAJOR INITIATIVES AND PROGRAMS

The City's emphasis has been to restore, maintain and beautify urban and residential infrastructure through a program of major renovations and improvements to City parks, streets, sidewalks and development of affordable housing projects and improving the operational efficiency of the City.

Setting our sights for the future, the City will continue allocating resources to the development of our annexed area in fiscal year 2015. The City of Hialeah has completed the construction of several projects for the necessary water, sewer and roadway infrastructure in the annexation area; this work continues to date. The City is also continuing with the ongoing program to repair and modernize sewer pump stations around the City in accordance with the State of Florida and Miami Dade County Consent Orders. These stations are upgraded with the latest state-of-the-art pumps and control systems enhancing an already efficient water and sewer department. The City's Water and Sewer Department is also working on retrofitting the City's sewer lines to avoid filtration into the underground pipes, which increases the amount of sewer waste. Completion of this project will reduce expenses in the long-run by reducing the amount paid by the City in water dumping fees.

RELEVANT FINANCIAL POLICIES

Budgetary Controls - The annual budget serves as a foundation for the City of Hialeah financial planning and control. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. The City follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. Upon request of the Mayor, the City Council may transfer, at any time, any part of an unencumbered balance of an appropriation within a department. Upon request of the Mayor and only after the first six months of the budget year have passed, the City Council, in the form of a resolution, may transfer any part of the unencumbered balance of an appropriation between departments.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations. The legal level of control is at the department level. The City Council approves supplemental appropriations. Budget-to-actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted.

Risk Management - The City administers a self-insurance program for workers' compensation, general liability, and group health insurance programs, subject to certain stop-loss provisions. The health insurance program is administered by an independent administrator. The workers' compensation and liability programs are administered by a separate administrator. For group health insurance, the City funds the program on a pay as you go basis. Insurance coverage is maintained with independent carriers for property damage to City facilities. The City maintains stop-loss coverage with an independent carrier for the City's self-funded group health plan.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hialeah for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2013. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. This was the seventh consecutive year that the City of Hialeah has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR. 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. We believe that our 2014 Comprehensive Annual Financial Report continues to meet the high standards of the Certificate of Achievement Program requirements and we are submitting it to the GFOA for consideration of the award certificate.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, the Office of Management and Budget and the City's audit firm, Alberti, Caballero & Fierman, LLP. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hialeah's finances.

Respectfully submitted,



Carlos Hernandez/
Mayor

Javier Collazo
Finance Director



Government Finance Officers Association

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

Presented to
**City of Hialeah
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Jeffrey R. Egan
Executive Director/CEO

CITY OF HIALEAH, FLORIDA

List of Elected City Officials

September 30, 2014

Strong Mayor Form of Government

CITY COUNCIL

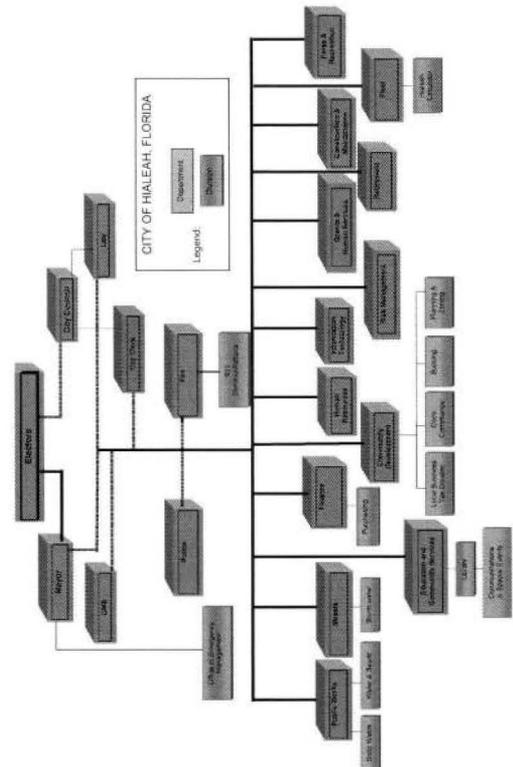
- Carlos Hernandez, Mayor**
- Isis Garcia-Martinez, Council President**
- Luis E. Gonzalez, Council Vice President**
- Jose F. Caragol**
- Vivian Casals-Muñoz**
- Paul B. Hernandez**
- Katharine E. Cue-Fuente**
- Lourdes Lozano**

Prepared by:

Finance Department and Administration

CITY OF HIALEAH, FLORIDA

ORGANIZATIONAL CHART
SEPTEMBER 30, 2014



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



Alberto Caballero & Fierman, LLP
4649 Ponce de Leon Blvd
Suite 404
Coral Gables, FL 33146
T: 305 662 7272 F: 305 662 4265
ACF-CPA.COM

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Hialeah, 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 City of Hialeah, Florida (the "City") as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, Items Previously Reported as Assets and Liabilities and Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25.

As discussed in Note 14 to the financial statements, Management analyzed GASB Statement No. 67 and determined that the Deferred Retirement Option Program (DRO) liability recorded in the previous year did not meet the criteria of a liability. The beginning net position held in trust for pension benefits has been restated by \$9,325,968 to include the investments and the activity held in the DRO as of October 1, 2013. Further, Management determined that prior period adjustment was required to reflect employer contributions legally due for the prior fiscal year and as a result the net position held in trust for pension benefits and the beginning net position for the general fund have been restated by approximately \$3.7 and \$1.1 million, respectively.

In addition, the implementation of GASB Statement No. 65 resulted in a restatement of the beginning net position. See note 19 to the financial statements for additional detail.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 16 and Budgetary Comparison Schedule, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Investment Returns on pages 79 through 86, 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, combining and individual nonmajor fund financial statements, budgetary comparison schedules, statistical section and schedule of expenditures of federal awards and state financial assistance projects, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and Chapter 10.350, Rules of the Auditor General are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules and schedule of expenditures of federal awards and state financial assistance projects 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 combining and individual nonmajor fund financial statements, budgetary comparison schedules and schedule of expenditures of federal awards and state financial assistance projects are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 June 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Alberni Caballero & Fierman, LLP

Alberni Caballero & Fierman, LLP
Coral Gables, Florida
June 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hialeah, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

Financial Highlights

- The assets and deferred outflows of resources of the City of Hialeah's Governmental and Business-type funds exceed its liabilities and deferred inflows at the close of the most recent fiscal year by \$208 million.
- Net position of the City's governmental activities decreased by 6% (\$3.6 million) from \$57.3 million for last fiscal year, compared to \$53.7 million in the current fiscal year. A decrease change in the Net Position for fiscal 2014 of \$3.6 million was due primarily to the net change of increases in OPEB liability and claims payable of \$7.5 and \$3 million, respectively; however, these were offset by decreases in net pension obligation and Long-term liability of \$5.4 and \$4.2 million, respectively.
- Net position of the City's business-type activities decreased by 7% (\$11 million) from \$165.7 million compared to \$154.5 million in the current fiscal year. The beginning net position and liabilities for the business-type activities were restated by due to interest payments that were not capitalized during the construction phase of the RO Plant. Beginning net position was increased by \$3.8 million (note 19).
- The implementation of GASB 65 as stated in Note 19 resulted in a restatement of the beginning net position for governmental activities and business type activities. The respective net position were to be restated to decrease the beginning net position by \$1.7 million and \$879 thousand to write off capitalized loan cost as of September 30, 2013.
- At the close of the current fiscal year, the City's Governmental Funds reported a combined ending fund balance of \$26.6 million, an increase of approximately \$11.2 million per financial statements.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$15.4 million, or 88% of the total General Fund balance. The non-spendable fund balance was \$2.2 million which represents inventory and prepaid expenses which are amounts that are not spendable in nature. The \$15.4 million of unassigned fund balance is considered undesignated at the closing of the year and are funds available for spending at the government's discretion. It is important for readers to understand that these funds available for spending are essential for long-term commitments and unanticipated contingencies and should not be considered superfluous.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to these basic financial statements, this report contains other supplementary information.

Government-wide financial statements - 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 *statement of net position* presents information on all of the City's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, 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 taxes and earned but unused vacation leave).

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 police, fire, streets, grants, bus circulator and human services, state housing initiative, work investment act programs, library, code compliance, licenses, fleet maintenance, construction and maintenance, recreation and community services, planning and development, and general and administrative services. The business-type activities of the City include solid waste, water & sewer and storm-water operations. The government-wide financial statements can be found on pages 17-18 of this report.

Fund financial statements - A *fund* is a grouping of related accounts that is used to maintain control over 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: governmental funds, proprietary funds and fiduciary funds.

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, the reader may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several 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, which is considered to be the major fund. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and other governmental funds. Budgetary comparison statements have been provided for the General Fund and governmental funds with legally adopted budgets to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 19-21 of this report.

Proprietary funds - The City maintains one type of proprietary fund. *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 solid waste and water & sewer operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste, water & sewer and storm-water operations, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 22-26 of this report.

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-5-

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 statement because the resources of these 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 basic fiduciary fund financial statements can be found on pages 27-28 of this report.

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. The notes to the basic financial statements can be found on pages 29-78 of this report.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including, but not limited to, the budgetary comparison schedule of the General Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 79-86 of this report. The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 87-115 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Hialeah, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$208 million at the close of the most recent fiscal year. This is a 7.1% decrease compared to last year's net position of \$224 million.

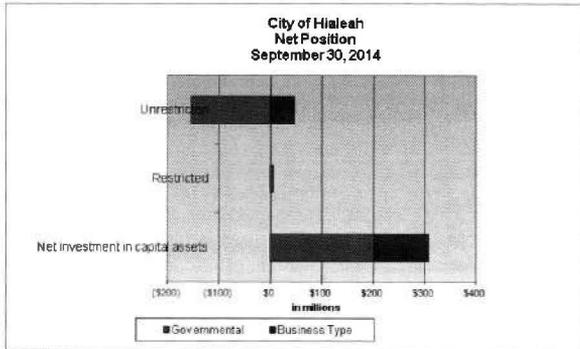
| | CITY OF HIALEAH - NET POSITION | | | Governmental Activities | Business-type Activities | Total |
|----------------------------------|--------------------------------|--------------------------|----------------|-------------------------|--------------------------|----------------|
| | Governmental Activities | Business-type Activities | Total | | | |
| Current and other assets | \$ 64,581,800 | \$ 59,606,419 | \$ 124,190,219 | \$ 54,883,802 | \$ 82,343,147 | \$ 137,226,749 |
| Restricted assets | 1,337,378 | 13,188,384 | 14,525,762 | 1,389,383 | 10,879,245 | 12,268,628 |
| Capital assets, net | 278,855,559 | 191,196,745 | 467,852,304 | 291,062,133 | 183,387,320 | 474,469,453 |
| Total assets | 342,574,737 | 263,873,548 | 606,548,285 | 347,335,118 | 276,609,712 | 623,944,830 |
| Long-term liabilities | 230,585,181 | 81,675,414 | 312,260,595 | 238,586,075 | 81,657,713 | 320,243,788 |
| Other liabilities | 48,985,922 | 27,709,246 | 76,695,170 | 46,861,105 | 32,246,741 | 79,107,846 |
| Total liabilities | 288,571,103 | 109,384,660 | 395,955,763 | 285,267,180 | 113,904,454 | 399,171,634 |
| Deferred inflows of Resources | 2,273,176 | - | 2,273,176 | - | - | - |
| Net Position | | | | | | |
| Net investment in capital assets | 200,596,082 | 122,274,496 | 322,870,578 | 211,571,228 | 116,770,648 | 328,341,876 |
| Restricted | 7,843,866 | - | 7,843,866 | 7,703,518 | - | 7,703,518 |
| Unrestricted | (154,539,429) | 32,314,390 | (122,195,100) | (157,186,909) | 45,834,610 | (111,352,199) |
| Total net position | \$ 53,730,458 | \$ 154,588,886 | \$ 208,319,344 | \$ 82,087,938 | \$ 162,705,258 | \$ 224,793,196 |

By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, etc.); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, they 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.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is considered unrestricted net position and that amount is a negative \$154.5 million. This figure illustrates that if all liabilities became due at this point in time, total assets would be insufficient to cover all our obligations. Capital assets of the City would need to be sold in order to meet contingencies.

Net position of the City's governmental activities decreased by 6.3% (\$3.6 million) from \$57.3 million for last fiscal year, compared to \$53.7 million in the current fiscal year. See detailed explanation under Financial Highlights.

Net position of the City's business-type activities decreased by 8% (\$11.1 million) from \$165.7 million for last fiscal year, compared to \$154.5 million in the current fiscal year.



| | CITY OF HIALEAH - CHANGES IN NET POSITION | | | Governmental Activities | Business-type Activities | Total |
|------------------------------------|---|--------------------------|---------------|-------------------------|--------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total | | | |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 24,987,843 | \$ 73,171,842 | \$ 98,159,485 | \$ 26,900,182 | \$ 68,575,726 | \$ 95,175,908 |
| Operating grants & contributions | 24,576,496 | - | 24,576,496 | 21,551,822 | - | 21,081,822 |
| Capital grants & contributions | 9,019,257 | 502,578 | 9,521,835 | 26,000,214 | 538,297 | 26,538,511 |
| General Revenues: | | | | | | |
| Property taxes | 41,424,199 | - | 41,424,199 | 41,687,822 | - | 41,687,822 |
| Utility fees | 22,467,398 | - | 22,467,398 | 21,908,941 | - | 21,908,941 |
| Franchise fees on gross receipts | 15,370,782 | - | 15,370,782 | 10,277,964 | - | 10,277,964 |
| Intergovernmental revenue | 25,094,317 | - | 25,094,317 | 23,733,372 | - | 23,733,372 |
| Unrealized loss on investments | - | 414,486 | 414,486 | - | - | - |
| Gain on disposal of capital assets | (1,434,185) | - | (1,434,185) | 163,973 | - | 163,973 |
| Unsanctioned interest | 7,600 | 475,834 | 483,534 | 14,745 | (316,254) | (301,509) |
| Total revenues | 161,533,707 | 74,564,640 | 236,098,347 | 172,038,626 | 68,797,669 | 240,836,295 |

| | | | | | | |
|--------------------------------|---------------|----------------|----------------|---------------|----------------|----------------|
| Expenses: | | | | | | |
| General government | 72,876,508 | - | 72,876,508 | 68,161,308 | - | 68,161,308 |
| Parks | 43,375,725 | - | 43,375,725 | 43,436,364 | - | 43,436,364 |
| Fire | 38,604,552 | - | 38,604,552 | 39,443,585 | - | 39,443,585 |
| Streets | 11,842,353 | - | 11,842,353 | 11,985,507 | - | 11,985,507 |
| Recreation & community service | 10,238,608 | - | 10,238,608 | 10,655,547 | - | 10,655,547 |
| Interest on long-term debt | 3,179,767 | - | 3,179,767 | 4,538,607 | - | 4,538,607 |
| Water & sewer | - | 49,789,736 | 49,789,736 | - | 45,981,989 | 45,981,989 |
| Solid waste | - | 15,552,864 | 15,552,864 | - | 18,232,547 | 18,232,547 |
| Stormwater | - | 5,299,992 | 5,299,992 | - | 4,872,609 | 4,872,609 |
| Total expenses | 180,118,513 | 70,642,612 | 250,761,125 | 178,230,989 | 68,931,143 | 247,162,132 |
| Transfers | 15,033,525 | (15,033,525) | - | - | - | - |
| Change in net position | (3,551,281) | (11,111,497) | (14,662,778) | (5,191,364) | (99,476) | (16,290,840) |
| Net position-beginning | 57,281,739 | 165,700,383 | 222,982,122 | 68,279,302 | 182,804,734 | 251,084,036 |
| Net position-ending | \$ 53,730,458 | \$ 154,588,886 | \$ 208,319,344 | \$ 62,087,938 | \$ 162,705,258 | \$ 224,793,196 |

Governmental activities - Governmental activities decreased the City's net position by \$3.6 million. This change in the Net Position for fiscal 2014 of \$3.6 million was due primarily to the net change of increases in OPEB liability and claims payable of \$7.5 and \$3 million, respectively; however, these were offset by decreases in net pension obligation and Long-term liability of \$5.4 and \$4.2 million, respectively. In addition, the October 1, 2013 beginning net position and liabilities were restated for the government activities by a decrease in beginning net position and increase in liabilities of \$3.1 million for the underfunded portion of the City's contribution to the pension plan (note 19); and the implementation of GASB 65 resulted in a restatement of the beginning net position of \$1.6 million to write off capitalized loan costs. These changes reported in the statement of activities do not require the use of current financial resources.

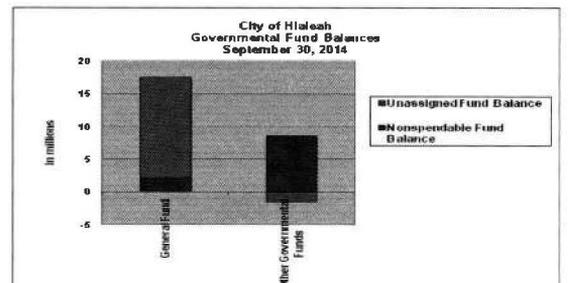
Revenues in ad valorem taxes decreased by approximately \$263 thousand in the current fiscal year; this was due to a decrease in the assessed property values within the City by the Miami-Dade County Property Appraisers' Office. This continues to be a challenge for the City of Hialeah to maintain the high level of services while revenues continue to decrease in the current economic crisis. Yet despite these issues, the City of Hialeah remains determined to maintain its promise not to raise taxes and in fact it maintained the City's millage rate of 6.3018 from the prior will remain the same for the coming fiscal year.

Business-type activities - Net position of the City's business-type activities decreased by \$11 million in the current fiscal year. The beginning net position and capital assets for the business-type activities on October 1, 2013 were restated due to interest payments that were not capitalized during the construction phase of the RO Plant. Beginning net position was increased by \$3.8 million (note 19). Current year operating loss for the Solid Waste fund of \$21.5 million was due to the net effect of the internal transfer of assets approved by the City Council on December 10, 2013 comprising of 35,436 acres improved with buildings in the amount of \$19 million intended to be utilized the Solid Waste as part of the privatization of trash collection within the fund to lease the building and a portion of the land to the private hauler for use of its contracted service; and to relocate and consolidate its fleet with the City fleet and to lease vacant land to a third party for a recycling/trash transfer station. In addition, the implementation of GASB 65 resulted in a restatement of the beginning net position of the business type activities of \$879 thousand to write off capitalized loan costs.

Financial Analysis of the City's Funds

As noted earlier, the City of Hialeah 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, *unassigned fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

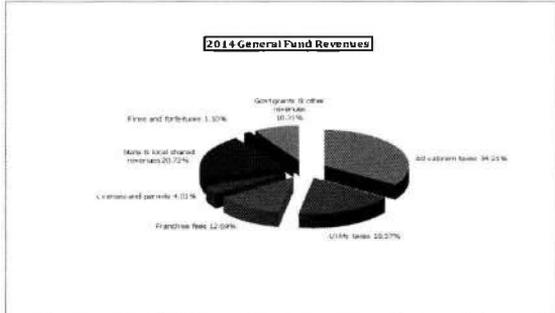


As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$26.6 million, an increase of approximately \$11.2 million. The individual statement of revenues, expenditures and changes in fund balances for nonmajor governmental funds can be found on pages 85-88 of this report.

Unassigned fund balance in the amount of \$15.3 million in the General Fund constitutes amount which is available for spending as explained earlier under Financial Highlights. The remainder of fund balance is non-spendable to indicate it is not available for spending because they are in non-spendable form (i.e. inventory and prepaid expenses). The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund.

The amount of General Fund revenue from various sources, the percentage of the total and the amount of change compared to last fiscal year are shown in the following schedule:

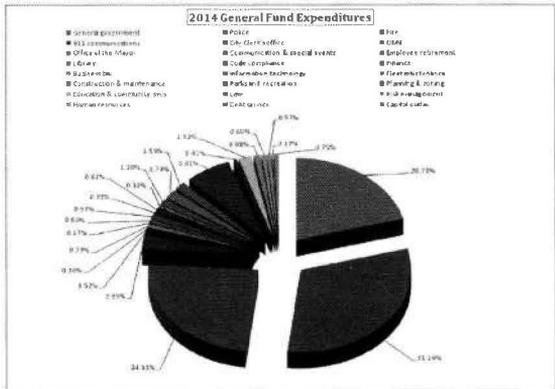
| Revenue Sources | 2014 | | 2013 | | Amount Incr (Decr) from Prior Year | Percent Incr-Decr from Prior Year |
|-------------------------------|-----------------------|------------------|-----------------------|------------------|------------------------------------|-----------------------------------|
| | 2014 Amount | Percent of Total | 2013 Amount | Percent of Total | | |
| Ad valorem taxes | \$ 41,424,189 | 34.21% | \$ 41,687,822 | 35.32% | \$ (263,633) | -0.63% |
| Utility taxes | 22,487,395 | 18.57% | 21,909,541 | 18.56% | 577,857 | 2.64% |
| Franchise fees | 15,370,782 | 12.69% | 10,277,964 | 8.71% | 5,092,818 | 49.55% |
| Licenses and permits | 4,853,204 | 4.01% | 4,924,571 | 4.17% | (71,367) | -1.45% |
| State & local shared revenues | 25,094,317 | 20.72% | 23,733,372 | 20.11% | 1,360,945 | 5.73% |
| Fines and forfeitures | 1,328,459 | 1.10% | 1,197,481 | 1.01% | 130,988 | 10.94% |
| Interest | 7,498 | 0.01% | 14,098 | 0.01% | (6,598) | -46.81% |
| Gov. grants & other revenues | 10,516,737 | 8.69% | 14,282,319 | 12.10% | (3,765,582) | -26.37% |
| Total | \$ 121,082,604 | 100% | \$ 118,027,166 | 100% | \$ 3,055,438 | 2.59% |



Total General Fund revenues increased slightly by \$3.1 million or 3% in fiscal year 2014. Although there was a decrease of \$3.8 million in government grants and other revenues in 2014, this change was offset by an increase in state and local shared revenues and franchise fees revenues of \$1.4 and \$5 million, respectively. Consequently, current year General Fund revenues remained relatively consistent in comparison to the prior year; nevertheless, the City of Hialeah remains determined to maintain its services at the highest levels.

Expenditures in the General Fund are shown in the following schedule:

| Expenditures | 2014 | | 2013 | | Amount Incr (Decr) from Prior Year | Percent Incr-Decr from Prior Year |
|--------------------------------|-----------------------|------------------|-----------------------|------------------|------------------------------------|-----------------------------------|
| | 2014 Total | Percent of Total | 2013 Total | Percent of Total | | |
| General government | \$ 26,520,903 | 20.78% | \$ 25,015,678 | 20.69% | \$ 1,505,225 | 6.02% |
| Police | 39,772,491 | 31.16% | 38,292,740 | 31.67% | 1,479,751 | 3.86% |
| Fire | 30,648,389 | 24.01% | 28,794,425 | 23.81% | 1,853,964 | 6.44% |
| 911 communications | 3,432,867 | 2.69% | 2,842,064 | 2.35% | 590,803 | 20.79% |
| City Clerk's office | 658,140 | 0.52% | 676,279 | 0.56% | (18,139) | -2.68% |
| OMB | 461,476 | 0.36% | 494,087 | 0.41% | (32,611) | -6.60% |
| Office of the Mayor | 927,025 | 0.73% | 441,278 | 0.36% | 485,747 | 110.08% |
| Communication & special events | 221,436 | 0.17% | 47,427 | 0.04% | 174,009 | 100.00% |
| Employee retirement | 632,686 | 0.50% | 636,543 | 0.53% | (3,857) | -0.61% |
| Library | 1,241,652 | 0.97% | 1,124,518 | 0.93% | 117,134 | 10.42% |
| Code compliance | 447,571 | 0.35% | 392,052 | 0.32% | 55,519 | 14.16% |
| Finance | 1,032,730 | 0.81% | 880,172 | 0.73% | 152,558 | 17.33% |
| Business tax | 429,010 | 0.34% | 392,421 | 0.32% | 36,589 | 9.32% |
| Information technology | 1,532,664 | 1.20% | 1,358,607 | 1.12% | 174,057 | 12.81% |
| Fleet maintenance | 2,246,994 | 1.79% | 2,052,285 | 1.70% | 234,709 | 11.44% |
| Construction & maintenance | 2,034,254 | 1.59% | 2,178,352 | 1.80% | (144,098) | -6.62% |
| Parks and recreation | 8,442,246 | 6.61% | 8,504,481 | 7.03% | (62,235) | -0.73% |
| Planning & zoning | 528,781 | 0.41% | 484,169 | 0.40% | 44,612 | 9.21% |
| Education & community svcs | 2,451,185 | 1.92% | 2,171,059 | 1.80% | 280,126 | 12.90% |
| Law | 1,216,909 | 0.95% | 768,888 | 0.64% | 448,021 | 58.27% |
| Risk management | 826,243 | 0.65% | 819,238 | 0.68% | 7,005 | 0.92% |
| Human resources | 731,129 | 0.57% | 513,118 | 0.42% | 218,011 | 42.49% |
| Debt service | 213,704 | 0.17% | 1,849,607 | 1.53% | (1,635,903) | -88.45% |
| Capital outlay | 958,573 | 0.75% | 196,364 | 0.16% | 762,209 | 388.16% |
| Total | \$ 127,649,558 | 100.00% | \$ 120,925,852 | 100.00% | \$ 6,723,706 | 5.56% |



In fiscal year 2014, total General Fund expenditures increased by \$6.7 million or 5.6% as compared to the prior year. This was due to an increase in City wide payroll due to the end of the 7% employee contribution towards health insurance used to offset health insurance costs during the current fiscal year.

Proprietary funds. The City maintains two proprietary funds. Enterprise funds are used to provide the same type of information found in the government-wide financial statements, but in more detail. The City uses proprietary funds to account for its water and sewer, storm-water and solid waste operations.

Unrestricted net position of all the enterprise funds at the end of the year amounted to \$47 million. Unrestricted net position at the end of the fiscal year for the Water and Sewer Fund, Solid Waste Fund and Stormwater Utility Fund totaled to \$53.9 million and a deficit of \$10.5 and \$3.8 million, respectively. Other factors concerning the finances of these major funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The differences in the actual revenues and expenses as compared to the budget are summarized as follows:

- Ad valorem revenue was lower than budgeted due to a decrease in monies received from Miami Dade Tax Collector's department. Due to the current economic conditions and the lingering decline in the housing market this revenue source continues to be an area of concern for the City.
- Franchise fees collected were higher than budgeted due to newly implemented water and wastewater payment in lieu of a franchise fee from the sale of water and wastewater service to all customers in fiscal year 2014.
- State and local-shared revenues were lower than budgeted due to decrease in Sales tax revenue, which is a major part of this revenue source.
- Total General Fund expenditures were higher than budgeted figures by \$446 thousand or less than 1/2 of 1%.

Differences between the original budget and the final amended budget for expense accounts increase by \$21.9 million an increase of 20% over the original budget.

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business type activities as of September 30, 2014 totals \$468 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, and machinery and equipment. The total decrease in the City's investment in capital assets for the current fiscal year was 1.3%.

| | CITY OF HIALEAH - CAPITAL ASSETS (NET OF DEPRECIATION) | | | | | |
|---|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2014 | | Total | September 30, 2013 | | Total |
| | Governmental | Business-Type | | Governmental | Business-Type | |
| Land | \$ 29,694,983 | \$ 4,202,141 | \$ 33,897,124 | \$ 29,987,769 | \$ 629,356 | \$ 30,597,125 |
| Construction in progress | 1,253,014 | 52,801,174 | 54,054,188 | 13,272,080 | 46,177,344 | 61,449,224 |
| Buildings and utility plants | 95,643,736 | 7,993,787 | 103,637,523 | 90,338,178 | 4,484,824 | 94,823,002 |
| Improvements other than buildings | 7,660,538 | - | 7,660,538 | 9,407,502 | - | 9,407,502 |
| Furniture, fixtures, machinery and equipment | 11,455,236 | 1,439,896 | 12,895,142 | 12,785,297 | 2,186,190 | 14,971,487 |
| Human resources, machinery and equipment - Charter School | 1,015,309 | - | 1,015,309 | 369,721 | - | 389,721 |
| Infrastructure | 129,932,743 | 124,759,837 | 254,692,580 | 134,921,586 | 127,909,806 | 262,831,392 |
| Total capital assets | \$ 276,655,559 | \$ 191,196,745 | \$ 467,852,304 | \$ 291,082,133 | \$ 183,387,320 | \$ 474,469,453 |

Additions to capital assets before depreciation for governmental activities equaled \$11.4 million. The following additions and transfers include the following items:

- Reconstruction and engineering services of various City street projects totaling \$3.4 million that were completed during the current fiscal year and were subsequently transferred to the Infrastructure asset group once placed in service. Continued construction and engineering services in progress of several City street projects totaling approximately \$1 million at the end of FY 2014.
- Continued construction in progress of several City projects including the 300-units recreation center, the 36-units Elderly Housing, Palm Center 72-units affordable housing project adjacent parking garage totaling approximately \$11 million at the end of FY 2014.
- The above additions were offset by the transfer of assets to the business type activities (solid waste fund) in the amount of approximately \$4 million. See note 8 Interfund Loan for additional details.

Additions to capital assets before depreciation for business type activities equaled \$7.5 million and include the following items:

- Continued construction in progress of the new reverse osmosis water treatment plant in the annexation area totaling approximately \$1.4 million in construction in fiscal year 2014.
- Upgrading or replacing of water mains, repairing and modernizing sewer pump stations around the City in accordance with the State of Florida and Miami-Dade County ongoing program totaling approximately \$3.1 million.

Additional information on the City's capital assets can be found in Note 10 starting on page 52 of this report.

Long-term debt - The City's net outstanding debt remained consistent to prior year. Significant changes of the City's net outstanding debt are described in the financial highlights. Additional information on the City's long-term debt can be found in the notes to the financial statements. More in-depth detail can be found on pages 53-60, Note 11.

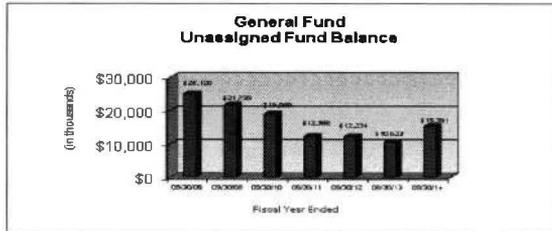
| CITY OF HIALEAH'S OUTSTANDING DEBT | | |
|------------------------------------|-----------------------|-----------------------|
| | 2014 | 2013 |
| Bonds payable (W&S) | \$ 47,605,000 | \$ 47,925,000 |
| Notes payable | 96,929,205 | 102,879,261 |
| Other long-term debt | 196,943,833 | 190,685,222 |
| Total | \$ 341,478,038 | \$ 341,469,483 |

Economic Factors and Next Year's Budgets and Rates

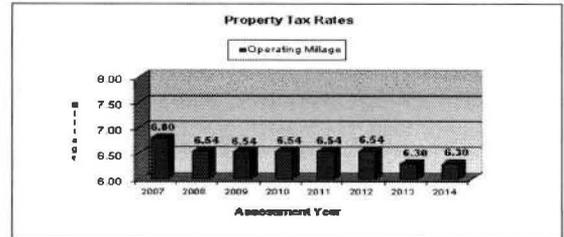
The City's local economy is primarily based upon industrial, light manufacturing and service related companies. The occupancy rates of the City's establishments for these businesses remained at approximately 97%.

During the current fiscal year, unassigned fund balance in the General Fund increased to \$15.4 million. The unassigned fund balance of \$15.4 million is approximately equal to a little over one month of the General Fund budgeted expenditures for fiscal year 2014-2015.

The following graph shows the City's fund balance for the last seven years:



In 1995, the State of Florida limited all local governments' ability to raise homestead assessed property value in any given year by 3% or cost of living, whichever is lower. As the following graph indicates, the City's property tax rates have been reduced by almost 3/4 of a mill since 2007. The City's operational expenditures, such as salaries, health insurance and pension contributions continue to increase while our revenue resources have become more and more limited. During fiscal year 2013-2014, the City maintained the millage rate at 6.3018 mills, as it was in the previous fiscal year. The City has reduced the cost of government, while maintaining a full complement of municipal services (police, fire, parks, recreation, libraries, education, community services and affordable housing) at optimum levels without the need for additional voter approved debt.



2014 Fiscal Year Accomplishments

During the 2013-2014 fiscal year, the City of Hialeah, has invested its revenues from all sources in a manner that reflects a vision towards the future. This investment will be enjoyed by the current residents of the City as well as future generations. The following list illustrates a sampling of our major accomplishments this year.

- The City has annexed 1,890 acres of land located in the Northwest section of the City and construction of the infrastructure system is underway. The proposed future land use for this area is as follows:
 - 4,395 Residential units
 - 1,651,680 Square Feet Retail/Commercial/Office
 - 7,623,000 Square Feet Industrial
 - 30 to 50 Acre Park
- Water and Sewer Department
 - Completed repairs and rehabilitation to sewage pump stations around the City of Hialeah
 - Completed construction of the new water treatment plant that will provide service to the new annexed area as well as other areas of the County and is expected to be fully operational in fiscal 2015
 - Completed construction of a new Water & Sewer administrative building
- Construction and Maintenance
 - Completed construction of a 36-unit affordable housing project located on 355 East 32 Street
 - Completed construction of a multipurpose facility that will house 72 affordable housing units and an adjacent parking garage for the facility
 - Completed construction of a new 300-units 5,000 square feet recreation center
- Street Department
 - Completion of road construction and resurfacing projects around the City
 - Continue median beautification/maintenance program

Future Outlook

- Water and Sewer Department
 - Continue with ongoing programs to upgrade Sewer Pump Stations
 - Continue with ongoing program of lining an additional 50,000 lineal feet of sewer lines
 - Continue construction of the sanitary sewer system and the water distribution system to service the annexed area and to support development
- Streets Department
 - Continue with road construction and resurfacing projects around the City
 - Continue implementation of median beautification/maintenance program
- Recreation Department
 - Continue construction and completion of major renovations and improvements at various City parks and recreational facilities

Requests for Information

This financial report is designed to provide a general overview of the City of Hialeah'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 Javier Collazo, Finance Director, Finance Department, City of Hialeah, 501 Palm Avenue, Hialeah, Florida 33010. In addition, the City's Comprehensive Annual Financial Report may be obtained through the City's website at <http://www.hialeahfl.gov>.

BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

| | Governmental Activities | Business-Type Activities | Total |
|--|-------------------------|--------------------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 26,538,605 | \$ 27,452,146 | \$ 53,990,751 |
| Investments | 1,389,120 | 26,368,846 | 27,757,966 |
| Receivables, net | 18,797,721 | 12,265,455 | 31,063,176 |
| Notes receivable | 2,351,009 | - | 2,351,009 |
| Net pension asset | 2,152,280 | - | 2,152,280 |
| Internal balances | 10,200,878 | (10,200,878) | - |
| Inventories | 1,456,224 | 681,288 | 2,137,512 |
| Prepays and other assets | 1,695,963 | 3,041,582 | 4,737,545 |
| Restricted assets | | | |
| Cash and cash equivalents | 1,337,378 | 9,098,175 | 10,435,553 |
| Other assets | - | 4,070,209 | 4,070,209 |
| Capital assets | | | |
| Non-depreciable | 30,947,997 | 57,003,315 | 87,951,312 |
| Depreciable, net of depreciation | 245,707,562 | 134,193,430 | 379,900,992 |
| Total assets | 342,574,737 | 263,973,548 | 606,548,285 |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 26,555,971 | 12,661,522 | 39,217,493 |
| Accrued interest | 916,730 | - | 916,730 |
| Unearned revenue | 3,348,276 | 1,422,536 | 4,770,812 |
| Liabilities from restricted assets | - | 9,462,442 | 9,462,442 |
| Other liabilities | 110,250 | - | 110,250 |
| Non-current liabilities: | | | |
| Due within one year | 16,054,685 | 4,162,748 | 20,217,433 |
| Due in more than one year | 239,585,181 | 81,675,414 | 321,260,595 |
| Total liabilities | 286,571,103 | 109,384,652 | 395,955,755 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Business license tax | 2,273,176 | - | 2,273,176 |
| NET POSITION | | | |
| Net investment in capital assets | 200,596,082 | 122,274,496 | 322,870,578 |
| Restricted: | | | |
| Capital projects | 215,396 | - | 215,396 |
| Public safety | 1,381,167 | - | 1,381,167 |
| Human services | 6,047,303 | - | 6,047,303 |
| Unrestricted | (154,509,490) | 32,314,390 | (122,195,100) |
| Total net position | \$ 53,730,458 | \$ 154,588,886 | \$ 208,319,344 |

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---------------|--------------------------|--------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 25,993,559 | \$ 945,046 | \$ 26,538,605 |
| Investments | 1,389,120 | - | 1,389,120 |
| Receivables | 10,879,757 | 7,917,964 | 18,797,721 |
| Due from other funds | 26,808,234 | 15,038,056 | 41,846,290 |
| Inventories | 1,456,224 | - | 1,456,224 |
| Prepays | 718,000 | 977,963 | 1,695,963 |
| Notes receivable | 2,351,009 | - | 2,351,009 |
| Restricted cash | - | 1,337,378 | 1,337,378 |
| Total assets | \$ 69,193,903 | \$ 26,216,407 | \$ 95,410,310 |
| LIABILITIES | | | |
| Vouchers payable and accrued liabilities | \$ 24,356,019 | \$ 2,199,952 | \$ 26,555,971 |
| Compensated absences payable | 2,006,811 | - | 2,006,811 |
| Self-insurance claims payable | 535,556 | - | 535,556 |
| Due to other funds | 19,979,343 | 11,664,069 | 31,643,412 |
| Unearned revenue | 2,367,199 | 3,332,086 | 5,699,285 |
| Other liabilities | 110,250 | - | 110,250 |
| Total liabilities | 49,355,178 | 17,196,107 | 66,551,285 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Business license tax | 2,273,176 | - | 2,273,176 |
| FUND BALANCES | | | |
| Nonspendable | 2,174,224 | 977,963 | 3,152,187 |
| Restricted | - | 7,643,866 | 7,643,866 |
| Committed | - | 1,115,426 | 1,115,426 |
| Unassigned | 15,391,325 | (7,15,855) | 14,674,370 |
| Total fund balances | 17,565,549 | 9,020,300 | 26,585,849 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 69,193,903 | \$ 26,216,407 | \$ 95,410,310 |

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

| | |
|--|---------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 276,655,559 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period | (80,068,998) |
| Compensated absences | (16,282,128) |
| Claims payable | (48,479,658) |
| Accrued interest | (816,730) |
| Net pension asset | (2,152,280) |
| Net pension obligation | (37,356,343) |
| Notes receivable-long term | 2,351,009 |
| OPES liability | (70,929,782) |
| Net position of governmental activities | \$ 53,730,458 |

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

| | Program Revenues | | Capital Grants and Contributions | | Net (Expense) Revenue and Changes in Net Position | |
|---|------------------|---------------|----------------------------------|---------------|---|-----------------|
| | Operating | Capital | Governmental | Business-Type | Governmental | Business-Type |
| Expenses | \$ 72,876,503 | \$ 18,589,162 | \$ 17,385,757 | \$ 756,204 | \$ (36,145,385) | \$ (36,145,385) |
| General government | 43,375,725 | 918,205 | 1,134,430 | 24,298 | (41,298,792) | (41,298,792) |
| Police | 38,604,562 | 4,775,600 | 641,024 | 1,268,519 | (31,739,409) | (31,739,409) |
| Fire | 10,239,698 | 584,852 | 1,158,205 | 224,477 | (8,274,074) | (8,274,074) |
| Interest on long term debt | 3,179,787 | - | - | - | (3,179,787) | (3,179,787) |
| Total governmental activities | 180,119,513 | 24,897,843 | 24,576,456 | 9,019,257 | (121,534,917) | (121,534,917) |
| Business-type activities | 49,759,758 | 54,905,793 | 502,578 | - | 5,618,614 | 5,618,614 |
| Water sewer | 15,552,864 | 14,869,410 | - | - | (583,454) | (583,454) |
| Solid waste | 5,298,982 | 3,296,440 | - | - | (2,002,542) | (2,002,542) |
| Stormwater | 70,642,612 | 73,171,642 | 602,578 | - | 3,031,608 | 3,031,608 |
| Total business-type activities | 250,791,125 | 88,159,485 | 24,576,456 | 9,021,835 | 3,031,608 | (118,505,309) |
| General revenues: | | | | | | |
| Property taxes | - | - | - | - | 41,424,199 | 41,424,199 |
| Utility taxes | - | - | - | - | 22,487,398 | 22,487,398 |
| Franchise fees on gross receipts | - | - | - | - | 15,370,782 | 15,370,782 |
| Intergovernmental revenues not restricted to specific program | - | - | - | - | 25,946,317 | 25,946,317 |
| Loss on disposal of capital assets | - | - | - | - | (1,434,185) | (1,434,185) |
| Unrestricted interest | - | - | - | - | 7,650 | 7,650 |
| Total general revenues | - | - | - | - | 102,890,111 | 890,420 |
| Transfers | - | - | - | - | 15,033,525 | (15,033,525) |
| Change in net position | - | - | - | - | (3,551,281) | (14,662,778) |
| Net position - beginning (as restated, see Note 19) | - | - | - | - | 57,281,739 | 165,700,953 |
| Net position - ending | - | - | - | - | \$ 53,730,458 | \$ 154,588,886 |

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------|--------------------------|--------------------------|
| Revenues: | | | |
| Ad valorem taxes | \$ 41,424,199 | \$ - | \$ 41,424,199 |
| Utility taxes | 22,487,398 | - | 22,487,398 |
| Franchise fees | 15,370,782 | - | 15,370,782 |
| Licenses and permits | 4,853,204 | 4,463,322 | 9,316,526 |
| State and local shared revenues | - | 15,017,890 | 15,017,890 |
| Fines and forfeitures | 1,328,460 | 686,538 | 2,025,007 |
| Impact Fees | - | 1,087,068 | 1,087,068 |
| Interest | 7,498 | 102 | 7,600 |
| Government grants and other revenues | 10,515,737 | 20,620,568 | 31,136,305 |
| Total revenues | 121,082,604 | 41,885,298 | 162,967,892 |
| Expenditures: | | | |
| Current: | | | |
| General government | 26,520,903 | 12,417,427 | 38,938,330 |
| Police | 39,772,491 | 711,855 | 40,484,346 |
| Fire | 39,846,389 | 3,962,715 | 43,809,104 |
| 911 communications | 4,337,867 | - | 4,337,867 |
| Streets | - | 3,201,821 | 3,201,821 |
| Grants and human services | - | 6,104,005 | 6,104,005 |
| State housing initiative program | - | - | - |
| Work Investment Act programs | - | 1,657,136 | 1,657,136 |
| City Clerk's office | 992,671 | - | 992,671 |
| Office of Management and Budget | 461,476 | - | 461,476 |
| Office of the Mayor | 587,105 | - | 587,105 |
| Communications and special events | 221,436 | - | 221,436 |
| Employee retirement | 632,686 | - | 632,686 |
| Library | 1,241,652 | - | 1,241,652 |
| Code compliance | 447,571 | - | 447,571 |
| Finance | 1,032,730 | - | 1,032,730 |
| Business tax division | 429,010 | - | 429,010 |
| Information technology | 1,532,964 | - | 1,532,964 |
| Fleet maintenance | 2,286,994 | - | 2,286,994 |
| Construction and maintenance | 2,034,254 | - | 2,034,254 |
| Parks and recreation | 8,442,246 | - | 8,442,246 |
| Planning and zoning | 529,781 | - | 529,781 |
| Education and community services | 2,465,185 | - | 2,465,185 |
| Law | 1,231,716 | - | 1,231,716 |
| Risk management | 847,325 | - | 847,325 |
| Human resources | 731,129 | - | 731,129 |
| Debt service: | | | |
| Principal | 153,393 | 4,253,636 | 4,407,029 |
| Interest | 60,311 | 3,360,865 | 3,420,976 |
| Capital outlay | 958,573 | - | 958,573 |
| Total expenditures | 127,649,556 | 43,640,326 | 171,289,884 |
| (Deficiency) of revenues over expenditures before other financing sources (uses) | (6,566,954) | (1,755,038) | (8,321,992) |
| Other financing sources (uses): | | | |
| Proceeds from disposal of capital assets | 4,076,889 | - | 4,076,889 |
| Issuance of debt | - | 423,920 | 423,920 |
| Transfers in | 15,033,705 | 4,747,653 | 19,781,358 |
| Transfers out | (4,747,653) | (180) | (4,747,833) |
| Total other financing sources (uses) | 14,362,141 | 5,171,393 | 19,533,534 |
| Net change in fund balances | 7,795,187 | 3,416,355 | 11,211,542 |
| Fund balances - beginning (as restated, see Note 19) | 9,770,362 | 5,603,945 | 15,374,307 |
| Fund balances - ending | \$ 17,565,549 | \$ 9,020,300 | \$ 26,585,849 |

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA

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

Amounts reported for governmental activities in the statement of activities (Page 18) are different because:

| | | | |
|--|----|--------------|-------------|
| Net change in fund balances - total governmental funds (Page 20) | | \$ | 11,211,542 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | | | |
| The details of the difference are as follows: | | | |
| Capital outlay | \$ | 8,586,286 | |
| Depreciation expense | | (15,721,170) | |
| Net adjustment | | | (7,134,884) |
| The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position: | | | |
| Capital outlay which did not meet the threshold for capitalization | | (1,891,030) | |
| Loss on disposal of capital assets | | (1,434,185) | |
| Interfund sale of capital assets | | (3,966,475) | |
| Other | | 378,209 | |
| Net adjustment | | | (6,913,481) |
| The issuance of long-term debt (e.g., bonds, master leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | | | |
| The details of the differences are as follows: | | | |
| Issuance of debt | | (423,920) | |
| Principal payments: | | | |
| Notes payable | | 4,308,963 | |
| Capital leases | | 98,066 | |
| | | 4,407,029 | |
| Net adjustment | | | 3,983,109 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | | |
| The details of the difference are as follows: | | | |
| Decrease in net pension obligation | | 5,378,760 | |
| Decrease in net pension asset | | (15,102) | |
| Increase in OPEB liability | | (7,507,669) | |
| Decrease in accrued interest | | 33,302 | |
| Decrease in claims payable | | (2,993,494) | |
| Amortization of bond discount/premium | | 207,907 | |
| Decrease in compensated absences | | 198,723 | |
| Net adjustment | | | (4,697,567) |
| Change in net position of governmental activities (Page 18) | | \$ | (3,551,281) |

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

| | Water and Sewers Utility System | Solid Waste Utility System | Stormwater Utility System | Total |
|---|---------------------------------|----------------------------|---------------------------|----------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 24,023,861 | \$ 3,428,285 | \$ - | \$ 27,452,146 |
| Investments | 26,368,846 | - | - | 26,368,846 |
| Customers accounts receivable | 11,966,810 | 16,698 | - | 11,983,508 |
| Interfund interest receivable | 475,000 | - | - | 475,000 |
| Other receivables | 281,947 | - | - | 281,947 |
| Due from other funds | 933,665 | 4,210,697 | 5,883,684 | 11,028,056 |
| Inventories | 681,268 | - | - | 681,268 |
| Prepays | 3,012,700 | - | 28,882 | 3,041,582 |
| Restricted assets: | | | | |
| Cash and cash equivalents | 9,088,175 | - | - | 9,088,175 |
| Other assets | 4,070,209 | - | - | 4,070,209 |
| Total current assets | 80,912,481 | 7,855,880 | 5,912,576 | 94,480,737 |
| Non-current assets: | | | | |
| Interfund loan receivable | 19,000,000 | - | - | 19,000,000 |
| Capital assets, net being depreciated | 56,559,246 | 444,069 | - | 57,003,315 |
| Capital assets, net of accumulated depreciation | 100,872,234 | 5,543,351 | 27,777,845 | 134,193,430 |
| Total capital assets, net | 176,431,480 | 5,987,420 | 27,777,845 | 210,196,745 |
| Total assets | \$ 257,343,961 | \$ 13,843,100 | \$ 33,690,421 | \$ 304,677,482 |

(Continued)

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)
SEPTEMBER 30, 2014

| | Water and Sewers Utility System | Solid Waste Utility System | Stormwater Utility System | Total |
|--|---------------------------------|----------------------------|---------------------------|----------------|
| LIABILITIES AND NET POSITION | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 11,983,340 | \$ 569,769 | \$ 108,413 | \$ 12,661,522 |
| Current portion of self-insurance claims payable | 722,788 | 851,291 | 543,952 | 2,118,031 |
| Current portion of loans payable | 718,114 | 307,739 | 607,184 | 1,633,037 |
| Current portion of compensated absences | 218,162 | 160,810 | 32,726 | 411,700 |
| Interfund interest payable | - | 475,000 | - | 475,000 |
| Due to other funds | 6,768,814 | 7,924,875 | 195,200 | 14,888,889 |
| | 20,411,218 | 10,289,484 | 1,487,457 | 32,188,159 |
| Current liabilities payable from restricted assets: | | | | |
| DERM payable | 827,277 | - | - | 827,277 |
| Due to other funds | 6,340,045 | - | - | 6,340,045 |
| Customer deposits | 8,635,165 | - | - | 8,635,165 |
| Total current liabilities payable from restricted assets | 15,802,487 | - | - | 15,802,487 |
| Total current liabilities | 36,213,705 | 10,289,484 | 1,487,457 | 47,990,646 |
| Non-current liabilities: | | | | |
| Revolving loan | 1,670,449 | - | - | 1,670,449 |
| Loan payable | 46,531,514 | 314,349 | 14,806,445 | 61,652,308 |
| Interfund Loan payable | - | 19,000,000 | - | 19,000,000 |
| Unearned revenues, net | 61,487 | 39,000 | - | 96,467 |
| Unearned interest, net | 1,326,069 | - | - | 1,326,069 |
| Self-insurance claims payable | 3,566,674 | 4,324,182 | 622,163 | 8,513,019 |
| OPEB liability | 4,590,215 | 3,124,806 | 376,083 | 8,091,104 |
| Compensated absences payable | 916,161 | 679,535 | 152,836 | 1,748,534 |
| Total non-current liabilities | 58,662,549 | 27,477,872 | 15,957,529 | 102,097,950 |
| Total liabilities | 94,876,254 | 37,767,356 | 17,444,986 | 150,088,596 |
| Net position | | | | |
| Net investment in capital assets | 108,511,403 | 1,398,857 | 12,364,236 | 122,274,496 |
| Unrestricted | 53,956,304 | (25,523,113) | 3,881,199 | 32,314,390 |
| Total net position | \$ 162,467,707 | \$ (24,124,256) | \$ 16,245,435 | \$ 154,588,886 |

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA

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

| | Water and Sewers Utility System | Solid Waste Utility System | Stormwater Utility System | Total |
|--|---------------------------------|----------------------------|---------------------------|----------------|
| Operating revenues: | | | | |
| Metered water sales | \$ 18,677,889 | \$ - | \$ - | \$ 18,677,889 |
| Sanitary sewer service | 32,203,573 | - | - | 32,203,573 |
| Sanitation fees | - | 14,916,860 | - | 14,916,860 |
| Stormwater fees | - | - | 3,296,440 | 3,296,440 |
| Other | 4,024,330 | 52,750 | - | 4,077,080 |
| Total operating revenues | 54,905,792 | 14,969,610 | 3,296,440 | 73,171,842 |
| Operating expenses: | | | | |
| Operating, administrative and maintenance | 44,348,977 | 14,301,012 | 2,906,619 | 61,557,808 |
| Depreciation | 5,390,323 | 776,852 | 1,764,390 | 7,931,565 |
| Total operating expenses | 49,740,300 | 15,077,864 | 4,671,209 | 69,489,373 |
| Operating Income (Loss) | 5,165,492 | (108,454) | (1,374,769) | 3,682,269 |
| Non-operating revenues (expenses): | | | | |
| Unrealized gain on investments | 414,486 | - | - | 414,486 |
| Transfer out | - | (15,033,525) | - | (15,033,525) |
| Interest income | 475,934 | - | - | 475,934 |
| Interest expense | (49,456) | (475,000) | (628,783) | (1,153,239) |
| Net non-operating revenues (expenses) | 840,964 | (15,508,525) | (628,783) | (15,296,344) |
| Gain (Loss) before contributions | 6,006,456 | (15,616,979) | (2,003,552) | (11,614,075) |
| Capital contributions | 502,578 | - | - | 502,578 |
| Change in net position | 6,509,034 | (15,616,979) | (2,003,552) | (11,111,497) |
| Net position - beginning as restated (Note 19) | 155,958,673 | (8,507,277) | 18,248,987 | 165,700,383 |
| Net position, ending | \$ 162,467,707 | \$ (24,124,256) | \$ 16,245,435 | \$ 154,588,886 |

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | Water and Sewers Utility System | Solid Waste Utility System | Stormwater Utility System | Totals |
|--|---------------------------------|----------------------------|---------------------------|----------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 51,118,409 | \$ 15,784,138 | \$ 3,296,440 | \$ 70,198,987 |
| Cash received from others | 4,012,577 | 52,750 | 966,399 | 5,031,726 |
| Cash paid for interfund services used | (1,638,513) | (1,196,399) | (140,108) | (2,975,020) |
| Cash payments to suppliers | (29,873,086) | (8,179,084) | (1,389,962) | (39,442,132) |
| Cash payments to employees | (7,899,167) | (4,423,031) | (892,594) | (13,214,792) |
| Net cash provided by operating activities | <u>15,720,220</u> | <u>2,036,374</u> | <u>1,840,175</u> | <u>19,596,769</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital assets | (7,562,863) | (3,966,475) | (347,699) | (11,876,037) |
| Proceeds from interfund loan payable | - | 19,000,000 | - | 19,000,000 |
| Transfer out | - | (15,033,525) | - | (15,033,525) |
| Interest paid | (932,501) | - | (628,783) | (1,561,284) |
| Capital contributions | 502,578 | - | - | 502,578 |
| Payments on long-term debt | (428,355) | (368,850) | (863,693) | (1,660,898) |
| Net cash used in capital and related financing activities | <u>(8,411,161)</u> | <u>(368,850)</u> | <u>(1,840,175)</u> | <u>(10,620,186)</u> |
| Cash flows from investing activities: | | | | |
| Proceeds from sales of investments | 25,197,969 | - | - | 25,197,969 |
| Issuance of interfund note receivable | (19,000,000) | - | - | (19,000,000) |
| Interest received on investments | 934 | - | - | 934 |
| Net cash provided by investing activities | <u>6,198,903</u> | <u>-</u> | <u>-</u> | <u>6,198,903</u> |
| Net increase in cash and cash equivalents | 13,507,962 | 1,667,524 | - | 15,175,486 |
| Cash and cash equivalents, beginning | 19,614,074 | 1,760,761 | - | 21,374,835 |
| Cash and cash equivalents, ending | 33,122,036 | 3,428,285 | - | 36,550,321 |
| Cash and cash equivalents per statement of net position: | | | | |
| Unrestricted | 24,023,861 | 3,428,285 | - | 27,452,146 |
| Restricted - current | 9,098,175 | - | - | 9,098,175 |
| \$ 33,122,036 | \$ 3,428,285 | \$ - | \$ - | \$ 36,550,321 |

(Continued)

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | Water and Sewers Utility System | Solid Waste Utility System | Stormwater Utility System | Totals |
|---|---------------------------------|----------------------------|---------------------------|----------------------|
| Reconciliation of operating loss to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ 5,165,492 | \$ (108,454) | \$ (1,374,769) | \$ 3,682,269 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation | 5,390,323 | 776,852 | 1,764,390 | 7,931,565 |
| Changes in operating assets and liabilities: | | | | |
| (Increase) decrease in: | | | | |
| Accounts receivable | 236,947 | 867,478 | - | 1,104,425 |
| Other receivables | 1,094,687 | - | - | 1,094,687 |
| Due from other funds | (663,364) | (1,940,412) | 871,170 | (1,732,606) |
| Prepays | - | - | 10,574 | 10,574 |
| Other assets | (491,156) | - | - | (491,156) |
| Inventories | (159,036) | - | - | (159,036) |
| Increase (decrease) in: | | | | |
| Vouchers payable and accrued liabilities | (2,670,229) | (476,852) | 102,794 | (3,044,287) |
| Unearned revenue | 2,361 | - | - | 2,361 |
| Self insurance claims payable | 288,294 | (343,653) | 231,218 | 235,859 |
| Compensated absences payable | 89,299 | 69,983 | 28,041 | 187,283 |
| OPES liability | 321,761 | 170,354 | 51,528 | 543,653 |
| Due to other funds | 6,685,062 | 3,021,078 | 95,228 | 9,801,369 |
| Customer deposits | 459,819 | - | - | 459,819 |
| Total adjustments | <u>10,554,728</u> | <u>2,144,628</u> | <u>3,214,844</u> | <u>15,914,500</u> |
| Net cash provided by operating activities | \$ 15,720,220 | \$ 2,036,374 | \$ 1,840,175 | \$ 19,596,769 |
| Schedule of non-cash capital and related financing activities: | | | | |
| Contributions of capital assets from developers | \$ 502,578 | \$ - | \$ - | \$ 502,578 |

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014

| ASSETS | Pension Trust |
|---|-----------------------|
| Cash and cash equivalents | \$ 40,447,109 |
| Securities lending cash collateral | 65,126,062 |
| Investments, at fair value: | |
| U.S. Treasury bonds and notes | 54,484,730 |
| U.S. Government securities | 8,973,040 |
| Asset backed securities | 1,805,058 |
| Mortgage backed securities | 64,234,820 |
| Real estate investment trusts | 973,780 |
| Corporate bonds and notes | 93,898,287 |
| Municipal bonds | 22,254,667 |
| Limited partnerships | 10,909,271 |
| Mutual funds | 16,375,531 |
| Common stocks | 304,311,251 |
| Receivables: | |
| Other receivables | 35,373 |
| Employer and employee contributions | 16,696,692 |
| Accrued interest and dividends | 1,532,453 |
| Investments sold | 1,335,562 |
| Loans to members | 10,130,193 |
| Total assets | <u>715,523,889</u> |
| LIABILITIES AND NET POSITION | |
| Obligations under securities lending | 65,126,062 |
| Due to related participants | 39,594,420 |
| Investments purchased | 2,174,568 |
| Accounts payable and accrued liabilities | 438,091 |
| Total liabilities | <u>107,333,141</u> |
| Net position held in trust for pension benefits | <u>\$ 608,190,748</u> |

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | Pension Trust |
|--|-----------------------|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 26,074,253 |
| Employee | 6,849,145 |
| State | 461,877 |
| Total contributions | <u>33,385,275</u> |
| Investment income: | |
| Net appreciation in fair value of investments | 46,307,078 |
| Investment earnings | 14,391,991 |
| Total investment income | 60,699,069 |
| Less investment expenses | 1,384,622 |
| Net investment income | <u>59,334,247</u> |
| Total additions | <u>92,719,522</u> |
| DEDUCTIONS | |
| Pension benefits | 49,342,568 |
| Refunds of contributions | 7,145,138 |
| DROP benefits | 7,042,727 |
| Total deductions | <u>63,530,433</u> |
| Net increase | 29,189,089 |
| Net position held in trust for pension benefits: | |
| Beginning of year - as previously reported | 565,942,788 |
| Prior period adjustment | 13,056,871 |
| Beginning of year - as restated (Note 14) | <u>579,001,659</u> |
| Ending | <u>\$ 608,190,748</u> |

See notes to basic financial statements.
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CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hialeah, Florida (the "City") was incorporated in 1925. The City operates under a strong mayor form of government with the legislative function being vested in a seven-member council. The City provides the following services as authorized by its charter: public safety (police and fire), streets, water and wastewater, sanitation, social services, culture-recreation, public improvements, planning and zoning and general administrative services. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The more significant of the City's accounting policies are described below.

a. The Financial Reporting Entity

As required by generally accepted accounting principles, these basic financial statements present the reporting entity of the City. Component units are legally separate entities for which the government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City's combined financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Board. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity financial statements to be misleading or incomplete.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the City of Hialeah Educational Academy, Inc. (the "HEA") met the definition for inclusion as a blended component unit. There were no discretely presented component units.

