



City of Lake Wales, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
September 30, 2014

City of Lake Wales, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2014

Prepared By:
Department of Finance



This page intentionally left blank.

City of Lake Wales, Florida
Comprehensive Annual Financial Report
For Fiscal Year Ended September 30, 2014

Table of Contents

Introductory Section

Letter of Transmittal	i
Certificate of Achievement.....	vi
Organizational Chart.....	vii
Principal Officials	viii

Financial Section

Report of Independent Auditor	1
--	----------

Management's Discussion and Analysis	5
---	----------

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Position.....	19
Statement of Activities	20

Fund Financial Statements:

Balance Sheet - All Governmental Funds.....	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	25
Statement of Net Position - Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Statement of Fiduciary Net Position – Fiduciary Funds	30
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	31

Notes to Financial Statements.....	33
------------------------------------	----

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	76
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Transportation Fund	78

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Community Redevelopment Fund	79
Schedule of Changes in Net Pension Liability and Related Ratios General Employees’ Pension Fund	81
Schedule of Changes in Net Pension Liability and Related Ratios Firefighters’ Pension Fund	82
Schedule of Changes in Net Pension Liability and Related Ratios Police Officers’ Pension Fund.....	83
Schedule of Contributions General Employees’ Pension Fund	84
Schedule of Contributions Firefighters’ Pension Fund	85
Schedule of Contributions Police Officers’ Pension Fund	86
Schedule of Investment Returns	87
Schedule of Funding Progress and Contributions For General Employees’ Pension Plan	88
Schedule of Funding Progress and Contributions For Firefighters’ Pension Plan	89
Schedule of Funding Progress and Contributions For Police Officers’ Pension Plan	90
Schedule of Funding Progress and Employer Contributions Other Post Employment Benefit Plan	91

Supplemental Information

Combining Balance Sheet - Nonmajor Governmental Funds.....	94
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	95
Budget to Actual Comparison Other Major and Nonmajor Governmental Funds Forfeitures Fund.....	96
Library Fund	97
Law Enforcement Block Grant Fund	98
Street Lighting Assessment Fund	99
Debt Service Fund.....	100
Capital Project Fund.....	101
Lake Wales Airport Authority Statement of Net Position.....	102
Statement of Revenues, Expenditures, and Changes in Net Position	103
Statement of Cash Flows	104

Statistical Section (Unaudited)	105
--	-----

Financial Trends:

Net Position by Component	106
Changes in Net Position	108
Fund Balances of Governmental Funds	110
Changes in Fund Balances of Governmental Funds.....	111
Governmental Activities Tax Revenues by Source	112

Revenue Capacity:

Assessed Value and Estimated Actual Value of Taxable Property	113
Direct and Overlapping Property Tax Rates.....	114
Principal Property Taxpayers.....	115
Property Tax Levies and Collections.....	116

Debt Capacity:

Ratios of Outstanding Debt by Type	117
Direct and Overlapping Governmental Activities Debt.....	118
Pledged-Revenues Coverage	119

Demographic and Economic Information:

Demographic and Economic Statistics	120
---	-----

Operating Information:

Full-time Equivalent City Government Employees by Function/Program	123
Various Indicators by Function/Program.....	124
Water Sold by Type of Customer and Associated Rates	125
Sewer Sold by Type of Customer and Associated Rates.....	126
Principal Employers	127

Government Auditing Section

Schedule of Expenditures of Federal Awards.....	129
Notes to the Schedule of Expenditures of Federal Awards	130
Report of Independent Auditor on Compliance for Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	131
Schedule of Findings and Questioned Costs.....	133
Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	137
Management Letter	139
Report of Independent Accountant on Compliance with Local Government Investment Policies	143



This page intentionally left blank.



**City of
Lake Wales**

201 Central Avenue W.
P.O. Box 1320
Lake Wales, FL 33859-1320
Phone (863) 678-4182
Fax (863) 678-4180

April 10, 2015

To the Honorable Mayor and
Members of the City Commission and
Citizens of the City of Lake Wales, Florida

The Comprehensive Annual Financial Report (CAFR) of the City of Lake Wales, for the fiscal year ended September 30, 2014, is hereby submitted pursuant to the City Charter, Florida Statutes, and Chapter 10.550, Rules of the Auditor General of the State of Florida.

Management assumes full responsibility for the reliability and completeness of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

Cherry Bekaert LLP, Certified Public Accountants, have issued unmodified opinions on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Wales for the year ended September 30, 2014. The Report of Independent Auditor is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the Report of Independent Auditor and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Lake Wales, Florida was granted its municipal charter in 1921. The City is located in the geographical center of the Florida peninsula, and is accessible by U.S. Hwy. 27 (north/south) and State Road 60 (east/west). Interstate 4 crosses the state 25 miles north of Lake Wales, and both the Tampa and Orlando International Airports are approximately one hour's drive away. It currently occupies 20.12 square miles and serves a population of 14,916.

Because of the region's rich soil and warm climate, citrus has been a major contributor to the local economy since the earliest days of Lake Wales. The stated goal of the City Commission and the city administration is to encourage and facilitate quality growth and economic development without compromising the vintage charm that is so important to the residents of the community. The unhurried environment combined with its location has made the City an ideal choice for living the affordable Florida lifestyle. The City of Lake Wales operates under a commission/manager form of government. A Mayor elected city-wide and four City Commissioners elected by district serve two-year terms. The City is governed by the City Charter, City Ordinances and state laws and regulations. The Commission is responsible for the establishment and adoption of City policy and appointing a City Manager and the City

Attorney. The City Manager serves as the Chief Executive Officer of the City and is responsible for the execution of City policy and the oversight of all staff and day-to-day operations of the City.

The City of Lake Wales provides a full range of services including law enforcement and fire/rescue protection, building and code enforcement, water, wastewater and storm water management services, the construction and maintenance of road and street facilities, planning and development services, recreational and cultural activities, solid waste management (via contract), and general administrative services. The financial statements of this report include the funds of all the activities under the jurisdiction of the City Commission. The financial reporting entity includes all the funds of the primary government (i.e., the City of Lake Wales, Florida as legally defined), as well as all of its component units. Component units are other governmental units over which the City (the City Commission, acting as a group) can exercise influence and/or may be obligated to provide financial subsidy. The discretely presented component unit (Lake Wales Airport Authority) is presented as a separate column in the government-wide statements. The blended component unit (Lake Wales Community Redevelopment Agency) is presented as part of the primary government activities.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests to the City Manager. The City Manager uses these requests as the starting point for developing the proposed budget. The City Manager then presents the proposed budget to the City Commission for review. The City Commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th; the close of the City of Lake Wales's fiscal year. The appropriated budget is prepared by fund and department. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level for the general fund, and the fund level for all other funds. Budget-to-actual comparisons are provided in this report for each major governmental fund for which an appropriated annual budget has been adopted.

Local Economy

Each fiscal year provides the City an opportunity to identify, address and resolve issues facing our community and citizens. While residents enjoy the quiet suburban lifestyle of this community and public sentiment is to maintain and preserve its residential character, the City's large residential make-up presents a significant challenge for the City government, with respect to all aspects of service delivery and diversity in the upcoming years.

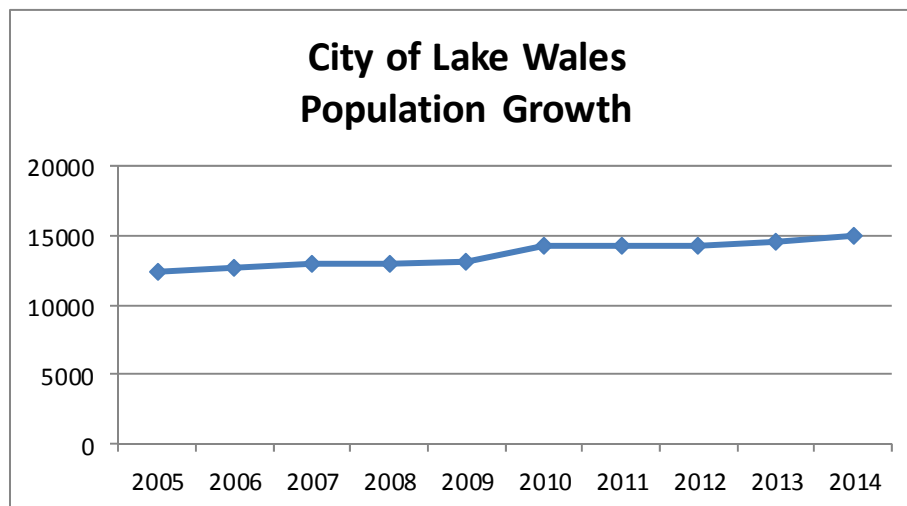
The City's major challenges are to provide the infrastructure and services needed to maintain the quality of life, which attracted considerable growth in our community (19.97% increase in population from 2004 through 2014). History has proven that significant emphasis on support systems such as transportation, potable (drinking) water, wastewater, and storm water management must be balanced fully with the quality of life amenities which include parks, recreation, sports, entertainment, and cultural opportunities to maintain the natural beauty and attractiveness of a community. 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.

The most significant factor impacting the City's economy in the short term is the expected opening of the CSX Inter-Modal Facility just north of State Road 60 and west of the city limits in the spring of 2015. This major inter-modal (rail/truck) freight distribution facility is expected to not only generate significant truck traffic through the area along SR 60 but also ancillary development of additional freight distribution facilities in the immediate area, much of which will either be within the city limits or served by the City's utility system. The City intends to encourage more intensive development along both the US 27 and SR 60 corridors through the City to take advantage of this development to broaden its tax base and increase

economic opportunity for its residents. The City has available large, attractive parcels along these routes ready for construction. The City also owns the closest airport to CSX and already has approved plans to expand its runways which could accommodate air freight operations in conjunction with ground transportation operations. To facilitate future economic development, it has also formed an Economic Development Council in partnership with the Lake Wales Area Chamber of Commerce to attract new business and help existing ones to grow and take advantage of the opportunities which will come in the future.

Growth

The population in Lake Wales has increased approximately 46.32% since the U. S. Census of 2000 (population of 10,194). As the following table shows, the annual increase, from 2005 through 2007 had been in the range of 2%. Note the drop in 2005, attributable to the demolition of a number of units, notably Sunrise Apartments, following the hurricanes. The 2010 Census results revealed an actual population count greater than had previously been annually estimated.



Year	Population*	% Increase	Notes
2004	12,433	-	
2005	12,390	-0.35%	Hurricanes/Zoning in Progress
2006	12,755	2.95%	
2007	13,039	2.23%	
2008	13,052	0.10%	
2009	13,067	0.11%	
2010	14,225	8.86%	US Census
2011	14,261	0.25%	
2012	14,261	0.00%	
2013	14,522	1.83%	
2014	14,916	2.71%	

* Source: Bureau of Business and Economic Research, University of Florida

The City's economic outlook is largely impacted by the state and regional economy with a great deal of reliance placed on surrounding communities for work, shopping and entertainment. Area employment consists predominately of service-related activities, retail trade, manufacturing, government and construction. The Lakeland/Winter Haven Metro Area and the State of Florida unemployment rate as of September 2014 were reported at 8.0% and 6.2%, respectively, while the national unemployment rate was 5.9%.

In 2006, Florida voters adopted a constitutional amendment that requires the State of Florida to develop a Long-Range Financial Outlook, setting out recommended fiscal strategies for the state and its departments in order to assist the legislature in making budget decisions. The Legislative Budget Commission is required to issue the Outlook by September 15th of each year. The 2014 Outlook is the eighth document developed in accordance with the provisions of Article III, Section 19(c)(1) of the Florida Constitution. The following economic projections were provided within the current report:

The key measures of employment are typically **job growth** and the **unemployment rate**. While Florida led the nation on the good-side of these measures during the boom, the state was worse than the national averages on both measures until August 2010 when Florida experienced its first over-the-year increase in jobs since July 2007. Four years later (July 2014), Florida's annual job growth rate has been positive for the past 48 months. However, Florida is still 257,400 jobs below its peak during the boom. This indicates that simple rehiring, while necessary, will not be sufficient to trigger a robust recovery. At the current pace, a full recovery to the previous peak non-farm employment level will be reached sometime during Fiscal Year 2015-16. However, since population has continued to grow, the data milestone will not match the conditions in March 2007; it would take the creation of about 750,000 jobs for the same percentage of the total population to be working as was the case at the peak.

The state's unemployment rate in July matched the nation as a whole at 6.2 percent, with 597,000 jobless persons. The rate had been as low as 3.3 percent from January through August 2006 (the lowest unemployment rate in more than thirty years), before peaking at 11.4 percent from December 2009 through March 2010.

The pace of Florida's recovery will be driven in large measure by the time it takes for the construction industry to revive. Vigorous home price appreciation that outstripped gains in income and the use of speculative financing arrangements made Florida particularly vulnerable to the decelerating housing market and interest rate risks. Properties that have been in the foreclosure process for a long time may now be distressed beyond realistic use, in that they have not been physically maintained or are located in distressed pockets that will not come back within a reasonable timeframe. To the extent that the number of viable homes is limited, new construction may come back at a faster rate than anticipated. In April 2014, over 32 percent of all sales were either REO (bank-owned after an unsuccessful sale at a foreclosure) or short sales, and most of these sales were heavily discounted.

Long-term Financial Planning

The City Commission and the City Manager continue to develop a vision for the City's future. The plan looks both to respond to the needs of the community, while at the same time meeting these needs in a cost-effective and efficient manner. The following items are planned for the next fiscal year and beyond:

- State Road 60 expansion
- C street sewer improvement project
- Cemetery site development
- Reuse line extension
- Various utility system relocation projects
- Continued renovation of upgrading of recreation facilities throughout the City

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakes Wales for its comprehensive annual financial report (CAFR) for the fiscal year ending September 30, 2013. This was the fourth year the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City has to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR meets the Certificate of Achievement Program's requirements and staff is submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Lake Wales's finances.

Respectfully submitted,



Kenneth Fields,
City Manager



Dorothy Ecklund, CPA
Finance Director



Government Finance Officers Association

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

Presented to

**City of Lake Wales
Florida**

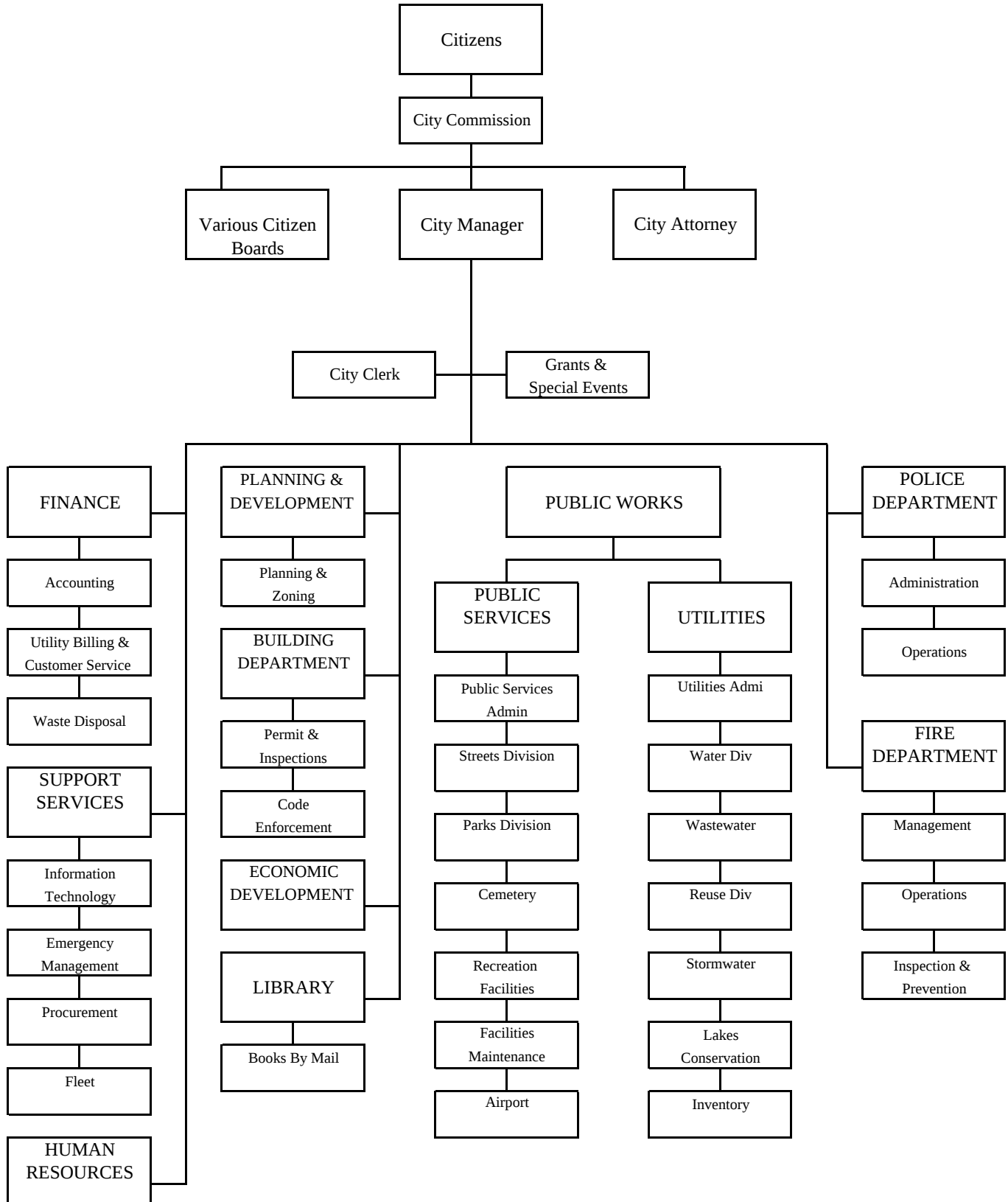
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

City of Lake Wales, Florida

Organizational Chart



City of Lakes Wales, Florida
Principal Officials

Elected Officials

Mayor----- Eugene Fultz
Deputy Mayor ----- Christopher Lutton
Commissioner ----- Betty Wojcik
Commissioner ----- Jonathan Thornhill
Commissioner ----- Terrye Howell

City Officials

City Manager ----- Kenneth Fields
City Attorney ----- Albert C. Galloway, Jr.

Report of Independent Auditor

To the Honorable Mayor and Members of the City Commission
City of Lake Wales, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note I.E to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*, effective October 1, 2013. Our opinions are 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 and required supplementary information, as provided in the table of contents, 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 statements and schedules and statistical section, as provided in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining statements and schedules and the schedule of expenditures of federal awards 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 statements and schedules and the schedule of expenditures of federal awards 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 April 10, 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.

A handwritten signature in black ink, reading "Cheryl Behrman" followed by a stylized monogram or initials.

Orlando, Florida
April 10, 2015



This page intentionally left blank.

Management's Discussion and Analysis

As management of the City of Lake Wales (the "City"), 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. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$45,851,658 (*net position*). Of this amount, \$374,611 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$455,912. The governmental activities decreased by \$596,771 (3.10%), while business-type activities increased \$1,052,683 (4.03%).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,396,201; a decrease of \$2,114,192 for the year. Approximately 24.49% is *available for spending* at the government's discretion (unassigned).

Overview of the Financial Statements

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

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 liabilities, 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 government'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 its costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, physical environment, transportation, economic environment, human services, and culture and recreation. The business-type activities of the City include the water and sewer utility.

The governmental-wide financial statements include not only the City of Lake Wales itself (known as the primary government), but also a legally separate airport authority for which the City of Lake Wales is financially accountable. Financial information for this component unit is reported separately from the

financial information presented for the primary government itself. The Lakes Wales Airport Authority has been included within the financial statements as a discretely presented component unit.

The City's government-wide financial statements can be found on pages 19-21 of this report.

Effective October 1, 2013, the City adopted the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, and GASB 67, *Financial Reporting for Pension Plans*. The effect of adopting these standards has resulted in a restatement of beginning net position in the Governmental Activities, Business-Type activities and the pension plans of the City. For more information, see note I.E of the notes to the financial statements.

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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 ten 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. Four of these funds are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements are presented on pages 22-26 of this report.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses an enterprise fund to account for its water and sewer distribution operation. The Lake Wales Airport Authority, a discretely presented component unit, uses an enterprise fund to account for the airport's operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The public utility fund is considered a major fund of the City of Lake Wales. The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 30-31 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 financial statements can be found on pages 33-73 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City progress in funding its obligation to provide pension and other post employment benefits to its employees and budgetary schedules for the general and major special revenue funds. Required supplementary information can be found on pages 76-91 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 94-101 of this report.

Lake Wales Airport Authority financial statements can be found on pages 102-104 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$45,851,658 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$39,816,044 (86.84%), reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still 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.

**City of Lake Wales
Net Position**

The following schedule is a summary of the Statement of Net Position found on page 17 of this report.

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 5,876,446	\$ 8,325,752	\$ 5,452,469	\$ 6,649,893	\$ 11,328,915	\$ 14,975,645
Capital assets, net of depreciation	26,696,463	26,473,610	35,176,515	33,617,579	61,872,978	60,091,189
Total assets	<u>32,572,909</u>	<u>34,799,362</u>	<u>40,628,984</u>	<u>40,267,472</u>	<u>73,201,893</u>	<u>75,066,834</u>
Deferred Outflows	<u>145,960</u>	<u>158,308</u>	<u>87,124</u>	<u>-</u>	<u>233,084</u>	<u>158,308</u>
Current and other liabilities	3,411,794	3,317,418	3,757,907	3,086,644	7,169,701	6,404,062
Long-term liabilities	10,651,439	12,387,845	9,762,179	11,037,489	20,413,618	23,425,334
Total liabilities	<u>14,063,233</u>	<u>15,705,263</u>	<u>13,520,086</u>	<u>14,124,133</u>	<u>27,583,319</u>	<u>29,829,396</u>
Net Position:						
Net investment in capital assets	15,575,570	14,867,849	24,240,474	21,967,124	39,816,044	36,834,973
Restricted	2,874,458	2,768,005	2,786,545	2,773,953	5,661,003	5,541,958
Unrestricted	205,608	1,616,553	169,003	1,402,262	374,611	3,018,815
Total net position	<u>\$ 18,655,636</u>	<u>\$ 19,252,407</u>	<u>\$ 27,196,022</u>	<u>\$ 26,143,339</u>	<u>\$ 45,851,658</u>	<u>\$ 45,395,746</u>

An additional portion of the City's net position, \$5,661,003 (12.35%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$374,611 (0.82%) unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all categories of net position for both governmental activities and business-type activities.

The following schedule is a summary of the Statement of Activities on page 20 –21 of this report.

City of Lake Wales Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 2,204,985	\$ 2,048,352	\$ 6,649,031	\$ 6,549,910	\$ 8,854,016	\$ 8,598,262
Operating grants and contributions	740,250	713,964	-	-	740,250	713,964
Capital grants and contributions	105,731	26,593	981,217	399,621	1,086,948	426,214
General Revenues:						
Property taxes	5,130,461	5,101,801	-	-	5,130,461	5,101,801
Other taxes	2,869,992	2,739,356	-	-	2,869,992	2,739,356
Franchise fees	1,221,973	1,098,866	-	-	1,221,973	1,098,866
Other	1,309,304	1,262,247	196,663	250,184	1,505,967	1,512,431
Total Revenues	13,582,696	12,991,179	7,826,911	7,199,715	21,409,607	20,190,894
Expenses:						
Governmental Activities:						
General government	1,217,965	1,170,638	-	-	1,217,965	1,170,638
Public safety	7,548,733	7,134,069	-	-	7,548,733	7,134,069
Physical environment	745,501	941,419	-	-	745,501	941,419
Transportation	1,647,003	1,558,117	-	-	1,647,003	1,558,117
Economic environment	344,886	456,091	-	-	344,886	456,091
Human services	15,634	16,704	-	-	15,634	16,704
Culture and recreation	2,707,191	2,317,252	-	-	2,707,191	2,317,252
Interest on long-term debt	455,554	457,347	-	-	455,554	457,347
Business-type Activities:						
Public utilities	-	-	6,271,228	5,195,033	6,271,228	5,195,033
Total Expenses	14,682,467	14,051,637	6,271,228	5,195,033	20,953,695	19,246,670
Increase (decrease) in net position before transfers	(1,099,771)	(1,060,458)	1,555,683	2,004,682	455,912	944,224
Transfers	503,000	828,000	(503,000)	(828,000)	-	-
Change in net position	(596,771)	(232,458)	1,052,683	1,176,682	455,912	944,224
Beginning net position, as restated	19,252,407	19,484,865	26,143,339	24,966,657	45,395,746	44,451,522
Ending net position	<u>\$ 18,655,636</u>	<u>\$ 19,252,407</u>	<u>\$ 27,196,022</u>	<u>\$ 26,143,339</u>	<u>\$ 45,851,658</u>	<u>\$ 45,395,746</u>

Governmental activities. Governmental activities decreased the City's net position by \$596,771, as compared to a decrease of \$232,458 in the prior year. Key elements of changes in results of activities are as follows:

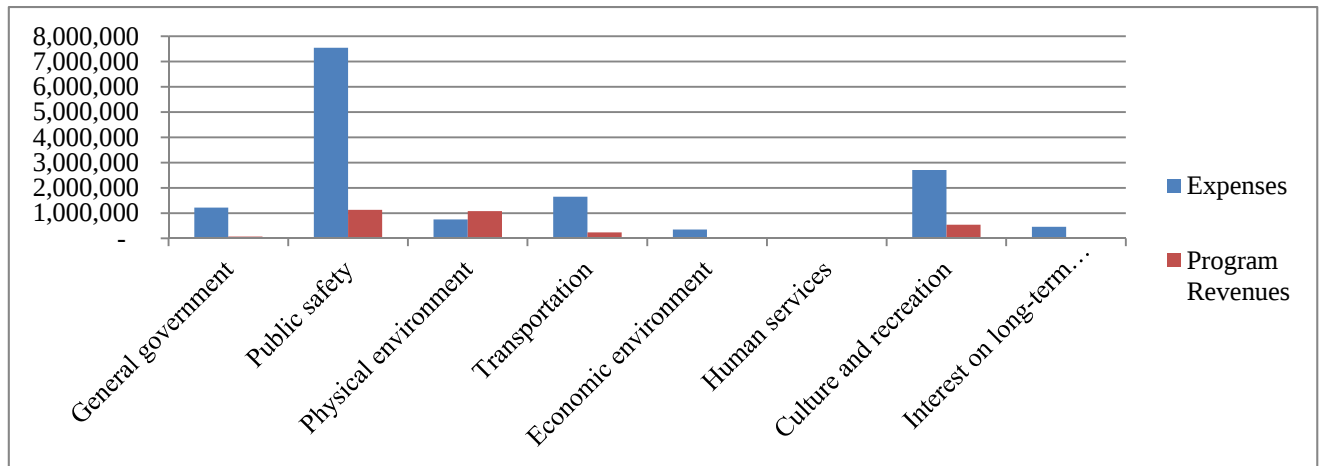
- Charges for services increased by \$156,633 (7.65%) from 2013. This change is mainly (\$152,476 or 97.35%) due to increases of \$85,119 in building permits, \$22,508 in site development inspection fees, \$22,126 in solid waste revenue, \$14,510 in fire impact fees, and \$8,213 police impact fees.
- Operating grants and contributions increased by \$26,286 (3.68%) from 2013. This change is mainly (\$23,918 or 90.99%) due to an increase of \$14,747 in the Polk County Library Intergovernmental Revenue grant, \$8,171 in the HIDTA award, and \$1,000 in the Lake Wales Charter Schools SRO contract.
- Capital grants and contributions increased by \$79,138 (297.59%) from 2013. This change is mainly (\$77,526 or 97.96%) due to an increase of \$19,925 in the Premier Streets LW Project

grant, \$43,727 in the FRDAP Grant for the Lake Wales Trail, \$15,996 in the FDOT grant and a decrease of \$2,122 in the Law Enforcement Block Grant.

