



# **City of Lake Wales, Florida**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For Fiscal Year Ended  
September 30, 2016



**City of Lake Wales, Florida**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For The Fiscal Year Ended September 30, 2016

**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, 2016**

**Table of Contents**

**Introductory Section**

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

**Financial Section**

<b>Report of Independent Auditor</b> .....	1
--	---

<b>Management’s Discussion and Analysis</b> .....	4
---	---

**Basic Financial Statements**

Government-Wide Financial Statements:

Statement of Net Position.....	18
Statement of Activities.....	19

Fund Financial Statements:

Balance Sheet - All Governmental Funds.....	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds.....	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	24
Statement of Net Position - Proprietary Funds.....	25
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds.....	26
Statement of Cash Flows - Proprietary Funds.....	27
Statement of Fiduciary Net Position – Fiduciary Funds.....	29
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	30

Notes to Financial Statements.....	31
------------------------------------	----

**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.....	80
Schedule of Changes in Net Pension Liability and Related Ratios	
Firefighters’ Pension Fund.....	81
Schedule of Changes in Net Pension Liability and Related Ratios	
Police Officers’ Pension Fund.....	82
Schedule of Contributions General Employees’ Pension Fund.....	83
Schedule of Contributions Firefighters’ Pension Fund.....	84
Schedule of Contributions Police Officers’ Pension Fund.....	85
Schedule of Investment Returns.....	86
Schedule of Funding Progress and Employer Contributions	
Other Post Employment Benefit Plan.....	87

**Supplementary Information**

Combining Balance Sheet - Nonmajor Governmental Funds.....	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	89
Budget to Actual Comparison Other Major and Nonmajor Governmental Funds	
Debt Service Fund.....	90
Forfeitures Fund.....	91
Library Fund.....	92
Law Enforcement Block Grant Fund.....	93
Street Lighting District Fund.....	94
Capital Projects Fund.....	95
Lake Wales Airport Authority	
Statement of Net Position.....	96
Statement of Revenues, Expenses, and Changes in Net Position.....	97
Statement of Cash Flows.....	98
Schedule of Expenditures of Federal Awards.....	99
Notes to the Schedule of Expenditures of Federal Awards.....	100

<b>Statistical Section (Unaudited)</b> .....	101
--	-----

**Financial Trends:**

Net Position by Component.....	102
Changes in Net Position.....	103
Fund Balances of Governmental Funds.....	105
Changes in Fund Balances of Governmental Funds.....	106
Governmental Activities Tax Revenues by Source.....	107

**Revenue Capacity:**

Assessed Value and Estimated Actual Value of Taxable Property.....	108
Direct and Overlapping Property Tax Rates.....	109
Principal Property Taxpayers.....	110
Property Tax Levies and Collections.....	111

**Debt Capacity:**

Ratios of Outstanding Debt by Type .....	112
Direct and Overlapping Governmental Activities Debt.....	113
Pledged-Revenues Coverage .....	114

**Demographic and Economic Information:**

Demographic and Economic Statistics .....	115
---	-----

**Operating Information:**

Full-time Equivalent City Government Employees by Function/Program .....	118
Various Indicators by Function/Program.....	119
Water Sold by Type of Customer and Associated Rates .....	120
Sewer Sold by Type of Customer and Associated Rates.....	121
Principal Employers .....	122

**Government Auditing Section**

Schedule of Expenditures of State Financial Assistance .....	123
Notes to the Schedule of Expenditures of State Financial Assistance.....	124
Report of Independent Auditor on Compliance for Each Major State Financial Assistance Project and on Internal Control Over Compliance.....	125
Schedule of Findings and Questioned Costs.....	127
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> .....	129
Independent Auditor's Management Letter .....	131
Report of Independent Accountant on Compliance with Local Government Investment Policies .....	134



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

March 27, 2017

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, 2016, 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, 2016. 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 20.14 square miles and serves a population of 15,011.

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 30<sup>th</sup>; 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.