Blended Component Unit

HEA is a charter school operating as a charter-school-municipality through a school charter agreement between the School Board of Miami Dade County, Florida and the City. HEA is governed by an Oversight Committee which was established by City Ordinance 08-48 and is composed of the City's Mayor and council members. The members of the oversight committee also serve as the HEA Board of Directors. HEA is included as a blended component unit because the City, through the oversight committee, approves the budget and oversees the HEA operations. Further, there is a direct financial benefit to the City. HEA has a fiscal year ending on June 30, 2014. The June 30, 2014 financial statements are reported as a special revenue fund and issues separate financial statements.

Related Organization

The City Council is also responsible for appointing the members of the Board of the Hialeah Housing Authority, but the City's accountability for this organization does not extend beyond making the appointments. In fiscal year 2014, the City appropriated an operating grant of approximately \$135,000 to this organization, of which \$135,000 was expended.

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *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 are 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 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 are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, insurance claims, pensions and other post-employment benefits are recorded only when payment is due or when the City has made a decision to fund these obligations with current available resources.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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 City reports the following major proprietary funds:

The **Water and Sewers Utility System Fund** accounts for the activities of the Water and Sewers Department. The Department operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

The **Solid Waste Utility System Fund** accounts for providing solid waste services to customers of the City.

The **Stormwater Utility System Fund** accounts for providing stormwater services to customers of the City.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The financial statements of the City follow the guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* for both the governmental wide and proprietary fund financial statements. Governments also have the option of following subsequent FASB pronouncements for their business-type activities and enterprise funds subject to this same limitation. The City has elected not to follow subsequent FASB guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 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 non-operating 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. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Implementation of Governmental Accountant Standards Board Statement

During the fiscal year ended September 30, 2014, the City implemented the following GASB Statements that had an impact on the financial statements:

Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. For defined benefit pension plans, this Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement and to defined contribution plans that provide postemployment benefits other than pensions.

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents, for the purpose of the statement of cash flows, are considered to be cash on hand, demand deposits, certificates of deposit and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Government, certificates of deposit, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

The City's Retirement Plans are authorized by its governing board to invest in obligations of the U.S. Government, common stocks, corporate bonds and other investment types allowed by Florida Statutes.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net appreciation/depreciation in fair value includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

Investments in the City's Retirement Plans are governed by the Plan's investment policies.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

4. Capital Assets (Continued)

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

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|--|-------|
| Buildings | 40-50 |
| Improvements other than buildings | 15-25 |
| Furniture, fixtures, machinery and equipment | 5-15 |
| Public domain and system infrastructure | 50 |

5. Deferred Outflows/Inflows of Resources

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. Currently, the City does not report any item that qualifies 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 net position that applies to a future period(s) and so will not be recognized as inflows of resources (revenue) until that time. Currently, the only item in this category is unearned revenue. The source of this unearned revenue is local business license tax collected in advance of \$2,273,176 reported in both the governmental funds and the governmental-wide statement of net position. This amount is deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflow of resources and (b) liabilities and deferred inflows of resources.

6. Unearned Revenues

Unearned revenues at the government-wide level, governmental funds and proprietary funds are reported when the City receives resources that do not meet the criteria for revenue recognition.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

2. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred as either "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".

3. Inventories and Prepaid Items

Inventories of the general fund are valued at cost determined on the first-in/first-out (FIFO) method, and consist of gasoline and expendable supplies available for consumption. Inventory acquired by the City is expensed when purchased (purchase method). Inventories are reported on the balance sheet with a reservation of fund balance. Inventories of the water and sewers fund are valued at lower of cost (determined using the weighted average) or market and consist of pipe, valves, fittings and meters.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded in both the government-wide and fund financial statements as prepaid items by recording an asset for the prepaid amount and recognizing the expenditure in the year such item is consumed (consumption method). Amounts reported in the governmental funds are offset by an equal reservation of fund balance in the fund financial statements. This is an indication that these components of current assets do not constitute available spending resources.

4. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

7. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and the department which the employee services. The City's vacation and sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. Such leave is accrued and reported as a fund liability when it is probable that the City will compensate the employee with expendable available financial resources. Vacation and sick leave is accrued when incurred in proprietary funds and reported as a fund liability. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

9. Net Position

Total equity as of September 30, 2014, is classified into three components of net position:

Net investment in capital assets — This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.

Restricted net position — This category consists of net position restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments, or (2) law, through constitutional provisions or enabling legislation.

Unrestricted net position — This category includes all of the remaining net position that does not meet the definition of the other two categories.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

9. Net Position (Continued)

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. The City considers restricted net position to have been depleted before unrestricted-net position is applied.

10. Fund Balance

As of September 30, 2014, fund balances of the governmental funds are classified as follows:

Non-spendable — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — Amounts that can be used only for specific purposes determined by a formal action of the City Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council. Ordinances and resolutions are equally binding and are the highest level of decision making authority.

Assigned — Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is established by the City Council who has the authority to assign, modify or rescind amounts to be used for specific purposes. This is delineated in the policy approved by the Council. This balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue or capital projects fund are assigned for the purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned — This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

14. Employee Benefit Plans and Net Pension Asset/Obligation

The City provides two separate defined benefit pension plans for its employees and elected officials. At September 30, 2014, the City recorded a net pension obligation related to the Employees' Retirement System and a net pension asset related to the Elected Officials' Retirement System in its government-wide statement of net position. The net pension asset/obligations are functions of annual required contributions, interest, adjustments to the annual required contribution, annual pension costs and actual employers contributions made to the Plans. Please refer to Note 14 for further information.

15. Post-Employment Benefits Other Than Pensions (OPEB)

Pursuant to Section 112.0601, Florida Statutes, the City is mandated to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees are required to pay 100% of the premium rates where premiums are determined based upon a blended rates used for active employees and retirees. These premium rates were adjusted to reflect differing utilization rates by age and gender and the impact of the Medicare program on claim costs. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

The City currently provides these benefits in accordance with the vesting and retirement requirement of the City of Hialeah Employees' Retirement System and Elected Officials Retirement Plan covering substantially all elected officials, regular full time general, police, and fire department employees of the City.

The City is financing the post employee benefits on a pay-as-you go basis. As determined by an actuarial valuation, the City records a Net OPEB obligation in its government-wide and proprietary financial statements related to the implicit subsidy. The OPEB plan does not issue separate financial statements.

16. Risk Management

The City is self-insured for automobile liability, general liability, and property damage claims pursuant to Florida Statute Section 768.28 (*Waiver of Statute of Limitations, Exclusions, Indemnifications, Risk Management Programs*). Per Florida Statute section 768.28, the City is self-insured up to \$100,000 per person/\$200,000 per occurrence for claims occurring between October 1, 1981 and October 1, 2011. After October 1, 2011 the statutory limit will increase to \$200,000 per person/\$300,000 per occurrence. These limits do not apply, though, to action brought in federal courts or to claim relief bills approved by the Florida legislature. The City is also self-insured for worker's compensation claims. The City is self-insured for health claims and uses a commercial carrier as the administrator. The discounted accrued liability for estimated insurance claims represents an estimate of the ultimate cost of settling claims arising prior to year end including claims incurred but not yet reported.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

10. Fund Balance (Continued)

| | General | Other Governmental Funds | Total Governmental Funds |
|----------------------------|----------------------|--------------------------|--------------------------|
| Fund Balances | | | |
| Non-spendable: | | | |
| Prepays | \$ 718,000 | \$ 977,963 | \$ 1,695,963 |
| Inventories | 1,456,224 | - | 1,456,224 |
| Restricted: | | | |
| Capital projects | - | 215,396 | 215,396 |
| Public safety | - | 1,381,167 | 1,381,167 |
| Human services | - | 6,047,303 | 6,047,303 |
| Committed: | | | |
| Encumbrances | - | 1,115,426 | 1,115,426 |
| Unassigned | 15,391,325 | (716,955) | 14,674,370 |
| Total Fund Balances | \$ 17,565,549 | \$ 9,020,300 | \$ 26,585,849 |

| | General | Other Governmental Funds | Total Governmental Funds |
|----------------------------|----------------------|--------------------------|--------------------------|
| Fund Balances | | | |
| Non-spendable | \$ 2,174,224 | \$ 977,963 | \$ 3,152,187 |
| Restricted | - | 7,643,866 | 7,643,866 |
| Committed | - | 1,115,426 | 1,115,426 |
| Unassigned | 15,391,325 | (716,955) | 14,674,370 |
| Total Fund Balances | \$ 17,565,549 | \$ 9,020,300 | \$ 26,585,849 |

11. Capital Contributions

Capital contributions in proprietary fund financial statements arise from grants or outside contributions of resources restricted to capital acquisition and construction.

12. Utility Billings

Utility customers are billed monthly on a cycle basis. Unbilled revenue is recognized in the accompanying financial statements based upon estimates of revenues for services rendered between billing cycle dates and fiscal year end.

13. Rebalable Arbitrage

The City has elected the option of treating rebalable arbitrage as a reduction of investment income. However, for the fiscal year ended September 30, 2014, there was no rebalable arbitrage required to be recorded.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

17. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations and useful lives and impairment of tangible assets, the determination of the actuarially accrued liability for unpaid claims, which is prepared based upon certain assumptions pertaining to interest rates, inflation rates, etc., among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

18. Fund Deficits

The following funds had deficits in the amounts indicated as of September 30, 2014:

| Fund | Deficit |
|-----------------------------------|---------------|
| Proprietary Fund: | |
| Solid Waste Utility System | \$ 24,124,256 |
| Special Revenue: | |
| Affordable Housing | 354,829 |
| Dabl Service: | |
| Fire Administration Building Fund | 230,405 |
| Capital Project: | |
| Multi-Purpose Senior Center Fund | 23,379 |
| Milander Center Fund | 5,009 |

With the exception of the solid waste fund, these deficits are a result of expenses exceeding revenues or the deferral of revenues recognition. The City plans to eliminate these deficits by reducing costs, identifying other funding sources, using operating transfers, revisiting user charges, etc. in the near future.

The solid waste fund deficit of \$24.1 million increased from \$8.5 million during the fiscal year primarily due to the net result of an interfund transfer of capital assets through a sale from the governmental activities to the business type activities. The value of the assets were valued through an independent appraisal for an estimated amount of \$19 million. The solid waste financed this through an interfund loan from the water and sewer fund (see note 8 for additional information). As required by the Governmental Accounting Standards Board ("GASB") Statement No. 48, the solid waste fund recorded the purchase of the capital assets as an interfund transfer at the carrying value of the transferor in the amount of \$3,966,475 and the difference from the sale price or \$15,033,525 as a transfer out.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

18. Fund Deficits (Continued)

The impact of the GASB Statement No. 48 is a non-operating loss on the Solid Waste Fund of \$16.6 million in the current fiscal year.

As discussed in note 8 and 18, the purpose of the transfer of assets is related to the privatization of trash collection within the Solid Waste Fund. Based on the study performed by an independent consultant the City expects to generate an annual savings of approximately \$3 million for collection and disposal of solid waste. These savings will bring efficiencies and continued improvement in this fund that will eliminate the current deficit reported in the fund and pay down the loan.

19. Excess of Expenditures over Appropriations

For fiscal year ended September 30, 2014, expenditures exceeded appropriations in the following departments for the General Fund:

| | Final Budget | Actual | Amount in Excess of Final Budget |
|---------------------|--------------|--------------|----------------------------------|
| Law | \$ 1,092,583 | \$ 1,231,716 | \$ 139,133 |
| Compliance Division | 393,683 | 447,571 | 53,888 |
| General Government | 26,996,742 | 32,094,420 | 5,097,678 |

These excess of expenditures in those departments were funded with surpluses in other departments.

For fiscal year ended September 30, 2014, expenditures exceeded appropriations in the following non-major governmental funds:

| | Final Budget | Actual | Amount in Excess of Final Budget |
|--|--------------|------------|----------------------------------|
| E-911 Non-Wireless Fund | \$ 367,680 | \$ 374,871 | \$ 7,191 |
| City of Hialeah Education Academy Fund | 3,043,000 | 3,654,015 | 611,015 |
| Mandarin Parking Garage Fund | 141,756 | 1,785,635 | 1,643,879 |
| GOB Goodlet Park | 21,477 | 319,570 | 298,093 |

These excess were funded with excess revenues received in the current fiscal year or available fund balance.

NOTE 2. PROPERTY TAXES

Property taxes (ad valorem taxes) are assessed on January 1 and are billed and payable November 1, with discounts of one to four percent if paid prior to March 1 of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1 and accrue interest charges from April 1 until a tax sale certificate is sold at auction. Assessed values are established by the Miami-Dade County Property Appraiser at approximately fair market value. The County bills and collects all property taxes for the City.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments - City (Continued)

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City has an investment policy that limits investments to the highest ratings by nationally recognized statistical rating organizations (NRSP) - (Standard and Poor's, Moody's Investors Services and Fitch Ratings). Excess funds are also invested daily with the Florida Municipal Investment Trust (FMIVT).

As of September 30, 2014, the City's investments consisted of the following:

| | Final Balance | Rating |
|--------------------------------|---------------|--------|
| 0-2 Year High Quality Bond | \$ 2,633,249 | AAA/V1 |
| 1-3 Year High Quality Bond | 2,059,471 | AAA/V2 |
| Intermediate High Quality Fund | 13,673,387 | AAA/V3 |
| Brand Market High Quality Fund | 8,587,569 | AAA/V4 |
| Total | \$ 26,953,676 | |

Concentration Credit Risk - Disclosure of investments in any one issuer that represents 5% or more of the total of the City's investments is required. Conversely, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement.

Investments - Pension Plans

The Board of Trustees has developed certain investment policies and has retained investment managers. The investment managers are expected to maximize the return on the investment portfolio and may make transactions consistent with that expectation within the Board's policies. The investment managers are compensated based on a percentage of their portfolio's market value.

The Plans' investment policies are determined by the Board who is responsible for directing the investment of the assets of the Plans to ensure that there will be adequate monies for future benefits. The policies have been identified by the Board to conduct the operations of the Plans in a manner so that the assets will provide the pension and other benefits provided under applicable laws, including City ordinances, preserving principal while maximizing the rate of return.

Employee Retirement System (PERS)

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange or traded over-the-counter. The equity position in any one company shall not exceed 5% of the total cost of equity investments. Investments in stocks of foreign companies shall be limited to 10% of the manager's portfolio. Fixed income securities must be rated "BBB" or higher by a major rating agency. The average quality rating of the fixed income portfolio shall be "A" or better by a major rating agency.

Elected Officials' Retirement System (EORS)

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange or traded over-the-counter. The equity position in any one company shall not exceed 5% of the total cost of equity investments. Fixed income securities must be rated "BBB" or higher by a major rating agency. The average quality rating of the fixed income portfolio shall be "A" or better by a major rating agency.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2. PROPERTY TAXES (Continued)

Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector.

The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The millage rate to finance general governmental services for the year ended September 30, 2014 was 6.3018 mills per \$1,000 of assessed valuation.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Deposit Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to qualify with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments

As required by Florida Statutes, the City has adopted a written investment policy, which may, from time to time, be amended by the City. City administration is authorized to invest in those instruments authorized by the Florida statutes and the City's By Laws. Investments consist of the Florida Municipal Investment Trust administered by the Florida League of Cities, Inc., and investments held by the City's retirement funds. The investments held in the Retirement Plans may be invested in obligations of the U.S. Government or its agencies, first mortgages or first mortgage bonds, corporate bonds, and common and preferred stock. Investments are carried at fair value as determined by quoted market prices.

Investments - City

Interest Rate Risk - Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. In accordance with its investment policy, the City places no limit on the amount that may be invested in securities of the U.S. Government or its agencies.

| Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|----------------------------|---------------|----------------------------------|--------------|---------------|--------------|
| | | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| Money market funds | \$ 1,394,390 | \$ 1,394,390 | \$ - | \$ - | \$ - |
| Vanguard bond mutual funds | 5,088,868 | - | - | 5,088,868 | - |
| FMIVT bond mutual funds | 21,274,708 | - | 4,092,720 | 17,181,988 | - |
| Total Fair Value | \$ 27,757,966 | \$ 1,394,390 | \$ 4,092,720 | \$ 22,270,856 | \$ - |

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments - Pension Plans (Continued)

Types of Investments

Florida statutes and Plan investment policy authorize the Board to invest funds in various investments. The current target allocation of these investments at fair value is as follows:

| Asset Class | Target Allocation | |
|----------------------|------------------------------|--------------------------------------|
| | Employees' Retirement System | Elected Officials' Retirement System |
| Domestic Equity | 50% | 45% |
| International Equity | 5% | 10% |
| Domestic Bonds | 40% | 30% |
| Alternatives | 5% | 0% |
| Cash | 0% | 15% |

Rate of Return

For the year ended September 30, 2014 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.22% and 10.4% for the PERS and EORS, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculations are determined on a monthly basis.

As of September 30, 2014, the Plans had the following investments:

| City of Hialeah Employees' Retirement System Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|--|----------------|----------------------------------|----------------|---------------|---------------|
| | | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| U.S. Treasury Bonds and Notes | \$ 34,454,730 | \$ 6,591,656 | \$ 29,775,470 | \$ 18,117,605 | \$ - |
| U.S. Agencies/Instruments/Notes | 8,973,040 | - | 5,973,040 | - | - |
| Corporate Bonds and Notes | 93,898,297 | 7,819,864 | 82,055,915 | 24,222,418 | - |
| Municipal Bonds | 973,780 | - | 488,670 | 485,110 | - |
| Mortgage Backed Securities | 84,234,820 | - | 1,809,028 | 2,301,807 | 80,294,785 |
| Asset Backed Securities | 1,805,058 | - | 1,805,058 | - | - |
| Sub total | \$ 224,369,725 | \$ 14,411,519 | \$ 104,707,181 | \$ 45,196,140 | \$ 80,294,785 |
| Risk Retain Investment Trusts | 10,809,271 | - | - | - | - |
| Limited Partnership | 7,809,187 | - | - | - | - |
| Mutual Funds | 72,254,667 | - | - | - | - |
| Common Stock | 303,155,181 | - | - | - | - |
| Total Fair Value | \$ 568,236,001 | - | - | - | - |

| Elected Officials Retirement Plan Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|---|--------------|----------------------------------|--------------|---------|--------------|
| | | Less than 1 | 1 to 5 | 6 to 10 | More than 10 |
| Vanguard bond mutual funds | \$ 4,327,226 | \$ - | \$ 4,327,226 | \$ - | \$ - |
| Sub total | \$ 4,327,226 | \$ - | \$ 4,327,226 | \$ - | \$ - |
| Vanguard equity funds | 6,095,218 | - | - | - | - |
| Total Fair Value | \$ 9,932,444 | - | - | - | - |

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – Pension Plans (Continued)

Interest Rate Risk – Interest rate risk exists when there is possibility that changes in interest rates could adversely affect an investment's fair value. In accordance with its investment policy, the Plan places no limit on the amount that may be invested in securities of the U.S. Government or its agencies. Interest rate risk disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Plan's investment policy limits investments to the highest ratings by nationally recognized statistical rating organizations (NRSP) – (Standard and Poor's, Moody's Investors Services and Fitch Ratings). Fixed income investments must be direct issues of the United States Treasury, United States Government Agencies, or instrumentalities including Mortgage Backed Securities and their derivative products. Mortgage and Asset backed securities not issued by an agency of the Federal Government must be rated "A" or better by a NRSP. Other than securities of the U.S. Government or its agencies the fixed income portfolio shall not exceed 5% of any one issuer. Any idle cash not invested by the investment manager shall be invested daily through an automatic, interest bearing, sweep vehicle managed by the custodian.

As of September 30, 2014, the Plans' fixed income investments with credit ratings consisted of the following:

| Investment Type | Fair Value | Credit Rating |
|-------------------------------|-----------------------|---------------|
| U.S. Treasury bonds and notes | \$ 51,262,954 | Aaa |
| U.S. Treasury bonds and notes | 3,121,736 | N/A |
| U.S. Government securities | 11,973,040 | Aaa |
| Asset backed securities | 1,776,065 | Aaa |
| Asset backed securities | 28,093 | N/A |
| Mortgage backed securities | 513,990 | Aaa |
| Mortgage backed securities | 63,220,830 | BBB |
| Municipals | 438,870 | Aa2 |
| Municipals | 485,110 | A2 |
| Corporate bonds and notes | 17,184,531 | A1 |
| Corporate bonds and notes | 14,482,033 | A2 |
| Corporate bonds and notes | 13,096,794 | A3 |
| Corporate bonds and notes | 2,380,398 | Aa1 |
| Corporate bonds and notes | 2,853,167 | Aa2 |
| Corporate bonds and notes | 1,290,728 | Aa3 |
| Corporate bonds and notes | 1,288,075 | Ba1 |
| Corporate bonds and notes | 658,360 | Ba2 |
| Corporate bonds and notes | 12,269,711 | Baa1 |
| Corporate bonds and notes | 18,164,784 | Baa2 |
| Corporate bonds and notes | 8,989,707 | Baa3 |
| Corporate bonds and notes | 849,000 | Ba1 |
| Total | \$ 224,368,725 | |

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 4. SECURITIES LENDING TRANSACTIONS

State statutes do not prohibit the Plan from participating in securities lending transactions. The City of Hialeah Employees' Retirement System (the "Plan") pursuant to a Securities Lending Authorization Agreement, has authorized State Street Bank and Trust Company ("State Street") to act as the Plan's agent in lending the Plan's securities to approved borrowers. State Street, as agent enters into Securities Loan Agreements with borrowers. Cash collateral received in respect to the Plan's securities lent to approved borrowers was invested at the direction of the Plan, in the Quality D Duration and Quality Investment Fund D (the "Fund") which are comprised of liquidity pools and duration pools. Please note the following:

- Method for Determining Fair Value. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.
- Policy for Utilizing Amortized Cost Method. As the Fund is not a mutual fund and does not otherwise meet the requirements of the Investment Company Act of 1940 pursuant to which amortized cost accounting may be permissible, State Street has valued the Fund's investments at fair value for reporting purposes.
- Regulatory Oversight. The Fund is not registered with the Securities and Exchange Commission. State Street and the investment vehicles it sponsors (including the Fund) are subject to oversight by the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Plan's position in the Fund is equal to the value of the Fund shares.
- Involuntary Participation. There was no involuntary participation in an external investment pool by the Plan for the fiscal year.
- Necessary Information. Not Applicable.
- Income Assignment. No income from one fund was assigned to another fund by State Street during the fiscal year.

During the fiscal year, State Street lent, on behalf of the Plan, certain securities of the Plan held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the Plan in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration and notice of Default of the Borrower.

During the fiscal year, the Plan and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 2014, such investment pool had an average duration of 3 days and an average weighted final maturity of 182 days for USD collateral. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

Investments – Pension Plans (Continued)

Concentration Credit Risk

Disclosure of investments in any one issuer that represents 5% or more of the total of the City's investments is required. Conversely investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement.

As of September 30, 2014, concentration of the City of Hialeah Employees' Retirement System's investments was as follows:

| | |
|-------------|-------|
| Freddie Mac | 9.57% |
|-------------|-------|

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the City of Hialeah Employees' Retirement System's (the "Plan") investment policy, the investments are held by the Plan's custodial bank and registered in the Plan's name.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment or a deposit. The investment policy of the Plan limits the foreign investments to no more than 5% of the Plan's investment balance. The City of Hialeah Employees' Retirement System has exposure to foreign currency fluctuations as follows:

| Holdings Valued in U.S. Dollars | |
|---------------------------------|------------------------|
| Currency | International Equities |
| CANADIAN DOLLAR | \$ 782,586 |
| AUSTRALIAN DOLLAR | 227,366 |
| DANISH KRONE | 354,835 |
| EURO CURRENCY | 10,762,170 |
| HONG KONG DOLLAR | 2,072,627 |
| JAPANESE YEN | 2,476,369 |
| NORWEGIAN KRONE | 444,333 |
| POUND STERLING | 4,413,391 |
| SINGAPORE DOLLAR | 1,202,000 |
| SWEDISH KRONA | 207,908 |
| SWISS FRANC | 2,067,263 |
| | \$ 25,010,968 |

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 4. SECURITIES LENDING TRANSACTIONS (Continued)

GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets unless the entity did not have the ability to pledge or sell collateral securities absent a borrower default as the case with the Plan. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them. On September 30, 2014, the Plan had no credit risk exposure to borrowers. The market values of collateral held and the market value (USD) of securities on loan for the Plan as of September 30, 2014, was \$65,126,062. The \$65,126,062 was cash and securities collateral and has been reported in the statement of fiduciary net position as an asset of the Plan along with the liability of \$65,126,062 for obligations under security lending.

NOTE 5. RECEIVABLES

Receivables as of September 30, 2014 for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Water & Sewer | Solid Waste | Nonmajor Governmental Funds | Total |
|-------------------------------------|----------------------|----------------------|------------------|-----------------------------|----------------------|
| Receivables: | | | | | |
| Billed | \$ - | \$ 13,877,805 | \$ 16,698 | \$ 2,661,958 | \$ 16,556,461 |
| Unbilled | - | 4,046,643 | - | - | 4,046,643 |
| Franchise and utility | 4,838,286 | - | - | - | 4,838,286 |
| Intergovernmental | 577,262 | 281,941 | - | 3,668,957 | 4,528,166 |
| Grants | 123,278 | - | - | 3,448,147 | 3,571,426 |
| Other | 2,903,966 | 143,803 | - | - | 3,047,779 |
| Sales taxes | 2,638,034 | - | - | - | 2,638,034 |
| Gross receivables | 10,879,757 | 18,350,279 | 16,698 | 9,779,062 | 39,025,795 |
| Less: allowances for uncollectibles | - | 2,031,312 | - | 1,861,098 | 3,892,410 |
| Net total receivables: | \$ 10,879,757 | \$ 16,318,966 | \$ 16,698 | \$ 7,917,964 | \$ 35,133,385 |

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned.

Revenues of the Fire Prevention and Rescue Transportation fund are reported net of uncollectible amounts. Total amount charged to the provision related to revenues of the current period was \$7,068,111.

At the end of the current fiscal year, unearned revenue reported in the governmental funds was as follows:

| | |
|--|---------------------|
| Grants and other unearned revenues | \$ 634,773 |
| Community Development Block Grant (CDBG) | 2,483,390 |
| State Housing Initiative Program (SHIP) | 230,113 |
| Notes receivable (see note 6) | 2,351,008 |
| | \$ 5,699,284 |

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6. NOTE RECEIVABLE

The Hialeah Housing Authority (the "Authority") assumed a Housing Development Grant ("HODAG Loan") awarded on July 12, 1989 to a developer through the City in the amount of \$2,843,097 through the purchase of the Palm Centre Project (the "Project"). The HODAG Loan bears interest at 10.125% and is payable in full, including interest, on May 1, 2025 unless the Project is sold or transferred, or due to a violation of the grant covenants with HUD. Interest does not accrue unless the Project's revenues exceed the sum of the Project's net operating income (after payment of debt service in the Palm Centre Bonds) plus a cumulative return to the Authority of twelve percent (12%) per annum on the Authority's equity contribution. The HODAG loan is secured by a Second Mortgage issued to the City and is subordinated to Hialeah Housing Authority Bonds.

The Project was constructed on land leased from the City of Hialeah for a period of 49 years (starting December 26, 1985) with an option to renew for an additional 50 years. The Authority as part of the acquisition of the Project assumed the lease with the City. The lease agreement requires for lease payments to the City based on annual rent revenues generated by the property. In 2006, the City and the Authority amended the land lease agreement and the City accepted a payment of \$500,000 as payment in full of all past due rents due from the Authority.

The amended land lease agreement provides for the following terms:

1. Provides free tenant selection services to the City for City owned housing units.
2. Provides the City each year a minimum of six thousand five hundred (6,500) square feet of commercial space in the Palm Centre, free of charge, and
3. Provides forty-two (42) affordable lower-income housing units to be rented at below market rents for the term of the HODAG loan.

The future minimum receivable and net present value of these minimum payments as of September 30, 2014 were:

| | |
|---|--------------------|
| Long-term receivable | \$3,531,153 |
| Less present value | <u>(1,180,144)</u> |
| Present value of future receivable payments | <u>\$2,351,009</u> |

In connection with the construction of the Hialeah Housing Project mentioned above, the United States Department of Housing and Urban Development ("HUD") has challenged the manner in which certain of the proceeds of the HODAG Loan were used. HUD has claimed that \$869,039 of the HODAG Loan was expended for nonqualified purposes (the "Claim"). The City has challenged the Claim.

The Authority has agreed that the City will not be responsible for payment of any such challenged cost in the event it is required to fully indemnify the City for any payments to HUD regarding the claim. In a subordination agreement, the Authority and the City have agreed that, in the event that litigation is instituted by HUD regarding payment of this Claim, the City will fully cooperate with the Authority to resolve the litigation, and that the City will not foreclose on the Second Mortgage in the event the Claim is not paid on demand.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6. NOTE RECEIVABLE (Continued)

The City has recorded the note receivable in its governmental-wide financial statements as of September 30, 2014. No allowance against the note receivable is deemed necessary as of September 30, 2014. The note receivable was also recorded in the City's general fund and offset by unearned revenues since the proceeds of the receivables are not considered to be available to liquidate liabilities of the current period.

NOTE 7. INTERFUND ACTIVITY

The amounts due from/to other funds at September 30, 2014 were as follows:

| | <u>Receivables</u> | <u>Payables</u> |
|------------------------------------|----------------------|----------------------|
| General Fund | \$ 26,806,234 | 19,979,343 |
| Non-Major Governmental Funds | 15,036,056 | 11,664,009 |
| Major Proprietary Type Funds | | |
| Water & Sewer | 933,665 | 13,108,859 |
| Solid Waste | 4,210,697 | 7,824,875 |
| Stormwater | 5,883,694 | 195,200 |
| Total Major Proprietary Type Funds | <u>11,028,056</u> | <u>21,228,934</u> |
| | <u>\$ 52,872,346</u> | <u>\$ 52,872,346</u> |

- Amounts due from the Non-Major Governmental Funds to the general fund are for advances made to those funds to cover expenditures until the receivables on those funds are collected.
- Amounts due to the Non-Major Governmental Funds from the general fund are for amounts due to those funds for amounts collected on their behalf.
- Amounts due to the Solid Waste are for receivables collected by the Water & Sewer fund before year end which are owed to those funds.
- Amounts due from the water and sewer fund to the solid waste fund, stormwater fund and general fund are for waste fees collected and utility taxes collected at year end.

As of September 30, 2014, major fund and non-major fund activity was as follows:

| | <u>Transfer in</u> | <u>Transfer out</u> |
|---------------------------------|----------------------|----------------------|
| General Fund | \$ 15,033,705 | \$ 4,747,653 |
| Non-Major Governmental Funds | 4,747,653 | 180 |
| Solid Waste Utility System Fund | - | 15,033,525 |
| | <u>\$ 19,781,358</u> | <u>\$ 19,781,358</u> |

- The general fund transfers to the non-major governmental funds were made to provide additional resources for current operations.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 8. INTERFUND LOAN

On December 10, 2013 the Council approved the internal transfer of assets comprised of 35,438 acres improved with buildings located at 900 East 56 Street, Hialeah, Florida in the amount of \$19,000,000 from the City of Hialeah to its Department of Public Works. The City determined the fair market value of the assets, which includes the land and the CBS buildings, as the average of two asset appraisals by state-certified appraisers: (1) \$18,500,000 from Appraisal First Real Estate Appraisers, LLC; and (2) \$19,500,000 from Gallaher & Birch, Inc. The Department of Public Works intends to utilize this asset transfer as part of the privatization of trash collection within the Solid Waste Fund, to lease a portion of the land and solid waste building to the private hauler for use of its contracted service, and to relocate and consolidate its fleet with the city fleet and to lease vacant land to a third party for a recycling/trash transfer station.

On June 9, 2015 the Council approved an amended resolution approving the terms of the unsecured promissory note to memorialize the interfund loan from the Water & Sewer Fund of the Public Works Department (the "Lender") to the Solid Waste Fund of the Public Works Department (the "Borrower"), in the amount of \$19,000,000, for the purpose of financing the internal transfer of assets from the City's General Fund (the "Transferor") to the Solid Waste Fund (the "Transferee") of the Public Works Department. Whereas, the Water & Sewer Fund of the Public Works Department loaned the sum of \$19,000,000 to the Solid Waste Fund of the Public Works Department to pay the fair market value of the assets to the City's General Fund. The note calls for interest to accrue from January 1, 2014 at an annual rate of 2.5% and equal quarterly payments of principal and interest of \$480,831 commencing on March 1, 2018 and concluding on September 1, 2030.

As a result of the above transaction, the net book value of the respective assets, which amounted to \$3,966,475 as of September 30, 2014 was transferred from the governmental activities to the business type activities. The remaining purchase amount of \$15,033,525 was recorded as an interfund transfer between the general fund and the solid waste utility system fund as stated in note 7.

Annual payments to maturity for the above interfund loan are as follows:

| <u>Fiscal Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|----------------------|---------------------|----------------------|
| 2015 | \$ - | \$ 486,875 | \$ 486,875 |
| 2016 | - | 499,047 | 499,047 |
| 2017 | - | 511,523 | 511,523 |
| 2018 | 1,059,427 | 383,066 | 1,442,493 |
| 2019 | 1,443,437 | 479,887 | 1,923,324 |
| 2020-2024 | 7,776,861 | 1,839,761 | 9,616,622 |
| 2025-2029 | 6,759,804 | 817,818 | 7,577,622 |
| 2030 | 1,893,915 | 29,409 | 1,923,325 |
| | <u>\$ 20,972,445</u> | <u>\$ 5,047,387</u> | <u>\$ 26,019,832</u> |

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 9. RESTRICTED ASSETS

Restricted assets consist of the cash restricted for debt service, capital projects, advances, public safety and customer deposits at September 30, 2014.

| | |
|---|----------------------|
| Water and Sewers Fund | |
| Customers' deposit - cash and investments | \$ 9,098,175 |
| Total restricted cash water and sewers fund | <u>9,098,175</u> |
| Other restricted assets | |
| Customer accounts - Solid Waste Fund | 2,170,288 |
| Customer accounts - Derm Fee | 554,062 |
| Customer accounts - Stormwater Fund | 756,866 |
| Customer accounts - City Utility Tax | <u>506,341</u> |
| Total other restricted assets water and sewers fund | <u>4,078,209</u> |
| Total restricted assets water and sewers fund | <u>\$ 13,166,384</u> |
| Governmental Funds | |
| Special Revenue Funds | |
| Rescue Transportation | \$ 789,676 |
| Fire Prevention | 194,348 |
| State Law Enforcement Trust | 381,274 |
| Federal Law Enforcement Trust | <u>2,080</u> |
| Total Special Revenue Funds | <u>1,337,378</u> |
| Total Restricted Assets | <u>\$ 14,503,762</u> |

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 10. CAPITAL ASSETS

A summary of the City's capital assets at September 30, 2014 is as follows:

| | Beginning Balance | Additions | Deletions | Transfers (1) | Ending Balance |
|--|-------------------|----------------|----------------|----------------|----------------|
| Governmental Activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 29,907,768 | \$ - | \$ - | \$ (272,785) | \$ 29,634,983 |
| Construction in Progress | 13,272,081 | 1,283,014 | (1,434,185) | (11,637,896) | 1,253,014 |
| Total capital assets not being depreciated | 43,239,849 | 1,283,014 | (1,434,185) | (12,110,681) | 30,947,997 |
| Capital assets being depreciated: | | | | | |
| Buildings | 118,767,841 | 618,065 | - | 5,855,784 | 125,241,710 |
| Improvements other than buildings | 26,852,122 | 163,343 | - | (712,451) | 26,103,014 |
| Furniture, fixtures, machinery and equipment | 46,811,778 | 2,380,119 | (277,159) | - | 48,714,738 |
| Infrastructure | 285,422,354 | 2,293,685 | - | 1,127,112 | 288,851,151 |
| Total capital assets being depreciated | 479,855,095 | 5,442,242 | (277,159) | 6,270,445 | 486,890,623 |
| Less accumulated depreciation for: | | | | | |
| Buildings | 28,429,663 | 2,881,771 | - | (1,713,450) | 29,597,975 |
| Improvements other than buildings | 17,244,620 | 1,368,158 | - | (160,302) | 18,442,476 |
| Furniture, fixtures, machinery and equipment | 33,436,760 | 3,084,391 | (277,159) | - | 36,244,192 |
| Infrastructure | 151,501,766 | 8,396,690 | - | - | 159,898,416 |
| Total accumulated depreciation | 230,612,811 | 15,721,170 | (277,159) | (1,873,752) | 244,183,061 |
| Total capital assets being depreciated, net | 247,842,284 | (10,278,928) | - | 8,144,206 | 245,707,562 |
| Governmental activities capital assets, net | \$ 291,082,133 | \$ (9,075,914) | \$ (1,434,185) | \$ (3,066,475) | \$ 276,655,559 |
| Business-type Activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 629,356 | \$ 3,300,000 | \$ - | \$ 272,788 | \$ 4,202,144 |
| Construction in progress | 52,051,076 | 1,476,271 | - | (726,173) | 52,801,174 |
| Total capital assets not being depreciated | 52,680,432 | 4,776,271 | - | (453,385) | 57,003,318 |
| Capital assets being depreciated: | | | | | |
| Buildings and utility plant | 7,261,519 | 215,756 | - | 3,693,690 | 11,190,965 |
| Improvements to other than building | 320,533 | - | - | - | 320,533 |
| Machinery and equipment | 13,705,624 | 187,227 | - | - | 13,892,851 |
| Infrastructure | 248,616,483 | 2,241,328 | - | 726,173 | 251,583,984 |
| Total capital assets being depreciated | 270,120,149 | 3,124,312 | - | 4,419,863 | 277,664,324 |
| Less accumulated depreciation for: | | | | | |
| Buildings and utility plant | 2,796,698 | 400,463 | - | - | 3,197,178 |
| Improvements other than building | 320,533 | - | - | - | 320,533 |
| Machinery and equipment | 11,515,629 | 913,611 | - | - | 12,429,240 |
| Infrastructure | 120,906,677 | 8,817,471 | - | - | 129,724,148 |
| Total accumulated depreciation | 135,539,329 | 7,931,566 | - | - | 143,470,894 |
| Total capital assets being depreciated, net | 134,580,820 | (4,807,253) | - | 4,419,863 | 134,193,430 |
| Business-type activities capital assets, net | \$ 187,261,252 | \$ (30,982) | \$ - | \$ 3,966,476 | \$ 191,196,746 |

(1) Included in the transfers is a transfer of capital assets from governmental activities to business type activities. See note 8 (Interfund Loan) for additional detail.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 10. CAPITAL ASSETS (Continued)

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

| Governmental activities: | |
|---|---------------|
| General government | \$ 3,014,328 |
| Parks | 1,039,738 |
| Fire | 1,451,812 |
| Streets | 8,573,668 |
| Recreation | 1,641,623 |
| Total depreciation expense - governmental activities | \$ 15,721,170 |
| Business-type activities: | |
| Water and sewer | \$ 5,390,323 |
| Solid waste | 776,852 |
| Stormwater | 1,764,390 |
| Total depreciation expense - business-type activities | \$ 7,931,565 |

NOTE 11. LONG-TERM DEBT

Revenue Bonds

On December 16, 2007, the City issued \$2,283,000 of Capital Improvement Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"). The Series 2007 bonds mature in December 2018 and bear interest at 4.33%. The Series 2007 Bonds are secured by a lien upon revenues derived by rescue transport service fees. The City will budget non-ad valorem revenues if such revenue is not adequate to pay debt service costs.

The net proceeds of \$2,283,000 were used to advance refund the Series 1993 Bonds with a total principal amount of \$2,610,000 and an interest rate ranging from 3.1% to 5.5%. Proceeds from the Series 1993 Bonds were used to finance construction of a new fire administration building, fund the debt service account and pay certain issuance costs. The advance refunding reduced debt payments in the short-term. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately \$200,000.

On November 19, 2012 the City issued "The City of Hialeah Capital Improvement Revenue Refunding Bond, Series 2012" for \$1,620,000 for the purpose of refunding the City's \$2,283,000 Capital Improvement Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"), and paying additional costs of the original project. The Bonds are expected to be repaid over approximately six (6) years at an interest rate of 1.64%. The transaction resulted in an economic gain of approximately \$135,000.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11. LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

Annual debt service requirements to maturity for the Revenue Bonds are as follows:

| Fiscal Year | Ending | Principal | Interest | Total |
|-------------|--------------|-----------|--------------|-------|
| 2015 | \$ 256,453 | \$ 18,788 | \$ 273,241 | |
| 2016 | 260,685 | 12,556 | 273,241 | |
| 2017 | 264,987 | 8,255 | 273,242 | |
| 2018 | 269,359 | 3,982 | 273,241 | |
| 2019 | 68,031 | 278 | 68,310 | |
| | \$ 1,118,515 | \$ 41,760 | \$ 1,160,275 | |

State of Florida Loan Payable

In fiscal year 1977, the Water and Sewers Fund borrowed \$43,490,000 from the State of Florida toward the construction of the East Side Sewer System. Construction of the East Side Sewer System was completed during 1980. Interest on the loan from the State of Florida, amounting to approximately \$5,602,000, has been capitalized and included in construction costs and will be expensed over the estimated useful life of the system (50 years).

The loan agreement provides that the State will deposit the loan proceeds in a restricted, interest-bearing investment account to be used by the Water and Sewers Fund as debt service reserves and for future construction requirements. Interest earned on the construction funds during the time the East Side Sewer was being built, which is credited to the Water and Sewers Fund, has been deferred and is being amortized to income over the same period that the related capitalized interest is being expensed (50 years). At September 30, 2014, the unamortized deferred interest balance was \$1,326,069. The City paid off the State of Florida loan in 2008.

Notes Payable

1) Bank of America Promissory Note

On August 20, 2011 the City entered into a loan agreement with Bank of America (Bank of America Loan) to refinance the outstanding loan from the Florida Municipal Loan Council Revenue Bonds, Series 1999 Bonds and to pay interest on the loan for up to three years. The transaction resulted in an economic gain of approximately \$1,036,464. The proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 1999 were used to fund major roadway improvements and infrastructure projects. The City will budget non-ad valorem revenues if such revenue is not adequate to pay debt service costs. The Bank of America Loan matures on April 1, 2019 with options to extend to April 1, 2026 and 2031. Interest payments are due semi-annually at a rate of 2.74% with annual principal payments due April 1.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

1) Bank of America Promissory Note (Continued)

Annual debt service requirements to maturity for the Bank of America Loan are as follows:

| Governmental Activities | | | | Business-Type Activities | | | | | |
|-------------------------|--------------|------------|--------------|--------------------------|--------------|------------|--------------|----------|-------|
| Fiscal Year | Ending | Principal | Interest | Total | Fiscal Year | Ending | Principal | Interest | Total |
| 2015 | \$ 873,334 | \$ 220,165 | \$ 1,093,499 | 2015 | \$ 218,333 | \$ 55,041 | \$ 273,374 | | |
| 2016 | 1,779,951 | 178,972 | 1,958,924 | 2016 | 446,988 | 42,995 | 489,983 | | |
| 2017 | 1,825,268 | 130,655 | 1,955,923 | 2017 | 456,317 | 32,664 | 488,981 | | |
| 2018 | 1,871,740 | 84,184 | 1,955,924 | 2018 | 467,935 | 21,046 | 488,981 | | |
| 2019 | 1,820,675 | 36,530 | 1,857,205 | 2019 | 480,002 | 9,133 | 489,135 | | |
| | \$ 8,270,972 | \$ 647,507 | \$ 8,918,479 | | \$ 2,067,575 | \$ 161,877 | \$ 2,229,452 | | |

2) Florida Municipal Loan Council Revenue Bond Series 2012A- Loan Payable

On May 1, 2003, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$48,135,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2003A, for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$39,940,000 and calls for annual payments due on May 1, commencing on May 1, 2004 through May 1, 2033 and bears interest at varying rates ranging from 2.0% to 5.25%.

On November 5, 2012 the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$41,620,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2012A, for the purpose of refinancing Florida Municipal Loan Council Revenue Bonds, Series 2003A. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately \$4,090,000. The loan matures on May 1, 2033 and bears an interest rate of approximately 3.5%.

Annual debt service requirements to maturity for the FMLC Revenue Bond Series 2012A loan payable are as follows:

| Governmental Activities | | | | Business-Type Activities | | | | | |
|-------------------------|---------------|---------------|---------------|--------------------------|--------------|--------------|---------------|----------|-------|
| Fiscal Year | Ending | Principal | Interest | Total | Fiscal Year | Ending | Principal | Interest | Total |
| 2015 | \$ 1,124,000 | \$ 1,354,410 | \$ 2,478,410 | 2015 | \$ 281,000 | \$ 338,603 | \$ 619,603 | | |
| 2016 | 1,168,900 | 1,308,650 | 2,477,550 | 2016 | 292,000 | 327,363 | 619,363 | | |
| 2017 | 1,216,000 | 1,262,730 | 2,478,730 | 2017 | 304,000 | 315,663 | 619,663 | | |
| 2018 | 1,264,000 | 1,214,090 | 2,478,090 | 2018 | 316,000 | 303,523 | 619,523 | | |
| 2019 | 1,316,000 | 1,163,530 | 2,479,530 | 2019 | 329,000 | 290,883 | 619,883 | | |
| 2020-2024 | 7,560,000 | 4,835,450 | 12,395,450 | 2020-2024 | 1,890,000 | 1,208,863 | 3,098,863 | | |
| 2025-2029 | 9,448,000 | 2,945,590 | 12,393,590 | 2025-2029 | 3,362,000 | 736,358 | 3,098,358 | | |
| 2030-2033 | 9,008,000 | 912,600 | 9,920,600 | 2030-2033 | 2,252,000 | 228,150 | 2,480,150 | | |
| | \$ 32,104,000 | \$ 14,997,850 | \$ 47,101,850 | | \$ 8,026,000 | \$ 3,749,464 | \$ 11,775,464 | | |

CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

3) Florida Municipal Loan Council Revenue Bond Series 2005- Loan Payable

On February 15, 2005, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$29,090,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2005A, for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$25,190,000 and calls for annual payments due on February 1, commencing on February 1, 2006 through February 1, 2035 and bears interest at varying rates ranging from 3.0% to 5.0%. The arbitrage rebate requirement generally requires issuers of tax-exempt debt to rebate to the U.S. Treasury that investment income arising from the proceeds of tax-exempt debt to the extent that such income results from investments yields in excess of the bond yield. There is no arbitrage rebate liability in connection with the Revenue Bonds at September 30, 2014.

Annual debt service requirements to maturity for the Series 2005 note payable are as follows:

| Governmental Activities | | | | Business - Type Activities | | | |
|-------------------------|----------------------|----------------------|----------------------|----------------------------|---------------------|---------------------|---------------------|
| Fiscal Year Ending | Principal | Interest | Total | Fiscal Year Ending | Principal | Interest | Total |
| 2015 | \$ 552,000 | \$ 921,523 | \$ 1,473,523 | 2015 | \$ 138,000 | \$ 230,361 | \$ 368,361 |
| 2016 | 572,000 | 899,768 | 1,471,768 | 2016 | 143,000 | 224,942 | 367,942 |
| 2017 | 595,000 | 876,229 | 1,471,229 | 2017 | 149,000 | 219,057 | 368,057 |
| 2018 | 620,000 | 845,468 | 1,465,468 | 2018 | 155,000 | 212,117 | 367,117 |
| 2019 | 652,000 | 816,155 | 1,468,155 | 2019 | 163,000 | 204,039 | 367,039 |
| 2020-2024 | 3,784,000 | 3,535,928 | 7,323,928 | 2020-2024 | 947,000 | 853,952 | 1,800,952 |
| 2025-2029 | 4,820,000 | 2,484,169 | 7,304,169 | 2025-2029 | 1,205,000 | 621,042 | 1,826,042 |
| 2030-2034 | 6,098,000 | 1,166,865 | 7,264,865 | 2030-2034 | 1,524,000 | 291,866 | 1,815,866 |
| 2035 | 1,412,000 | 36,398 | 1,448,398 | 2035 | 353,000 | 5,097 | 358,097 |
| | <u>\$ 19,108,000</u> | <u>\$ 11,585,293</u> | <u>\$ 30,693,293</u> | | <u>\$ 4,777,000</u> | <u>\$ 2,896,323</u> | <u>\$ 7,673,323</u> |

4) Community Development Block Grant Section 108 Loan

On June 14, 2000, the City executed a loan agreement with the U.S. Department of Housing and Urban Development (HUD) under HUD's Community Development Block Grant (CDBG) Section 108 Loan Program. The loan totaled \$4,400,000 and calls for semi-annual principal and interest payments at varying interest rates commencing on August 1, 2000 through August 1, 2019. The loan is payable to a bank as the trustee and registered holder of the note, guaranteed by HUD and collateralized by future CDBG funds granted to the City. The City granted all of the guaranteed loan funds to a local business to finance economic development activities, including the purchase of machinery and equipment for the local business warehousing and distributing facilities and corporate headquarters. A grant agreement was also executed with the local business and the City obtained a first priority security interest in the local business machinery and equipment as stipulated in the grant agreement. The City paid the local business \$4,000,000 of the loan amount and has designated the additional \$400,000 net of transaction fees in the City's CDBG special revenue fund.

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CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

6) Affordable Housing Note, Series 2011 (Continued)

Annual debt service requirements to maturity for the TD Bank Note are as follows:

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------|----------------------|---------------------|----------------------|
| 2015 | \$ 362,058 | \$ 573,621 | \$ 935,679 |
| 2016 | 430,005 | 556,575 | 986,579 |
| 2017 | 417,819 | 538,759 | 956,579 |
| 2018 | 436,423 | 520,156 | 956,579 |
| 2019 | 455,854 | 503,725 | 959,579 |
| 2020-2024 | 2,602,411 | 2,190,483 | 4,792,894 |
| 2025-2029 | 3,235,709 | 1,547,185 | 4,782,894 |
| 2030-2034 | 4,073,120 | 759,774 | 4,832,894 |
| 2035-2036 | 1,254,265 | 46,860 | 1,301,125 |
| | <u>\$ 13,238,670</u> | <u>\$ 7,224,140</u> | <u>\$ 20,462,810</u> |

7) Florida Municipal Loan Council Revenue Bond Series 2010- Loan Payable

On May 1, 2011, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$48,235,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2011D, for construction, expansion and improvements of the City's sewer treatment plant. The loan has an outstanding balance of \$48,235,000 and calls for annual principal payments due on October 1, commencing on October 1, 2012 through October 1, 2041 and semi-annual interest payments commencing on October 1, 2011 at varying rates of interest ranging from 3.0% to 5.5%. The arbitrage rebate requirement generally requires issuers of tax-exempt debt to rebate to the U.S. Treasury that investment income arising from the proceeds of tax-exempt debt to the extent that such income results from investments yields in excess of the bond yield. The City has pledged the net revenues (gross revenues after reduction of the cost of operation and maintenance of the project). There is no arbitrage rebate liability in connection with the Revenue Bonds at September 30, 2014.

Annual debt service requirements to maturity for the Series 2011D note payable are as follows:

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------|----------------------|----------------------|----------------------|
| 2015 | \$ 580,000 | \$ 2,387,289 | \$ 2,967,289 |
| 2016 | 850,000 | 2,359,898 | 3,219,898 |
| 2017 | 955,000 | 2,344,988 | 3,299,988 |
| 2018 | 985,000 | 2,315,738 | 3,300,738 |
| 2019 | 1,015,000 | 2,286,188 | 3,301,188 |
| 2020-2024 | 5,745,000 | 10,783,600 | 16,528,600 |
| 2025-2029 | 7,175,000 | 9,364,075 | 16,539,075 |
| 2030-2034 | 9,265,000 | 7,294,263 | 16,559,263 |
| 2035-2039 | 10,985,000 | 4,529,975 | 15,514,975 |
| 2040-2042 | 8,970,000 | 1,004,575 | 9,974,575 |
| | <u>\$ 47,605,000</u> | <u>\$ 44,878,975</u> | <u>\$ 92,203,975</u> |

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CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

4) Community Development Block Grant Section 108 Loan (Continued)

Annual debt service requirements to maturity for the CDBG loan payable are as follows:

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------|---------------------|-------------------|---------------------|
| 2015 | \$ 255,800 | \$ 154,359 | \$ 410,159 |
| 2016 | 310,000 | 110,511 | 420,511 |
| 2017 | 335,800 | 85,871 | 421,671 |
| 2018 | 360,000 | 59,179 | 419,179 |
| 2019 | 385,000 | 30,636 | 415,636 |
| | <u>\$ 1,685,000</u> | <u>\$ 439,916</u> | <u>\$ 2,124,916</u> |

5) Revolving Loan

On May 11, 2001, the City entered into a revolving loan agreement with the State of Florida Department of Environmental Protection for the purpose of providing financial assistance for planning and designing water and sewer system improvements. As of September 30, 2014, the project has been completed and the City has withdrawn \$2,779,844 for the project. The loan shall be repaid in 18 semi-annual loan payments beginning September 15, 2007, which is based on the total amount owed. The amount due as of September 30, 2014 was \$1,670,449, which includes capitalized interest and other costs.

Annual debt service requirements to maturity for the revolving loan payable are as follows:

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------|---------------------|-------------------|---------------------|
| 2015 | \$ 124,952 | \$ 46,023 | \$ 170,975 |
| 2016 | 128,483 | 42,492 | 170,975 |
| 2017 | 132,113 | 38,861 | 170,975 |
| 2018 | 135,847 | 35,128 | 170,975 |
| 2019 | 139,686 | 31,288 | 170,975 |
| 2020-2024 | 759,944 | 94,830 | 854,774 |
| 2025-2026 | 249,424 | 7,039 | 256,463 |
| | <u>\$ 1,870,442</u> | <u>\$ 295,601</u> | <u>\$ 2,166,043</u> |

6) Affordable Housing Note, Series 2011

On March 23, 2011, the City issued the City of Hialeah Affordable Housing Note, Series 2011 (the TD Bank Note) in the principal amount of \$14,489,840 to refund and extend the maturity of the Amended and Restated Bond Anticipation Refunding Note, Series 2010 and pay-off the mortgage payable due to the Miami-Dade Housing Agency. The transaction resulted in an economic gain of approximately \$115,740. The proceeds of the Series 2010 note were used for the purpose of financing the construction of a 300-unit affordable housing project in the City of Hialeah. The TD Bank Note is secured by a pledge of net rental income and a covenant to budget and appropriate non-ad valorem revenues sufficient to pay the principal and interest due on the note for the fiscal year. At September 30, 2014, the TD Bank Note had an outstanding balance of \$13,238,670.

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CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

8) Banc of America Public Capital Corp

On April 5, 2012, the City entered into an equipment term loan agreement with Banc of America, N.A., providing for a loan in an amount not to exceed \$1,850,000 to refinance existing financed purchases of two E-One Pumpers and recycling containers with interest at the rate of 1.7431% per annum based upon twelve 30 day months over a 360-day term. The entire unpaid principal balance, together with all accrued and unpaid interest, shall be due and payable in full on April 1, 2016.

Annual debt service requirements to maturity for the loan payable are as follows:

| Governmental Activities | | | | Business-Type Activities | | | |
|-------------------------|-------------------|-----------------|-------------------|--------------------------|-------------------|------------------|-------------------|
| Fiscal Year Ending | Principal | Interest | Total | Fiscal Year Ending | Principal | Interest | Total |
| 2015 | \$ 87,563 | \$ 2,316 | \$ 89,879 | 2015 | \$ 367,739 | \$ 10,922 | \$ 378,661 |
| 2016 | 87,488 | 1,198 | 88,686 | 2016 | 314,345 | 5,588 | 319,933 |
| | <u>\$ 105,041</u> | <u>\$ 3,514</u> | <u>\$ 108,555</u> | | <u>\$ 622,084</u> | <u>\$ 16,200</u> | <u>\$ 638,284</u> |

9) Capital Leases

The City has entered into a lease agreements for Twenty (20) Zoll Series X Manual Defibrillators \$423,920. The lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets section and the related liability in the governmental-wide financial statements.