- General revenues increased during 2014 by \$329,460 (3.23%) from 2013. This change is a net result of increases in property taxes of \$28,660, other taxes of \$130,636, and franchise fees of \$123,107. In addition, other revenue increased by \$47,057.
- Public safety expenses increased in 2014 by \$414,664 (5.81%). This increase is mainly (\$364,582 or 87.92%) due to increases in personnel costs of \$258,942, forfeiture expenditures of \$20,065, and capital expenditures of \$85,575.
- Physical environment expenses in 2014 decreased by \$195,918 (20.81%) This is mainly (\$191,941 or 97.97%) due to increases in waste disposal costs of \$39,343, cemetery operating costs of \$13,571, and a reduction in expenses due to the increase in capital asset purchases of \$244,857.
- Transportation expenses in 2014 increased by \$88,886 (5.70%). This increase is mainly (\$84,228 or 94.76%) due to increases in street operations of \$41,233 operating expenses and depreciation expense of \$42,995.
- Economic environment expenses in 2014 decreased by \$111,205 (24.38%). This decrease is mainly (\$108,599 or 97.67%) due to decreases professional services of \$14,776, insurance expense of \$41,928, and a reduction of allocated expenses of \$51,895.
- Human service expenses in 2014 decreased by \$1,070 (6.41%). This decrease is due to a reduction in grant funding.
- Culture and Recreation expenses increased in 2014 by \$389,939 (16.83%).

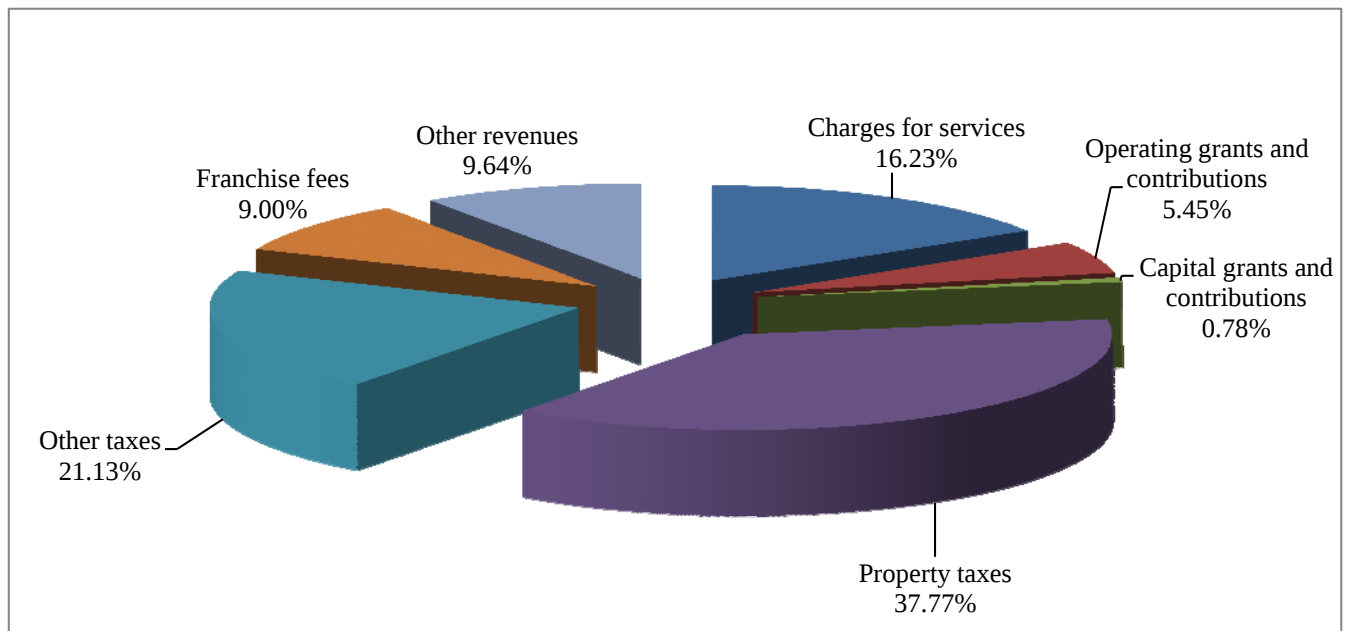
The following chart compares expenses with program revenues for the City's governmental activities:

Expenses and Program Revenues – Governmental Activities



The following graph shows the composition of revenues for the City's governmental activities.

Revenues by Source – Governmental Activities



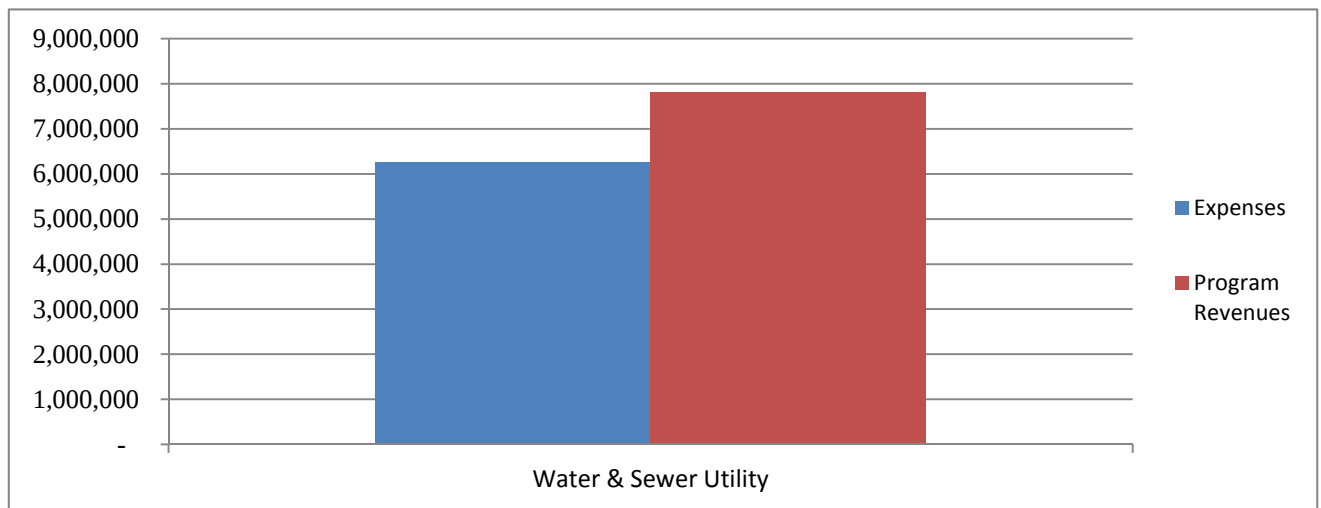
Business-type Activities

Business-type activities increased the City's net position by \$1,052,683, which is \$123,999 less than the prior year increase in net position. Key elements of this change are as follows:

- Charges for services in 2014 increased by \$99,121 (1.51%). This change is mainly due to an increase of \$97,678 in sewer service revenue.
- Capital grants and contributions increased by \$581,596. This change is mainly due to increases in C Street grant funding of \$413,401.
- Other revenues decreased by \$53,521 (21.39%). This change is mainly (\$52,963 or 98.96%) due to decreases in interest income of \$1,182, telecommunication site leases of \$12,743, sales of surplus equipment of \$3,211, gains realized on sale of assets of \$3,261, and settlement revenue of \$32,566.
- Water and sewer expenses increased \$1,076,195 (20.71%). This change is mainly (\$1,063,567 or 98.11%) due to increases in personnel costs in utility operations of \$55,153, depreciation expense of \$180,290, and settlement costs of \$828,124.
- During 2014, \$503,000 was transferred out to the general fund, as compared to \$828,000 being transferred out in the prior year.

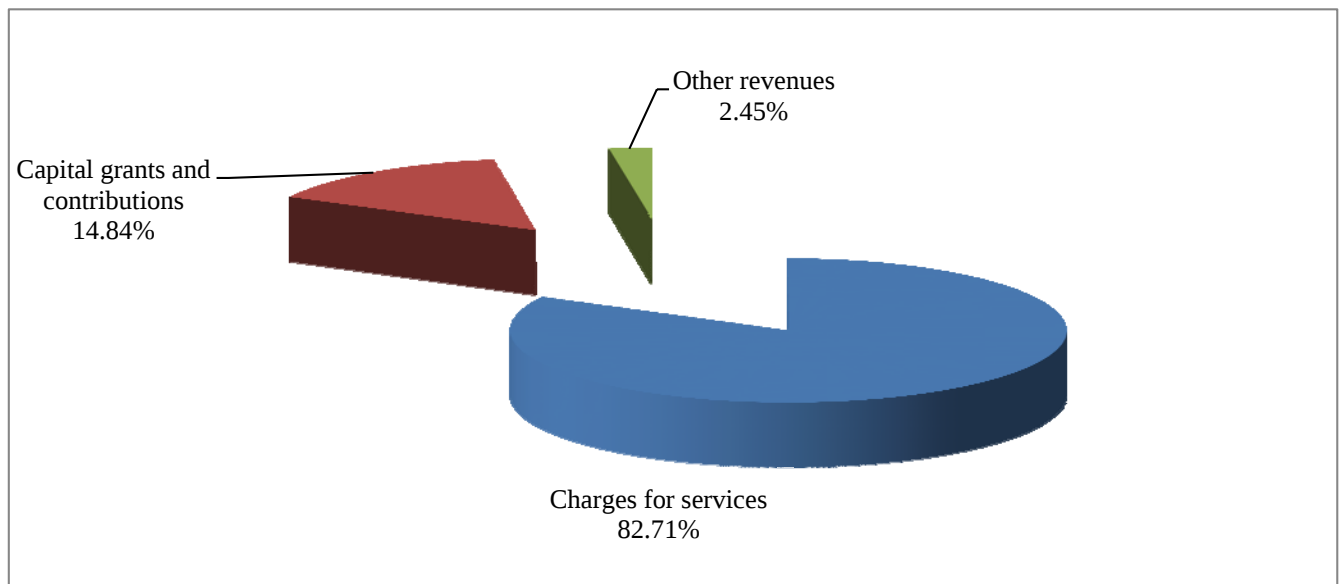
The following chart compares expenses with program revenues for the City's business-type activities:

Expenses and Program Revenues – Business-type Activities



The following graph shows the composition of revenues for the City's business-type activities:

Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,396,201, a decrease of \$2,114,192 for the year. Approximately 24.49% of this amount (\$1,076,439) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. Approximately 15.00% of fund balance (\$659,430) constitutes a *minimum fund balance*, which has been designated by the City Commission to providing funding necessary for sufficient working capital at the beginning of the fiscal year until the time the City begins receiving ad valorem taxes, to advance funds necessary to pay for construction of grant-funded projects until reimbursement is received from federal or state agencies, to advance financial resources necessary for responding to emergencies that will be reimbursed by insurance proceeds or grants from FEMA or other federal or state agencies, and to mitigate current and future revenue shortfalls, unanticipated expenditures, and to ensure stable taxes rates. The remainder of the fund balance (\$3,319,762), under GASB 54 standards is classified as nonspendable (\$149,193), restricted (\$3,170,569), and assigned (\$0-).

The general fund is the chief operating fund for the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,076,439, while total fund balance reached \$1,210,133. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balances represents 9.44% of total general fund expenditures, while total fund balance represents 10.62% of the same amount.

The fund balance of the City's community redevelopment fund decreased by \$184,526 during the current fiscal year. Revenue sources within the CRA (\$1,017,421) were not sufficient enough to cover debt service requirements (\$965,789) and operating costs (\$236,158).

The fund balance of the City's capital project fund decreased by \$1,180,096 during the current fiscal year. This decrease is mainly due to the decrease in debt proceeds of \$1,277,281 from the previous year.

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

Unrestricted net position of the Water and Sewer Utility Fund at the end of the year amounted to \$169,003. As of 09/30/14, the utility system had \$1,484,934 appropriated for capital projects. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$604,110 increase in general fund expenditure appropriations between the original and final amended budget. This increase was mainly due to the following items

- An increase of \$241,000 in the parks department for capital and operating costs.
- An increase of \$14,980 in the cemetery department for capital and operating costs relating to the new cemetery.
- An increase of \$52,000 for retirement payout in the city manager department.
- An increase of \$241,850 for personnel and operating costs in the fire and police departments.

During the year there was a \$535,442 increase in general fund revenues between the original and final amended budget. This increase was mainly due to the following items

- An increase in licenses and permits of \$248,000 mainly related to building permits and electric franchise fees.
- An increase in sales and use taxes of \$118,000 mainly due to electric utility service tax.
- An increase in transfers from other funds of \$131,518 due to capital project funding.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014 is \$61,872,978 (net of accumulated depreciation). This investment in capital assets includes: land, construction-in-progress, buildings and improvements, machinery and equipment, and infrastructure (roads, right-of-ways, stormwater and utility). The net increase (additions less retirements and depreciation) in the City's investment in capital assets was \$1,639,048, an increase of 2.72%. This consisted of a .19% increase for governmental activities and a 2.53% increase for business-type activities.

Capital asset additions during the current fiscal year included the following:

Governmental:

- Lake Wales Trail Monument Sign - \$12,101
- Lake Wales Park Monument Sign - \$3,317
- Security System – NW Complex - \$2,931
- Electrical Upgrade - \$2,360
- Fence & Columns - \$22,871
- Split Rail Fence - \$4,994
- Crystal Lake Park – Parking - \$27,905
- Standard Bleacher - \$2,645
- Playground Equipment - \$31,026
- Playground Equipment - \$24,317
- Playground Equipment - \$22,087
- Playground Equipment - \$22,087
- Playground Equipment - \$24,317
- Playground Equipment - \$29,965
- Basketball Courts - \$104,607
- Stuart Park – Shade Cover - \$6,423
- Lake Wales Pier Gazebo - \$6,050
- Depot Museum Sewer System - \$17,091
- Stuart Park Fence - \$18,440

- Flail Implement Mower - \$5,995
- (2) Utility Trailers - \$2,750
- Lake Weader Fountain - \$10,325
- TV – City Manager’s Conference Room - \$1,031
- Dell Optiplex Computer - \$1,314
- Property – 518 Green - \$100
- (2) Fire Extrication Hoses - \$8,413
- Air Conditioner – Police Dept - \$3,200
- Air Condenser – Police Dept - \$2,380
- Pedestrian Crossing - \$15,657
- Chain Link Fence & Gate - \$1,422
- CWIP – Rails to Trails Extension - \$70,428
- CWIP – Lake Wailes Park Parking Improvements - \$2,238
- CWIP – New Cemetery - \$116,580
- CWIP – Premier Streets - \$19,925
- Fire Substation - \$1,263,805
- 2014 Ford Fusion Vehicle - \$18,465
- (2) 2014 Ford Escape Vehicles - \$36,466
- 2014 Ford F250 Vehicle - \$49,991
- Library Books - \$58,215
- Library Furniture - \$5,584

Utilities:

- Tapping Machine - \$1,671
- SCADA System - \$2,205
- Telemetry Unit - \$6,507
- Market Street Ground Storage Tank - \$38,646
- Sliplining - \$273,558
- Reuse Upgrades - \$26,516
- CWIP – Market Street - \$262,152
- CWIP – C Street - \$1,746,683
- CWIP – US 27 Widening - \$20,839
- CWIP – New Services - \$9,459
- CWIP – Lift Station - \$122,526
- CWIP – Pole Barn - \$23,985
- CWIP – Galvanized Line - \$34,726
- CWIP – Lift Station - \$4,200
- CWIP – Sewer Transmission – SR 60 - \$113,245
- CWIP – Force Main - \$17,639

City of Lake Wales Capital Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 5,137,312	\$ 5,137,212	\$ 633,115	\$ 633,115	\$ 5,770,427	\$ 5,770,327
Construction in progress	238,110	290,701	3,620,376	1,264,922	3,858,486	1,555,623
Buildings	14,434,886	13,171,081	726,957	726,957	15,161,843	13,898,038
Improvements other than buildings	7,451,776	7,072,844	42,548,686	42,209,966	50,000,462	49,282,810
Machinery & equipment	10,120,227	9,892,419	5,410,547	5,400,164	15,530,774	15,292,583
Infrastructure	19,428,151	19,428,151	-	-	19,428,151	19,428,151
Total	<u>56,810,462</u>	<u>54,992,408</u>	<u>52,939,681</u>	<u>50,235,124</u>	<u>109,750,143</u>	<u>105,227,532</u>
Less: accumulated depreciation	<u>(30,113,999)</u>	<u>(28,413,242)</u>	<u>(17,763,166)</u>	<u>(16,580,360)</u>	<u>(47,877,165)</u>	<u>(44,993,602)</u>
Capital assets, net	<u><u>\$ 26,696,463</u></u>	<u><u>\$ 26,579,166</u></u>	<u><u>\$ 35,176,515</u></u>	<u><u>\$ 33,654,764</u></u>	<u><u>\$ 61,872,978</u></u>	<u><u>\$ 60,233,930</u></u>

Additional information on the City's capital assets can be found in note C on pages 49-50 of this report.

Debt. At the end of the current fiscal year the City had total debt outstanding of \$22,633,744. The debt obligations are secured by the equipment acquired a covenant to budget, or a pledge of revenue sources.

City of Lake Wales Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Note payables	\$ 11,444,458	\$ 13,155,997	\$ 11,023,165	\$ 12,390,108	\$ 22,467,623	\$ 25,546,105
Lease obligations	166,121	109,543	-	-	166,121	109,543
Total debt obligations	<u>\$ 11,610,579</u>	<u>\$ 13,265,540</u>	<u>\$ 11,023,165</u>	<u>\$ 12,390,108</u>	<u>\$ 22,633,744</u>	<u>\$ 25,655,648</u>

Additional information on the City's long-term debt can be found in note G on pages 53-59 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate at the end of fiscal year 2014 for Lakeland/Winter Haven Metro Area was 8.0%. The following is a summary of the applicable unemployment rates for Lakeland/Winter Haven Metro Area, the State of Florida, and United States:

<u>Region Name</u>	<u>Current Year Sept. 2014</u>	<u>Previous Year Sept. 2013</u>
Lakeland/Winter Haven Metro Area	8.0%	8.3%
State of Florida	6.2%	6.9%
United States	5.9%	7.2%

*Source: Bureau of Labor Statistics, <http://www.bls.gov/lau/>

The tax base for the City is composed of real property, personal property and centrally assessed property. The taxable value of such property increased 1.57% from 2013 to 2014.

The economic melt down is anticipated to affect sales tax, gas tax, and other tourism related revenues.

The City's population increased from 14,522 in 2013 to 14,916 in 2014.

All of these factors were considered in preparing the City of Lake Wales's budget for the 2014'15 fiscal year.

Requests for Information

The financial report is designed to provide a general overview of the City of Lake Wales, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Finance Director, City of Lake Wales, 201 Central Avenue, Lake Wales, Florida 33859. Information is also available on our website at www.cityoflakewales.com

City of Lake Wales, Florida
Statement of Net Position
September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
Assets				
Cash and cash equivalents	\$ 3,252,037	\$ 598,561	\$ 3,850,598	\$ -
Receivable (net of allowance for uncollectibles)	517,846	883,975	1,401,821	-
Due from component unit	94,943	-	94,943	-
Intergovernmental receivables	427,748	290,338	718,086	29,972
Restricted assets:				
Cash and cash equivalents	1,010,615	2,599,644	3,610,259	-
Investments	151,258	893,708	1,044,966	-
Inventories	83,183	182,671	265,854	-
Prepaid items	66,010	3,572	69,582	-
Net pension assets	272,806	-	272,806	-
Capital Assets:				
Nondepreciable	5,375,422	4,253,491	9,628,913	1,787,274
Depreciable, net	21,321,041	30,923,024	52,244,065	5,994,712
Total assets	32,572,909	40,628,984	73,201,893	7,811,958
Deferred Outflows of resources				
Interest Rate Swap	78,991	-	78,991	-
Unamortized refunding loss	66,969	87,124	154,093	-
	145,960	87,124	233,084	-
Liabilities				
Accounts payable	547,134	1,183,176	1,730,310	21,261
Accrued liabilities	325,546	59,281	384,827	-
Accrued interest	209,489	115,956	325,445	-
Retainage payable	8,616	-	8,616	-
Due to primary government	-	-	-	94,943
Deposits	102,156	706,432	808,588	-
Unearned revenues	223,987	245,451	469,438	573
Noncurrent Liabilities:				
Due within one year	1,994,866	1,447,611	3,442,477	12,280
Due in more than one year	10,651,439	9,762,179	20,413,618	123,515
Total liabilities	14,063,233	13,520,086	27,583,319	252,572
Net position				
Net investment in capital assets	15,575,570	24,240,474	39,816,044	7,551,248
Restricted for:				
Law enforcement	35,135	-	35,135	-
Library	23,279	-	23,279	-
Transportation	191,973	-	191,973	-
Community redevelopment	35,243	-	35,243	-
Street lighting	14,580	-	14,580	-
Debt service	1,877,772	1,301,611	3,179,383	-
Capital projects	696,476	1,484,934	2,181,410	-
Unrestricted	205,608	169,003	374,611	8,138
Total net position	\$ 18,655,636	\$ 27,196,022	\$ 45,851,658	\$ 7,559,386

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

City of Lake Wales, Florida
Statement of Activities
For the Year Ending September 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges For	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,217,965	\$ 68,363	\$ -	\$ -
Public safety	7,548,733	862,226	200,212	68,356
Physical environment	745,501	1,061,209	-	19,925
Transportation	1,647,003	109,168	108,020	15,996
Economic environment	344,886	-	-	-
Human services	15,634	-	-	-
Culture and recreation	2,707,191	104,019	432,018	1,454
Interest on long-term debt	455,554	-	-	-
Total governmental activities	14,682,467	2,204,985	740,250	105,731
Business-type activities:				
Water and sewer utility	6,271,228	6,649,031	-	981,217
Total primary government	20,953,695	8,854,016	740,250	1,086,948
Component unit:				
Airport Authority	\$ 505,444	\$ 80,256	\$ -	\$ 193,807

General revenues

Taxes:

Property taxes

Franchise fees

Public service taxes

Communication service taxes

Fuel taxes

Local business tax

State and county shared revenues

Investment earnings

Insurance recoveries

Gain on disposal of capital assets

Contribution

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year - restated

Net position, end of year

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Airport Authority
\$ (1,149,602)	\$ -	\$ (1,149,602)	
(6,417,939)	-	(6,417,939)	
335,633	-	335,633	
(1,413,819)	-	(1,413,819)	
(344,886)	-	(344,886)	
(15,634)	-	(15,634)	
(2,169,700)	-	(2,169,700)	
(455,554)	-	(455,554)	
(11,631,501)	-	(11,631,501)	
-	1,359,020	1,359,020	
(11,631,501)	1,359,020	(10,272,481)	
			\$ (231,381)
5,130,461	-	5,130,461	-
1,221,973	-	1,221,973	-
1,612,772	-	1,612,772	-
483,337	-	483,337	-
703,120	-	703,120	-
70,763	-	70,763	-
1,169,636	-	1,169,636	-
8,986	7,496	16,482	-
11,704	-	11,704	-
1,016	-	1,016	-
100	-	100	-
117,862	189,167	307,029	-
503,000	(503,000)	-	-
11,034,730	(306,337)	10,728,393	-
(596,771)	1,052,683	455,912	(231,381)
19,252,407	26,143,339	45,395,746	7,790,767
\$ 18,655,636	\$ 27,196,022	\$ 45,851,658	\$ 7,559,386

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

City of Lake Wales, Florida
Balance Sheet
All Governmental Funds
September 30, 2014

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 932,625	\$ 110,314	\$ 1,936,891	\$ 165,410	\$ 106,797	\$ 3,252,037
Receivable (net of allowance for uncollectibles)	469,577	-	-	4,728	43,541	517,846
Due from other funds	211,741	-	-	-	-	211,741
Due from component unit	94,943	-	-	-	-	94,943
Inventories	83,183	-	-	-	-	83,183
Intergovernmental receivables	282,758	128,994	-	-	15,996	427,748
Restricted cash, cash equivalents and investments:						
Debt construction funding	-	-	-	-	422,719	422,719
Business park escrow	-	-	-	100,000	-	100,000
Impact fees	-	-	11,533	-	476,363	487,896
Impact fees - investments	-	-	-	-	151,258	151,258
Prepaid items	50,511	-	-	-	15,499	66,010
Total assets	<u>\$ 2,125,338</u>	<u>\$ 239,308</u>	<u>\$ 1,948,424</u>	<u>\$ 270,138</u>	<u>\$ 1,232,173</u>	<u>\$ 5,815,381</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 392,683	\$ 40,743	\$ -	\$ 797	\$ 112,911	\$ 547,134
Accrued liabilities	301,454	-	-	-	24,092	325,546
Retainage payable	-	-	-	-	8,616	8,616
Due to other funds	-	-	-	-	211,741	211,741
Deposits	2,156	-	-	100,000	-	102,156
Unearned revenues	218,912	-	-	-	5,075	223,987
Total liabilities	<u>915,205</u>	<u>40,743</u>	<u>-</u>	<u>100,797</u>	<u>362,435</u>	<u>1,419,180</u>
Fund balances						
Nonspendable						
Inventories and prepaid items	133,694	-	-	-	15,499	149,193
Restricted for:						
Law enforcement expenditures	-	-	-	-	35,135	35,135
Library expenditures	-	-	-	-	108,048	108,048
Transportation expenditures	-	198,565	-	-	-	198,565
Community redevelopment expenditures	-	-	-	169,341	-	169,341
Street lighting expenditures	-	-	-	-	14,580	14,580
Debt Service	-	-	1,948,424	-	-	1,948,424
Capital projects	-	-	-	-	696,476	696,476
Unassigned	1,076,439	-	-	-	-	1,076,439
Total Fund balance	<u>1,210,133</u>	<u>198,565</u>	<u>1,948,424</u>	<u>169,341</u>	<u>869,738</u>	<u>4,396,201</u>
Total liabilities and fund balances	<u>\$ 2,125,338</u>	<u>\$ 239,308</u>	<u>\$ 1,948,424</u>	<u>\$ 270,138</u>	<u>\$ 1,232,173</u>	<u>\$ 5,815,381</u>

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

City of Lake Wales, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of September 30, 2014

Total Fund balances of governmental funds	\$ 4,396,201
--	--------------

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	26,696,463
--	------------

Interest payable on long-term debt does not require current financial resources and, therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(209,489)
--	-----------

Long-term liabilities (including certain accounts payable, compensated absences and OPEB liabilities) are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(12,500,345)
--	--------------

Net pension assets resulting from the overfunding of general, police, and fire pension plans are not reported in the applicable funds.	272,806
--	---------

Net position of governmental activities	\$ 18,655,636
--	---------------

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

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Funds
Year Ended September 30, 2014

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 5,293,051	\$ 743,619	\$ 681,316	\$ 549,362	\$ 374,061	\$ 7,641,409
Special Assessment	-	-	-	-	21,218	21,218
Licenses and permits	1,217,824	-	382,938	-	-	1,600,762
Intergovernmental	1,444,403	122,239	-	466,859	533,733	2,567,234
Charges for services	1,794,732	109,168	-	-	-	1,903,900
Fines and forfeits	39,199	-	-	-	19,393	58,592
Investment earnings	7,056	-	10	1,200	4,736	13,002
Impact fees	-	-	16,487	-	143,857	160,344
Miscellaneous	116,093	4,139	-	-	18,307	138,539
Total revenues	<u>9,912,358</u>	<u>979,165</u>	<u>1,080,751</u>	<u>1,017,421</u>	<u>1,115,305</u>	<u>14,105,000</u>
Expenditures						
Current:						
General government	1,501,240	-	-	-	1,873	1,503,113
Public safety	7,251,241	-	-	-	62,885	7,314,126
Physical environment	1,018,923	-	-	-	13,478	1,032,401
Transportation	45,340	738,179	-	-	-	783,519
Economic environment	105,175	-	-	236,158	-	341,333
Human services	1,000	-	-	-	-	1,000
Culture and recreation	1,477,220	-	-	-	942,151	2,419,371
Debt Service:						
Principal	-	-	1,741,418	-	-	1,741,418
Interest and fiscal charges	-	-	430,585	-	-	430,585
Capital outlay	-	-	-	-	1,254,503	1,254,503
Total expenditures	<u>(11,400,139)</u>	<u>(738,179)</u>	<u>(2,172,003)</u>	<u>(236,158)</u>	<u>(2,274,890)</u>	<u>(16,821,369)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,487,781)</u>	<u>240,986</u>	<u>(1,091,252)</u>	<u>781,263</u>	<u>(1,159,585)</u>	<u>(2,716,369)</u>
Other financing sources (uses)						
Transfers in	959,518	-	1,107,118	-	22,402	2,089,038
Transfers out	(340,737)	(141,329)	-	(965,789)	(138,183)	(1,586,038)
Insurance recoveries	11,704	-	-	-	-	11,704
Note proceeds	86,457	-	-	-	-	86,457
Sale of capital assets	1,016	-	-	-	-	1,016
Total other financing (uses) sources	<u>717,958</u>	<u>(141,329)</u>	<u>1,107,118</u>	<u>(965,789)</u>	<u>(115,781)</u>	<u>602,177</u>
Net change in fund balances	(769,823)	99,657	15,866	(184,526)	(1,275,366)	(2,114,192)
Fund balances, beginning of year	<u>1,979,956</u>	<u>98,908</u>	<u>1,932,558</u>	<u>353,867</u>	<u>2,145,104</u>	<u>6,510,393</u>
Fund balances, end of year	<u>\$ 1,210,133</u>	<u>\$ 198,565</u>	<u>\$1,948,424</u>	<u>\$ 169,341</u>	<u>\$ 869,738</u>	<u>\$ 4,396,201</u>

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

City of Lake Wales, Florida
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2014

Net change in fund balances of the governmental funds \$ (2,114,192)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.