Capital assets acquired through the issuance of capital leases are as follows:

| Governmental Activities | Business-Type Activities |
|--------------------------------|--------------------------|
| Defibrillators | \$ 423,920 |
| Less: accumulated depreciation | (84,764) |
| | <u>\$ 339,156</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014 were:

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------|-------------------|-----------------|-------------------|
| 2015 | \$ 103,685 | \$ 1,844 | \$ 105,529 |
| 2016 | 105,501 | 4,440 | 109,941 |
| 2017 | 107,349 | 2,592 | 109,941 |
| 2018 | 81,744 | 712 | 82,456 |
| | <u>\$ 398,279</u> | <u>\$ 9,586</u> | <u>\$ 407,865</u> |

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 11. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

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

| | Balance September 30, 2013 | Additions | Reductions | Balance September 30, 2014 | Due Within One Year |
|--|----------------------------------|---------------|-----------------|----------------------------------|---------------------------|
| Governmental activities: | | | | | |
| <i>Notes</i> | | | | | |
| CRIS Sec. 15a | \$ 1,960,000 | \$ - | \$ (275,000) | \$ 1,685,000 | \$ 295,000 |
| F.M.C. 2005A Bond | 19,640,000 | - | (632,000) | 19,008,000 | 552,000 |
| F.M.C. 2012A Bond | 33,192,000 | - | (1,088,000) | 32,104,000 | 1,124,000 |
| Capital Improvement Revenue Bond 2012 | 1,371,905 | - | (252,290) | 1,119,615 | 256,463 |
| TD Bank (ref. bond anticipation loan) | 13,805,304 | - | (388,934) | 13,236,370 | 382,958 |
| Bank of America (ref. of F.M.C. 1999 Bond) | 9,985,643 | - | (1,714,071) | 8,270,972 | 873,334 |
| Bank of America Promissory Note | 216,009 | - | (80,908) | 135,041 | 67,503 |
| Notes payable | 79,070,161 | - | (4,308,963) | 75,061,198 | 3,551,298 |
| <i>Less deferred amounts:</i> | | | | | |
| Discount | (27,772) | - | 5,050 | (22,722) | (5,050) |
| Premium | 4,245,200 | - | (2,12,967) | 4,032,243 | (29,391) |
| | 4,217,428 | - | (207,907) | 4,009,521 | (33,441) |
| Notes payable, net | 84,187,689 | - | (4,516,870) | 79,670,719 | 3,517,857 |
| <i>Capital Leases</i> | | | | | |
| SunTrust (10 Ford vehicles) | 72,425 | 423,920 | (25,841) | 398,279 | 103,685 |
| Total capital leases | 72,425 | 423,920 | (98,096) | 398,279 | 103,685 |
| <i>Claims payable</i> | | | | | |
| Compensated absences | 46,021,720 | 24,886,947 | (21,673,453) | 49,015,214 | 8,716,718 |
| OPEB liability | 19,467,668 | 10,859,528 | (11,058,267) | 18,268,939 | 3,714,805 |
| Net Pension Obligation | 63,422,113 | 16,004,559 | (8,496,890) | 70,929,782 | - |
| | 42,735,702 | 24,585,271 | (29,964,633) | 37,356,343 | - |
| Total Governmental activities | \$ 254,007,218 | \$ 78,540,227 | \$ (80,118,522) | \$ 255,639,876 | \$ 16,054,695 |
| Business-type activities: | | | | | |
| <i>Revolving loan</i> | | | | | |
| Bank of America (ref. of F.M.C. 1999 Bond) | \$ 1,791,968 | \$ - | \$ (121,519) | \$ 1,670,449 | \$ 124,952 |
| Bank of America Promissory Note | 2,490,088 | - | (408,323) | 2,081,775 | 219,333 |
| F.M.C. 2005A Bond | 990,938 | - | (68,864) | 922,044 | 307,739 |
| F.M.C. 2012A | 4,910,000 | - | (133,000) | 4,777,000 | 136,000 |
| F.M.C. 2011D | 47,925,000 | - | (320,000) | 47,605,000 | 580,000 |
| F.M.C. 2012A | 3,288,000 | - | (277,000) | 3,028,000 | 281,000 |
| Total bonds and loans payable | 66,412,004 | - | (1,643,896) | 64,768,108 | 1,850,024 |
| <i>Less deferred amounts:</i> | | | | | |
| Discount | (368,536) | - | 13,162 | (355,374) | (5,162) |
| Premium | 573,204 | - | (30,184) | 543,040 | (30,169) |
| | 204,668 | - | (17,022) | 187,666 | (17,027) |
| Notes payable, net | 66,818,672 | - | (1,660,898) | 64,985,774 | 1,833,017 |
| <i>Claims payable</i> | | | | | |
| OPEB liability | 10,395,192 | 3,996,537 | (3,762,679) | 10,619,050 | 2,118,901 |
| Compensated absences | 7,547,451 | 2,916,268 | (1,974,613) | 8,991,104 | 411,700 |
| | 2,002,950 | 1,095,852 | (928,568) | 2,190,234 | - |
| Total Business-type activities | \$ 86,562,265 | \$ 7,902,655 | \$ (8,326,758) | \$ 85,838,162 | \$ 4,162,748 |

Claims and judgments, compensated absences, net pension obligations and net OPEB obligations are generally liquidated by the General Fund for the governmental activities.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters.

The City is self-insured for general liability, automobile, workers' compensation, and health. The City also purchases stop loss coverage on its health insurance program. For all other coverage the City carries commercial insurance. The City currently reports all of its risk management activities in its General Fund, except those related to Enterprise Funds, which are reported in those funds.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNR). Claims liabilities are actuarially determined using historical and recent claim settlement trends. There were no significant reductions in insurance coverage from coverage in the prior year, and there were no settlements that exceeded insurance coverage for each of the past three years.

The City only records the current portion of claims payable within the General Fund if there is a settled claim which is due and payable at year end and is outstanding. The long-term portion is reported in the statement of net position. Amounts payable from proprietary funds are accounted for within those funds.

| | 2014 | 2013 | 2012 |
|----------------------------------|---------------|---------------|---------------|
| Unpaid claims, beginning | \$ 56,416,912 | \$ 53,049,681 | \$ 53,223,935 |
| Incurred claims (including IBNR) | 28,665,484 | 27,725,833 | 24,079,486 |
| Claims payments | (25,436,132) | (24,538,602) | (24,253,740) |
| Unpaid claims, ending | \$ 59,646,264 | \$ 56,416,912 | \$ 53,049,681 |

NOTE 13. COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Hialeah Branch Courthouse Lease

On November 4, 1996, the City entered into a lease with Miami-Dade County for two parcels of land owned by the City and reimbursement of design, construction and financing of a courthouse. The lease was amended in 2000 and extended to 2030 with annual payments from the County of \$500,000.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Charter School Agreements

On April 17, 2008, the City executed a contract with the School Board of Miami-Dade County, Florida that provides for The City of Hialeah Education Academy (the "HEA") to (1) provide a high-quality career-oriented curriculum for 21st Century occupations, (2) prepare students for productive employment within a multilingual work environment, and (3) prepare students for successful progression into postsecondary studies. The contract was ended on June 2014 and subsequently renewed for a period of 15 years by a mutual agreement of both parties.

During 2011, the City executed a charter school agreement with the School Board of Miami-Dade County for the City of Hialeah Construction, Architecture, and Design Academy ("CAD"). The contract ends June 30, 2016.

The City has entered into an agreement with Academia Dade LLC to provide administrative and educational services for HEA. The agreement ended on June 2014 and was subsequently renewed for a term of three (3) years with an option for renewal for two additional years.

Water and Sewers Fund- Agreements with Miami-Dade County

In 2008, the City Council approved a 20 year agreement with Miami-Dade County (the "County") providing for the rendition of water service to the City by the County and the purchase of treated water from the County until 2027. In 2011, the City of Hialeah entered into a 20 year agreement with the County to provide wastewater treatment and disposal services until 2029. Rates paid by the City of Hialeah vary depending on usage and costs incurred by the County. The charges to operations under these agreements for the year ended September 30, 2014 were \$8,870,762 for water services and \$16,929,302 for wastewater treatment and disposal services.

Water and Sewers Fund- Administrative Consent Agreement

The Department of Water and Sewers (the "Department") entered into an "Administrative Consent Agreement" with the Miami-Dade County Department of Environmental Resources Management ("DERM") pursuant to Section 24-7(15)(c) of the Miami-Dade County Code (the "MDDC"). DERM was subsequently renamed Miami-Dade County Department of Regulatory and Economic Resources, Division of Environmental Resources Management. Pursuant to this agreement the City has agreed to correct deficiencies for thirty five (35) pump stations within the City's sewer collection and transmission system that were not in conformance with the requirements of MDDC Section 24-42.2. The agreement required the City to have corrected all the deficiencies noted in the SESS Phase III Report by September 30, 2010. The City has reached an agreement with DERM for an extension until November 12, 2017 to correct all the deficiencies noted in the SESS Phase III Report (pending final execution). Of the 35 basins identified in need of repairs the Department has completed 18 basins with 17 basins remaining. It is estimated that repairs will cost the Department approximately \$5 million to correct (depending on the complexity of the problems identified) the remaining pump stations to meet the requirements of the agreement.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Joint Participation Agreement- Reverse Osmosis Water Treatment Plant

On December 27, 2007, (as amended on August 2009) the City entered into a Joint Participation agreement with Miami-Dade County (the "County") for the design, construction and operation of a 17.5 MGD reverse osmosis water treatment plant (the "Plant"). The City and the County have equal 50% ownership of the Plant, exclusive of land which is owned by the City, but inclusive of structures, facilities and appurtenances to be situated in the Annexation Area of the City, having an initial operational capacity of 10 MGD expandable to 17.5 MGD. The Plant shall operate to supply potable water to the Annexation Area of the City and upon agreement of the City and the County, to supply potable water to adjacent areas of unincorporated Miami-Dade County and Hialeah Gardens. At all times during the operation of the Plant, the County and City shall each receive 50% of the water production produced; however, either party will be able to purchase a portion of the other party's 50% share.

The term of the Agreement shall coincide with the later of two dates: (1) The expiration date of the original issuance of any bond related to the Plant issued by the County; and (2) The expiration date of the original issuance of any bond related to the Plant issued on behalf of the City. In no event shall the agreement expire before February 1, 2029. Upon termination, each party shall maintain a fifty percent interest in the WTP.

The County has and continues to contribute for 50% of the planning, design and construction and construction management (the "design and construction") costs for the Plant, in an amount not less than \$80 million, and the City has and continues to contribute for 50% of the design and construction costs of the Plant, in an amount not less than \$80 million based on an estimate. If the design and construction is accomplished for less than \$160 million, the County and the City shall bear half of such actual costs, and shall not be required to contribute amounts in excess of its share of the actual costs.

The County shall receive a credit for the fair market value of the land being conveyed by the County to the City that will be provided for the location of the Plant, minus 10 feet for right-of-way for the construction of NW 97 Avenue, minus 55 feet for right-of-way for the construction of NW 107 Avenue and minus 80 feet for right-of-way for the construction of NW 102 Avenue, as part of the County's contribution to the design and construction costs. To the extent that the City is liable for a wetlands mitigation payment, each party shall pay 50% of the amount of such payment. The City also receives a credit towards its contribution for administrative costs and financing costs as part of the City's contribution to the planning, design and construction costs. The County shall also receive a credit towards its contribution for its financing costs as part of the County's contribution to the planning, design and construction costs. Additional funds that exceed the total design and construction estimates of \$160 million and cost overruns shall be shared equally by the City and the County. If the City determines that design and construction of the Plant will or likely require a County contribution in excess of \$80 million, the City shall advise the County of same in writing, within 30 calendar days of such determination.

CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Joint Participation Agreement- Reverse Osmosis Water Treatment Plant (Continued)

The City and the County acknowledge that the \$160 million estimate for the design and construction of the Plant does not include additional capital costs for the procurement of additional land, if necessary. The City and the County shall share equally in these additional expenses, if necessary. In the event, that either the City or the County secure grants to design or construct the Plant, said grants shall be applied to the overall construction of the Plant, and the contribution required from each party shall be accordingly equally adjusted.

The County provided \$9.5 million at the time the Agreement was executed. The County continues to provide incremental payments as set forth in the Cash Flow Agreement between the County and the City. In 2011, the City issued the \$48,235,000 Florida Municipal Loan Council Revenue Bonds, Series 2011D (City of Hialeah Series) to fund its share of the costs to construct the Plant. The schedule below provides a reconciliation of the construction in progress as of September 30, 2014 and the total contributions from the County. As of September 30, 2014, the County's 50% ownership share of the Plant has been recorded as a contra account to the construction in progress totaling \$49,401,401.

| | October 1, 2012 | | September 30, 2014 | |
|--|---------------------|---------------------|--------------------|----------------------|
| | 2012 | Additions | Deletions | 2014 |
| Construction in Progress - RO Plant | \$91,818,618 | \$ 3,684,184 | \$ - | \$ 95,502,802 |
| Land | - | 3,300,000 | - | 3,300,000 |
| Contra Account (Miami Dade County) | (45,909,309) | (3,492,092) | - | (49,401,401) |
| | <u>\$45,909,309</u> | <u>\$ 3,492,092</u> | <u>\$ -</u> | <u>\$ 49,401,401</u> |
| Other Receivables - Miami Dade County | \$ - | \$ 281,947 | \$ - | \$ 281,947 |
| Total Contributed by Miami Dade County | | | | |
| Advances to the City | \$44,645,836 | | | |
| 50% Share of interest income earned | 105,565 | | | |
| 50% Share of value of the land | 1,650,000 | | | |
| 50% Share of grants from SPWMD | 3,000,000 | | | |
| | <u>\$49,401,401</u> | | | |

Construction Commitments

At September 30, 2014, the City had in process various construction projects that were not completed with a remaining balance totaling approximately \$3,422,534. Funding of these projects is to be made primarily through the proceeds of loans, tax revenues and grants.

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CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Plan Description

The City is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide pension, annuity, death, and disability benefits through a defined benefit and a defined contribution pension plan that covers substantially all of the employees of the City. Cost of living adjustments of 2% annually (excluding beneficiaries and those members who are receiving a Deferred Retirement Allowance), are made to members for Basic and Service Pensions. The City of Hialeah Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Hialeah Employees' Retirement System, 501 Palm Avenue, Hialeah, Florida, 33010.

On May 22, 2012, the City passed Ordinance No. 2012-27, retroactively to April 1, 2012, closing membership to the Plan for all general employees hired after April 1, 2012. New employees will instead participate in a new defined contribution plan. The latest available actuarial valuation is as of October 1, 2012.

Membership in the Plan as of October 1, 2013 consisted of the following:

| | |
|---|--------------|
| Inactive Plan members | |
| Beneficiaries currently receiving benefits | 1,365 |
| Entitled to benefits but not yet receiving them | 98 |
| Active Plan members | 1,113 |
| Total | <u>2,576</u> |

Loans to Members

The Employees' Retirement System Plan permits members to borrow from the Plan assets (subject to the rules of the Internal Revenue Service) at rates determined by the Plan Trustees. Interest charged on loans is 1.5% above the Wall Street Journal prime rate (4.75% as of September 30, 2014). Such loans are limited to and fully secured by the respective member's annuity savings account. Loan payments are deducted directly from the member's bi-weekly payroll.

Administrative Expenses

Administrative expenses incurred by the Plans are absorbed by the City.

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CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

The City is a defendant in various lawsuits incidental to its operations. The outcome of these lawsuits is undeterminable as is an amount of range of potential loss.

Tax-Exempt Bonds

As disclosed in Note 11 Long-Term Debt, the City has issued tax-exempt bonds to fund capital projects and infrastructure. If the bonds were deemed to be taxable, then the City's interest costs would markedly rise; the potential increase in interest costs would only be determinable at the time such debt was deemed taxable. The City does not, at this time, expect the tax-exempt status of the debt to change.

Unfair Labor Practice Charge

On August 27, 2010, Florida Public Employees Council 79, American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME) (collectively referred to as the Union) filed an unfair labor practice charge with the State of Florida Public Employees Relations Commission (PERC) alleging that the City violated Section 447.51(1)(a) and (c), Florida Statutes (2010), by the manner in which it conducted itself during the impasse resolution procedure. On March 4, 2011, PERC concluded that the City engaged in an unfair labor practice violating Section 447.51(1)(a) and (c), Florida Statutes (2010). The PERC order did not require the City to make a monetary reimbursement to the employees. On July 15, 2013, the Union filed an action in the Eleventh Judicial Circuit Court in Miami-Dade County against the City seeking to enforce the PERC Order of March 2011 requesting that the Court make the Union members whole for the economic changes and other benefits imposed by the City Council in 2010 and for attorney's fees and costs. It is the opinion of the City Attorney that the only costs to the City stemming from this litigation are the charging party's attorney's fees incurred in the administrative proceeding and in the appeal. The City has presented a vigorous defense against Union's request for monetary relief. As of September 30, 2014, there has been no final judgment rendered in this case.

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS

EMPLOYEES' RETIREMENT SYSTEM

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the City of Hialeah Employees' Retirement System Plan document for more complete information.

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CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Funding Requirements

The contribution requirements of the Plan members and the City are established and may be amended by the Employees' Retirement System Board of Trustees.

Plan Members Contribution

Plan members are required to contribute 7% of their basic compensation to the Annuity Savings Fund. The City is required to contribute at an actuarially determined rate. Plan participants are permitted to purchase a maximum of four years of membership credit service time. Effective with the fiscal year ended September 30, 2006, the firefighters' and police officers' share plans will make contributions to fund the cost of the minimum benefits under Chapter 99-1, Florida Statutes.

City Contribution

On August 25, 2009, the City passed Ordinance 09-54, which established a minimum City contribution ("floor") to the Plan equal to 22% of the member payroll. Once every five years, the City may increase or decrease the floor up to 2% of member payroll, if supported by an actuarial study. The floor shall not be less than 16% or more than 28% of member payroll. The new provisions also indicate that the floor is subject to Section 70-168(b) which specifies the contribution shall be computed as a level percent of payroll in accordance with generally recognized actuarial principles and the provisions of Chapter 112 of the Florida Statutes. Provisions under Chapter 112 of the Florida Statutes will take precedence in the event the required City contribution calculated under Chapter 112 exceeds the 28% of member payroll.

The City contributes at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. Effective May 30, 2012, the Division of Retirement mandated that local governments confer with the Plan's actuary to select and maintain contribution method (percentage of payroll or fixed dollar contributions) that best fits the funding requirements of the Plan. The Plan determined to use the "percentage of payroll contribution" method for the fiscal year ended September 30, 2014.

The actual contribution from the City for active members were actuarially determined using the actuarial valuation as of October 1, 2012 for the year ended September 30, 2014. The contributions consisted of the following, at September 30, 2014:

| | Actual Contribution | Percentage of Covered Payroll |
|---|---------------------|-------------------------------|
| City | \$ 25,769,253 | 113.65% |
| State of Florida | 461,877 | 2.04 |
| Total contribution from City and State of Florida | <u>26,231,130</u> | 115.69 |
| Members | \$ 1,587,095 | N/A |

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)
EMPLOYEES' RETIREMENT SYSTEM (Continued)

DROP Plan

The City established a deferred retirement option plan (DROP) for General Employees on February 19, 2008, and for Police and Firefighters on March 1, 2007. An active participant of the City's retirement system may enter into the DROP on the first day of the month following completion of 25 years of membership service credit, provided that the sum of the member's age and years of service is 70 points or more. Upon entry into the DROP, a member's monthly retirement benefits (basic plus service pension), based on final average earnings and service upon entering the DROP, which would have been payable had the member elected to cease employment and receive a normal retirement benefit, shall be paid into the member's DROP account. At the end of each fiscal year, interest will be credited to the DROP account at the same rate credited to the annuity savings account. Member contributions cease upon entering the DROP and the member shall be ineligible for disability benefits provided by the Plan. Upon termination of employment or death, the DROP account balance will be paid in a cash lump sum. The maximum duration for participation in the DROP shall not exceed thirty-six (36) months and members cannot buy service in order to be eligible for the DROP.

General employees who are members of the retirement system are prohibited from entering the DROP on or after April 2, 2012. As of September 30, 2014, there were forty three (43) DROP participants and their fair value of DROP investment was \$4,582,852 which is included in the Plan's net position.

Net Pension Liability

| | |
|--|-----------------------|
| Total pension liability | \$ 787,455,356 |
| Plan fiduciary net position | <u>598,324,146</u> |
| Net pension liability | <u>\$ 189,131,210</u> |
| Plan fiduciary net position as a percentage of total pension liability | 75.98% |

Significant Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2013, using the following actuarial assumptions:

| | |
|-------------------------------------|---|
| Interest rates | |
| Single discount rate | 8.0% |
| Inflation | 3.0% |
| Salary increases | 4.0-9.0% |
| Long-term expected rate of return | 8.0% |
| Pre-Retirement Mortality: | RP-2000 Combined Mortality Table with a blue collar adjustment projected 15 years from valuation date |
| Post-Retirement Healthy Mortality: | RP-2000 Combined Mortality Table with a blue collar adjustment projected 7 years from valuation date |
| Post-Retirement Disabled Mortality: | RP-2000 Disabled Mortality Table |

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)
EMPLOYEES' RETIREMENT SYSTEM (Continued)

Prior Period Adjustment (Continued)

The restatement is detailed below:

| | |
|--|-----------------------|
| Net position held in trust for pension benefits - beginning as previously reported | \$ 557,074,570 |
| Restatement of DROP Liability | 9,325,968 |
| Correction of Employer's Contribution | <u>3,732,803</u> |
| Net position held in trust for pension benefits - beginning as restated | <u>\$ 570,133,441</u> |

ELECTED OFFICIALS' RETIREMENT SYSTEM

Plan Description

The City of Hialeah Elected Officials' Retirement System (EORS) is a single employer defined benefit pension plan administered by the City of Hialeah. The EORS was established by City Ordinance effective June 1998. The Plan is considered part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. All qualified elected officials and city attorneys are eligible to participate in the plan. The Plan does not issue a stand-alone financial report. Employer contribution requirements for the year ended September 30, 2014 were based on the October 1, 2013 valuation. Benefit and contribution provisions are established by City ordinance and may be amended only by the City Council.

Membership in the Plan as of October 1, 2013 consisted of the following:

| | |
|---|-----------|
| Inactive Plan members | |
| Beneficiaries currently receiving benefits | 8 |
| Entitled to benefits but not yet receiving them | 5 |
| Active Plan members | <u>15</u> |
| Total | <u>23</u> |

Pension Benefits

Participants earn one vesting credit for each year of service completed. A participant is considered fully vested after 8 years of credited service. After 8 years of credited service, the participant need not render any further service as an employee of the City, in order to begin receiving a pension benefit upon attaining eligibility.

A participant is eligible for normal retirement benefits when the participant has attained age 55 and 8 vesting credits or has attained 20 vesting credits regardless of age.

Normal retirement benefits are based on 3% of average final compensation multiplied by the years of service for each year of prior service.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)
EMPLOYEES' RETIREMENT SYSTEM (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table.

| Asset Group | Long-Term Expected Real Rate of Return |
|----------------------|--|
| Domestic Equity | 8.60% |
| International Equity | 7.13% |
| Domestic Bonds | 1.79% |
| Alternatives | 4.97% |

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Plan's net pension liability, calculated using a discount rate of 8.0%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

| | 1% Decrease 7.0% | Current Discount Rate Assumption 8.0% | 1% Increase 9.0% |
|--|---------------------|---|---------------------|
| | \$ 263,802,678 | \$ 189,131,210 | \$ 125,805,594 |

Prior Period Adjustment

Management determined based on their analysis of GASB Statement No. 67 that the deferred retirement option plan (DROP) liability recorded in the previous year did not meet the criteria of DROP liability. According to GASB statement No. 67, a pension plan is required to recognize a liability for benefits when the benefits currently are due and payable to a plan member. Therefore, only those amounts in the DROP accounts that are due and payable to the plan member at the Plan's reporting date should be reported as a liability in the pension plan's statement of fiduciary net position. As a result, the beginning net position restated for pension benefits has been restated in order to include the investments and the activity held in the DROP. In addition, management considered necessary to correct the City's contribution to the Plan for the fiscal year ended September 30, 2013, but received during the current fiscal year:

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)
ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

Funding Requirements

Plan members are required to contribute 7% of their basic compensation. The City contributes at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. Effective May 30, 2012, the Division of Retirement mandated that local governments confer with the Plan's actuary to select and maintain contribution method (percentage of payroll or fixed dollar contributions) that best fits the funding requirements of the Plan. The Plan determined to use the "percentage of payroll contribution" method for the fiscal year ended September 30, 2014.

The actual contribution from the City for active members were actuarially determined using the actuarial valuation as of October 1, 2013 for the year ended September 30, 2014. The contributions consisted of the following at September 30, 2014:

| | Actual Contribution | Percentage of Covered Payroll |
|---------|---------------------|-------------------------------|
| City | \$ 305,000 | 30.45% |
| Members | \$ 15,655 | N/A |

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Interest and dividends are reported as investment earnings. Realized gains and losses are determined on the basis of specific cost. Purchases and sales are recorded on the trade-date basis.

Net Pension Liability

| | |
|--|-----------------------|
| Total pension liability | \$ 8,547,312 |
| Plan fiduciary net position | <u>9,865,602</u> |
| Net pension liability | <u>\$ (1,318,290)</u> |
| Plan fiduciary net position as a percentage of total pension liability | 115.44% |

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CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

Significant Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2013, using the following actuarial assumptions:

| | |
|-----------------------------------|--|
| Interest rates: | |
| Single discount rate | 6.0% |
| inflation | 3.0% |
| Salary Increases | 8.0% |
| Long-term expected rate of return | 8.0% |
| Mortality: | The RP-2000 Combined Mortality Table was used, with separate rates for males and females with generational mortality improvements fully projected to each future valuation date with Scale AA. |

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

| | |
|----------------------|---|
| Asset Group | Long-Term Expected Real Rate of Return |
| Domestic Equity | 8.50% |
| International Equity | 3.80% |
| Fixed Income | 4.80% |
| Cash | 1.30% |

Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate assumed member contributions will be made at the current member contribution rate and employer contribution will be made at rate equal to the difference between actuarially determined contribution rates and the member contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 15. DEFINED CONTRIBUTION PLANS

The City of Hialeah has two defined contribution plans: the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund. The Plans were created on March 27, 1984 by Ordinance 1781 as amended by Ordinance 84-43 and on May 26, 1981 by Ordinance 631 as amended by Ordinance 81-62 respectively. The purpose of these Plans is to provide a means whereby police officers and firefighters of the City may receive benefits from funds provided for that purpose by contributions of the City through state contributions provided by Chapter 175/185 of the Florida Statutes. The participants do not contribute to the Plans. These funds are a supplement to and in no way affect police officer and firefighter benefits under the City of Hialeah Employees' Retirement System. The City no longer receives passed-through State contributions for the police officers or firefighters. The City under Chapter 185 of the Florida Statutes has provided authorization to the State for the direct contribution of benefits to the Police Pension Fund. The City's Employment Retirement System received passed-through contributions from the two defined contribution plans totaling \$461,877 for the fiscal year ended September 30, 2014.

Both funds issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to Hialeah Employees' Retirement Department, 501 Palm Avenue, Hialeah, Florida, 33010.

The City created the City of Hialeah Employee's Retirement Plan on April 1, 2012. The City as a single-employer contributes to the Money Purchase Plan, which is a defined contribution plan created in accordance with Internal Revenue Code Section 401(a). The Plan is available to all full-time general employees hired after April 1, 2012, and the City contributes 7% of the employees' salary. Employees are required to contribute 7% of their salaries. Employer contributions for the fiscal year ended September 30, 2014 were approximately \$134,730.

NOTE 16. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City of Hialeah sponsors a defined benefit OPEB plan. Retirees who meet certain age and service requirements may elect coverage for themselves and dependents. Self-funded and fully insured options are available. The employer currently charges no contribution for retirees with single coverage, and the single funding rate for double (employee plus spouse) coverage. Self-funded management retirees pay less for double coverage. Disabled contributions vary between plans.

Funding Policy

The OPEB obligation is funded on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

ELECTED OFFICIALS' RETIREMENT SYSTEM (Continued)

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Plan's net pension liability, calculated using a discount rate of 6.0%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

| | | |
|--------------------|---|--------------------|
| 1% Decrease | Current Discount Rate Assumption | 1% Increase |
| 5.0% | 6.0% | 7.0% |
| (\$ 229,255) | (\$ 1,319,290) | (\$ 2,222,226) |

The statement of net position and statement of changes in net position for the Elected Officials' Retirement System are presented below:

STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

| | |
|---|--------------|
| ASSETS | |
| Cash and cash equivalents | \$ 113,727 |
| Contribution Receivables | 15,655 |
| Investments, at fair value: | |
| Mutual Funds | 9,932,433 |
| Total Investments, at fair value | 9,932,433 |
| Total assets | 10,061,826 |
| LIABILITIES AND NET POSITION | |
| Accounts payable and accrued liabilities | 195,224 |
| Net position held in trust for pension benefits | \$ 9,866,602 |

STATEMENT OF CHANGES IN NET POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | |
|--|--------------|
| ADDITIONS | |
| Contributions - City | \$ 305,000 |
| Contributions - Member | 15,655 |
| Net Investment Income | 908,659 |
| Total Additions | 1,229,314 |
| Pension benefits | (230,929) |
| Net increase | 998,384 |
| Net position held in trust for pension benefits: | |
| Beginning of year | 8,868,218 |
| End of year | \$ 9,866,602 |

CITY OF HIALEAH, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

| | |
|--|---------------|
| Annual required contribution | \$ 18,144,320 |
| Interest on net OPEB obligation | 2,938,783 |
| Adjustment to annual required contribution | (2,460,278) |
| Annual OPEB cost | 18,522,825 |
| Contributions made | (10,471,503) |
| Increase in net OPEB obligation | 8,051,322 |
| Net OPEB obligation, beginning of year | 70,969,564 |
| Net OPEB obligation, end of year | \$ 79,020,886 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

| | | | |
|--------------------------|------------------------|-------------------------------|---------------------|
| | Annual OPEB Cost (AOC) | Percentage of AOC Contributed | Net OPEB Obligation |
| Fiscal Year Ended | | | |
| 9/30/2012 | \$ 21,204,643 | 43.4% | \$ 68,963,965 |
| 9/30/2013 | 21,204,643 | 43.4% | 70,969,564 |
| 9/30/2014 | 18,522,825 | 56.6% | 79,020,886 |

Funded Status and Funding Progress

| | | | | | | |
|------------------|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll (b-c)/c |
| 10/1/2009 | \$ - | \$ 243,161,545 | \$ 243,161,545 | 0.0% | \$ 83,673,089 | 290.6% |
| 10/1/2011 | - | 309,613,913 | 309,613,913 | 0.0% | 79,273,518 | 390.6% |
| 10/1/2013 | - | 307,171,520 | 307,171,520 | 0.0% | 84,338,529 | 477.4% |

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions

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 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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, consistent with the long-term perspective of the calculations.

In the October 1, 2013, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 4.5%. Both rates included a 3.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at October 1, 2013, was thirty (30) years.

NOTE 17. PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

GASB Statement No. 68, Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27, was issued June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The adoption of this statement will require the City to record a liability for the unfunded portion of its pension plans.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, was issued January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The provisions of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 17. PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED (Continued)

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 69, was issued November 2013. The requirements of this Statement will eliminate the source of a potential significant understatement of related beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. GASB 72 will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This Statement is effective for the fiscal year ending September 30, 2016. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

NOTE 18. SUBSEQUENT EVENTS

On June 23, 2015 the City Council approved the first reading of the proposed ordinance granting an exclusive franchise agreement to Progressive Waste Solutions of Florida, for the collection of residential municipal solid waste for a term of four years (4), with an automatic renewal term thereafter of five years and subsequent automatic renewals for a term of one year each with cumulative duration of all subsequent renewals after the first renewal term not exceeding a total of five years. In addition, on June 23, 2015 the City Council also approved the first reading of the proposed ordinance entering into a lease agreement with Progressive Waste Solutions of Florida, as tenant, for use of the Solid Waste Equipment facility consisting of 6,570 square feet of office space, surface parking area and equipment storage yard for the same term of the franchise agreement for an annual base rent of \$108,000 subject to an annual adjustment of three percent (3%) or one hundred percent (100%) of any upward increase in the Consumer Price Index, whichever amount is greater. Based on the study performed by an independent consultant the City expects to generate an annual savings of approximately \$3 million for collection and disposal of solid waste. These savings will bring efficiencies and continued improvement in this fund that will eliminate the current deficit reported in the fund and pay down the note. See notes 1d(18) and 8 for additional information related to this transaction.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 19. RESTATEMENT

In the current year it was determined that the October 1, 2013 beginning net position and liabilities for the government activities were to be restated to decrease beginning net position and increase liabilities in the government activities by \$3,132,674 for the underfunded portion of the City's contribution to the pension plan as of September 30, 2013.

The beginning net position and capital assets for the business type activities were to be restated due to interest payments that were not capitalized during the construction phase of the RO Plant. Beginning net position was increased by \$3,873,933.

The implementation of GASB 65 as stated in Note 1 resulted in a restatement of the beginning net position for the government activities and business type activities. The respective net position were to be restated to decrease the beginning net position by \$1,673,525 and \$878,808 to write off capitalized loan cost as of September 30, 2013.

The corrections are detailed below:

Beginning Net Position, Government Activities

| | |
|--|--------------------|
| Beginning net position, as previously recorded | \$ 62,087,938 |
| Loan cost write off (GASB 65 Implementation) | (1,673,525) |
| Correction of liabilities - General Fund | <u>(3,132,674)</u> |
| Beginning net position, as restated | \$ 57,281,739 |

Beginning Net Position, Business-Type Activities

| | |
|---|------------------|
| Beginning net position, as previously recorded | \$ 162,705,258 |
| Loan cost write off (GASB 65 Implementation) - Water and Sewer Fund | (878,808) |
| Correction of capital assets - Water and Sewer Fund | <u>3,873,933</u> |
| Beginning net position, as restated | \$ 165,700,383 |

Beginning Net Position, General Fund

| | |
|--|--------------------|
| Beginning net position, as previously recorded | \$ 12,903,036 |
| Correction of liabilities | <u>(3,132,674)</u> |
| Beginning net position, as restated | \$ 9,770,362 |

Beginning Net Position, Water and Sewer Fund

| | |
|---|------------------|
| Beginning net position, as previously recorded | \$ 152,963,548 |
| Loan cost write off (GASB 65 Implementation) - Water and Sewer Fund | (878,808) |
| Correction of capital assets - Water and Sewer Fund | <u>3,873,933</u> |
| Beginning net position, as restated | \$ 155,958,673 |

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REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF HIALEAH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget (Positive/Negative) |
|--|--------------------|--------------------|--------------------|--|
| | Original | Final | | |
| Ad valorem taxes | \$ 41,955,000 | \$ 42,782,200 | \$ 41,424,199 | (\$ 1,358,001) |
| Utility taxes | 20,789,000 | 22,429,090 | 22,487,398 | 58,308 |
| Franchise fees | 9,327,000 | 9,979,380 | 15,370,782 | 5,391,422 |
| Licenses and permits | 3,976,000 | 4,543,640 | 4,653,204 | 309,564 |
| State and local shared revenues | 23,876,000 | 25,003,350 | 25,094,317 | 90,967 |
| Fees and forfeitures | 979,000 | 1,268,948 | 1,328,469 | 60,029 |
| Government grants and other revenues | 9,734,000 | 6,685,770 | 10,500,162 | 3,814,292 |
| Total revenues | 109,696,000 | 112,691,650 | 121,058,531 | 8,366,681 |
| Other financing sources | | | | |
| Proceeds from disposal of capital assets | 165,000 | 19,109,615 | 4,076,069 | (15,033,526) |
| Issuance of debt | 125,000 | 125,000 | - | (125,000) |
| Other | 24,000 | 24,000 | 24,073 | 73 |
| Transfers in | - | - | 15,033,705 | 15,009,705 |
| Total financing sources | 314,000 | 19,258,615 | 19,133,867 | (148,749) |
| Total revenues and other financing sources | 110,000,000 | 131,950,265 | 140,192,398 | 8,217,833 |
| Expenditures: | | | | |
| Current: | | | | |
| Police | 32,275,586 | 41,194,548 | 39,818,280 | 1,378,266 |
| Fire | 24,892,348 | 32,379,237 | 30,648,389 | 1,730,848 |
| 911 Communications division | 2,741,759 | 3,543,220 | 3,422,867 | 110,453 |
| Fleet maintenance | 1,794,482 | 2,380,774 | 2,286,964 | 93,780 |
| Construction and maintenance | 1,817,211 | 2,161,145 | 2,034,254 | 126,891 |
| Recreation and community services | 7,724,800 | 8,105,114 | 8,442,246 | 662,668 |
| Planning and development | 412,181 | 556,787 | 528,781 | 30,006 |
| Education and community services | 2,088,092 | 2,947,369 | 2,451,185 | 96,184 |
| Law | 844,856 | 1,092,583 | 1,231,716 | (139,133) |
| Risk management | 841,022 | 886,943 | 847,325 | 39,618 |
| Human resources | 576,560 | 785,477 | 731,129 | 54,348 |
| City Clerk's office | 1,248,603 | 1,030,041 | 992,671 | 37,370 |
| Office of Management and Budget | 444,305 | 494,973 | 461,476 | 33,497 |
| Office of the Mayor | 390,197 | 580,312 | 557,105 | 23,207 |
| Communications and special events | 278,000 | 261,681 | 271,436 | 40,245 |
| Employee retirement | 489,366 | 647,332 | 632,686 | 14,646 |
| Library | 1,089,250 | 1,312,035 | 1,241,652 | 70,383 |
| Compliance division | 246,409 | 393,683 | 447,571 | (53,888) |
| Finance | 681,495 | 1,073,974 | 1,032,730 | 41,244 |
| Division of licenses | 338,056 | 542,890 | 429,010 | 113,880 |
| General government | 28,573,687 | 28,996,742 | 32,084,420 | (5,097,678) |
| Information systems | 1,211,635 | 1,881,607 | 1,835,288 | 146,219 |
| Total expenditures | 110,000,000 | 131,950,465 | 132,397,211 | (446,746) |
| Net change in fund balance | | | 7,795,187 | \$ 7,795,187 |
| Fund balances - beginning (as restated, see Note 19) | | | 9,770,362 | |
| Fund balances - ending | \$ | \$ | \$ 17,565,549 | |

See notes to budgetary comparison schedule.
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CITY OF HIALEAH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements.

- Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the General Fund for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through passage of an ordinance.
- At any time, the Mayor may transfer any unencumbered appropriation balance or portion thereof between classifications of expenditures within an office or department. At the request of the Mayor and within the last 6 months of the fiscal year, the City Council may transfer, by resolution, any unencumbered appropriation balance or portion thereof from one office or department to another. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations. The legal level of control is at the department level for the general fund and at the fund level for all other funds.
- The reported budgetary data represents the final approved budget after amendments adopted by the City Council. Unencumbered appropriations lapse at fiscal year-end.
- The City Council may make supplemental appropriations during the fiscal year. Supplemental appropriations were \$21,950,465 for the general fund, \$1,042,642 for the Streets Fund, \$564,434 for the Rescue Transportation Fund, \$71,500 for the Fire Prevention Fund, \$27,680 for the E-911 Non-Wireless Fund, \$399,113 for the Law Enforcement Trust-Federal Fund, \$853,615 for the Law Enforcement Trust-State Fund, \$244,268 for the Affordable Housing Fund, \$122,424 for the Children's Trust Fund, \$37,372 for the Urban Areas Security Grant, \$11,287 for the Streets 3 Cents Optional Gas Tax Fund, \$64,420 for the CITT Surtax - Hialeah Circulator Fund, \$158,830 for the City of Hialeah Education Academy Fund, \$78,783 for the 21st Century After School Grant, \$120,882 for the Police Grant Fund, \$261,651 for the Park Grants and Impact Fees Fund, \$1,072,955 for the Building Division Fund, \$109,935 for the ECS & Library Grants Fund, \$61,315 for the CITT Surtax Transportation Fund, \$141,756 for the Milander Parking Garage Fund, \$500 for the Parking Garage Construction Fund, \$122,314 for the Milander Center Fund, \$264,777 for the Palm Center Complex Fund, \$64,975 for the GOB Bucky Dent Fund, \$220,198 for the Multi-Purpose Senior Center Fund, \$1,285,052 for the Road Construction - 2012 Bond Fund, \$42,451 for the Cultural Park Project Fund, \$1,471,602 for W 24 Ave 60 to 68 St. MDC (JPA) Fund and \$947 for the GOB Goodie Park Fund, during fiscal year ended September 30, 2014.

All governmental funds with legally adopted budgets have been included as either a budgetary comparison schedule in the required supplementary information section or as a schedule of revenues and expenditures and fund balance-budget vs actual in the combining fund statements section.

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CITY OF HIALEAH, FLORIDA
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

| Fiscal year ending September 30, | 2014 |
|--|-----------------------|
| Total Pension Liability | |
| Service Cost | \$ 9,982,779 |
| Interest | 60,295,831 |
| Change in Excess State Money | - |
| Change in Funding Standard Account | - |
| Change in Annuity Savings Fund | 4,064,028 |
| Share Plan Allocation | - |
| Difference Between Actual & Expected Experience | - |
| Changes of Assumptions | - |
| Contributions - Buy Back | 1,182,367 |
| Benefit Payments, Including Refunds of Employee Contributions | (63,299,504) |
| Net Change in Total Pension Liability | 11,215,501 |
| Total Pension Liability - Beginning | 776,239,855 |
| Total Pension Liability - Ending (a) | \$ 787,455,356 |
| Plan Fiduciary Net Position | |
| Contributions - Employer | \$ 25,769,253 |
| Contributions - State | 461,877 |
| Contributions - Member | 1,587,095 |
| Contributions - Buy Back | 1,182,367 |
| Contributions - Annuity Savings Fund | 4,064,028 |
| Net Investment Income | 58,702,102 |
| Benefit Payments, Including Refunds of Employee Contributions | (63,299,504) |
| Administrative Expense | - |
| Other | - |
| Net Change in Plan Fiduciary Net Position | 28,467,218 |
| Plan Fiduciary Net Position - Beginning | 569,856,328 |
| Plan Fiduciary Net Position - Ending (b) | \$ 598,324,146 |
| Net Pension Liability - Ending (a) - (b) | \$ 189,131,210 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 75.98% |
| Covered Employee Payroll | \$ 22,672,786 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 834.18% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

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CITY OF HIALEAH, FLORIDA
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

| Fiscal Year Ending | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll* | Actual Contribution as a % of Covered Payroll |
|--------------------|-------------------------------------|---------------------|----------------------------------|------------------|---|
| September 30, | | | | | |
| 2014 | \$ 26,231,130 | \$ 26,231,130 | - | \$ 22,672,786 | 115.68% |

* Total covered payroll for fiscal year ending September 30.

Notes to the Schedule of Contributions

| | |
|--|---|
| Valuation Date | 10/1/2012 |
| Notes | Actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported. |
| Methods and Assumptions Used to Determine Contribution Rates: | |
| Actuarial Cost Method | The entry age normal cost method was used to determine all liabilities, except that the liability associated with member contributions has been assumed to be equal to those contributions. |
| Amortization Method | Beginning October 1, 2011, the method of amortizing all outstanding unfunded liability bases was changed to an increasing amortization based on a level percent of payroll where the aggregate payroll is assumed to increase at 3.5% per year. |
| Remaining Amortization Period | 30 years (as of 10/01/2012) |
| Actuarial Value of Assets | The actuarial value of assets (AVA) is equal to the market value of assets adjusted to reflect a five year phase-in of the difference between the expected versus actual return on the AVA. The AVA is limited to an 80%-120% corridor of the market value of assets. |
| Inflation | 3.5% per year |
| | This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available. |

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CITY OF HIALEAH, FLORIDA
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS

Annual Money-Weighted Rate of Return, Net of Investment Expense 2014
10.22%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

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CITY OF HIALEAH, FLORIDA
ELECTED OFFICIALS' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

| | |
|---|-----------------------|
| Fiscal year ending September 30, | 2014 |
| Total Pension Liability | |
| Service Cost | \$ 278,300 |
| Interest | 490,346 |
| Benefit Changes | - |
| Difference Between Actual & Expected Experience | (76,686) |
| Change of Assumptions | - |
| Benefit Payments, Including Refunds of Member Contributions | <u>(230,929)</u> |
| Net Change in Total Pension Liability | 461,051 |
| Total Pension Liability - Beginning | <u>8,089,281</u> |
| Total Pension Liability - Ending (a) | \$ 8,547,312 |
| Plan Fiduciary Net Position | |
| Contributions - City | \$ 305,000 |
| Contributions - Member | 15,655 |
| Net Investment Income | 918,376 |
| Benefit Payments, Including Refunds of Member Contributions | <u>(230,929)</u> |
| Administrative Expense | (9,718) |
| Other | - |
| Net Change in Plan Fiduciary Net Position | 998,384 |
| Plan Fiduciary Net Position - Beginning | <u>8,868,218</u> |
| Plan Fiduciary Net Position - Ending (b) | \$ 8,868,602 |
| Net Pension Liability - Ending (a) - (b) | \$ (1,319,290) |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 115.44% |
| Covered Employee Payroll | \$ 1,001,519 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | -131.73% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

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CITY OF HIALEAH, FLORIDA
ELECTED OFFICIALS' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

| Fiscal Year Ending September 30, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll* | Actual Contribution as a % of Covered Payroll |
|----------------------------------|-------------------------------------|---------------------|----------------------------------|------------------|---|
| 2005 | \$ 250,415 | \$ 400,000 | (149,585) | \$ 965,463 | 41.43% |
| 2006 | 240,475 | 500,000 | (259,525) | 1,043,850 | 47.90% |
| 2007 | 263,369 | 500,000 | (236,631) | 986,381 | 50.69% |
| 2008 | 288,006 | 500,000 | (211,994) | 1,116,589 | 44.78% |
| 2009 | 299,852 | 500,000 | (200,148) | 1,200,461 | 41.65% |
| 2010 | 356,028 | 500,000 | (143,972) | 1,206,773 | 41.43% |
| 2011 | 313,841 | 313,841 | - | 1,113,794 | 28.18% |
| 2012 | 280,405 | 280,405 | - | 1,048,795 | 26.74% |
| 2013 | 312,403 | 312,403 | - | 1,085,310 | 28.78% |
| 2014 | 288,521 | 305,000 | (16,479) | 1,001,519 | 30.45% |

* Total covered payroll for fiscal year ending September 30.

Notes to the Schedule of Contributions

Valuation Date 10/1/2013
Notes Actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal
Amortization Method Level dollar amount, closed
Amortization Period 15 years
Actuarial Value The actuarial value of assets (AVA) is equal to the market value of assets
Asset Valuation Method The actuarial value of assets (AVA) is equal to the market value of assets
Inflation 3%
Salary Increases 8%
Investment Rate of 6%
Retirement Age Experience-based table of rates that are specific to the type of eligibility condition
Mortality The RP-2000 Combined Mortality Table was used, with separate rates for males and females with generational mortality improvement fully projected to each future valuation date with Scale AA.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

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CITY OF HIALEAH, FLORIDA
ELECTED OFFICIALS' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS

Annual Money-Weighted Rate of Return, Net of Investment Expense 2014
10.4%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

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COMBINING AND INDIVIDUAL FUND STATEMENTS

GENERAL FUND

CITY OF HIALEAH, FLORIDA
 GENERAL FUND
 COMPARATIVE BALANCE SHEETS
 SEPTEMBER 30, 2014
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2013)

| | 2014 | 2013 |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 25,593,559 | \$ 9,243,952 |
| Investments | 1,389,120 | 3,066,585 |
| Receivables, net | 10,879,757 | 14,318,975 |
| Due to other funds | 26,806,234 | 23,302,767 |
| Inventories | 1,456,224 | 1,457,058 |
| Prepays | 718,000 | 718,000 |
| Notes receivable | 2,351,009 | 2,239,056 |
| Total assets | <u>\$ 69,193,903</u> | <u>\$ 54,344,393</u> |
| LIABILITIES | | |
| Vouchers payable and accrued liabilities | 24,356,019 | 8,816,508 |
| Short-term borrowing | - | 15,000,000 |
| Compensated absences payable | 2,006,811 | 1,493,521 |
| Self-insurance claims payable | 535,556 | 782,586 |
| Due to other funds | 19,879,343 | 14,035,226 |
| Deferred revenue | 2,367,199 | 4,338,596 |
| Other liabilities | 110,250 | 107,604 |
| Total liabilities | <u>49,355,178</u> | <u>44,574,031</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Business license tax | 2,273,176 | - |
| Nonspendable | 2,174,224 | 2,175,058 |
| Committed | - | 105,440 |
| Unassigned | 15,391,325 | 7,489,864 |
| Total fund balances | <u>17,565,549</u> | <u>9,770,362</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 69,193,903</u> | <u>\$ 54,344,393</u> |

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenue that is legally restricted to expenditure for particular purposes.

Street – This fund was established to account for revenues derived from Miami-Dade County's 5 cents and 6 cents gas tax. The City funds its Streets Department from these gas tax revenues and the expenditures include regular salaries for the department, major repairs and maintenance to the City streets and capital outlay for road resurfacing and construction.

South Florida Workforce – This fund administers grant funds for the Hayes Program. These programs were established to prepare youth and adults facing serious barriers to employment for participation in labor force by providing job training and other services that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependency.

Community Development Block Grant (CDBG) – This fund was established to account for expenditures and revenues derived from a Community Development Block Grant obtained from HUD. The grant was established to provide the following: Administration/Planning, Economic Development, Public Services, Housing Development, Commercial Improvement/ Urban Development, 1st Time Home Buyer Assistance, and Section 108 Loan Guarantees.

Law Enforcement Trust (State) – This fund is used to account monies received from state confiscated and forfeited property. These funds are to be used to purchase equipment for the Police Department and for improvements to the Police Department.

E-911 Non-Wireless – This fund administers revenues collected by the phone companies for emergency 911 calls. Expenditures from this fund are mainly for salaries of dispatchers for the Police and Fire Departments and for capital improvements.

Emergency Shelter Grant – This fund administers revenues from the Emergency Shelter Grants Program from HUD. The program was designed to help improve the quality of existing emergency shelters, make available additional emergency shelters and meet the costs to operate the shelters for the homeless.

Fire Prevention – This fund administers revenues collected from fire re-inspection fees. Expenditures from this fund are mainly for salaries and operating expenses for the Fire Department.

Rescue Transportation – This fund administers revenues collected from fire rescue calls service billings. The main expenditures are for salaries and capital outlays for the Fire Department.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds
(Continued)

Home Investment Partnership Program (HOME) Fund – This fund was established to account for expenditures and revenues derived from grants obtained from the U.S. Department of Housing and Urban Development. The purpose of the grants is for the City of Hialeah (the City) to provide affordable housing for its citizens. The City manages the grant and obtains reimbursements from HUD after expenditures are incurred.

Park Grants & Park Impact Fees – This fund was established to account for revenues derived from Park Impact Fees established by Ordinance 92-145 collected from building permits for new units. Expenditures from this fund are mainly for park improvements and development of open spaces.

Children's Trust - This fund was established to account for revenues awarded by the Children's Trust to expand and enhance programs servicing the young community.

Metro Medical Response System – This fund was created to account for revenues awarded by the State and Federal Governments. The funds are used for salaries, operating, and capital expenses for the Fire Department as specified by the MMRS agreement.

Building Better Communities – This fund was established to account for expenditures and revenues derived from a passed through grant from the Miami Dade County Building Better Communities Grant (GOB).

Urban Areas Security Grants – This fund was established to account for expenditures and revenues derived from an Inter-local Agreement entered into with Miami-Dade County, passed through from the State of Florida Department of Community Affairs. The purpose of the grant is for the City to carry out the Urban Areas Security Initiative (UASI) program objectives.

Police Grant Fund – This fund is funded by various grants such JAG in which the program covers many activities that help to prevent or control crimes, including supporting law enforcement programs.

State Housing Initiative Program (SHIP) – This fund was established to account for revenues and expenditures derived from a grant obtained from the State of Florida (the State). The purpose of the grant is for the City of Hialeah to provide affordable housing for its citizens. The City manages the grant and obtains reimbursements from the State after expenditures are incurred.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds
(Continued)

Affordable Housing – Created to manage the building and revenues consisting of rental payments from the tenants and regular maintenance expenses as well as debt service payments on the mortgage.

E-911 Wireless – This fund administers revenues collected from fire rescue calls service billings. The main expenditures are for salaries of billing clerks, one lieutenant, and capital outlays for the Fire Department.

Law Enforcement Trust (Federal) – This fund is used to account monies received from federal confiscated and forfeited property. These funds are to be used to purchase equipment for the Police Department and for improvements to the Police Department.

EMS County Grant Fund – This fund was created to account for revenues awarded by Miami Dade County to enhance training and acquire emergency medical equipment for the City's Fire Department.

CITT Surtax - Hialeah Circulator – This fund was established to account for the revenues and expenditures of the City of Hialeah transit system. Funds for this fund are derived from the discretionary half cents sales tax as well as fees charged for fares on City's transportation.

State Homeland Sec. Grant – This fund administers revenues collected from the state government through Homeland Security for protection of major facilities from terrorist activities.

Streets 3 Cent Optional Gas Tax This fund was established to account for revenues derived from Miami-Dade County's cents gas tax. The City funds its Streets Department from these gas tax revenues and the expenditures include regular salaries for the department, and construction.

21st Century After School Grant – This fund was established to account for expenditures and revenues derived from a federal grant, passed through from the State of Florida Department of Education. The purpose of the grant is to provide after-school and summer camp services to 150 students in grades 6-10 from non-English speaking low income families.

ECS and Library Grant – This fund administers revenues from different grants to provide a better environment for the libraries located on the city. The grants help improve the students achievement by focusing in available resources such as media centers

City of Hialeah Education Academy – This fund was established to account for expenditures and revenues of the City of Hialeah Education Academy charter school.

Intersection Cameras – This fund was established to account for revenues and expenditures related to the intersection camera program.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds
(Continued)

Building Division – The building department is responsible for the safety and welfare of the general public by ensuring that the review and inspection of permitted activity is in compliance with the Florida Building Code, State Statutes, and local ordinances.

Telecommunications – This fund was established to account for expenditures derived from telecommunication capital acquisitions as well as repair and maintenance of the same for the entire City, which are then allocated to the different departments. Revenue for this fund will be transferred from each department's allocation of expenditures depending on their telecommunication needs.

Debt Service Funds

Debt service funds are used to account for the resources accumulated and payments made for principal and interest on long term general obligation debt of governmental funds.

CITT Surtax Transportation – The City of Hialeah's Debt Service Fund accounts for the revenue bonds and related costs, which is funded by discretionary ½ cent sales tax.

Fire Administration Building – The City of Hialeah's Debt Service Fund accounts for the revenue bonds and related costs, which is funded by an operating transfer from Rescue Transportation User Fees Special Revenue Fund. The other debt service costs account for maintenance of the reserve account.

NONMAJOR GOVERNMENTAL FUNDS

Capital Project Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary fund and trust funds.

Multi- Purpose Senior Center – This fund was established for source of assistance for seniors and their families. It was granted by the Department of Elder Affairs- FI Grant.

Milander Parking Garage – This fund was established to account for revenues and expenditures received from Building Better Communities Bond Grant for the construction of a new parking garage that will be built to alleviate the parking congestions that will be created with the new arts center.

Parking Garage Construction – This fund was established to account for revenues and expenditures collected from the Building Better Communities Bond Grant for the construction of parking garage adjacent to Hialeah High and the new Milander Performing Arts Center.

Cultural Park Project (GOB) – This project was established to account for revenues and expenditures received from GOB to remodel a park with different cultural aspects located around the city.

Milander Center – This fund was established to account for revenues and expenditures received from Building Better Communities Bond Grant for the construction of a new Performing Arts and Exhibition Center in the Milander Park grounds.

Palm Center Complex – This fund was established to account for expenditures and revenues derived from an Inter-local Agreement entered into with Miami-Dade County to receive revenues collected from Building Better Communities Bond Grant for the construction of a multipurpose facility that will house a neighborhood service center, 75 affordable housing units, and a parking garage to accommodate the affordable housing project.

Sparks Park – This fund was established to account for revenues and expenditures received from Building Better Communities Bond Grant for the construction of a new parking lot and recreation building at Sparks Park.

FDOT 138th St. 57th to 67th Ave. – MDC - This fund was established to account for revenues and expenditures received from the State (through the Florida Department of Transportation (FDOT)) as a pass-through from the Federal government (through the Local Agency Program (LAP) stimulus project) for the purpose of road reconstruction.

NONMAJOR GOVERNMENTAL FUNDS

Capital Project Funds
(Continued)

Road Construction 2012 Bond – This bond accounts for the construction of various roads around the city. The loan proceeds from FMLC 2012A Bond and the expenses related to this project are accounted for in this fund.

Affordable Housing 180 Units – This fund was created to manage the building and revenues consisting of rentals. There are 180 units of which are to be rented for tenants with reduced income.

Palm to East 1st Ave From 47th to 48th Street – This fund was established to account for revenues and expenditures received from Building Better Communities Bond Grant for the road reconstruction of the City's Palm to East 1st Ave from 47th to 48th Street.

J. Edgar Hall Special Population –GOB – This fund was established to account for revenues and expenditures received from Building Better Communities Bond Grant for the construction of the Special Population Building at J. Edgar Hall Park.

Goodlet Park GOB – This fund was established to account for revenues and expenditures received from Building Better Communities Bond Grant for the infrastructure enhancement of Goodlet Park.

East 4th From Hialeah Drive to 21st Street – This fund was established to account for revenues and expenditures received from a Florida Department of Transportation Grant for the road reconstruction of the City's East 4th Ave from Hialeah Drive to 21st Street.

W. 16th Ave. from 76th to 84th St. – This fund was established to account for revenues and expenditures received from the State (through Florida Department of Transportation (FDOT)) as a pass-through from the Federal government (through the Local Agency Program (LAP) stimulus project) for the purpose of road reconstruction.

W. 76th St. from 28th to 31st Ave. MDC – (JPA) – This fund was established to account for revenues and expenditures received from Miami Dade County, Florida through a Joint Participation Agreement (JPA) to construct road improvements to West 76th Avenue from 28th to 31st Avenue.

W. 24th St. from 60th to 68th ST. MDC – (JPA) – This fund was established to account for revenues and expenditures received from Miami Dade County, Florida through a Joint Participation Agreement (JPA) to construct road improvements to West 24th Street from 60th to 68th Street.

Emergency Operation Center – This fund was established to account for revenues and expenditures received from the Florida Division of Emergency Management, to support the newly created Emergency Operation Center (EOC).

CITY OF HIALEAH, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
SEPTEMBER 30, 2014

| Street | EMV | | Municipal | | City | | State | | Federal | | Other | | Total | |
|--------|-----------|-----------|-----------|--------|---------|--------|--------|---------|-----------|---------|---------|-----------|---------|---------|
| | Exp | Inv | Exp | Inv | Exp | Inv | Exp | Inv | Exp | Inv | Exp | Inv | Exp | Inv |
| Street | 148,565 | 308,615 | 63,884 | 12,145 | 67,892 | 44,468 | 48,885 | 2,894 | 19,206 | 2,894 | 19,206 | 48,885 | 2,894 | 19,206 |
| LANE | 1,022,315 | 1,022,315 | 36,821 | 43,151 | 57,292 | 50,115 | 802 | 198,241 | 2,408,664 | 434,953 | 198,241 | 2,408,664 | 434,953 | 198,241 |
| Total | 1,170,880 | 1,331,230 | 100,705 | 55,296 | 125,184 | 94,583 | 49,687 | 201,137 | 2,411,268 | 479,199 | 216,447 | 2,411,268 | 479,199 | 216,447 |

ASSETS
Cash and cash equivalents
Due from other funds
Due from other agencies
Prepaid
Inventory
Total assets

LIABILITIES AND FUND BALANCES
Liabilities
Due to other funds
Due to other agencies
Long term liabilities
Total liabilities

Fund balances
Nonspendable
Restricted
Committed
Assigned
Unassigned
Total fund balances

NONMAJOR GOVERNMENTAL FUNDS

Capital Project Funds
(Continued)

Bucky Dent Park – This fund was established to account for revenues and expenditures received from GOB for the construction of a new electrical pool pump room, and other improvement needed.

Babcock Park – This fund was established to account for revenues and expenditures received from Florida Recreation Development Assistant Program Grant for the construction of a new state of the art batting cages, electrical pool pump room, and refurbished the racquetball courts.

Hialeah Charter School – This fund was established to account for expenditures and revenues of the Job Bush Educational Center Charter School.

CITY OF HIALEAH, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
SEPTEMBER 30, 2014

| Project | Emergency | | Pan Am | | City | | Urban Area | | CITY | | Hialeah 3rd | | Total | |
|---------|-----------|--------|---------|---------|---------|---------|------------|---------|--------|--------|-------------|---------|---------|---------|
| | Exp | Inv | Exp | Inv | Exp | Inv | Exp | Inv | Exp | Inv | Exp | Inv | Exp | Inv |
| Project | 49,820 | 24,169 | 125,149 | 33,471 | 124,464 | 2,819 | 1,548 | 2,198 | 77,408 | 160 | 4,422 | 138,919 | 160 | 105,608 |
| LANE | 38,200 | 47,535 | 58,644 | 252,113 | 124,464 | 252,113 | 124,464 | 252,113 | 77,408 | 77,408 | 154,438 | 154,438 | 154,438 | 154,438 |
| Total | 88,020 | 71,704 | 183,793 | 285,584 | 248,928 | 255,032 | 126,912 | 254,311 | 77,408 | 77,408 | 158,866 | 158,866 | 158,866 | 158,866 |

ASSETS
Cash and cash equivalents
Due from other funds
Due from other agencies
Prepaid
Inventory
Total assets

LIABILITIES AND FUND BALANCES
Liabilities
Due to other funds
Due to other agencies
Long term liabilities
Total liabilities

Fund balances
Nonspendable
Restricted
Committed
Assigned
Unassigned
Total fund balances

CITY OF HIALEAH, FLORIDA
NOMINATOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED SEPTEMBER 30, 2014

| Special Account | Other Services | | | Capital Project | | | Special | | | Special | | | Special | | |
|----------------------------|----------------|------|--------------|-----------------|------|--------------|---------|------|--------------|---------|------|--------------|---------|------|--------------|
| | Police | Fire | Public Works | Police | Fire | Public Works | Police | Fire | Public Works | Police | Fire | Public Works | Police | Fire | Public Works |
| Revenues: | | | | | | | | | | | | | | | |
| Interest on bonds | 180,811 | | | | | | | | | | | | | | |
| State and federal grants | 1,182,217 | | | | | | | | | | | | | | |
| Local taxes | 1,182,217 | | | | | | | | | | | | | | |
| Other revenues | 1,182,217 | | | | | | | | | | | | | | |
| Total revenues | 3,547,562 | | | | | | | | | | | | | | |
| Expenditures: | | | | | | | | | | | | | | | |
| General government | 1,182,217 | | | | | | | | | | | | | | |
| Police | 1,182,217 | | | | | | | | | | | | | | |
| Fire | 1,182,217 | | | | | | | | | | | | | | |
| Public works | 1,182,217 | | | | | | | | | | | | | | |
| Capital projects | 1,182,217 | | | | | | | | | | | | | | |
| Other services | 1,182,217 | | | | | | | | | | | | | | |
| Total expenditures | 3,547,562 | | | | | | | | | | | | | | |
| Net change in fund balance | | | | | | | | | | | | | | | |
| Fund balances - beginning | | | | | | | | | | | | | | | |
| Fund balances - ending | | | | | | | | | | | | | | | |

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCE-BUDGET AND ACTUAL SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|--------------|--|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Slate and local shared revenues | \$ 3,484,668 | \$ 3,658,782 | \$ 2,821,833 | \$ (837,149) |
| Government grants and other revenues | - | - | 119,924 | 119,924 |
| Total revenues | 3,484,668 | 3,658,782 | 2,941,557 | (717,225) |
| Other financing sources: | | | | |
| Appropriation of prior year fund balance | 183,945 | 1,052,473 | - | (1,052,473) |
| Transfers in | 183,945 | 1,052,473 | - | (1,052,473) |
| Total other financing sources | 183,945 | 1,052,473 | - | (1,052,473) |
| Total revenues and other financing sources | 3,668,613 | 4,711,255 | 2,941,557 | (1,769,698) |
| Expenditures: | | | | |
| General government | - | - | 212,864 | (212,864) |
| Streets | 3,668,613 | 4,711,255 | 2,964,972 | 1,746,283 |
| Total expenditures | 3,668,613 | 4,711,255 | 3,177,836 | 1,533,419 |
| Net change in fund balance | | | (236,279) | (236,279) |
| Fund balances - beginning | | | 1,341,274 | |
| Fund balances - ending | | | \$ 1,104,995 | |

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND FUND BALANCE-BUDGET AND ACTUAL SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|------------|--|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Interest | \$ 1,500 | \$ 1,500 | \$ (1,500) | (1,500) |
| Government grants and other revenues | 3,877,000 | 4,151,434 | 3,845,098 | (206,336) |
| Total revenues | 3,878,500 | 4,152,934 | 3,843,598 | (207,936) |
| Other financing sources: | | | | |
| Issuance of debt | - | - | 423,920 | 423,920 |
| Total other financing sources | - | - | 423,920 | 423,920 |
| Total revenues and other financing sources | 3,878,500 | 4,152,934 | 4,267,518 | 214,584 |
| Expenditures: | | | | |
| Fire | 3,936,500 | 4,152,934 | 4,041,797 | 111,137 |
| Total expenditures | 3,936,500 | 4,152,934 | 4,041,797 | 111,137 |
| Net change in fund balance | | | 325,721 | 325,721 |
| Fund balances - beginning | | | 553,256 | |
| Fund balances - ending | | | \$ 878,977 | |

CITY OF HIALEAH, FLORIDA
NOMINATOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED SEPTEMBER 30, 2014

| Special Account | Other Services | | | Capital Project | | | Special | | | Special | | | Special | | |
|----------------------------|----------------|------|--------------|-----------------|------|--------------|---------|------|--------------|---------|------|--------------|---------|------|--------------|
| | Police | Fire | Public Works | Police | Fire | Public Works | Police | Fire | Public Works | Police | Fire | Public Works | Police | Fire | Public Works |
| Revenues: | | | | | | | | | | | | | | | |
| Interest on bonds | 180,811 | | | | | | | | | | | | | | |
| State and federal grants | 1,182,217 | | | | | | | | | | | | | | |
| Local taxes | 1,182,217 | | | | | | | | | | | | | | |
| Other revenues | 1,182,217 | | | | | | | | | | | | | | |
| Total revenues | 3,547,562 | | | | | | | | | | | | | | |
| Expenditures: | | | | | | | | | | | | | | | |
| General government | 1,182,217 | | | | | | | | | | | | | | |
| Police | 1,182,217 | | | | | | | | | | | | | | |
| Fire | 1,182,217 | | | | | | | | | | | | | | |
| Public works | 1,182,217 | | | | | | | | | | | | | | |
| Capital projects | 1,182,217 | | | | | | | | | | | | | | |
| Other services | 1,182,217 | | | | | | | | | | | | | | |
| Total expenditures | 3,547,562 | | | | | | | | | | | | | | |
| Net change in fund balance | | | | | | | | | | | | | | | |
| Fund balances - beginning | | | | | | | | | | | | | | | |
| Fund balances - ending | | | | | | | | | | | | | | | |

CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

| | Affordable Housing Fund | | | | Children's Trust Fund | | | |
|--|-------------------------|--------------|--------------|--|-----------------------|------------|------------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Government grants and other revenues | \$ 2,150,000 | \$ 2,394,268 | \$ 2,180,223 | \$ (214,045) | \$ 844,540 | \$ 966,964 | \$ 959,561 | \$ (7,403) |
| Total revenues | 2,150,000 | 2,394,268 | 2,180,223 | (214,045) | 844,540 | 966,964 | 959,561 | (7,403) |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | 250,000 | 250,000 | - | (250,000) | - | - | - | - |
| Total other financing sources | 250,000 | 250,000 | - | (250,000) | - | - | - | - |
| Total revenues and other financing sources | 2,400,000 | 2,644,268 | 2,180,223 | (464,045) | 844,540 | 966,964 | 959,561 | (7,403) |
| Expenditures: | | | | | | | | |
| General government | 2,400,000 | 2,644,268 | 2,448,358 | 195,910 | - | - | - | - |
| Grants and human services | - | - | - | - | 844,540 | 966,964 | 959,561 | 7,403 |
| Total expenditures | 2,400,000 | 2,644,268 | 2,448,358 | 195,910 | 844,540 | 966,964 | 959,561 | 7,403 |
| Net change in fund balance | - | - | (268,135) | \$ (268,135) | - | - | - | \$ - |
| Fund balances - beginning | - | - | (86,694) | - | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ (354,829) | - | \$ - | \$ - | \$ - | - |

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CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

| | Urban Area Security Grant Fund | | | | Streets 3 Cents Optional Gas Tax Fund | | | |
|--|--------------------------------|--------------|--------------|--|---------------------------------------|--------------|--------------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Government grants and other revenues | \$ 1,311,699 | \$ 1,349,071 | \$ 1,248,519 | \$ (100,552) | \$ 1,998,570 | \$ 2,009,857 | \$ 1,042,136 | \$ (967,721) |
| Total revenues | 1,311,699 | 1,349,071 | 1,248,519 | (100,552) | 1,998,570 | 2,009,857 | 1,042,136 | (967,721) |
| Other financing sources: | | | | | | | | |
| Transfers in | - | - | 2,918 | 2,918 | - | - | - | - |
| Total other financing sources | - | - | 2,918 | 2,918 | - | - | - | - |
| Total revenues and other financing sources | 1,311,699 | 1,349,071 | 1,251,437 | (97,634) | 1,998,570 | 2,009,857 | 1,042,136 | (967,721) |
| Expenditures: | | | | | | | | |
| Fine | 1,311,699 | 1,349,071 | 1,251,164 | 97,887 | - | - | - | - |
| Streets | - | - | - | - | 1,998,570 | 2,009,857 | 647,480 | 1,362,377 |
| Total expenditures | 1,311,699 | 1,349,071 | 1,251,164 | 97,887 | 1,998,570 | 2,009,857 | 647,480 | 1,362,377 |
| Net change in fund balance | - | - | 253 | \$ 253 | - | - | 394,656 | \$ 394,656 |
| Fund balances - beginning | - | - | (253) | - | - | - | 1,679,620 | - |
| Fund balances - ending | \$ - | \$ - | \$ - | - | \$ - | \$ - | \$ 1,974,276 | - |

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CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

| | E-911 Non-Wireless Fund | | | | E-911 Wireless Fund | | | |
|--|-------------------------|------------|------------|--|---------------------|------------|------------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Governmental grants and other revenues | \$ 340,000 | \$ 340,000 | \$ 337,855 | \$ (2,145) | \$ 360,000 | \$ 360,000 | \$ 307,393 | \$ (52,607) |
| Total revenues | 340,000 | 340,000 | 337,855 | (2,145) | 360,000 | 360,000 | 307,393 | (52,607) |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | - | 27,690 | - | (27,690) | - | - | - | - |
| Total other financing sources | - | 27,690 | - | (27,690) | - | - | - | - |
| Total revenues and other financing sources | 340,000 | 367,690 | 337,855 | (29,925) | 360,000 | 360,000 | 307,393 | (52,607) |
| Expenditures: | | | | | | | | |
| General government | 340,000 | 367,690 | 374,671 | (7,191) | 360,000 | 360,000 | 214,018 | 145,982 |
| Total expenditures | 340,000 | 367,690 | 374,671 | (7,191) | 360,000 | 360,000 | 214,018 | 145,982 |
| Net change in fund balance | - | - | (37,016) | \$ (37,016) | - | - | 93,375 | \$ 93,375 |
| Fund balances - beginning | - | - | 148,715 | - | - | - | 47,788 | - |
| Fund balances - ending | \$ - | \$ - | \$ 111,699 | - | \$ - | \$ - | \$ 141,143 | - |

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CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

| | Law Enforcement Trust - Federal Fund | | | | Law Enforcement Trust - State Fund | | | |
|--|--------------------------------------|---------|-----------|--|------------------------------------|------------|------------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Fines and forfeitures | \$ - | \$ - | \$ 84,217 | \$ 84,217 | \$ - | \$ 853,815 | \$ 612,321 | \$ (241,494) |
| Interest | - | - | 63 | 63 | - | - | - | - |
| Government grants and other revenues | - | - | 13,972 | 13,972 | - | - | 8,200.00 | 8,200.00 |
| Total revenues | - | - | 98,252 | 98,252 | - | 853,815 | 620,521 | (233,294) |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | - | 398,113 | - | (398,113) | - | - | - | - |
| Total other financing sources | - | 398,113 | - | (398,113) | - | - | - | - |
| Total revenues and other financing sources | - | 398,113 | 98,252 | (299,861) | - | 853,815 | 620,521 | (233,294) |
| Expenditures: | | | | | | | | |
| Police | - | 398,113 | 320,387 | 77,726 | - | 853,815 | 852,692 | 1,123 |
| Total expenditures | - | 398,113 | 320,387 | 77,726 | - | 853,815 | 852,692 | 1,123 |
| Net change in fund balance | - | - | (222,135) | \$ (222,135) | - | - | (232,171) | \$ (232,171) |
| Fund balances - beginning | - | - | 222,135 | - | - | - | 445,560 | - |
| Fund balances - ending | \$ - | \$ - | \$ - | - | \$ - | \$ - | \$ 213,389 | - |

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CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

| | 21st Century After School Grant Fund | | | | Police Grant Fund | | | |
|--|--------------------------------------|------------|------------|--|-------------------|------------|------------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Government grants and other revenues | \$ 395,813 | \$ 474,596 | \$ 361,345 | \$ (113,251) | \$ 127,336 | \$ 249,220 | \$ 133,326 | \$ (114,894) |
| Total revenues | 395,813 | 474,596 | 361,345 | (113,251) | 127,336 | 249,220 | 133,326 | (114,894) |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | - | - | - | - | 28,443 | 28,443 | - | (28,443) |
| Total other financing sources | - | - | - | - | 28,443 | 28,443 | - | (28,443) |
| Total revenues and other financing sources | 395,813 | 474,596 | 361,345 | (113,251) | 155,781 | 276,663 | 133,326 | (143,337) |
| Expenditures: | | | | | | | | |
| General government | - | - | - | - | 155,781 | 276,663 | 133,326 | 143,337 |
| Grants and human services | 395,813 | 474,596 | 359,161 | 115,435 | - | - | - | - |
| Total expenditures | 395,813 | 474,596 | 359,161 | 115,435 | 155,781 | 276,663 | 133,326 | 143,337 |
| Net change in fund balance | - | - | 2,184 | \$ 2,184 | - | - | - | \$ - |
| Fund balances - beginning | - | - | - | - | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ 2,184 | | \$ - | \$ - | \$ - | |

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CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

| | Metro Medical Response System Grant Fund | | | | CITT Surtax - Hialeah Circulator Fund | | | |
|--|--|---------|---------|--|---------------------------------------|--------------|--------------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| State and local shared revenues | \$ - | \$ - | \$ - | \$ - | \$ 1,454,110 | \$ 1,454,110 | \$ 1,691,440 | \$ 237,330 |
| Government grants and other revenues | - | - | - | - | 462,000 | 526,420 | 489,632 | (37,788) |
| Total revenues | - | - | - | - | 1,916,110 | 1,980,530 | 2,181,072 | 199,542 |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | 233,305 | 233,305 | - | (233,305) | 125,276 | 125,276 | - | (125,276) |
| Transfers in | - | - | 65,310 | 65,310 | - | - | - | - |
| Total other financing sources | 233,305 | 233,305 | 65,310 | (167,995) | 125,276 | 125,276 | - | (125,276) |
| Total revenues and other financing sources | 233,305 | 233,305 | 65,310 | (167,995) | 2,041,386 | 2,105,806 | 2,181,072 | 74,266 |
| Expenditures: | | | | | | | | |
| General government | 233,305 | 233,305 | 67,291 | 166,014 | 2,041,386 | 2,105,806 | 1,844,887 | 260,919 |
| Total expenditures | 233,305 | 233,305 | 67,291 | 166,014 | 2,041,386 | 2,105,806 | 1,844,887 | 260,919 |
| Net change in fund balance | - | - | (1,981) | \$ (1,981) | - | - | 335,185 | \$ 335,185 |
| Fund balances - beginning | - | - | 1,981 | | - | - | 405,398 | |
| Fund balances - ending | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ 740,583 | |

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CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | Park Grants and Impact Fees Fund | | | | Building Division Fund | | | |
|--|----------------------------------|---------|------------|--|------------------------|--------------|--------------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Licenses and permits | \$ - | \$ - | \$ - | \$ - | \$ 3,287,080 | \$ 4,360,035 | \$ 4,463,322 | \$ 103,287 |
| Government grants and other revenues | 66,000 | 347,651 | 1,017,438 | 669,787 | - | - | - | - |
| Total revenues | 66,000 | 347,651 | 1,017,438 | 669,787 | 3,287,080 | 4,360,035 | 4,463,322 | 103,287 |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | - | - | - | - | 175,026 | 175,026 | - | (175,026) |
| Issuance of debt | - | - | - | - | - | - | - | - |
| Total other financing sources | - | - | - | - | 175,026 | 175,026 | - | (175,026) |
| Total revenues and other financing sources | 66,000 | 347,651 | 1,017,438 | 669,787 | 3,462,106 | 4,535,061 | 4,463,322 | (71,739) |
| Expenditures: | | | | | | | | |
| General government | 66,000 | 347,651 | 219,211 | 128,440 | 3,462,106 | 4,535,061 | 2,998,119 | 1,536,942 |
| Total expenditures | 66,000 | 347,651 | 219,211 | 128,440 | 3,462,106 | 4,535,061 | 2,998,119 | 1,536,942 |
| Net change in fund balance | - | - | 798,227 | \$ 798,227 | - | - | 1,465,203 | \$ 1,465,203 |
| Fund balances - beginning | - | - | 66,881 | | - | - | 277,185 | |
| Fund balances - ending | \$ - | \$ - | \$ 667,108 | | \$ - | \$ - | \$ 1,742,388 | |

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CITY OF HIALEAH, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND
FUND BALANCE-BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

| | City of Hialeah Education Academy Fund** | | | | Emergency Medical Services County Grant Fund | | | |
|--|--|--------------|--------------|--|--|---------|----------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| State and local shared revenues | \$ 2,968,000 | \$ 2,687,537 | \$ 3,738,858 | \$ 1,051,321 | \$ - | \$ - | \$ - | \$ - |
| Government grants and other revenues | 155,000 | 233,000 | 318,164 | 85,164 | 10,000 | 10,000 | 66,528 | 56,528 |
| Total revenues | 3,123,000 | 2,920,537 | 4,057,022 | 1,136,485 | 10,000 | 10,000 | 66,528 | 56,528 |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | - | - | - | - | 91,489 | 91,489 | - | (91,489) |
| Total other financing sources | - | - | - | - | 91,489 | 91,489 | - | (91,489) |
| Total revenues and other financing sources | 3,123,000 | 2,920,537 | 4,057,022 | 1,136,485 | 101,489 | 101,489 | 66,528 | (32,961) |
| Expenditures: | | | | | | | | |
| General government | - | - | - | - | 101,489 | 101,489 | 66,528 | 32,961 |
| Grants and human services | 2,864,170 | 3,043,000 | 3,654,015 | (611,015) | - | - | - | - |
| Total expenditures | 2,864,170 | 3,043,000 | 3,654,015 | (611,015) | 101,489 | 101,489 | 66,528 | 32,961 |
| Net change in fund balance | 238,830 | (122,463) | 403,007 | \$ 525,470 | - | - | - | \$ - |
| Fund balances - beginning | 153,265 | 153,265 | 91,177 | | - | - | 2,093 | |
| Fund balances - ending | \$ 392,095 | \$ 30,802 | \$ 494,184 | | \$ - | \$ - | \$ 2,093 | |

**Note: Balances are as of June 30, 2014.

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CITY OF HIALEAH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 FUND BALANCE-BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

CITY OF HIALEAH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 FUND BALANCE-BUDGET AND ACTUAL
 SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | Milander Parking Garage Fund | | | | Parking Garage Construction Fund | | | |
|--|------------------------------|------------|-----------|--|----------------------------------|--------------|---------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Government grants and other revenues | \$ - | \$ 141,756 | \$ - | \$ (141,756) | \$ 1,139,069 | \$ 1,139,569 | \$ - | \$ (1,139,569) |
| Total revenues | - | 141,756 | - | (141,756) | 1,139,069 | 1,139,569 | - | (1,139,569) |
| Other financing sources: | | | | | | | | |
| Transfers in | - | - | 1,784,635 | 1,784,635 | - | - | 358,692 | 358,692 |
| Total other financing sources | - | - | 1,784,635 | 1,784,635 | - | - | 358,692 | 358,692 |
| Total revenues and other financing sources | - | 141,756 | 1,784,635 | 1,642,879 | 1,139,069 | 1,139,569 | 358,692 | (760,877) |
| Expenditures: | | | | | | | | |
| General government | - | - | 1,785,635 | (1,785,635) | - | - | 354,964 | (354,964) |
| Capital Outlay | - | 141,756 | - | 141,756 | 1,139,069 | 1,139,569 | - | 1,139,569 |
| Total expenditures | - | 141,756 | 1,785,635 | (1,643,879) | 1,139,069 | 1,139,569 | 354,964 | 784,605 |
| Net change in fund balance | - | - | (1,000) | \$ (1,000) | - | - | 3,728 | \$ 3,728 |
| Fund balances - beginning | - | - | 1,000 | - | - | - | (3,728) | - |
| Fund balances - ending | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ - | |

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| | ECS & Library Grants Fund | | | | State Homeland Security Grant Fund | | | |
|--------------------------------------|---------------------------|------------|------------|--|------------------------------------|-----------|-----------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Government grants and other revenues | \$ 149,000 | \$ 258,935 | \$ 190,450 | \$ (68,485) | \$ 33,286 | \$ 33,286 | \$ 33,286 | \$ - |
| Total revenues | 149,000 | 258,935 | 190,450 | (68,485) | 33,286 | 33,286 | 33,286 | - |
| Expenditures: | | | | | | | | |
| Grants and human services | 149,000 | 258,935 | 172,747 | 86,188 | 33,286 | 33,286 | 33,286 | - |
| Public safety | - | - | - | - | - | - | - | - |
| Total expenditures | 149,000 | 258,935 | 172,747 | 86,188 | 33,286 | 33,286 | 33,286 | - |
| Net change in fund balance | - | - | 17,703 | \$ 17,703 | - | - | - | \$ - |
| Fund balances - beginning | - | - | 92,234 | - | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ 109,937 | | \$ - | \$ - | \$ - | |

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CITY OF HIALEAH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 FUND BALANCE-BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

CITY OF HIALEAH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 FUND BALANCE-BUDGET AND ACTUAL
 DEBT SERVICE FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | Milander Center Fund | | | | Palm Center Complex Fund | | | |
|--|----------------------|---------|------------|--|--------------------------|--------------|-----------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Government grants and other revenues | \$ - | \$ - | \$ - | \$ - | \$ 3,857,191 | \$ 4,121,968 | \$ - | \$ (4,121,968) |
| Total revenues | - | - | - | - | 3,857,191 | 4,121,968 | - | (4,121,968) |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | - | 122,314 | - | (122,314) | - | - | - | - |
| Transfers in | - | - | - | - | - | - | 1,260,643 | 1,260,643 |
| Total other financing sources | - | 122,314 | - | (122,314) | - | - | 1,260,643 | 1,260,643 |
| Total revenues and other financing sources | - | 122,314 | - | (122,314) | 3,857,191 | 4,121,968 | 1,260,643 | (2,861,325) |
| Expenditures: | | | | | | | | |
| General government | - | - | - | - | - | - | 1,782 | (1,782) |
| Capital Outlay | - | 122,314 | 4,241 | 118,073 | 3,857,191 | 4,121,968 | 293,281 | 3,828,687 |
| Total expenditures | - | 122,314 | 4,241 | 118,073 | 3,857,191 | 4,121,968 | 295,063 | 3,826,905 |
| Net change in fund balance | - | - | (4,241) | \$ (4,241) | - | - | 965,580 | \$ 965,580 |
| Fund balances - beginning | - | - | (768) | - | - | - | (965,580) | - |
| Fund balances - ending | \$ - | \$ - | \$ (5,009) | | \$ - | \$ - | \$ - | |

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| | CITT Surtax Transportation Fund | | | | Fire Administration Building Fund | | | |
|--|---------------------------------|--------------|--------------|--|-----------------------------------|---------|--------------|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| State and local shared revenues | \$ 6,201,497 | \$ 6,201,497 | \$ 6,765,759 | \$ 564,262 | \$ - | \$ - | \$ - | \$ - |
| Total revenues | 6,201,497 | 6,201,497 | 6,765,759 | 564,262 | - | - | - | - |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | 1,230,000 | 1,291,315 | - | (1,291,315) | - | - | - | - |
| Total other financing sources | 1,230,000 | 1,291,315 | - | (1,291,315) | 273,242 | 273,242 | - | - |
| Total revenues and other financing sources | 7,431,497 | 7,492,812 | 6,765,759 | (727,053) | 273,242 | 273,242 | - | - |
| Expenditures: | | | | | | | | |
| General government | - | - | 819,147 | (619,147) | - | - | - | - |
| Streets | 7,431,497 | 7,492,812 | 5,827,597 | 1,565,215 | 273,242 | 273,242 | 273,242 | - |
| Debt service | - | - | - | - | - | - | - | - |
| Total expenditures | 7,431,497 | 7,492,812 | 6,546,744 | 946,068 | 273,242 | 273,242 | 273,242 | - |
| Net change in fund balance | - | - | 219,015 | \$ 219,015 | - | - | (273,241) | \$ - |
| Fund balances - beginning | - | - | 685,983 | - | - | - | 42,836 | - |
| Fund balances - ending | \$ - | \$ - | \$ 904,998 | | \$ - | \$ - | \$ (230,405) | |

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CITY OF HIALEAH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 FUND BALANCE-BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

CITY OF HIALEAH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 FUND BALANCE-BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | W 24 Ave. 80 to 68 St. MDC (JPA) Fund | | | | W 76 St 28 to 31 Ave MDC (JPA) Fund | | | |
|--|---------------------------------------|--------------|------------|--|-------------------------------------|--------------|------------|--|
| | Budgeted Amounts | | | Variance with Final Budget (Positive/Negative) | Budgeted Amounts | | | Variance with Final Budget (Positive/Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Government grants and other revenues | \$ - | \$ 1,471,602 | \$ 652,062 | \$ (819,540) | \$ 1,930,920 | \$ 1,930,920 | \$ 841,024 | \$ (1,089,896) |
| Total revenues | - | 1,471,602 | 652,062 | (819,540) | 1,930,920 | 1,930,920 | 841,024 | (1,089,896) |
| Other financing sources: | | | | | | | | |
| Transfers in | - | - | - | - | - | - | 68,374 | 68,374 |
| Total other financing sources | - | - | - | - | - | - | 68,374 | 68,374 |
| Total revenues and other financing sources | - | 1,471,602 | 652,062 | (819,540) | 1,930,920 | 1,930,920 | 909,398 | (1,021,522) |
| Expenditures: | | | | | | | | |
| Capital Outlay | - | 1,471,602 | 652,062 | 819,540 | 1,930,920 | 1,930,920 | 841,024 | 1,089,896 |
| Total expenditures | - | 1,471,602 | 652,062 | 819,540 | 1,930,920 | 1,930,920 | 909,398 | 1,021,522 |
| Net change in fund balance | | | | \$ - | | | | \$ (68,374) |
| Fund balances - beginning | - | - | - | - | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ - | |

| | GOB Bucky Dent Fund | | | | Multi-Purpose Senior Center Fund | | | |
|--|---------------------|--------|----------|--|----------------------------------|------------|-------------|--|
| | Budgeted Amounts | | | Variance with Final Budget (Positive/Negative) | Budgeted Amounts | | | Variance with Final Budget (Positive/Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Government grants and other revenues | \$ - | \$ - | \$ 6,194 | \$ 6,194 | \$ 130,900 | \$ 130,900 | \$ 207,103 | \$ 76,203 |
| Total revenues | - | - | 6,194 | 6,194 | 130,900 | 130,900 | 207,103 | 76,203 |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | - | 64,975 | - | (64,975) | - | 220,198 | - | (220,198) |
| Transfers in | - | - | - | - | - | - | - | - |
| Total other financing sources | - | 64,975 | - | (64,975) | - | 220,198 | - | (220,198) |
| Total revenues and other financing sources | - | 64,975 | 6,194 | (58,781) | 130,900 | 351,098 | 207,103 | (143,995) |
| Expenditures: | | | | | | | | |
| Capital outlay | - | 64,975 | 6,194 | 58,781 | 130,900 | 351,098 | 230,482 | 120,616 |
| Total expenditures | - | 64,975 | 6,194 | 58,781 | 130,900 | 351,098 | 230,482 | 120,616 |
| Net change in fund balance | | | | \$ - | | | | (23,379) |
| Fund balances - beginning | - | - | - | - | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | | \$ - | \$ - | \$ (23,379) | |

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CITY OF HIALEAH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 FUND BALANCE-BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | Road Construction - 2012 Bond Fund | | | | Cultural Park Project Fund | | | |
|--|------------------------------------|--------------|-----------|--|----------------------------|------------|------------|--|
| | Budgeted Amounts | | | Variance with Final Budget (Positive/Negative) | Budgeted Amounts | | | Variance with Final Budget (Positive/Negative) |
| | Original | Final | Actual | | Original | Final | Actual | |
| Revenues: | | | | | | | | |
| Government grants and other revenues | \$ 1,362,706 | \$ 1,362,706 | \$ - | \$ (1,362,706) | \$ 851,650 | \$ 894,101 | \$ 224,477 | \$ (669,624) |
| Total revenues | 1,362,706 | 1,362,706 | - | (1,362,706) | 851,650 | 894,101 | 224,477 | (669,624) |
| Other financing sources: | | | | | | | | |
| Appropriation of prior year fund balance | - | 1,285,052 | - | (1,285,052) | - | - | - | - |
| Total other financing sources | - | 1,285,052 | - | (1,285,052) | - | - | - | - |
| Total revenues and other financing sources | 1,362,706 | 2,647,758 | - | (2,647,758) | 851,650 | 894,101 | 224,477 | (669,624) |
| Expenditures: | | | | | | | | |
| Grants and human services | - | - | 1,393,435 | (1,393,435) | - | - | - | - |
| Capital Outlay | 1,362,706 | 2,647,758 | - | 2,647,758 | 851,650 | 894,101 | 224,477 | 669,624 |
| Total expenditures | 1,362,706 | 2,647,758 | 1,393,435 | 1,254,323 | 851,650 | 894,101 | 224,477 | 669,624 |
| Net change in fund balance | | | | (1,393,435) | | | | \$ - |
| Fund balances - beginning | - | - | - | 1,702,078 | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ 308,643 | \$ - | \$ - | \$ - | |

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| | CDBG Goodlet Park | | | |
|--|-------------------|-----------|---------|--|
| | Budgeted Amounts | | | Variance with Final Budget (Positive/Negative) |
| | Original | Final | Actual | |
| Revenues: | | | | |
| Government grants and other revenues | \$ 20,530 | \$ 21,477 | \$ - | \$ (21,477) |
| Total revenues | 20,530 | 21,477 | - | (21,477) |
| Other financing sources: | | | | |
| Transfers in | - | - | 319,570 | 319,570 |
| Total other financing sources | - | - | 319,570 | 319,570 |
| Total revenues and other financing sources | 20,530 | 21,477 | 319,570 | 298,093 |
| Expenditures: | | | | |
| General government | 20,530 | 21,477 | 319,570 | (319,570) |
| Total expenditures | 20,530 | 21,477 | 319,570 | (298,093) |
| Net change in fund balance | | | | \$ - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | |

CITY OF HIALEAH, FLORIDA
 SCHEDULE OF REVENUES, EXPENDITURES AND
 FUND BALANCE-BUDGET AND ACTUAL
 CAPITAL PROJECT FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

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CITY OF HIALEAH, FLORIDA
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

| | Employees' Retirement System | Elected Officials' Retirement System | Total |
|---|------------------------------------|---|----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 40,333,382 | \$ 113,727 | \$ 40,447,109 |
| Securities lending cash collateral | 65,126,062 | - | 65,126,062 |
| Receivables: | | | |
| Accrued interest | 1,214,625 | - | 1,214,625 |
| Accrued dividends | 317,828 | - | 317,828 |
| Other receivables | 35,373 | - | 35,373 |
| Contributions | 18,681,037 | 15,655 | 18,696,692 |
| Investments sold | 1,335,562 | - | 1,335,562 |
| Total receivables | 21,584,425 | 15,655 | 21,600,080 |
| Investments - at fair value: | | | |
| U.S. Treasury bonds and notes | 54,484,730 | - | 54,484,730 |
| U.S. Government securities | 8,973,040 | - | 8,973,040 |
| Asset backed securities | 1,805,058 | - | 1,805,058 |
| Mortgage backed securities | 64,234,820 | - | 64,234,820 |
| Real estate investment trusts | 973,780 | - | 973,780 |
| Corporate bonds and notes | 93,898,297 | - | 93,898,297 |
| Municipal bonds | 22,254,667 | - | 22,254,667 |
| Limited partnerships | 10,909,271 | - | 10,909,271 |
| Mutual funds | 6,443,087 | 9,932,444 | 16,375,531 |
| Common stocks | 304,311,251 | - | 304,311,251 |
| Total investments | 566,288,001 | 9,932,444 | 576,220,445 |
| Loans to members | 10,130,193 | - | 10,130,193 |
| Total assets | 705,462,063 | 10,061,826 | 715,523,889 |
| LIABILITIES AND NET POSITION | | | |
| Obligations under securities lending | 65,126,062 | - | 65,126,062 |
| Due to retired participants | 39,594,420 | - | 39,594,420 |
| Investments purchased | 2,174,568 | - | 2,174,568 |
| Accounts payable and accrued liabilities | 242,867 | 195,224 | 438,091 |
| Total liabilities | 107,137,917 | 195,224 | 107,333,141 |
| Net position held in trust for pension benefits | \$ 598,324,146 | \$ 9,866,602 | \$ 608,190,748 |

FIDUCIARY FUNDS

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CITY OF HIALEAH, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

| | Employees' Retirement System | Elected Officials' Retirement System | Total |
|---|------------------------------------|---|----------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 25,769,253 | \$ 305,000 | \$ 26,074,253 |
| Employee | 6,833,490 | 15,655 | 6,849,145 |
| State | 461,877 | - | 461,877 |
| Total contributions | 33,064,620 | 320,655 | 33,385,275 |
| Investment income: | | | |
| Net appreciation in fair value of investments | 45,619,892 | 687,186 | 46,307,078 |
| Investment earnings | 14,142,623 | 249,368 | 14,391,991 |
| Total investment income | 59,762,515 | 936,554 | 60,699,069 |
| Less investment expenses | 1,336,926 | 27,896 | 1,364,822 |
| Net investment income | 58,425,589 | 908,658 | 59,334,247 |
| Total additions | 91,490,209 | 1,229,313 | 92,719,522 |
| DEDUCTIONS | | | |
| Pension benefits | 49,111,639 | 230,929 | 49,342,568 |
| Refunds of contributions | 7,145,138 | - | 7,145,138 |
| DROP benefits | 7,042,727 | - | 7,042,727 |
| Total deductions | 63,299,504 | 230,929 | 63,530,433 |
| Net increase | 28,190,705 | 998,384 | 29,189,089 |
| Net position held in trust for pension benefits | | | |
| Beginning of year - as previously reported | 557,074,570 | 8,866,218 | 565,940,788 |
| Prior period adjustment | 13,058,871 | - | 13,058,871 |
| Beginning of year - as restated (Note 14) | 570,133,441 | 8,866,218 | 579,000,659 |
| Ending | \$ 598,324,146 | \$ 9,866,602 | \$ 608,190,748 |

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Hialeah's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

116-119

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

120-123

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

124-126

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

127-128

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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CITY OF HIALEAH, FLORIDA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 146,261,549 | \$ 107,977,698 | \$ 113,501,095 | \$ 206,096,079 | \$ 203,530,025 | \$ 217,733,790 | \$ 212,153,537 | \$ 194,882,428 | \$ 211,571,228 | \$ 200,586,802 |
| Unrestricted | (37,023,463) | (31,250,329) | (32,786,457) | (27,968,339) | (86,739,622) | (138,389,251) | (136,778,621) | (137,188,955) | (157,188,955) | (154,629,489) |
| Total | \$ 109,238,086 | \$ 76,727,369 | \$ 80,714,638 | \$ 178,127,740 | \$ 116,790,403 | \$ 79,344,539 | \$ 75,374,916 | \$ 57,693,473 | \$ 54,382,273 | \$ 45,957,313 |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | 68,881,789 | 108,262,296 | 78,156,300 | 68,317,267 | 103,874,620 | 123,841,158 | 78,538,074 | 121,428,175 | 116,779,848 | 122,274,468 |
| Unrestricted | 3,327,800 | 3,119,553 | 26,178,298 | 49,327,656 | 31,501,753 | 30,314,711 | 30,138,855 | 44,149,877 | 45,834,815 | 32,314,292 |
| Total | \$ 72,209,589 | \$ 111,381,849 | \$ 104,334,598 | \$ 117,644,923 | \$ 135,376,373 | \$ 154,155,869 | \$ 108,676,929 | \$ 165,578,052 | \$ 162,614,663 | \$ 154,588,760 |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 215,149,838 | \$ 208,239,994 | \$ 258,870,398 | \$ 307,444,936 | \$ 307,404,625 | \$ 291,185,693 | \$ 283,912,591 | \$ 276,311,603 | \$ 277,406,043 | \$ 222,861,272 |
| Unrestricted | (33,701,181) | (28,130,776) | (6,608,159) | (27,641,683) | (55,237,869) | (108,074,540) | (106,649,766) | (93,039,078) | (111,354,140) | (122,314,197) |
| Total | \$ 181,448,657 | \$ 180,109,218 | \$ 252,262,239 | \$ 279,803,253 | \$ 252,166,756 | \$ 183,111,153 | \$ 177,262,825 | \$ 183,272,525 | \$ 166,051,903 | \$ 100,547,075 |
| Total primary government net position: | \$ 262,897,344 | \$ 260,218,436 | \$ 357,036,837 | \$ 397,648,176 | \$ 384,543,481 | \$ 266,257,306 | \$ 254,539,750 | \$ 266,545,050 | \$ 232,133,806 | \$ 201,104,348 |

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General fund | \$ 3,151,649 | \$ 2,742,527 | \$ 5,527,352 | \$ 4,663,343 | \$ 3,325,307 | \$ 1,825,008 | \$ - | \$ - | \$ - | \$ - |
| Unrestricted | (30,541,078) | (30,307,655) | (23,768,425) | (21,122,407) | (21,728,686) | (10,068,864) | (4,251,106) | (2,174,026) | (1,874,026) | (1,714,224) |
| Capital projects | 1,321,622 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 |
| Debt service | 1,321,622 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 |
| Committed | 1,321,622 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 |
| Unrestricted | 1,321,622 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 |
| Committed | 1,321,622 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 | 1,333,932 |
| Other governmental funds: | | | | | | | | | | |
| Economic development | 10,177,621 | 3,351,691 | 4,345,661 | 837,443 | 294,643 | 54,817 | \$ - | \$ - | \$ - | \$ - |
| Economic development - restricted | 2,472,715 | 2,269,624 | 3,711,111 | 2,243,827 | 2,243,827 | 2,243,827 | 2,243,827 | 2,243,827 | 2,243,827 | 2,243,827 |
| Special revenue funds | 3,483,741 | 10,374,057 | 7,835,592 | 8,517,081 | 7,835,592 | 8,517,081 | 8,517,081 | 8,517,081 | 8,517,081 | 8,517,081 |
| Capital projects | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 |
| Debt service | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 |
| Unrestricted | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 |
| Committed | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 | 685,096 |
| Total other governmental funds: | \$ 21,096,773 | \$ 18,347,753 | \$ 19,811,716 | \$ 14,268,170 | \$ 14,268,170 | \$ 14,268,170 | \$ 14,268,170 | \$ 14,268,170 | \$ 14,268,170 | \$ 14,268,170 |
| Total all other governmental funds: | \$ 21,096,773 | \$ 18,347,753 | \$ 19,811,716 | \$ 14,268,170 | \$ 14,268,170 | \$ 14,268,170 | \$ 14,268,170 | \$ 14,268,170 | \$ 14,268,170 | \$ 14,268,170 |
| Total all governmental funds: | \$ 24,319,944 | \$ 21,411,112 | \$ 25,675,705 | \$ 20,164,443 | \$ 18,093,477 | \$ 16,113,178 | \$ 16,113,178 | \$ 16,113,178 | \$ 16,113,178 | \$ 16,113,178 |

* Budget Fiscal Year 2011 The City reclassified the new fund balance classification.

CITY HIALEAH, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

| Fiscal Year | Overlapping Rates (1) | | | | | | | Water Management District | Special District | Children's Trust | Everglades C.F. | Total Direct and Overlapping Rates |
|-------------|-----------------------|-------------------|--------|--------------------------------|--------|--------|--------|---------------------------|------------------|------------------|-----------------|------------------------------------|
| | City of Hialeah | Miami-Dade County | | Miami-Dade County School Board | | | | | | | | |
| 2005 | 7.1000 | 5.8350 | 0.2850 | 6.1200 | 7.9470 | 0.4910 | 8.4380 | 0.5970 | 0.0385 | 0.4288 | 0.1000 | 22.8223 |
| 2006 | 6.8000 | 5.6150 | 0.2850 | 5.9000 | 7.6910 | 0.4140 | 8.1050 | 0.5970 | 0.0385 | 0.4223 | 0.1000 | 21.9629 |
| 2007 | 6.8000 | 4.5796 | 0.2850 | 4.8646 | 7.5700 | 0.3790 | 7.9480 | 0.5346 | 0.0345 | 0.4223 | 0.0894 | 20.6934 |
| 2008 | 6.5400 | 4.8379 | 0.2850 | 5.1229 | 7.5330 | 0.2640 | 7.7970 | 0.5346 | 0.0345 | 0.4212 | 0.0894 | 20.5396 |
| 2009 | 6.5400 | 4.8379 | 0.2850 | 5.1229 | 7.6980 | 0.2870 | 7.9950 | 0.5346 | 0.0345 | 0.5000 | 0.0894 | 20.8164 |
| 2010 | 6.5400 | 5.4275 | 0.4450 | 5.8725 | 7.8640 | 0.3850 | 8.2490 | 0.5346 | 0.0345 | 0.5000 | 0.0894 | 21.8200 |
| 2011 | 6.5400 | 4.8050 | 0.2850 | 5.0800 | 7.7650 | 0.2400 | 8.0050 | 0.5346 | 0.0345 | 0.5000 | 0.0624 | 20.6058 |
| 2012 | 6.5400 | 4.7035 | 0.2850 | 4.9885 | 7.7650 | 0.2330 | 7.9980 | 0.5346 | 0.0345 | 0.5000 | 0.0613 | 20.4699 |
| 2013 | 6.3018 | 4.7035 | 0.4220 | 5.1255 | 7.6440 | 0.3330 | 7.9770 | 0.5323 | 0.0345 | 0.5000 | 0.0587 | 20.3498 |
| 2014 | 6.3018 | 4.6669 | 0.4500 | 5.1169 | 7.7750 | 0.1990 | 7.9740 | 0.1577 | 0.0345 | 0.5000 | 0.0548 | 20.1397 |

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Source: City of Hialeah Office of Management & Budget and Miami-Dade County Property Appraiser's Office.

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Hialeah. Not all overlapping rates apply to all City of Hialeah property owners (i.e. the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

CITY OF HIALEAH, FLORIDA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| Fiscal Year | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Revenues: | | | | | | | | | | |
| All values-in-use | \$ 48,983,038 | \$ 54,289,684 | \$ 61,549,502 | \$ 68,833,515 | \$ 65,608,096 | \$ 58,648,370 | \$ 45,592,395 | \$ 44,487,987 | \$ 41,651,822 | \$ 41,424,199 |
| Utility fees | 23,268,651 | 23,762,632 | 24,769,883 | 25,529,538 | 26,145,078 | 26,366,082 | 26,360,372 | 27,131,374 | 27,909,541 | 28,447,399 |
| Franchise fees | 3,965,396 | 11,966,837 | 11,926,275 | 11,861,113 | 11,802,386 | 10,265,047 | 10,261,154 | 10,418,831 | 10,277,964 | 10,277,964 |
| License and permits | 5,502,627 | 7,193,864 | 8,774,341 | 9,668,328 | 9,787,212 | 9,456,877 | 7,001,641 | 7,829,503 | 8,226,477 | 8,318,526 |
| State and local charges-revenues | 39,870,980 | 39,372,685 | 24,277,621 | 32,161,356 | 31,121,920 | 32,513,426 | 32,366,019 | 34,782,663 | 32,772,456 | 40,123,007 |
| Fines and forfeitures | 2,120,206 | 1,763,919 | 2,009,490 | 2,009,490 | 2,009,490 | 1,856,851 | 1,860,241 | 2,350,043 | 1,942,887 | 2,825,007 |
| Interest | 1,401,077 | 2,344,219 | 2,400,964 | 2,692,460 | 2,692,460 | 179,665 | 69,528 | 27,246 | 6,254 | 7,856 |
| Government grants and other revenues | 29,219,817 | 36,413,492 | 41,541,262 | 32,779,990 | 34,172,361 | 46,609,481 | 40,648,250 | 36,261,243 | 36,432,811 | 31,130,306 |
| Total revenues | 156,104,022 | 171,487,874 | 188,246,245 | 188,877,345 | 179,964,744 | 180,141,484 | 158,238,611 | 172,275,908 | 171,873,962 | 162,987,952 |
| Expenditures: | | | | | | | | | | |
| General government | 30,362,988 | 43,422,862 | 32,294,210 | 32,303,924 | 31,614,072 | 30,178,895 | 27,517,406 | 32,456,271 | 35,416,748 | 38,938,340 |
| Police | 36,813,207 | 37,481,043 | 40,005,976 | 42,026,964 | 41,788,162 | 42,212,817 | 41,840,335 | 42,472,428 | 38,873,981 | 40,496,348 |
| Fire | 25,134,897 | 27,735,665 | 30,821,398 | 33,991,215 | 34,772,078 | 34,898,642 | 34,432,207 | 34,244,222 | 33,827,289 | 34,811,104 |
| 911 communications | - | - | - | - | - | 2,234,642 | 3,788,600 | 3,801,006 | 2,877,752 | 2,842,584 |
| Streets | 8,151,437 | 5,581,118 | 5,536,642 | 5,484,215 | 4,951,381 | 4,589,011 | 4,285,421 | 3,144,087 | 2,151,994 | 2,301,821 |
| Grants and human services | 11,717,750 | 10,684,881 | 2,448,500 | 2,188,862 | 2,773,823 | 8,888,058 | 8,623,726 | 5,104,213 | 5,526,027 | 5,104,020 |
| State/federal/county programs | 1,990,445 | 986,880 | 1,388,111 | 1,011,336 | 800,443 | 983,212 | 1,133,527 | 1,664,604 | 1,077,789 | 1,435,363 |
| Work investment act programs | 1,643,001 | 2,321,473 | 2,121,268 | 2,029,804 | 2,247,285 | 2,444,219 | 2,644,016 | 2,396,919 | 2,021,437 | 1,691,126 |
| City/county office | 1,911,951 | 1,295,803 | 1,132,062 | 1,216,791 | 926,085 | 1,156,129 | 811,223 | 1,014,032 | 816,279 | 656,140 |
| Office of Management and Budget | 499,740 | 398,204 | 753,108 | 868,298 | 821,505 | 438,542 | 876,853 | 651,764 | 404,087 | 461,474 |
| Office of the Mayor | 269,729 | 675,198 | 719,722 | 1,201,965 | 820,340 | 511,648 | 253,846 | 418,647 | 441,279 | 927,025 |
| Communications and special events | - | 841,837 | 1,018,370 | 841,146 | 841,146 | 841,872 | 747,919 | 447,427 | 221,436 | 221,436 |
| Employee retirement | - | 493,835 | 483,905 | 518,854 | 499,969 | 537,162 | 483,261 | 507,114 | 471,211 | 471,211 |
| Library | 1,841,127 | 2,067,074 | 1,743,219 | 1,808,884 | 1,700,888 | 1,514,058 | 1,364,841 | 1,158,589 | 1,126,519 | 1,241,852 |
| Employee retirement | 489,311 | 644,888 | 548,828 | 543,369 | 568,881 | 519,498 | 447,280 | 510,880 | 392,002 | 487,871 |
| Finance | 738,228 | 778,996 | 890,882 | 887,645 | 829,122 | 942,577 | 879,174 | 922,122 | 800,172 | 1,032,730 |
| Business tax collection | 332,358 | 388,065 | 391,828 | 479,074 | 503,528 | 451,087 | 288,886 | 248,847 | 302,427 | 429,017 |
| Information technology | 641,477 | 687,255 | 1,199,824 | 1,646,864 | 1,979,205 | 1,629,206 | 1,659,623 | 1,425,008 | 1,384,607 | 1,635,984 |
| Plant maintenance | 2,046,240 | 2,281,798 | 2,301,547 | 2,361,726 | 2,555,216 | 2,251,377 | 1,986,394 | 1,984,306 | 2,582,285 | 2,289,994 |
| Construction and maintenance | 3,920,006 | 2,609,827 | 2,815,541 | 3,123,788 | 4,684,017 | 4,844,164 | 3,881,194 | 2,181,118 | 2,178,962 | 3,024,294 |
| Plans and recreation | 10,114,055 | 11,313,187 | 10,380,244 | 9,881,115 | 10,089,913 | 9,340,825 | 8,423,552 | 8,480,480 | 8,504,481 | 8,442,245 |
| Planning and zoning | 2,182,219 | 2,002,861 | 1,512,589 | 2,209,220 | 2,508,628 | 2,304,468 | 1,909,544 | 479,241 | 444,189 | 528,751 |
| Evolution and community services | 797,960 | 893,432 | 879,352 | 1,069,385 | 2,056,508 | 1,836,244 | 1,750,544 | 2,186,341 | 2,171,056 | 2,431,154 |
| Law | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Risk management | 461,600 | 432,882 | 578,063 | 718,475 | 732,541 | 991,704 | 872,824 | 975,255 | 815,238 | 826,743 |
| Human resources | 888,876 | 909,882 | 808,339 | 692,541 | 821,708 | 782,672 | 752,723 | 572,277 | 513,518 | 713,120 |
| Debt service | - | - | - | - | - | - | - | - | - | - |
| Principals | 2,517,312 | 515,987 | 3,113,294 | 3,113,584 | 4,809,511 | 5,391,347 | 3,023,421 | 4,354,237 | 36,744,137 | 4,467,029 |
| Interest | 4,800,428 | 6,790,987 | 3,212,375 | 3,360,363 | 5,442,804 | 4,868,264 | 3,027,319 | 3,408,134 | 4,832,024 | 2,495,978 |
| Debt insurance cost | 44,547,712 | 30,475,817 | 42,098,254 | 33,261,888 | 10,299,020 | 22,166,236 | 1,488,952 | 22,198,021 | 22,198,021 | 1,568,286 |
| Capital outlay | 179,183,882 | 181,233,802 | 197,178,043 | 183,611,197 | 163,813,268 | 188,843,811 | 205,088,521 | 175,242,826 | 211,065,247 | 177,188,884 |
| Total expenditures | 184,084,482 | 193,240,028 | 191,953,364 | 191,663,959 | 184,963,849 | 180,802,347 | 164,848,244 | 161,987,327 | 158,119,892 | 152,387,802 |
| Excess (deficiency) of revenues over expenditures | -27,980,460 | -21,752,154 | -3,707,119 | -2,836,614 | -2,935,053 | -1,660,863 | -10,546,233 | -10,711,419 | -16,242,929 | -19,396,850 |
| Other financing sources (uses): | | | | | | | | | | |
| Premium on debt | - | - | - | - | - | - | - | - | - | - |
| Transfers in | 2,211,127 | 4,389,594 | 8,475,276 | 1,714,820 | 3,818,660 | 1,367,818 | 87,768 | 3,258,310 | 38,565 | 15,781,388 |
| Transfers out | (1,913,633) | (4,388,654) | (8,475,276) | (1,714,820) | (3,818,660) | (1,367,818) | (87,768) | (1,477,920) | (38,565) | (14,747,832) |
| Payment to refunding bonds issuer agent | - | - | - | - | - | - | - | - | - | - |
| Proceeds of refunding bonds | - | - | - | - | - | - | - | - | - | - |
| Proceeds from special district capital assets (source of sale) | - | - | - | - | - | - | - | - | - | - |
| Other financing sources (uses) | 29,996,740 | 10,000,000 | 4,990,000 | - | 3,488,113 | 498,788 | 3,292,400 | 372,620 | 37,229,481 | 423,320 |
| Total other financing sources (uses) | 29,996,740 | 10,000,000 | 4,990,000 | - | 3,488,113 | 498,788 | 3,292,400 | 372,620 | 37,229,481 | 423,320 |
| Net change in fund balances | \$ 6,339,860 | \$ 2,247,876 | \$ 6,582,366 | \$ 11,280,699 | \$ 7,188,537 | \$ 1,644,759 | \$ 1,099,340 | \$ 1,853,151 | \$ 11,884,131 | \$ 11,211,642 |
| Debt service as a percentage of non-capital expenditures | 0.20% | 0.74% | 0.58% | 0.42% | 0.33% | 0.47% | 0.51% | 0.24% | 0.41% | 0.81% |

Note: Property in the City is reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: Miami-Dade County Property Appraiser's Office.

CITY OF HIALEAH, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

FISCAL YEAR 2014

| Taxpayer | Net Assessed Value | Rank | Percent of Total City Net Assessed Value |
|----------------------------------|--------------------|------|--|
| Florida Power & Light CO | \$ 177,727,802 | 1 | 2.46% |
| Palm Springs Mile Associates LTD | 118,190,268 | 2 | 1.64% |
| Westland Mall LLC | 80,500,000 | 3 | 1.12% |
| Lifemark Hospitals Inc. | 59,361,352 | 4 | 0.82% |
| Centerstage at Gragny LLC | 37,959,961 | 5 | 0.53% |
| SC Westland Promenade Ltd Prtshp | 30,748,897 | 6 | 0.43% |
| Tenet Hialeah Healthsystems Inc | 24,534,244 | 7 | 0.34% |
| United Parcel Service Inc. | 24,085,139 | 8 | 0.33% |
| FH: Hialeah Fee Commons LTD | 20,900,000 | 9 | 0.29% |
| FDG Beacon Countyline LLC | 19,679,142 | 10 | 0.28% |
| | \$ 594,285,805 | | 8.24% |

Note: Information is not available for fiscal year 2005 comparison.

Source: Miami-Dade County Property Appraisers Office.

CITY OF HIALEAH, FLORIDA

NET ASSESSED VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | Real Property | Personal Property | Centrally Assessed | Total Net Assessed Value | Total Direct Tax Rate |
|---------------------------------|----------------|-------------------|--------------------|--------------------------|-----------------------|
| 2005 | 6,670,557,535 | 631,915,093 | 6,396,334 | 7,308,868,962 | 7.1000 |
| 2006 | 7,907,932,115 | 619,146,007 | 5,894,955 | 8,532,963,077 | 6.8000 |
| 2007 | 9,001,150,803 | 625,028,026 | 6,671,929 | 9,632,850,758 | 6.8000 |
| 2008 | 10,369,515,975 | 645,154,069 | 7,039,040 | 11,021,699,084 | 6.5400 |
| 2009 | 10,126,361,853 | | | | |

CITY OF HIALEAH, FLORIDA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 SEPTEMBER 30, 2014
 (amounts expressed in thousands)

| Government Unit | 2014 | | |
|--|----------------------|-------------------------------------|--|
| | Net Debt Outstanding | Estimated Percentage Applicable (1) | Amount Applicable to the City of Hialeah |
| Miami-Dade County School Board | \$ 359,623 | 7.98% | \$ 28,687 |
| Miami-Dade County | 1,293,364 | 2.76% | 35,658 |
| Subtotal, Overlapping Debt | 1,652,987 | | 64,345 |
| City of Hialeah Direct Debt | 145,141 | 100% | 145,141 |
| Total Direct and Overlapping Debt | \$ 1,798,128 | | \$ 209,486 |

Sources: Data provided by the Miami-Dade County Finance Department and the Miami-Dade County School Board, Finance Department

(1) The percentage of overlapping debt applicable is estimated using net taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

CITY OF HIALEAH, FLORIDA
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | Total Taxes Levied for Fiscal Year | Levied Taxes Collected within the Fiscal Year | | Delinquent Tax Collections | Total Tax Collections | |
|---------------------------------|------------------------------------|---|-----------------|----------------------------|-----------------------|-----------------|
| | | Amount | Percent of Levy | | Amount | Percent of Levy |
| 2005 | \$ 51,892,970 | \$ 48,596,777 | 93.65% | \$ 386,261 | \$ 48,983,038 | 94.38% |
| 2006 | 58,024,149 | 53,351,596 | 91.95% | 423,624 | 53,775,219 | 92.68% |
| 2007 | 65,503,385 | 60,909,886 | 92.99% | 299,605 | 61,209,491 | 93.44% |
| 2008 | 72,106,007 | 67,599,293 | 93.75% | 779,007 | 68,378,300 | 94.83% |
| 2009 | 69,904,998 | 66,521,182 | 95.16% | 810,759 | 67,331,941 | 96.32% |
| 2010 | 62,055,573 | 55,475,555 | 89.40% | 2,465,365 | 57,940,920 | 93.37% |
| 2011 | 48,499,075 | 46,209,687 | 95.28% | 2,008,135 | 48,217,821 | 99.42% |
| 2012 | 47,652,850 | 43,747,005 | 91.80% | 1,120,983 | 44,867,987 | 94.16% |
| 2013 | 45,528,300 | 40,894,173 | 89.82% | 793,848 | 41,687,921 | 91.56% |
| 2014 | 43,934,340 | 39,589,518 | 90.11% | 1,467,597 | 41,057,115 | 93.45% |

Source: City of Hialeah Office of Management & Budget.