Capital Expenditures	1,818,052	
Depreciation	<u>(1,700,757)</u>	117,295

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but are instead deferred. This item represents the change caused by the "available" revenue recognition criteria.

(139,500)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes resources of the governmental funds. Neither transaction, however, has any effect on the change in net position.

New Debt	(86,457)	
Principal Paid	<u>1,741,418</u>	1,654,961

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.

(Increase) in Compensated Absences Liability	(35,863)	
(Increase) in Other Post Employment Benefits	(50,875)	
Amortization of Refunding Losses	(33,477)	
(Decrease) in Net Pension Asset	(3,628)	
Decrease in Interest Accrued on Bonds	<u>8,508</u>	<u>(115,335)</u>

Change in net position of governmental activities \$ (596,771)

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

City of Lake Wales, Florida
Statement of Net Position
Proprietary Funds
September 30, 2014

	Public Utilities Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 598,561
Receivables (net of allowance for uncollectibles)	883,975
Due from other governments	290,338
Restricted cash, cash equivalents and investments:	
Debt reserve accounts	964,827
Escrow - C street project	2,880
Impact fees	925,130
Customer deposits	706,807
Debt reserve accounts - investment	336,784
Impact fees - investment	556,924
Inventories	182,671
Prepaid items	3,572
Total current assets	<u>5,452,469</u>
Noncurrent assets	
Capital assets:	
Nondepreciable	4,253,491
Depreciable, net	30,923,024
Total noncurrent assets	<u>35,176,515</u>
Total assets	<u>40,628,984</u>
Deferred Outflows of Resources	
Unamortized refunding loss	<u>87,124</u>
Liabilities	
Current liabilities	
Accounts payable	1,183,176
Accrued liabilities	59,281
Accrued interest	115,956
Customer deposits	706,432
Deferred revenues	245,451
Accrued compensated absences	13,818
Current portion of long-term debt	1,433,793
Total current liabilities	<u>3,757,907</u>
Noncurrent liabilities	
Notes payable - noncurrent	9,589,372
Accrued compensated absences	124,364
Accrued OPEB	48,443
Total noncurrent liabilities	<u>9,762,179</u>
Total liabilities	<u>13,520,086</u>
Net position	
Net investment in capital assets	24,240,474
Restricted for capital projects	1,484,934
Restricted for debt service	1,301,611
Unrestricted	169,003
Total net position	<u><u>\$ 27,196,022</u></u>

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

City of Lake Wales, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2014

	Public Utilities Fund
Operating revenues:	
Charges for Services	\$ 6,649,031
Other income	189,167
Total operating revenues	<u>6,838,198</u>
Operating expenses:	
Personal services	1,749,184
Contractual services	214,843
Repairs and maintenance	657,027
Materials and supplies	202,389
General and administrative	1,127,371
Depreciation	1,182,806
(Total operating expenses)	<u>(5,133,620)</u>
Operating income	<u>1,704,578</u>
Nonoperating revenues (expenses)	
Interest income	7,496
Interest expense and fiscal charges	(309,484)
Settlement costs	(828,124)
Total nonoperating (expenses)	<u>(1,130,112)</u>
Income before contributions and transfers	<u>574,466</u>
Capital contributions	
Impact fees	345,328
Capital grant	635,889
Total capital contributions	<u>981,217</u>
Transfers	
Transfers in	325,000
Transfers out	(828,000)
Total transfers	<u>(503,000)</u>
Change in net position	1,052,683
Total net position, beginning of year - restated	<u>26,143,339</u>
Total net position, end of year	<u><u>\$ 27,196,022</u></u>

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

City of Lake Wales, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	Business-Type Activities
	Public Utilities Fund
Cash flows from operating activities	
Cash received from customers	\$ 7,037,574
Cash payments to suppliers for goods and services	(1,645,631)
Cash payments for employee services	(1,719,654)
Net cash provided by operating activities	<u>3,672,289</u>
Cash flows from noncapital financing activities	
Settlement costs	(828,124)
Transfers from other funds	325,000
Transfer to other funds	(828,000)
Net cash used in noncapital financing activities	<u>(1,331,124)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(2,994,895)
Impact fees	345,328
Capital grant	635,889
Principal payments on long-term debt	(1,366,943)
Interest paid	(284,571)
Net cash used in capital and related financing activities	<u>(3,665,192)</u>
Cash flows from investing activities	
Purchase of investments	(2,646)
Investment income	7,496
Net cash provided by investing activities	<u>4,850</u>
Net decrease in cash and cash equivalents	(1,319,177)
Cash and cash equivalents, beginning of year	<u>4,517,382</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,198,205</u></u>

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

City of Lake Wales, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014
(Concluded)

	Business-Type Activities
	Public Utilities Fund
Reconciliation of cash and cash equivalents to balance sheet	
Cash and cash equivalents	\$ 598,561
Restricted cash and cash equivalents	2,599,644
Cash and cash equivalents, end of year	\$ 3,198,205
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 1,704,578
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	1,182,806
(Increase) decrease in assets:	
Accounts receivable	158,784
Inventories	(23,787)
Prepaid	(951)
Increase (decrease) in liabilities:	
Accounts payable	577,253
Accrued liabilities	3,484
Utility deposits	55,949
Deferred revenue	(15,357)
Compensated absences	17,315
Accrued OPEB	12,215
Net cash provided by operating activities	\$ 3,672,289

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

City of Lake Wales
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2014

	Pension Trust Funds
Assets	
Cash and cash equivalent	\$ 126,856
Investments, at fair value:	
Money market funds	3,034,128
Government Bonds	1,412,307
Government Assets backed/CMO Securities	724,969
Taxable Municipal Bonds	423,800
Municipal Bonds	167,884
Foreign Bonds	422,139
Corporate bonds and notes	5,908,695
Common and preferred stock	18,037,210
Total investments	<u>30,131,132</u>
Prepays	
Prepaid Fiduciary Liability Insurance	<u>5,939</u>
Total Prepays	<u>5,939</u>
Receivable (net):	
Interest and dividends	<u>47,305</u>
Total receivable	<u>47,305</u>
Total assets	<u>30,311,232</u>
Liabilities	
Accounts payable	<u>69,796</u>
Total liabilities	<u>69,796</u>
Net position	
Held in trust for pension benefits and other purposes	<u><u>\$ 30,241,436</u></u>

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

City of Lake Wales, Florida
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2014

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 1,180,540
State of Florida	229,252
Employee	<u>327,072</u>
Total contributions	<u>1,736,863</u>
Interest and dividends	712,689
Net increase in the fair value of investments	<u>2,178,594</u>
Total investments income	2,891,283
Less investment expense	<u>(213,522)</u>
Net investment income	<u>2,677,761</u>
Total additions	<u>4,414,625</u>
Deductions	
Benefit payments	2,205,120
Refunds of contributions	71,254
Administration	<u>152,564</u>
Total deductions	<u>2,428,938</u>
Change in net position	1,985,687
Total net position - beginning of year - restated	<u>28,255,749</u>
Total net position - ending	<u><u>\$ 30,241,436</u></u>

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



This page intentionally left blank.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

I. Summary of significant accounting policies

A. Reporting entity

The City of Lake Wales (City) is a political subdivision of the State of Florida founded under the Laws of Florida 7664 in 1917, which act was superseded by Chapter 29224, Special Acts 1953, and incorporated under the authority of Chapter 165, Florida Statutes. The legislative branch of the City is composed of a five-member elected commission. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of a Commission-appointed City Manager.

The City provides a variety of governmental services to residents including public works (streets and roads), law enforcement, fire protection, parks, community development, culture and recreation. Additionally, the City has a business-type operation that offers services associated with water and sewer utilities. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The blended component unit, although a legally separate entity is, in substance, part of the government's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see below for description) to emphasize that it is legally separate from the primary government.

Blended Component Unit. The Lake Wales Community Redevelopment Agency (CRA) was created pursuant to Chapter 163, Florida Statutes, and is governed by Sections 2-71 through 2-74 of the City Code of Ordinances. In accordance with Section 2-72, the City Commission serves as the CRA governing board. In addition, the City and CRA have the same management team. In evaluating this potential component unit, it was determined that the CRA is a separate legal entity but should be treated as a blended component unit, and included as part of the primary government for reporting purposes. The CRA is presented in the financial statements of the City as a special revenue fund.

Discretely-Presented Component Unit. The Lake Wales Airport Authority (the Authority) was re-created by Ordinance 2005-44 (the Ordinance) of the City on September 29, 2005, pursuant to Section 189.4041, Florida Statutes. The Ordinance codified, amended, reenacted, and repealed all prior ordinances relating to the Authority and the Airport Advisory Committee. Prior to the adoption of the Ordinance, the activities of the Lake Wales Municipal Airport (the Airport) had been accounted for in the general fund of the City. The Authority was re-created as a dependent special district of the City, a legally separate governmental entity. The Authority has no taxing authority.

A board of seven members known as the Lake Wales Airport Authority Board (the Board) governs the Authority. The City must approve appointments to the Board, and the City retains approval rights over most of the major decisions of the Authority. In addition, the City Manager and City Finance Director serve as the Airport Manager and Airport Finance Director, respectively.

The Airport Authority meets the criteria provided by Florida Statute 189-403(2) of a dependent special district of the City of Lake Wales. Florida Statute 218.39(3) provides that a dependent special district may make provision for an annual financial audit by being included within the audit of another local governmental entity upon which it is dependent. The Airport Authority and the City of Lake Wales have

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

made this election. The Lake Wales Airport Authority did not issue separate audited financial statements for fiscal year ending September 30, 2014.

Other Related Organizations. The following discussion is a brief review of other potential component units that were determined to not be part of the City's reporting entity:

- **Lake Wales Housing Authority (the Housing Authority)** - The Housing Authority was created by Resolution No. 68-3 pursuant to Chapter 421, Florida Statutes. The Housing Authority members are appointed by the City Commission; however, the City's accountability for the Housing Authority does not extend beyond making these appointments. Accordingly, the Housing Authority is considered to be a related organization only, and is not included in the financial reporting entity.
- **Lake Wales Library Association, Inc. (the Association)** - The Association is a separate legal entity established as a direct support organization for the Lake Wales Public Library. The City Commission does not appoint a voting majority of the Association's Board of Directors, nor can it impose its will on the Association. Accordingly, the Association is not considered to be a component unit of the City.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements 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 financial statement 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 the 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.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

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

Sales taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual. Property taxes are accounted for when measurable and available.

The City reports the following major governmental funds:

- **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.
- **Transportation Fund** - accounts for the fiscal activity relating to the City's share of the County's six-cent and five-cent local option tax on fuel. The six-cent portion can be used for general road improvement and maintenance. However, the five-cent portion can only be utilized to fund capital improvement projects that are necessary to meet the requirements of the City's Comprehensive Plan.
- **Debt Service Fund** – accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.
- **Community Redevelopment Fund** – accounts for revenues derived from the tax increment funds collected in the City-wide community redevelopment area.

The City reports the following major proprietary fund:

- **Public Utilities Fund** - accounts for the provision of water and wastewater services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operations, construction, maintenance, financing and related debt service costs, billing and collection.

Additionally, the City reports the following fund types:

- **Special Revenue Funds** - account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).
- **Capital Projects Funds** - account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.
- **Pension Trust Funds** - account for the activities of the employee retirement systems, which accumulate resources for pension benefit payments to qualified public safety or general employees.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's public utility fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, including impact fees. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Public Utilities Fund are charges to customers for sales and services. The Public Utilities Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include personal and contractual services, repairs and maintenance, material and supplies, and general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

Cash and Cash Equivalents and Investments

The City maintains a cash and investment pool, which is available for use by all funds and component units. The City considers all investments with an original maturity of three months or less (these include investments with the State Board of Administration, amounts invested in repurchase agreements, and money market mutual funds) as well as investments in the City's cash and investment pool to be cash equivalents for purposes of the statement of cash flows. The City's cash and investment pool essentially allows individual funds, at any time, to deposit additional cash or make withdrawals without prior notice or penalties. Investment earnings are distributed monthly in accordance with the participating funds' relative percentage of the pool.

The City's cash and investment pool includes cash deposits, investments with an original maturity of three months or less, and amounts on deposit with paying agents.

By Ordinance No. 95-44 and Florida Statutes, the City is authorized to invest in the Florida PRIME Fund; negotiable direct obligations of the United States Government, or obligations unconditionally guaranteed by the U.S. government; bonds, debentures, notes or other indebtedness of U.S. agencies which are backed by the full faith and credit of the U.S. Government; obligations of certain other government agencies (the Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation, (FHLMC), and the Student Loan Marketing Association (SLMA). In addition, the City may invest in nonnegotiable interest bearing time certificates of deposits or repurchase agreements in qualified public depositories, as well as certain banker' acceptances, commercial paper, state and/or local

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

government taxable and tax-exempt debt, general obligation and/or revenue bonds, or fixed income mutual funds, assuming they are rated as specified in the Ordinance.

Investments – City

Section 16-47(e)(2) of the City Code of Ordinances provides that general employees' pension plan funds may be invested and reinvested in such securities or property, real or personal, wherever situated and of whatever kind, as shall be approved by the Board of Trustees including, but not limited to, stocks (common or preferred), bonds, and other evidences of indebtedness or ownership. Sections 16-161 and 16-231 of the Code of Ordinances provide that the Boards of Trustees of the firefighters' and police officers' pension plan funds shall not invest more than 5% (at cost) of their assets in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% (at cost) of the outstanding capital stock of that company, or the aggregate of the fund's investments in all common stock or capital stock (at cost) exceed 50% of the fund's total assets.

In addition to investments authorized for the City as a whole, the pension trust funds are also authorized to invest in other fixed-income and equity securities, within the individual plan guidelines. All investments are reported at fair value.

2. *Receivables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Trade receivables are reported net of an allowance for uncollectible accounts.

3. *Inventories and prepaid items*

Inventories consist of expendable supplies held for consumption in the course of the City's operations. Enterprise fund supplies inventories are stated at cost on the average cost basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded using the consumption method of accounting. Under the consumption method, services paid for in advance are reported as an asset until the period in which the services are actually consumed.

4. *Restricted assets*

Certain proceeds of the water and sewer utility fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Impact fees and capacity reserve assets are also restricted in their use.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2014

Community redevelopment fund asset use is limited to certain community redevelopment activities within the community redevelopment area designated in Resolution No. 99-02.

Debt service asset use is restricted or assigned to the payment of principal and interest on long-term debt obligations of the governmental funds.

Impact fees collected within the special revenue, debt service and capital project funds are restricted in their use. Impact fee expenditures are limited to capital outlay which provides new capacity, or debt service related thereto.

Library fund restricted assets are limited to activities provided within the library.

Other restricted assets reflect net assets that are not subject solely to the government's own discretion. This category includes resources subject to externally imposed restrictions.

5. Capital assets

Capital assets, which include property, plant, equipment, intangible and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$1,000 and estimated useful life in excess of one year. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amount spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the city chose to include all such items regardless of their acquisition date or amount. The city was able to determine the historical cost of the initial reporting of these assets through research and estimating techniques. As the city constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these assets at the estimated fair value of the item at the date of its donation.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

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. The total interest expenditures/expense incurred by the governmental funds and enterprise fund during the current fiscal year was \$430,585 and \$309,484 respectively. Total capitalized interest incurred by the enterprise fund was \$-0-. Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water and Wastewater Treatment Disposal Plants	50-67
Other Buildings	10-50
Water Distribution System	40
Sewer Collection System	50
Tanks and Storage	40
Airport Runways and Other Airport Infrastructure	10-20
Equipment	3-25
Vehicles	6-10
Wells and Pumping Equipment	15-50
Other Improvements	5-50
Other Infrastructure	15-50

6. *Compensated absences*

The City's policies permit employees to accumulate vacation and sick time up to certain limits and to be compensated for these upon termination of employment. The liability for these compensated absences is recorded in the government-wide statements and in the proprietary fund financial statement under noncurrent liabilities. The governmental funds do not report the compensated absence liability because it is generally not due. The general fund has typically been used in prior years to liquidate the liability for compensated absences.

7. *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 assets. Bond premiums and discounts, as well as refunding losses, are deferred and amortized over the life of the bonds using the bonds outstanding method or the straight-line method, which both approximate the effective interest method. Bonds payable are reported net of the applicable bond premium, discount or refunding loss. Bond issuance costs are expensed as incurred.

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.

Interest rate swaps considered effective hedges are recorded at fair value as deferred outflows on the Statement of Net Position. A deferred outflow represents a consumption of net position that applies to a future period(s), and so will not be recognized as an expense until then.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

8. Fund Balances

The City implemented the provisions of GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) in 2011, as required. The purpose of GASB 54 is to improve the consistency and usefulness of fund balance information to the financial statement user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned:

- **Nonspendable** – This component of fund balance consists of amounts that cannot be spent because (a) they are not expected to be converted to cash or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.
- **Restricted** - This component of fund balances consists of amounts that are constrained either (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or (b) by law through constitutional provisions or enabling legislation.
- **Committed** - This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the organization's governing authority (the City Commission). These committed amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance) employed to constrain those amounts.
- **Assigned** -This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. At fiscal year end, the Commission has not delegated this responsibility. In addition, residual balances in special revenue, capital projects, and debt service funds are considered assigned for the general purpose of the respective fund.
- **Unassigned** -This classification is used for (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not restricted, committed or assigned.

Flow Assumption - When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use in the general fund, it is the City's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned and unassigned) are available for use in any other governmental fund, it is the City's policy to use committed resources first, then assigned, and then unassigned as needed.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Minimum Fund Balance Policy - Pursuant to a fund balance policy adopted, July 19, 2011, under the City Commission's Ordinance 2011-11, the City established an emergency sinking account in the general fund. In the general fund, there shall be created an emergency sinking account with a lower limit of 15% and an upper limit of 20% of General Fund operating expenditures, excluding capital outlay, calculated based on the original adopted fiscal year budget. The purpose of this policy is to provide sufficient working capital at the beginning of the fiscal year until the time the City begins receiving ad valorem taxes, to advance funds necessary to pay for construction of grant-funded projects until reimbursement is received from federal or state agencies, to advance financial resources necessary for responding to emergencies that will be reimbursed by insurance proceeds or grants from FEMA or other federal or state agencies, and to mitigate current and future revenue shortfalls, unanticipated expenditures, and to ensure stable taxes rates.

Law Enforcement – Per Florida Statute 932.705(5)(a), proceeds and interest earned from disposition of liens and forfeited property shall be used for school resource officers, crime prevention, safe neighborhood, drug abuse education and prevention programs, or for other law enforcement purposes, which include defraying the cost of protracted or complex investigations, providing additional equipment or expertise, purchasing automated external defibrillators for use in law enforcement vehicles, and providing matching funds to obtain federal grants. The proceeds and interest may not be used to meet normal operating expenses of the law enforcement agency.

Transportation Expenditures - Per Florida Statute 206.41(1)9d)-(e), 206.87(1)(b)-(c), 336.021, and 336.025, county governments are authorized to levy up to 12 cents of local option fuel taxes in the form of three separate levies. The first is a tax of 1 cent on every net gallon of motor and diesel fuel sold within the county. Known as the ninth-cent fuel tax, this tax may be authorized by an ordinance adopted by an extraordinary vote of the governing body or voter approval in a countywide referendum. Generally, the proceeds may be used to fund transportation expenditures.

The second is a tax of 1 to 6 cents on every net gallon of motor and diesel fuel sold within a county. This tax may be authorized by an ordinance adopted by a majority vote of the governing body or voter approval in a countywide referendum. Generally, the proceeds may be used to fund transportation expenditures.

The third tax is a 1 to 5 cents levy upon every net gallon of motor fuel sold within a county. Diesel fuel is not subject to this tax. This additional tax shall be levied by an ordinance adopted by a majority plus one vote of the membership of the governing body or voter approval in a countywide referendum. Proceeds received from this additional tax may be used for transportation expenditures needed to meet the requirements of the capital improvement element of an adopted local government comprehensive plan.

Community Redevelopment - Per Florida Statute 163.387, funds allocated to a community redevelopment area shall be used by the agency to finance or refinance any community redevelopment it undertakes pursuant to the approved community redevelopment plan.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

9. Revenue Recognition

Utility revenues are recognized when customers are billed unless there has been a significant change in meter reading dates. In that event, unbilled or deferred revenues are recorded for consistency. Included in accounts receivable at September 30, 2014, are unbilled amounts totaling \$459,209 (\$357,297 enterprise funds and \$101,912 general fund).

10. Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Polk County Property Appraiser and the Polk County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10.00 mills. The City's millage rate for the 2014 fiscal year was 8.5866 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the City millages into the total tax levy, which includes the Polk County and the Polk County District School Board tax requirements.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are levied on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Polk County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

11. Pension Plans

The City accounts for its pension plans under GASB Statement No. 67, *Accounting for Pension Plans*. The pension plans cover substantially all of the City's full-time employees. The City records pension costs in the period due. Pension expense includes normal cost plus amortization of past service cost.

E. Change in Accounting Principles

Effective October 1, 2013, the City adopted the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). The provisions of GASB 65 define deferred inflows and deferred outflows and require debt issuance costs to be expensed in the period incurred, rather than amortized. As a result of implementing GASB 65, debt issuance cost of \$142,741 has been removed from assets and presented as a restatement of beginning net position, as provided below:

	Governmental Activities	Business -type Activities
Net position, as previously reported	\$ 19,357,963	\$ 26,180,524
Adjustments:		
Debt Issuance Costs	(105,556)	(37,185)
Net position, as restated	<u>\$ 19,252,407</u>	<u>\$ 26,143,339</u>

In addition, the City adopted the provisions of GASB Statement 67, *Financial Reporting for Pension Plans* ("GASB 67"), in the current year. GASB 67 requires that a defined benefit pension plan recognize a liability for deferred retirement option program ("DROP") benefits only to the extent required to be distributed at the report date. As a result of implementing GASB 67, amounts previously reported as due to DROP participants that were not due for distribution are reclassified to the net position of the fiduciary fund and presented as restatement of beginning net position, as provided below:

	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	Pension Trust Funds
Net position, as previously reported	\$ 8,339,975	\$ 6,747,553	\$ 12,187,247	\$ 27,274,775
Adjustments:				
Due to DROP participants	182,110	706,593	92,271	980,974
Net position, as restated	<u>\$ 8,522,085</u>	<u>\$ 7,454,146</u>	<u>\$ 12,279,518</u>	<u>\$ 28,255,749</u>

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual appropriations budgets are adopted for all funds except the pension trust funds. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles. The budget for the public utilities enterprise fund is prepared on the modified accrual basis of accounting, which is not the same basis of accounting that is used to account for the actual results of operations (the actual results of operations are accounted for on the accrual basis). The following item indicates the primary difference between the budgetary basis and the GAAP basis used to account for the results of operations for the enterprise fund:

- Depreciation expense is not budgeted; however, expenditures for principal payments and capital outlays are budgeted. These outlays have been capitalized on the statements of net position and eliminated from the results of operations for financial reporting purposes.

The annual operating budget serves as legal authorization for expenditures and the proposed means of financing them. The City Charter prescribes the following procedures for the establishment of final budget balances:

- On or before September 1 of each year, the City Manager is to submit to the City Commission a budget for the ensuing fiscal year and an accompanying budget report.
- The budget is to provide a financial plan of municipal funds and activities for the ensuing fiscal year, with the expenditures classified for the main functional divisions and departments of the City.
- The City Commission is to adopt the budget by ordinance after two public hearings.
- Supplemental appropriations are to be made by the City Commission by ordinance when the City Manager certifies that there are revenues in excess of those estimated in the budget available for appropriation. At any time during the fiscal year, the City Manager may transfer part or all of any unencumbered appropriation balance among programs within a department, office, or agency. Upon written request by the City Manager, the City Commission may, by ordinance, transfer part or all of any unencumbered appropriation balance from one department, office, or agency to another.
- Appropriations, except those for capital expenditures, lapse at year-end to the extent that they have not been expended or encumbered. Appropriations for capital expenditures continue in force until the purposes for which they were made have been accomplished or abandoned.
- Appropriations are controlled at the object level within each department or function. Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued.
- The City's debt service fund expenditures exceeded budgetary expenditures by \$29,962 for year ending September 30, 2014.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2014

III. Detailed notes on all funds

A. Deposits and investments

Deposits

All of the City's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 50% to 200% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositories are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

At September 30, 2014, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$7,460,857 (including the Authority), and the related bank balance was \$7,445,690. The carrying amount of deposits for the Authority, a discretely presented component unit, at September 30, 2014, was \$-0-.

Investments – City

At September 30, 2014, the carrying amount of investments was \$1,044,966 (\$893,709 enterprise fund and \$151,258 library fund). The City seeks to optimize return on investments within the constraints of safety and liquidity held twelve month certificates of deposits.

Investments – Pension Funds

The City's pension trust fund investment portfolios are measured against the returns of the benchmarks, the S&P 500 Stock Index, Barclays Capital U.S. Government/Credit Bond Index and Morgan Stanley Capital International EAFE Index. The volatility of returns is expected to be similar to the benchmarks, and the total return is expected to be in the top half of similarly managed portfolios.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

The Pension Boards have established the following target asset allocations for the separate pension funds:

	General Employees	Fire Fighters	Police Officers
Domestic and International Equity Securities	50%	50%	50%
Fixed Income Securities	35%	35%	35%
*(International Equity Securities Not To Exceed)	15%	15%	15%

This allocation target is intended as a maximum exposure to each security class based on the cost value of the assets. The use of cash equivalent securities is not restricted and may be used within both equity of fixed income portfolios.

Investments in pension trust funds at September 30, 2014, are presented below (at market value):

General Employee Pension		Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type							
Money Market Funds		N/R	\$ 795,686	\$ 795,686	\$ -	\$ -	\$ -
Corporate Bonds		*	1,869,458	25,192	-	350,203	1,494,063
Government Bonds		AA+	368,827	-	-	299,295	69,532
Government Asset Backed/CMO Sec.		AA+	234,515	-	-	-	234,515
Foreign Bonds		*	124,141	-	-	34,853	89,288
Municipal Bonds		AA	50,874	-	-	-	50,874
Taxable Municipal Bonds		*	133,539	-	-	-	133,539
Equities		N/R	5,719,640	5,719,640	-	-	-
Total Fair Market Value			<u>\$ 9,296,680</u>	<u>\$ 6,540,518</u>	<u>\$ -</u>	<u>\$ 684,351</u>	<u>\$ 2,071,811</u>

Firefighters' Pension		Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type							
Money Market Funds		N/R	\$ 767,422	\$ 767,422	\$ -	\$ -	\$ -
Corporate Bonds		*	1,535,749	20,154	-	268,820	1,246,775
Government Bonds		AA+	393,660	-	35,044	279,268	79,348
Government Asset Backed/CMO Sec.		AA+	173,247	-	-	-	173,247
Foreign Bonds		*	104,281	-	-	29,874	74,407
Municipal Bonds		AA	40,699	-	-	-	40,699
Taxable Municipal Bonds		*	112,071	-	-	-	112,071
Equities		N/R	4,468,327	4,468,327	-	-	-
Total Fair Market Value			<u>\$ 7,595,456</u>	<u>\$ 5,255,903</u>	<u>\$ 35,044</u>	<u>\$ 577,962</u>	<u>\$ 1,726,547</u>

Police Officers' Pension		Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type							
Money Market Funds		N/R	\$ 1,471,020	\$ 1,471,020	\$ -	\$ -	\$ -
Corporate Bonds		*	2,503,488	35,269	-	466,474	2,001,745
Government Bonds		AA+	649,820	-	-	520,236	129,584
Government Asset Backed/CMO Sec.		AA+	317,207	-	-	-	317,207
Foreign Bonds		*	193,717	-	-	69,706	124,011
Municipal Bonds		AA	76,311	-	-	-	76,311
Taxable Municipal Bonds		*	178,190	-	-	-	178,190
Equities		N/R	7,849,243	7,849,243	-	-	-
Total Fair Market Value			<u>\$ 13,238,996</u>	<u>\$ 9,355,532</u>	<u>\$ -</u>	<u>\$ 1,056,416</u>	<u>\$ 2,827,048</u>

*Credit rating on the above bonds varied from AAA to BBB+

N/R = Not rated

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

The pension funds owned cash at September 30, 2014, totaling -\$10,767, -\$21,995 and \$159,618 for the General Employee Pension, Firefighters' Pension and Police Officers' Pension, respectively. Pension fund investment policies specify that the quality minimum of all fixed income securities purchased for the fund shall be Standard & Poor's and Moody's rated A or its equivalent.

Interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The City and Pension Board limit their exposure to fair value losses arising from rising interest rates by varying investment maturities.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The City and Pension Board investment policies require that assets be diversified to control the risk of loss resulting from over concentration in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2014, the City's cash deposits were entirely covered by federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans and limit local government deposits to "qualified public depositories."

Custodial credit risk - investments

For investments, this is the risk that in the event of the failure of the counterparty, the City or Pension Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investment policies require that securities and repurchase agreements only be purchased from certain qualified financial institutions or dealers, that repurchase agreements require a master repurchase agreement, and that all securities purchased (or collateral obtained) be properly designated as an asset of the City/Board and held in safekeeping by a qualified third party custodial bank or institution.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

B. Receivables

Receivables as of year end for the City's individual major funds, nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Transportation	Community Redevelopment	Other Governmental Funds	Total Governmental Fund	Enterprise - Business Type	Total
Receivable:							
Taxes	\$ 142,102	\$ -	\$ -	\$ -	\$ 142,102	\$ -	\$ 142,102
Franchise fees	151,251	-	-	-	151,251	-	151,251
Accounts	80,510	-	4,728	43,541	128,779	578,209	706,988
Unbilled amounts	101,912	-	-	-	101,912	357,297	459,209
Gross receivables	475,775	-	4,728	43,541	524,044	935,506	1,459,550
Less: allowance for uncollectibles	(6,198)	-	-	-	(6,198)	(51,531)	(57,729)
Net total receivable	<u>\$ 469,577</u>	<u>\$ -</u>	<u>\$ 4,728</u>	<u>\$ 43,541</u>	<u>\$ 517,846</u>	<u>\$ 883,975</u>	<u>\$ 1,401,821</u>
Intergovernmental Receivables	<u>\$ 282,758</u>	<u>\$ 128,994</u>	<u>\$ -</u>	<u>\$ 15,996</u>	<u>\$ 427,748</u>	<u>\$ 290,338</u>	<u>\$ 718,086</u>

Governmental funds report *deferred inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period; there were no deferred inflows at September 30, 2014. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

Governmental Funds:

	Unearned
Prepaid local business tax	\$ 54,954
Prepaid rent	22,500
Premier streets grant funds collected prior to meeting all eligibility requirements	5,075
PCSB Student Resource Officer fees collected prior to meeting all eligibility requirements	29,088
Permit fees collected prior to meeting all eligibility requirements	67,493
Cemetery funds collected prior to meeting all eligibility requirements	44,877
Total deferred inflows /unearned revenue for governmental funds	<u>\$ 223,987</u>

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

C. Capital assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,137,212	\$ 100	\$ -	\$ 5,137,312
Construction in progress	290,701	1,256,210	(1,308,801)	238,110
Total capital assets, not being depreciated	<u>5,427,913</u>	<u>1,256,310</u>	<u>(1,308,801)</u>	<u>5,375,422</u>
Capital assets being depreciated:				
Buildings	13,171,081	1,263,805	-	14,434,886
Improvements other than buildings	7,072,844	378,932	-	7,451,776
Machinery and equipment	9,892,419	227,808	-	10,120,227
Infrastructure	19,428,151	-	-	19,428,151
Total depreciable capital assets	<u>49,564,495</u>	<u>1,870,545</u>	<u>-</u>	<u>51,435,040</u>
Total all capital assets	<u>54,992,408</u>	<u>3,126,855</u>	<u>(1,308,801)</u>	<u>56,810,462</u>
Less accumulated depreciation for:				
Buildings	(3,648,635)	(281,292)	-	(3,929,927)
Improvements other than buildings	(4,747,206)	(344,893)	-	(5,092,099)
Machinery and equipment	(8,361,005)	(373,961)	-	(8,734,966)
Infrastructure	(11,656,396)	(700,611)	-	(12,357,007)
Total accumulated depreciation	<u>(28,413,242)</u>	<u>(1,700,757)</u>	<u>-</u>	<u>(30,113,999)</u>
Depreciable capital assets, net	<u>21,151,253</u>	<u>169,788</u>	<u>-</u>	<u>21,321,041</u>
Total Governmental capital assets, net	<u>\$ 26,579,166</u>	<u>\$ 1,426,098</u>	<u>\$ (1,308,801)</u>	<u>\$ 26,696,463</u>

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

Governmental activities:	
General government	\$ 85,246
Public safety	323,293
Physical environment	29,193
Transportation	876,276
Economic environment	11,843
Human services	14,634
Culture and recreation	360,272
Total governmental activities depreciation expense	<u>\$ 1,700,757</u>

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 633,115	\$ -	\$ -	\$ 633,115
Construction in progress	1,264,922	2,355,454	-	3,620,376
Total capital assets, not being depreciated	1,898,037	2,355,454	-	4,253,491
Capital assets being depreciated:				
Buildings	726,957	-	-	726,957
Improvements other than buildings	42,209,966	338,720	-	42,548,686
Machinery and equipment	5,400,164	10,383	-	5,410,547
Total depreciable capital assets	48,337,087	349,103	-	48,686,190
Total all capital assets	50,235,124	2,704,557	-	52,939,681
Less accumulated depreciation for:				
Buildings	(472,543)	(22,074)	-	(494,617)
Improvements other than buildings	(12,008,391)	(964,794)	-	(12,973,185)
Machinery and equipment	(4,099,426)	(195,938)	-	(4,295,364)
Total accumulated depreciation	(16,580,360)	(1,182,806)	-	(17,763,166)
Depreciable capital assets, net	31,756,727	(833,703)	-	30,923,024
Total business-type capital assets, net	\$ 33,654,764	\$ 1,521,751	\$ -	\$ 35,176,515

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

Business-type activities:	
Water	\$ 469,906
Sewer	712,900
Total depreciation expense - business-type activities	\$ 1,182,806

Discretely presented component unit

	Beginning Balance	Additions	Disposals	Ending Balance
Lake Wales Airport Authority:				
Capital assets not being depreciated:				
Land	\$ 1,625,274	\$ -	\$ -	\$ 1,625,274
Construction in progress	-	162,000	-	162,000
Total capital assets, not being depreciated	1,625,274	162,000	-	1,787,274
Capital assets being depreciated:				
Buildings	2,534,616	-	-	2,534,616
Improvements other than buildings	6,378,985	-	-	6,378,985
Machinery and equipment	606,558	-	-	606,558
Total depreciable capital assets	9,520,159	-	-	9,520,159
Total all capital assets	11,145,433	162,000	-	11,307,433
Less accumulated depreciation for:				
Buildings	(267,977)	(51,655)	-	(319,632)
Improvements other than buildings	(2,708,188)	(270,941)	-	(2,979,129)
Machinery and equipment	(191,110)	(35,576)	-	(226,686)
Total accumulated depreciation	(3,167,275)	(358,172)	-	(3,525,447)
Depreciable capital assets, net	6,352,884	(358,172)	-	5,994,712
Lake Wales Airport Authority capital assets, net	\$ 7,978,158	\$ (196,172)	\$ -	\$ 7,781,986

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

D. Construction commitments

The City has active construction projects as of September 30, 2014. The projects include asbestos pipe removal, runway extension, water and wastewater facilities. At year-end, the City's commitments with contractors are as follows:

City of Lake Wales - Primary Government

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
C street sewer project - engineering	\$ 434,570	\$ 35,126
C street sewer project - construction	1,505,945	131,242
Market Street water line extension	434,218	329,271
WWTP Building	23,575	4,885
SR 60 westerly expansion	55,130	339,509
SR 17 Forcemain Relocation	4,415	4,175
Market Street distribution upgrades	67,951	31,694
US 27 water/sewer relocation	38,549	28,271
	<u>\$ 2,564,353</u>	<u>\$ 904,173</u>

Lake Wales Airport Authority - Component Unit

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Airport improvements project	\$ 162,000	\$ 2,922,234

Other Commitments

The City has signed several Inducement and Development Agreements with private businesses as an inducement for those businesses to relocate to the new planned industrial park. In these agreements, the City commits to landscaping and roadway infrastructure improvements.

E. Leases

Operating Leases

The City leases postage equipment, vehicles, and a back hoe. The future minimum lease payments for these leases are as follows:

	<u>Postage Equipment</u>	<u>Copier Equipment</u>	<u>Vehicles</u>	<u>Back Hoe</u>	<u>Total</u>
2015	\$ 3,240	\$ 15,615	\$ 82,819	\$ 13,876	\$ 115,550
2016	3,240	15,615	42,376	-	61,231
2017	2,430	9,109	15,617	-	27,156
2018	-	-	7,470	-	7,470
2019	-	-	1,604	-	1,604
Total	<u>\$ 8,910</u>	<u>\$ 40,339</u>	<u>\$ 149,886</u>	<u>\$ 13,876</u>	<u>\$ 213,011</u>

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

F. Interfund receivable, payables and transfers

The composition of interfund balances as of September 30, 2014, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 211,618
General	Police Forfeiture	123
		<u>\$ 211,741</u>

Due to/from component unit:

General	Airport Authority	<u>\$ 94,943</u>
---------	-------------------	------------------

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Source	Transfer To	Amount	Purpose
Capital Projects	General	\$ 131,518	Capital Outlay Transfer
Law Enforcement	Police Forfeiture	6,665	Operating Transfer
Community Redevelopment	Debt Service	965,789	Debt Subsidy
General	Capital Projects	15,737	Operating Transfer
Public Utilities	General	828,000	Operating Transfer
General	Public Utilities	325,000	Operating Transfer
Transportation	Debt Service	141,329	Debt Subsidy
		<u>\$ 2,414,038</u>	

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

G. Long-term debt

Following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and notes payable:					
Notes payable	\$ 13,155,997	\$ -	\$ 1,711,539	\$ 11,444,458	\$ 1,880,089
Lease obligations	109,543	86,457	29,879	166,121	40,532
Total bonds and notes payable	<u>13,265,540</u>	<u>86,457</u>	<u>1,741,418</u>	<u>11,610,579</u>	<u>1,920,621</u>
Other liabilities					
Interest rate swap	158,308	-	79,317	78,991	-
OPEB liability	163,406	50,875	-	214,281	-
Compensated absences	706,587	592,841	556,974	742,454	74,245
Total other Liabilities	<u>1,028,301</u>	<u>643,716</u>	<u>636,291</u>	<u>1,035,726</u>	<u>74,245</u>
Governmental long-term liabilities	<u>\$ 14,293,841</u>	<u>\$ 730,173</u>	<u>\$ 2,377,709</u>	<u>\$ 12,646,305</u>	<u>\$ 1,994,866</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Notes payable:					
Notes payable	\$ 12,390,108	\$ -	\$ 1,366,943	\$ 11,023,165	\$ 1,433,793
Total notes payable	<u>12,390,108</u>	<u>-</u>	<u>1,366,943</u>	<u>11,023,165</u>	<u>1,433,793</u>
Other liabilities					
OPEB liability	36,228	12,215	-	48,443	-
Compensated absences	120,867	99,557	82,242	138,182	13,818
Total other Liabilities	<u>157,095</u>	<u>111,772</u>	<u>82,242</u>	<u>186,625</u>	<u>13,818</u>
Business-type long-term liabilities	<u>\$ 12,547,203</u>	<u>\$ 111,772</u>	<u>\$ 1,449,185</u>	<u>\$ 11,209,790</u>	<u>\$ 1,447,611</u>

Discretely presented component unit

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lake Wales Airport Authority:					
FBO payment credit	\$ 97,629	\$ 50,000	\$ 11,834	\$ 135,795	\$ 12,280
Airport Authority long-term liabilities	<u>\$ 97,629</u>	<u>\$ 50,000</u>	<u>\$ 11,834</u>	<u>\$ 135,795</u>	<u>\$ 12,280</u>

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2014:

	<u>Purpose(2)</u>	<u>Frequency of Payment(1)</u>	<u>Maturity</u>	<u>Originally Issued</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>
Governmental activities						
Note payable:						
Capital Improvement Revenue Note, Series 2003	1	S	2017	\$ 9,117,226	\$ 2,088,952	3.84%
Redevelopment Revenue Note, Series 2007	9	S	2028	9,500,000	7,284,406	3.77%
Refunding Revenue Note, Series 2009	10	S	2015	1,870,300	371,100	3.19%
Ascending Lien Capital Improvement Revenue Note, Series 2013	12	S	2028	1,700,000	1,700,000	2.91%
Lease obligations						
Mears Motor Leasing - FY 2012'13	13	M	2018	119,184	86,191	1.29%
Mears Motor Leasing - FY 2013'14	14	M	2019	86,457	79,930	1.49%
Total governmental activities					<u>\$ 11,610,579</u>	
Business-type activities						
Note payable:						
State Revolving Fund Loan - 5907P	3	S	2019	\$ 1,634,636	\$ 440,138	2.56%
State Revolving Fund Loan - 59110	3	S	2022	1,171,882	358,969	3.05%
State Revolving Fund Loan - 5912S	4	S	2024	1,429,755	745,575	2.14%
State Revolving Fund Loan - 5913P	5	S	2028	1,025,345	733,113	1.88%
State Revolving Fund Loan - 59140	11	S	2033	368,589	353,096	2.30%
State Revolving Fund Loan - 530300	11	S	2033	4,163,664	3,966,276	1.91%
Capital Improvement Revenue Note, Series 2003	1	S	2017	432,665	99,174	3.84%
Utility System Revenue Note, Series 2005	6	M	2015	1,110,000	68,919	4.20%
Utility System Refunding Note, Series 2006A	2	S	2017	6,272,220	2,264,472	4.09%
Utility System Refunding Note, Series 2006B	7	S	2027	2,550,000	1,993,433	1.14%
Total business-type activities					<u>\$ 11,023,165</u>	
Lake Wales Airport Authority						
Discretely presented component unit						
Fixed Based Operator's Payment Credit	8	M	2019	\$ 340,000	\$ 135,795	0.00%
Total Lake Wales Airport Authority					<u>\$ 135,795</u>	

(1) (A) = Annual, (S) = Semiannual, (M) = Monthly

(2) Purpose:

1. Advance refund of Capital Improvement Revenue Bonds, Series 1996 (originally for municipal complex, streets, and other improvements) and refund 1999 Non-Ad Valorem Revenue Bonds. (Series 2003)
2. Refund the outstanding 1996 Utility System Improvement Refunding Revenue Bonds, which had provided funding for water and wastewater system improvements, and refunded the outstanding revenue bonds from 1964, 1987, and 1988 Series. (Series 2006A).
3. Construction of reclaimed water reuse facilities. (SRF – 5907P & 59110)
4. Construction of sludge dewatering facilities. (SRF – 5912S)
5. Planning and design of wastewater treatment plant expansion. (SRF – 5913P)
6. Construction of chlorine contact chamber and reuse system improvements. (Series 2005)
7. Construction of water and wastewater system improvements, including rehabilitation of lift station #2, southside force main and water main extension, and southside reuse transmission lines. This note was initially issued as a non-revolving line of credit during May, 2006 but on October 1, 2009, the loan converted to a term loan. (Series 2006B)

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2014

8. Agreement between the City and Lake Wales Aviation, Inc., (the Airport Fixed Base Operator) related to leasehold improvements done by the FBO on airport property. The City agreed to credit the FBO for improvements and equipment by reducing the FBO rent until fully paid (at 0% interest).
9. Acquisition, construction and equipping of various capital improvements within the Community Redevelopment Area. (Series 2007)
10. Refund of Public Improvement Revenue Bonds, Series 1997 (which refunded 1991 and 1989 bonds originally for various water/sewer, street, drainage and parking infrastructure improvements, plus the airport FBO lease and Police Department building). Also, refunded the 2010 Motorola lease which originally funded fire and police equipment. (Series 2009)
11. Construction of wastewater plant rehabilitation and expansion. (SRF – 59140 & 530300)
12. Construction funding for fire substation \$1,200,000 and cemetery addition \$500,000. (Series 2013)
13. Capital lease for six police cars. (Lease FY 2012'13)
14. Capital lease for three fire vehicles. (Lease FY 2013'14)

The debt obligations are secured by the equipment acquired, a covenant to budget, or a pledge of the following revenue sources, except for the Fixed Based Operator's Prepayment Credit, which is unsecured:

- Capital Improvement Revenue Note, Series 2003 – senior lien on public service (utility) taxes;
- Utility System Revenue and Refunding Revenue Notes, Series 2005, 2006A and 2006B - senior lien on utility system net revenues;
- Redevelopment Revenue Note, Series 2007 – shall not constitute a general obligation of the City or the Community Redevelopment Area but shall be payable solely from the tax increment revenues and the non-ad valorem revenues as budgeted and appropriated;
- Refunding Revenue Note, Series 2009 – senior lien on electric franchise fees; and
- State Revolving Fund Loans - junior lien on utility system net revenues.
- Ascending Lien Cap Imp Rev Note, Series 2013 – senior lien on communication service taxes and a junior lien on electric franchise fees and public service (utility) taxes

Most of the debt obligations may be prepaid in whole or in part without penalty, except as follows:

- The Capital Improvement Revenue Note, Series 2003, has a related swap agreement (see the discussion later in this note).
- There is an interest rate differential required on prepayment of the Utility System Revenue Note, Series 2005, during the entire term of the Note, if interest rates have generally decreased.
- There is a "breakage fee" on the Utility System Refunding Revenue Note, Series 2006A, if interest rates have generally decreased.
- There is a "breakage fee" on the Utility System Revenue Note, Series 2006B, if interest rates have generally decreased.
- There is a "prepayment charge" on the Redevelopment Revenue Note, Series 2007 to compensate the Bank for all losses, costs and expenses incurring in connection with such prepayment.
- The Ascending Lien Cap Imp Rev Note, Series 2013 may not be prepaid prior to September 2015.

There are no large "balloon payments" due in future years. Certain notes require the establishment of sinking or reserve accounts.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

- The Utility System Refunding Revenue Note, Series 2006A and Series 2006B both require annual debt service reserves equal to 1/6th per month of all interest and 1/12th per month of the annual principal amount coming due. As of September 30, 2014, sinking fund balance for Series 2006A and 2006B were \$762,186 and \$152,599, respectively.
- State Revolving Fund loans require a “Loan Debt Service Account”. Beginning six months prior to each semiannual loan payment, the City shall make five monthly loan deposits into the Loan Debt Service Account. The Loan Debt Service Account for the existing State Revolving Fund loans is \$200,276.
- Three of the existing State Revolving Fund loans require a “Loan Replacement Reserve Account”. The Replacement Reserve Account for the existing loans is \$136,508 (Loan #5907P - \$47,349, 5911O - \$44,490 and 5912S - \$44,669).

Annual debt service requirements as of September 30, 2014 are as follows:

Fiscal Year	Governmental Activities				Total	
	Notes		Leases			
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,880,089	\$ 383,566	\$ 40,532	\$ 2,048	\$ 1,920,621	\$ 385,614
2016	1,164,934	327,568	41,092	1,488	1,206,026	329,056
2017	983,900	287,610	41,660	920	1,025,560	288,530
2018	561,093	259,286	31,952	368	593,045	259,654
2019	581,324	238,734	10,885	60	592,209	238,794
2020-2024	3,236,806	858,220	-	-	3,236,806	858,220
2025-2029	3,036,312	232,545	-	-	3,036,312	232,545
Total	\$ 11,444,458	\$ 2,587,529	\$ 166,121	\$ 4,884	\$ 11,610,579	\$ 2,592,413

Business-type Activities		
Fiscal Year	Notes	
	Principal	Interest
2015	\$ 1,433,793	\$ 235,651
2016	1,389,118	191,589
2017	1,425,288	147,327
2018	628,891	118,806
2019	589,062	106,538
2020-2024	2,692,126	379,905
2025-2029	1,932,732	171,663
2030-2034	932,155	35,843
Total	\$ 11,023,165	\$ 1,387,322

Discretely Presented Component Unit		
Fiscal Year	Agreement	
	Principal	Interest
2015	\$ 12,280	\$ -
2016	12,587	-
2017	12,902	-
2018	13,225	-
2019	13,556	-
2020-2024	71,245	-
	\$ 135,795	\$ -

On July 15, 2015, the City accepted a State Revolving Funds loan from the State of Florida Department of Environmental Protection in the amount of \$6,046,751, for use in completing Phase II of the “C Street project” by the Public Utilities. There were no borrowings on this loan as of September 30, 2014.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Bond-Related Accounts - Utility Fund

A refunding loss of \$435,604 incurred in conjunction with the issuance of the Utility System Refunding Revenue Note, Series 2006A, is being amortized over the term of the bonds using the straight-line method. Amortization of refunding loss was \$43,560 for the year ended September 30, 2014, and is included as a component of interest expense. The unamortized balance at September 30, 2014, is \$87,124.

Bond-Related Accounts - Governmental Activities

A refunding loss of \$426,861 incurred in conjunction with the issuance of the Capital Improvement Revenue Note, Series 2003, is being amortized over the life of the bonds using the straight-line method. Amortization of the refunding loss was \$33,477 for the year ended September 30, 2014, and is included as a component of interest expense in the statement of activities. Unamortized refunding loss of \$66,969 is netted against bonds payable on the government-wide statement of net position.

Interest Rate Swap

In conjunction with the issuance of the variable rate Capital Improvement Revenue Note, Series 2003 (the 2003 Note), the City entered into a pay-fixed, receive variable interest rate swap in order to reduce the effective fixed interest rate on the Note. The City negotiated the lowest penalty for early repayment of the debt refinanced. The net effect of these transactions is that the City will have paid a 3.84% fixed interest rate for the refinanced debt, and because of the nature of the transaction, pays a lower fixed interest rate than it would have received on a traditional fixed-term loan. The interest rate swap is an effective hedge under the Synthetic Instrument Method.

The interest rate swap was entered into on December 3, 2003, and matures on October 1, 2016. The City currently pays the counterparty a semi-annual payment based on a fixed interest rate and receives a variable interest rate payment in return. The City received no premium at the time the swap was entered into. Following are some specifics related to the transaction:

<u>Associated Bond Issue</u>	<u>Counter-party Credit Rating</u>	<u>Notional Amount</u>	<u>Fair Value 9/30/2013</u>	<u>Change in Fair Value</u>	<u>Fair Value 9/30/2014</u>
Capital Improvements Revenue Note, Series 2003	BBB+ (S&P)	\$2,188,126	\$ (158,308)	\$ 79,317	\$ (78,991)

Because the current long-term interest swap rates are lower than the fixed rate, the interest rate swap has a negative fair value, which would result in net proceeds to the counterparty if the City were to terminate the contract. The fair value is a deferred cash outflow and noncurrent liability in the Governmental Activities Statement of Net Position.

Using rates as of September 30, 2014, debt service requirements of the variable rate debt and net swap payments are as follows (note interest calculations were based on rates as of September 30, 2014). As rates vary, variable rate bond interest payments and net swap payments will vary, but the total should remain relatively constant):

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Fiscal Year Ending Sept. 30	Variable-Rate Bond Principal	Interest	Interest Rate Swap, Net	Total
2015	\$ 1,052,088	\$ 12,524	\$ 51,300	\$1,115,912
2016	672,669	6,026	24,683	703,378
2017	463,369	1,746	7,151	472,266
	<u>\$ 2,188,126</u>	<u>\$ 20,296</u>	<u>\$ 83,134</u>	<u>\$2,291,556</u>

Following are the primary risks related to the swap instrument, to which the City will be exposed over the term of the agreement:

- **Liquidity and Remarketing Risk** - There is no public market for swaps and there is no exchange-type market that can be used to sell, cancel or reverse an outstanding swap.
- **Termination Risk** - The swap may be subject to either optional or mandatory termination without the City's consent in accordance with the terms of the swap agreement. In addition, the swap agreement automatically terminates if the bonds are prepaid, in whole or in part, before their scheduled maturity dates. If the swap is "in-the-money" to the counterparty upon early termination, there is an obligation to make a termination payment representing the market value of the swap.
- **Credit Risk** - The City entered into the transaction with SunTrust Bank. There is a risk that SunTrust Bank could run into financial difficulty and be unable to meet its obligations during the swap term, thereby eliminating the potential cash-flow benefit to the City. If SunTrust Bank defaulted, the maximum risk of loss at September 30, 2014 was \$-0- because the swap was a liability at that date.
- **Basis Risk** - This risk is present when a floating to fixed interest rate swap is executed and the floating rate in the swap agreement does not perfectly match the floating rate paid by the Borrower to the bondholders. The City is paying SunTrust VRDB rate to the bondholders, which is a tax-exempt rate, while the floating rate on the swap is 67% of 1-Month LIBOR, which is a taxable rate. However, under this swap agreement, both rates are the same: 67% of 1-month LIBOR plus 65 basis points.

Future Revenues that are Pledged

The City has pledged various future revenue sources for various debt issues. For the water and sewer system, the City has pledged future water and sewer customer revenues, net of certain operating expenses. The following table provides a summary of the pledged revenues for the City's outstanding debt issue.

	Debt Obligation Reference	Total Principal and Interest Outstanding	Current Year Principal and Interest	Current Year Revenue	% of Revenues to Principal and Interest Paid
Public Service Taxes	Series 2003	\$ 2,187,694	\$ 1,113,567	\$ 1,612,772	145%
CRA Tax Increment Revenues	Series 2007	9,404,070	675,922	987,905	146%
Electric Franchise Fees	Series 2009	377,019	374,939	1,089,109	290%
Communication Service Taxes	Series 2013	2,116,642	26,384	522,337	1980%
Water and Sewer Net Revenue	SRF, Series 2005, 2006A & 2006B	12,330,362	1,581,594	2,698,218	171%
		<u>\$ 26,415,787</u>	<u>\$ 3,772,406</u>	<u>\$ 6,910,341</u>	

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Conduit Debt

The City has issued bonds to provide financing assistance to a private sector entity for acquisition, construction and equipping a senior care facilities deemed to be in the public interest. These bonds are payable solely from the revenues of the private sector entity.

The Retirement Facility Revenue Bonds, Series 2008 (Series 2008) and interest thereon do not constitute an indebtedness or pledge of the general credit of the City, Polk County, the State of Florida or any political subdivision or agency thereof. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Series 2008 was initially issued for \$26,885,000. As of September 30, 2014, the outstanding balance on these bonds is \$23,805,000.

IV Other Information

A. Related party transactions

During 2014, the City provided the use of certain City personnel to the Authority (the discretely presented component unit) at no cost. The City Manager and City Finance Director currently serve as the Airport Manager and Airport Finance Director, respectively. The City's Public Service Director acted in a liaison capacity between the City Commission and the Airport Authority Board. Additional services were provided by City purchasing, information technology, and finance departments. Public Service department costs totaling \$30,908 were charged to the Authority for the year ended September 30, 2014.

In the Ordinance that recreated the Authority, the City retained approval rights over most of the major decisions of the Authority. The following Board actions are subject to the approval of the Lake Wales City Commission:

- Adopting bylaws.
- Adopting an official seal.
- Maintaining an office.
- Suing or being sued.
- Acquiring, leasing, constructing, reconstructing, improving, extending, enlarging, equipping, repairing, maintaining, or operating any airport which may be located on the property of the Authority.
- Issuing bonds, refunding bonds, and revenue certificates.
- Fixing and revising rates, fees, or other charges.
- Acquiring real or personal property.
- Entering into certain contracts or agreements, including those to operate other airports.
- Accepting grant money.
- Doing all things necessary or convenient to carry out the powers granted by the Ordinance

An interlocal agreement was approved and executed by the Airport Authority Board and the City Commission in October 2007 and renewed in October 2012. In this new agreement, both parties reaffirmed that the Authority did not have sufficient funds available to pay all of the costs of operating the Authority, and as a result thereof, it was in the mutual interest of the parties for the City to pay certain costs incurred by the Authority. However, payments by the City contemplated under the new agreement will not continue past five years, at which time it is expected that the Authority will be capable of bearing

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

these costs. In all events, the Authority agreed to comply with the policies and procedures of the City, including but not limited to the policies governing investments and the purchase and acquisition of goods and services. The Airport Authority has a liability to the General Fund of \$94,943 at September 30, 2014.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. 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.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Other post employment benefits (OPEB)

In fiscal year 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting for Financial Reporting by Employer for Postemployment Benefits Other Than Pensions. GASB Statement No. 45 provides for reporting annual Other Post Employment Benefits (OPEB) costs and the associated unfunded actuarial accrued liability (UAAL) for past service costs.