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CITY OF HIALEAH, FLORIDA
 PLEDGED REVENUE COVERAGE
 LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | FMLC Bond Series 2011D | | | | | | Rescue Transportation 2007 Revenue Bond | | | | | |
|---------------------------------|---------------------------|-------------------------|-----------------------|-----------------------|-----------|----------|---|-----------------------|----------|----------|--|--|
| | Utility Charges and Other | Less Operating Expenses | Net Available Revenue | Debt Service Coverage | | | Rescue Transportation Fees (a) | Debt Service Coverage | | | | |
| | | | | Principal | Interest | Coverage | | Principal | Interest | Coverage | | |
| 2005 | 42,439,031 | 36,554,800 | 5,884,231 | 3,435,000 | 528,471 | 1.45 | 1,827,090 | 155,000 | 169,755 | 5.63 | | |
| 2006 | 42,501,813 | 36,994,771 | 5,507,042 | 3,615,000 | 337,265 | 1.50 | 1,966,192 | 160,000 | 181,540 | 6.12 | | |
| 2007 | 41,236,360 | 36,154,466 | 5,081,894 | 1,585,000 | 138,400 | 2.95 | 2,384,917 | 170,000 | 152,900 | 7.42 | | |
| 2008 | 46,070,879 | 38,241,216 | 7,829,662 | 1,185,000 | 65,175 | 6.28 | 2,602,700 | 59,409 | 75,876 | 19.24 | | |
| 2009 | 40,762,131 | 35,699,976 | 1,502,155 | - | - | N/A | 2,763,685 | 175,840 | 84,730 | 10.21 | | |
| 2010 | 58,463,162 | 46,051,730 | 10,411,432 | - | - | N/A | 3,324,801 | 183,688 | 86,882 | 12.29 | | |
| 2011 | 47,536,277 | 48,531,832 | (995,555) | - | - | N/A | 2,956,713 | 270,570 | 78,674 | 8.47 | | |
| 2012 | 49,361,859 | 45,883,620 | 2,478,239 | 310,000 | 2,401,538 | 0.91 | 3,858,191 | 200,250 | 70,320 | 13.52 | | |
| 2013 | 49,265,671 | 41,497,509 | 7,768,162 | 320,000 | 2,392,088 | 2.86 | 4,051,551 | - | - | N/A | | |
| 2014 | 55,913,986 | 52,358,264 | 6,555,722 | 580,000 | 2,387,288 | 2.21 | 4,369,019 | - | - | N/A | | |

Source: City of Hialeah Finance Department

Note (a): During 2008, the City paid off the State of Florida Loan.

Note (b): Rescue transportation fees are net of related uncollectible accounts.

Note (c): During 2011, the City issued Florida Municipal Loan Council Revenue Bond Series 2011D for which the City has pledged Project Revenues, see Note 11.

CITY OF HIALEAH, FLORIDA
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | Governmental Activities | | | | Business-Type Activities | | | | Water Purchase Agreement | Total | Percentage of Personal Income (1) | Per Capita (1) |
|---------------------------------|-------------------------|---------------|----------------|------------------|--------------------------|---------------|----------------|----------------|--------------------------|-------------|-----------------------------------|----------------|
| | Revenue Bonds | Notes Payable | Capital Leases | Mortgage Payable | Revenue Bonds | Notes Payable | Revolving Loan | Capital Leases | | | | |
| 2005 | 2,940,000 | 102,620,000 | 316,218 | 113,720 | 970,000 | 5,415,000 | 900,959 | - | - | 113,275,927 | 1.44% | 492 |
| 2006 | 2,780,000 | 109,930,000 | 287,391 | 103,541 | 465,000 | 2,305,000 | 1,021,186 | - | 514,346 | 117,371,966 | 1.47% | 509 |
| 2007 | 2,610,000 | 112,610,000 | 185,947 | 97,891 | 465,000 | 1,165,000 | 2,158,254 | - | 252,832 | 119,964,024 | 1.43% | 514 |
| 2008 | 2,223,991 | 109,035,000 | 115,992 | 91,761 | - | - | 2,047,309 | - | 176,416 | 113,668,069 | 1.36% | 490 |
| 2009 | 2,047,781 | 107,553,325 | 334,425 | 85,444 | - | - | 1,675,810 | - | - | 111,896,756 | 1.35% | 490 |
| 2010 | 1,884,063 | 102,418,870 | 327,519 | 117,969 | - | - | 1,705,629 | - | - | 106,634,000 | 1.48% | 471 |
| 2011 | 1,672,177 | 100,102,352 | 366,672 | 117,969 | - | - | 32,070,567 | - | - | 104,559,937 | 2.14% | 878 |
| 2012 | 1,471,827 | 88,242,884 | 143,267 | - | - | 37,868,324 | 1,910,149 | - | - | 149,436,551 | 2.09% | 650 |
| 2013 | - | 79,970,161 | 72,425 | - | - | 84,820,036 | 1,791,969 | - | - | 148,454,591 | 1.93% | 631 |
| 2014 | - | 75,661,198 | 398,278 | - | - | 63,097,659 | 1,670,450 | - | - | 140,827,586 | 2.14% | 603 |

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

(1) See the Schedule of Demographic and Economic Statistics on page 124 for personal income and population data.

CITY OF HIALEAH, FLORIDA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

| Year | Population (1) | Total Personal Income Expressed in Thousands (1) | Per Capita Personal Income (1) | Median Age (2) | School Enrollment (3) | Unemployment Rate (4) |
|------|----------------|--|--------------------------------|----------------|-----------------------|-----------------------|
| 2005 | 230,225 | 7,850,903 | 34,101 | 39 | 29,370 | 5.9% |
| 2006 | 230,407 | 7,996,966 | 34,708 | 39 | 29,885 | 5.1% |
| 2007 | 231,500 | 8,352,752 | 35,881 | 39 | 30,105 | 5.8% |
| 2008 | 232,155 | 8,224,091 | 35,425 | 38 | 31,225 | 8.9% |
| 2009 | 228,157 | 7,230,067 | 31,689 | 42 | 29,370 | 14.5% |
| 2010 | 226,419 | 7,183,822 | 31,728 | 41 | 29,685 | 15.9% |
| 2011 | 227,962 | 7,227,763 | 31,706 | 38 | 34,194 | 12.6% |
| 2012 | 229,969 | 7,151,116 | 31,096 | 41 | 38,794 | 9.2% |
| 2013 | 231,941 | 7,606,737 | 32,796 | 43 | 28,912 | 10.3% |
| 2014 | 233,394 | 6,571,208 | 28,155 | 42 | 25,238 | 5.6% |

Sources:
 (1) University of Florida, Bureau of Economic Research and American Factfinder, City of Hialeah, FL
 (2) United States Census Bureau
 (3) Miami-Dade County School Board Budget Office
 (4) U.S. Department of Labor

Note: Population, median age and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF HIALEAH, FLORIDA
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

| Employer | 2014 | | | 2005 | | |
|---------------------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| City of Hialeah | 1,866 | 1 | 1.97% | 1,345 | 2 | 1.50% |
| Palmetto General Hospital | 1,648 | 2 | 1.74% | 1,615 | 1 | 2.03% |
| United Parcel Service | 1,162 | 3 | 1.22% | 1,310 | 3 | 1.46% |
| Hialeah Hospital | 1,075 | 4 | 1.13% | 1,305 | 4 | 1.46% |
| Winn Dixie Super Markets | 1,031 | 5 | 1.09% | 1,279 | 5 | 1.43% |
| Publix Super Markets | 827 | 6 | 0.87% | 687 | 6 | 0.78% |
| Palm Springs Hospital | 618 | 7 | 0.65% | 607 | 7 | 0.68% |
| Sedano's Super Markets | 547 | 8 | 0.58% | 388 | 8 | 0.43% |
| Yellow Stone Group | 414 | 9 | 0.44% | 374 | 9 | 0.42% |
| Bank of America | 391 | 10 | 0.41% | 366 | 10 | 0.41% |
| Couler Electronic | - | - | - | - | - | - |
| Geor Industries | - | - | - | - | - | - |
| Interamerican Transport Equipment Co. | - | - | - | - | - | - |
| Pipe Industries Inc. | - | - | - | - | - | - |
| Total | 9,579 | | 10.09% | 9,486 | | 10.60% |

Source: Hialeah Dade Development, Inc.

CITY OF HIALEAH, FLORIDA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Number of employees | | | | | | | | | | |
| Mayor's office | 9 | 9 | 10 | 12 | 12 | 10 | 8 | 5 | 3 | 3 |
| Communications & special events | - | 8 | 11 | 11 | 11 | 8 | 1 | - | - | - |
| Information systems | 10 | 13 | 19 | 14 | 14 | 14 | 14 | 12 | 12 | 12 |
| Community development: | | | | | | | | | | |
| Planning and zoning | 41 | 15 | 13 | 13 | 13 | 8 | 10 | 9 | 7 | 7 |
| Building | - | 26 | 31 | 31 | 31 | 17 | 19 | 22 | 19 | 19 |
| License | 9 | 9 | 8 | 10 | 10 | 7 | 5 | 8 | 8 | 8 |
| Code compliance | 12 | 12 | 12 | 9 | 10 | 7 | 7 | 9 | 9 | 9 |
| Office of Management & Budget | 11 | 10 | 13 | 17 | 16 | 15 | 12 | 20 | 3 | 3 |
| City Clerk's office | 10 | 8 | 8 | 11 | 10 | 8 | 3 | 5 | 4 | 4 |
| Law | 14 | 14 | 14 | 13 | 13 | 10 | 11 | 10 | 10 | 8 |
| Risk management | 10 | 8 | 15 | 13 | 13 | 14 | 14 | 3 | 3 | 3 |
| Police: | | | | | | | | | | |
| Police officers | 371 | 372 | 372 | 358 | 365 | 312 | 327 | 303 | 290 | 276 |
| Civilians | 157 | 131 | 151 | 150 | 150 | 121 | 105 | 75 | 56 | 70 |
| Fire: | | | | | | | | | | |
| Firefighters | 281 | 262 | 288 | 262 | 265 | 241 | 199 | 254 | 245 | 235 |
| Civilians | 51 | 51 | 69 | 58 | 58 | 55 | 44 | 35 | 19 | 28 |
| 911 Communications | - | - | - | - | - | 43 | 47 | 44 | 38 | 39 |
| Education & community services | - | 15 | 28 | 30 | 33 | 32 | 27 | 35 | 29 | 29 |
| Library | 32 | 28 | 31 | 29 | 30 | 24 | 17 | 15 | 15 | 15 |
| Recreation and community services | 108 | 94 | 93 | 92 | 92 | 81 | 76 | 79 | 71 | 70 |
| Streets | 34 | 33 | 30 | 30 | 32 | 23 | 34 | 19 | 17 | 17 |
| Stormwater | 21 | 18 | 17 | 18 | 20 | 13 | 13 | 9 | 9 | 9 |
| Fleet | 50 | 46 | 47 | 48 | 48 | 31 | 33 | 35 | 37 | 37 |
| Circulator | 2 | 7 | 7 | 7 | 7 | 5 | 5 | - | - | - |
| Construction and maintenance | 52 | 52 | 64 | 53 | 58 | 30 | 30 | 36 | 39 | 39 |
| Solid waste | 135 | 122 | 126 | 115 | 113 | 85 | 74 | 68 | 62 | 62 |
| Human resources | 11 | 12 | 10 | 10 | 10 | 9 | 7 | 8 | 8 | 9 |
| Finance | 16 | 15 | 17 | 15 | 15 | 14 | 16 | 13 | 19 | 19 |
| Retirement | 3 | 4 | 5 | 5 | 5 | 3 | 3 | 4 | 4 | 4 |
| Grants and human services | 43 | 50 | 43 | 42 | 40 | 38 | 35 | 33 | 32 | 32 |
| Water and sewer | 57 | 57 | 57 | 56 | 59 | 52 | 50 | 60 | 55 | 54 |
| Water division | 44 | 40 | 39 | 38 | 40 | 32 | 30 | 32 | 32 | 32 |
| Sewer division | 32 | 31 | 30 | 30 | 31 | 24 | 19 | 17 | 17 | 17 |
| Total number of employees | 1,627 | 1,572 | 1,658 | 1,602 | 1,624 | 1,388 | 1,295 | 1,279 | 1,172 | 1,170 |

Source: City of Hialeah Human Resources Department

Note: Communication & Special Events and Education & Community Services, which were established in fiscal year 2006, as well as 911 Communications which was established in fiscal year 2010. Furthermore, the Planning and Development department was divided into the Planning and Zoning and Building divisions of the newly created Community and Development department along with the Code Compliance and License departments, which are now a division of Community and Development.

CITY OF HIALEAH, FLORIDA
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Public safety | | | | | | | | | | |
| Police calls for service | 260,108 | 224,546 | 222,425 | 223,101 | 260,108 | 259,556 | 203,401 | 215,200 | 245,463 | 370,596 |
| Parking violations | 19,533 | 11,514 | 12,325 | 11,825 | 19,533 | 18,775 | 2,815 | 3,510 | 2,987 | 3,301 |
| Traffic violations | 69,701 | 74,446 | 75,251 | 76,135 | 88,550 | 81,051 | 73,423 | 77,900 | 78,751 | 77,253 |
| Fire | 39,333 | 31,339 | 33,659 | 35,099 | 35,350 | 54,025 | 59,690 | 59,155 | 35,455 | 42,250 |
| Number of calls answered | 10,396 | 13,035 | 17,947 | 22,921 | 10,851 | 11,823 | 11,136 | 12,255 | 12,255 | 8,260 |
| Inspections | | | | | | | | | | |
| Planning and development: | | | | | | | | | | |
| Business permits issued | 10,228 | 10,530 | 12,487 | 9,852 | 9,165 | 9,165 | 9,205 | 8,615 | 8,716 | 6,421 |
| Occupational licenses issued | 17,211 | 17,868 | 18,101 | 18,325 | 18,038 | 17,225 | 18,319 | 18,449 | 18,915 | 19,019 |
| Signs | | | | | | | | | | |
| Street renumbering (miles) | 14.6 | 8.2 | 6.8 | 6.1 | 7.8 | 8.1 | 7.4 | 10.1 | 11.5 | 12.0 |
| Potholes repaired | 516 | 580 | 462 | 471 | 420 | 310 | 310 | 285 | 285 | 208 |
| Culture and recreation: | | | | | | | | | | |
| Registrations for library programs | 112,433 | 118,054 | 119,645 | 122,398 | 112,433 | 110,663 | 59,842 | 56,842 | 46,042 | 46,042 |
| Community center administrations | 175,605 | 184,385 | 182,874 | 196,010 | 154,388 | 135,658 | 154,763 | 145,100 | 144,302 | 146,525 |
| Athletic field permits issued | 47 | 60 | 72 | 85 | 47 | 41 | 41 | 65 | 63 | 134 |
| Water and sewer: | | | | | | | | | | |
| Active accounts - water and sewer | 54,331 | 55,285 | 54,640 | 54,400 | 54,980 | 53,966 | 54,523 | 54,392 | 54,554 | 55,401 |
| Average daily water consumption (thousands of gallons) | 23,830 | 23,605 | 23,126 | 20,015 | 22,422 | 22,321 | 20,519 | 21,837 | 20,878 | 19,959 |
| Average daily sewage treatment (thousands of gallons) | 30,100 | 24,028 | 25,178 | 24,985 | 27,767 | 18,813 | 16,670 | 18,184 | 19,308 | 19,458 |
| New connections | 3,629 | 6,910 | 4,698 | 4,355 | 4,225 | 4,468 | 4,931 | 5,389 | 1,020 | 920 |
| Water main breaks | 163 | 251 | 225 | 192 | 115 | 102 | 117 | 189 | 195 | 200 |
| Solid waste: | | | | | | | | | | |
| Residential accounts | 35,492 | 35,567 | 35,621 | 36,780 | 34,951 | 35,037 | 35,591 | 35,303 | 35,285 | 35,101 |
| Commercial accounts | 415 | 422 | 443 | 452 | 443 | 468 | 446 | 448 | 441 | 436 |
| Refuse collection (tonnage) | 267.4 | 251.4 | 251.9 | 241.5 | 398.9 | 405.3 | 389.0 | 385.0 | 225.0 | 193.0 |
| Recyclables collected (tonnage) | 3.6 | 7.2 | 7.3 | 7.4 | 12.7 | 13.3 | 14.2 | 14.9 | 14.9 | 27.0 |

Sources: Various City departments
 Note: Indicators are not available for the general government function.

CITY OF HIALEAH, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| Function/Program | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| General government: | | | | | | | | | | |
| General government buildings | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public safety: | | | | | | | | | | |
| Police stations | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Police units | 177 | 181 | 282 | 315 | 378 | 386 | 388 | 402 | 229 | 238 |
| Fire | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Fire stations | 12 | 12 | 12 | 13 | 13 | 15 | 15 | 15 | 14 | 15 |
| Fire apparatus vehicles | 7 | 8 | 9 | 10 | 10 | 10 | 10 | 12 | 14 | 14 |
| Emergency rescue vehicles | | | | | | | | | | |
| Streets: | | | | | | | | | | |
| Miles of streets | 493.1 | 493.1 | 493.1 | 493.1 | 493.1 | 493.1 | 493.1 | 493.1 | 450.6 | 455.0 |
| Culture and recreation: | | | | | | | | | | |
| Parks | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |
| Parks acreage | 223.5 | 255.0 | 255.0 | 223.5 | 223.5 | 223.5 | 223.5 | 223.5 | 223.5 | 223.5 |
| City center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Summer camps | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Tennis courts | 25 | 23 | 23 | 21 | 26 | 26 | 26 | 26 | 26 | 26 |
| Water & sewer: | | | | | | | | | | |
| Water & sewer buildings | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water mains (miles) | 487 | 445 | 486 | 480 | 492 | 482 | 482 | 482 | 492 | 495 |
| Sanitary sewers (miles) | 271.0 | 276.0 | 276.0 | 271.0 | 271.0 | 271.0 | 271.0 | 271.0 | 271.0 | 271.0 |
| Storm sewers (miles) | 84.3 | 84.3 | 85.2 | 85.2 | 84.2 | 84.2 | 84.2 | 84.2 | 84.2 | 84.2 |
| Storm sewers (miles) | 84.3 | 84.3 | 85.2 | 85.2 | 84.2 | 84.2 | 84.2 | 84.2 | 84.2 | 84.2 |
| Solid waste | | | | | | | | | | |
| Collection trucks | 36 | 38 | 37 | 36 | 38 | 42 | 46 | 46 | 46 | 46 |

Source: Various City departments

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COMPLIANCE SECTION



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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

Honorable Mayor and Members of the City Council
City of Hialeah, 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 City of Hialeah, Florida (the "City"), as of and for the fiscal year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-01.

We also noted one other matter which we have reported in the accompanying schedule of findings and questioned costs as item 2014-02.

City of Hialeah, Florida's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 City'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.

Albern Caballero & Fierman, LLP

Albern Caballero & Fierman, LLP
June 30, 2015
Coral Gables, Florida



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MANAGEMENT LETTER REQUIRED BY SECTION 10.550 OF THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Honorable Mayor and Members of the City Council
 City of Hialeah, Florida

Reports on the Financial Statements

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

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 30, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(j)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 in the accompanying schedule of findings and questioned costs.

Official Title and Legal City

Section 10.554(1)(j)4. Rules of the Auditor General, requires that the name or official title and legal City for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

Financial Condition

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

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415 FLORIDA STATUTES IN ACCORDANCE WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Honorable Mayor and Members of the City Council
 City of Hialeah, Florida

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

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

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

Alberni Caballero & Fierman, LLP

Alberni Caballero & Fierman, LLP
 Coral Gables, Florida
 June 30, 2015

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

Annual Financial Report

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

Other Matters

Section 10.554(1)(j)2. Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our recommendations are included in the accompanying schedule of findings and questioned costs.

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

Purpose of this Letter

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

Alberni Caballero & Fierman, LLP

Alberni Caballero & Fierman, LLP
 Coral Gables, Florida
 June 30, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Honorable Mayor and Members of the City Council
 City of Hialeah, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited City of Hialeah, Florida's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of City of Hialeah, Florida's (the "City") major federal programs and state projects for the year ended September 30, 2014. City of Hialeah, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. These standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state projects. However, our audit does not provide a legal determination of City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, City of Hialeah, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2014.

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CITY OF HIALEAH, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

Report on Internal Control over Compliance

Management of City of Hialeah, Florida, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Alberni Caballero & Fierman, LLP

Alberni Caballero & Fierman, LLP
 June 30, 2015
 Coral Gables, Florida

| Federal Agency/Pass-Through Grantor/Program Title | Federal CFDA Number | Federal Grant Number | Expenditures |
|--|---------------------|----------------------|---------------------|
| U.S. Department of Housing and Urban Development | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-11MC-12-0008 | \$ 91,240 |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-12MC-12-0006 | 852,809 |
| Community Development Block Grants/Entitlement Grants | 14.218 | B-13MC-12-0008 | 886,679 |
| | | | <u>\$ 1,940,728</u> |
| HOME Investment Partnership | 14.239 | M-09-MC-12-0207 | \$ 198,554 |
| HOME Investment Partnership | 14.239 | M-09-MC-12-0207 | 398,386 |
| HOME Investment Partnership | 14.239 | M-10-MC-12-0207 | 29,614 |
| HOME Investment Partnership | 14.239 | M-11-MC-12-0208 | 552,399 |
| | | | <u>\$ 1,218,943</u> |
| Emergency Solutions Grant | 14.231 | S-11-MC-12-0005 | \$ 103,168 |
| Emergency Solutions Grant | 14.231 | S-12-MC-12-0005 | 144,514 |
| Emergency Solutions Grant | 14.231 | S-13-MC-12-0005 | 47,245 |
| | | | <u>\$ 294,927</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>\$ 3,454,588</u> |
| U.S. Department of Justice | | | |
| Equitable Sharing Program | 16.922 | N/A | \$ 320,386 |
| Edward Byrne Memorial Grant Justice Assistance Grant Program | 16.738 | 2013-DJ-BX-0100 | 12,148 |
| | | | <u>\$ 332,534</u> |
| Total U.S. Department of Justice | | | <u>\$ 332,534</u> |
| Subtotal Direct Programs | | | <u>\$ 3,787,132</u> |
| U.S. Department of Agriculture | | | |
| <i>Indirect Programs - Passed through the Florida Department of Health</i> | | | |
| Child and Adult Care Food Program | 10.558 | A-3269 | \$ 19,950 |
| | | | <u>\$ 19,950</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 19,950</u> |
| Executive Office of the President | | | |
| Pass-Through Program from: | | | |
| Manatee County Sheriff's Office | | | |
| High Intensity Drug Trafficking Areas Program (HIDTA) | 95.001 | G12M0001A | \$ 23,061 |
| | | | <u>\$ 23,061</u> |
| Total Executive Office of the President | | | <u>\$ 23,061</u> |

N/A - Not Applicable

(Continued)

CITY OF HIALEAH, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

| Federal Agency/Pass-Through Grantor/Program Title | Federal CFDA Number | Federal Grant Number | Expenditures |
|--|---------------------|---------------------------|---------------------|
| Pass-Through Program from: | | | |
| South Florida Workforce Investment Board | | | |
| WIA Adult Program | 17.258 | WS-CC-PY13-03-01 | \$ 280,724 |
| WIA Adult Program | 17.258 | WS-CC-PY14-03-00 | 48,784 |
| | | | <u>\$ 329,508</u> |
| WIA Dislocated Worker Formula Grants | 17.278 | WS-CC-PY13-03-01 | \$ 411,120 |
| WIA Dislocated Worker Formula Grants | 17.278 | WS-CC-PY14-03-00 | 60,208 |
| | | | <u>\$ 517,338</u> |
| Unemployment Insurance | 17.225 | WS-CC-PY13-03-01 | \$ 89,796 |
| Unemployment Insurance | 17.225 | WS-CC-PY14-03-00 | 17,382 |
| | | | <u>\$ 107,877</u> |
| Total WIA Cluster | | | <u>\$ 954,223</u> |
| Total U.S. Department of Labor - Through the South Florida Workforce Investment Board | | | <u>\$ 954,223</u> |
| Pass-Through Program from: | | | |
| South Florida Workforce Investment Board | | | |
| Temporary Assistance for Needy Families | 93.558 | WS-CC-PY13-03-01 | \$ 330,031 |
| Temporary Assistance for Needy Families | 93.558 | WS-CC-PY14-03-00 | 82,810 |
| | | | <u>\$ 412,850</u> |
| Total U.S. Department of Health and Human Services - Through the South Florida Workforce Investment Board | | | <u>\$ 412,850</u> |
| Pass-Through Program from: | | | |
| South Florida Workforce Investment Board | | | |
| Refugee and Entrant Assistance, Targeted Assistance Grants | 83.984 | RET-09-PY13-05-00 | \$ 46,743 |
| Refugee and Entrant Assistance, Targeted Assistance Grants | 83.984 | RET-09-PY13-05-00 | 40,025 |
| | | | <u>\$ 86,768</u> |
| Total U.S. Department of Health and Human Services - Through the South Florida Workforce Investment Board | | | <u>\$ 86,768</u> |
| Pass-Through Program from: | | | |
| South Florida Workforce Investment Board | | | |
| Supplemental Nutrition Assistance Program | 10.551 | WS-CC-PY13-03-01 | \$ 44,788 |
| Supplemental Nutrition Assistance Program | 10.551 | WS-CC-PY14-03-00 | 19,326 |
| | | | <u>\$ 64,112</u> |
| Total U.S. Department of Agriculture - Through the South Florida Workforce Investment Board | | | <u>\$ 64,112</u> |
| Pass-Through Program from: | | | |
| State of Florida Department of Education | | | |
| 21st Century Community Learning Centers | 84.267 | 13B-2444A-4CC01 | \$ 359,125 |
| | | | <u>\$ 359,125</u> |
| Total U.S. Department of Education - Through the State of Florida Department of Education | | | <u>\$ 359,125</u> |
| Pass-Through Program from: | | | |
| The Florida Department of Law Enforcement | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2014-JAG-C-DAJE-38-E5-074 | \$ 14,985 |
| | | | <u>\$ 14,985</u> |
| Total U.S. Department of Justice Assistance - Through the Florida Department of Law Enforcement | | | <u>\$ 14,985</u> |
| Pass-Through Program from: | | | |
| The Florida Division of Emergency Management | | | |
| Homeland Security Grant Program | 87.067 | COBK-233-01-0041 | \$ 67,291 |
| Homeland Security Grant Program | 87.067 | 12-05-22-11-23-02-236 | 793,850 |
| Homeland Security Grant Program | 87.067 | 14-05-05-11-23-02-212 | 454,859 |
| | | | <u>\$ 1,315,810</u> |
| Total U.S. Department of Homeland Security - Through the Florida Division of Emergency Management | | | <u>\$ 1,315,810</u> |
| Pass-Through Program from: | | | |
| State Homeland Security | | | |
| Homeland Security Grant Program | 87.067 | 11-05-02-13-00-154-38 | \$ 33,286 |
| | | | <u>\$ 33,286</u> |
| Total U.S. Department of Homeland Security - Through the State Homeland Security | | | <u>\$ 33,286</u> |
| Pass-Through Program from: | | | |
| State of Florida Office of the Attorney General | | | |
| Crime Victim Assistance | 16.575 | V-0272 | \$ 68,461 |
| | | | <u>\$ 68,461</u> |
| Total U.S. Department of Justice - Through the State of Florida Office of the Attorney General | | | <u>\$ 68,461</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 7,127,238</u> |

CITY OF HIALEAH, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS
 (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 2014

| State Agency/Pass-Through Grantor/Program Title | State CSFA Number | State Grant Number | Expenditures |
|---|-------------------|-----------------------|---------------------|
| Florida Housing Finance Corporation | | | |
| State Housing Initiative Partnership Program | 52.901 | N/A | \$ 149,745 |
| State Housing Initiative Partnership Program | 52.901 | N/A | 193,808 |
| | | | <u>\$ 343,553</u> |
| Total Florida Housing Finance Corporation | | | <u>\$ 343,553</u> |
| Florida Department of State - Division of Libraries and Information Services | | | |
| State Aid to Libraries | 45.030 | 12-ST-32 | \$ 12,100 |
| | | | <u>\$ 12,100</u> |
| Total Florida Department of State - Division of Libraries and Information Services | | | <u>\$ 12,100</u> |
| Florida Department of Elder Affairs | | | |
| Alliance for Aging - Meals for the Elderly | 65.009 | 2013-2014 LSP-KL-1334 | \$ 611,395 |
| Alliance for Aging - Meals for the Elderly | 65.009 | 2013-2014 LSP-KL-1334 | 146,562 |
| Multi-Purpose Senior Center | 65.009 | X0932 | 207,103 |
| | | | <u>\$ 965,060</u> |
| Total Florida Department of Elder Affairs | | | <u>\$ 965,060</u> |
| State of Florida Division of Emergency Management | | | |
| Emergency Operation Center | 31.064 | 15-MP-4B-11-23-01-174 | \$ 30,992 |
| | | | <u>\$ 30,992</u> |
| Total Florida Division of Emergency Management | | | <u>\$ 30,992</u> |
| Florida Department of Economic Opportunity | | | |
| HEA Chaner School Expansion | 40.038 | HL023 | \$ 12,700 |
| | | | <u>\$ 12,700</u> |
| Total Florida Department of Economic Opportunity | | | <u>\$ 12,700</u> |
| Florida Department of Transportation | | | |
| Highway Improvement Project - State Funded | 55.023 | 407718-1-68-01 | \$ 173,108 |
| | | | <u>\$ 173,108</u> |
| Total Florida Department of Transportation | | | <u>\$ 173,108</u> |
| TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE | | | <u>\$ 1,537,223</u> |

CITY OF HIALEAH, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and State financial assistance includes the federal and state grant activity of the City of Hialeah and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUBRECIPIENTS

The City of Hialeah provided federal awards to subrecipients as follows:

| Program Title | Federal CFDA Number | Provided |
|-----------------------------------|---------------------|------------|
| Community Development Block Grant | 14.218 | \$ 368,292 |

NOTE 3. CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by grantor agency as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

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CITY OF HIALEAH, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

FISCAL YEAR ENDED SEPTEMBER 30, 2014

PRIOR YEAR COMMENTS AND STATUS

OTHER MATTER

2007-7 Solid Waste Fund Deficit (revised and included as 2014-02)

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None

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CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified Opinion*
 Internal control over financial reporting: yes no
 Material weakness(es) identified? yes None reported
 Significant deficiencies identified not considered to be material weakness? yes None reported
 Non-compliance material to financial statements noted? yes no

Federal Awards Program and State Financial Assistance Projects

Internal control over major federal awards programs and state financial assistance projects:
 Material weakness(es) identified? yes no
 Significant deficiencies identified not considered to be material weakness? yes None reported

Type of auditors' report issued on compliance for major federal awards programs and state financial assistance projects: *Unmodified Opinion*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a) or Chapter 10.550, Rules of the Auditor General? yes no

Identification of major federal awards programs assistance projects and state financial assistance projects:

| Federal Awards Program | Federal CFDA No. |
|---|------------------|
| WIA Adult Program | 17.258 |
| WIA Dislocated Worker Formula Grants | 17.278 |
| Twenty-First Century Community Learning Centers | 84.267 |
| Home Investment Partnership Program | 14.238 |
| Temporary Assistance for Needy Families | 93.558 |

State Assistance Projects

| State CFSA No. | Federal State |
|--|--------------------------------------|
| Alliance for Aging-Meals for the Elderly/Multi-Purpose Senior Center | 65.009 |
| Dollar threshold used to distinguish between Type A and Type B programs: | Federal \$300,000 State \$300,000 |

Auditee qualified as low risk auditee for audit of federal awards programs? yes no

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CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION II - FINANCIAL STATEMENT RECOMMENDATIONS AND RESPONSES

NON COMPLIANCE

2014-01 Budget amendments

Criteria:

Section 166.241(4), Florida Statutes (FS), provides that the governing body of each municipality at any time within a fiscal year or within 60 days following the end of the fiscal year may amend a budget for that year.

Condition:

The City amended its fiscal year 2014 budget beyond the 60 days requirement following the end of the fiscal year as of September 30, 2014.

Cause:

The delay was due to an attempt at using the most accurate revenue/expenditures instead of using the latest estimation at 60 days from the fiscal-year end

Effect:

The City is not in compliance with Florida Statutes.

Recommendation:

We recommend that, in the future, the City comply with statutory reporting requirements.

View of Responsible Officials and Planned Corrective Actions:

The City's Office of Management and Budget will comply with statutory reporting requirements and has established steps to prevent delays in the future.

OTHER MATTER

2014-02 Solid Waste and Storm Water Fund Deficit

Condition: During our testing of the enterprise funds we noted that the Solid Waste and Storm Water funds had an operating loss of approximately \$108,454 and \$1,374,769 during 2013, respectively. In the prior year the funds also incurred an operating loss of \$3,229,709 and \$558,007, respectively. The fees charged to the City by Miami-Dade County for waste disposal have increased; however, there have been no significant adjustments to rates charged to the residents for these services.

Recommendation: We recommend that the City review its current charges for sanitation and storm water services to ensure the fees cover the costs of operations and also continue to reduce costs of operations while maintaining quality of service.

Current Year Status: The Solid Waste fund had an operating loss of \$108,454 for the fiscal year ended September 30, 2014 compared to operating losses of \$3,229,709, \$393,367, \$1,056,952, \$1,050,201 and \$1,282,867 for the fiscal years ended September 30, 2013, 2012, 2011, 2010 and 2009, respectively. The Storm Water fund had an operating loss of \$1,374,769 for the fiscal year ended September 30, 2014 compared to operating losses of \$558,007 and \$969,246 for the fiscal years ended September 30, 2013 and 2012, respectively.

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CITY OF HIALEAH, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

SECTION II - FINANCIAL STATEMENT RECOMMENDATIONS AND RESPONSES (Continued)

OTHER MATTER (Continued)

2014-02 Solid Waste and Storm Water Fund Deficit (Continued)

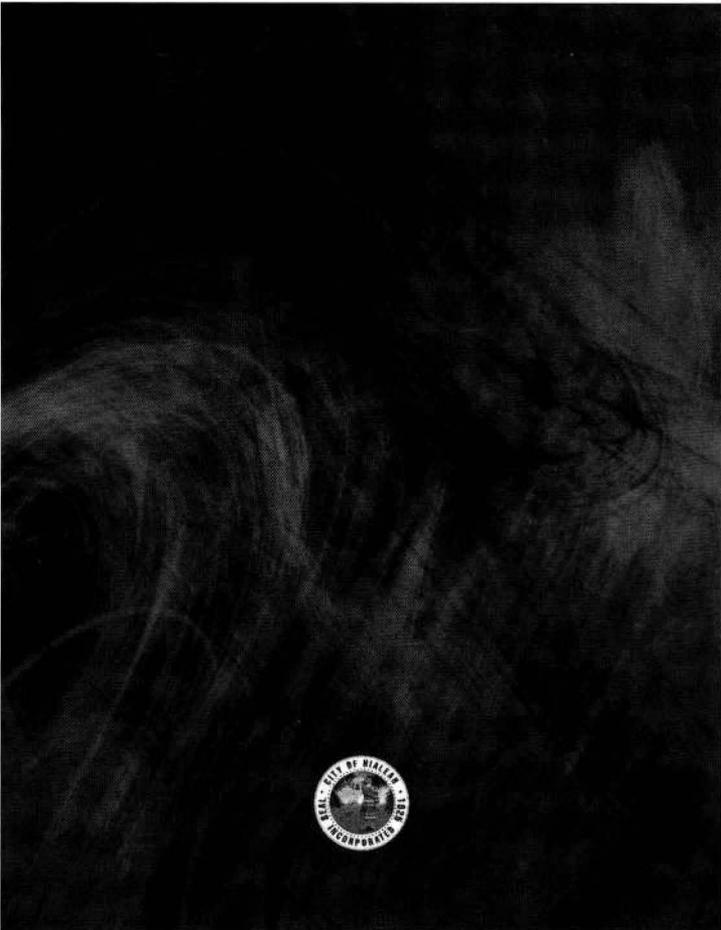
View of Responsible Officials and Planned Corrective Actions: The City is self-insured for general liability, automobile, workers compensation and health. As such, the City is required to establish loss reserves as reported by an actuarial review using historical and recent claim settlement trends (Note 12). This loss was primarily due to the increase in Other Post-Employment Benefits and depreciation expense of \$170 and \$776 thousand, respectively, reported in the statement of revenues, expenses and changes in net position. However, these expenses do not require the use of current financial resources and are non-cash transactions. In addition, during the previous fiscal year the City had entered into an agreement with an outside consultant to conduct a detail analysis of the City's Solid Waste System and develop a study on various options and alternatives, including the possibility of privatizing the Solid Waste System using a collection franchise agreement, as is common in much of the State of Florida. Given the results of the study performed by an independent consultant the City expects to generate an annual savings of approximately \$3 million for collection and disposal of solid waste. During the current year the City proceeded with a Request for Proposal to privatize the collection of residential municipal solid waste and on June 23, 2015 the City Council approved the first reading of the proposed ordinance granting an exclusive franchise agreement to Progressive Waste Solutions of Florida, for the collection of residential municipal solid waste for a term of four years (4), with an automatic renewal term thereafter of five years and subsequent automatic renewals for a term of one year each with cumulative duration of all subsequent renewals after the first renewal term not exceeding a total of five years. The City expects that these savings will generate sufficient savings to not only reduce the deficit in this fund but meet its current obligations on an ongoing basis. The Storm Water fund had an operating loss of \$1,374,759 for the fiscal year ended September 30, 2014, compared to operating losses of \$558,007 and \$369,248 for the fiscal year ended September 30, 2013 and 2012. During the current year there was an increase of \$300 thousand in workers' compensation due to an increase in loss reserves based on the actuarial report. In addition, during the current year depreciation expense in the stormwater fund was \$1.7 million, however, these expenses do not require the use of current financial resources and are non-cash transactions.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

None.



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APPENDIX C

**Employees' Retirement System Actuarial Valuation as of October 1, 2014 – Contribution
Applicable to the FY Ended September 30, 2016**

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May 18, 2015

Board of Trustees
City of Hialeah
Employees' Retirement System
501 Palm Ave.
Hialeah, FL 33010

Re: City of Hialeah Employees' Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Hialeah Employees' Retirement System. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, 175 and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees and the City of Hialeah, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

13420 Parker Commons Blvd., Suite 104 Fort Myers, FL 33912 (239) 433-5500 · Fax (239) 481-0634 · www.foster-foster.com

CITY OF HIALEAH
EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2014

CONTRIBUTIONS APPLICABLE TO
THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Hialeah, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Hialeah Employees' Retirement System. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,
Foster & Foster, Inc.

By: 
Bradley R. Heinrichs
Enrolled Actuary #14-6901

BRH/ke
Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Hialeah Employees' Retirement System, performed as of October 1, 2014, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the fiscal year ending September 30, 2016. The contributions have been developed assuming that the City will make their contribution on December 31, 2015.

The contribution requirements, compared with those developed in the February 23, 2015 Actuarial Impact Statement, determined as of October 1, 2013, are as follows:

| Valuation Date | 10/1/2014 | 10/1/2013 |
|--|--------------|--------------|
| Applicable Fiscal Year End | 9/30/2016 | 9/30/2015 |
| Total Required Contribution | \$28,666,866 | \$28,342,329 |
| % of Projected Annual Payroll | 46.42% | 46.33% |
| Less Member Contributions ² | 2,189,403 | 2,229,590 |
| % of Projected Annual Payroll | 3.55% | 3.64% |
| Equals Required City & State | 26,477,463 | 26,112,739 |
| % of Projected Annual Payroll | 42.87% | 42.69% |
| State Contribution ¹ | 461,877 | 461,877 |
| % of Projected Annual Payroll | 0.75% | 0.76% |
| Balance from City ² | 26,015,586 | 25,650,862 |
| % of Projected Annual Payroll | 42.12% | 41.93% |

¹ Represents the amount transferred from the Share Plan each year.

² The Member Contributions displayed above represent the expected Member Contributions to the Pension portion of the Retirement System during the respective plan years based upon the varying effective dates for each group. The City will be able to deduct the actual Member Contributions made to the Pension portion of the Retirement System (excluding buy backs) when determining their bottom line requirement.

Summary

As can be seen, the Total Required Contribution has increased slightly when expressed as a percentage of Projected Annual Payroll. There are two primary reasons for this increase. First of all, each year there is an assumed improvement in the mortality rates. This assumption change increased the funding requirements by 0.10% of payroll. The second reason for the increase in the funding requirements when expressed as a percentage of payroll is that the amortization of the Unfunded Actuarial Accrued Liability is set to increase at 3.5% per year (the Payroll Growth assumption). Pensionable payroll only increased by 0.9% this year, so this amortization payment now represents a larger percentage of projected payroll. This payroll growth assumption of 3.5% was approved by the Division of Retirement a couple of years

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,
FOSTER & FOSTER, INC.



By: Bradley R. Heinrichs, FSA, EA, MAAA


By: Patrick T. Donlan, ASA, EA, MAAA

ago. However, now that the Plan is closed to new General Employees, we recommend this assumption be addressed for future valuations. Partially offsetting these two causes of increasing funding requirements was the net favorable actuarial experience during past year, as compared to the assumptions. The primary components of favorable experience included the impact of a 10.9% return on the Actuarial Value of Assets exceeding the assumed rate and average increases in Pensionable Compensation being less than expected. These gains were partially offset by the impact of losses related to retirements being earlier than anticipated, lower than expected non-retirement turnover, lower than expected mortality and the fact that Members' Annuity Savings accounts were credited with 9.49% and the assumed rate is 8.0%. For more detail on the actuarial gains and losses over the past year, please see page 19. These actuarial gains reduced the funding requirements by 0.84% of payroll.

Contributions as a % of Projected Payroll including DROP Members

As requested by the Board, we have calculated the required contribution from the City as a percentage of payroll including projected pay for members in the Deferred Retirement Option Program ("DROP"). While DROP members are employed by the City, they are considered retired members for purposes of the actuarial valuation since they are no longer contributing to the Retirement System and their benefits (which are no longer accruing) are being paid into DROP accounts for distribution after their employment ceases with the City. The required contributions from the City as a percent of payrolls inclusive of compensation to DROP members are 40.52% and 40.75% for fiscal years 2015 and 2016, respectively. Please note that these amounts are for informational purposes only.

Accumulated Annuity Savings Member Contributions

A portion of the Member contributions received by the Retirement System are used to fund the annuity portion of each Member's retirement allowance. Each such annuity may be taken as a lump sum at retirement and equals the actuarial equivalent of the member's accumulated contributions made to the Annuity Saving Fund (ASF). The actuarial accrued liability for this benefit for active members is set equal to their accumulated member contributions to the ASF. As of October 1, 2014, accumulated contributions to the ASF for all Members totaled \$105,494,233. Of this amount, accumulated active member contributions totaled \$65,899,813 and accumulated retiree contributions (including accumulated contributions for non-active, non-retired members) totaled \$39,594,420. The arithmetic average of the annual yields on the market value of assets for the period October 1, 2009 through September 30, 2014 is 10.65%. Therefore, accumulated member contribution and DROP accounts should be credited with interest at the rate of 10.65% for the 2014/2015 plan year.

PLAN CHANGES SINCE PRIOR VALUATION

Since the prior valuation, the following change was made:

- 1.) Provide that for a non-Police Officer or Firefighter Member who is reemployed by the City within a period of 10 years from and after the date of the Member's last separation from service, the Credited Service forfeited by the Member at the time of the Member's last separation from service shall be restored to the Member's credit upon such conditions as the Board of Trustees may require, such as restoration of the Member's annuity account with interest, if the Member withdrew his/her annuity account at the time of separation. For the purpose of the Actuarial Impact Statement, it is assumed that this provision will only affect Vicente Rodriguez.

The impact of this change on the funding requirements to the Plan can be found in our Actuarial Impact Statement dated February 23, 2015.

ACTUARIAL ASSUMPTION/METHOD CHANGES SINCE PRIOR VALUATION

A portion of the assets in the Trust Fund are reserved for the Annuity Savings Benefits that are due to Members who had previously terminated employment and left their Annuity Savings in the Fund to be withdrawn at a future date (Annuity Savings Reserve). In the prior report, the assets shown were the full assets in the Trust Fund and the Annuity Savings Reserve was added to the liabilities. This year, in order for the valuation report to match the audited financial statements, this Annuity Savings Reserve was subtracted from the assets of the Plan, and therefore not included as a liability. This change of categorization has no impact on the funding requirements.

Additionally, the mortality assumption was amended because each year it is assumed that mortality improves. The impact of this change can be seen on Page 19.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS
Total Plan

| | 10/1/2014 | 10/1/2013 |
|--------------------------------|--------------|--------------|
| A. Participant Data | | |
| Number Included | | |
| Actives | 1,091 | 1,113 |
| Service Retirees | 1,114 | 1,091 |
| DROP Retirees | 42 | 43 |
| Beneficiaries | 48 | 35 |
| Terminated Vested | 103 | 97 |
| Disability Retirees | 193 | 196 |
| Total | 2,595 | 2,575 |
| Total Annual Payroll | \$62,282,474 | \$61,461,027 |
| Payroll Under Assumed Ret. Age | 61,751,067 | 61,172,102 |
| Annual Rate of Payments to: | | |
| Service Retirees | 42,505,067 | 40,964,013 |
| DROP Retirees | 2,913,962 | 3,010,947 |
| Beneficiaries | 920,329 | 850,525 |
| Terminated Vested | 1,125,662 | 1,012,002 |
| Disability Retirees | 5,463,944 | 5,443,558 |
| B. Assets | | |
| Actuarial Value ^{1,2} | 563,602,386 | 575,386,251 |
| Market Value ^{1,3} | 598,399,504 | 608,537,493 |
| C. Liabilities | | |
| Present Value of Benefits | | |
| Active Members | | |
| Retirement Benefits | 238,990,639 | 228,724,594 |
| Disability Benefits | 13,520,600 | 13,435,804 |
| Death Benefits | 2,546,338 | 2,543,912 |
| Vested Benefits | 17,115,152 | 17,059,997 |
| Refund of Contributions | 140,129 | 76,270 |
| Service Retirees | 434,960,608 | 424,051,244 |
| DROP Retirees ¹ | 40,489,868 | 46,624,008 |
| Beneficiaries | 5,742,077 | 5,855,535 |
| Terminated Vested | 6,724,949 | 6,200,977 |
| Disability Retirees | 42,011,501 | 42,470,495 |
| Annuity Savings ² | 65,975,171 | 99,658,059 |
| Total | 868,217,032 | 886,700,895 |

| | Total Plan | |
|--|---------------------------|-------------|
| | 10/1/2014 | 10/1/2013 |
| C. Liabilities - (Continued) | | |
| Present Value of Future Salaries | 455,464,730 | 459,829,768 |
| Normal Cost (Entry Age Normal) | | |
| Retirement Benefits | 7,224,262 | 7,153,104 |
| Disability Benefits | 821,217 | 814,080 |
| Death Benefits | 100,452 | 101,128 |
| Vested Benefits | 950,196 | 905,911 |
| Refund of Contributions | 8,037 | 8,556 |
| Total Normal Cost | 9,104,164 | 8,982,779 |
| Present Value of Future Normal Costs | 71,169,522 | 71,780,476 |
| Actuarial Accrued Liability | | |
| Retirement Benefits | 182,738,761 | 171,756,346 |
| Disability Benefits | 7,211,144 | 7,038,533 |
| Death Benefits | 1,769,836 | 1,742,486 |
| Vested Benefits | 9,347,500 | 9,496,899 |
| Refund of Contributions | 76,095 | 25,837 |
| Inactives ¹ | 529,929,003 | 525,202,259 |
| Annuity Savings | 65,975,171 | 99,658,059 |
| Total Actuarial Accrued Liability | 797,047,510 | 814,920,419 |
| Unfunded Actuarial Accrued Liability | 233,445,124 | 239,534,168 |
| D. Actuarial Present Value of Accrued Benefits | | |
| Vested Accrued Benefits | | |
| Inactives ¹ | 529,929,003 | 525,202,259 |
| Actives | 101,052,156 | 89,589,333 |
| Member Contributions [*] | 65,975,171 | 99,658,059 |
| Total | 696,956,330 | 714,449,651 |
| Non-vested Accrued Benefits | 45,025,346 | 45,478,494 |
| Total Present Value Accrued Benefits | 741,981,676 | 759,928,145 |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | |
| Plan Amendments | 0 | |
| Assumption Changes | 932,798 | |
| New Accrued Benefits | 25,752,386 | |
| Benefits Paid | (63,299,504) | |
| Interest | 58,262,271 | |
| Other | (39,594,420) [*] | |
| Total: | (17,946,469) | |

* 10/1/14 Excludes Annuity Savings Reserve to match Audit.

| | Total Plan | |
|---|--------------|-------------|
| | 10/1/2014 | 10/1/2013 |
| Valuation Date | 10/1/2014 | 10/1/2013 |
| Applicable to Fiscal Year Ending | 9/30/2016 | 9/30/2015 |
| E. Pension Cost | | |
| Normal Cost ¹ | \$10,023,509 | \$9,889,866 |
| % of Total Annual Payroll | 16.23 | 16.17 |
| Administrative Expense ² | 0.00 | 0.00 |
| % of Total Annual Payroll | | |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years ³ (as of 10/1/2014) | | |
| | 18,643,357 | 18,452,463 |
| % of Total Annual Payroll | 30.19 | 30.16 |
| Total Required Contribution | 28,666,866 | 28,342,329 |
| % of Total Annual Payroll | 46.42 | 46.33 |
| Expected Member Contributions | 2,189,403 | 2,229,590 |
| % of Total Annual Payroll | 3.55 | 3.64 |
| Expected City & Share Contribution | 26,477,463 | 26,112,739 |
| % of Total Annual Payroll | 42.87 | 42.69 |
| F. Past Contributions | | |
| Plan Years Ending: | 9/30/2014 | |
| Total Required Contribution | 27,818,225 | |
| City and Share Requirement | 26,231,130 | |
| Actual Contributions Made: | | |
| Members | 6,813,490 | |
| City | 25,769,253 | |
| Share Plan | 461,877 | |
| Total | 33,044,620 | |
| G. Net Actuarial Gain (Loss) | 8,160,689 | |

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances.

² Contributions developed as of 10/1/2014 are adjusted for 15 months of interest.

³ The Asset and Annuity Savings values include \$75,358 expected buy back contribution from Mr. Rodriguez.

II. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

| Year | Projected Unfunded Accrued Liability |
|------|---|
| 2014 | 233,445,124 |
| 2015 | 233,832,649 |
| 2016 | 233,611,096 |
| 2019 | 228,547,750 |
| 2029 | 188,866,533 |
| 2034 | 115,857,061 |
| 2044 | 0 |

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS
General Employees

General Employees

| | 10/1/2014 | 10/1/2013 |
|--------------------------------|--------------|--------------|
| A. Participant Data | | |
| Number Included | | |
| Actives | 578 | 609 |
| Service Retirees | 699 | 681 |
| DROP Retirees | 7 | 8 |
| Beneficiaries | 34 | 22 |
| Terminated Vested | 67 | 64 |
| Disability Retirees | 69 | 71 |
| Total | 1,454 | 1,455 |
| Total Annual Payroll | \$24,744,960 | \$24,537,377 |
| Payroll Under Assumed Ret. Age | 24,452,639 | 24,388,872 |
| Annual Rate of Payments to: | | |
| Service Retirees | 21,889,489 | 21,119,335 |
| DROP Retirees | 377,885 | 482,685 |
| Beneficiaries | 594,756 | 449,057 |
| Terminated Vested | 632,604 | 599,041 |
| Disability Retirees | 1,169,886 | 1,193,253 |

B. Liabilities

| | 10/1/2014 | 10/1/2013 |
|----------------------------------|-------------|-------------|
| Present Value of Benefits | | |
| Active Members | | |
| Retirement Benefits | 76,438,680 | 71,267,342 |
| Disability Benefits | 3,318,330 | 3,215,203 |
| Death Benefits | 739,897 | 722,717 |
| Vested Benefits | 6,847,956 | 6,839,133 |
| Refund of Contributions | 0 | 0 |
| Service Retirees | 217,774,969 | 213,025,357 |
| DROP Retirees ¹ | 5,197,549 | 8,313,286 |
| Beneficiaries | 3,568,465 | 3,285,240 |
| Terminated Vested | 4,253,935 | 4,155,158 |
| Disability Retirees | 8,810,596 | 8,985,528 |
| Annuity Savings ² | 23,192,080 | 35,032,537 |
| Total | 350,142,456 | 354,841,501 |

¹ Includes accumulated DROP balances.

B. Liabilities - (Continued)

| | 10/1/2014 | 10/1/2013 |
|---|-------------|-------------|
| Present Value of Future Salaries | 177,406,852 | 178,566,152 |
| Normal Cost (Entry Age Normal) | | |
| Retirement Benefits | 2,384,433 | 2,372,651 |
| Disability Benefits | 179,339 | 182,810 |
| Death Benefits | 27,516 | 27,943 |
| Vested Benefits | 361,296 | 348,768 |
| Refund of Contributions | 0 | 0 |
| Total Normal Cost | 2,952,584 | 2,932,170 |
| Present Value of Future Normal Costs | 22,876,114 | 22,991,311 |
| Actuarial Accrued Liability | | |
| Retirement Benefits | 58,144,698 | 52,871,141 |
| Disability Benefits | 2,019,541 | 1,883,825 |
| Death Benefits | 532,454 | 509,168 |
| Vested Benefits | 3,772,056 | 3,788,950 |
| Refund of Contributions | 0 | 0 |
| Inactives | 239,605,514 | 237,764,569 |
| ASF Member Contributions ² | 23,192,080 | 35,032,537 |
| Total Actuarial Accrued Liability | 327,266,342 | 331,850,190 |

² Last year we added the Annuity Savings Reserve (attributable to inactive Members) to the Assets and Liabilities. This year it is subtracted from both to match Audit.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS
Police Officers & Firefighters

Police Officers & Firefighters

| | 10/1/2014 | 10/1/2013 |
|--------------------------------|--------------|------------|
| A. Participant Data | | |
| Number Included | | |
| Actives | 513 | 504 |
| Service Retirees | 419 | 410 |
| DROP Retirees | 35 | 35 |
| Beneficiaries | 14 | 13 |
| Terminated Vested | 36 | 33 |
| Disability Retirees | 124 | 125 |
| Total | 1,141 | 1,120 |
| Total Annual Payroll | \$37,537,514 | 36,923,650 |
| Payroll Under Assumed Ret. Age | 37,298,428 | 36,783,230 |
| Annual Rate of Payments to: | | |
| Service Retirees | 20,615,578 | 19,844,678 |
| DROP Retirees | 2,536,077 | 2,528,262 |
| Beneficiaries | 325,573 | 401,468 |
| Terminated Vested | 493,058 | 412,961 |
| Disability Retirees | 4,294,058 | 4,250,305 |

B. Liabilities

| | 10/1/2014 | 10/1/2013 |
|----------------------------------|-------------|-------------|
| Present Value of Benefits | | |
| Active Members | | |
| Retirement Benefits | 162,551,959 | 157,457,252 |
| Disability Benefits | 10,202,270 | 10,220,601 |
| Death Benefits | 1,806,441 | 1,821,195 |
| Vested Benefits | 10,267,196 | 10,220,864 |
| Refund of Contributions | 140,129 | 76,270 |
| Service Retirees | 217,185,639 | 211,025,887 |
| DROP Retirees ¹ | 35,292,319 | 38,310,722 |
| Beneficiaries | 2,173,612 | 2,570,295 |
| Terminated Vested | 2,471,014 | 2,045,819 |
| Disability Retirees | 33,200,905 | 33,484,967 |
| Annuity Savings ² | 42,783,092 | 64,625,522 |
| Total | 518,074,576 | 531,859,394 |

¹ Includes accumulated DROP balances.

B. Liabilities - (Continued)

| | 10/1/2014 | 10/1/2013 |
|---|-------------|-------------|
| Present Value of Future Salaries | 278,057,878 | 281,263,616 |
| Normal Cost (Entry Age Normal) | | |
| Retirement Benefits | 4,839,829 | 4,780,453 |
| Disability Benefits | 641,878 | 631,270 |
| Death Benefits | 72,936 | 73,187 |
| Vested Benefits | 588,900 | 557,143 |
| Refund of Contributions | 8,037 | 8,556 |
| Total Normal Cost | 6,151,580 | 6,050,609 |
| Present Value of Future Normal Costs | 48,293,408 | 48,789,165 |
| Actuarial Accrued Liability | | |
| Retirement Benefits | 124,594,063 | 118,885,205 |
| Disability Benefits | 5,191,603 | 5,154,708 |
| Death Benefits | 1,237,382 | 1,233,318 |
| Vested Benefits | 5,575,444 | 5,707,949 |
| Refund of Contributions | 76,095 | 25,837 |
| Inactives | 290,323,489 | 287,437,690 |
| ASF Member Contributions ² | 42,783,092 | 64,625,522 |
| Total Actuarial Accrued Liability | 469,781,168 | 483,070,229 |

² Last year we added the Annuity Savings Reserve (attributable to inactive Members) to the Assets and Liabilities. This year it is subtracted from both to match Audit.

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes.

Bradley R. Heinrich, FSA, EA, MAAA
Enrolled Actuary #A-6901

Please let us know when the report is approved by the Board and unless otherwise directed we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

Mr. Keith Brinkman
Bureau of Local Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

Ms. Sarah Carr
Municipal Police and Fire Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

Table with 2 columns: Description and Amount. Rows include Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2013, Expected UAAL as of October 1, 2014, New UAAL Due to Assumption Change, New UAAL Due to Actuarial (Gain)/Loss, and Total UAAL as of October 1, 2014.

Table with 5 columns: Description, Date Established, Years Remaining, 10/1/2014 Amount, and Amortization Amount. Rows list various actuarial adjustments from 1993 to 2014, including Experience Loss/Gain and Assumption Change.

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

Table with 3 columns: Description, Amount, and Approximate Impact On Funding Requirements (% of Payroll). Rows include Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2013, Expected UAAL as of October 1, 2014, and a detailed breakdown of actuarial gains/losses by component.