Membership is comprised of the following at 9/30/11, the date in the latest complete actuarial valuation:

Active employees	<u>158</u>
Retirees:	
Pre-Medicare	9
Post-Medicare	<u>4</u>
	<u>13</u>

Plan Description

In accordance with Chapter 112.0801, Florida Statutes, the City is required 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. Therefore, the City offers retirees the option of purchasing the City's group health, dental and/or vision insurance coverage at the cost applicable to active employees.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Funding Policy

Currently, the City's OPEB benefits are unfunded. The City Commission has not determined if a separate trust fund or equivalent arrangement will be established into which the City would make contributions to advance-fund the obligation. There are no separate financial statements for the plan. The general fund typically in prior years has been used to liquidate the net other postemployment benefit obligations. This postemployment benefit is a single-employer plan. The plan does not issue separate financial statements.

The following is required three-year trend information and a schedule of funding progress for the OPEB plan:

Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
September 30, 2014	\$ 119,356	47.1%	\$ 262,724
September 30, 2013	113,902	45.6%	199,634
September 30, 2012	114,481	46.9%	137,690

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Rate (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2011	0	854,806	(854,806)	0.00%	5,935,112	14.4%

A schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the accrued liability is increasing or decreasing over time.

Actuarial Valuations and Net OPEB Obligation

The annual required contribution for the current year was determined as part of an October 1, 2013 interim actuarial valuation using the Entry Age Normal actuarial cost method. Select actuarial assumptions included:

Actuarial Value of Assets:	Market Value
Funding Interest Rate:	4.50%
Health Care Inflation:	Pre-Medicare: 7.50% in 2013 (grading down 1% per year to 4.50% in 2017) Post-Medicare: 7.50% in 2014 (grading down 1% per year to 4.50% in 2017)
Vision Care Inflation:	3.00%
Payroll Growth:	2.40%
Inflation Assumption:	2.40%
Amortization of UAAL:	Level % of Payroll (closed Amortization over 30 years)

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Other actuarial assumptions are:

- The assumed per capita annual healthcare claim cost, including prescription drug claims, is assumed to be:

2011-2012 Per Capita Annual Health, Dental, and Vision Costs per Participant

Program	Pre 65 Cost	Post 65 Cost
Health Insurance	\$12,607	\$4,154
Dental Insurance	346	346
Vision Insurance	100	100
Life Insurance	10,000 or 15,000	10,000 or 15,000

- Medical and vision claims were developed using a blend of manual and active fully insured rates.
- Retirees electing post-employment healthcare coverage have been assumed to make annual contribution equal to:

Program	Retiree Contribution
Health Insurance - retiree	\$5,898
Health Insurance - retiree & family coverage	11,796
Dental Insurance	346
Vision Insurance	76
Life Insurance	\$3.15 per \$1,000 coverage

- Retiree health insurance contributions have been assumed to increase at the rate of 7.5% in fiscal year 2014, decreasing 1% each year until the ultimate rate of 4.5% in 2017.
- Retirees electing health care participation has been assumed to be 30%, with 50% electing spouse coverage. Vision care participation has been assumed to be 0%.
- Current retirees have been assumed to continue their current election as to healthcare coverage.
- Investment rate of return: 4.5%
- Payroll growth: 2.4%
- Inflation assumption: 2.4%
- Post-retirement benefit increases assumption: 0.0%

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan 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. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

Net OPEB Obligation:	9/30/2014
Annual Required Contributions	\$ 119,853
Interest on Net OPEB Obligation	8,984
Adjustments	(9,481)
Annual OPEB cost	119,356
Estimated Net Contributions	(56,266)
Anticipated increase/(decrease) in Net OPEB obligations	63,090
Net OPEB Obligations - Beginning of year	199,634
Estimated Net Obligations- end of year	\$ 262,724

The cumulative difference between the Annual OPEB Cost for all years and the Estimated Net Contribution for all years is called the Estimated Net OPEB Obligation. The Estimated Net OPEB Obligation is reflected as a liability in the Statement of Net Position.

D. Employee retirement systems and pension plans

The City maintains three defined benefit single-employer pension plans:

- Municipal General Employees' Pension Plan
- Municipal Police Officers' Pension Plan
- Municipal Firefighters' Pension Plan

The City accounts for all three plans as pension trust funds; therefore, they are accounted for in substantially the same manner as proprietary funds with an economic resources measurement focus and the accrual basis of accounting. Plan members contributions, employers contributions, and contributions from other entities are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with terms of the plans. Plan assets are valued at fair value for financial statement purposes, as reported within the annual trustee statements.

The defined benefit plans do not issue stand-alone financial reports and are not included in any other retirement system's or entity's financial report. Financial statements for the individual pension plans are presented below since separate GAAP financial reports have not been issued for the individual plans.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Plan Administration –

The administration and responsibility for the proper operation of the retirement systems and trusts is vested each plan's Board of Trustees as set forth by City Ordinance. The General Pension Plan's Board consists of: the Mayor and/or Commissioner appointed by the City Commission, the Finance Director as a non-voting member of Board, two employee members to be elected by a majority of the actively employed members of the retirement system, and two members selected by the Board and appointed by the City Commission. The Police and Firefighter Pension Boards each consist of two Commission appointees, two members of the fund elected by membership, and a fifth member elected by the first four member and appointed by the City Commission.

The defined benefit plans were amended in 2014, effective October 1, 2013, for the following:

- 1) Benefits were capped at \$75,000 annually for all members who had not yet retired and/or entered the DROP (see below).
- 2) Discontinue employee contributions when a member reaches the cap, and
- 3) Change the average final compensation calculation from a three year to a five year average.

Benefits for police officers and firefighters are payable at normal retirement, the earlier of age 55 with 10 years of creditable service or age 50 with 25 years of creditable service, equal to 3% of average final compensation multiplied by the number of service years (subject to the \$75,000 cap discussed above). The average final compensation is now based on annual compensation of the 5 highest paid years of the last 10 years of creditable service. Both plans provide for early retirement with reduced benefits at age 50 and provide disability, death, and survivor benefit provisions.

Benefits for general employees are payable at normal retirement, upon the attainment of age 60 with 10 years of creditable service. The normal retirement benefit is equal to 2.5% of average final compensation multiplied by the number of creditable service years (subject to the \$75,000 cap discussed above). The average final compensation is now based on annual compensation of the highest 5 consecutive years of service. The plan provides for early retirement with reduced benefits at age 55 and provides death and survivor benefit provisions.

Police, fire and general employees who have satisfied the requirements for normal retirement are eligible to participate in the Deferred Retirement Option Program (DROP) for up to five years. During the DROP period, the member accrues a benefit amount equal to what would have been the members retirement benefit had the member retired as of the date of entry into the DROP program plus earnings. This accumulated amount is paid in a lump-sum when the member leaves active service at the end of the DROP period.

The amounts due to Drop Participants are \$193,532 for the General Pension Plan, \$244,067 for the Firefighter Pension Plan, and \$155,913 for the Police Pension Plan.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Summary of Significant Accounting Policies - All Plans

Cash, Cash Equivalents, and Investments

If available, quoted market prices are used to value investments. Purchases and sales of investment securities are recorded on a trade-date basis. Many factors are considered in arriving at fair value. In general, however, corporate bonds and government obligations are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in equity funds are valued at the quoted market price. Investments are held with a registered security dealer. Investment decisions are made by the investment advisor who provides quarterly reports of the investment portfolio and its performance to the Board of Trustees for each plan. Performance is assessed quarterly by A.G. Edwards. The Pension Plans did not hold investments in any one organization that represents 5 percent or more of the each Plan's fiduciary net position.

The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the fiscal year ended September 30, 2014, the money-weighted rate of return on plan investments, net of investment expense, was as follows:

	<u>General</u>	<u>Firefighter</u>	<u>Police</u>
Money-Weighted Rate of Return	10.18%	9.51%	9.59%

Contributions Required and Contribution Made

City contributions are determined by actuarial valuations adopted by the respective Board of Trustees. The City's annual pension cost for the current year for each plan is as follows:

Contribution rates/amounts:	<u>General Employees' Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Police Officers' Pension Fund</u>
City	9.5%	41.9%	27.1%
Plan members	5.0%	5.0%	5.0%
Actuarially determined contributi	\$301,613	\$530,909	\$585,505
Contributions made	\$294,883	\$532,159	\$587,357

Annual Pension Cost

The City's annual required contribution for the year ended September 30, 2014, including the portion contributed by the state was \$1,409,793 (\$294,883 General, \$587,356 Police, and \$527,554 Fire - City share). The annual required contribution for the 2014 fiscal year was determined as part of the October 1, 2014 actuarial valuations. The assumptions did not include post retirement cost of living adjustment. The City's total current year payroll for general employees was \$3,669,440, compared to \$3,282,762 for employees covered by the General Employees' Pension Plan. The City's total current year payroll for fire personnel was \$1,494,369, compared to \$1,333,495 for employees covered by the Firefighters' Pension Plan. The City's total current year payroll for police personnel was \$2,238,803 compared to \$2,167,367 for employees covered by the Police Officers' Pension Plan.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Net Pension Assets

The pension plans have been subject to minimum funding standards since the adoption of Florida Protection of Public Employee Retirement Benefits Act (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the City has funded the actuarially determined required contribution for all years from October 1, 1987, through the transition date, October 1, 1997 (the Net Pension Obligation (NPO) for each plan at October 1, 1997, was \$0) Following are the components of pension cost for the year ending September 30, 2014, and the changes in the Net Pension Assets (NPA) for the year:

	General Employee Pension Plan			Firefighters' Pension Plan		
	9/30/2014	9/30/2013	9/30/2012	9/30/2014	9/30/2013	9/30/2012
Actuarially Determined:						
Contribution (A)	\$ 294,883	\$ 245,477	\$ 165,024	\$ 532,159	\$ 473,635	\$ 529,707
Interest on NPO	(5,351)	(5,926)	(6,623)	(5,371)	(5,277)	(5,690)
Adjustments to (A)	12,081	13,343	15,611	4,121	4,062	8,722
Annual Pension Cost (APC)*	301,613	252,894	174,012	530,909	472,420	532,739
Contributions Made	(294,883)	(245,477)	(165,024)	(532,159)	(473,635)	(529,707)
Increase in NPO	6,730	7,417	8,988	(1,250)	(1,215)	3,032
NPA, Beginning of Year	(69,048)	(76,465)	(85,453)	(69,307)	(68,092)	(71,124)
NPA, End of Year	\$ (62,318)	\$ (69,048)	\$ (76,465)	\$ (70,557)	\$ (69,307)	\$ (68,092)
Percentage of APC Contribution	98%	97%	95%	100%	100%	100%

	Police Officers' Pension Plan		
	9/30/2014	9/30/2013	9/30/2012
Actuarially Determined:			
Contribution (A)	\$ 587,357	\$ 508,870	\$ 699,733
Interest on NPO	(10,701)	(10,530)	(11,282)
Adjustments to (A)	8,849	8,318	16,435
Annual Pension Cost (APC)*	585,505	506,658	704,886
Contributions Made	(587,357)	(508,870)	(699,733)
Increase in NPO	(1,852)	(2,212)	5,153
NPA, Beginning of Year	(138,079)	(135,867)	(141,020)
NPA, End of Year	\$ (139,931)	\$ (138,079)	\$ (135,867)
Percentage of APC Contribution	100%	100%	99%

* Beginning 9/30/2012, this included both City and State Contributions

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Schedule of Funding Progress - General Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Frozen (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/01/2014	\$ 8,783,745	\$ 9,501,065	\$ (717,320)	92.45%	\$ 3,104,032	23.11%

Schedule of Funding Progress - Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Frozen (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/01/2014	\$ 7,228,268	\$ 10,689,042	\$ (3,460,774)	67.62%	\$ 1,270,068	272.49%

Schedule of Funding Progress - Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Frozen (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/01/2014	\$ 12,754,714	\$ 14,357,827	\$ (1,603,113)	88.83%	\$ 2,167,367	73.97%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Assumptions:

	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
Actuarial valuation date	10/1/2012	10/1/2012	10/1/2012
Actuarial cost method	Frozen Entry Age	Entry Age Normal	Entry Age Normal
Amortized method	Level Percentage of Pay, Closed	Level Percentage of Pay, Closed	Level Percentage of Pay, Closed
Remaining amortization period	29 Years (as of 10/01/12)	30 Years	30 Years
Asset valuation method	4 Year Smoothed Market	4 Year Smoothed Market	4 Year Smoothed Market
Asset assumptions:			
Investment rate of return	7.75%	7.75%	7.75%
Projected salary increase*	6.50%	5.75%	5.75%
*Includes inflation at	3.00%	3.00%	3.00%
Post retirement COLA	0.00%	0.00%	0.00%
Mortality table	RP 2000 (Combined Healthy)	RP 2000 (Disableds set forward 5 yrs)	RP 2000 (Sex Distinct)
Experience study used	1992-2008	1992-2007	1992-2007

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

The long-term 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 investments 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	5.75%
International Equity	6.00%
Fixed Income	2.50%

Discount Rate:

The discount rate used to measure the total pension liability for each plan was 7.75 percent. The projection of cash flow 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 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension General Employees Liability	\$ 732,771	\$ (285,585)	\$ (1,069,143)
Sponsor's Net Pension Firefighters Liability	\$ 4,404,085	\$ 3,118,952	\$ 2,193,530
Sponsor's Net Pension Police Officers Liability	\$ 2,692,758	\$ 1,034,666	\$ (272,027)

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2014

Tax Status

All plans are exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code.

Participant Data

Following is a detail of participant data for each plan:

	As of October 1, 2014		
	General Employees' Fund	Fire Fighters' Fund	Police Officers' Fund
Retirees and Beneficiaries Currently:			
Receiving Benefits	35	11	22
Vested Terminated Employees			
DROP Participant	2	2	1
Active Plan Participants:			
Vested	6	1	3
Nonvested	92	25	43
Total	<u>135</u>	<u>39</u>	<u>69</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2014

Schedule of Pension Plan Net Position as of September 30, 2014

	Pension Trust Fund			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Assets				
Cash and cash equivalents	\$ (10,767)	\$ (21,995)	\$ 159,618	\$ 126,856
Investments, at fair value:				
Money market funds	795,686	767,422	1,471,020	3,034,128
Government Bonds	368,827	393,660	649,820	1,412,307
Government Assets backed/CMO Securities	234,515	173,247	317,207	724,969
Taxable Municipal Bonds	133,539	112,071	178,190	423,800
Municipal Bonds	50,874	40,699	76,311	167,884
Foreign Bonds	124,141	104,281	193,717	422,139
Corporate bonds and notes	1,869,458	1,535,749	2,503,488	5,908,695
Common and preferred stock	5,719,640	4,468,327	7,849,243	18,037,210
Total investments	9,296,680	7,595,456	13,238,996	30,131,132
Prepays				
Prepaid Fiduciary Liability Insurance	2,169	1,749	2,021	5,939
Total Prepays	2,169	1,749	2,021	5,939
Receivable (net):				
Interest and dividends	14,325	12,069	20,911	47,305
Total receivable	14,325	12,069	20,911	47,305
Total assets	9,302,407	7,587,279	13,421,546	30,311,232
Liabilities				
Accounts payable	32,273	13,504	24,019	69,796
Total liabilities	32,273	13,504	24,019	69,796
Net position				
Held in trust for pension benefits and other purposes	\$ 9,270,134	\$ 7,573,775	\$ 13,397,527	\$ 30,241,436

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

Schedule of Change in Pension Plan Net Position as of September 30, 2014

	Pension Trust Fund			
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	Total
Additions				
Contributions:				
Employer	\$ 294,882	\$ 394,982	\$ 490,676	\$ 1,180,540
State of Florida	-	132,572	96,680	229,252
Employee	155,201	63,503	108,368	327,072
Total contributions	<u>450,083</u>	<u>591,057</u>	<u>695,724</u>	<u>1,736,864</u>
Interest and dividends	219,770	180,833	312,086	712,689
Net increase (decrease) in the fair value of investments	<u>692,914</u>	<u>549,905</u>	<u>935,775</u>	<u>2,178,594</u>
Total investments income (loss)	<u>912,684</u>	<u>730,738</u>	<u>1,247,861</u>	<u>2,891,283</u>
Less investment expense	<u>(64,177)</u>	<u>(55,028)</u>	<u>(94,317)</u>	<u>(213,522)</u>
Net investment income (loss)	<u>848,507</u>	<u>675,710</u>	<u>1,153,544</u>	<u>2,677,761</u>
Total additions	<u>1,298,590</u>	<u>1,266,767</u>	<u>1,849,268</u>	<u>4,414,625</u>
Deductions				
Benefit payments	448,990	1,087,384	668,746	2,205,120
Refunds of contributions	46,964	13,918	10,372	71,254
Administration	<u>54,587</u>	<u>45,836</u>	<u>52,141</u>	<u>152,564</u>
Total deductions	<u>550,541</u>	<u>1,147,138</u>	<u>731,259</u>	<u>2,428,938</u>
Change in net position	748,049	119,629	1,118,009	1,985,687
Total net position - beginning	8,339,975	6,747,553	12,187,247	27,274,775
Restatement of beginning net position	<u>182,110</u>	<u>706,593</u>	<u>92,271</u>	<u>980,974</u>
Total net position - ending	<u>\$ 9,270,134</u>	<u>\$ 7,573,775</u>	<u>\$ 13,397,527</u>	<u>\$ 30,241,436</u>

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2014

In fiscal year 2015, the City will be required to adopt GASB 68, *Accounting and Financial Reporting for Pensions*, which will require the City to record a net pension liability for each of the pension plans, calculated in accordance with GASB 67, *Financial Reporting for Pension Plans*. Following is GASB 67 information to be used in recording the net pension liability for the City under GASB 68:

Schedule of Changes in Net Pension Liability and Related Ratios as of September 30, 2014

	Pension Trust Fund		
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension
Total Pension Liability			
Service cost	\$ 313,558	\$ 197,807	\$ 417,622
Interest	667,476	809,770	1,064,424
Benefit Payments, including Refunds of Employee Contributions	(495,954)	(1,101,302)	(679,117)
Net Change in Total Pension Liability	485,080	(93,725)	802,929
Total Pension Liability - Beginning	8,546,139	10,802,571	13,661,616
Total Pension Liability - Ending (a)	<u>\$ 9,031,219</u>	<u>\$ 10,708,846</u>	<u>\$ 14,464,545</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 294,883	\$ 394,982	\$ 490,676
Contributions - State	-	132,572	96,680
Contributions - Employee	155,201	63,503	108,368
Net Investment Income	848,507	675,711	1,153,544
Benefit Payments, including Refunds of Employee Contributions	(495,954)	(1,101,302)	(679,117)
Administrative Expense	(54,588)	(45,836)	(52,141)
Net Change in Plan Fiduciary Net Position	748,049	119,630	1,118,010
Plan Fiduciary Net Position - Beginning as reported	8,339,975	6,747,553	12,187,247
Restatement of beginning net assets	182,110	706,593	92,271
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,270,134</u>	<u>\$ 7,573,776</u>	<u>\$ 13,397,528</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ (238,915)</u>	<u>\$ 3,135,070</u>	<u>\$ 1,067,017</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 102.65%	 70.72%	 92.62%
 Covered Employee Payroll	 3,104,032	 1,270,068	 2,167,367

E. Defined Contribution Plan

The City of Lake Wales Money Purchase Plan, sponsored by the City, is a defined contribution plan available to upper level management of the City who elect not to participate in the defined benefit plan offered by the City. There are 5 active participants in the plan. The plan required City contributions of 9.5% and employee contribution of 5% for fiscal year ending September 30, 2014.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2014

The funds are invested in life insurance, annuity contracts and a variable rate investment plan. The asset management change is deducted from individual contracts where applicable. Total pension contributions for the year ended September 30, 2014 were approximately \$59,053 (City's contribution of \$20,363, employees' contributions of \$38,690.) on covered payroll of \$407,266. No pension provision changes occurred during the year that affected the City's required contribution. The vesting schedule allows 100% vesting immediately. At September 30, 2014 there were 5 participants vested in the plan with vested benefits of approximately \$609,782. The plan held no securities of the City or other related parties as of and for the year ended September 30, 2014.

F. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City is a member of Public Risk Management of Florida (PRM), a local government risk management pool. The PRM program is structured under a self-insured retention insurance program, whereby PRM pays claims up to a specified amount annually for property and general liability, public officials' liability, automobile liability and workers' compensation. PRM purchases excess insurance or stop-loss insurance from commercial carriers to cover losses above the self-insured retention amounts.

PRM assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. If total member assessments (premiums) do not produce sufficient funds to meet its obligations, PRM can make additional limited assessments. Losses, if any, in excess of PRM's ability to assess its members would revert back to the member that incurred the loss. As of September 30, 2014, no additional assessments could be required from the City to fund prior year costs of the risk pool. Settlements have not exceeded coverages for each of the past three years.



This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,155,552	\$ 5,273,552	\$ 5,293,051	\$ 19,499
Licenses and permits	968,500	1,216,500	1,217,824	1,324
Intergovernmental	1,299,788	1,385,530	1,444,403	58,873
Charges for services	1,769,557	1,798,057	1,794,732	(3,325)
Fines and forfeits	27,250	39,450	39,199	(251)
Investment earnings	15,000	15,000	7,056	(7,944)
Miscellaneous	62,235	105,235	116,093	10,858
Total revenues	<u>9,297,882</u>	<u>9,833,324</u>	<u>9,912,358</u>	<u>79,034</u>
Expenditures				
Current:				
General government:				
City commission	70,632	78,191	75,381	2,810
City manager	201,125	253,125	251,098	2,027
City clerk	101,910	106,910	105,134	1,776
Finance	248,823	253,823	252,348	1,475
Human resources	133,670	142,670	141,039	1,631
City attorney	63,872	66,872	66,377	495
Planning	232,966	232,966	232,449	517
Fleet maintenance	20,865	18,806	-	18,806
Facilities maintenance	88,404	50,404	46,221	4,183
Information services	123,480	152,350	118,743	33,607
Municipal building administration	61,913	75,913	75,127	786
Non-departmental	28,200	31,200	28,663	2,537
Support services	119,205	114,205	108,660	5,545
Public safety:				
Police	4,411,334	4,500,184	4,322,757	177,427
Fire	2,522,954	2,675,954	2,665,870	10,084
Building permits and inspections	214,880	214,880	214,056	824
Code Enforcement	71,453	51,453	48,558	2,895
Physical environment:				
Waste disposal	841,017	857,017	855,115	1,902
Lake conservation	2,000	2,000	311	1,689
Cemetery	150,461	165,351	163,497	1,854
Economic environment	136,500	109,500	105,175	4,325
Transportation	45,340	63,340	45,340	18,000
Human services	-	1,000	1,000	-
Culture and recreation:				
Parks division	666,726	907,726	904,916	2,810
Recreation facilities	478,728	514,428	513,525	903
Special events	39,026	37,636	37,622	14
Depot museum	27,051	28,741	21,157	7,584
Total expenditures	<u>\$ (11,102,535)</u>	<u>\$ (11,706,645)</u>	<u>\$ (11,400,139)</u>	<u>\$ 306,506</u>

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended September 30, 2014
(Conclusion)

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,804,653)</u>	<u>\$ (1,873,321)</u>	<u>\$ (1,487,781)</u>	<u>\$ 385,540</u>
Other financing sources (uses)				
Note proceeds	237,600	237,600	86,457	(151,143)
Transfers in	828,000	959,518	959,518	-
Transfers out	-	-	(340,737)	(340,737)
Insurance recoveries	-	-	11,704	11,704
Sale of capital assets	-	-	1,016	1,016
Total other financing sources (uses)	<u>1,065,600</u>	<u>1,197,118</u>	<u>717,958</u>	<u>(479,160)</u>
Net change in fund balance	<u>(739,053)</u>	<u>(676,203)</u>	<u>(769,823)</u>	<u>(93,620)</u>
Fund balances, beginning of year	<u>1,728,210</u>	<u>1,672,772</u>	<u>1,979,956</u>	<u>307,184</u>
Fund balances, end of year	<u><u>\$ 989,157</u></u>	<u><u>\$ 996,569</u></u>	<u><u>\$ 1,210,133</u></u>	<u><u>\$ 213,564</u></u>

There are no differences between the budgetary basis and Generally Accepted Accounting Principles.

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Transportation Fund
For the Year Ended September 30, 2014

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 606,000	\$ 645,650	\$ 743,619	\$ 97,969
Intergovernmental	123,000	117,000	122,239	5,239
Charges for services	109,168	109,168	109,168	-
Miscellaneous	500	500	4,139	3,639
Total revenues	<u>838,668</u>	<u>872,318</u>	<u>979,165</u>	<u>106,847</u>
Expenditures				
Current:				
Transportation	716,685	742,685	738,179	4,506
(Total expenditures)	<u>(716,685)</u>	<u>(742,685)</u>	<u>(738,179)</u>	<u>4,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>121,983</u>	<u>129,633</u>	<u>240,986</u>	<u>111,353</u>
Other financing sources (uses)				
Transfers out	<u>(141,329)</u>	<u>(141,329)</u>	<u>(141,329)</u>	<u>-</u>
Total other financing sources (uses)	<u>(141,329)</u>	<u>(141,329)</u>	<u>(141,329)</u>	<u>-</u>
Net change in fund balance	(19,346)	(11,696)	99,657	111,353
Fund balances, beginning of year	<u>4,666</u>	<u>21,131</u>	<u>98,908</u>	<u>77,777</u>
Fund balances, end of year	<u>\$ (14,680)</u>	<u>\$ 9,435</u>	<u>\$ 198,565</u>	<u>\$ 189,130</u>

There are no differences between the budgetary basis and Generally Accepted Accounting Principles.

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Community Redevelopment Fund
For the Year Ended September 30, 2014

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 553,289	\$ 553,289	\$ 549,362	\$ (3,927)
Intergovernmental	467,148	467,148	466,859	(289)
Investment earnings	4,000	1,200	1,200	-
Total revenues	<u>1,024,437</u>	<u>1,021,637</u>	<u>1,017,421</u>	<u>(4,216)</u>
Expenditures				
Current:				
Economic environment	390,922	236,922	236,158	764
(Total expenditures)	<u>(390,922)</u>	<u>(236,922)</u>	<u>(236,158)</u>	<u>764</u>
Excess (deficiency) of revenues over (under) expenditures	<u>633,515</u>	<u>784,715</u>	<u>781,263</u>	<u>(3,452)</u>
Other financing sources (uses)				
Transfers out	(965,789)	(965,789)	(965,789)	-
Total other financing sources (uses)	<u>(965,789)</u>	<u>(965,789)</u>	<u>(965,789)</u>	<u>-</u>
Net change in fund balance	(332,274)	(181,074)	(184,526)	(3,452)
Fund balances, beginning of year	<u>100,000</u>	<u>74,292</u>	<u>353,867</u>	<u>279,575</u>
Fund balances, end of year	<u>\$ (232,274)</u>	<u>\$ (106,782)</u>	<u>\$ 169,341</u>	<u>\$ 276,123</u>

There are no differences between the budgetary basis and Generally Accepted Accounting Principles.



This page intentionally left blank.

City of Lake Wales, Florida
Schedule of Changes in Net Pension Liability and Related Ratios
General Employees' Pension Plan
Last 10 Fiscal Years

	<u>9/30/2014</u>
Total Pension Liability	
Service Cost	\$ 313,558
Interest	667,476
Benefit payments, including refunds of employee contributions	(495,954)
Net change in total pension liability	<u>485,080</u>
Total pension liability - beginning	<u>8,546,139</u>
Total pension liability - ending	<u><u>\$ 9,031,219</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 294,883
Contributions - Employee	155,201
Net investment income	848,507
Benefit payments, including refunds of employee contributions	(495,954)
Administrative expense	<u>(54,588)</u>
Net change in plan fiduciary net position	<u>748,049</u>
 Plan fiduciary net position - beginning, as reported	<u>8,339,975</u>
Restatement of beginning net position (a)	<u>182,110</u>
Plan fiduciary net position - ending	<u><u>\$ 9,270,134</u></u>
 Net pension liability - ending	<u>(238,915)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 102.65%
 Covered employee payroll	 \$ 3,104,032
Net pension liability as a percentage of covered employee payroll	 -7.70%

(a) Removal of the obligation for DROP, which is separately disclosed but not recorded under GASB 67.