1 The actual return on the Market Value of Assets was 9.9% versus an expected 8.0%. This gain will be recognized over a 5 year period. The return on the Actuarial Value of Assets considers the gains and losses realized over the last 5 years. This return on the Actuarial Value of Assets was 10.9% and exceeded the 8.0% assumed rate.
2 This loss is partially attributable to Members buying time to reach Normal Retirement as well as the fact that more Members retired earlier than expected during the past year. There were also less non-Retirement terminations than expected this year.
3 Actual interest credited to employee contributions versus an assumed return of 8.0%.

ACTUARIAL ASSET VALUATION
September 30, 2014

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Table with 7 columns: Plan Year Ending, Gain/(Loss), and four columns for Gains/(Losses) Not Yet Recognized (2014, 2015, 2016, 2017, 2018). Rows include Development of Investment Gain/(Loss) and 2014 Actuarial Investment Gain/(Loss).

*Expected Investment Earnings = 0.08 * 608,462,135 + (7,088,216 + 461,877) * ((1.08)^5 - 1) + (1,587,095 + 1,182,367 + 4,064,028) * ((1.08)^5 - 1) - 63,299,504 * ((1.08)^5 - 1)

Table with 2 columns: Description and Amount. Rows include Development of Actuarial Value of Assets, (A) 09/30/2013 Actuarial Assets, including DROP, (I) Net Investment Income, (B) 09/30/2014 Actuarial Assets, including DROP, Actuarial Asset Rate of Return, and Market Value of Assets Rate of Return.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
SEPTEMBER 30, 2014
Actuarial Asset Basis

HISTORICAL ASSET INFORMATION

| REVENUES | | |
|---|------------|-------------|
| Contributions: | | |
| Member to Pension Reserve | 1,587,095 | |
| Buy-Back | 1,182,367 | |
| City | 25,769,253 | |
| Member to Annuity Savings | 4,064,028 | |
| State | 461,877 | |
| Total Contributions | | 33,064,620 |
| EXPENDITURES | | |
| Distributions to Members: | | |
| Benefit Payments | 49,111,639 | |
| Lump Sum DROP Distributions | 7,042,727 | |
| Refunds of Member Contributions | 7,145,138 | |
| Total Distributions | | 63,299,504 |
| Expenses: | | |
| Investment Related ¹ | 1,336,926 | |
| Administrative | 0 | |
| Total Expenses | | 1,336,926 |
| Change in Net Assets for the Year | | 26,821,342 |
| Net Assets Beginning of the Year | | 536,705,686 |
| Net Assets End of the Year² | | 563,527,028 |

| Plan Year | Market Value as of Beg. October 1 | Actuarial Value as of October 1 | Benefit Payments Including Refunds | Admin. Expenses | City and Member Contributions | Market Value Return | Actuarial Value Return | 5-Yr Avg Market Value Return ¹ |
|-------------------|-----------------------------------|---------------------------------|------------------------------------|-----------------|-------------------------------|---------------------|------------------------|---|
| 2002 | 402,138,764 | 452,978,637 | 34,633,468 | 0 | 13,166,091 | 14.92% | 1.87% | 5.88% |
| 2003 | 439,086,771 | 439,793,566 | 38,269,509 | 0 | 15,762,562 | 10.26% | 5.84% | 5.44% |
| 2004 | 460,467,837 | 442,293,992 | 37,862,782 | 0 | 20,143,384 | 9.54% | 8.66% | 4.70% |
| 2005 | 485,852,494 | 462,096,761 | 39,774,335 | 0 | 21,394,652 | 7.39% | 12.54% | 7.39% |
| 2006 | 502,694,862 | 500,501,443 | 42,212,123 | 0 | 20,361,974 | 11.97% | 9.02% | 10.82% |
| 2007 | 539,707,290 | 522,796,029 | 46,565,110 | 0 | 24,238,313 | -11.29% | 5.01% | 5.57% |
| 2008 | 457,700,275 | 526,091,435 | 42,228,083 | 0 | 26,212,878 | 4.12% | 4.22% | 4.35% |
| 2009 | 460,192,910 | 531,939,481 | 58,831,319 | 0 | 26,378,462 | 10.55% | 4.14% | 4.55% |
| 2010 | 474,586,014 | 520,812,767 | 52,358,388 | 0 | 28,774,094 | 1.55% | 2.85% | 3.38% |
| 2011 | 458,164,049 | 511,757,155 | 53,688,160 | 0 | 30,692,390 | 18.60% | 3.69% | 4.71% |
| 2012 | 518,259,961 | 507,232,353 | 55,971,498 | 0 | 30,615,200 | 12.64% | 8.80% | 9.49% |
| 2013 ³ | 608,462,135 | 575,310,893 | 63,299,504 | 0 | 32,602,743 | 9.89% | 10.94% | 10.65% |
| 2014 ³ | 598,324,146 | 563,527,028 | | | | | | |

¹ Credited rate of return on accumulated member contributions and DROP accounts for ensuing plan year.
² 10/1/13 assets include DROP and ARF Reserves.
³ 10/1/14 assets include DROP, but not ARF Reserve.

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.
²Net Assets may be limited for actuarial consideration.

Age - Service - Salary Table
(All Active Members)

| Age | Credited Service | | | | | | | | | | Total |
|----------|------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | <1 | 1 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 - 34 | 35+ | | |
| <25 | 13 | 13 | 3 | | | | | | | | 38 |
| Avg. Pay | \$41,078 | \$37,415 | \$32,591 | | | | | | | | \$38,771 |
| 25 - 29 | 20 | 41 | 48 | 1 | | | | | | | 110 |
| Avg. Pay | \$33,942 | \$36,826 | \$49,171 | \$61,065 | | | | | | | \$41,909 |
| 30 - 34 | 4 | 19 | 68 | 42 | | | | | | | 133 |
| Avg. Pay | \$29,606 | \$40,144 | \$48,600 | \$54,249 | | | | | | | \$48,605 |
| 35 - 39 | 2 | 6 | 37 | 77 | 32 | | | | | | 154 |
| Avg. Pay | \$24,648 | \$37,583 | \$52,214 | \$62,587 | \$62,874 | | | | | | \$58,687 |
| 40 - 44 | 2 | 11 | 46 | 55 | 83 | 16 | | | | | 213 |
| Avg. Pay | \$42,926 | \$33,495 | \$48,541 | \$65,992 | \$69,108 | \$81,024 | | | | | \$62,672 |
| 45 - 49 | 4 | 33 | 46 | 40 | 40 | | | | | | 163 |
| Avg. Pay | \$18,462 | \$42,649 | \$52,241 | \$70,856 | \$84,458 | | | | | | \$61,944 |
| 50 - 54 | 3 | 13 | 32 | 42 | 37 | 28 | 5 | 1 | | | 161 |
| Avg. Pay | \$25,289 | \$26,680 | \$41,668 | \$46,834 | \$62,373 | \$80,551 | \$89,273 | \$84,192 | | | \$54,783 |
| 55 - 59 | 4 | 13 | 15 | 20 | 4 | 4 | | | | | 60 |
| Avg. Pay | \$41,457 | \$34,356 | \$45,267 | \$50,538 | \$76,501 | \$72,876 | | | | | \$48,329 |
| 60 - 64 | 4 | 11 | 14 | 8 | 4 | | | | | | 42 |
| Avg. Pay | \$20,463 | \$29,611 | \$40,559 | \$52,351 | \$74,437 | | | | | | \$42,066 |
| 65 - 69 | 1 | 8 | 5 | 4 | 2 | | | | | | 21 |
| Avg. Pay | \$5,691 | \$33,387 | \$40,692 | \$68,145 | \$50,716 | | | | | | \$72,413 |
| 70+ | | 2 | 3 | 1 | | | | | | | 6 |
| Avg. Pay | | \$6,194 | \$43,737 | \$48,002 | | | | | | | \$31,914 |
| Total | 44 | 116 | 300 | 300 | 225 | 94 | 9 | 2 | 1 | 1091 | |
| | \$35,052 | \$34,715 | \$45,625 | \$55,800 | \$65,067 | \$81,227 | \$81,986 | \$79,303 | \$72,413 | \$54,300 | |

ACTIVE DATA
(General Employees)

| Historical Average Age & Service | | | | | |
|----------------------------------|------------------------|----------------------|----------------|------------------------|----------------------|
| Valuation Date | Average Service Earned | Average Attained Age | Valuation Date | Average Service Earned | Average Attained Age |
| 10/1/2003 | 8.7 | 42.8 | 10/1/2009 | 10.8 | 45.6 |
| 10/1/2004 | 8.6 | 43.2 | 10/1/2010 | 10.6 | 45.0 |
| 10/1/2005 | 9.0 | 43.9 | 10/1/2011 | 10.9 | 44.9 |
| 10/1/2006 | 9.9 | 44.6 | 10/1/2012 | 11.3 | 45.0 |
| 10/1/2007 | 10.1 | 45.0 | 10/1/2013 | 9.8 | 45.5 |
| 10/1/2008 | 10.3 | 45.6 | 10/1/2014 | 10.4 | 45.8 |

| Historical Individual Salary Increases | | | | | | |
|--|----------------|------------------------|----------------|----------------|------------------------|-------------------------|
| Valuation Date | Average Salary | Actual Salary Increase | Valuation Date | Average Salary | Actual Salary Increase | Assumed Salary Increase |
| 10/1/2003 | 33,659 | 4.31% | 10/1/2009 | 42,393 | 8.58% | 6.38% |
| 10/1/2004 | 33,331 | 4.05% | 10/1/2010 | 42,405 | 3.43% | 6.39% |
| 10/1/2005 | 36,144 | 12.91% | 10/1/2011 | 37,130 | -8.53% | 6.42% |
| 10/1/2006 | 34,069 | 6.19% | 10/1/2012 | 36,908 | 6.29% | 6.39% |
| 10/1/2007 | 37,639 | 10.52% | 10/1/2013 | 40,260 | 11.74% | 9.50% |
| 10/1/2008 | 40,044 | 8.37% | 10/1/2014 | 40,731 | 1.81% | 0.00% |

Age - Service - Salary Table
(General Employees)

| Age | Credited Service | | | | | | | | | | Total |
|----------|------------------|----------|----------|----------|----------|----------|----------|-------|-----|--|----------|
| | <1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35+ | | |
| <25 | 2 | 5 | 2 | | | | | | | | 9 |
| Avg. Pay | \$29,952 | \$28,468 | \$32,591 | | | | | | | | \$29,714 |
| 25-29 | 11 | 21 | 14 | | | | | | | | 46 |
| Avg. Pay | \$26,404 | \$28,306 | \$34,670 | | | | | | | | \$29,788 |
| 30-34 | 3 | 9 | 32 | 20 | | | | | | | 63 |
| Avg. Pay | \$25,046 | \$31,692 | \$34,476 | \$37,840 | | | | | | | \$34,741 |
| 35-39 | 2 | 4 | 13 | 29 | 17 | | | | | | 63 |
| Avg. Pay | \$24,648 | \$31,212 | \$35,318 | \$47,917 | \$48,508 | | | | | | \$43,808 |
| 40-44 | | 9 | 27 | 13 | 36 | 4 | | | | | 89 |
| Avg. Pay | | \$31,039 | \$38,276 | \$47,389 | \$54,288 | \$49,566 | | | | | \$45,859 |
| 45-49 | | 4 | 23 | 29 | 13 | 11 | | | | | 80 |
| Avg. Pay | | \$18,463 | \$34,585 | \$42,000 | \$49,329 | \$59,691 | | | | | \$42,315 |
| 50-54 | 3 | 13 | 29 | 35 | 23 | 6 | 1 | | | | 110 |
| Avg. Pay | \$25,289 | \$26,680 | \$39,462 | \$42,166 | \$51,950 | \$63,659 | \$60,336 | | | | \$42,546 |
| 55-59 | 4 | 13 | 14 | 14 | 18 | 1 | 2 | | | | 52 |
| Avg. Pay | \$41,457 | \$34,356 | \$43,695 | \$45,304 | \$64,054 | \$54,639 | | | | | \$42,558 |
| 60-64 | 4 | 11 | 14 | | | 1 | | | | | 18 |
| Avg. Pay | \$20,463 | \$29,611 | \$40,559 | \$52,351 | \$72,677 | | | | | | \$38,602 |
| 65-69 | | 1 | 8 | 5 | 4 | 2 | | | | | 20 |
| Avg. Pay | | \$5,691 | \$33,387 | \$40,692 | \$68,145 | \$50,736 | | | | | \$42,515 |
| 70+ | | | 2 | | 1 | | | | | | 6 |
| Avg. Pay | | | \$6,134 | \$43,737 | \$48,002 | | | | | | \$31,914 |
| Total | 21 | 73 | 174 | 162 | 120 | 25 | 3 | | | | 578 |
| | \$26,222 | \$28,337 | \$35,276 | \$43,028 | \$51,416 | \$59,001 | \$56,238 | | | | \$40,731 |

ACTIVE DATA
(Police Officers & Firefighters)

| Historical Average Age & Service | | | | | |
|----------------------------------|------------------------|----------------------|----------------|------------------------|----------------------|
| Valuation Date | Average Service Earned | Average Attained Age | Valuation Date | Average Service Earned | Average Attained Age |
| 10/1/2003 | 10.7 | 37.0 | 10/1/2009 | 11.0 | 38.8 |
| 10/1/2004 | 10.2 | 37.0 | 10/1/2010 | 11.2 | 39.1 |
| 10/1/2005 | 10.0 | 36.7 | 10/1/2011 | 11.2 | 39.2 |
| 10/1/2006 | 10.3 | 37.7 | 10/1/2012 | 12.0 | 39.5 |
| 10/1/2007 | 9.8 | 37.3 | 10/1/2013 | 11.9 | 39.9 |
| 10/1/2008 | 10.6 | 38.3 | 10/1/2014 | 12.0 | 39.9 |

| Historical Individual Salary Increases | | | | | |
|--|----------------|------------------------|----------------|----------------|------------------------|
| Valuation Date | Average Salary | Actual Salary Increase | Valuation Date | Average Salary | Actual Salary Increase |
| 10/1/2003 | 52,484 | 6.05% | 10/1/2009 | 62,564 | 7.09% |
| 10/1/2004 | 50,526 | 3.47% | 10/1/2010 | 64,725 | 5.32% |
| 10/1/2005 | 52,680 | 11.42% | 10/1/2011 | 63,757 | 1.38% |
| 10/1/2006 | 52,203 | 9.33% | 10/1/2012 | 69,104 | 2.36% |
| 10/1/2007 | 54,530 | 11.26% | 10/1/2013 | 69,666 | 1.98% |
| 10/1/2008 | 60,048 | 8.50% | 10/1/2014 | 69,589 | 2.25% |

Age - Service - Salary Table
(Police Officers and Firefighters)

| Age | Credited Service | | | | | | | | | | Total |
|----------|------------------|----------|----------|----------|----------|----------|----------|----------|----------|--|----------|
| | <1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35+ | | |
| <25 | 11 | 8 | | | | | | | | | 19 |
| Avg. Pay | \$43,101 | \$43,007 | | | | | | | | | \$43,061 |
| 25-29 | 9 | 20 | 34 | 1 | | | | | | | 64 |
| Avg. Pay | \$43,154 | \$45,772 | \$55,143 | \$61,065 | | | | | | | \$50,621 |
| 30-34 | 1 | 11 | 36 | 22 | | | | | | | 70 |
| Avg. Pay | \$43,286 | \$46,290 | \$61,155 | \$69,165 | | | | | | | \$61,081 |
| 35-39 | | 2 | 24 | 48 | 15 | | | | | | 89 |
| Avg. Pay | | \$50,325 | \$61,166 | \$71,450 | \$79,154 | | | | | | \$69,554 |
| 40-44 | 2 | 19 | 42 | 17 | 13 | | | | | | 124 |
| Avg. Pay | \$42,926 | \$44,351 | \$63,129 | \$71,751 | \$80,469 | \$91,509 | | | | | \$74,739 |
| 45-49 | | 10 | 17 | 27 | 29 | | | | | | 83 |
| Avg. Pay | | \$61,196 | \$69,710 | \$81,220 | \$93,852 | | | | | | \$80,864 |
| 50-54 | | 3 | 7 | 14 | 22 | 4 | 1 | | | | 51 |
| Avg. Pay | | \$62,994 | \$70,173 | \$79,497 | \$85,158 | \$96,507 | \$84,192 | | | | \$81,114 |
| 55-59 | | | 1 | 2 | 3 | 2 | | | | | 8 |
| Avg. Pay | | | \$67,273 | \$97,649 | \$80,650 | \$91,114 | | | | | \$85,844 |
| 60-64 | | | | 3 | | | 1 | | | | 4 |
| Avg. Pay | | | | \$75,023 | | | \$74,814 | | | | \$74,971 |
| 65-69 | | | | | | | | 1 | | | 1 |
| Avg. Pay | | | | | | | | \$72,413 | | | \$72,413 |
| 70+ | | | | | | | | | | | |
| Avg. Pay | | | | | | | | | | | |
| Total | 23 | 43 | 126 | 138 | 105 | 69 | 6 | 2 | 1 | | 513 |
| | \$43,114 | \$45,545 | \$59,918 | \$70,793 | \$80,668 | \$89,280 | \$94,710 | \$79,503 | \$72,413 | | \$69,589 |

DATA RECONCILIATION
(Total Plan)

| | Active | Retired | DROP | Beneficiary | Vested | Disabled | Totals |
|------------------------|--------|---------|------|-------------|--------|----------|--------|
| Prior Year | 1,113 | 1,091 | 43 | 35 | 98 | 196 | 2,576 |
| Active | | | | | | | |
| To Retire | (38) | 38 | | | | | |
| To DROP Retire | (1) | | 1 | | | | |
| To Vested | (10) | | | | 10 | | |
| To Disabled Retire | (1) | | | | | 1 | |
| To Beneficiary | (3) | | | 3 | | | |
| To NonVested Term | (20) | | | | | | (20) |
| Retire | | | | | | | |
| To Death (No Benefits) | | (18) | | | | | (18) |
| To Beneficiary | | (3) | | 3 | | | |
| DROP Retire | | | | | | | |
| To Retire | | 2 | (2) | | | | |
| Beneficiary | | | | | | | |
| To Death (No Benefits) | | | | (4) | | | (4) |
| Vested | | | | | | | |
| To Retire | | 7 | | | (7) | | |
| Disabled Retire | | | | | | | |
| To Death (No Benefits) | | | | | | (3) | (3) |
| To Beneficiary | | | | 2 | | (2) | |
| NonVested Term | | | | | | | |
| To Active | 2 | | | | | | 2 |
| To Vested | | | | | 2 | | 2 |
| Additions | 49 | 1 | | 9 | | 1 | 60 |
| Current Year | 1,091 | 1,118 | 42 | 48 | 103 | 193 | 2,595 |

**DATA RECONCILIATION
(General Employees)**

| | Active | Retiree | DROP | Beneficiary | Vested | Disabled | Totals |
|-----------------------------|--------|---------|------|-------------|--------|----------|--------|
| Prior Year | 609 | 681 | 8 | 22 | 65 | 71 | 1,456 |
| Active | | | | | | | 0 |
| To Retiree | (25) | 25 | | | | | 0 |
| To TV | (7) | | | | 7 | | 0 |
| To Beneficiary | (3) | | | 3 | | | 0 |
| To NonVested Term | (18) | | | | | | (18) |
| Retiree | | | | | | | 0 |
| To Death (No Benefits) | | (13) | | | | | (13) |
| To Beneficiary | | (2) | | 2 | | | 0 |
| DROP Retiree | | | | | | | 0 |
| To Retiree | | 1 | (1) | | | | 0 |
| Beneficiary | | | | | | | 0 |
| To Death | | | | (2) | | | (2) |
| TV | | | | | | | 0 |
| To Retiree | | 5 | | | (5) | | 0 |
| Disabled Retiree | | | | | | | 0 |
| To Death (No Benefits) | | | | | | (2) | (2) |
| To Beneficiary | | | | 1 | | (1) | 0 |
| Additions | 23 | 2 | 0 | 8 | 0 | 1 | 34 |
| Departures to Police & Fire | (1) | 0 | 0 | 0 | 0 | 0 | (1) |
| Current Year | 578 | 699 | 7 | 34 | 67 | 69 | 1,454 |

**DATA RECONCILIATION
(Police Officers & Firefighters)**

| | Active | Retiree | DROP | Beneficiary | Vested | Disabled | Totals |
|------------------------|--------|---------|------|-------------|--------|----------|--------|
| Prior Year | 504 | 410 | 35 | 13 | 33 | 125 | 1,120 |
| Active | | | | | | | 0 |
| To Retiree | (13) | 13 | | | | | 0 |
| To DROP Retiree | (1) | | 1 | | | | 0 |
| To Vested | (3) | | | | | 3 | 0 |
| To Disabled Retiree | (1) | | | | | | 0 |
| To NonVested Term | (2) | | | | | | (2) |
| Retiree | | | | | | | 0 |
| To Death (No Benefits) | | (5) | | | | | (5) |
| To Beneficiary | | (1) | | 1 | | | 0 |
| DROP Retiree | | | | | | | 0 |
| To Retiree | | 1 | (1) | | | | 0 |
| Beneficiary | | | | | | | 0 |
| To Death (No Benefits) | | | | (2) | | | (2) |
| Vested | | | | | | | 0 |
| To Retiree | | 1 | | | | (1) | 0 |
| Disabled Retiree | | | | | | | 0 |
| To Death (No Benefits) | | | | | | (1) | (1) |
| To Beneficiary | | | | 1 | | (1) | 0 |
| NonVested Term | | | | | | | 0 |
| To Active | 2 | | | | | | 2 |
| To Vested | | | | | 2 | | 2 |
| Additions | 27 | 0 | 0 | 1 | 0 | 0 | 28 |
| Departures To General | 0 | 0 | 0 | 0 | (1) | 0 | (1) |
| Current Year | 513 | 419 | 35 | 14 | 36 | 124 | 1,141 |

ACTUARIAL ASSUMPTIONS AND METHODS

1. Actuarial Cost Method

The entry age normal cost method was used to determine all liabilities, except that the liability associated with member contributions has been assumed to be equal to those contributions.

Prior to October 1, 1998, fiscal year City contributions made in excess of required valuation year contributions were credited to the temporary funding credit.

Beginning October 1, 1998, fiscal year contributions made in excess of required valuation year contributions are included in the experience gain or loss for the year. Experience gains and losses are amortized over a 15-year period.

Beginning October 1, 2007, the method of amortizing experience gains and losses of the System was changed from a 15-year to a 30-year level dollar method. The amortization amounts for outstanding gain and loss bases as of October 1, 2007 were recalculated to extend the amortization period an additional 15 years (for a total of 30 years).

Beginning October 1, 2008, the method of amortizing all outstanding unfunded liability bases was changed from a level dollar method to an increasing amortization based on a level percent of payroll. The aggregate payroll is assumed to increase at 4.0% per year, limited to average payroll growth for the previous 10 years.

Beginning October 1, 2011, the method of amortizing all outstanding unfunded liability bases was changed to an increasing amortization based on a level percent of payroll where the aggregate payroll is assumed to increase at 3.5% per year.

2. Decrements

• Pre-Retirement Mortality

RP-2000 Combined Mortality Table with a blue collar adjustment projected 15 years from valuation date.

• Post-Retirement Healthy Mortality

RP-2000 Combined Mortality Table with a blue collar adjustment projected 7 years from valuation date.

• Post-Retirement Disabled Mortality

RP-2000 Disabled Mortality Table

• Disability (General Employees)

Representative values of the assumed annual rates of disability among General employee members in active service are set forth in the following table:

| Age | Rate | Age | Rate | Age | Rate | Age | Rate |
|-----|--------|-----|--------|-----|--------|-----|--------|
| 20 | 0.024% | 35 | 0.104% | 50 | 0.360% | 65 | 0.784% |
| 25 | 0.040% | 40 | 0.152% | 55 | 0.608% | 70 | 0.688% |
| 30 | 0.056% | 45 | 0.224% | 60 | 0.880% | 75 | 0.592% |

• Disability (Police Officers and Firefighters)

85% of all disabilities are assumed to be in the line of duty and 15% are assumed not to be in the line of duty. Representative values of the assumed annual rates of disability among Police Officer and Firefighter members in active service are set forth in the following table:

| Age | Rate | Age | Rate | Age | Rate | Age | Rate |
|-----|--------|-----|--------|-----|--------|-----|--------|
| 20 | 0.096% | 35 | 0.248% | 50 | 0.896% | 65 | 2.192% |
| 25 | 0.120% | 40 | 0.384% | 55 | 1.328% | 70 | 2.624% |
| 30 | 0.152% | 45 | 0.584% | 60 | 1.760% | 75 | 3.056% |

• Permanent Withdrawal from Active Status (used for members with less than six years of service)

Representative values of the assumed annual rates of withdrawal among members in active service who have less than six years of service are set forth in the following tables:

| General Employees | | Police Officers | | Firefighters | |
|-------------------|-------|------------------|-------|------------------|-------|
| Years of Service | Rate | Years of Service | Rate | Years of Service | Rate |
| 0 | 12.5% | 0 | 12.0% | 0 | 12.5% |
| 1 | 12.5% | 1 | 12.0% | 1 | 9.5% |
| 2 | 7.5% | 2 | 9.0% | 2 | 5.0% |
| 3 | 7.5% | 3 | 7.5% | 3 | 4.0% |
| 4 | 7.5% | 4 | 6.0% | 4 | 3.0% |
| 5 | 7.5% | 5 | 5.0% | 5 | 2.5% |

• Permanent Withdrawal from Active Status (used for members with at least six years of service)

Representative values of the assumed annual rates of withdrawal among members in active service who have at least six years of service are set forth in the following tables:

| General Employees | | Police Officers | | Firefighters | |
|-------------------|------|-----------------|------|--------------|------|
| Age | Rate | Age | Rate | Age | Rate |
| 25 | 5.0% | 25 | 5.0% | 25 | 2.0% |
| 30 | 5.0% | 30 | 4.5% | 30 | 2.0% |
| 35 | 5.0% | 35 | 4.0% | 35 | 2.0% |
| 40 | 5.0% | 40 | 4.0% | 40 | 2.0% |
| 45 | 5.0% | 45 | 4.0% | 45 | 2.0% |
| 50 | 5.0% | 50 | 1.0% | 50 | 1.0% |
| 55 | 3.0% | 55 | 1.0% | 55 | 1.0% |
| 60 | 2.0% | 60 | 1.0% | 60 | 1.0% |

Retirement (General Employees)

Representative values of the assumed annual rates of retirement among eligible General Employee members are shown in the tables below:

a) General Employees with less than 25 years of eligible service:

| Age | Rate | Age | Rate | Age | Rate | Age | Rate |
|-----|------|-----|------|-----|------|-----|------|
| 45 | 0% | 52 | 5% | 59 | 15% | 66 | 25% |
| 46 | 0% | 53 | 5% | 60 | 15% | 67 | 35% |
| 47 | 0% | 54 | 5% | 61 | 5% | 68 | 45% |
| 48 | 0% | 55 | 15% | 62 | 15% | 69 | 85% |
| 49 | 0% | 56 | 15% | 63 | 5% | 70 | 100% |
| 50 | 10% | 57 | 15% | 64 | 5% | | |
| 51 | 5% | 58 | 15% | 65 | 75% | | |

b) General Employees with 25 years of eligible service:

| Age | Rate | Age | Rate | Age | Rate | Age | Rate |
|-----|------|-----|------|-----|------|-----|------|
| 45 | 0% | 52 | 30% | 59 | 40% | 66 | 50% |
| 46 | 0% | 53 | 30% | 60 | 40% | 67 | 60% |
| 47 | 0% | 54 | 30% | 61 | 40% | 68 | 70% |
| 48 | 0% | 55 | 40% | 62 | 50% | 69 | 80% |
| 49 | 0% | 56 | 40% | 63 | 30% | 70 | 100% |
| 50 | 50% | 57 | 40% | 64 | 30% | | |
| 51 | 30% | 58 | 40% | 65 | 80% | | |

c) General Employees with more than 25 years of eligible service:

| Age | Rate | Age | Rate | Age | Rate | Age | Rate |
|-----|------|-----|------|-----|------|-----|------|
| 45 | 0% | 52 | 10% | 59 | 20% | 66 | 30% |
| 46 | 0% | 53 | 10% | 60 | 20% | 67 | 40% |
| 47 | 0% | 54 | 10% | 61 | 10% | 68 | 50% |
| 48 | 0% | 55 | 20% | 62 | 20% | 69 | 90% |
| 49 | 0% | 56 | 20% | 63 | 10% | 70 | 100% |
| 50 | 15% | 57 | 20% | 64 | 10% | | |
| 51 | 10% | 58 | 20% | 65 | 80% | | |

Retirement (Police Officers and Firefighters)

Representative values of the assumed annual rates of retirement among eligible Police Officer and Firefighter members are shown in the table below:

| Service | Age < 65 | | Age ≥ 65 |
|---------|-----------------|--------------|----------|
| | Police Officers | Firefighters | |
| 15 | 0% | 0% | 100% |
| 15-19 | 5% | 2.5% | 100% |
| 20 | 2.5% | 20% | 100% |
| 21-24 | 10% | 10% | 100% |
| 25 | 50% | 40% | 100% |
| 26 | 30% | 30% | 100% |
| 27 | 40% | 40% | 100% |
| 28 | 50% | 45% | 100% |
| 29 | 60% | 50% | 100% |
| 30+ | 100% | 100% | 100% |

3. Interest Rates

8.00% per annum net of investment related expenses.

4a. Salary Increases (General Employees)

Representative values of the assumed annual rates of increase in salaries for General employees are shown in the table below:

| Age | Rate | Age | Rate | Age | Rate | Age | Rate |
|-----|------|-----|------|-----|------|-----|------|
| 20 | 9.0% | 35 | 6.0% | 50 | 4.0% | 65 | 4.0% |
| 25 | 8.0% | 40 | 5.0% | 55 | 4.0% | 70 | 4.0% |
| 30 | 7.0% | 45 | 4.5% | 60 | 4.0% | 75 | 4.0% |

A 5.0% and 9.5% salary increase is assumed as of October 1, 2011 and October 1, 2012 respectively. These increases reflect the restoration of a 17% pay concession that occurred on March 21, 2011 (with pay being restored to pre-concession levels on April 1, 2012) as well as the cessation of mandatory furlough days (1 in every 10 days ending on March 20, 2011). Other than the restoration of the above concessions, no salary increases for fiscal 2012 through 2014 are assumed. Beginning with fiscal 2015, pay is assumed to increase at the rates provided in the table above.

4b. Salary Increases (Police Officers and Firefighters)

Representative values of the assumed annual rates of increase in salaries for Police Officers and Firefighters are shown in the table below:

| Service | Police Officers | Firefighters |
|---------|-----------------|--------------|
| 0 | 9.0% | 9.0% |
| 1 | 8.5% | 8.5% |
| 2 | 8.0% | 8.0% |
| 3 | 7.5% | 7.5% |
| 4 | 7.0% | 7.0% |
| 5 | 6.5% | 6.5% |
| 6-9 | 6.0% | 6.0% |
| 10 | 6.0% | 5.0% |
| 11 | 5.0% | 4.5% |
| 12-22 | 4.0% | 4.0% |
| 23+ | 4.0% | 3.0% |

The pay scale for the Police Officer and Firefighters also reflects short term salary freezes through the end of fiscal 2013.

5. Expenses

Annual administrative expenses, exclusive of investment expenses and commissions, are assumed to be payable by the City outside of the pension trust. In addition, the interest rate set forth in item 3. above is assumed to be net of investment expenses and commissions.

6. Assets

The actuarial value of assets (AVA) is equal to the market value of assets adjusted to reflect a five year phase-in of the difference between the expected versus actual return on the AVA. The AVA is limited to an 80%-120% corridor of the market value of assets.

7. Funding Period (Pursuant to Chapter 112, Florida Statutes)

The annual payment towards the unfunded actuarial accrued liability has been determined as a level percent of pay. The aggregate payroll is assumed to increase at 3.5% per year as approved by the Division of Retirement.

8. Refund of Member Contributions

It is assumed that all members take a refund of their accumulated employee contributions upon retiring from the System.

9. Changes From Previous Valuation

See Changes Page.

* Please note that we (Foster & Foster, Inc.) are using the assumptions adopted by the Board as guided by the prior actuary and don't have the necessary data to assess the reasonableness of the assumptions.

SUMMARY OF PLAN PROVISIONS

For Police Officers hired on or after March 14, 2014, the Basic Pension is eliminated and the Service Pension minimum Age plus Service is changed from 70 points to 76 points to receive the Normal (full) Retirement Benefit and DROP eligibility. Additionally, the Vested or Deferred Benefits payable for these Members is payable at age 59 ½. Lastly, the automatic Cost of Living Adjustments for these Members is reduced from 2.0% per year to 1.0% per year.

For Firefighters hired on or after November 15, 2013, the Basic Pension is eliminated and the Service Pension minimum Age plus Service is changed from 70 points to 76 points to receive the Normal (full) Retirement Benefit and DROP eligibility. Additionally, the Vested or Deferred Benefits payable for these Members is payable at age 59 ½. Lastly, the automatic Cost of Living Adjustments for these Members is reduced from 2.0% per year to 1.0% per year.

1. Retirement Allowance

The Member's Retirement Allowance is equal to the sum of the following:

- An Annuity, which is the actuarial equivalent of his Accumulated Member Contributions;
- A Basic Pension, which is equal to \$1,800 (for those Members who have attained their Normal Retirement Age) or \$2,800 (for all other Members); and
- A Service Pension, which is equal to 3% of Final Average Compensation multiplied by service up to 25 years (for those Members who have at least 20 years of service and whose age plus service equals at least 70) or 2% of Final Average Compensation multiplied by service up to 30 years (for all other Members).
- An additional benefit equal to 1.5% of Average Final Compensation for each year of Credited Service that exceeds 25 years, up to a maximum additional benefit of 4.5% of Average Final Compensation. It is assumed that this benefit applies only to Normal Retirees (full benefits) and not to Vested or Deferred Retirees who get the 2.0% benefit accrual rate up to 30 years of service.

2. Normal Retirement Age and Allowance

- Age**
 - Age 50 upon attainment of 10 years of service or any age upon attainment of 20 years of service (for those Members hired prior to January 27, 1970);
 - Age 55 upon attainment of 15 years of service or any age upon attainment of 20 years of service (for those Members hired after January 26, 1970 but prior to January 1, 1974); or
 - Any age with age plus service equal to at least 70 and with at least 20 years of service (for all other Members)
- Amount**
 - Retirement Allowance
 - Form of Payment (applicable to the Annuity only)**
 - Life annuity (normal form of payment); or
 - Lump sum payment equal to Accumulated Member Contributions (optional).
 - Form of Payment (applicable to the Basic and Service Pensions only)**
 - Five-year certain and life annuity for General employees, and ten-year certain and life annuity for Firefighters and Police Officers (normal form of payment);
 - Normal form of payment actuarially adjusted to benefit payable during lifetime of member only (optional) (does not apply to General employees);

Normal form of payment actuarially reduced to 50% joint and survivor annuity with the reduced benefit payable upon the death of either the Member or his beneficiary (optional); Normal form of payment actuarially reduced to 66 2/3% joint and survivor annuity (optional); Normal form of payment actuarially reduced to 75% joint and survivor annuity (optional) (does not apply to General employees); Normal form of payment actuarially reduced 100% joint and survivor annuity (optional); Normal form of payment actuarially reduced 100% joint and survivor annuity with spouse as beneficiary and with a "pop-up" feature. A "pop-up" benefit increases to the amount of the unreduced pension upon the death of the beneficiary. (optional).

3. Early Retirement Eligibility and Allowance

- **Age**
Age 55 with at least 10 years of service for General employees, and age 50 with at least 10 years of service for Firefighters and Police Officers.
- **Amount**
100% of the Member's Annuity. In addition, for General employees, the member's Basic and Service Pensions multiplied by his Vested Interest, payable at age 55. Firefighters and Police Officers can commence their early retirement benefit at age 50 with a 3% per year reduction from normal retirement.
- **Form of Payment**
Same as for Normal Retirement

4. Disability Retirement Eligibility and Allowance

- **Condition**
The Member must be totally and permanently incapacitated for duty in his classified position as an employee of the City, as determined by both the Board of Trustees and by a medical committee consisting of one doctor appointed by the Board of Trustees and one doctor selected by the Member.
- **Amount**
The Member's accrued Retirement Allowance and, for Firefighters and Police Officers, subject to a minimum of:
25% of Average Final Compensation, for non-duty disability, after 10 years of service, and
42% of Average Final Compensation, for duty related disability, with no service requirement.
- **Form of Payment**
Same as for Normal Retirement

5. Deferred Retirement (Vested) Eligibility and Allowance

- **Age**
Any age with at least 10 years of service.
- **Amount**
100% of the Member's Annuity. In addition, for General employees, the member's Basic and Service Pensions multiplied by his Vested Interest, payable at age 55. Firefighters and Police Officers can commence their vested benefit at age 50 with a 3% per year reduction from normal retirement.
- **Form of Payment**
Same as for Normal Retirement

Effective April 1, 2012, the Plan is closed to new general employee members hired on or after April 1, 2012. New general employees will instead participate in a defined contribution plan.

10. Accumulated Member Contributions

The Accumulated Member Contributions are the Member's Contributions accumulated with interest at the annual rates established by the Board of Trustees. Prior to the 1995/1996 plan year, interest was credited at the annual yield on the actuarial value of assets. Beginning with the 1995/1996 plan year, interest will be credited at the arithmetic average of the annual yields on the market value of assets for the preceding five years. Interest is credited each September 30 on the balance of the Accumulated Member Contributions as of the preceding October 1 as well as on additional Member Contributions made during the plan year. Members may borrow against their Accumulated Member Contributions as of the preceding October 1, subject to the restrictions set forth in the law.

11. Member Contributions

- 1.) All members must contribute 7% of compensation per year into the Annuity Savings Fund (with the exception that they may redirect some of these contributions to satisfy the additional requirements that follow).
- 2.) All members who were not eligible for Normal Retirement on the date the ordinance took effect will also be required to make the following additional contribution towards the pension portion of the Plan (to help offset the City's funding requirements)
 - a. **Non-Police Officers and Firefighters:**
5.0% of pensionable compensation from May 15, 2014 to September 30, 2014.
4.0% of pensionable compensation from October 1, 2014 forward, except that:
This will drop to 3.0% of pensionable compensation if the Funded Ratio is between 80% and 100%.
This will drop to 0.0% of pensionable compensation if the Funded Ratio exceeds 100%.
 - b. **Firefighters:**
5.0% of pensionable compensation from October 1, 2013 to September 30, 2014
(4.0% of pensionable compensation if hired on or after November 15, 2013).
4.0% of pensionable compensation from October 1, 2014 forward, except that:
This will drop to 3.0% of pensionable compensation if the Funded Ratio is between 80% and 100%.
This will drop to 0.0% of pensionable compensation if the Funded Ratio exceeds 100%.
 - c. **Police Officers:**
5.0% of pensionable compensation from March 2, 2014 to September 30, 2014
(4.0% of pensionable compensation if hired on or after March 2, 2014).
4.0% of pensionable compensation from October 1, 2014 forward, except that:
This will drop to 3.0% of pensionable compensation if the Funded Ratio is between 80% and 100%.
This will drop to 0.0% of pensionable compensation if the Funded Ratio exceeds 100%.

If a Police Officer or Firefighter terminates employment before they are vested, then they will receive a refund of these additional contributions. Non-Police Officers and Firefighters will not receive a refund of these contributions.

6. Pre-Retirement Death Benefit

In the case of the death of a General employee Member prior to retirement, his beneficiary will receive a five-year certain annuity determined as if the Member had retired on the day before his death and elected a five-year certain and life annuity. In lieu of this five-year certain annuity, the beneficiary of the General employee may elect to receive 1/2 of the same amount payable over a ten-year period. For Firefighters and Police Officers, the Member's vested accrued benefit deferred to early (reduced) or normal retirement and payable for a minimum of 10 years. Alternatively, if the Member had attained his Normal or Early Retirement Age and had elected an optional form of payment, then his spouse will receive benefits as dictated by the option elected.

7. Vested Interest

A General employee member earns a Vested Interest in his Basic and Service Pensions in accordance with the following schedule. Firefighters and Police Officer Members earn a 100% Vested Interest with 10 years of service.

| Years of Service | Vested Interest |
|------------------|-----------------|
| Less than 10 | 0% |
| 10 | 70% |
| 11 | 73% |
| 12 | 76% |
| 13 | 79% |
| 14 | 82% |
| 15 | 85% |
| 16 | 88% |
| 17 | 91% |
| 18 | 94% |
| 19 | 97% |
| 20 or more | 100% |

8. Average Final Compensation

Average compensation for the highest three years of service (not necessarily consecutive), where compensation includes base salary plus any longevity or special assignment pay and any pay received in connection with Florida's law enforcement special incentive program or Firefighters supplemental compensation program.

9. Membership Requirements

All classified employees of the City of Hialeah, Florida participate in the plan, including: (1) all full-time employees (except as provided by law), and (2) those part-time employees working 22 1/2 hours or more per week who elect to participate after one year of continuous employment. Membership does not include any person whose services are compensated on a fee or contractual basis, the Board of Trustees' medical committee, elected or appointed officials who are not in classified service, and persons employed on a temporary or provisional basis for less than nine months.

12. Share Plans Contributions

Effective with the year beginning October 1, 2005, the Firefighters' and Police Officers' share plans will make contributions to fund the cost of the minimum benefits under Chapter 99-1, Florida Statutes.

13. Cost-of-Living Adjustment

Members (including participants in the DROP and excluding beneficiaries and those Members who are receiving a Deferred Retirement Allowance) receive an automatic level 2% cost-of-living adjustment in their Basic and Service Pensions as of each anniversary of retirement or the first of the month following their 52nd birthday and limited to 10 such increases (for a total increase of 20%).

14. Deferred Retirement Option Program

Effective March 1, 2007 for Police Officers and Firefighters and February 19, 2008 for General employees, members are eligible to participate in a Deferred Retirement Option Program (DROP) upon the completion of 25 years of membership service credit provided that the sum of the member's age and service is equal to at least 70. The member's monthly retirement benefit (basic plus service pension), based on final average earnings and service upon entering the DROP, will be paid to the member's DROP account. At the end of each fiscal year, interest will be credited to the DROP account at the same rate credited to the annuity savings account.

Member contributions cease upon entering the DROP and the member shall be ineligible for disability benefits provided by the System. Upon termination of employment or death, the DROP account balance will be paid in a cash lump sum. The maximum period of participation in the DROP is 36 months and members cannot buy service in order to be eligible for the DROP.

General employees who are members of the retirement system are prohibited from entering the DROP on or after April 2, 2012.

15. Plan Effective Date

The Plan was initially effective on January 1, 1956.

16. Actuarial Equivalence

For purposes of computing optional forms of benefit payments and for purposes of computing any adjustments called for under the terms of the Plan, when such interest rate and mortality assumptions are not otherwise provided:

Interest Rate Assumption: The interest rate assumption currently adopted by the Board is 7.0%.

Mortality Assumption: The mortality factors or table currently adopted by the Board is the male rates from 1971 Group Annuity Mortality Table for participants and the female rates from the 1971 Group Annuity Mortality Table for beneficiaries.

17. City Contribution Policy

The City contributes to the Retirement System in accordance with the requirements of Part VII, Chapter 112 of the Florida Statutes. Effective August 25, 2009, the City implemented a contribution floor such that the City's contribution to the Retirement System will be at least 22% of the member payroll. The City may increase or decrease the floor by up to 2% of member payroll once every five years, if supported by an actuarial study. The floor shall not be less than 16% or more than 28% of member payroll.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
STATEMENT NO. 27

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/14

| | |
|---------------------------------|------------|
| City and Share | 42.1% |
| Plan Members to DB Plan | 2.7% |
| Plan Members to Annuity Savings | Up to 7.0% |

| | |
|-------------------------------|---------------------------------|
| Annual Pension Cost | 27,103,738 |
| Contributions made | 26,231,110 |
| Actuarial valuation date | 10/1/2012 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percentage of Pay, Closed |
| Remaining amortization period | 30 Years (as of 10/1/12) |
| Asset valuation method | 4 Year Smooth |

Actuarial assumptions:

| | |
|----------------------------|---------------------|
| Investment rate of return | 8.00% |
| Projected salary increase* | 3.0% to 9.0% |
| * Includes inflation at | 3.0% |
| Post Retirement COLA | 2.0% (10 increases) |

THREE YEAR TREND INFORMATION

| Year Ending | Annual Pension Cost (APC) | Percentage APC Contributed | Net Pension Obligation |
|-------------|---------------------------|----------------------------|------------------------|
| 9/30/14 | 27,103,738 | 97% | 40,151,921 |
| 9/30/13 | 24,585,273 | 103% | 39,279,313 |
| 9/30/12 | 23,016,028 | 105% | 40,009,514 |

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
STATEMENT NO. 27

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is 0.

The recent development of the Net Pension Obligation is as follows:

| | 9/30/12 | 9/30/13 | 9/30/14 |
|--|--------------|--------------|--------------|
| 1. Annual Pension Cost (APC) | | | |
| a. Actuarially Determined Contribution (ARC) | 22,203,900 | 23,796,966 | 26,231,130 |
| b. Interest on NPO | 3,297,480 | 3,200,761 | 3,142,345 |
| c. Adjustment to (ARC) | (2,485,352) | (2,412,454) | (2,269,737) |
| d. Annual Pension Cost | 23,016,028 | 24,585,273 | 27,103,738 |
| 2. Net Pension Obligation (NPO) | | | |
| a. Annual Pension Cost (APC) | 23,016,028 | 24,585,273 | 27,103,738 |
| b. City Contributions Made | (23,763,141) | (24,853,597) | (25,769,253) |
| c. Share Contributions Made | (461,877) | (161,877) | (461,877) |
| d. Increase in NPO | (1,208,990) | (730,201) | 872,608 |
| e. NPO Beginning of Year | 41,218,504 | 40,009,514 | 39,279,313 |
| f. NPO End of Year | 40,009,514 | 39,279,313 | 40,151,921 |

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

| ASSETS | MARKET VALUE |
|--|--------------|
| Cash and Cash Equivalents: | |
| Cash and Short Term Investments | 40,333,382 |
| Securities Lending Cash Collateral | 65,126,062 |
| Total Cash and Equivalents | 105,459,444 |
| Receivables: | |
| Other Receivables | 35,373 |
| Contributions | 18,681,037 |
| From Broker for Investments Sold | 1,332,562 |
| Investment Income | 1,532,453 |
| Total Receivable | 21,584,425 |
| Investments: | |
| U. S. Bonds and Bills | 54,484,730 |
| Federal Agency Guaranteed Securities | 75,012,918 |
| Corporate Bonds | 93,898,297 |
| Municipal Obligations | 22,254,667 |
| Stocks | 304,311,251 |
| Limited Partnership | 10,909,271 |
| Mutual Funds | 6,444,087 |
| Real Estate Investment Trust | 973,780 |
| Total Investments | 568,288,001 |
| Loans to Members | 10,130,193 |
| Total Assets | 705,462,063 |
| LIABILITIES | |
| Payables: | |
| Obligations Under Securities Lending | 65,126,062 |
| Accounts Payable and Accrued Expenses | 242,867 |
| To Broker for Investments Purchased | 2,174,568 |
| Annuity Reserve Fund for Retired Members | 39,594,420 |
| Total Liabilities | 107,137,917 |
| NET POSITION RESTRICTED FOR PENSIONS | 598,324,146 |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014
Market Value Basis

| | | |
|---|-------------|-------------------|
| ADDITIONS | | |
| Contributions: | | |
| Member to Pension Reserve | 1,587,095 | |
| Buy-Back | 1,182,367 | |
| City | 25,769,253 | |
| Member to Annuity Savings | 4,064,028 | |
| State | 461,877 | |
| Total Contributions | | 33,064,620 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | 45,619,892 | |
| Interest & Dividends | 14,419,136 | |
| Less Investment Expense ¹ | (1,336,926) | |
| Net Investment Income | | 58,702,102 |
| Total Additions | | 91,766,722 |
| DEDUCTIONS | | |
| Distributions to Members: | | |
| Benefit Payments | 49,111,639 | |
| Lump Sum DROP Distributions | 7,042,727 | |
| Refunds of Member Contributions | 7,145,138 | |
| Total Distributions | | 63,299,504 |
| Administrative Expense | | 0 |
| Total Deductions | | 63,299,504 |
| Net Increase in Net Position | | 28,467,218 |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of the Year | | 569,856,928 |
| End of the Year | | 598,324,146 |

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

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Retirement Allowance

The Member's Retirement Allowance is equal to the sum of the following:

- (1) An Annuity, which is the actuarial equivalent of his Accumulated Member Contributions;
 - (2) A Basic Pension, which is equal to \$1,800 (for those Members who have attained their Normal Retirement Age) or \$2,800 (for all other Members); and
 - (3) A Service Pension, which is equal to 3% of Final Average Compensation multiplied by service up to 25 years (for those Members who have at least 20 years of service and whose age plus service equals at least 70) or 2% of Final Average Compensation multiplied by service up to 30 years (for all other Members).
- (4) An additional benefit equal to 1.5% of Average Final Compensation for each year of Credited Service that exceeds 25 years, up to a maximum additional benefit of 4.5% of Average Final Compensation. It is assumed that this benefit applies only to Normal Retirees (full benefits) and not to Vested or Deferred Retirees who get the 2.0% benefit accrual rate up to 30 years of service.

Normal Retirement Age and Allowance

Age: Age 50 upon attainment of 10 years of service or any age upon attainment of 20 years of service (for those Members hired prior to January 27, 1970);
Age 55 upon attainment of 15 years of service or any age upon attainment of 20 years of service (for those Members hired after January 26, 1970 but prior to January 1, 1974); or
Any age with age plus service equal to at least 70 and with at least 20 years of service (for all other Members).

Amount: Retirement Allowance.

Form of Payment (applicable to Annuity only): Life annuity (normal form of payment); or Lump sum payment equal to Accumulated Member Contributions (optional).

Form of Payment (applicable to the Basic and Service Pensions only): Five-year certain and life annuity for General employees, and ten-year certain and life annuity for Firefighters and Police Officers (normal form of payment); Normal form of payment actuarially adjusted to benefit payable during lifetime of member only (optional) (does not apply to General employees);

Normal form of payment actuarially reduced to 50% joint and survivor annuity with the reduced benefit payable upon the death of either the Member or his beneficiary (optional); Normal form of payment actuarially reduced to 66 2/3% joint and survivor annuity (optional);

Normal form of payment actuarially reduced to 75% joint and survivor annuity (optional) (does not apply to General employees); Normal form of payment actuarially reduced 100% joint and survivor annuity (optional);

Normal form of payment actuarially reduced 100% joint and survivor annuity with spouse as beneficiary and with a "pop-up" feature. A "pop-up" benefit increases to the amount of the unreduced pension upon the death of the beneficiary (optional).

Early Retirement Eligibility and Allowance

Age: Age 55 with at least 10 years of service for General employees, and age 50 with at least 10 years of service for Firefighters and Police Officers.

Amount: 100% of the Member's Annuity. In addition, for General employees, the member's Basic and Service Pensions multiplied by his Vested Interest, payable at age 55. Firefighters and Police Officers can commence their early retirement benefit at age 50 with a 3% per year reduction from normal retirement.

Form of Payment: Same as for Normal Retirement.

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NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2014)

Plan Description

Plan Administration

There is created a Board of Trustees in whom is vested the general administration, management and responsibility for the proper operation of the retirement system. The Board of Trustees shall consist of seven trustees appointed and elected in the following manner:

- (1) One trustee shall be appointed by the mayor. This trustee shall be an elector of the city.
- (2) One trustee shall be appointed by the city council. This trustee shall be an elector of the city.
- (3) Four trustees shall be appointed, one from each group; management, AFSCMB Local, IAFF Local, and PBA. The appointee must be an active member of the retirement system or of the deferred retirement option program (DROP). Term of office for each trustee so elected shall be for a two-year period, and the trustee shall be voted into office and elected as determined by each group.
- (4) The seventh trustee shall be elected from the membership by majority vote by the trustees appointed pursuant to subsections (a)(1) through (3) of this section as soon as practicable after their appointment. This appointee shall be an elector of the city. The trustee so appointed shall serve for two years.

Plan Membership as of October 1, 2013:

| | |
|---|--------------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 1,365 |
| Inactive Plan Members Enrolled to but Not Yet Receiving Benefits | 98 |
| Active Plan Members | <u>1,113</u> |
| | <u>2,576</u> |

Benefits Provided

For Police Officers hired on or after March 14, 2014, the Basic Pension is eliminated and the Service Pension minimum Age plus Service is changed from 70 points to 76 points to receive the Normal (full) Retirement Benefit and DROP eligibility. Additionally, the Vested or Deferred Benefits payable for those Members is payable at age 59 1/2. Lastly, the automatic Cost of Living Adjustments for these Members is reduced from 2.0% per year to 1.0% per year.
For Firefighters hired on or after November 15, 2013, the Basic Pension is eliminated and the Service Pension minimum Age plus Service is changed from 70 points to 76 points to receive the Normal (full) Retirement Benefit and DROP eligibility. Additionally, the Vested or Deferred Benefits payable for those Members is payable at age 59 1/2. Lastly, the automatic Cost of Living Adjustments for these Members is reduced from 2.0% per year to 1.0% per year.
The Plan provides retirement, termination, disability and death benefits.

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Disability Retirement Eligibility and Allowance

Condition: The Member must be totally and permanently incapacitated for duty in his classified position as an employee of the City, as determined by both the Board of Trustees and by a medical committee consisting of one doctor appointed by the Board of Trustees and one doctor selected by the Member.

Amount: The Member's accrued Retirement Allowance and, for Firefighters and Police Officers, subject to a minimum of: 25% of Average Final Compensation, for non-duty disability, after 10 years of service, and 42% of Average Final Compensation, for duty related disability, with no service requirement.

Form of Payment: Same as for Normal Retirement.

Deferred Retirement (Vested) Eligibility and Allowance

Age: Any age with at least 10 years of service.

Amount: 100% of the Member's Annuity. In addition, for General employees, the member's Basic and Service Pensions multiplied by his Vested Interest, payable at age 55. Firefighters and Police Officers can commence their vested benefit at age 50 with a 3% per year reduction from normal retirement.

Form of Payment: Same as for Normal Retirement.

Pre-Retirement Death Benefit

In the case of the death of a General employee Member prior to retirement, his beneficiary will receive a five-year certain annuity determined as if the Member had retired on the day before his death and elected a five-year certain and life annuity. In lieu of this five-year certain annuity, the beneficiary of the General employee may elect to receive 1/2 of the same amount payable over a ten-year period. For Firefighters and Police Officers, the Member's vested accrued benefit deferred to early (reduced) or normal retirement and payable for a minimum of 10 years. Alternatively, if the Member had attained his Normal or Early Retirement Age and had elected an optional form of payment, then his spouse will receive benefits as dictated by the option elected.

Vested Interest

A General employee member earns a Vested Interest in his Basic and Service Pensions in accordance with the following schedule. Firefighters and Police Officer Members earn a 100% Vested Interest with 10 years of service.

| Years of Service | Vested Interest |
|------------------|-----------------|
| Less than 10 | 0% |
| 10 | 70% |
| 11 | 73% |
| 12 | 76% |
| 13 | 79% |
| 14 | 82% |
| 15 | 85% |
| 16 | 88% |
| 17 | 91% |
| 18 | 94% |
| 19 | 97% |
| 20 or more | 100% |

Cost of Living Adjustment

Members (including participants in the DROP and excluding beneficiaries and those Members who are receiving a Deferred Retirement Allowance) receive an automatic level 2% cost-of-living adjustment in their Basic and Service Pensions as of each anniversary of retirement or the first of the month following their 52nd birthday and limited to 10 such increases (for a total increase of 20%).

Contributions

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

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Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2014:

| Asset Class | Target Allocation |
|----------------------|-------------------|
| Domestic Equity | 50% |
| International Equity | 5% |
| Domestic Bonds | 40% |
| Other | 5% |
| Total | 100% |

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

Rate of Return:

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.22 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

Effective March 1, 2007 for Police Officers and Firefighters and February 19, 2008 for General employees, members are eligible to participate in a Deferred Retirement Option Program (DROP) upon the completion of 25 years of membership service credit provided that the sum of the member's age and service is equal to at least 70. The member's monthly retirement benefit (basic plus service pension), based on final average earnings and service upon entering the DROP, will be paid to the member's DROP account. At the end of each fiscal year, interest will be credited to the DROP account at the same rate credited to the annuity savings account.

Member contributions cease upon entering the DROP and the member shall be ineligible for disability benefits provided by the System. Upon termination of employment or death, the DROP account balance will be paid in a cash lump sum. The maximum period of participation in the DROP is 36 months and members cannot buy service in order to be eligible for the DROP.

General employees who are members of the retirement system are prohibited from entering the DROP on or after April 2, 2012.

The DROP balance as September 30, 2014 is \$4,582,852.

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

| | |
|--|------------------|
| Total Pension Liability | \$ 787,455,356 |
| Plan Fiduciary Net Position | \$ (598,324,146) |
| Sponsor's Net Pension Liability | \$ 189,131,210 |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 75.98% |

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions.

| | |
|---------------------------|-------------|
| Inflation | 3.00% |
| Salary Increases | 4.0% - 9.0% |
| Investment Rate of Return | 8.00% |

Pre-Retirement Mortality: RP-2000 Combined Mortality Table with a blue collar adjustment projected 15 years from valuation date.

Post-Retirement Healthy Mortality: RP-2000 Combined Mortality Table with a blue collar adjustment projected 7 years from valuation date.