Note: Information is not available for years preceding fiscal year 2014.

City of Lake Wales, Florida
Schedule of Changes in Net Pension Liability and Related Ratios
Firefighters' Pension Plan
Last 10 Fiscal Years

	<u>9/30/2014</u>
Total Pension Liability	
Service Cost	\$ 197,807
Interest	809,770
Benefit payments, including refunds of employee contributions	<u>(1,101,302)</u>
Net change in total pension liability	<u>(93,725)</u>
Total pension liability - beginning	<u>10,802,571</u>
Total pension liability - ending	<u><u>\$ 10,708,846</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 394,982
Contributions - State	132,572
Contributions - Employee	63,503
Net investment income	675,711
Benefit payments, including refunds of employee contributions	<u>(1,101,302)</u>
Administrative expense	<u>(45,836)</u>
Net change in plan fiduciary net position	<u>119,630</u>
 Plan fiduciary net position - beginning, as reported	<u>6,747,553</u>
Restatement of beginning net position (a)	<u>706,593</u>
Plan fiduciary net position - ending	<u><u>\$ 7,573,776</u></u>
 Net pension liability - ending	<u><u>\$ 3,135,070</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 70.72%
 Covered employee payroll	 \$ 1,270,068
Net pension liability as a percentage of covered employee payroll	246.84%

(a) Removal of the obligation for DROP, which is separately disclosed but not recorded under GASB 67.

Note: Information is not available for years preceding fiscal year 2014.

City of Lake Wales, Florida
Schedule of Changes in Net Pension Liability and Related Ratios
Police Officers' Pension Plan
Last 10 Fiscal Years

	<u>9/30/2014</u>
Total Pension Liability	
Service Cost	\$ 417,622
Interest	1,064,424
Benefit payments, including refunds of employee contributions	(679,117)
Net change in total pension liability	<u>802,929</u>
Total pension liability - beginning	<u>13,661,616</u>
Total pension liability - ending	<u><u>\$ 14,464,545</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 490,676
Contributions - State	96,680
Contributions - Employee	108,368
Net investment income	1,153,544
Benefit payments, including refunds of employee contributions	(679,117)
Administrative expense	(52,141)
Net change in plan fiduciary net position	<u>1,118,010</u>
 Plan fiduciary net position - beginning, as reported	12,187,247
Restatement of beginning net position (a)	92,271
Plan fiduciary net position - ending	<u><u>\$ 13,397,528</u></u>
 Net pension liability - ending	<u><u>\$ 1,067,017</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	92.62%
 Covered employee payroll	\$ 2,167,367
Net pension liability as a percentage of covered employee payroll	49.23%

(a) Removal of the obligation for DROP, which is separately disclosed but not recorded under GASB 67.

Note: Information is not available for years preceding fiscal year 2014.

City of Lake Wales, Florida
Schedule of Contributions
General Employees' Pension Plan
Last 10 Fiscal Years

	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014
Actuarily Determined Contribution	\$ 81,363	\$ 112,500	\$ 160,446	\$ 234,584	\$ 195,820	\$ 41,622	\$ 71,803	\$ 165,024	\$ 245,477	\$ 294,883
Interest on NPO	(10,182)	(10,070)	(9,959)	(9,508)	(9,027)	(8,303)	(7,414)	(6,623)	(5,926)	(5,351)
Adjustment to (A)	11,579	11,452	15,599	15,519	14,734	19,779	17,621	15,611	13,343	12,081
Annual Pension Cost	82,760	113,882	166,086	240,595	201,527	53,098	82,010	174,012	252,894	301,613
Contributions in Relation to the										
Actuarily Determined Contributions	81,363	112,500	160,446	234,584	195,820	41,622	71,803	165,024	245,477	294,883
Contribution Deficiency (Excess)	1,397	1,382	5,640	6,011	5,707	11,476	10,207	8,988	7,417	6,730
NPO Beginning of Year	(127,272)	(125,875)	(124,493)	(118,853)	(112,842)	(107,135)	(95,659)	(85,453)	(76,465)	(69,048)
NPO End of Year	<u>\$ (125,875)</u>	<u>\$ (124,493)</u>	<u>\$ (118,853)</u>	<u>\$ (112,842)</u>	<u>\$ (107,135)</u>	<u>\$ (95,659)</u>	<u>\$ (85,452)</u>	<u>\$ (76,465)</u>	<u>\$ (69,048)</u>	<u>\$ (62,318)</u>
Covered Employee Payroll	\$ 2,532,944	\$ 3,091,143	\$ 3,133,820	\$ 2,986,894	\$ 2,848,785	\$ 2,907,120	\$ 2,704,493	\$ 2,926,546	\$ 3,219,722	\$ 3,282,762
Contributions as a Percentage of										
Covered Employee Payroll	3.21%	3.64%	5.12%	7.85%	6.87%	1.43%	2.65%	5.64%	7.62%	8.98%

City of Lake Wales, Florida
Schedule of Contributions
Firefighters' Pension Plan
Last 10 Fiscal Years

	<u>9/30/2005</u>	<u>9/30/2006</u>	<u>9/30/2007</u>	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2011</u>	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>
Actuarily Determined Contribution (A)	\$ 314,374	\$ 294,486	\$ 340,107	\$ 339,187	\$ 366,303	\$ 461,317	\$ 484,508	\$ 529,707	\$ 473,635	\$ 532,159
Interest on NPO	(5,719)	(5,657)	(5,595)	(5,700)	(5,808)	(5,917)	(5,943)	(5,690)	(5,277)	(5,371)
Adjustment to (A)	6,504	6,433	4,275	4,356	4,438	5,591	9,111	8,722	4,062	4,121
Annual Pension Cost	315,159	295,262	338,787	337,843	364,933	460,991	487,676	532,739	472,420	530,909
Contributions in Relation to the	314,374	294,486	340,107	339,187	366,303	461,317	484,508	529,707	473,635	532,159
Actuarily Determined Contributions	314,374	294,486	340,107	339,187	366,303	461,317	484,508	529,707	473,635	532,159
Contribution Deficiency (Excess)	785	776	(1,320)	(1,344)	(1,370)	(326)	3,168	3,032	(1,215)	(1,250)
NPO Beginning of Year	(71,493)	(70,708)	(69,932)	(71,252)	(72,596)	(73,966)	(74,292)	(71,124)	(68,092)	(69,307)
NPO End of Year	<u>\$ (70,708)</u>	<u>\$ (69,932)</u>	<u>\$ (71,252)</u>	<u>\$ (72,596)</u>	<u>\$ (73,966)</u>	<u>\$ (74,292)</u>	<u>\$ (71,124)</u>	<u>\$ (68,092)</u>	<u>\$ (69,307)</u>	<u>\$ (70,557)</u>
Covered Employee Payroll	\$ 843,618	\$ 906,142	\$ 947,177	\$ 1,111,770	\$ 1,194,794	\$ 1,176,080	\$ 1,160,475	\$ 1,153,396	\$ 1,214,019	\$ 1,333,495
Contributions as a Percentage of										
Covered Employee Payroll	37.26%	32.50%	35.91%	30.51%	30.66%	39.22%	41.75%	45.93%	39.01%	39.91%

City of Lake Wales, Florida
Schedule of Contributions
Police Officers' Pension Plan
Last 10 Fiscal Years

	<u>9/30/2005</u>	<u>9/30/2006</u>	<u>9/30/2007</u>	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2011</u>	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>
Actuarily Determined Contribution	\$ 358,590	\$ 381,939	\$ 430,249	\$ 380,537	\$ 447,008	\$ 623,601	\$ 541,275	\$ 699,733	\$ 508,870	\$ 587,357
Interest on NPO	(11,233)	(11,109)	(10,987)	(11,233)	(11,485)	(11,680)	(11,719)	(11,282)	(10,530)	(10,701)
Adjustment to (A)	12,774	12,634	7,912	8,090	9,044	11,198	17,182	16,435	8,318	8,849
Annual Pension Cost	360,131	383,464	427,174	377,394	444,567	623,119	546,738	704,886	506,658	585,505
Contributions in Relation to the										
Actuarily Determined Contributions	358,590	381,939	430,249	380,537	447,008	623,601	541,275	699,733	508,870	587,357
Contribution Deficiency (Excess)	1,541	1,525	(3,075)	(3,143)	(2,441)	(482)	5,463	5,153	(2,212)	(1,852)
NPO Beginning of Year	(140,409)	(138,868)	(137,343)	(140,418)	(143,561)	(146,002)	(146,484)	(141,021)	(135,867)	(138,079)
NPO End of Year	<u>\$ (138,868)</u>	<u>\$ (137,343)</u>	<u>\$ (140,418)</u>	<u>\$ (143,561)</u>	<u>\$ (146,002)</u>	<u>\$ (146,484)</u>	<u>\$ (141,021)</u>	<u>\$ (135,868)</u>	<u>\$ (138,079)</u>	<u>\$ (139,931)</u>
Covered Employee Payroll	\$ 1,765,347	\$ 1,651,717	\$ 1,877,296	\$ 1,968,564	\$ 2,140,829	\$ 2,245,228	\$ 2,119,040	\$ 1,940,719	\$ 2,178,365	\$ 2,167,367
Contributions as a Percentage of										
Covered Employee Payroll	20.31%	23.12%	22.92%	19.33%	20.88%	27.77%	25.54%	36.06%	23.36%	27.10%

**City of Lake Wales, Florida
Schedule of Investment Returns
Last 10 Fiscal Years**

		<u>9/30/2014</u>
Firefighters' Pension Plan		
	Annual Money-Weighted Rate of Return net of Investment Expense	9.51%
General Employees' Pension Plan		
	Annual Money-Weighted Rate of Return net of Investment Expense	10.18%
Police Officers' Pension Plan		
	Annual Money-Weighted Rate of Return net of Investment Expense	9.59%

Note: Information is not available for years preceding fiscal year 2014.

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer
General Employees' Pension Plan
September 30, 2014

Schedule of Funding Progress - General Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Frozen (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2014	\$ 8,783,745	\$ 9,501,065	\$ (717,320)	92.45%	\$ 3,104,032	23.11%
10/1/2013	8,127,448	8,911,546	(784,098)	91.20%	3,219,722	24.35%
10/1/2012	7,827,712	9,003,499	(1,175,787)	86.94%	2,926,546	40.18%
10/1/2011	7,328,691	8,474,199	(1,145,508)	86.48%	2,704,493	42.36%
10/1/2010	7,907,212	8,970,892	(1,063,680)	88.14%	2,907,120	36.59%
10/1/2009	8,074,499	9,117,416	(1,042,917)	88.56%	2,848,785	36.61%

Schedule of Contributions from the Employer

Year Ended	Annual Required Contribution	City Contribution	Percentage Contribution
9/30/2014	\$ 294,883	\$ 294,883	100.00%
9/30/2013	245,477	245,477	100.00%
9/30/2012	165,024	165,024	100.00%
9/30/2011	71,802	71,803	100.00%
9/30/2010	41,622	41,622	100.00%
9/30/2009	195,820	195,820	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer and Others
Firefighters' Pension Plan
September 30, 2014

Schedule of Funding Progress - Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2014	\$ 7,228,268	\$ 10,689,042	\$ (3,460,774)	67.62%	\$ 1,270,068	272.49%
10/1/2013	7,180,562	10,850,339	(3,669,777)	66.18%	1,214,019	302.28%
10/1/2012	6,558,413	10,931,961	(4,373,548)	59.99%	1,153,396	379.19%
10/1/2011	5,887,625	10,337,826	(4,450,201)	56.95%	1,160,475	383.48%
10/1/2010	6,129,964	10,121,004	(3,991,040)	60.57%	1,176,080	339.35%
10/1/2009	6,128,347	9,065,847	(2,937,500)	67.60%	1,194,794	245.86%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
9/30/2014	\$ 527,554	\$ 394,982	\$ 132,572	100.00%
9/30/2013	473,635	340,508	133,127	100.00%
9/30/2012	529,707	401,344	128,363	100.00%
9/30/2011	484,508	362,277	122,231	100.00%
9/30/2010	461,317	338,631	122,686	100.00%
9/30/2009	366,303	226,125	140,178	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer and Others
Municipal Police Officers' Pension Plan
September 30, 2013

Schedule of Funding Progress - Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2014	\$ 12,754,714	\$ 14,357,827	\$ (1,603,113)	88.83%	\$ 2,167,367	73.97%
10/1/2013	11,784,459	13,729,122	(1,944,663)	85.84%	2,178,365	89.27%
10/1/2012	11,004,097	14,122,588	(3,118,491)	77.92%	1,940,719	160.69%
10/1/2011	10,335,184	13,823,598	(3,488,414)	74.76%	2,119,040	164.62%
10/1/2010	10,474,805	13,656,242	(3,181,437)	76.70%	2,245,228	141.70%
10/1/2009	10,195,532	12,959,011	(2,763,479)	78.68%	2,140,829	129.08%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
9/30/2014	\$ 587,356	\$ 490,676	\$ 96,680	100.00%
9/30/2013	508,870	412,711	96,159	100.00%
9/30/2012	699,733	603,031	96,702	100.00%
9/30/2011	643,552	541,275	102,277	100.00%
9/30/2010	623,601	519,405	104,196	100.00%
9/30/2009	447,008	337,385	109,623	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Employer Contributions
Other Post Employment Benefit Plan
September 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2011	N/A	\$ 854,806	\$ 854,806	0.00%	\$ 5,935,112	14.40%
10/1/2008	N/A	\$ 408,669	\$ (408,669)	0.00%	\$ 6,825,394	6.00%

* Since the adoption of GASB 45, the City has only had two full actuarial valuations of their OPEB Liability.

Three Year Trend Information

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
9/30/2014	\$ 119,356	47.1%	\$ 262,724
9/30/2013	113,902	45.6%	199,634
9/30/2012	114,481	46.9%	137,690



This page intentionally left blank.

SUPPLEMENTAL INFORMATION

**City of Lake Wales, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014**

	Special Revenue Funds					
	Forfeitures 106	Library 110	Law Enforcement Block Grant 116	Street Lighting District 103	Capital Projects 330	Total
Assets						
Cash and cash equivalents	\$ 36,305	\$ 6,432	\$ -	\$ 15,673	\$ 48,387	\$ 106,797
Intergovernmental receivables	-	-	15,996	-	-	15,996
Receivable (net of allowance for uncollectibles)	-	-	-	-	43,541	43,541
Restricted cash, cash equivalents and investments:						
Debt construction fundings	-	-	-	-	422,719	422,719
Impact fee	-	(12,672)	-	-	489,035	476,363
Impact fees - investments	-	151,258	-	-	-	151,258
Prepays	-	15,499	-	-	-	15,499
Total assets	\$ 36,305	\$ 160,517	\$ 15,996	\$ 15,673	\$ 1,003,682	\$ 1,232,173
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 1,047	\$ 12,878	\$ 15,996	\$ 1,093	\$ 81,897	\$ 112,911
Accrued liabilities	-	24,092	-	-	-	24,092
Retainage payable	-	-	-	-	8,616	8,616
Due to other funds	123	-	-	-	211,618	211,741
Unearned revenues	-	-	-	-	5,075	5,075
Total liabilities	1,170	36,970	15,996	1,093	307,206	362,435
Fund balances						
Nonspendable:						
Inventory and prepaid	-	15,499	-	-	-	15,499
Restricted for:						
Law enforcement expenditures	35,135	-	-	-	-	35,135
Library expenditures	-	108,048	-	-	-	108,048
Street lighting expenditures	-	-	-	14,580	-	14,580
Capital projects	-	-	-	-	696,476	696,476
Total fund balances	35,135	123,547	-	14,580	696,476	869,738
Total liabilities and fund balances	\$ 36,305	\$ 160,517	\$ 15,996	\$ 15,673	\$ 1,003,682	\$ 1,232,173

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2014

	Special Revenue Funds					
	Forfeitures 106	Library 110	Law Enforcement Block Grant 116	Street Lighting District 103	Capital Projects 330	Total
Revenues						
Taxes	\$ -	\$ 374,061	\$ -	\$ -	\$ -	\$ 374,061
Special Assessment	-	-	-	21,218	-	21,218
Intergovernmental	-	432,018	29,579	-	72,136	533,733
Fines and forfeits	19,393	-	-	-	-	19,393
Investment earnings	120	1,116	-	-	3,500	4,736
Impact fees	-	27,432	-	-	116,425	143,857
Miscellaneous	-	18,307	-	-	-	18,307
Total revenues	<u>19,513</u>	<u>852,934</u>	<u>29,579</u>	<u>21,218</u>	<u>192,061</u>	<u>1,115,305</u>
Expenditures						
Current:						
General government	-	-	-	-	1,873	1,873
Public safety	26,641	-	36,244	-	-	62,885
Physical environment	-	-	-	13,478	-	13,478
Culture and recreation	-	942,151	-	-	-	942,151
Capital outlay	-	-	-	-	1,254,503	1,254,503
Total expenditures	<u>(26,641)</u>	<u>(942,151)</u>	<u>(36,244)</u>	<u>(13,478)</u>	<u>(1,256,376)</u>	<u>(2,274,890)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,128)</u>	<u>(89,217)</u>	<u>(6,665)</u>	<u>7,740</u>	<u>(1,064,315)</u>	<u>(1,159,585)</u>
Other financing sources						
Transfers in	-	-	6,665	-	15,737	22,402
Transfers out	(6,665)	-	-	-	(131,518)	(138,183)
Total other financing sources	<u>(6,665)</u>	<u>-</u>	<u>6,665</u>	<u>-</u>	<u>(115,781)</u>	<u>(115,781)</u>
Net change in fund balances	(13,793)	(89,217)	-	7,740	(1,180,096)	(1,275,366)
Fund balances, beginning of year	<u>48,928</u>	<u>212,764</u>	<u>-</u>	<u>6,840</u>	<u>1,876,572</u>	<u>2,145,104</u>
Fund balances, end of year	<u>\$ 35,135</u>	<u>\$ 123,547</u>	<u>\$ -</u>	<u>\$ 14,580</u>	<u>\$ 696,476</u>	<u>\$ 869,738</u>

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Forfeitures Fund
For the Year Ended September 30, 2014

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Fines and forfeits	\$ 10,000	\$ 20,000	\$ 19,393	\$ (607)
Investment earnings	50	50	120	70
Total revenues	<u>10,050</u>	<u>20,050</u>	<u>19,513</u>	<u>(537)</u>
Expenditures				
Current:				
Public safety	24,000	36,000	26,641	9,359
(Total expenditures)	<u>(24,000)</u>	<u>(36,000)</u>	<u>(26,641)</u>	<u>9,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,950)</u>	<u>(15,950)</u>	<u>(7,128)</u>	<u>8,822</u>
Other financing sources				
Transfer out	-	-	(6,665)	(6,665)
Sale of capital assets	10,000	-	-	-
Total other financing sources	<u>10,000</u>	<u>-</u>	<u>(6,665)</u>	<u>(6,665)</u>
Net change in fund balance	(3,950)	(15,950)	(13,793)	2,157
Fund balances, beginning of year	<u>19,346</u>	<u>37,758</u>	<u>48,928</u>	<u>11,170</u>
Fund balances, end of year	<u>\$ 15,396</u>	<u>\$ 21,808</u>	<u>\$ 35,135</u>	<u>\$ 13,327</u>

There are no differences between the budgetary basis and Generally Accepted Accounting Principles.

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Library Fund
For the Year Ended September 30, 2014

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 373,940	\$ 373,940	\$ 374,061	\$ 121
Intergovernmental	411,000	432,018	432,018	-
Investment earnings	-	1,320	1,116	(204)
Impact fees	5,000	27,400	27,432	32
Miscellaneous	18,525	18,285	18,307	22
Total revenues	<u>808,465</u>	<u>852,963</u>	<u>852,934</u>	<u>(29)</u>
Expenditures				
Current:				
Culture and recreation	939,767	951,786	942,151	9,635
(Total expenditures)	<u>(939,767)</u>	<u>(951,786)</u>	<u>(942,151)</u>	<u>9,635</u>
Net change in fund balance	(131,302)	(98,823)	(89,217)	9,606
Fund balances, beginning of year	<u>253,779</u>	<u>174,630</u>	<u>212,764</u>	<u>38,134</u>
Fund balances, end of year	<u>\$ 122,477</u>	<u>\$ 75,807</u>	<u>\$ 123,547</u>	<u>\$ 47,740</u>

There are no differences between the budgetary basis and Generally Accepted Accounting Principles.

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Law Enforcement Block Grant Fund
For the Year Ended September 30, 2014

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ 14,535	\$ 30,531	\$ 29,579	\$ (952)
Total revenues	14,535	30,531	29,579	(952)
Expenditures				
Current:				
Public safety	21,200	37,196	36,244	952
(Total expenditures)	(21,200)	(37,196)	(36,244)	952
Excess (deficiency) of revenues over (under) expenditures	(6,665)	(6,665)	(6,665)	-
Other financing sources (uses)				
Transfers in	6,665	6,665	6,665	-
Transfers out	-	-	-	-
Total other financing sources (uses)	6,665	6,665	6,665	-
Net change in fund balance	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There are no differences between the budetary basis and Generally Accepted Accounting Principles.

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Street Lighting District Fund
For the Year Ended September 30, 2014

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Special Assessment	\$ 14,577	\$ 21,177	\$ 21,218	\$ 41
Total revenues	14,577	21,177	21,218	41
Expenditures				
Current:				
Physical environment	14,585	14,585	13,478	1,107
(Total expenditures)	(14,585)	(14,585)	(13,478)	1,107
Net change in fund balance	(8)	6,592	7,740	1,148
Fund balances, beginning of year	-	1,341	6,840	5,499
Fund balances, end of year	\$ (8)	\$ 7,933	\$ 14,580	\$ 6,647

There are differences between the budgetary basis and Generally Accepted Accounting Principles.

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2014

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 694,932	\$ 694,932	\$ 681,316	\$ (13,616)
Licenses and permits	382,938	382,938	382,938	-
Investment earnings	-	-	10	10
Impact fees	5,900	5,900	16,487	10,587
Total revenues	<u>1,083,770</u>	<u>1,083,770</u>	<u>1,080,751</u>	<u>(3,019)</u>
Expenditures				
Current:				
Principal	1,711,539	1,743,539	1,741,418	2,121
Interest and fiscal charges	398,502	398,502	430,585	(32,083)
(Total expenditures)	<u>(2,110,041)</u>	<u>(2,142,041)</u>	<u>(2,172,003)</u>	<u>(29,962)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,026,271)</u>	<u>(1,058,271)</u>	<u>(1,091,252)</u>	<u>(32,981)</u>
Other financing sources				
Transfers in	<u>1,107,118</u>	<u>1,107,118</u>	<u>1,107,118</u>	<u>-</u>
Total other financing sources	<u>1,107,118</u>	<u>1,107,118</u>	<u>1,107,118</u>	<u>-</u>
Net change in fund balance	80,847	48,847	15,866	(32,981)
Fund balances, beginning of year	<u>1,972,235</u>	<u>1,944,734</u>	<u>1,932,558</u>	<u>(12,176)</u>
Fund balances, end of year	<u><u>\$ 2,053,082</u></u>	<u><u>\$ 1,993,581</u></u>	<u><u>\$ 1,948,424</u></u>	<u><u>\$ (45,157)</u></u>

There are no differences between the budgetary basis and Generally Accepted Accounting Principles.

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2014

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ 160,000	\$ 185,000	\$ 72,136	\$ (112,864)
Investment earnings	2,500	3,838	3,500	(338)
Impact fees	24,400	116,400	116,425	25
Total revenues	186,900	305,238	192,061	(113,177)
Expenditures				
Current:				
General government	-	-	1,873	(1,873)
Capital outlay	1,920,000	1,970,000	1,254,503	715,497
(Total expenditures)	(1,920,000)	(1,970,000)	(1,256,376)	713,624
Excess (deficiency) of revenues over (under) expenditures	(1,733,100)	(1,664,762)	(1,064,315)	600,447
Other financing sources				
Note proceeds	1,700,000	-	-	-
Transfers in	-	-	15,737	15,737
Transfers out	-	(131,518)	(131,518)	-
Total other financing sources	1,700,000	(131,518)	(115,781)	15,737
Net change in fund balance	(33,100)	(1,796,280)	(1,180,096)	616,184
Fund balances, beginning of year	556,632	1,322,998	1,876,572	553,574
Fund balances, end of year	<u>\$ 523,532</u>	<u>\$ (473,282)</u>	<u>\$ 696,476</u>	<u>\$ 1,169,758</u>

There are no differences between the budgetary basis and Generally Accepted Accounting Principles.

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Net Position
September 30, 2014**

	<u>2014</u>
Assets	
Current Assets	
Due from Other Governments	\$ 29,972
Total Current Assets	<u>29,972</u>
Noncurrent Assets	
Capital Assets:	
Nondepreciable	1,787,274
Depreciable, Net	5,994,712
Total Noncurrent Assets	<u>7,781,986</u>
Total Assets	<u>7,811,958</u>
Liabilities	
Current Liabilities	
Accounts Payable	21,261
Unearned revenues	573
Due to primary government	94,943
Current portion of long-term debt	12,280
Total Current Liabilities	<u>129,057</u>
Noncurrent liabilities	
Note payable - noncurrent	123,515
	<u>123,515</u>
Total liabilities	<u>252,572</u>
Net Position	
Net Investment in Capital Assets	7,551,248
Unrestricted	8,138
Total Net Position	<u>\$ 7,559,386</u>

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2014**

	<u>2014</u>
Operating Revenues	
Charges for Services	<u>\$ 80,256</u>
Operating Expenses	
Contractual Services	26,645
Repairs and Maintenance	5,269
Materials and Supplies	348
General and Administrative	115,010
Depreciation	<u>358,172</u>
(Total Operating Expenses)	<u>(505,444)</u>
Operating (Loss)	<u>(425,188)</u>
Capital Contributions	
Grants	153,900
From City of Lake Wales	<u>39,907</u>
Change in Net Position	(231,381)
Total Net Position, Beginning of Year	<u>7,790,767</u>
Total Net Position, End of Year	<u><u>\$ 7,559,386</u></u>

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Cash Flows
For the Year Ended September 30, 2014**

	<u>2014</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 80,067
Payments to Suppliers	(78,068)
Net Cash Provided by (Used in) Operating Activities	<u>1,999</u>
Cash Flows from Capital and Related Financing Activities	
Capital Grants	123,928
Capital Contributions from City of Lake Wales (Net)	39,907
Acquisition and Construction of Capital Assets	(162,000)
Principal payment on long-term debt	(11,834)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(9,999)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(8,000)
Cash and Cash Equivalents, Beginning of Year	<u>8,000</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ -</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u>	
Operating (Loss)	\$ (425,188)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	358,172
Increase (Decrease) in Liabilities:	
Accounts Payable	14,335
Unearned Revenues	(190)
Increase in FBO Payment Credit	50,000
Due to City of Lake Wales	4,870
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 1,999</u></u>
<u>Supplemental Disclosure of Noncash Transactions</u>	
FBO Lease Credit	(6,000)
Contracted Services - Mowing by FBO	6,000
	<u><u>\$ -</u></u>

**City of Lake Wales, Florida
Statistical Section
(Unaudited)**

Contents

Page

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.

Net Position by Component	91
Changes in Net Position	92
Fund Balances of Governmental Funds	94
Changes in Fund Balances of Governmental Funds.....	95
Governmental Activities Tax Revenues by Source.....	96

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Assessed Value and Estimated Actual Value of Taxable Property	97
Direct and Overlapping Property Tax Rates	98
Principal Property Taxpayers	99
Property Tax Levies and Collections	100

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.

Ratios of Outstanding Debt by Type	101
Direct and Overlapping Governmental Activities Debt	102
Pledged-Revenues Coverage	103

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.

Demographic and Economic Statistics.....	104
--	-----

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.

Full-time Equivalent City Government Employees by Function/Program	107
Various Indicators by Function/Program	108
Water Sold by Type of Customer and Associated Rates.....	109
Sewer Sold by Type of Customer and Associated Rates	110
Principal Employers	111

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Lake Wales, Florida
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014
Governmental activities:										
Net investment in capital assets	\$ 7,908,681	\$ 9,349,135	\$ 16,349,902	\$ 11,543,258	\$ 14,626,172	\$ 15,123,821	\$ 14,412,716	\$ 14,610,965	\$ 14,973,405	\$ 15,575,570
Restricted	696,578	2,160,716	3,319,481	9,681,679	4,579,237	4,431,294	3,606,811	3,221,380	2,768,005	2,874,458
Unrestricted	3,788,358	765,358	487,205	1,901,817	2,329,160	2,875,420	2,465,425	1,758,076	1,510,997	205,608
Total governmental activities net position	12,393,617	12,275,209	20,156,588	23,126,754	21,534,569	22,430,535	20,484,952	19,590,421	19,252,407	18,655,636
Business-type activities										
Net investment in capital assets	6,197,002	10,143,995	11,516,914	14,827,444	17,897,798	17,430,569	19,802,017	21,421,022	22,004,309	24,240,474
Restricted	-	402,875	320,289	862,542	754,399	2,145,793	2,426,057	2,589,379	2,773,953	2,786,545
Unrestricted	3,864,639	633,057	330,857	298,731	738,175	523,332	1,331,958	993,441	1,365,077	169,003
Total business-type activities in net position	10,061,641	11,179,927	12,168,060	15,988,717	19,390,372	20,099,694	23,560,032	25,003,842	26,143,339	27,196,022
Primary government										
Net investment in capital assets	14,105,683	19,493,130	27,866,816	26,370,702	32,523,970	32,554,390	34,214,733	36,031,987	36,977,714	39,816,044
Restricted	696,578	2,563,591	3,639,770	10,544,221	5,333,636	6,577,087	6,032,868	5,810,759	5,541,958	5,661,003
Unrestricted	7,652,997	1,398,415	818,062	2,200,548	3,067,335	3,398,752	3,797,383	2,751,517	2,876,074	374,611
Total primary government net position	<u>\$ 22,455,258</u>	<u>\$ 23,455,136</u>	<u>\$ 32,324,648</u>	<u>\$ 39,115,471</u>	<u>\$ 40,924,941</u>	<u>\$ 42,530,229</u>	<u>\$ 44,044,984</u>	<u>\$ 44,594,263</u>	<u>\$ 45,395,746</u>	<u>\$ 45,851,658</u>



This page intentionally left blank.

City of Lake Wales, Florida
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	9/30/2005	9/30/2006	9/30/2007 ⁽¹⁾	9/30/2008	09/30/2009 ⁽²⁾	9/30/2010 ⁽³⁾	9/30/2011	9/30/2012	9/30/2013	9/30/2014
Expenses										
Governmental activities:										
General government	\$ 5,010,709	\$ 2,318,393	\$ 1,666,102	\$ 1,555,163	\$ 1,444,334	\$ 1,354,698	\$ 1,461,907	\$ 1,214,450	\$ 1,170,638	\$ 1,217,965
Public safety	6,351,058	7,348,265	7,616,565	7,049,550	7,197,292	7,647,887	7,340,512	7,309,111	7,134,069	7,548,733
Physical environment	1,295,512	2,399,900	1,710,287	1,581,070	963,588	1,204,112	1,211,193	1,020,413	941,419	745,501
Transportation	1,084,406	270,039	1,561,291	1,206,577	1,515,164	1,548,696	1,570,751	1,609,153	1,558,117	1,647,003
Economic Environment	497,095	400,010	1,007,452	599,756	580,616	532,987	506,936	483,785	456,091	344,886
Human services	32,963	24,402	35,333	14,634	20,636	20,634	20,635	64,633	16,704	15,634
Culture and recreation	1,227,319	1,388,649	1,920,919	1,626,211	2,291,706	2,337,296	2,354,841	2,256,121	2,317,252	2,707,191
Interest on long term debt	576,083	540,210	505,482	752,066	767,787	675,004	605,706	543,766	457,347	455,554
Total governmental activities expenses	16,075,145	14,689,868	16,023,431	14,385,027	14,781,123	15,321,314	15,072,481	14,501,432	14,051,637	14,682,467
Business-type activities:										
Water and wastewater	4,030,470	4,546,209	4,954,705	5,194,309	5,024,906	5,285,512	4,731,031	4,933,817	5,195,033	6,271,228
Total business-type activities	4,030,470	4,546,209	4,954,705	5,194,309	5,024,906	5,285,512	4,731,031	4,933,817	5,195,033	6,271,228
Total primary government expenses	20,105,615	19,236,077	20,978,136	19,579,336	19,806,029	20,606,826	19,803,512	19,435,249	19,246,670	20,953,695
Program revenues										
Governmental activities:										
Charges for services:										
General government	74,155	39,091	31,095	28,598	17,429	30,704	69,395	74,304	60,774	68,363
Public safety	1,614,914	1,248,470	1,116,037	1,240,923	624,776	872,049	700,165	594,963	720,995	862,226
Physical environment	799,508	970,539	996,493	1,093,013	1,120,801	1,125,826	1,152,546	1,029,093	1,073,028	1,061,209
Transportation	110,197	87,943	96,331	96,923	97,247	97,750	105,543	107,530	108,418	109,168
Culture and recreation	260,555	246,795	90,379	97,333	47,050	86,184	146,054	55,266	85,137	104,019
Operating grants and contributions	670,774	745,463	691,710	875,556	772,085	811,508	785,447	707,516	713,964	740,250
Capital grants and contributions	360,913	1,172,735	2,044,202	1,740,200	55,401	408,721	888,272	24,761	26,593	105,731
Total governmental activities program revenues	3,891,016	4,511,036	5,066,247	5,172,546	2,734,789	3,432,742	3,847,422	2,593,433	2,788,909	3,050,966
Business -type activities:										
Charges for services:										
Water and wastewater	4,598,397	5,258,800	5,715,639	6,622,986	6,025,162	6,125,465	6,303,592	6,514,807	6,549,910	6,649,031
Operation grants and contributions	120,778	8,811	40,111	1,772	-	-	-	-	-	-
Capital grants and contributions	490,962	496,386	319,088	1,166,650	159,572	383,974	512,411	398,506	399,621	981,217
Total business-type activities program revenues	5,210,137	5,763,997	6,074,838	7,791,408	6,184,734	6,509,439	6,816,003	6,913,313	6,949,531	7,630,248
Total primary government program revenues	9,101,153	10,275,033	11,141,085	12,963,954	8,919,523	9,942,181	10,663,425	9,506,746	9,738,440	10,681,214
Net (expenditures) revenues										
Governmental activities	(12,184,129)	(10,178,832)	(10,957,184)	(9,212,481)	(12,046,334)	(11,888,572)	(11,225,059)	(11,907,999)	(11,262,728)	(11,631,501)
Business-type activities	1,179,667	1,217,788	1,120,133	2,597,099	1,159,828	1,223,927	2,084,972	1,979,496	1,754,498	1,359,020
Total primary government net(expenses) revenues	(11,004,462)	(8,961,044)	(9,837,051)	(6,615,382)	(10,886,506)	(10,664,645)	(9,140,087)	(9,928,503)	(9,508,230)	(10,272,481)
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	4,723,412	5,473,219	6,999,147	7,306,490	7,148,427	6,427,817	5,239,552	5,123,146	5,101,801	5,130,461
Franchise fees	950,532	1,172,989	1,206,210	1,220,697	1,247,248	1,368,738	1,273,566	1,198,360	1,098,866	1,221,973
Public service taxes	1,139,125	1,299,073	1,347,754	1,386,825	1,429,708	1,580,190	1,531,338	1,465,024	1,523,497	1,612,772
Communication service taxes	556,105	408,684	502,239	588,184	684,620	588,111	556,166	543,749	524,187	483,337

	Fiscal Year									
	9/30/2005	9/30/2006	9/30/2007 ⁽¹⁾	9/30/2008	09/30/2009 ⁽²⁾	9/30/2010 ⁽³⁾	9/30/2011	9/30/2012	9/30/2013	9/30/2014
Gas taxes	695,867	702,476	714,051	665,367	633,491	630,798	603,823	603,415	615,111	703,120
Local business tax	-	-	-	-	79,325	77,009	74,292	75,154	76,561	70,763
State and county shared revenues	1,119,130	1,201,329	1,156,315	1,062,966	943,024	904,179	934,042	1,050,977	1,097,472	1,169,636
Investment earnings	153,538	249,705	296,486	333,176	75,140	94,987	54,322	31,156	16,366	8,986
Insurance recoveries	3,374,250	2,189,227	335,412	25,919	12,304	71,463	42,151	9,774	6,947	11,704
Gain/(loss) on disposal of fixed assets	650,600	-	(93,173)	35,606	-	42,409	(62,971)	23,637	16,798	1,016
Contribution	-	-	-	-	-	-	-	-	31,107	100
Miscellaneous revenue	349,228	(25,085)	226,493	103,296	231,145	158,665	92,282	61,076	93,557	117,862
Transfers	261,286	565,961	296,029	(545,879)	(2,030,282)	790,672	(1,059,087)	828,000	828,000	503,000
Special items	-	(3,177,154)	1,963,070	-	-	-	-	-	-	-
Total governmental activities	13,973,073	10,060,424	14,950,033	12,182,647	10,454,150	12,735,038	9,279,476	11,013,468	11,030,270	11,034,730
Business-type activities:										
Investment earnings	50,914	157,738	56,321	53,833	9,844	24,662	32,293	26,480	8,678	7,496
Gain/(loss) on disposal of fixed assets	(67,591)	-	-	-	-	7,390	15,393	-	3,261	-
Miscellaneous revenue	253,404	308,721	107,708	639,627	245,117	244,015	268,593	265,834	238,245	189,167
Transfers	(261,286)	(565,961)	(296,029)	530,099	2,030,282	(790,672)	1,059,087	(828,000)	(828,000)	(503,000)
Total business-type activities	(24,559)	(99,502)	(132,000)	1,223,559	2,285,243	(514,605)	1,375,366	(535,686)	(577,816)	(306,337)
Total primary government	13,948,514	9,960,922	14,818,033	13,406,206	12,739,393	12,220,433	10,654,842	10,477,782	10,452,454	10,728,393
Change in net position										
Governmental activities	1,788,944	(118,408)	3,992,849	2,970,166	(1,592,184)	846,466	(1,945,583)	(894,531)	(232,458)	(596,771)
Business-type activities	1,155,108	1,118,286	988,133	3,820,658	3,445,071	709,322	3,460,338	1,443,810	1,176,682	1,052,683
Total primary government	<u>\$ 2,944,052</u>	<u>\$ 999,878</u>	<u>\$ 4,980,982</u>	<u>\$ 6,790,824</u>	<u>\$ 1,852,887</u>	<u>\$ 1,555,788</u>	<u>\$ 1,514,755</u>	<u>\$ 549,279</u>	<u>\$ 944,224</u>	<u>\$ 455,912</u>

(1) - 2007 reported a prior period adjustment increase to governmental activities of \$3,888,530.

(2) - 2009 reported a prior period adjustment decrease to business-type activities of \$43,416.

(3) - 2010 reported a prior period adjustment increase to governmental activities of \$49,500.

City of Lake Wales, Florida
Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008*	2009	2010	2011	2012	2013	2014
General fund										
Reserved	\$ 134,835	\$ 88,693	\$ 301,504	\$ 614,849	\$ 471,950	\$ 314,820				
Unreserved, designated	-	-	-	1,037,852	1,042,442	1,056,957				
Unreserved, undesignated	555,751	1,260,393	575,237	943,845	1,468,618	2,099,390				
Total general fund	<u>690,586</u>	<u>1,349,086</u>	<u>876,741</u>	<u>2,596,546</u>	<u>2,983,010</u>	<u>3,471,167</u>				
All other governmental funds										
Reserved	1,930,338	2,391,599	3,480,250	9,681,679	* 6,295,542	6,236,772				
Unreserved reported in:										
Special revenue funds	-	-	(96,085)	-	-	(4,693)				
Capital projects funds	1,754,535	191,361	187,395	-	-	-				
Total all other governmental funds	<u>\$3,684,873</u>	<u>\$2,582,960</u>	<u>\$3,571,560</u>	<u>\$9,681,679</u>	<u>\$6,295,542</u>	<u>\$6,232,079</u>				
General fund							2011	2012	2013	2014
Nonspendable										
Inventory and Prepaid							\$ 52,500	\$ 177,812	\$ 161,490	\$ 133,694
Assigned										
Subsequent years' expenditure							480,658	416,670	739,053	-
Unassigned							2,405,383	1,602,544	1,079,413	1,076,439
Total general fund							<u>2,938,541</u>	<u>2,197,026</u>	<u>1,979,956</u>	<u>1,210,133</u>
All other governmental funds										
Nonspendable										
Inventory and Prepaid							-	14,270	4,605	15,499
Restricted for:										
Library expenditures							429,949	363,617	208,159	108,048
Law enforcement expenditures							746	23,758	48,928	35,135
Transportation expenditures							51,748	63,843	98,908	198,565
Community redevelopment expenditures							983,683	726,787	353,867	169,341
Street lighting expenditures							2,127	352	6,840	14,580
Debt Service							1,951,563	1,948,728	1,932,558	1,948,424
Capital projects							483,013	341,412	1,876,572	696,476
Assigned										
Capital Projects							8,219	-	-	-
Total all other governmental funds							<u>\$3,911,048</u>	<u>\$ 3,482,767</u>	<u>\$ 4,530,437</u>	<u>\$ 3,186,068</u>

* 2008, The increase in reserved fund balance in this period is due to unspent bond proceeds from an issuance during the period of capital projects.

Note: In FY 2011, the City implemented GASB 54, under which governmental fund balances are reported as nonspendable, restricted, assigned, unassigned, and committed.

Prior year numbers are not restated.

City of Lake Wales, Florida
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
Revenues	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Taxes	\$8,065,624	\$9,077,838	\$ 10,750,506	\$ 9,037,131	\$ 8,806,899	\$ 8,309,070	\$ 7,364,962	\$ 7,330,959	\$ 7,401,434	\$ 7,641,409
Special assessment	-	-	-	-	-	-	12,387	11,212	19,050	21,218
Licenses and permits	911,497	524,374	437,690	1,482,188	1,478,370	1,719,720	1,542,751	1,398,707	1,370,028	1,600,762
Intergovernmental	2,135,853	3,110,460	3,628,247	4,902,104	2,945,190	3,143,948	3,320,211	2,327,699	2,322,091	2,567,234
Charges for services	1,515,140	1,623,114	1,738,456	1,904,833	1,911,990	1,885,734	1,897,737	1,906,420	1,924,140	1,903,900
Fines and forfeitures	168,046	337,774	212,979	175,789	101,546	50,951	58,692	40,588	63,156	58,592
Interest and miscellaneous	1,475,521	929,890	868,858	724,406	364,596	499,594	368,837	186,044	250,255	311,885
Total revenues	14,271,681	15,603,450	17,636,736	18,226,451	15,608,591	15,609,017	14,565,577	13,201,629	13,350,154	14,105,000
Expenditures										
Current:										
General government	5,062,487	2,423,028	1,959,458	1,819,917	1,783,559	1,570,053	1,695,130	1,584,817	1,533,286	1,503,113
Public safety	6,189,959	7,889,711	7,540,707	7,339,268	6,828,950	7,398,705	6,983,033	6,989,426	6,923,945	7,314,126
Physical environment	1,612,548	2,393,308	1,737,508	2,377,651	960,310	1,290,902	1,955,822	977,589	998,144	1,032,401
Transportation	853,638	688,951	1,562,517	2,834,374	1,905,876	729,046	783,120	816,012	723,580	783,519
Economic environment	481,277	472,734	2,839,298	558,606	553,994	504,877	480,816	455,627	456,935	341,333
Human services	18,329	9,768	20,700	-	6,000	6,000	6,000	50,000	2,070	1,000
Culture and recreation	1,178,945	1,748,196	3,073,610	1,924,938	2,073,895	2,618,050	2,274,531	1,909,602	2,100,893	2,419,371
Debt service:										
Principal	502,261	1,333,193	1,209,274	1,313,097	1,281,267	1,314,339	1,668,163	1,729,272	1,710,589	1,741,418
Interest and fiscal charges	549,188	512,222	479,511	760,201	609,246	618,964	594,010	523,840	466,078	430,585
Capital outlay	225,156	175,477	829,339	701,924	275,949	37,931	10,000	196,650	274,963	1,254,503
(Total expenditures)	16,673,788	17,646,588	21,251,922	19,629,976	16,279,046	16,088,867	16,450,625	15,232,835	15,190,483	16,821,369
Excess (deficiency) of revenues over (under) expenditures	(2,402,107)	(2,043,138)	(3,615,186)	(1,403,525)	(670,455)	(479,850)	(1,885,048)	(2,031,206)	(1,840,329)	(2,716,369)
Other financing sources (uses)										
Lease proceeds	-	599,900	-	217,804	-	-	-	-	1,819,184	86,457
Proceeds from issuance of debt	-	-	-	9,500,000	1,870,300	-	-	-	-	-
Principal - current refunding	-	-	-	-	(138,526)	-	-	-	-	-
Payments to refunding escrow	-	-	-	-	(2,043,014)	-	-	-	-	-
Insurance recoveries	4,426,572	2,959,449	335,412	25,919	12,304	71,463	42,150	9,774	6,947	11,704
Sale of capital assets	-	-	-	35,607	-	42,409	48,328	23,636	16,798	1,016
Transfers in	1,575,543	1,982,130	2,327,986	6,325,913	3,425,521	2,902,828	2,129,024	1,108,876	1,968,812	2,089,038
Transfers out	(1,314,257)	(1,416,169)	(2,031,957)	(6,871,794)	(5,455,803)	(2,112,156)	(3,188,111)	(280,876)	(1,140,812)	(1,586,038)
Total other financing sources (uses)	4,687,858	4,125,310	631,441	9,233,449	(2,329,218)	904,544	(968,609)	861,410	2,670,929	602,177
Special item										
Proceeds form sale of land	-	-	3,500,000	-	-	-	-	-	-	-
Initial contribution to airport authority	-	(2,525,585)	-	-	-	-	-	-	-	-
Total special items	-	(2,525,585)	3,500,000	-	-	-	-	-	-	-
Net change in fund balances	\$ 2,285,751	\$ (443,413)	\$ 516,255	\$ 7,829,924	\$ (2,999,673)	\$ 424,694	\$ (2,853,657)	\$ (1,169,796)	\$ 830,600	\$ (2,114,192)
Debt Service as a percentage of noncapital expenditures	6.84%	11.10%	9.04%	14.58%	16.87%	13.50%	14.63%	16.06%	14.63%	13.29%

City of Lake Wales, Florida
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Fees	Public Service Tax	Communication Service Tax	Fuel Taxes	Local Business Tax	Totals
2005	\$ 4,723,412	\$ 950,532	\$ 1,139,125	\$ 556,105	\$ 695,867	\$ -	\$ 8,065,041
2006	5,473,219	1,172,989	1,299,073	408,684	702,476	-	9,056,441
2007	6,999,147	1,206,210	1,347,754	502,239	714,051	-	10,769,401
2008	7,306,490	1,220,697	1,386,825	588,184	665,367	-	11,167,563
2009	7,148,427	1,247,248	1,429,708	684,620	633,491	79,325	11,222,819
2010	6,427,817	1,368,738	1,580,190	588,111	630,798	77,009	10,672,663
2011	5,239,552	1,273,566	1,531,338	556,166	603,823	74,292	9,278,737
2012	5,123,146	1,198,360	1,465,024	543,749	603,415	75,154	9,008,848
2013	5,101,801	1,098,866	1,523,497	524,187	615,111	76,561	8,940,023
2014	5,130,461	1,221,973	1,612,772	483,337	703,120	70,763	9,222,426

City of Lake Wales, Florida
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Real Property	Personal Property	Centrally Assessed Property	Less: Tax Exempt Property	Total Assessed Valuation	Total Direct Rate	Estimated Actual Value	Assessed Value⁽¹⁾ as a Percentage of Actual Value
2005	689,050	74,640	231	220,599	543,322	8.94	885,518	86.27%
2006	909,104	87,926	271	284,073	713,228	8.44	1,157,731	86.14%
2007	1,099,329	89,167	304	340,112 ⁽²⁾	848,688	7.3521	1,382,799	85.97%
2008	1,126,601	93,040	320	382,733	837,228	7.3277	1,418,773	85.99%
2009	1,005,486	95,412	362	338,245	763,015	7.3277	1,278,699	86.12%
2010	866,769	87,604	278	306,577	648,074	7.3277	1,107,610	86.19%
2011	795,640	87,741	308	261,975	621,714	7.9998	1,024,096	86.29%
2012	758,970	81,092	517	276,571	564,008	8.5119	974,515	86.26%
2013	774,265	79,045	517	290,745	563,082	8.5866	990,462	86.20%
2014	797,750	80,803	496	296,599	582,450	8.3638	1,019,828	86.20%

Source: Polk County Property Appraiser - Form DR-403V

Note: Property in the county is reassessed annually, January 1st of each year. The county assesses property at approximately 85% of actual value for real property and 100% for personal property.

Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per \$1,000 of assessed value.

(1) Includes tax-exempt property

(2) Homestead exemption was increased an additional \$25,000 for qualifying properties.

City of Lake Wales, Florida
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Per One Thousand Dollars of Taxable Value)

Fiscal Year	Direct Rate	Overlapping Rates				Total
	City of Lake Wales	County of Polk	Polk County School Board	Peace River Basin	South West Florida Water Management District	
2005	9.4400	7.7270	8.2060	0.0195	0.0422	25.4347
2006	8.9400	8.7270	8.0780	0.0195	0.0422	25.8067
2007	8.4400	8.3330	7.7700	0.0195	0.0422	24.6047
2008	7.3521	6.8665	7.5120	0.1827	0.3866	22.2999
2009	7.3277	6.8665	7.5860	0.1827	0.3866	22.3495
2010	7.3277	6.8665	7.7920	0.1827	0.3770	22.5459
2011	7.9998	6.8665	7.6700	N/A *	0.3928	22.9291
2012	8.5119	6.8665	7.4920	N/A *	0.3928	23.2632
2013	8.5866	6.8665	7.5470	N/A *	0.3818	23.3819
2014	8.3638	6.8665	7.2080	N/A *	0.0366	22.4749

The overlapping rate represents agencies which have taxing authority within the area. These rates plus the City direct rate is the total millage rate attributable to property within the City.

* The Peace River Basin was merged into the SWFWMD for 2011 per the Polk County Tax Collector.

Source: Polk County Office of Joe G. Tedder, CFC, Tax Collector of Polk County, Florida
www.polktaxes.com, Property Taxes, Millage Rates & Fees

**City of Lake Wales, Florida
Principal Property Taxpayers
Fiscal Year Ended September 30, 2014**

Taxpayer	Rank	2014		Rank	2005	
		Total Assessed Valuation	Percentage of Total Taxable Assessed Value		Total Assessed Valuation	Percentage of Total Taxable Assessed Value
Duke Energy	1	\$ 16,302,599	2.80%	N/A	N/A	N/A
CRF II LTD	2	13,046,800	2.24%	N/A	N/A	N/A
T Eagle Ridge FL LLC	3	12,873,192	2.21%	N/A	N/A	N/A
Lake Wales Hospital Corp	4	12,003,574	2.06%	N/A	N/A	N/A
Walmart	5	8,422,055	1.45%	N/A	N/A	N/A
Preserve at Lake Wales Inc	6	7,979,452	1.37%	N/A	N/A	N/A
Real Sub LLC	7	7,302,806	1.25%	N/A	N/A	N/A
Verizon	8	7,234,966	1.24%	N/A	N/A	N/A
Lowe's	9	6,364,358	1.09%	N/A	N/A	N/A
Publix Super Markets	10	6,334,320	1.09%	N/A	N/A	N/A
		<u>\$ 97,864,122</u>	<u>16.80%</u>		<u>\$ -</u>	<u></u>
Total Assessed Valuation		<u>\$ 582,449,637</u>			<u>N/A</u>	

Source: Polk County Property Appraiser

N/A - Not available

**City of Lake Wales
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Current Levy Collections	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collections	Percent Total Collections To Levy
2005	\$ 4,369,587	\$ 4,217,239	96.51%	\$ 20,004	\$ 4,237,243	96.97%
2006	4,881,409	4,689,093	96.06%	36,592	4,725,685	96.81%
2007	6,030,347	5,821,296	96.53%	21,132	5,842,427	96.88%
2008	6,274,751	5,983,531	95.36%	73,328	6,056,859	96.53%
2009	6,114,563	5,886,159	96.26%	74,299	5,960,458	97.48%
2010	5,573,456	5,381,576	96.56%	50,228	5,431,804	97.46%
2011	4,755,826	4,536,040	95.38%	47,623	4,583,663	96.38%
2012	4,805,346	4,582,454	95.36%	59,962	4,642,416	96.61%
2013	4,834,971	4,597,660	95.09%	83,980	4,681,640	96.83%
2014	4,836,682	4,657,071	96.29%	40,553	4,697,624	97.12%

Source: Polk County Office of Joe G. Tedder, CFC, Tax Collector of Polk County, Florida

Florida Statute 197.012 allows a discount for early payment of taxes of 4% in November, 3% in December, 2% in January and 1% in February. Taxes become delinquent on April 1st of each year.

The County Tax Collector is responsible for collecting and remitting all property taxes.

City of Lake Wales, Florida
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities				Business-Type Activities			Total		
Fiscal Year	Revenue Bonds	Notes Payable	Lease Obligations	Total	Revenue Bonds	Notes Payable	Total	Primary Government	Population	Per Capita
2005	\$ 3,672,447	\$ 9,029,148	\$ 294,913	\$12,996,508	\$ 7,047,285	\$ 5,161,907	\$12,209,192	\$ 25,205,700	12,390	\$ 2,034
2006	3,196,215	8,219,371	743,195	12,158,781	39,641	10,907,250	10,946,891	23,105,672	12,755	1,811
2007	2,613,363	7,743,062	611,082	10,967,507	7,533	11,226,666	11,234,199	22,201,706	13,039	1,703
2008	2,270,000	16,467,201	653,013	19,390,214	-	12,846,282	12,846,282	32,236,496	13,052	2,470
2009	-	17,538,054	330,666	17,868,720	-	12,068,920	12,068,920	29,937,640	13,067	2,291
2010	-	16,372,461	181,921	16,554,382	-	11,693,522	11,693,522	28,247,904	14,225	1,986
2011	-	14,793,353	92,866	14,886,219	-	10,653,701	10,653,701	25,539,920	14,261	1,791
2012	-	13,156,945	-	13,156,945	-	13,423,230	13,423,230	26,580,175	14,261	1,864
2013	-	13,155,997	109,543	13,265,540	-	12,390,108	12,390,108	25,655,648	14,522	1,767
2014	-	11,444,458	166,121	11,610,579	-	11,023,165	11,023,165	22,633,744	14,916	1,517

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

Per Capita Income information is not available.

City of Lake Wales, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2014

Taxing Authority	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
City of Lake Wales	\$ 11,610,579	100.00%	\$ 11,610,579
Total Direct Debt	11,610,579		11,610,579
County of Polk (1)	200,054,799	2.37%	4,741,299
Polk County School Board (2)	385,131,000	2.37%	9,127,605
Total Overlapping Debt	585,185,799		13,868,904
Total Direct and Overlapping Debt	\$ 596,796,378		\$ 25,479,483

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. The schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lake Wales. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

Source:

(1) Debt outstanding data provided from information with Polk County, Florida CAFR statistical section disclosure as of their most recent audited financial statements ending September 30, 2013.

(2) Debt outstanding data provided from information with The School Board of Polk County, Florida CAFR statistical section disclosure as of their most recent audited financial statements ending June 30, 2013.

**City of Lake Wales, Florida
Pledged-Revenue Coverage
Last Ten Years**

Utility Fund Debt Obligations						
Fiscal Year	(1) Charges for Service Revenues	(2) Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	\$ 4,598,397	\$ 2,877,649	\$ 1,720,748	\$ 707,331	\$ 539,860	1.38
2006	5,258,800	3,344,687	1,914,113	767,735	509,048	1.50
2007	5,715,639	3,845,573	1,870,066	537,888	473,969	1.85
2008	6,622,986	3,994,870	2,628,116	887,917	445,311	1.97
2009	6,025,162	3,837,972	2,187,190	957,362	434,894	1.57
2010	6,125,465	3,524,740	2,600,725	375,398	240,434	4.22
2011	6,303,592	3,296,392	3,007,200	1,142,531	325,639	2.05
2012	6,514,807	3,607,564	2,907,243	1,180,743	291,324	1.97
2013	6,549,910	3,832,634	2,717,276	1,332,188	325,079	1.64
2014	6,649,031	3,950,814	2,698,217	1,366,943	328,131	1.59

(1) For purposes of debt coverage - charges for services is the only utility revenue listed. Water and sewer revenues relating to other income, water and sewer impact fees, and interest income have been excluded for coverage analysis purposes.