Post-Retirement Disabled Mortality: RP-2000 Disabled Mortality Table.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

| Asset Class | Long Term Expected Real Rate of Return |
|----------------------|--|
| Domestic Equity | 6.60% |
| International Equity | 7.13% |
| Domestic Bonds | 1.79% |
| Other | 4.97% |

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Discount Rate:

The discount rate used to measure the total pension liability was 8.00 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

| | 1% Decrease 7.00% | Current Discount Rate 8.00% | 1% Increase 9.00% |
|---------------------------------|----------------------|-----------------------------------|----------------------|
| Sponsor's Net Pension Liability | \$ 263,802,678 | \$ 189,131,210 | \$ 125,805,594 |

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

| | |
|--|----------------|
| Total Pension Liability | 09/30/2014 |
| Service Cost | 8,982,779 |
| Interest | 60,285,831 |
| Change in Excess State Money | - |
| Change in Funding Standard Account | - |
| Change in Annuity Savings Fund | 4,064,028 |
| Share Plan Allocation | - |
| Changes of Benefit Terms | - |
| Differences Between Expected and Actual Experience | - |
| Changes of Assumptions | - |
| Contributions - Buy Back | 1,182,367 |
| Benefit Payments, Including Refunds of Employee Contributions | (63,299,504) |
| Net Change in Total Pension Liability | 11,215,501 |
| Total Pension Liability - Beginning | 776,239,855 |
| Total Pension Liability - Ending (a) | \$ 787,455,356 |
| Plan Fiduciary Net Position | |
| Contributions - Employer | 25,769,253 |
| Contributions - State | 461,877 |
| Contributions - Employee | 1,587,095 |
| Contributions - Buy Back | 1,182,367 |
| Contributions - Annuity Savings Fund | 4,064,028 |
| Net Investment Income | 58,702,102 |
| Benefit Payments, Including Refunds of Employee Contributions | (63,299,504) |
| Administrative Expense | - |
| Other | - |
| Net Change in Plan Fiduciary Net Position | 28,467,218 |
| Plan Fiduciary Net Position - Beginning | 569,856,928 |
| Plan Fiduciary Net Position - Ending (b) | \$ 598,324,146 |
| Net Pension Liability - Ending (a) - (b) | \$ 189,131,210 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.98% |
| Covered Employee Payroll | \$ 22,672,786 |
| Net Pension Liability as a Percentage of covered Employee Payroll | 834.18% |

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SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | |
|--|--------------------------|
| | 09/30/2014 |
| Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contributions Contribution Deficiency (Excess) | 26,231,130 |
| | <u>26,231,130</u> |
| | \$ - |
| Covered Employee Payroll Contributions as a Percentage of Covered Employee Payroll | \$ 22,672,786 115.69% |

Notes to Schedule

Valuation Date: 10/01/2012
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial Cost Method:** The entry age normal cost method was used to determine all liabilities, except that the liability associated with member contributions has been assumed to be equal to those contributions.
- Amortization Method:** Beginning October 1, 2011, the method of amortizing all outstanding unfunded liability bases was changed to an increasing amortization based on a level percent of payroll where the aggregate payroll is assumed to increase at 3.5% per year.
- Remaining Amortization Period:** 30 Years (as of 10/01/2012).
- Actuarial Value of Assets:** The actuarial value of assets (AVA) is equal to the market value of assets adjusted to reflect a five year phase-in of the difference between the expected versus actual return on the AVA. The AVA is limited to an 80%-120% corridor of the market value of assets.
- Inflation:** 3.5% per year.

Salary Increases:

| General Employees | | | |
|-------------------|------|-----|------|
| Age | Rate | Age | Rate |
| 20 | 9.0% | 50 | 4.0% |
| 25 | 8.0% | 55 | 4.0% |
| 30 | 7.0% | 60 | 4.0% |
| 35 | 6.0% | 65 | 4.0% |
| 40 | 5.0% | 70 | 4.0% |
| 45 | 4.5% | 75 | 4.0% |

A 5.0% and 9.5% salary increase is assumed as of October 1, 2011 and October 1, 2012 respectively. These increases reflect the restoration of a 17% pay concession that occurred on March 21, 2011 (with pay being restored to pre-concession levels on April 1, 2012) as well as the cessation of mandatory furlough days (1 in every 10 days ending on March 20, 2011). Other than the restoration of the above concessions, no salary increases for fiscal 2012 through 2014 are assumed. Beginning with fiscal 2015, pay is assumed to increase at the rates provided in the table above.

| Police Officers and Firefighters | | |
|----------------------------------|-----------------|--------------|
| Service | Police Officers | Firefighters |
| 0 | 9.0% | 9.0% |
| 1 | 8.5% | 8.5% |
| 2 | 8.0% | 8.0% |
| 3 | 7.5% | 7.5% |
| 4 | 7.0% | 7.0% |
| 5 | 6.5% | 6.5% |
| 6-9 | 6.0% | 6.0% |
| 10 | 6.0% | 5.0% |
| 11 | 5.0% | 4.5% |
| 12-22 | 4.0% | 4.0% |
| 23+ | 4.0% | 3.0% |

Interest Rate:

8.00% per annum net of investment related expenses.

Retirement (General Employees):

| General Employees with less than 25 years of Eligible Service | | General Employees with 25 years of Eligible Service | |
|---|------|---|------|
| Age | Rate | Age | Rate |
| 45 | 0% | 45 | 0% |
| 46 | 0% | 46 | 0% |
| 47 | 0% | 47 | 0% |
| 48 | 0% | 48 | 0% |
| 49 | 0% | 49 | 0% |
| 50 | 10% | 50 | 50% |
| 51 | 5% | 51 | 30% |
| 52 | 5% | 52 | 30% |
| 53 | 5% | 53 | 30% |
| 54 | 5% | 54 | 30% |
| 55 | 15% | 55 | 40% |
| 56 | 15% | 56 | 40% |
| 57 | 15% | 57 | 40% |
| 58 | 15% | 58 | 40% |
| 59 | 15% | 59 | 40% |
| 60 | 15% | 60 | 40% |
| 61 | 5% | 61 | 40% |
| 62 | 15% | 62 | 50% |
| 63 | 5% | 63 | 30% |
| 64 | 5% | 64 | 30% |
| 65 | 75% | 65 | 80% |
| 66 | 25% | 66 | 50% |
| 67 | 35% | 67 | 60% |
| 68 | 45% | 68 | 70% |
| 69 | 85% | 69 | 80% |
| 70 | 100% | 70 | 100% |

| General Employees with more than 25 years of Eligible Service | | | |
|---|------|-----|------|
| Age | Rate | Age | Rate |
| 45 | 0% | 58 | 20% |
| 46 | 0% | 59 | 20% |
| 47 | 0% | 60 | 20% |
| 48 | 0% | 61 | 10% |
| 49 | 0% | 62 | 20% |
| 50 | 15% | 63 | 10% |
| 51 | 10% | 64 | 10% |
| 52 | 10% | 65 | 80% |
| 53 | 10% | 66 | 30% |
| 54 | 10% | 67 | 40% |
| 55 | 20% | 68 | 50% |
| 56 | 20% | 69 | 90% |
| 57 | 20% | 70 | 100% |

Retirement (Police Officers and Firefighters):

| Service | Age <65 | | Age=65+ |
|---------|-----------------|--------------|---------|
| | Police Officers | Firefighters | |
| < 15 | 0% | 0% | 100% |
| 15-19 | 5% | 2.5% | 100% |
| 20 | 25% | 20% | 100% |
| 21-24 | 10% | 10% | 100% |
| 25 | 50% | 40% | 100% |
| 26 | 30% | 30% | 100% |
| 27 | 40% | 40% | 100% |
| 28 | 50% | 45% | 100% |
| 29 | 60% | 50% | 100% |
| 30+ | 100% | 100% | 100% |

| General Employees | | | | Police Officers | |
|-------------------|-------|------------------|-------|-----------------|--|
| Years of Service | Rate | Years of Service | Rate | | |
| 0 | 12.5% | 0 | 12.0% | | |
| 1 | 12.5% | 1 | 12.0% | | |
| 2 | 7.5% | 2 | 9.0% | | |
| 3 | 7.5% | 3 | 7.5% | | |
| 4 | 7.5% | 4 | 6.0% | | |
| 5 | 7.5% | 5 | 5.0% | | |

| Firefighters | |
|------------------|-------|
| Years of Service | Rate |
| 0 | 12.5% |
| 1 | 9.5% |
| 2 | 5.0% |
| 3 | 4.0% |
| 4 | 3.0% |
| 5 | 2.5% |

Permanent Withdrawal from Active Status:
(used for members with less than six years of service)

Permanent Withdrawal from Active Status:
(used for members with at least six years of service)

| General Employees | | Police Officers | |
|-------------------|------|------------------|------|
| Years of Service | Rate | Years of Service | Rate |
| 25 | 5.0% | 25 | 5.0% |
| 30 | 5.0% | 30 | 4.5% |
| 35 | 5.0% | 35 | 4.0% |
| 40 | 5.0% | 40 | 4.0% |
| 45 | 5.0% | 45 | 4.0% |
| 50 | 5.0% | 50 | 1.0% |
| 55 | 3.0% | 55 | 1.0% |
| 60 | 2.0% | 60 | 1.0% |

| Firefighters | |
|------------------|------|
| Years of Service | Rate |
| 25 | 2.0% |
| 30 | 2.0% |
| 35 | 2.0% |
| 40 | 2.0% |
| 45 | 2.0% |
| 50 | 1.0% |
| 55 | 1.0% |
| 60 | 1.0% |

Disability Rates:

For Police Officers and Firefighters: 85% of all disabilities are assumed to be in the line of duty and 15% are assumed not to be in the line of duty.

| General Employees | | Police Officers and Firefighters | |
|-------------------|--------|----------------------------------|--------|
| Age | Rate | Age | Rate |
| 20 | 0.024% | 20 | 0.096% |
| 25 | 0.040% | 25 | 0.120% |
| 30 | 0.056% | 30 | 0.152% |
| 35 | 0.104% | 35 | 0.248% |
| 40 | 0.152% | 40 | 0.384% |
| 45 | 0.224% | 45 | 0.584% |
| 50 | 0.360% | 50 | 0.896% |
| 55 | 0.608% | 55 | 1.328% |
| 60 | 0.880% | 60 | 1.760% |
| 65 | 0.784% | 65 | 2.192% |
| 70 | 0.688% | 70 | 2.624% |
| 75 | 0.592% | 75 | 3.056% |

Mortality:

Pre-Retirement Mortality: RP-2000 Combined Mortality Table with a blue collar adjustment projected 15 years from valuation date.
 Post-Retirement Healthy Mortality: RP-2000 Combined Mortality Table with a blue collar adjustment projected 7 years from valuation date.
 Post-Retirement Disabled Mortality: RP-2000 Disabled Mortality Table.

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NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2014)

General Information about the Pension Plan

Plan Description

All classified employees of the City of Bialeah, Florida participate in the plan, including: (1) all full-time employees (except as provided by law), and (2) those part-time employees working 22 1/2 hours or more per week who elect to participate after one year of continuous employment. Membership does not include any person whose services are compensated on a fee or contractual basis, the Board of Trustees' medical committee, elected or appointed officials who are not in classified service, and persons employed on a temporary or provisional basis for less than nine months. Effective April 1, 2012, the Plan is closed to new general employee members hired on or after April 1, 2012. New general employees will instead participate in a defined contribution plan.

There is created a Board of Trustees in whom is vested the general administration, management and responsibility for the proper operation of the retirement system. The Board of Trustees shall consist of seven trustees appointed and elected in the following manner:

- (1) One trustee shall be appointed by the mayor. This trustee shall be an elector of the city.
- (2) One trustee shall be appointed by the city council. This trustee shall be an elector of the city.
- (3) Four trustees shall be appointed, one from each group; management, AFSCME Local, IAFF Local, and PBA. The appointee must be an active member of the retirement system or of the deferred retirement option program (DROP). Term of office for each trustee so elected shall be for a two-year period, and the trustee shall be voted into office and elected as determined by each group.
- (4) The seventh trustee shall be elected from the membership by majority vote by the trustees appointed pursuant to subsections (a)(1) through (3) of this section as soon as practicable after their appointment. This appointee shall be an elector of the city. The trustee so appointed shall serve for two years.

Plan Membership as of October 1, 2013:

| | |
|---|--------------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 1,365 |
| Inactive Plan Members Insured but Not Yet Receiving Benefits | 98 |
| Active Plan Members | 1,113 |
| | <u>2,576</u> |

Benefits Provided

For Police Officers hired on or after March 14, 2014, the Basic Pension is eliminated and the Service Pension minimum Age plus Service is changed from 70 points to 75 points to receive the Normal (full) Retirement Benefit and DROP eligibility. Additionally, the Vested or Deferred Benefits payable for these Members is payable at age 59 1/2. Lastly, the automatic Cost of Living Adjustments for these Members is reduced from 2.0% per year to 1.0% per year.

For Firefighters hired on or after November 15, 2013, the Basic Pension is eliminated and the Service Pension minimum Age plus Service is changed from 70 points to 76 points to receive the Normal (full) Retirement Benefit and DROP eligibility. Additionally, the Vested or Deferred Benefits payable for these Members is payable at age 59 1/2. Lastly, the automatic Cost of Living Adjustments for these Members is reduced from 2.0% per year to 1.0% per year.

The Plan provides retirement, termination, disability and death benefits.

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SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

| | |
|--------------------------------------|------------|
| Annual Money-Weighted Rate of Return | 09/30/2014 |
| Net of Investment Expense | 10.22% |

Retirement Allowance

The Member's Retirement Allowance is equal to the sum of the following:

- (1) An Annuity, which is the actuarial equivalent of his Accumulated Member Contributions;
- (2) A Basic Pension, which is equal to \$1,800 (for those Members who have attained their Normal Retirement Age) or \$2,800 (for all other Members); and
- (3) A Service Pension, which is equal to 3% of Final Average Compensation multiplied by service up to 25 years (for those Members who have at least 20 years of service and whose age plus service equals at least 70) or 2% of Final Average Compensation multiplied by service up to 30 years (for all other Members).
- (4) An additional benefit equal to 1.5% of Average Final Compensation for each year of Credited Service that exceeds 25 years, up to a maximum additional benefit of 4.5% of Average Final Compensation. It is assumed that this benefit applies only to Normal Retirees (full benefits) and not to Vested or Deferred Retirees who get the 2.0% benefit accrual rate up to 30 years of service.

Normal Retirement Age and Allowance:

Age: Age 50 upon attainment of 10 years of service or any age upon attainment of 20 years of service (for those Members hired prior to January 27, 1970);
 Age 55 upon attainment of 15 years of service or any age upon attainment of 20 years of service (for those Members hired after January 26, 1970 but prior to January 1, 1974); or
 Any age with age plus service equal to at least 70 and with at least 20 years of service (for all other Members).

Amount: Retirement Allowance.

Form of Payment (applicable to Annuity only): Life annuity (normal form of payment); or Lump sum payment equal to Accumulated Member Contributions (optional).

Form of Payment (applicable to the Basic and Service Pensions only): Five-year certain and life annuity for General employees, and ten-year certain and life annuity for Firefighters and Police Officers (normal form of payment); Normal form of payment actuarially adjusted to benefit payable during lifetime of member only (optional) (does not apply to General employees);

Normal form of payment actuarially reduced to 50% joint and survivor annuity with the reduced benefit payable upon the death of either the Member or his beneficiary (optional); Normal form of payment actuarially reduced to 66 2/3% joint and survivor annuity (optional);

Normal form of payment actuarially reduced to 75% joint and survivor annuity (optional) (does not apply to General employees); Normal form of payment actuarially reduced 100% joint and survivor annuity (optional);

Normal form of payment actuarially reduced 100% joint and survivor annuity with spouse as beneficiary and with a "pop-up" feature. A "pop-up" benefit increases to the amount of the unreduced pension upon the death of the beneficiary (optional).

Early Retirement Eligibility and Allowance:

Age: Age 55 with at least 10 years of service for General employees, and age 50 with at least 10 years of service for Firefighters and Police Officers.

Amount: 100% of the Member's Annuity. In addition, for General employees, the member's Basic and Service Pensions multiplied by his Vested Interest, payable at age 55. Firefighters and Police Officers can commence their early retirement benefit at age 50 with a 3% per year reduction from normal retirement.

Form of Payment: Same as for Normal Retirement.

Disability Retirement Eligibility and Allowance:

Condition: The Member must be totally and permanently incapacitated for duty in his classified position as an employee of the City, as determined by both the Board of Trustees and by a medical committee consisting of one doctor appointed by the Board of Trustees and one doctor selected by the Member.

Amount: The Member's accrued Retirement Allowance and, for Firefighters and Police Officers, subject to a minimum of 25% of Average Final Compensation, for non-duty disability, after 10 years of service, and 42% of Average Final Compensation, for duty related disability, with no service requirement.

Form of Payment: Same as for Normal Retirement.

Deferred Retirement (Vested) Eligibility and Allowance:

Age: Any age with at least 10 years of service.

Amount: 100% of the Member's Annuity. In addition, for General employees, the member's Basic and Service Pensions multiplied by his Vested Interest, payable at age 55. Firefighters and Police Officers can commence their vested benefit at age 50 with a 3% per year reduction from normal retirement.

Form of Payment: Same as for Normal Retirement.

Pre-Retirement Death Benefit:

In the case of the death of a General employee Member prior to retirement, his beneficiary will receive a five-year certain annuity determined as if the Member had retired on the day before his death and elected a five-year certain and life annuity. In lieu of this five-year certain annuity, the beneficiary of the General employee may elect to receive 1/2 of the same amount payable over a ten-year period. For Firefighters and Police Officers, the Member's vested accrued benefit deferred to early (reduced) or normal retirement and payable for a minimum of 10 years. Alternatively, if the Member had attained his Normal or Early Retirement Age and had elected an optional form of payment, then his spouse will receive benefits as dictated by the option elected.

Vested Interest:

A General employee member earns a Vested Interest in his Basic and Service Pensions in accordance with the following schedule. Firefighters and Police Officer Members earn a 100% Vested Interest with 10 years of service.

| Years of Service | Vested Interest |
|------------------|-----------------|
| Less than 10 | 0% |
| 10 | 70% |
| 11 | 73% |
| 12 | 76% |
| 13 | 79% |
| 14 | 82% |
| 15 | 85% |
| 16 | 88% |
| 17 | 91% |
| 18 | 94% |
| 19 | 97% |
| 20 or more | 100% |

Cost-of-Living Adjustment:

Members (including participants in the DROP and excluding beneficiaries and those Members who are receiving a Deferred Retirement Allowance) receive an automatic level 2% cost-of-living adjustment in their Basic and Service Pensions as of each anniversary of retirement or the first of the month following their 52nd birthday and limited to 10 such increases (for a total increase of 20%).

Contributions

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Net Pension Liability

The Sponsor's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions.

| | |
|---------------------------|-------------|
| Inflation | 3.00% |
| Salary Increases | 4.0% - 9.0% |
| Investment Rate of Return | 8.00% |

Pre-Retirement Mortality: RP-2000 Combined Mortality Table with a blue collar adjustment projected 15 years from valuation date.

Post-Retirement Healthy Mortality: RP-2000 Combined Mortality Table with a blue collar adjustment projected 7 years from valuation date.

Post-Retirement Disabled Mortality: RP-2000 Disabled Mortality Table.

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

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September, 30 2014 are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic Equity | 50.00% | 6.60% |
| International Equity | 5.00% | 7.13% |
| Domestic Bonds | 40.00% | 1.79% |
| Other | 5.00% | 4.97% |
| Total | 100.00% | |

Discount Rate:

The discount rate used to measure the total pension liability was 8.00 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHANGES IN NET PENSION LIABILITY

| | Increase (Decrease) | | |
|---|-----------------------------|---------------------------------|-------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances at September 30, 2013 | \$ 776,239,855 | \$ 569,856,928 | \$ 206,382,927 |
| Changes for a Year: | | | |
| Service Cost | 8,982,779 | - | 8,982,779 |
| Interest | 60,285,831 | - | 60,285,831 |
| Change in Excess State Money | - | - | - |
| Change in Funding Standard Account | - | - | - |
| Share Plan Allocation | - | - | - |
| Differences Between Expected and Actual Experience | - | - | - |
| Changes of Assumptions | - | - | - |
| Changes of Benefit Terms | - | - | - |
| Contributions - Employer | - | 25,769,253 | (25,769,253) |
| Contributions - State | - | 461,877 | (461,877) |
| Contributions - Employee | - | 1,587,095 | (1,587,095) |
| Contributions - Buy Back | 1,182,367 | 1,182,367 | - |
| Contributions - Annuity Savings Fund | 4,064,028 | 4,064,028 | - |
| Net Investment Income | - | 58,702,102 | (58,702,102) |
| Benefit Payments, Including Refunds of Employee Contributions | (63,299,504) | (63,299,504) | - |
| Administrative Expense | - | - | - |
| Other Changes | - | - | - |
| New Changes | 11,215,501 | 28,467,218 | (17,251,717) |
| Balances at September 30, 2014 | \$ 787,455,356 | \$ 598,324,146 | \$ 189,131,210 |

Sensitivity of the net pension liability to changes in the discount rate.

| Sponsor's Net Pension Liability | Current Discount | | |
|---------------------------------|------------------|----------------|----------------|
| | 1% Decrease | Rate | 1% Increase |
| | 7.00% | 8.00% | 9.00% |
| | \$ 263,802,678 | \$ 189,131,210 | \$ 125,805,594 |

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in a separately issued Plan financial report.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2015 the Sponsor will recognize a pension expense of \$19,975,890. On September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences Between Expected and Actual Experience | - | - |
| Changes of Assumptions | - | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 11,458,354 |
| Total | \$ - | \$ 11,458,354 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended September 30: | |
|--------------------------|----------------|
| 2016 | \$ (2,864,589) |
| 2017 | \$ (2,864,589) |
| 2018 | \$ (2,864,588) |
| 2019 | \$ (2,864,588) |
| 2020 | \$ - |
| Thereafter | \$ - |

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

| | 09/30/2014 |
|--|-----------------------|
| Total Pension Liability | |
| Service Cost | 8,962,779 |
| Interest | 60,285,831 |
| Change in Excess State Money | - |
| Change in Funding Standard Account | - |
| Change in Annuity Savings Fund | 4,064,028 |
| Share Plan Allocation | - |
| Changes of Benefit Terms | - |
| Differences Between Expected and Actual Experience | - |
| Changes of Assumptions | - |
| Contributions - Buy Back | 1,182,367 |
| Benefit Payments, Including Refunds of Employee Contributions | (63,299,504) |
| Net Change in Total Pension Liability | 11,215,501 |
| Total Pension Liability - Beginning | 776,239,855 |
| Total Pension Liability - Ending (a) | <u>\$ 787,455,356</u> |
| Plan Fiduciary Net Position | |
| Contributions - Employer | 25,769,253 |
| Contributions - State | 461,877 |
| Contributions - Employee | 1,587,095 |
| Contributions - Buy Back | 1,182,367 |
| Contributions - Annuity Savings Fund | 4,064,028 |
| Net Investment Income | 58,702,102 |
| Benefit Payments, Including Refunds of Employee Contributions | (63,299,504) |
| Administrative Expense | - |
| Other | - |
| Net Change in Plan Fiduciary Net Position | 28,467,218 |
| Plan Fiduciary Net Position - Beginning | 569,856,928 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 598,324,146</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 189,131,210</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.98% |
| Covered Employee Payroll | \$ 22,672,786 |
| Net Pension Liability as a Percentage of covered Employee Payroll | 834.18% |

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SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | 09/30/2014 |
|---|----------------------|
| Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contributions | 26,231,130 |
| Contribution Deficiency (Excess) | <u>\$ 26,231,130</u> |
| Covered Employee Payroll | \$ 22,672,786 |
| Contributions as a Percentage of Covered Employee Payroll | 115.69% |

Notes to Schedule

Valuation Date: 10/01/2012
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: The entry age normal cost method was used to determine all liabilities, except that the liability associated with member contributions has been assumed to be equal to those contributions.

Amortization Method: Beginning October 1, 2011, the method of amortizing all outstanding unfunded liability bases was changed to an increasing amortization based on a level percent of payroll where the aggregate payroll is assumed to increase at 3.5% per year.

30 Years (as of 10/01/2012).

Remaining Amortization Period: The actuarial value of assets (AVA) is equal to the market value of assets adjusted to reflect a five year phase-in of the difference between the expected versus actual return on the AVA. The AVA is limited to an 80%-120% corridor of the market value of assets.

Inflation: 3.5% per year.

Salary Increases:

| General Employees | | | |
|-------------------|------|-----|------|
| Age | Rate | Age | Rate |
| 20 | 9.0% | 50 | 4.0% |
| 25 | 8.0% | 55 | 4.0% |
| 30 | 7.0% | 60 | 4.0% |
| 35 | 6.0% | 65 | 4.0% |
| 40 | 5.0% | 70 | 4.0% |
| 45 | 4.5% | 75 | 4.0% |

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A 5.0% and 9.5% salary increase is assumed as of October 1, 2011 and October 1, 2012 respectively. These increases reflect the restoration of a 17% pay concession that occurred on March 21, 2011 (with pay being restored to pre-concession levels on April 1, 2012) as well as the cessation of mandatory furlough days (1 in every 10 days ending on March 20, 2011). Other than the restoration of the above concessions, no salary increases for fiscal 2012 through 2014 are assumed. Beginning with fiscal 2015, pay is assumed to increase at the rates provided in the table above.

| Police Officers and Firefighters | | |
|----------------------------------|-----------------|--------------|
| Service | Police Officers | Firefighters |
| 0 | 9.0% | 9.0% |
| 1 | 8.5% | 8.5% |
| 2 | 8.0% | 8.0% |
| 3 | 7.5% | 7.5% |
| 4 | 7.0% | 7.0% |
| 5 | 6.5% | 6.5% |
| 6-9 | 6.0% | 6.0% |
| 10 | 6.0% | 5.0% |
| 11 | 5.0% | 4.5% |
| 12-22 | 4.0% | 4.0% |
| 23+ | 4.0% | 3.0% |

Interest Rate: 8.00% per annum net of investment related expenses.

GASB 68

Retirement (General Employees):

| General Employees with less than 25 years of Eligible Service | | General Employees with 25 years of Eligible Service | |
|---|------|---|------|
| Age | Rate | Age | Rate |
| 45 | 0% | 45 | 0% |
| 46 | 0% | 46 | 0% |
| 47 | 0% | 47 | 0% |
| 48 | 0% | 48 | 0% |
| 49 | 0% | 49 | 0% |
| 50 | 10% | 50 | 50% |
| 51 | 5% | 51 | 30% |
| 52 | 5% | 52 | 30% |
| 53 | 5% | 53 | 30% |
| 54 | 5% | 54 | 30% |
| 55 | 15% | 55 | 40% |
| 56 | 15% | 56 | 40% |
| 57 | 15% | 57 | 40% |
| 58 | 15% | 58 | 40% |
| 59 | 15% | 59 | 40% |
| 60 | 15% | 60 | 40% |
| 61 | 5% | 61 | 40% |
| 62 | 15% | 62 | 50% |
| 63 | 5% | 63 | 30% |
| 64 | 5% | 64 | 30% |
| 65 | 75% | 65 | 80% |
| 66 | 25% | 66 | 50% |
| 67 | 35% | 67 | 60% |
| 68 | 45% | 68 | 70% |
| 69 | 85% | 69 | 80% |
| 70 | 100% | 70 | 100% |
| General Employees with more than 25 years of Eligible Service | | | |
| Age | Rate | Age | Rate |
| 43 | 0% | 38 | 20% |
| 46 | 0% | 59 | 20% |
| 47 | 0% | 60 | 20% |
| 48 | 0% | 61 | 10% |
| 49 | 0% | 62 | 20% |
| 50 | 15% | 63 | 10% |
| 51 | 10% | 64 | 10% |
| 52 | 10% | 65 | 30% |
| 53 | 10% | 66 | 30% |
| 54 | 10% | 67 | 40% |
| 55 | 20% | 68 | 50% |
| 56 | 20% | 69 | 90% |
| 57 | 20% | 70 | 100% |

GASB 68

Retirement (Police Officers and Firefighters):

| Service | Age <65 | | Age=65+ |
|---------|-----------------|--------------|---------|
| | Police Officers | Firefighters | |
| < 15 | 0% | 0% | 100% |
| 15-19 | 5% | 2.5% | 100% |
| 20 | 25% | 20% | 100% |
| 21-24 | 10% | 10% | 100% |
| 25 | 50% | 40% | 100% |
| 26 | 30% | 30% | 100% |
| 27 | 40% | 40% | 100% |
| 28 | 50% | 45% | 100% |
| 29 | 60% | 50% | 100% |
| 30+ | 100% | 100% | 100% |

| General Employees | | Police Officers | |
|-------------------|-------|------------------|-------|
| Years of Service | Rate | Years of Service | Rate |
| 0 | 12.5% | 0 | 12.0% |
| 1 | 12.5% | 1 | 12.0% |
| 2 | 7.5% | 2 | 9.0% |
| 3 | 7.5% | 3 | 7.5% |
| 4 | 7.5% | 4 | 6.0% |
| 5 | 7.5% | 5 | 5.0% |

| Firefighters | |
|------------------|-------|
| Years of Service | Rate |
| 0 | 12.5% |
| 1 | 9.5% |
| 2 | 5.0% |
| 3 | 4.0% |
| 4 | 3.0% |
| 5 | 2.5% |

Permanent Withdrawal from Active Status:
(used for members with less than six years of service)

Permanent Withdrawal from Active Status:
(used for members with at least six years of service)

| General Employees | | Police Officers | |
|-------------------|------|------------------|------|
| Years of Service | Rate | Years of Service | Rate |
| 25 | 5.0% | 25 | 5.0% |
| 30 | 5.0% | 30 | 4.5% |
| 35 | 5.0% | 35 | 4.0% |
| 40 | 5.0% | 40 | 4.0% |
| 45 | 5.0% | 45 | 4.0% |
| 50 | 5.0% | 50 | 1.0% |
| 55 | 3.0% | 55 | 1.0% |
| 60 | 2.0% | 60 | 1.0% |

| Firefighters | |
|------------------|------|
| Years of Service | Rate |
| 25 | 2.0% |
| 30 | 2.0% |
| 35 | 2.0% |
| 40 | 2.0% |
| 45 | 2.0% |
| 50 | 1.0% |
| 55 | 1.0% |
| 60 | 1.0% |

Disability Rates:

For Police Officers and Firefighters: 85% of all disabilities are assumed to be

| General Employees | | Police Officers and Firefighters | |
|-------------------|--------|----------------------------------|--------|
| Age | Rate | Age | Rate |
| 20 | 0.024% | 20 | 0.096% |
| 25 | 0.040% | 25 | 0.120% |
| 30 | 0.056% | 30 | 0.152% |
| 35 | 0.104% | 35 | 0.248% |
| 40 | 0.152% | 40 | 0.384% |
| 45 | 0.224% | 45 | 0.584% |
| 50 | 0.360% | 50 | 0.896% |
| 55 | 0.608% | 55 | 1.328% |
| 60 | 0.880% | 60 | 1.760% |
| 65 | 0.784% | 65 | 2.192% |
| 70 | 0.688% | 70 | 2.624% |
| 75 | 0.592% | 75 | 3.056% |

Mortality:

Pre-Retirement Mortality: RP-2000 Combined Mortality Table with a blue collar adjustment projected 15 years from valuation date.
 Post-Retirement Healthy Mortality: RP-2000 Combined Mortality Table with a blue collar adjustment projected 7 years from valuation date.
 Post-Retirement Disabled Mortality: RP-2000 Disabled Mortality Table.

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|---|-----------------------|------------------|-------------------|-----------------|
| Beginning balance | \$ 206,382,927 | \$ - | \$ 25,769,253 | |
| Total pension liability factors: | | | | |
| Service cost | 8,982,779 | | | 8,982,779 |
| Interest | 60,285,831 | | | 60,285,831 |
| Change in Excess State Money | - | | | - |
| Change in Funding Standard Account | - | | | - |
| Change in Annuity Savings Fund | 4,064,028 | | | 4,064,028 |
| Share Plan Allocation | - | | | - |
| Changes in Benefit terms | - | | | - |
| Contributions - Buy back | 1,182,367 | | | 1,182,367 |
| Differences between expected and actual experience with regard to economic or demographic assumptions | - | - | - | - |
| Current year amortization | - | - | - | - |
| Changes in assumptions about future economic or demographic factors or other inputs | - | - | - | - |
| Current year amortization | - | - | - | - |
| Benefit payments | (63,299,504) | | | (63,299,504) |
| Net change | 11,215,501 | - | - | 11,215,501 |
| Plan fiduciary net position: | | | | |
| Contributions - Employer | 25,769,253 | | (25,769,253) | |
| Contributions - State | 461,877 | | | (461,877) |
| Contributions - Employee | 1,587,095 | | | (1,587,095) |
| Contributions - Buy back | 1,182,367 | | | (1,182,367) |
| Contributions - Annuity Savings Fund | 4,064,028 | | | (4,064,028) |
| Net investment income | 44,379,159 | | | (44,379,159) |
| Difference between projected and actual earnings on pension plan investments | 14,322,943 | 14,322,943 | - | |
| Current year amortization | - | (2,864,589) | | (2,864,589) |
| Benefit payments | (63,299,504) | | | 63,299,504 |
| Administrative expenses | - | | | - |
| Other | - | | | - |
| Net change | 28,467,218 | 11,458,354 | (25,769,253) | 8,760,389 |
| Ending Balance | \$ 189,131,210 | \$ 11,458,354 | \$ - | \$ 19,975,890 |

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APPENDIX D
The Bond Ordinance

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ORDINANCE NO. 2015-67

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF TAXABLE SPECIAL OBLIGATION REVENUE BONDS, SERIES 2015A AND SPECIAL OBLIGATION REFUNDING REVENUE BONDS, SERIES 2015B IN THE NOT TO EXCEED AGGREGATE PRINCIPAL AMOUNT OF \$50,000,000 FOR THE PURPOSE OF FUNDING PENSION OBLIGATIONS OF THE ISSUER AND REFUNDING CERTAIN OUTSTANDING OBLIGATIONS; PROVIDING FOR THE PAYMENT OF SUCH BONDS; AUTHORIZING APPROVAL OF THE FORM OF BONDS AND DELEGATING TO THE MAYOR AND CLERK TO EXECUTE SUCH BONDS; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Hialeah, Florida (the "Issuer") is a municipal corporation authorized to issue debt pursuant to the Act; and

WHEREAS, the Issuer has determined that it has unfunded Pension Obligations with respect to the Issuer's Pension Plan; and

WHEREAS, the Issuer is authorized and empowered by the Act to issue the Bonds and use the proceeds thereof, together with other funds of the Issuer, if any, to provide for the funding of the Pension Obligations and the refunding of the Refunded Bonds; and

WHEREAS, the issuance of the Series 2015A Bonds for the purpose of funding all or a portion of the Pension Obligations of the Issuer will serve a public purpose and is in the best interests of the Issuer; and

WHEREAS, the expenditure of proceeds of the Series 2015A Bonds for the purpose of funding the Pension Obligations is hereby deemed to be made for a public purpose and constitutes a "project" within the meaning and contemplation of Section 166.101(8), Florida Statutes; and

WHEREAS, the Issuer desires to refund the Refunded Bonds for savings and the issuance of the Series 2015B Bonds for such purpose will serve a public purpose and is in the best interests of the Issuer; and

WHEREAS, the principal of, premium, if any, and interest on the Bonds and all required sinking fund and other payments with respect thereto shall be payable from the proceeds of Bonds,

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aggregate principal amount of Term Bonds of such Series authenticated and delivered on original issuance.

"Authorized Investments" shall mean any investments authorized by the Issuer's Investment Policy as amended from time to time.

"Bond Insurer" shall mean the provider of a municipal bond insurance policy insuring the payment of principal of or interest on the Series 2015 Bonds or any Additional Bonds.

"Bondholder" shall mean a registered owner of a Bond as shown on the registration books of the Registrar.

"Bond Service Requirement" for any Fiscal Year, as applied to the Bonds of any Series, shall mean the sum of:

(1) the amount required to pay the interest becoming due on the Bonds of such Series during the Fiscal Year (including the accreted interest component of the Accreted Value of Capital Appreciation Bonds maturing during that Fiscal Year), except to the extent that such interest shall have been provided by payments into the Sinking Fund out of Bond proceeds for a specific period of time or by payments of investment income into the Sinking Fund from the Bond Service Account or any subaccounts therein,

(2) the amount required to pay the principal of Serial Bonds of such Series maturing in such Fiscal Year,

(3) the Amortization Installments for the maturities of Term Bonds of such Series for such Fiscal Year.

Notwithstanding the foregoing, for purposes of calculating Bond Service Requirement for any Fiscal Year (i) interest, Accreted Value and principal maturing or becoming subject to redemption on October 1 of any year shall be deemed to mature or become subject to redemption on the last day of the preceding Fiscal Year and (ii) with respect to variable rate bonds, if any, the interest rate used to calculate the Bond Service Requirement shall be assumed to be the highest variable rate borne over the preceding complete twenty-four (24) months by outstanding variable rate bonds issued under this Ordinance, or, if no such variable rate bonds are at the time Outstanding under this Ordinance, by the highest rate determined by the SIFMA Index over the preceding complete twenty-four (24) months, and (iii) if Bonds are option bonds, the date or dates of tender shall be disregarded, unless actually tendered and not remarketed, and the stated maturity dates thereof shall be used for purposes of this calculation, if such option bonds are to be retired on such date of maturity.

"Bonds" shall mean the Series 2015 Bonds and any Additional Bonds.

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the Pledged Revenues and from other moneys deposited in the funds and accounts created by this Ordinance, which the Issuer has full authority to irrevocably pledge; and

WHEREAS, the Issuer shall never be required to levy ad valorem taxes on any real or personal property to pay the principal of, interest on or any premium with respect to the Bonds or to make any of the required sinking fund, reserve or other payments required herein, and the Bonds shall not constitute a lien on any real or personal property owned by or situated within the limits of the Issuer.

BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA:

SECTION 1. Authority for this Ordinance. This Ordinance is enacted pursuant to the Florida Constitution, the City Charter, Chapter 166, Part II, and Chapter 159, Part VII, Florida Statutes, and other applicable provisions of law.

SECTION 2. Definitions. The following terms shall have the following meanings herein, unless the text otherwise expressly requires. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Payment Date next preceding the date of computation or the date of computation if a Payment Date, such interest to accrue at a rate not exceeding the legal rate, compounded semi-annually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be a Payment Date, a portion of the difference between the Accreted Value as of the immediately preceding Payment Date and the Accreted Value as of the immediately succeeding Payment Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360 day year.

"Act" shall mean Chapter 166, Part II, and Chapter 159, Part VII, Florida Statutes, and other applicable provisions of law.

"Additional Bonds" shall mean Bonds issued subsequent to the Series 2015 Bonds on a parity with the Series 2015 Bonds herein authorized.

"Amortization Installments" with respect to any Term Bonds of a Series, shall mean an amount or amounts so designated which is or are established for the Term Bonds of such Series, provided that (i) each such installment shall be deemed to be due on such interest or principal maturity date of each applicable year as is fixed by resolution of the Issuer and shall be a multiple of \$5,000 principal amount, and (ii) the aggregate of such installments for such Series shall equal the

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"Bond Year" shall mean, with respect to the Series 2015 Bonds, the twelve-month period ending on the date that corresponds to the day of the year that immediately precedes the final maturity date for the Series 2015 Bonds, and with respect to any Additional Bonds, such period as may be specified by subsequent resolution of the Issuer authorizing such Additional Bonds.

"Capital Appreciation Bonds" shall mean the Bonds of any Series, the interest on which is payable only at maturity or redemption, as determined by subsequent resolution.

"Capital Appreciation Term Bonds" shall mean Capital Appreciation Bonds of a Series all of which shall be stated to mature on one date, which shall be subject to retirement by operation of the Bond Amortization Account, and the interest on which is payable only at maturity or redemption.

"Closing Date" shall mean, with respect to a particular Series of Bonds issued hereunder, the date of issuance and delivery of such Bonds to the original purchaser or purchasers thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Dated Date" shall mean, with respect to each Series of Bonds, the date on which interest commences to accrue or accrete on such Series of Bonds.

"Federal Securities" shall mean only direct obligations of, or obligations fully guaranteed as to principal and interest by, the United States of America.

"Fiscal Year" shall mean the period commencing on October 1 of each year and ending on the succeeding September 30, or such other period as is at the time prescribed by law.

"Fitch" shall mean Fitch Ratings and its successors.

"Franchise Fee Revenues" shall mean the franchise fees levied and collected by the Issuer, pursuant to Ordinance No. 07-55 duly enacted by the City Council of the Issuer on June 12, 2007, granting the electric franchise to Florida Power & Light Company, its successors and assigns, including any renewals or extensions thereof, or any franchise or franchises granted in substitution therefor, or any franchise or franchises granted in substitution therefor.

"Issuer" shall mean the City of Hialeah, Florida.

"Maturity Amount" shall mean the amount payable upon the stated maturity of a Capital Appreciation Bond equal to the principal amount thereof plus all accrued interest thereon from the date of issue to the date of maturity.

"Maximum Bond Service Requirement" shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirements for the then current or any future Fiscal Year.

"Moody's" shall mean Moody's Investors Service, Inc. and its successors.

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"Non-Ad Valorem Revenues" shall mean all revenues and taxes of the Issuer derived from any source whatsoever, other than ad valorem taxation on real and personal property, which are legally available for payment of the Bonds.

"Ordinance" shall mean this ordinance as from time to time amended or supplemented, in accordance with the terms hereof.

"Paying Agent" shall mean the Issuer or such person, firm or corporation as may hereafter be from time to time designated by the Issuer as the Paying Agent for a Series of Bonds.

"Payment Date" shall mean, with respect to payment to the Bondholders of principal or interest on the Bonds, or with respect to the mandatory amortization of Term Bonds, the date upon which payment of such principal, interest or Amortization Installment is required to be made to the paying agent.

"Pension Plan" shall mean, separately or collectively, as the case may be, the contributory defined benefit retirement plans of the Issuer known as the Police Pension Fund, Firefighters' Relief and Pension Fund and the Employees' General Retirement System Fund.

"Pension Obligations" shall mean all or a portion of the Issuer's annual required contribution amount to the Pension Plan in order to fund the pension benefits in such Pension Plan.

"Pledged Revenues" shall mean the Franchise Fee Revenues and any funds on deposit in any fund or account created under this Ordinance.

"Refunded Bonds" shall mean the Issuer's loan pursuant to the loan agreement between the Issuer and Florida Municipal Loan Council dated February 1, 2005 in the original principal amount of \$29,996,744.95.

"Registrar" shall mean the paying agent for the Series 2015 Bonds, as Registrar, or such other person, firm or corporation as may hereafter be from time to time designated by the Issuer as the Registrar for the Series 2015 Bonds.

"Reserve Product" shall mean bond insurance, a surety bond or a letter of credit or other credit facility used in lieu of a cash deposit in the Reserve Account and meeting the terms and conditions of Section 17(B)(4) of this Ordinance.

"Reserve Product Provider" shall mean a reputable and nationally recognized bond insurance provider or a bank or other financial institution providing a Reserve Product, whose bond insurance policies insuring, or whose letters of credit, surety bonds or other credit facilities securing, the payment, when due, of the principal of and interest on bond issues by public entities results in such issues being rated in one of the three highest full rating categories by S&P, Moody's or Fitch (as of the date of issuance of the Series of Bonds for which the Reserve Product is to be utilized).

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"Term Bonds" shall mean the Bonds of a Series all of which shall be stated to mature on one date and which shall be subject to retirement by operation of the Bond Amortization Account.

SECTION 3. Incorporation by Reference. The WHEREAS clauses are incorporated herein and made a part of this Ordinance.

SECTION 4. Ordinance to Constitute Contract. In consideration of the acceptance of the Bonds by the Bondholders from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Bondholders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 5. Authority for the Funding of the Pension Obligations, Refunding the Refunded Bonds and the Issuance of the Series 2015 Bonds. The funding of all or a portion of the Pension Obligations, refunding the Refunded Bonds and the issuance of the Bonds, specifically including the Series 2015 Bonds, for such purposes is hereby authorized. Subject to the provisions hereof, Series 2015A Bonds to be known as the "City of Hialeah, Florida, Taxable Special Obligation Revenue Bonds, Series 2015A" (or such other Series designation as shall be designated by subsequent resolution) and Series 2015B Bonds to be known as the "City of Hialeah, Florida, Special Obligation Refunding Revenue Bonds, Series 2015B", are hereby authorized to be issued, in one or more Series, in an aggregate principal amount not to exceed Fifty Million Dollars (\$50,000,000), for the purpose of funding of all or a portion of the Pension Obligations, refunding the Refunded Bonds and paying the costs of issuance of the Series 2015 Bonds. Additional Bonds in excess of the principal amount of the Series 2015 Bonds issued pursuant to this Ordinance may be issued from time to time pursuant to Section 17(G) hereof.

The Issuer may by supplemental resolution specify for each Series of Bonds, including the Series 2015 Bonds, the following: the authorized principal amount of Bonds for which such Series of Bonds is issued; the date and terms of maturity or maturities of the Bonds and the interest payment dates with respect thereto; the interest rate or rates of the Bonds, which may include variable, dual, convertible or other rates, compound interest, Capital Appreciation Bonds, original issue discount and zero interest rate bonds, provided that the average net interest cost rate on such Bonds shall never exceed the maximum interest rate permitted by law in effect at the time such Bonds are issued; and provided further that in the event original issue discount, zero interest rate, Capital Appreciation Bonds, or similar Bonds are issued, only the original principal amount of such Bonds shall be deemed to be issued on the date of issuance for the purposes of the maximum amount of Bonds authorized hereunder; the denominations, numbering and lettering of such Bonds, provided that the Bonds shall be in the denominations of \$5,000, or any integral multiple thereof, or in the case of Capital Appreciation Bonds, \$5,000 amount due at maturity or any integral multiple thereof, or any other denomination designated by ordinance or resolution of the Issuer enacted or adopted prior to the issuance of such Bonds; the Paying Agent and place or places of payment of such

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"Reserve Requirement" shall mean the lesser of (i) the Maximum Bond Service Requirement with respect to Bonds secured by the Reserve Account, (ii) 125% of the average annual Bond Service Requirement with respect to Bonds secured by the Reserve Account, or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes with respect to Bonds secured by the Reserve Account; provided, however, the Issuer may establish by supplemental resolution or ordinance a different Reserve Requirement for a subaccount of the Reserve Account which secures a Series of Bonds pursuant to Section 17.B.(3) hereof.

"Resolution" shall mean a resolution of the Issuer, supplementing the Ordinance, adopted for the purpose of issuing Bonds, as from time to time amended or supplemented, in accordance with the terms hereof.

"S&P" shall mean Standard & Poor's Ratings Services and its successors.

"Serial Bonds" shall mean any Bonds for the payment of the principal of which, at the maturity thereof, no Amortization Installments are required to be made prior to the twelve-month period immediately preceding the stated date of maturity of such Serial Bonds.

"Series" shall mean any portion of the Bonds of an issue authenticated and delivered in a single transaction, payable from an identical source of revenue and identified pursuant to the supplemental ordinance or resolution authorizing such Bonds as a separate Series of Bonds, regardless of variations in maturity, interest rate, Amortization Installments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution of a Series of Bonds issued pursuant to this Ordinance.

"Series 2015 Bonds" shall mean, collectively, the Series 2015A Bonds and the Series 2015B Bonds.

"Series 2015A Bonds" shall mean the Issuer's Taxable Special Obligation Revenue Bonds, Series 2015A issued pursuant to this Ordinance.

"Series 2015B Bonds" shall mean the Issuer's Special Obligation Refunding Revenue Bonds, Series 2015B issued pursuant to this Ordinance.

"SIFMA Index" shall mean The Securities Industry and Financial Markets Association™ Municipal Swap Index as disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor or as otherwise designated by the Securities Industry and Financial Markets Association or any successor thereto.

"State" shall mean the State of Florida.

"Taxable Bonds" shall mean Bonds, the interest on which is not excluded from gross income of the Bondholder for federal income tax purposes by Section 103 of the Code.

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Bonds; the redemption prices for such Bonds and any terms of redemption or any formula for accretion upon redemption, not inconsistent with the provisions of this Ordinance, which may include mandatory redemptions or purchases at the election of the holder or registered owner thereof; the amount and date of each Amortization Installment, if any, for such Term Bonds, provided that each Amortization Installment shall fall due on December 1; the use of proceeds of such Bonds not inconsistent with this Ordinance, and any other terms or provisions applicable to the Bonds, not inconsistent with the provisions of this Ordinance or the Act. All of the foregoing may be added by supplemental resolution or resolutions adopted at any time and from time to time prior to the issuance of any Series of such Bonds. Unless otherwise so provided, each Bond shall bear interest from the later of the Dated Date or original issue date shown thereon or the most recent interest payment date to which interest has been paid, until payment of the principal sum or until provision for the payment thereof on or after the maturity or redemption date has been duly provided for. The Series 2015 Bonds may be issued in one or more Series and the Series designation of such Bonds may be changed to reflect the date and sequence of issuance, and the particular terms thereof.

Except as otherwise provided by subsequent resolution, all Bonds issued hereunder shall be in registered form, shall be payable in lawful money of the United States of America and shall bear interest from their date, or from such other date as the Issuer may determine, which in the case of Current Interest Bonds shall be paid by check or draft of the Paying Agent mailed to the registered owner thereof unless otherwise provided by subsequent ordinance or resolution. Principal, and any Accreted Value on Capital Appreciation Bonds, shall be payable at maturity or earlier redemption thereof upon presentation and surrender of such Bonds at the principal office of the Registrar by check or draft unless otherwise provided by subsequent ordinance or resolution. In addition, notwithstanding the foregoing, if and to the extent permitted by applicable law, the Issuer may establish a system of registration and may issue thereunder uncertificated registered public obligations (not represented by instruments) commonly known as book-entry obligations, certificated registered public obligations (represented by instruments), combinations thereof, or such other obligations as may then be permitted by law. The Issuer shall appoint such registrars, transfer agents, depositaries or other agents as may be necessary to cause the registration, registration of transfer and reissuance of the Bonds within a commercially reasonable time according to the then current industry standards and to cause the timely payment of interest, principal and premiums, if any, payable with respect to the Bonds. Registration and registration of transfer of the Series 2015 Bonds shall be subject to the terms set forth in the form of the Series 2015 Bonds in Section 9 hereof. If the Issuer adopts a system for the issuance of uncertificated registered public obligations, it may permit thereunder the conversion, at the option of a holder of any Bond then outstanding, of a certificated registered public obligation to an uncertificated registered public obligation, and the reconversion of the same. A list of the names and addresses of the registered owners of the Bonds shall be maintained at all times by the Registrar.

SECTION 6. Description of Series 2015 Bonds. The Series 2015 Bonds shall be dated as of a date or dates to be fixed by subsequent resolution of the Issuer, but not later than their date of delivery; shall be designated "RA-___", with respect to the Series 2015A Bonds, and numbered

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consecutively from one upward in order of authentication and "RB-___", with respect to the Series 2015B Bonds and numbered consecutively from one upward in order of authentication; shall be in such denominations, shall bear interest at such rate or rates not exceeding the maximum legal rate allowable by law to be payable at such times, and shall mature either annually or semi-annually on such dates and in such years and amounts, all as shall be determined by subsequent resolution of the Issuer. The Series 2015 Bonds shall bear interest from their date or from the most recent Payment Date to which interest has been paid, until payment of the principal sum.

The Series 2015 Bonds shall be issued in fully registered form, payable as to principal and premium, if any, upon presentation and surrender thereof on the date fixed for maturity or redemption thereof at the corporate trust office of the Paying Agent hereafter named. Interest on each Series 2015 Bond shall be paid by check or draft mailed to the person in whose name the Series 2015 Bond is registered, at his or her address as it appears on the bond register maintained by the Registrar, at the close of business on the 15th day of the month (whether or not a business day) next preceding the Payment Date (the "Record Date"), irrespective of any transfer of such Series 2015 Bond subsequent to such Record Date and prior to such Payment Date, unless the Issuer shall be in default in payment of interest due on such Payment Date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date for the payment of defaulted interest as established by notice mailed by the Registrar to the registered owner of the Series 2015 Bonds not less than fifteen days preceding such special record date. Such notice shall be mailed to the person in whose name such 2015 Bond is registered at the close of business on the fifth (5th) day preceding the date of mailing. All payments shall be made in accordance with and pursuant to the terms of this Ordinance and the Series 2015 Bonds and shall be payable in any coin or currency of the United States of America which, at the time of payment is legal tender for the payment of public or private debts.

No Series 2015 Bond shall be valid or become obligatory for any purpose or be entitled to any security or benefit under this Ordinance until the certificate of authentication endorsed on the Series 2015 Bond shall have been duly signed by the Registrar.

If the date for payment of the principal of, premium, if any, or interest on the Series 2015 Bonds shall be a Saturday, Sunday, legal holiday or a day on which the banking institutions in the city where the corporate trust office of the Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday or legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

SECTION 7. Execution of Series 2015 Bonds. The Series 2015 Bonds shall be executed in the name of the Issuer by its Mayor and attested by the City Clerk, and approved as to form and correctness by the City Attorney, either manually or with his/her facsimile signature, and the official seal of the Issuer or a facsimile thereof shall be affixed thereto or reproduced thereon. The facsimile signature of such officers may be imprinted or reproduced on the Series 2015 Bonds. The

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Upon surrender for transfer or exchange of any Bond, the Issuer shall execute and the Registrar shall authenticate and deliver in the name of the registered owner or the transferee or transferees, as the case may be, a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Ordinance. The Issuer or the Registrar may charge the owner of such Bond for every such transfer or exchange an amount sufficient to reimburse them for their reasonable fees and for any tax, fee, or other governmental charge required to be paid with respect to such transfer, and may require that such charge be paid before any such new Bond shall be delivered.

All Bonds presented for transfer, exchange, redemption or payment (if so required by the Registrar), shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Registrar, duly executed by the registered holder or by his duly authorized attorney in fact or legal representative.

All Bonds delivered upon transfer or exchange shall bear interest from the preceding Payment Date so that neither gain nor loss in interest shall result from the transfer or exchange. New Bonds delivered upon any transfer or exchange shall be valid obligations of the Issuer, evidencing the same debt as the Bond surrendered, shall be secured by this Ordinance and shall be entitled to all of the security and the benefits hereof to the same extent as the Bonds surrendered.

The Issuer and the Registrar may treat the registered owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bonds shall be overdue, and shall not be bound by any notice to the contrary.

Notwithstanding the foregoing provisions of this section, the Issuer reserves the right, on or prior to the delivery of the Bonds to amend or modify the foregoing provisions relating to the registration of the Bonds by resolution or ordinance in order to comply with all applicable laws, rules, and regulations of the United States and/or the State of Florida relating thereto.

SECTION 10. Book Entry Registration. With respect to any Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), all payments of interest on such Bonds shall be made by the Registrar by check and/or draft or by bank wire transfer to Cede & Co., as Bondholder of such Bonds and the Issuer and the Registrar shall have no responsibility or obligation to any direct or indirect participant in the DTC book-entry program (a "Participant"). Without limiting the immediately preceding sentence, the Issuer and the Registrar shall have no responsibility or obligation with respect to (A) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest on the Bonds, (B) the delivery to any Participant or any other person other than a Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to the Bonds, including any notice of redemption, or (C) the payment to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Registrar, of any amount with respect to principal, interest or redemption premium, if any, of the Bonds. The Issuer

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Certificate of Authentication of the Registrar shall appear on the Series 2015 Bonds, and no Series 2015 Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless such certificate shall have been duly executed on such Series 2015 Bond. The authorized signature for the Registrar shall be either manual or facsimile; provided, however, that at least one of the signatures appearing on the Series 2015 Bonds shall at all times be a manual signature. In case any officer whose signature shall appear on any Series 2015 Bonds shall cease to be such officer before the delivery of such Series 2015 Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Any Series 2015 Bonds may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Series 2015 Bonds shall hold the proper office with the Issuer, although at the date of enactment of this Ordinance such person may not have held such office or may not have been so authorized.

SECTION 8. Negotiability. Subject to the provisions hereof respecting registration and transfer, Bonds shall be and shall have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, and each successive holder, in accepting any of the Bonds, shall be conclusively deemed to have agreed that the Bonds shall be and have all of such qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities of the State of Florida.

SECTION 9. Registration, Exchange and Transfer. There shall be a Registrar for Bonds, which may be the Issuer or a designated bank or trust company located within or without the State of Florida. The Registrar shall maintain the registration books of the Issuer and be responsible for the transfer and exchange of the Bonds. The Issuer shall, prior to the proposed date of delivery of the Bonds, by resolution designate the Registrar. The Registrar shall maintain the books for the registration of the transfer and exchange of the Bonds in compliance with the Florida Registered Public Obligations Act and the system of registration as established by the Issuer pursuant thereto.

Each Bond shall be transferable only upon the registration books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the registered owner thereof in person or by such registered owner's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the registered owner or such registered owner's duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Bond. The Issuer, the Registrar and any paying agent or fiduciary of the Issuer may deem and treat the person in whose name any Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon such registered owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Issuer nor the Registrar nor any paying agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

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and the Registrar may treat and consider the person in whose name each Bond is registered in the registration books kept by the Registrar as the Bondholder and absolute owner of such Bond for the purpose of payment of principal, interest or redemption premium, if any, with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Registrar shall pay all principal, interest or redemption premium, if any, of the Bonds only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Registrar, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal, interest or redemption premium, if any, of the Bonds to the extent of the sum or sums so paid. No person other than a Bondholder, as shown in the registration books kept by the Registrar, shall receive a certificated Bond evidencing the obligation of the Issuer to make payments of principal, interest or redemption premium, if any, pursuant to the provisions hereof. Upon delivery by DTC to the Issuer of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to transfers during the 15 days next preceding a payment date or mailing of notice of redemption, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC; and upon receipt of such notice, the Issuer shall promptly deliver a copy of the same to the Registrar and the Paying Agent.

Upon (i) receipt by the Issuer of written notice from DTC (a) to the effect that a continuation of the requirement that any Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of such Bonds or (b) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, or (ii) determination by the Issuer, in its sole discretion, that such book-entry only system should be discontinued by the Issuer, such Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but shall be registered in whatever name or names holders shall designate, in accordance with the provisions of this Ordinance. In such event, the Issuer shall issue and the Registrar shall authenticate, transfer and exchange Bonds consistent with the terms of this Ordinance, in denominations of \$5,000 or any integral multiple thereof to the Bondholders thereof. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the existing Blanket Issuer Letter of Representations previously executed by the Issuer and delivered to DTC shall apply to the payment of principal, interest and redemption premium, if any, on such Bonds.

SECTION 11. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the holder furnishing the Issuer proof

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of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All Bonds so surrendered shall be canceled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on the source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Bonds issued hereunder.

SECTION 12. Provisions for Redemption. The Series 2015 Bonds shall be redeemable as provided by subsequent resolution of the Issuer.

Bonds in denominations greater than an authorized denomination (or authorized Maturity Amount in the case of Capital Appreciation Bonds) shall be deemed to be an equivalent number of Bonds in the denomination of an authorized denomination. If a Bond is of a denomination or Maturity Amount larger than an authorized denomination, a portion of such Bond may be redeemed, in the amount of an authorized denomination or Maturity Amount or integral multiples thereof.

Notice of such redemption, identifying the Bonds or portions thereof called for redemption (i) shall be filed with the Paying Agent and any Registrar; and (ii) shall be mailed by the Registrar, first-class mail, postage prepaid, to all registered owners of the Bonds to be redeemed not more than thirty (30) days and not less than fifteen (15) days prior to the date fixed for redemption at their addresses as they appear on the registration books to be maintained in accordance with the provisions hereof. Failure to give such notice by mailing to any owner of Bonds, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds.

If less than all of a Series of Bonds of like maturity are called for redemption, the particular Bonds or portions thereof to be redeemed will be selected by lot by the Paying Agent and Registrar in such manner as the Paying Agent and Registrar deems fair and appropriate. The portion of any Bonds to be redeemed of a denomination of more than \$5,000 will be redeemed in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Bonds for redemption, the Paying Agent and Registrar will treat each such Bond as representing that number of Bonds in \$5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000.

Notice having been mailed and filed in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for

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sufficient amounts of Non-Ad Valorem Revenues shall be cumulative, and shall continue until such Non-Ad Valorem Revenues in amounts sufficient to make up all deficiencies with respect to the required payments hereunder and under the Bonds as and when due, including any delinquent payments, shall have been budgeted, appropriated and actually paid into the Sinking Fund.

The Pledged Revenues shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge, shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer. All deposits into the funds and accounts created herein shall be deemed to be held in trust by the Issuer by the Finance Director for the purposes herein provided.

Until such monies are budgeted, appropriated and deposited as provided herein, such covenant to budget and appropriate does not create any lien upon or pledge of such Non-Ad Valorem Revenues, nor does it preclude the Issuer from pledging in the future its Non-Ad Valorem Revenues, nor does it require the Issuer to levy and collect any particular Non-Ad Valorem Revenues (except the Pledged Revenues), nor does it give the Bondholders a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the Issuer. Nothing herein shall be deemed a pledge of ad valorem revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the Issuer and no Bondholder or any other person, the Bond Insurer or the Paying Agent, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Issuer. The obligations hereunder do not constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provision or limitation, and neither the Paying Agent, the Bond Insurer or the Bondholders or any other person shall have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation of any real or personal property therein for the payment by the Issuer of its obligations hereunder. Except to the extent expressly set forth in this Ordinance, this Ordinance and the obligations of the Issuer hereunder shall not be construed as a limitation on the ability of the Issuer to pledge or covenant to pledge said Non-Ad Valorem Revenues or any revenues or taxes of the Issuer for other legally permissible purposes. Notwithstanding any provisions of this Ordinance or the Bonds to the contrary, the Issuer shall never be obligated to maintain or continue any of the activities of the Issuer which generate user service charges, regulatory fees or any Non-Ad Valorem Revenues or the rates for such services or regulatory fees. Neither this Ordinance nor the obligations of the Issuer hereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the Issuer, but shall be payable solely as provided herein and is subject in all respects to the provisions of Section 166.241, Florida Statutes, and is subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the Issuer. The amounts available to be budgeted and appropriated to make debt service payments hereunder is subject to the obligation of the Issuer to provide essential services.

SECTION 16. Creation of Funds and Accounts. There are hereby created and established (i) the "City of Hialeah Revenue Fund" (hereinafter called the "Revenue Fund"), and (ii) the "City of Hialeah Sinking Fund" (hereinafter called the "Sinking Fund") and three accounts therein, the "Bond

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redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been mailed and filed and moneys for payment of the redemption price being held in separate accounts in trust for the holders of the Bonds or portions thereof to be redeemed, all as provided in this Ordinance, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be entitled to any lien, benefit or security under this Ordinance, and the registered owners of such Bonds or portions of Bonds, shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Upon surrender of any Bond for redemption in part only, the Issuer shall issue and deliver to the holder thereof, the costs of which shall be paid by the holder, a new Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion surrendered.

SECTION 13. Form of Bonds. The text of the Bonds, the Certificate of Authentication and the Assignment shall be in substantially the forms attached hereto as Exhibit A, with such omissions, insertions and variations as may be necessary and desirable and authorized and permitted by this Ordinance or by any subsequent ordinance or resolution adopted prior to the issuance thereof.

SECTION 14. Bonds Not Debt of Issuer. The Bonds shall not be or constitute a general indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from and secured by a prior lien upon and pledge of the Pledged Revenues herein provided. No Bondholder shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real property therein to pay such Bonds or the interest thereon or be entitled to payment of such principal and interest from any other funds of the Issuer except from the Pledged Revenues and other amounts specifically pledged therefor in the manner provided herein. The Bonds shall not constitute a lien upon the Issuer's Pension Plan or any part thereof, or upon any other property of the Issuer except upon the Pledged Revenues and other amounts specifically pledged therefore in the manner hereinafter provided.

SECTION 15. Security for the Bonds. Until payment has been provided for as herein permitted, the payment of the principal of and interest on the Bonds shall be secured forthwith equally and ratably by an irrevocable lien on the Pledged Revenues prior and superior to all other liens or encumbrances on such Pledged Revenues, and the Issuer does hereby irrevocably pledge such Pledged Revenues to the payment of the principal of and interest on the Bonds, the reserves therefor, and for all other required payments.

To the extent that the Pledged Revenues are not adequate to pay the Bond Service Requirement and all other payments required hereunder, the Issuer hereby covenants and agrees to budget and appropriate and deposit Non-Ad Valorem Revenues of the Issuer in an amount which is equal to the deficiency in the Sinking Fund for the applicable Fiscal Year to the credit of the Sinking Fund. Such covenant and agreement on the part of the Issuer to budget and appropriate

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Service Account", the "Bond Amortization Account" and the "Reserve Account" (and a subaccount in the Reserve Account may be created for each Series of Bonds).

The Sinking Fund created hereunder and all accounts and subaccounts therein and any accounts created therein constitute trust funds for the purposes herein and in any subsequent resolution provided, shall be delivered to and held by the Finance Director (or an authorized depository designated by the Finance Director), in each case who shall act as trustee of such funds for the purposes hereof, and shall at all times be kept separate and distinct from all other funds of the Issuer and used only as herein provided. Moneys held in the Sinking Fund and the accounts and subaccounts therein shall be subject to a lien and charge in favor of the holders and registered owners of the Bonds as herein provided.

The designation and establishment of the various funds and accounts in and by this Ordinance shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the Issuer for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

SECTION 17. Covenants of the Issuer. Until all principal of and interest on the Bonds shall have been paid or provided for as herein permitted, the Issuer covenants with the Bondholders as follows:

A. REVENUE FUND. The Pledged Revenues shall, upon receipt thereof by the Issuer, be deposited in the Revenue Fund together with any Non-Ad Valorem Revenues, if necessary. Such Revenue Fund shall constitute a trust fund for the purposes herein provided, and shall be kept separate and distinct from all other funds of the Issuer and used only for the purposes and in the manner herein provided.

B. DISPOSITION OF REVENUES. All revenues at any time remaining on deposit in the Revenue Fund shall be disposed of on or before the twentieth day of each month, only in the following manner and in the following order of priority:

(1) Revenues shall be applied and allocated to the Bond Service Account in the Sinking Fund, in such sums as will be sufficient to pay (a) one-sixth (1/6) of all interest becoming due on the Bonds on the next semi-annual interest Payment Date; (b) one-twelfth (1/12) of all principal or Accreted Value maturing annually on the Serial Bonds on the next maturity date and (c) an amount sufficient to pay the fees and charges of the paying agents. Such deposits shall be increased or may be decreased as necessary to ensure that sufficient money will be on deposit on each interest and principal Payment Date to pay the then maturing interest on and principal of the Bonds and any applicable fees and charges. The money in the Bond Service Account shall be used solely to pay such interest, principal, any fees and charges as and when the same shall become due.

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(2) There shall be applied and allocated to a Bond Amortization Account in the Sinking Fund during each Bond Year, on a parity with the payments required in paragraph (1) above, an amount equal to one-twelfth (1/12) of the Amortization Installment or Accreted Value on a Capital Appreciation Term Bond, if any, becoming due and payable on the next Payment Date, less any amount then on deposit in such Bond Amortization Account and available for such one-twelfth portion of the payment of the next ensuing Amortization Installment. Such payments shall be credited to a separate special account for each Series of Term Bonds outstanding, and if there shall be more than one stated maturity for Term Bonds of a Series then into a separate special account in the Bond Amortization Account for each such separate maturity of Term Bonds. The funds and investments in each separate account shall be pledged solely to the payment of principal of the Term Bonds of the Series or maturity within a Series for which it is established and shall not be available for payment, purchase or redemption of Term Bonds of any other Series or within a Series, or for transfer to the Bond Service Account in the Sinking Fund to make up any deficiencies in required payments therein.

Upon the sale of any Series of Term Bonds, the Issuer shall, by resolution or ordinance, establish the amounts and maturities of such Amortization Installments for each Series and if there shall be more than one maturity of Term Bonds within a Series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested in the manner provided below, then the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the cumulative amounts of the principal amount of investments required to have been purchased by the payment date of such Amortization Installment.

Moneys in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the Series or maturity of Term Bonds within a Series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution or ordinance establishing the Amortization Installments for any Series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence.

(3) Revenues shall next be applied and allocated to the Reserve Account, created and established in the Sinking Fund, to maintain an amount equal to the Reserve Requirement.

Moneys in the Reserve Account shall be used only for the purpose of the payment of maturing principal of, Accreted Value or interest on the Bonds, or maturing Amortization Installments, when the other moneys allocated to the Sinking Fund are insufficient therefor, and for no other purpose. However, whenever the moneys applied and allocated to the Reserve Account exceed the principal, interest and redemption premium, if any, on all then outstanding Bonds becoming due in the current or any ensuing Fiscal Year, or exceed the amount required to be on deposit pursuant to the first paragraph of this subsection (3), such excess may be withdrawn and applied and allocated into the Revenue Fund or the Sinking Fund.

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secured in the same manner as state and municipal deposits are required to be secured by the laws of the State of Florida. Moneys on deposit in any of such funds and accounts may be invested and reinvested in Authorized Investments.

Investments made with moneys in the Revenue Fund and the Bond Service Account, must mature not later than the date that such moneys will be needed. Investments made with moneys in the accounts in the Bond Amortization Account and in each subaccount in the Reserve Account must mature, in the case of the accounts in the Bond Amortization Account not later than the stated date of maturity of the Term Bonds to be retired from the sub-accounts in the Bond Amortization Account from which the investment is made, and in the case of the Reserve Account not later than the final maturity of the respective Series of Bonds secured by such subaccount in the Reserve Account. Any and all income received by the Issuer from all such investments may be used for any lawful purpose.

The cash required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single bank account, and funds allocated to the various accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein and such investments for the various purposes of such funds and accounts as herein provided.

D. ENFORCEMENT OF COLLECTIONS. The Issuer will diligently enforce and collect the Pledged Revenues herein pledged; will take steps, actions and proceedings for the enforcement and collection of such Pledged Revenues as shall become delinquent to the full extent permitted or authorized by law; and will maintain accurate records with respect thereof. All Pledged Revenues shall, as collected, be held in trust to be applied as herein provided and not otherwise.

E. BOOKS AND RECORDS. The Issuer shall keep books and records of the Pledged Revenues, which such books and records shall be kept separate and apart from all other books, records and accounts of the Issuer, and Bondholders shall have the right at all reasonable times to inspect all records, accounts and data of the Issuer relating thereto.

F. ISSUANCE OF OTHER OBLIGATIONS. Except under the conditions and in the manner provided herein the Issuer will not issue any other obligations payable from the Pledged Revenues, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge, having priority to or being on a parity with the lien of the Bonds and the interest thereon, upon the Pledged Revenues. All other obligations issued by the Issuer, other than the Bonds herein authorized and Additional Bonds provided for in subsection H below, payable from the Pledged Revenues shall be, and shall contain an express statement that such obligations are, junior and subordinate in all respects to the Bonds, as to lien on and source and security for payment from the Pledged Revenues.

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Notwithstanding anything herein to the contrary, the Issuer may establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Bondholders of such Bonds shall not be secured by any other moneys in the Reserve Account or any other subaccount therein. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Requirement applicable to such Series of Bonds secured by the subaccount; provided the supplemental resolution authorizing such Series of Bonds may establish the Reserve Requirement relating to such separate subaccount of the Reserve Account at such level as the Issuer deems appropriate. Moneys shall be deposited in the separate subaccounts in the Reserve Account on a pro-rata basis.

(4) Upon the issuance of any Additional Bonds under the terms, limitations and conditions as provided herein, the applications and allocations into the Reserve Account and the Sinking Fund shall be increased in such amounts as are necessary to make the payments required above for the principal of and interest on such Additional Bonds, all on the same basis as provided herein.

The Issuer shall not be required to make any further applications or allocations to the Sinking Fund or the Reserve Account when the aggregate sums applied and allocated thereto are and remain at least equal to the amounts required pursuant to subsections (1) - (4) hereof.

Notwithstanding the foregoing provisions, in lieu of the required deposits of Pledged Revenues into the respective subaccount in the Reserve Account for a Series of Bonds, the Issuer may cause to be deposited into the respective subaccount in the Reserve Account a Reserve Product issued by a reputable and recognized Reserve Product Provider for the benefit of the Bondholders of such Series in an amount equal to the difference between the amount required and the sums then on deposit in the respective subaccount in the Reserve Account, if any, which Reserve Product shall be payable (upon the giving of notice as required hereunder) on any interest payment date on which a deficiency exists which cannot be cured by funds in any other account held pursuant to this Ordinance and available for such purpose. If a disbursement is made from a Reserve Product provided pursuant to this paragraph, the Issuer shall be obligated to either reinstate the maximum limits of such surety bond or insurance policy immediately following such disbursement or to apply and allocate into the Reserve Account, as herein provided in this paragraph for restoration of withdrawals from the Reserve Account, funds in the amount of the disbursement made under such policy, or a combination of such alternatives.

(5) The balance of any moneys remaining in the Revenue Fund after the above required applications and allocations have been made may be used for any other lawful purpose.

C. INVESTMENT OF FUNDS. The Sinking Fund, the Reserve Account, the Revenue Fund and any other special funds or accounts herein established and created shall constitute trust funds for the purposes provided herein for such funds. All such funds shall be continuously

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G. ISSUANCE OF ADDITIONAL BONDS. Additional Bonds, payable on a parity from the Pledged Revenues with the Series 2015 Bonds and any Additional Bonds then outstanding issued pursuant to this Ordinance, shall be issued only upon the conditions and in the manner herein provided:

(1) The Issuer shall prepare prior to the issuance of such Additional Bonds and keep on file a certificate: (a) stating that the financial statements of the Issuer have been audited by an independent certified public accountant; (b) setting forth the amount of Franchise Fee Revenues received by the Issuer for the most recent full Fiscal Year for which an audit has been prepared; (c) stating that the Franchise Fee Revenues for such Fiscal Year equal at least 2.00 times the Maximum Bond Service Requirement on (i) all outstanding Bonds and all Additional Bonds, if any, then outstanding and (ii) the Additional Bonds with respect to which such certificate is made.

(2) Each ordinance or resolution authorizing the issuance of Additional Bonds must recite that all of the covenants contained herein and will be applicable to such Additional Bonds.

(3) The Issuer must not be in default in performing any of the covenants and obligations contained in this Ordinance, and all payments therein required to have been made into the accounts and funds, as provided hereunder, shall have been made to the full extent required.

H. IMPAIRMENT OF CONTRACT. The pledging of the Pledged Revenues in the manner provided herein shall not be subject to repeal, modification or impairment by any subsequent ordinance, resolution or other proceedings of the City Council.

The Issuer covenants that it will not impair or adversely affect the power and right of the Issuer to receive the Franchise Fee Revenues or affect the levying of the Franchise Fee Revenues for the term of the Bonds. The Issuer covenants that it will not repeal the ordinances levying the Franchise Fee Revenues nor amend or modify said ordinances in any manner so as to reduce the rate or amount of Franchise Fee Revenues levied thereunder.

I. TAX COVENANTS. (A) The Issuer covenants with the Bondholders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become includable in the gross income of the Bondholder thereof for federal income tax purposes.

(B) The Issuer covenants with the Bondholders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become includable in the gross income of the Bondholder thereof for federal income tax purposes.

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(C) The Issuer hereby covenants with the Bondholders of each Series of Bonds (other than Taxable Bonds) that it will comply with all provisions of the Code necessary to maintain the exclusion of interest on the Bonds from the gross income of the Bondholder thereof for federal income tax purposes, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

(D) The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Bondholder thereof for federal income tax purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become includable in the gross income of the Bondholder thereof for federal income tax purposes. The covenants set forth in paragraphs (A), (B) and (C) above shall not apply to any Taxable Bonds.

(E) There is hereby created and established a fund to be known as the "City of Hialeah Special Obligation Revenue Bonds Rebate Fund" (the "Rebate Fund"), and a separate account therein for each Series of Bonds (other than Taxable Bonds). The Issuer shall deposit into the appropriate account in the Rebate Fund, from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the Issuer, an amount equal to the rebate amount (the "Rebate Amount") for such rebate year. The Issuer shall use such moneys deposited in the appropriate account in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by this Section 17.L. In complying with the foregoing, the Issuer may rely upon any instructions or opinions from Bond Counsel.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder that are not Taxable Bonds and after payment in full of the Rebate Amount to the United States in accordance with the terms hereof, such amounts shall be available to the Issuer for any lawful purpose.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the Issuer, shall not be impressed with a lien in favor of the Bondholders and the moneys therein shall be available for use only as herein provided.

SECTION 18. Capital Appreciation Bonds. For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable under the provisions of the Ordinance, or (iii) computing the amount of the Maximum Bond Service Requirement and of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Paying Agent any notice, consent, request or demand pursuant to the Ordinance for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

C. The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds, this Ordinance, or a Resolution on the part of the Issuer to be performed, and such default shall continue for a period of thirty days after written notice of such default shall have been received from the Bondholders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds Outstanding or the Bond Insurer of such amount of Bonds. Notwithstanding the foregoing, the Issuer shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes curative action and diligently pursues such action until the default has been corrected.

SECTION 21. Remedies. Any Bondholder, or any trustee acting for the Bondholders may, either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State, or granted and contained herein, and may enforce and compel the performance of all duties herein required or by any applicable statutes to be performed by the Issuer or by any officer thereof.

Nothing herein, however, shall be construed to grant to any Bondholders any lien on any real property of the Issuer.

Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an event of default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders under this Ordinance, and the Bond Insurer shall also be entitled to approve all waivers of events of default so long as the Bond Insurer is fully performing under its municipal bond insurance policy.

SECTION 22. Modification or Amendment. No material modification or amendment of this Ordinance or of any ordinance or resolution amendatory hereof or supplemental hereto may be made without the consent in writing of (i) the Bond Insurer under any insurance policy of the insurer then in force, if any, which insures against nonpayment of principal of and redemption premium, if applicable, and interest on, the Bonds, provided no event of default on the part of the Bond Insurer has occurred and is continuing under the insurance policy and the Bond Insurer is not insolvent at the time, or (ii), in the event no such Bond Insurer is then providing an insurance policy which insures against nonpayment of principal of and redemption premium, if applicable, and interest on, the Bonds, the registered owners of two-thirds (2/3) or more in the principal amount of the Bonds; provided, however, that no modification or amendment shall permit a change in the maturity of the Bonds or reduction in the rate of interest thereon or in the amount of the principal obligation thereof or affecting the promise of the Issuer to pay the principal of and interest on the Bonds as the same shall become due from the Pledged Revenues or reduce the percentage of registered owners required to consent to any material modification or amendment hereof without the consent in writing of any Bond Insurer of such Bonds and of all registered owners; provided further, however, that no such modification or amendment shall allow or permit any acceleration of

SECTION 19. Defeasance.

(a) If, at any time, the Issuer shall have paid, or shall have made provision for payment of, the principal, interest, Accreted Value and redemption premiums, if any, with respect to the Bonds or any Series of Bonds, then, and in that event, the pledge of and lien on the Pledged Revenues and all covenants herein in favor of the Bondholders of such Bonds shall be no longer in effect. For purposes of the preceding sentence, deposit of non-callable Federal Securities, bank certificates of deposit fully secured as to principal and interest by non-callable Federal Securities (or deposit of any other securities or investments which may be authorized by law from time to time and sufficient under such law to effect such a defeasance) or non-callable tax-exempt bonds, having a rating in the highest rating category by Fitch, Moody's or S&P, all in irrevocable trust with a banking institution or trust company, for the sole benefit of the Bondholders, in respect to which such Federal Securities, certificates of deposit or tax exempt bonds, the principal and interest received will be sufficient to make timely payment of the principal of, interest on, redemption premium, if any, and any other obligations of the Issuer incurred with respect to the outstanding Bonds to be defeased, shall be considered "provision for payment." Nothing herein shall be deemed to require the Issuer to call any of the outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

(b) In the event any of the principal and redemption premium, if applicable, and interest due on the Bonds shall be paid by a Bond Insurer pursuant to an insurance policy which insures against non-payment thereof, the pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to the registered owners to whom or for the benefit of whom the Bond Insurer has made such payments, shall continue to exist and the Bond Insurer shall be subrogated to the rights of such registered owners to the full extent of such payments.

SECTION 18. Events of Default. The following events shall each constitute an "Event of Default:"

A. The Issuer shall fail to make a payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when such payment becomes due and such failure is not cured within ten days.

B. There shall occur the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or adjudication of the Issuer as a bankrupt, or assignment by the Issuer for the benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted.

the payment of principal of or interest on the Bonds upon any default in the payment thereof whether or not the Bond Insurer and registered owners consent thereto.

SECTION 23. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall not be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

SECTION 24. Repealing Clause. All ordinances or resolutions or parts thereof of the Issuer in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

SECTION 25. Effective Date. This Ordinance shall become effective when passed by the City Council and signed by the Mayor or at the next regularly scheduled City Council meeting, if the Mayor's signature is withheld or if the City Council overrides the Mayor's veto.

PASSED AND ADOPTED this ___ day of _____, 2015.

Isis Garcia Martinez
Council President

Attest: Approved on this ___ day of _____, 2015.

Marbelys Fatjo, City Clerk

Mayor Carlos Hernandez

Approved as to form and legal sufficiency:

Lorena E. Bravo, City Attorney

EXHIBIT A
FORM OF BONDS

No. RJA||B|-\$

UNITED STATES OF AMERICA
STATE OF FLORIDA
MIAMI-DADE COUNTY
CITY OF HIALEAH

[TAXABLE] SPECIAL OBLIGATION REVENUE [REFUNDING] BONDS, SERIES ____

Rate of Interest Maturity Date Dated Date Cusip

Registered Owner:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that the City of Hialeah, Florida, a municipal corporation of the State of Florida (hereinafter called "Issuer"), for value received, hereby promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount shown above, solely from the revenues hereinafter mentioned, and to pay solely from such revenues, interest on said sum from the date of this Bond or from the most recent Payment Date to which interest has been paid, at the Rate of Interest per annum set forth above until the payment of such principal sum, such interest being payable on ____ 1, 20__, and semiannually thereafter on ____ 1 and ____ 1 of each year. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof on the date fixed for maturity or redemption at the designated office of _____ (the "Paying Agent") in _____, Florida, or at the office designated for such payment of any successor thereof. The interest on this Bond, when due and payable, shall be paid by check or draft mailed to the Registered Owner, at his address as it appears on the Bond Register, at the close of business on the 15th day of the month (whether or not a business day) next preceding the Payment Date (the "Record Date") or, in the case of payment after default, a special record date, as provided in the Resolution hereinafter mentioned. All amounts due hereunder shall be payable in any coin or currency of the United States which is at the time of payment legal tender for the payment of public or private debts.

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Bonds in denominations greater than \$5,000 Principal Amount shall be deemed to be an equivalent number of Bonds of the denomination of \$5,000 Principal Amount. Notice of redemption identifying the Bonds or portions thereof to be redeemed will be given by the Registrar as provided in the Ordinance. All Bonds so called for redemption will cease to bear interest after the specified redemption date provided funds for their redemption are on deposit at the place of payment at that time.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds of this issue does not violate any constitutional or statutory limitations or provisions.

Subject to the provisions of the Ordinance respecting registration, this Bond is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities of the State of Florida.

Subject to the limitations and upon payment of the charges provided in the Ordinance, Bonds may be exchanged for a like aggregate Principal Amount of Bonds of the same maturity of other authorized denominations, and are transferable by the Registered Owner in person or by his attorney duly authorized in writing at the above-mentioned office of the Registrar.

The Issuer shall deem and treat the Registered Owner hereof as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the Issuer shall not be affected by any notice to the contrary.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Ordinance until the certificate of authentication endorsed hereon shall have been duly signed by the Registrar.

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This Bond is one of a duly authorized issue of Bonds of the Issuer designated "[Taxable] Special Obligation Revenue [Refunding] Bonds, Series ____" in the aggregate principal amount of \$ _____, of like tenor and effect, except as to number, date, maturity, interest rate and redemption provisions, issued to finance the funding of the Issuer's [Pension Obligation] and [Refunding the Refunded Bonds] pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida, including particularly Chapter 166, Part II, Florida Statutes, and other applicable provisions of law, Ordinance No. ____ enacted _____, 2015, (the "Ordinance"), as supplemented by Resolution No. ____ adopted on _____, 2015, and is subject to all the terms and conditions of such Ordinance, the provisions of which are incorporated herein by reference. (All terms used herein in capitalized form and not otherwise defined herein shall have the meaning ascribed thereto in the Ordinance.)

This Bond and the issue of Bonds of which it is a part are special obligations of the Issuer payable solely from and secured by a prior lien upon and pledge of the Franchise Fee Revenues, as defined in the Ordinance, and any funds on deposit in any fund or account created under the Ordinance (the "Pledged Revenues") and to the extent that the Pledged Revenues are not adequate to pay the Bond Service Requirement and all other payments required under the Ordinance, the Issuer covenants and agrees to budget and appropriate and deposit Non-Ad Valorem Revenues of the Issuer in an amount which is equal to the deficiency in the Sinking Fund for the applicable Fiscal Year to the credit of the Sinking Fund, all in the manner provided in the Ordinance.

This Bond does not constitute a general obligation, or a pledge of the faith, credit or taxing power of the Issuer, the State of Florida or any political subdivision thereof, within the meaning of any constitutional or statutory provision or limitation. Neither the State of Florida nor any political subdivision thereof, nor the Issuer shall be obligated (1) to exercise its ad valorem taxing power or any other taxing power in any form on any real or personal property in the Issuer to pay the principal of the Bonds, the interest thereon or other costs incident thereto or (2) to pay the same from any other funds of the Issuer, except from the Pledged Revenues and the Non-Ad Valorem Revenues, in the manner provided herein and in the Ordinance. It is further agreed between the Issuer and the Registered Owner of this Bond that this Bond and the indebtedness evidenced hereby shall not constitute a lien on the Issuer's Pension Plan or any other property of the Issuer, but shall constitute a lien only on the Pledged Revenues, in the manner provided in the Ordinance.

[Interest payable on this Bond is subject to federal income taxation, and provided that the issuance thereof will not cause the interest on any other Bonds theretofore issued under the Ordinance to be or become includable in the gross income of the Bondholder thereof for federal income tax purposes.]

(INSERT REDEMPTION PROVISIONS)

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IN WITNESS WHEREOF, the City of Hialeah, Florida, has issued this Bond and has caused the same to be executed by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of its City Clerk, and its official seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, as of _____, 2015.

CITY OF HIALEAH, FLORIDA

(SEAL)

ATTEST:

Mayor

City Clerk

Approved as to Form
and Correctness:

City Attorney

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CERTIFICATE OF AUTHENTICATION OF REGISTRAR

This Bond is one of the issue of the within described Bonds. The Rate of Interest, Maturity Date, Registered Owner and Principal Amount shown above are correct in all respects and have been recorded, along with the applicable federal taxpayer identification number and the address of the Registered Owner, in the Bond Register maintained at the principal offices of the undersigned.

Date of Registration and Authentication:

Registrar

By: _____
Authorized Officer

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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned (the "Transferor"), hereby sells, assigns, and transfers unto _____

_____ (Please insert name and Social Security or Federal Employer Identification number of assignee) the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ (the "Transferee") as attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date:
Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or a trust company.

NOTICE: No transfer will be registered and no new Bond will be issued in the name of the Transferee, unless the signature(s) to this assignment corresponds with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied.

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The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common
- UNIF GIF MIN ACT - (Cust.) Custodian for (Minor) under Uniform Gifts to Minors Act of (State)

Additional abbreviations may also be used though not in list above.

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RESOLUTION NO. 2015-148

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT EXCEEDING AGGREGATE PRINCIPAL AMOUNT OF \$50,000,000 IN PRINCIPAL AMOUNT OF CITY OF HIALEAH, FLORIDA TAXABLE SPECIAL OBLIGATION REVENUE BONDS, SERIES 2015A AND SPECIAL OBLIGATION REFUNDING REVENUE BONDS, SERIES 2015B; DELEGATING TO THE MAYOR THE AUTHORITY TO AWARD THE SALE OF THE SERIES 2015 BONDS; APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT AND DELEGATING TO THE MAYOR THE AUTHORITY TO DEEM FINAL FOR CERTAIN PURPOSES AND APPROVE THE USE OF AND DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT WITH RESPECT TO THE SERIES 2015 BONDS; APPOINTING A REGISTRAR AND PAYING AGENT; PROVIDING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION WITH THE ISSUANCE THEREOF; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF HIALEAH, FLORIDA:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to Chapter 166, Part II, and Chapter 159, Part VII, Florida Statutes and other applicable provisions of law.

SECTION 2. DEFINITIONS. All capitalized undefined terms shall have the same meaning as set forth in the Original Ordinance, as hereinafter defined. In addition, the following terms shall have the following meanings herein, unless the text expressly requires otherwise. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Bond Purchase Agreement" means the Bond Purchase Agreement between the Issuer and the Underwriters in connection with the sale of the Series 2015 Bonds, in substantially the form attached hereto as Exhibit A.

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"2015 Pension Obligations" means a portion of the Issuer's unfunded liability portion of the annual required contribution to its Pension Plan for the Fiscal Year ended September 30, 2015 and Fiscal Year ending September 30, 2016.

"Underwriters" means collectively Stifel, Nicolaus & Company, Incorporated, Senior Manager, together with Wells Fargo Bank, N.A., RBC Capital Markets, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

A. The principal of and interest on the Series 2015 Bonds and all required reserve and other payments shall be payable solely from the revenues pledged for the payment thereof, as provided herein and in the Original Ordinance. The Issuer shall never be required to levy ad valorem taxes on any real or personal property within the City of Hialeah to pay the principal of and interest on the Series 2015 Bonds herein authorized or to make any other payments provided for herein. The Series 2015 Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer.

B. The revenues pledged for the payment of the Series 2015 Bonds are not now pledged or encumbered in any manner.

C. The estimated revenues pledged for the payment of the Series 2015 Bonds under the Original Ordinance will be sufficient to pay all principal of and interest on the Series 2015 Bonds to be issued hereunder, as the same become due, and to make all required reserve or other payments required by this Resolution and the Original Ordinance.

D. Due to the potential volatility of the market and the complexity of the transactions relating to such Series 2015 Bonds, it is in the best interest of the Issuer to sell the Series 2015 Bonds by a negotiated sale, allowing the Issuer to enter the market at the most advantageous time, rather than at a specified advertised date, thereby permitting the Issuer to obtain the best possible price and interest rate for the Series 2015 Bonds.

E. The Issuer now desires to sell its Series 2015 Bonds pursuant to a Bond Purchase Agreement and in furtherance thereof to approve the form of and authorize distribution of a final Official Statement in connection with the issuance of the Series 2015 Bonds.

F. The Issuer has been or will be provided all applicable disclosure information required by Section 218.385, Florida Statutes.

SECTION 4. THIS RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Series 2015 Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders. The covenants and agreements herein set

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"Cede" means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2015 Bonds pursuant to Section 7 hereof.

"Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Agreement executed by the Issuer and dated the date of issuance and delivery of the Series 2015 Bonds, as it may be amended from time to time in accordance with the terms thereof.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Financial Advisor" means Public Financial Management, Inc. or its successors and assigns.

"Issuer" shall mean the City of Hialeah, Florida, a municipal corporation.

"Interest Payment Date" means each June 1st and December 1st, commencing June 1, 2016.

"Mayor" shall mean the Mayor of the Issuer or the Mayor's designee.

"Original Ordinance" shall mean Ordinance No. _____ enacted on November 10, 2015, as may be amended and supplemented from time to time.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Series 2015 Bonds as securities depository.

"Paying Agent" means U.S. Bank National Association, Miami, Florida and its successors and assigns.

"Principal Payment Date" means each December 1, until payment in full of the Series 2015 Bonds.

"Reserve Requirement" means zero.

"Series 2015 Bonds" means collectively, the Series 2015A Bonds and Series 2015B Bonds.

"Series 2015A Bonds" means the Taxable Special Obligation Revenue Bonds, Series 2015A.

"Series 2015B Bonds" means the Special Obligation Refunding Revenue Bonds, Series 2015B.

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forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Bondholders of any and all of the Series 2015 Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Series 2015 Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 5. DESCRIPTION OF THE SERIES 2015 BONDS. Interest shall be payable on each Interest Payment Date and principal shall be paid on each Principal Payment Date. No subaccount for the Series 2015 Bonds shall be established in the Reserve Account and funds in the amount of the Reserve Requirement shall be deposited in the Reserve Account.

SECTION 6. PROVISIONS FOR REDEMPTION. Series 2015 Bonds shall be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by Section 9 herein.

In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent or a fiduciary institution acting as escrow agent no later than the redemption date or (2) the Issuer retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this section. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the Finance Director delivers a written direction to the Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Series 2015 Bonds subject to Conditional Redemption where redemption has been rescinded shall remain outstanding, and neither the rescission nor the failure by the Issuer to make such funds available shall constitute an Event of Default under the Original Ordinance and this Resolution. The Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Series 2015 Bonds called for redemption and not so paid remain outstanding.

SECTION 7. BOOK ENTRY SYSTEM. Notwithstanding any provision of this Resolution to the contrary, the Series 2015 Bonds shall be initially issued in the form of a separate single certificated fully registered Series 2015 Bond for each of the maturities of the Series 2015 Bonds. Upon initial issuance, the ownership of each such Series 2015 Bond shall be registered in the registration books kept by the Registrar in the name of Cede, as nominee of DTC.

A blanket issuer letter of representations (the "BLoR") was entered into by the Issuer with The Depository Trust Company ("DTC"). It is intended that the Series 2015 Bonds be registered so as to participate in a global book-entry system with DTC as set forth herein and in such BLoR. The terms and conditions of such BLoR shall govern the registration of the Series

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2015 Bonds. The Series 2015 Bonds shall be initially issued in the form of a single fully registered Bond for each maturity of such Series. Upon initial issuance, the ownership of such Series 2015 Bonds shall be registered by the Registrar in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. So long as any Series 2015 Bond is registered in the name of DTC (or its nominee), the Issuer, the Registrar and the Paying Agent may treat DTC (or its nominee) as the sole and exclusive holder of such Series 2015 Bonds registered in its name, and all payments with respect to the principal or redemption price of, if any, and interest on such Series 2015 Bond ("Payments") and all notices with respect to such Series 2015 Bond ("Notices") shall be made or given, as the case may be, to DTC. Transfers of Payments and delivery of Notices to DTC Participants shall be the responsibility of DTC and not of the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Transfers of Payments and delivery of Notices to beneficial owners of the Series 2015 Bonds by DTC Participants shall be the responsibility of such participants, indirect participants and other nominees of such beneficial owners and not of the Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time.

Upon (a) receipt by the Issuer of written notice from DTC (i) to the effect that a continuation of the requirement that all of the Outstanding Series 2015 Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Series 2015 Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, (b) termination, for any reason, of the agreement among the Issuer, the Registrar and Paying Agent and DTC evidenced by the BLoR, or (c) determination by the Issuer that such book-entry only system should be discontinued by the Issuer, and compliance with the requirements of any agreement between the Issuer and DTC with respect thereto, the Series 2015 Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders shall designate, in accordance with the provisions hereof. In such event, the Issuer shall issue and the Registrar shall authenticate, transfer and exchange Series 2015 Bonds consistent with the terms hereof, in denominations of \$5,000 or any integral multiple thereof to the Bondholders thereof. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the BLoR shall apply to the registration and transfer of the Series 2015 Bonds and to Payments and Notices with respect thereto.

SECTION 8. APPLICATION OF SERIES 2015 BOND PROCEEDS. A. The proceeds, including accrued interest and premium, if any, received from the sale of any or all of the Series 2015A Bonds shall be applied by the Issuer simultaneously with the delivery of such Series 2015A Bonds to the purchaser thereof, as follows:

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2. Receipt by the Finance Director of a written offer to purchase the Series 2015B Bonds by the Underwriters substantially in the form of the Bond Purchase Agreement, said offer to provide for, among other things, (i) the issuance of not exceeding \$25,000,000 principal amount of Series 2015B Bonds, (ii) an underwriting discount (including management fee and all expenses) not in excess of \$3.25 per bond with respect to the Series 2015B Bonds, (iii) a true interest cost of not more than 5.75% per annum with respect to the Series 2015B Bonds, (iv) the maturities of the Series 2015B Bonds with the final maturity no later than December 1, 2035 and (v) debt service savings of at least 3% of the Refunded Bonds.

3. The Series 2015 Bonds shall be subject to such optional and mandatory redemption provisions as provided in the Bond Purchase Agreement.

4. Receipt by the Finance Director from the Underwriters of a disclosure statement and truth-in-bonding information complying with Section 218.385, Florida Statutes and substantially in the form attached to the Bond Purchase Agreement.

Upon satisfaction of the conditions set forth in this Section, the Mayor and City Clerk are hereby authorized to execute and deliver the Series 2015 Bonds and any other documents, agreements or certificates relating to the Series 2015 Bonds, and are further authorized and directed to prepare and furnish to the purchasers of the Series 2015 Bonds, when the Series 2015 Bonds are issued, certified copies of all the proceedings and records of the Issuer relating to the Series 2015 Bonds, and such other affidavits and certificates as may be required to show the facts relating to the legality and marketability of the Series 2015 Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements contained therein.

SECTION 10. PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL STATEMENT. The Finance Director, Bond Counsel to the Issuer, Disclosure Counsel to the Issuer and the Issuer's Financial Advisor are hereby authorized to prepare and to disseminate (or cause to be prepared and disseminated) copies of a "Preliminary Official Statement", in substantially the form attached hereto as Exhibit B, and are also authorized to prepare and disseminate a final official statement after execution and delivery of the Bond Purchase Agreement. At closing, the appropriate officers of the Issuer are authorized and directed to furnish a certificate to the effect that the Preliminary Official Statement did not as of its date and does not contain any untrue statement or omission of a material fact. The Mayor is authorized to deem final the Preliminary Official Statement prepared pursuant to this section for purposes of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission.

SECTION 11. CONTINUING DISCLOSURE. The Issuer hereby covenants and agrees that in order to provide for compliance by the Issuer with secondary market disclosure requirements of the Rule, that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement, in substantially the form attached hereto as Exhibit C, to be

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(1) A sum in the amount designated in a certificate of the Finance Director shall be applied to pay the Issuer's 2015 Pension Obligations.

(2) To the extent not paid by the original purchasers of the Series 2015A Bonds, the Issuer shall pay all costs and expenses in connection with the issuance, sale and delivery of the Series 2015A Bonds.

B. The proceeds, including accrued interest and premium, if any, received from the sale of any or all of the Series 2015B Bonds shall be applied by the Issuer simultaneously with the delivery of such Series 2015B Bonds to the purchaser thereof, as follows:

(1) A sum in the amount designated in a certificate of the Finance Director shall be applied to pay the Refunded Bonds.

(2) To the extent not paid by the original purchasers of the Series 2015B Bonds, the Issuer shall pay all costs and expenses in connection with the issuance, sale and delivery of the Series 2015B Bonds.

SECTION 9. DELEGATION OF AWARD OF SERIES 2015 BONDS. Subject to full satisfaction of the conditions set forth in this section, the City Council of the Issuer hereby authorizes a delegated negotiated sale of the Series 2015 Bonds to the Underwriters in accordance with the terms of a Bond Purchase Agreement to be dated the date of sale and to be substantially in the form attached hereto as Exhibit A and incorporated herein by reference, with such changes, amendments, modifications, omissions and additions thereto as shall be approved by the Mayor in accordance with the provisions of this section (including, without limitation, making the final determination concerning the structuring and marketing of the Series 2015 Bonds to obtain the most favorable rating and interest rate on the Series 2015 Bonds), and the execution and delivery of the Bond Purchase Agreement by the Mayor and the City Clerk shall be deemed conclusive evidence of the approval of such changes and the full and complete satisfaction of the conditions set forth in this section.

Notwithstanding the foregoing, the Bond Purchase Agreement shall not be executed by the Mayor and the City Clerk until such time as all of the following conditions have been satisfied:

1. Receipt by the Finance Director of a written offer to purchase the Series 2015A Bonds by the Underwriters substantially in the form of the Bond Purchase Agreement, said offer to provide for, among other things, (i) the issuance of not exceeding \$25,000,000 principal amount of Series 2015A Bonds, (ii) an underwriting discount (including management fee and all expenses) not in excess of \$3.25 per bond with respect to the Series 2015A Bonds, (iii) a true interest cost of not more than 6.75% per annum with respect to the Series 2015A Bonds, and (iv) the maturities of the Series 2015A Bonds with the final maturity no later than December 1, 2040.

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executed by the Issuer and dated the date of the issuance and delivery of the Series 2015 Bonds, as it may be amended from time to time in accordance with the terms thereof. Notwithstanding any other provisions of this Resolution, failure of the Issuer to comply with such Continuing Disclosure Agreement shall not be considered an event of default; however, any Bondholder may take action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Section.

SECTION 12. APPOINTMENT OF PAYING AGENT AND REGISTRAR. U.S. Bank National Association, Miami, Florida is hereby appointed as Registrar and Paying Agent for the Series 2015 Bonds. The Mayor and the Finance Director are hereby authorized to enter into any agreements with such Registrar and Paying Agent, which may be necessary to reflect the obligation of such Registrar and Paying Agent to accept and perform the respective duties imposed upon each and to effectuate the transactions contemplated, by this Resolution and the Original Ordinance.

SECTION 13. DELEGATION OF INSURANCE. In order to obtain the most favorable premiums on an insurance policy, the Finance Director is hereby authorized to solicit bids from interested municipal bond insurers and the Mayor is authorized to accept, execute and deliver the commitment of whichever municipal bond insurer provides the terms and provisions which, after consultation with the Issuer's Financial Advisor, is in the best interest of the Issuer. The Finance Director can designate all, some or none of the Series 2015 Bonds to be insured. The Mayor is hereby authorized to execute such agreements containing the provisions of an insurance policy. The Issuer further authorizes application of Series 2015 Bond proceeds to payment of the premium for the insurance policy. A statement of insurance is authorized to be printed on the Series 2015 Bonds for the benefit and information of the Bondholders.

SECTION 14. GENERAL AUTHORITY. The Mayor, the Finance Director, the City Attorney of the Issuer or any other appropriate officers of the Issuer are hereby authorized and directed to execute any and all certifications or other instruments or documents required by the Original Ordinance, the Bond Purchase Agreement, the Preliminary Official Statement, the Official Statement, this Resolution or any other document referred to above as a prerequisite or precondition to the issuance of the Series 2015 Bonds and any such representation made therein by officers or representatives of the Issuer shall be deemed to be made on behalf of the Issuer. All action taken to date by the officers of the Issuer in furtherance of the issuance of the Series 2015 Bonds is hereby approved, confirmed and ratified.

SECTION 15. CONFLICTS REPEALED. All resolutions in conflict or inconsistent with this Resolution are to the extent of such conflict or inconsistency hereby modified or repealed.

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SECTION 16. EFFECTIVE DATE. This Resolution shall become effective when passed by the City Council and signed by the Mayor or at the next regularly scheduled City Council meeting, if the Mayor's signature is withheld or if the City Council overrides the Mayor's veto.

PASSED AND ADOPTED this ___ day of November, 2015.

Isis Garcia Martinez
Council President

Attest: Approved on this ___ day of November, 2015.

Marbelys Fatjo, City Clerk

Mayor Carlos Hernandez

Approved as to form and legal sufficiency:

Lorena E. Bravo, City Attorney

EXHIBIT A

FORM OF BOND PURCHASE AGREEMENT

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EXHIBIT B

FORM OF PRELIMINARY OFFICIAL STATEMENT

EXHIBIT C

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX E
Form of Bond Counsel Opinion

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Attorneys at Law
SunTrust International Center
1 SE 3rd Avenue
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Miami, FL 33131
Tel 305.374.7349
Fax 305.374.0895

FORM OF BOND COUNSEL OPINION

Upon delivery of the Series 2015 Bonds in definitive form, Bryant Miller Olive P.A., Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

City of Hialeah, Florida
Hialeah, Florida

| | |
|---|---|
| \$25,000,000 | \$21,145,000 |
| Taxable Special Obligation Revenue Bonds | Special Obligation Refunding Revenue Bonds |
| Series 2015A | Series 2015B |

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Hialeah, Florida (the "Issuer") in connection with the issuance by the Issuer of its \$25,000,000 Taxable Special Obligation Revenue Bonds, Series 2015A (the "Series 2015A Bonds") and its \$21,145,000 Special Obligation Refunding Revenue Bonds, Series 2015B (the "Series 2015B Bonds", and together with the Series 2015A Bonds, the "Series 2015 Bonds"), pursuant to and under the authority of the Constitution of the State of Florida, Chapter 166, Florida Statutes, Chapter 159, Part VII, Florida Statutes, the municipal Charter of the Issuer and other applicable provisions of law, and pursuant to Ordinance No. 2015-67 enacted by the City Council of the Issuer (the "Council") on November 10, 2015, as amended or supplemented from time to time (the "Ordinance"), and as particularly supplemented by Resolution No. 2015-148 adopted by the Council on November 10, 2015 (the "Resolution", together with the Ordinance, the "Bond Ordinance") for the purpose of (i) financing the 2015 Pension Obligations (as defined in the Resolution), and (ii) current refunding of the Issuer's loan pursuant to a Loan Agreement dated February 1, 2005 between the Issuer and the Florida Municipal Loan Council funded with the proceeds of the Florida Municipal

Loan Council Revenue Bonds, Series 2005A (the "Refunded Bonds"). In such capacity, we have examined such law and certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meaning set forth in the Bond Ordinance.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Lorena Bravo, Esq., Issuer's Counsel, as to the due creation and valid existence of the Issuer, the due enactment of the Bond Ordinance, the due execution and delivery of the Series 2015 Bonds and the compliance by the Issuer with all conditions contained in ordinances and resolutions of the Issuer precedent to the issuance of the Series 2015 Bonds.

The Series 2015 Bonds are payable from the Pledged Revenues, which consist primarily of Franchise Fee Revenues, as defined in the Bond Ordinance and in the manner and to the extent provided in the Bond Ordinance. To the extent that Pledged Revenues are not sufficient, the Issuer has covenanted in the Bond Ordinance to budget and appropriate sufficient amounts of Non-Ad Valorem Revenues to pay debt service on the Series 2015 Bonds. Pursuant to the terms, conditions and limitations contained in the Bond Ordinance, the Issuer has reserved the right to issue Additional Bonds in the future, payable on a parity from the Pledged Revenues with the Series 2015 Bonds, and any Additional Bonds then outstanding issued pursuant to the Bond Ordinance.

The Series 2015 Bonds do not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional, statutory or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the Issuer or taxation in any form of any real or personal property for the payment of the principal of or interest on the Series 2015 Bonds, or to continue programs or services which generate Non-Ad Valorem Revenues.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based on our examination, we are of the opinion, that, under existing law:

1. The Bond Ordinance constitutes a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms.

2. The Series 2015 Bonds are valid and binding limited obligations of the Issuer enforceable in accordance with their terms, payable from the Pledged Revenues and Non-Ad Valorem Revenues budgeted and appropriated and deposited into the funds and accounts created under the Bond Ordinance.

3. The Bond Ordinance creates a valid lien upon the Pledged Revenues for the security of the Series 2015 Bonds.

4. Interest on the Series 2015A Bonds is not excludable from gross income for federal income tax purposes

5. Interest on the Series 2015B Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Series 2015B Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted in the Bond Ordinance to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2015B Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2015B Bonds.

It is to be understood that the rights of the owners of the Series 2015 Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to the Series 2015 Bonds. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Series 2015 Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Series 2015 Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Issuer or the

underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Series 2015 Bonds or regarding the perfection or priority of the lien on the Pledged Revenues created by the Bond Ordinance. Further, we express no opinion regarding federal income or state tax consequences arising with respect to the Series 2015 Bonds other than as expressly set forth herein.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

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APPENDIX F
Form of Continuing Disclosure Agreement

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Form of Continuing Disclosure Agreement

This CONTINUING DISCLOSURE AGREEMENT dated as of November ____, 2015 is executed and delivered by the CITY OF HIALEAH, FLORIDA (the "City"), a municipal corporation and public body corporate and politic, duly organized and existing under the Constitution and laws of the State of Florida in connection with the issuance of \$_____ in aggregate principal amount of City of Hialeah, Florida Taxable Special Obligation Bonds, Series 2015A and of \$_____ in aggregate Special Obligation Refunding Revenue Bonds, Series 2015B (together the "Series 2015 Bonds"). The Series 2015 Bonds are being issued pursuant to Ordinance No. _____ adopted by the Mayor and City Council of the City on November 10, 2015 and Resolution No. _____ adopted by the Mayor and City Council of the City on November 10, 2015 (collectively, the "Ordinance"). The City covenants and agrees as follows:

SECTION 1. Purpose of Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the "SEC"). This Disclosure Agreement shall constitute the continuing disclosure agreement of the City in accordance with the requirements of the Rule for the benefit of the Beneficial Owners.

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015 Bonds (including persons holding Series 2015 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2015 Bonds for federal income tax purposes.

"Business Day" shall mean any day other than a Saturday, Sunday or a day when banks in the City of New York, New York, or in the City of Hialeah, Florida, or in the city in which the principal offices of the Bond Registrar are required or authorized by law to be closed or on which the New York Stock Exchange is closed.

"Dissemination Agent" shall mean any Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. The City may act as Dissemination Agent.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus,

interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Dissemination Agent from the performance of its obligations under the Disclosure Agreement.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2015 Bonds required to comply with the Rule in connection with the offering of the Series 2015 Bonds.

"Repository" shall mean the municipal securities information repository approved by the SEC, as further described on Exhibit "A" hereto, including the Municipal Securities Rulemaking Board ("MSRB"), or as otherwise established by law or regulation, where information is required to be filed in accordance with the Rule.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the 270th day following the end of each Fiscal Year, commencing with the Fiscal Year ending September 30, 2015, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, however, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if the audited financial statements are not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than ten (10) Business Days prior to the date the Annual Report is to be filed with the Repository, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the Repository an Annual Report by the date required in subsection (a) of this Section, or if the City shall fail to provide the Annual Report to the Dissemination Agent in time for the Dissemination Agent to deliver the Annual Report to the Repository by the date required in subsection (a) of this Section, the City or the Dissemination Agent, as applicable, in a timely manner shall send a notice to the Repository in substantially the form attached as Exhibit B to this Disclosure Agreement.

(c) In addition to filing the notice required by subsection (b) of this Section, as applicable, the Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of the Repository and verify the filing specifications of the Repository; and
- (ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided and listing the Repository to which it was provided.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

- (a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, which may be a part of the City's comprehensive audited financial report. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report may contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement for the Series 2015 Bonds dated November ____, 2015 (the "Official Statement"), if available, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.
- (b) The annual actuarial valuation of the Employees' Retirement System.
- (c) To the extent such information is not otherwise included as part of the Annual Report, updated information from that set forth in the Official Statement under the caption "SECURITY FOR THE SERIES 2015 BONDS".

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the Repository or to the SEC. If the document included by reference is a final official statement, such final official statement must be available in electronic format from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

- (a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015 Bonds within ten (10) Business Days of the occurrence of the event:
 - 1. principal and interest payment delinquencies;
 - 2. non-payment related defaults, if material;
 - 3. unscheduled draws on the debt service reserves reflecting financial difficulties;
 - 4. unscheduled draws on the credit enhancements reflecting financial difficulties.

5. substitution of the credit or liquidity providers or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2015 Bonds, or other material events affecting the tax status of the Series 2015 Bonds;
7. modifications to rights of Bondholders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Series 2015 Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the City;

Note: For the purposes of the events identified in this subsection 5(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional Bond Registrar, Paying Agent or trustee or the change of name of a Bond Registrar, Paying Agent or trustee, if material.

(b) Notice of any Listed Event shall be in writing. Such notice shall (i) identify the Listed Event that has occurred; (ii) include the text of the disclosure that the City desires to make; (iii) contain the written authorization of the City for the Dissemination Agent to disseminate such information, and (iv) identify the date the City desires the Dissemination Agent to disseminate the information (provided that such date is not later than the tenth (10th) Business Day after the occurrence of the Listed Event).

(c) The Dissemination Agent is not obligated to notify the City of an event that may constitute a Listed Event. In the event the Dissemination Agent so notifies the City, the City shall, within two (2) Business Days of receipt of such notice (but in any event not later than the tenth (10th) Business Day after the occurrence of the Listed Event, if the City determines that a Listed Event has occurred), instruct the Dissemination Agent that a Listed Event either (i) has not occurred and no filing is to be made or (ii) has occurred and the Dissemination Agent shall be provided notice thereof in the manner provided in Section 5(b).

SECTION 6. Termination of Reporting Obligation. The obligations of the City under the Disclosure Agreement shall remain in effect only for such period that the Series 2015 Bonds are outstanding in accordance with their terms and the terms of the Ordinance and the City remains an obligated person with respect to the Series 2015 Bonds within the meaning of the Rule. The obligation of the City to provide the Annual Report and notices of Listed Events shall terminate if and when the City no longer remains such an obligated person. The Disclosure Agreement also shall terminate upon the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Agreement, the City may amend the Disclosure Agreement, and non-compliance with any provision of the Disclosure Agreement may be waived, provided the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) hereof (unless the amendment or waiver is necessary or appropriate for the City to achieve compliance with any applicable federal law or rule, or to cure any ambiguity, inconsistency, formal defect or omission in the provisions of the Disclosure Agreement), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2015 Bonds, or the type of business conducted;

(b) The Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2015 Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Series 2015 Bonds in the same manner as provided in the Ordinance for amendments to the Ordinance with the consent of the Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Beneficial Owners.

In the event of any amendment or waiver of a provision of the Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the

accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in the Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Agreement, the City shall have no obligation under the Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Remedy for Breach. The Disclosure Agreement shall be solely for the benefit of the Beneficial Owners from time to time of the Series 2015 Bonds. The exclusive remedy for any breach of the Disclosure Agreement by the City shall be limited, to the extent permitted by law, to a right of Beneficial Owners to institute and maintain, or to cause to be instituted and maintained, such proceedings as may be authorized at law or in equity to obtain the specific performance by the City of its obligations under the Disclosure Agreement. Any Beneficial Owner may exercise individually any such right to require the City to specifically perform its obligation to provide or cause to be provided a pertinent filing if such a filing is due and has not been made. Notwithstanding any other provisions of the Ordinance or the Disclosure Agreement, any failure by the City to comply with any provision of the Disclosure Agreement shall not constitute a default under the Series 2015 Bonds or under the Ordinance.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The services provided by the Dissemination Agent under or pursuant to the Disclosure Agreement shall solely relate to the execution of instructions received by the Dissemination Agent from the City and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). The Dissemination Agent shall not provide any advice or recommendation to the City or anyone on the City's behalf regarding the "issuance of municipal securities" or any "municipal financial product," as such terms are defined in Dodd-Frank, and nothing in the Disclosure Agreement shall be interpreted to the contrary.

(b) For purposes of satisfying the reporting requirements of the Disclosure Agreement, the City has delegated to the Dissemination Agent the duties, functions and responsibilities of disclosing information undertaken by the City in the Disclosure Agreement. The City may, from time to time, appoint or engage an alternate or substitute Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such

Dissemination Agent, with or without appointing a successor, alternate or substitute Dissemination Agent. The Dissemination Agent (other than the City) shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Disclosure Agreement.

(c) Any information received by the Dissemination Agent before 5:00 p.m. Eastern time on any Business Day that it is required to file with the MSRB pursuant to the terms of the Disclosure Agreement will be filed by the Dissemination Agent with the MSRB no later than 5:00 p.m. Eastern time on the next Business Day; provided, however, the Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event, provided that the Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

(d) The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015 Bonds.

SECTION 11. Extent of Covenants; No Personal Liability. All covenants, stipulations, obligations and agreements of the City contained in the Disclosure Agreement are and shall be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized by law. No covenant, stipulation, obligation or agreement of the City contained in the Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, agent or employee of the City in other than that person's official capacity.

SECTION 12. Electronic Filing. Any filing under the Disclosure Agreement with the Repository shall be made in compliance with the formal rules, notices or releases for such filings, as established by the SEC or the MSRB and, until established otherwise by such rules, notices or releases, any filing under the Disclosure Agreement shall be made electronically at <http://emma.msrb.org/> in accordance with the procedures of the MSRB for such filings.

SECTION 13. Beneficiaries. The Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the Beneficial Owners, and shall create no rights in any other person or entity.

SECTION 14. Severability. In case any section or provision of the Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such

remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 15. Headings. The headings preceding the text of the sections of this Disclosure Agreement are solely for convenience of reference and shall not affect the meaning, construction or effect of any of the provisions of the Disclosure Agreement.

IN WITNESS WHEREOF, the City has caused this Disclosure Agreement to be executed by its duly authorized officer and delivered to the Participating Underwriter in connection with the original issuance and delivery of the Series 2015 Bonds, all as of the date set forth above, and the Beneficial Owners and Holders of the Series 2015 Bonds from time to time shall be deemed to have accepted the Disclosure Agreement in accordance with the Rule.

CITY OF HIALEAH, FLORIDA

By: _____
Carlos Hernandez, Mayor

(SEAL)

ATTEST:

Marbelys Fatjo, City Clerk

EXHIBIT A

Municipal Securities Information Repository approved by the United States Securities and Exchange Commission:

Municipal Securities Rulemaking Board:

<http://emma.msrb.org/>

A list of names and address of any other designated Municipal Securities Information Repositories as of any point in time is available by visiting the SEC's website at <http://www.sec.gov/info/municipal.shtml>.

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Hialeah, Florida

Name of Bond Issue: Taxable Special Obligation Revenue Bonds, Series 2015A and Special Obligation Refunding Revenue Bonds, Series 2015B (together, the "Series 2015 Bonds")

Date of Issuance: November ____, 2015

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the Series 2015 Bonds as required by that certain Continuing Disclosure Agreement, dated as of November ____, 2015 in connection with the issuance of the Series 2015 Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated:

[Dissemination Agent]

By: _____

Name:

Title:

APPENDIX G
Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

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