(2) Direct operating expenses does not include depreciation.

City of Lake Wales, Florida
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Per Capita Personal Income (1)						Median Household Income (2)					
	Florida	Polk	Hillsborough	Hardee	Osceola	Lake	Florida	Polk	Hillsborough	Hardee	Osceola	Lake
2005	\$ 35,489	\$ 29,833	\$ 34,343	\$ 22,045	\$ 23,726	\$ 30,303	\$ 42,437	\$ 39,114	\$ 45,084	\$ 27,989	\$ 40,978	\$ 40,059
2006	37,996	31,090	36,417	22,361	24,618	31,739	45,494	41,176	46,751	33,034	44,277	42,194
2007	39,256	31,838	37,473	22,705	25,410	33,034	47,804	44,216	50,485	36,590	46,599	46,557
2008	39,978	32,621	37,923	23,854	25,978	33,885	44,857	44,350	49,762	34,385	45,766	45,517
2009	37,382	30,953	36,210	23,222	25,243	31,871	44,755	41,913	47,129	33,728	42,626	42,479
2010	38,493	32,902	38,457	25,197	26,129	32,612	44,390	41,184	46,043	33,732	42,165	42,343
2011	39,896	34,630	38,782	26,844	26,729	33,398	44,250	40,258	46,592	33,058	40,933	44,965
2012	41,012	35,746	40,000	26,237	27,316	34,442	45,006	41,337	46,534	34,012	42,743	41,579
2013	N/A	N/A	N/A	N/A	N/A	N/A	47,827	44,398	50,195	38,046	46,479	47,509
2014	N/A	N/A	N/A	N/A	N/A	N/A	47,309	43,606	49,450	36,115	44,887	45,663

(1) Source Office of Economic & Demographic Research <http://edr.state.fl.us>, Population & Demographics, Area Profiles, County Profiles.

(2) Source U.S. Census Bureau, Median Household Income, Income, Median Household Income <http://www.census.gov/did/www/saipe/county.html>.

N/A = Data not currently available.

City of Lake Wales, Florida
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Florida Price Level Index (1)					Unemployment Rate (2)					
	Polk	Hillsborough	Hardee	Osceola	Lake	Florida	Polk	Hillsborough	Hardee	Osceola	Lake
2005	97.56	101.69	95.64	98.65	97.50	3.6	4.2	3.8	5.6	3.6	3.7
2006	97.58	102.13	96.05	98.84	97.69	3.4	4.1	3.4	5.2	3.5	3.5
2007	97.50	102.10	96.02	98.86	97.70	4.3	5.1	4.4	6.2	4.5	4.4
2008	97.59	101.71	96.00	98.79	97.64	7	7.9	7.1	9.1	7.0	7.2
2009	98.07	101.57	95.53	98.66	97.51	11.0	12.5	11.4	13.0	12.3	12.0
2010	98.98	101.55	95.70	98.64	97.49	11.3	12.6	11.6	12.8	12.5	12.2
2011	98.48	101.65	96.21	98.10	96.95	10.2	12.0	10.3	11.9	11.4	10.9
2012	97.87	101.37	96.05	97.95	96.43	8.5	9.9	8.4	10.8	9.2	9.0
2013	98.17	100.75	95.30	98.96	97.02	6.9	8.3	6.8	9.4	7.4	7.3
2014	N/A	N/A	N/A	N/A	N/A	6.1	7.3	6.1	8.4	6.4	6.3

(1) Univ. of Fla, Bureau of Economic and Business Research, <http://www.bebr.ufl.edu/>, services, economic analysis, prices, Fla. Price Level Index 2010.
Provides relative cost of living. The Average is set at 100%.

(2) United States Department of Labor, Bureau of Labor Statistics, <http://data.bls.gov/map/MapToolServlet>

N/A = Data not currently available.

**City of Lake Wales, Florida
Demographic and Economic Statistics
Last Ten Fiscal Years**

(April 1st) Year	Population		% of City Compared to County
	Polk	City of Lake Wales	
2005	541,840	12,390	2.29%
2006	565,049	12,755	2.26%
2007	581,058	13,039	2.24%
2008	585,733	13,052	2.23%
2009	584,343	13,067	2.24%
2010	602,095	14,225	2.36%
2011	604,792	14,261	2.36%
2012	606,888	14,261	2.35%
2013	613,950	14,522	2.37%
2014	n/a	14,916	n/a

Source: Office of Economic & Demographic Research, Population & Demographics, <http://edr.state.fl.us>
Total Personal Income information is not available.

City of Lake Wales, Florida
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City Manager	3.25	2.50	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00
City Clerk	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50
Development Services	1.00	1.50	3.00	2.00	1.00	1.00	1.00	1.00	1.00	-
Finance	5.00	5.00	5.50	4.50	4.25	4.00	4.50	4.50	3.75	3.50
Support Services	2.00	2.00	2.00	3.00	3.75	3.75	3.00	3.00	2.50	2.00
Human Resource	2.00	2.00	2.00	2.00	2.00	2.50	3.50	3.00	2.50	2.00
Planning and Zoning	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Information Services	1.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	2.50
Public Services Administration	1.00	1.00	1.50	2.00	2.00	2.50	2.50	2.50	2.50	2.25
Parks & Recreation	0.75	0.50	-	-	-	-	-	-	-	-
Total general government	<u>19.00</u>	<u>19.50</u>	<u>22.00</u>	<u>21.50</u>	<u>21.00</u>	<u>23.25</u>	<u>24.00</u>	<u>23.50</u>	<u>21.75</u>	<u>18.75</u>
Police Department	57.50	59.00	59.50	45.50	47.50	49.50	47.50	50.00	49.00	51.00
Fire & Rescue:	21.00	21.00	23.00	24.00	27.00	27.00	27.00	27.00	27.00	27.00
Building Permits and Inspection	7.00	7.25	8.00	6.00	4.75	3.00	3.00	3.00	2.00	2.00
Code Enforcement	2.00	2.00	2.50	2.50	2.50	2.50	1.50	1.00	1.75	1.50
Total public safety	<u>87.50</u>	<u>89.25</u>	<u>93.00</u>	<u>78.00</u>	<u>81.75</u>	<u>82.00</u>	<u>79.00</u>	<u>81.00</u>	<u>79.75</u>	<u>81.50</u>
Cemetery	3.00	3.00	3.00	1.00	1.00	-	-	-	-	-
Parks Division	5.00	5.00	6.00	7.00	7.00	-	-	-	-	-
Streets	6.00	6.00	6.00	6.00	6.25	-	-	-	-	-
Field Operations	-	-	-	-	-	17.75	18.00	18.00	19.00	19.00
Fleet Maintenance	2.50	2.00	2.00	3.00	3.00	-	-	-	-	-
Facilities Maintenance	3.50	3.50	3.00	4.00	4.00	5.00	4.50	4.00	4.00	3.00
Total maintenance	<u>20.00</u>	<u>19.50</u>	<u>20.00</u>	<u>21.00</u>	<u>21.25</u>	<u>22.75</u>	<u>22.50</u>	<u>22.00</u>	<u>23.00</u>	<u>22.00</u>
Recreation	2.50	2.50	3.50	2.00	1.00	-	-	-	-	-
Depot	2.00	2.00	2.00	1.50	-	-	-	-	-	-
Library	12.00	12.00	14.00	16.00	18.00	18.00	17.75	16.50	16.50	16.50
Total culture and recreation	<u>16.50</u>	<u>16.50</u>	<u>19.50</u>	<u>19.50</u>	<u>19.00</u>	<u>18.00</u>	<u>17.75</u>	<u>16.50</u>	<u>16.50</u>	<u>16.50</u>
Wastewater Division	7.00	7.00	9.50	9.00	9.00	-	-	-	-	-
Water Division	11.00	10.00	10.50	10.00	10.00	-	-	-	-	-
Reuse Division	-	-	-	1.00	1.00	-	-	-	-	-
Utilities Operations	-	-	-	-	-	22.00	22.00	23.00	23.50	23.00
Utilities Administration	4.00	5.00	4.00	5.00	5.00	5.50	5.50	5.50	5.50	6.75
Utility Billing/Customer Service	6.00	6.00	5.50	5.50	5.75	3.25	3.00	3.75	3.25	3.50
Total utilities	<u>28.00</u>	<u>28.00</u>	<u>29.50</u>	<u>30.50</u>	<u>30.75</u>	<u>30.75</u>	<u>30.50</u>	<u>32.25</u>	<u>32.25</u>	<u>33.25</u>
Total government employees	<u>171.00</u>	<u>172.75</u>	<u>184.00</u>	<u>170.50</u>	<u>173.75</u>	<u>176.75</u>	<u>173.75</u>	<u>175.25</u>	<u>173.25</u>	<u>172.00</u>

(1) In 2008 with the outsourcing of police dispatch, seven dispatch positions were removed from the police department.

(2) In 2010 both Field Operations and Utilities Operations reorganized their personnel structures.

City of Lake Wales, Florida
Various Indicators by Function/Program
Last Ten Years

Function/Program	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General										
Last charter amendment	April 5, 2011									
Number of Commissioners	The City Commission is a five member elected governing board.									
Form of government	Five member elected governing board, two-year term. Appointed City Manager									
Municipal boundaries (1)	16.18	17.14	19.01	19.14	19.58	19.60	19.60	20.12	20.12	20.12
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	1,928	1,673	1,399	1,403	1,304	1,233	1,206	1,263	1,173	1,158
Number of calls for service	19,480	19,990	18,096	17,313	15,792	23,746	25,758	26,876	n/a	20,904
Number of crashes	548	410	446	363	374	350	383	397	390	436
Fire										
Response volume (includes fire, rescue and medical calls)	2,379	2,756	2,786	2,879	2,618	2,576	2,480	2,580	2,514	2,660
Response time average (minutes)	4.55	4.80	4.94	5.39	5.14	5.11	5.21	6.37	5.72	5.66
Inspections/plans reviewed	678	832	1,383	1,767	1,031	1,422	1,489	1,712	1,837	1,877
Public education (persons)	2,117	2,771	2,378	2,917	1,645	2,627	534	2,263	1,652	1,148
Permits and Inspections Division										
Plan review residential	551	106	253	411	198	291	309	192	264	291
Plan review commercial	96	25	114	189	133	205	145	108	163	177
Permits issued	1,622	256	768	797	407	636	500	490	579	657
Inspections:										
Construction	8,407	2,298	3,968	2,664	2,176	2,287	1,389	1,628	1,918	2,332
Inspections per month (avg.)	701	192	331	222	181	191	116	136	174	194
Certificates of Occupancy issued	347	117	99	72	44	46	33	44	51	70
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	80.10	84.40	86.04	86.74	86.74	86.74	86.74	86.74	86.74	86.74
Water										
Average monthly customers:										
Water	7,629	7,824	7,938	7,923	7,899	7,892	7,437	7,595	7,673	7,890
Sewer	4,859	5,205	5,316	5,325	5,309	5,311	5,047	5,136	5,227	5,369
Irrigation	789	1,052	1,116	1,167	1,238	1,254	1,291	1,313	1,362	1,425
Wastewater										
Number of lift stations	34	35	39	39	39	39	39	39	39	39

(1) Square miles
N/A - Not available

City of Lake Wales, Florida
Water Sold by Type of Customer and Associated Rates
Last Eight Fiscal Years

Water Revenues	Fiscal Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Water Fees	\$ 3,008,939	\$ 3,508,152	\$ 2,963,174	\$ 2,959,160	\$ 3,083,609	\$ 3,071,890	\$ 3,109,898	\$ 3,069,206
Installation Fees	72,268	74,965	57,022	81,790.00	51,383	103,640	73,351	78,956
Backflow Inspection Fees						55,005	60,823	63,760
Fire Sprinkler Fees	38,151	39,989	28,478	-	-	-	-	-
Construction Meter Fees	10,081	6,935	6,777	3,397	4,222	5,187	3,510	4,924
Reuse Fees	4,969	15,198	36,380	24,559	12,373	20,858	23,185	24,804
Miscellaneous	1	85	35	101	36	185	281	293
Impact Fees	130,443	169,836	44,565	134,838	168,426	55,581	93,706	130,823
Totals	<u>\$ 3,264,852</u>	<u>\$ 3,815,160</u>	<u>\$ 3,136,431</u>	<u>\$ 3,203,845</u>	<u>\$ 3,320,049</u>	<u>\$ 3,312,346</u>	<u>\$ 3,364,754</u>	<u>\$ 3,372,766</u>
Penalties & Service Charges (Water & Sewer Combined)	<u>\$ 97,661</u>	<u>\$ 96,071</u>	<u>\$ 61,169</u>	<u>\$ 73,817</u>	<u>\$ 65,990</u>	<u>\$ 100,893</u>	<u>\$ 114,905</u>	<u>\$ 117,560</u>

Water Rates(1)																	
% of Rate Increase (Decrease) - Base Rate				-44.20%		5.10%		2.50%		2.50%		3.60%		2.50%		2.50%	
Inside City Limits																	
Base Rate	\$	8.87	\$	4.95	\$	5.20	Base Rate	\$	5.33	\$	5.46	\$	5.66	\$	5.80	\$	5.95
4,001-10,000		2.14		1.96		2.06	0-5,000		2.11		2.16		2.24		2.30		2.35
10,001-15,000		2.39		2.65		2.78	5,001-10,000		2.85		2.92		3.03		3.11		3.18
15,001-25,000		2.64		4.11		4.32	10,001-25,000		4.43		4.54		4.70		4.82		4.94
25,001-35,000		2.89		6.77		7.11	> 25,000		7.29		7.47		7.74		7.93		8.13
35,001-50,000		3.19															
50,001-65,000		3.49															
65,001-80,000		3.79															
80,001-100,000		4.14															
100,001 +		4.54															
Outside City Limits																	
Base Rate	\$	13.31	\$	6.19	\$	6.50	Base Rate	\$	6.66	\$	6.83	\$	7.08	\$	7.26	\$	7.44
4,001-10,000		3.21		2.45		2.57	0-5,000		2.64		2.71		2.80		2.87		2.94
10,001-15,000		3.59		3.32		3.49	5,001-10,000		3.56		3.65		3.79		3.88		3.98
15,001-25,000		3.96		5.14		5.40	10,001-25,000		5.54		5.68		5.88		6.03		6.18
25,001-35,000		4.34		8.47		8.89	> 25,000		9.11		9.34		9.68		9.92		10.17
35,001-50,000		4.79															
50,001-65,000		5.24															
65,001-80,000		5.69															
80,001-100,000		6.21															
100,001 +		6.81															

(1)Source-City of Lake Wales

City of Lake Wales, Florida
Sewer Sold by Type of Customer and Associated Rates
Last Eight Fiscal Years

Sewer Revenues	Fiscal Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Sewer Fees	\$ 2,481,658	\$ 2,881,191	\$ 2,871,209	\$ 2,982,641	\$ 3,085,977	\$ 3,156,505	\$ 3,163,404	\$ 3,279,080
Installation Fees	1,205	400	918	-	-	644	551	10,348
Miscellaneous	705	-	-	-	-	-	-	-
Impact Fees	188,646	364,133	82,175	249,136	343,985	89,172	153,243	214,505
Totals	\$ 2,672,214	\$ 3,245,724	\$ 2,954,302	\$ 3,231,777	\$ 3,429,962	\$ 3,246,321	\$ 3,317,198	\$ 3,503,933

Sewer Rates (1)

% of Rate Increase (Decrease) - Base Rate				-24.30%	5.00%	2.50%	2.50%	3.60%	2.50%	2.50%							
Inside City Limits				Inside City Limits													
Base Rate	\$	23.25	\$	17.59	\$	18.47	Base Rate	\$	18.93	\$	19.40	\$	20.10	\$	20.60	\$	21.12
0-7,000 Gallons		1.19		2.31		2.43	0-5,000 Gallons		2.49		2.55		2.64		2.71		2.77
7,001 + Gallons		1.77		4.05		4.25	5,001 + Gallons		4.36		4.47		4.63		4.75		4.86
Outside City Limits				Outside City Limits													
Base Rate	\$	34.88	\$	21.99	\$	23.09	Base Rate	\$	23.66	\$	24.25	\$	25.13	\$	25.76	\$	26.40
0-7,000 Gallons		1.79		2.89		3.03	0-5,000 Gallons		3.11		3.19		3.30		3.38		3.47
7,001 + Gallons		2.66		5.07		5.32	5,001 + Gallons		5.45		5.59		5.79		5.93		6.08

Residential Cap = 15,000 gallons

(1)Source-City of Lake Wales

**City of Lake Wales, Florida
Principal Employers
Current Year and Ten Years Ago**

	<u>2014</u>		<u>2005</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Citrus World, Inc.	654	1	N/A	1
Lake Wales Medical Center	479	2	N/A	2
Lake Wales Charter Schools	400	3	N/A	3
Wal-Mart	400	4	N/A	4
Publix, Inc.	250	5	N/A	5
Polk County School Board	221	6	N/A	6
Hunt Brothers	195	7	N/A	7
Citrosuco	190	8	N/A	8
City of Lake Wales	174	9	N/A	9
Warner University	160	10	N/A	10
	<u>3,123</u>		<u>N/A</u>	

Source: Lake Wales Area Chamber of Commerce

N/A - Not available



This page intentionally left blank.

City of Lake Wales, Florida
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA Number	Expenditures
U.S. Department of Housing and Urban Development passed through			
Florida Dept of Economic Opportunity			
Small Cities Community Development Block Grant -			
Neighborhood Revitalization	12DB-OH-07-63-02-N15	14.228	\$ 637,235
U.S. Department of Justice passed through			
Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant			
Lake Wales In-Car Camera Program	2013-JAGC-POLK-2-D8-031	16.738	3,048
Lake Wales Community Safety Program	2014-JAGC-POLK-6-E5-017	16.738	10,535
Total U.S. Department of Justice			<u>13,583</u>
U.S. Environmental Protection Agency passed through			
Florida Department of Environmental Protection			
Office of Greenways and Trails			
Recreation Trails Program	T12008	20.219	47,539
Executive Office of the President passed through			
Office of National Drug Control Policy			
Central Florida HIDTA			
HIDTA Task Force	G13-CF0005A	95.001	16,073
U.S. Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program			
Lake Wales Municipal Airport Airfield Improvement Project	3-12-0040-015-2013	20.106	<u>145,800</u>
			<u>\$ 860,230</u>

- (1) SRF - 5907P Loan Balance at September 30, 2014 - \$440,138
(2) SRF - 59110 Loan Balance at September 30, 2014 - \$358,969
(3) SRF - 5912S Loan Balance at September 30, 2014 - \$745,575
(4) SRF - 5913P Loan Balance at September 30, 2014 - \$733,113
(5) SRF - 59140 Loan Balance at September 30, 2014 - \$353,096
(6) SRF - 530300 Loan Balance at September 30, 2014 - \$3,966,276

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF LAKE WALES, FLORIDA**

Note 1 – General

The accompanying schedule of expenditures of federal awards presents the activities of all federal programs of the City of Lake Wales, Florida (the City), as well as the Lake Wales Airport Authority (the discretely-presented component unit) for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Government, and Non-Profit Organizations*.

All federal awards received directly from federal and state agencies, as well as federal awards financial assistance passed through other governmental agencies, are included in the schedules.

Note 2 – Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis, as described in Note 1 to the City's financial statements.

Note 3 – Contingencies

Grant monies received and disbursed by the City or Lake Wales Airport Authority are for specific purposes and are subject to review by the grantor agencies. Such reviews potentially may result in disallowed expenditures.

Report of Independent Auditor on Compliance for the Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Honorable Mayor and Members of the City Commission
City of Lake Wales, Florida

Report on Compliance for Each Major Federal Program

We have audited the City of Lake Wales, Florida's (the "City's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2014. The City's major federal program is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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*. Those standards and OMB Circular A-133 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 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 its major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding #2014-001. Our opinion on the major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding #2014-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Cheryl Behrman" followed by a stylized set of initials.

Orlando, Florida
April 10, 2015

CITY OF LAKE WALES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS PROGRAMS

YEAR ENDED SEPTEMBER 30, 2014

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

Federal Awards Section

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> x </u> yes	<u> </u> none reported
Type of auditor's report on compliance for major federal programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133?	<u> x </u> yes	<u> </u> no

CITY OF LAKE WALES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS PROGRAMS

YEAR ENDED SEPTEMBER 30, 2014

Part I - Summary of Auditor's Results (continued)

Federal Awards Section (continued)

Identification of major federal programs:

Federal Programs:

Name of Program or Cluster	CFDA Numbers
Department of Housing and Urban Development Community Development Block Grants	14.228

Dollar threshold used to determine Type A programs:

Federal	\$ 300,000
---------	------------

Auditee qualified as low-risk auditee for federal purposes?	☒ yes ☐ no
---	---

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

CITY OF LAKE WALES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS PROGRAMS

YEAR ENDED SEPTEMBER 30, 2014

Part III - Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by Section 510(a) of OMB Circular A-133.

FINDING #2014-001

U.S. Department of Housing and Urban Development - CFDA 14.228 - Community Development Block Grants

Significant Deficiency

Criteria: Per Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Sections 300 (b), the City shall maintain internal control over Federal programs that provides reasonable assurance that the City is managing Federal awards in compliance with laws, regulations and the provisions of contract or grant agreements that could have a material effect on each of its Federal programs.

Statement of Condition: The City contracts with a grant coordinator to perform many of the aspects of grant compliance, including assist with the application, coordinate with the contractor, and oversee the Davis-Bacon compliance requirements. The grant coordinator performs all duties in relation to compliance with the Davis-Bacon Act, including obtaining and reviewing the certified payrolls, and performing Davis-Bacon interviews. The City does not review the contractor's work, and only obtains the certified payrolls and interviews to prepare for a monitoring visit from the State of Florida Department of Economic Opportunity. Additionally, it was noted during testing that the prime contractor did not include Davis-Bacon clauses in its original contracts with sub-contractors, as required.

Questioned Costs: None.

Perspective Information: The City is required to maintain internal controls over Federal programs that provide reasonable assurance that they are in compliance with laws, regulations and the provisions of grant contracts. While the City can contract out the performance of certain duties related to grants, including oversight of compliance aspects of the grant, the City is required to maintain internal controls that would provide reasonable assurance of compliance. This would include regular updates of the work of the contractor, as well as performing spot-checks or reperformance of the contractor's work.

Cause: The City does not review the work of the contracted grant coordinator in regards to Davis-Bacon Act compliance, specifically monitoring and review of subcontracts of the prime contractor, obtaining and reviewing certified payrolls, and performing employee interviews.

Effect: Without regular monitoring or review of contractors who oversee compliance aspects of Federal programs, the possibility exists that noncompliance with Federal programs may occur and not be prevented, or detected and corrected, on a timely basis. As an example, it was noted during testing that the prime contractor did not include Davis-Bacon clauses in its original contracts with any of its sub-contractors, which is required by the Code of Federal Regulations 29 CFR 5.5(a)(6), and such clauses were not amended to the original subcontracts until after our inquiry and testing.

Recommendation: We recommend that the City obtain regular updates from the grant coordinator for Davis-Bacon Act compliance, and obtain copies of the prime contractor's subcontracts, certified payrolls and interviews on a regular basis and check them against the applicable prevailing wages. We also recommend that the City obtain from the grant coordinator a regular written summary of activities performed, exceptions noted, etc. from the grant coordinator with respect to grant compliance requirements.

CITY OF LAKE WALES, FLORIDA

SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2014

Prior Audit Findings:

There were no prior year audit findings.

Corrective Action Plan:

The current year audit finding that requires corrective action is as follows:

FINDING #2014-001

U.S. Department of Housing and Urban Development - CFDA 14.228 - Community Development Block Grants

Statement of Condition: The City contracts with a grant coordinator to perform many of the aspects of grant compliance, including assist with the application, coordinate with the contractor, and oversee the Davis-Bacon compliance requirements. The grant coordinator performs all duties in relation to compliance with the Davis-Bacon Act, including obtaining and reviewing the certified payrolls, and performing Davis-Bacon interviews. The City does not review the contractor's work, and only obtains the certified payrolls and interviews to prepare for a monitoring visit from the State of Florida Department of Economic Opportunity. Additionally, it was noted during testing that the prime contractor did not include Davis-Bacon clauses in its original contracts with sub-contractors, as required.

Management Response: To enhance internal controls over grant compliance requirements, the City will obtain quarterly updates from the grant coordinator relating to Davis-Bacon Act compliance. The City's Grant Administrator will obtain copies of the prime contractor's subcontracts, certified payrolls and interviews on a quarterly basis and check them against the applicable prevailing wages. The City will also obtain from the grant coordinator a written summary of activities performed in respect to grant compliance requirements.

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

To the Honorable Mayor and Members of the City Commission
City of Lake Wales, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Wales, Florida (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 10, 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Cheryl Behrman" followed by a stylized flourish.

Orlando, Florida
April 10, 2015

Independent Auditor's Management Letter

To the Honorable Mayor and Members of the City Commission
City of Lake Wales, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Wales, Florida ("the City"), as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 10, 2015.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Report of Independent Auditor on Compliance for the Major Program and on Internal Control over Compliance Required by OMB Circular A-133; Schedule of Findings and Questioned Costs; and Report of Independent Accountant on Compliance with Local Government Investment Policies. Disclosures in those reports and schedule, which are dated April 10, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such prior audit findings or recommendations.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The applicable disclosure can be found in Note I.A to the financial statements.

Financial Condition

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

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

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. Our comparison of these two reports resulted in no material differences.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, such recommendations are disclosed in Appendix A. We did not audit the City's responses to the recommendations, which are also included in Appendix A, and, accordingly, we express no opinion on them.

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

Purpose of this Letter

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, Rules of the Auditor General. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Cheryl Behr", followed by a stylized flourish or set of initials.

Orlando, Florida
April 10, 2015

CITY OF LAKE WALES, FLORIDA

APPENDIX A - MANAGEMENT LETTER COMMENTS

YEAR ENDED SEPTEMBER 30, 2014

FINANCE DEPARTMENT

Review and Approval

Comment 2014-001:

Criteria: Journal entries and daily deposits reconciliations should be reviewed and the review should be formally documented.

Condition: We were informed that daily deposits reconciliations and journal entries were reviewed, but our testing found there was no signature acknowledgement evidencing such review.

Effect: Without evidence of review, there is an absence of acknowledgement that such review occurred. If review processes are not in place, errors could occur without detection.

Cause: Absence of formal, documented review of daily deposits reconciliations and journal entries.

Recommendation: We recommend the Finance Department formally implement policies and procedures to evidence review of daily deposits reconciliations and journal entries.

Management's Response: The Finance Department shall implement policies and procedures to provide signature acknowledgement of reconciliation of daily deposits and journal entries review.

INFORMATION TECHNOLOGY

Paycom and ADG Financial Application Access and Administration

Comment 2014-002:

Criteria: The City should limit administrative permissions to payroll and financial system users to the permissions needed by personnel to perform their job duties, while maintaining an adequate segregation of duties.

Condition: During our review of access controls, we noted Finance personnel at the City have administrative permissions to the Paycom and ADG financial applications. While this access may be necessary in order for the personnel to perform their job duties, it also creates a segregation of duties conflict between the end users responsible for processing financial transactions and those with the ability to administer user security within the applications. Currently, no application logging exists in order to track user activity as a mitigating control.

Effect: Without an adequate segregation of duties to administrative permissions, personnel could make unauthorized changes in either system and not be detected in a timely manner.

Cause: Finance personnel have administrative permissions to the Paycom and ADG financial applications.

CITY OF LAKE WALES, FLORIDA

APPENDIX A - MANAGEMENT LETTER COMMENTS

YEAR ENDED SEPTEMBER 30, 2014

Recommendation: We recommend the City limit granting administrative permissions to end users of the application. If system limitations prevent transferring these permissions to an independent security group, a mitigating control should be implemented to log all security changes made by the administrative users and be periodically reviewed by an independent group.

Management's Response: The City shall limit administrative permissions to end users of the application. If system, or personnel, limitations prevent segregations of duties, a mitigating control shall be implemented. User access shall be documented and a periodic review by an independent group shall be implemented.

**Report of Independent Accountant on Compliance
With Local Government Investment Policies**

To the Honorable Mayor and Members of the City Commission
City of Lake Wales, Florida

Report on Compliance

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

Scope

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.

Opinion

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



Orlando, Florida
April 10, 2015