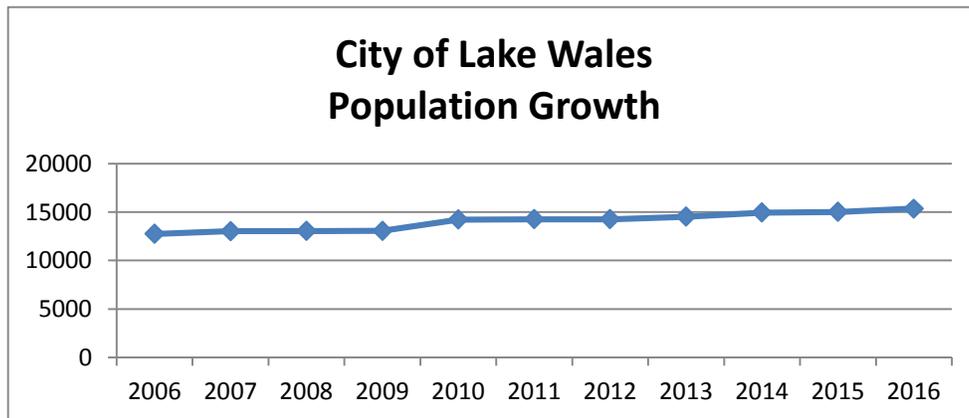
The City's major challenges are to provide the infrastructure and services needed to maintain the quality of life, which attracted considerable growth in our community (19.68% increase in population from 2005 through 2015). History has proven that significant emphasis on support systems such as transportation, 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 event impacting the City's economy in the past year has been the opening of the CSX Inter-Modal Facility just north of State Road 60 and west of the city limits. This major inter-modal (rail/truck) freight distribution facility which is already generating significant truck traffic through the area along SR 60 and 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. The City owned Longleaf Business Park has also seen significant activity in the past year with the occupancy of a formerly vacant building by Merlin Entertainment for a modeling facility to support the local Legoland and other Merlin sites, the proposed sale of vacant land for a new precast concrete plant, and current tenants occupying additional space in existing buildings. To facilitate future economic development, the City 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 49.16% since the U. S. Census of 2000 (population of 10,194). Over a ten year period from 2005 to 2015, the City has experienced an average annual population growth rate of 2%. The City currently has several large residential developments which are expected to begin construction within the next eighteen months. Significant population growth is expected from these new development areas.



Year	Population*	% Increase	Notes
2006	12,755	-	
2007	13,039	2.23%	
2008	13,052	0.10%	
2009	13,067	0.11%	
2010	14,225	8.86%	
2011	14,261	0.25%	US Census
2012	14,261	0.00%	
2013	14,522	1.83%	
2014	14,916	2.71%	
2015	15,011	0.64%	
2016	15,362	2.34%	

\* 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 2015 were reported at 6.2% and 5.1 %, respectively, while the national unemployment rate was 5.0%.

In 2006, Florida voters adopted a constitutional amendment that requires the State of Florida to development 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 15<sup>th</sup> of each year. The 2016 Outlook is the tenth 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. Six years later (July 2016), Florida's annual job growth rate has been positive for the past 72 months. Florida's job market is still recovering, but – after eight years – it has finally passed the housing-related employment peak that occurred in March 2007. However, passing the previous peak does not mean the same thing today as it did then. Florida's prime working –age population (age 25-54) has been adding people each month, so even more jobs need to be created to address the population increase since 2007. It would take the creation of an additional 370,000 jobs for the same percentage of the total population to be working as was the case in the peak.

The state's unemployment rate in July was slightly lower than the nation as a whole at 4.7%, with 456,000 jobless persons. The rate had been as low as 3.1 percent from March through April 2006 (the lowest unemployment rate in more than thirty years), before peaking at 11.2 percent from November 2009 through January 2010.

To a great extent, the long recovery period for the jobs sector is related to the outlook for Florida's housing market. Construction has lost more jobs in this economic downturn than any other sector. It peaked in June 2006 with 691,900 jobs and at the end of July 2016 was still down 234,600 jobs (33.9%) from that level. In Fiscal Year 2015'16, single-family private housing starts only reached 69,900 or 38.4% of their peak level. And Documentary Stamp Taxes, a strong indicator of housing market activity, were only 56.1% of their prior peak as the fiscal year ended.

Further exacerbating the situation, the cumulative burden of student loans and recently undertaken auto debts appear to be affecting potential buyers' ability to qualify for residential credit. Overall, the housing market continues to trudge forward, but at an uneven pace. Single-Family building permit activity, an indicator of new construction, is back in positive territory, showing robust growth in both the 2012 and 2013 calendar years (32.3% and 31.3%, respectively). Despite the strong percentage growth in both years, the level is still low by historic standards, and final data for the 2014 calendar year reveals significantly slowing (but still positive) activity—posting only 1.6% growth over the prior year. However, calendar year activity for 2015 ran well above the same period in 2014; single family data was higher than the prior year by 20.3%.

Financed sales ended May 2016 with a only slightly higher share of total sales then this segment had in May of 2015 (44.6% versus 44.0%). This improved share is low by historical standards, while the share of REO and Short Sales has drifted steadily downward over this period, the share of Cash Sales has exhibited some recent upward pressure after initially declining. Interest rates continue to be low; a 30-year note averaged 3.87% for closed notes in July of 2016.

The actual pace of Florida's recovery will be driven in large measure by the time it takes the construction industry to revive. While the national inventory of unsold homes has declined year-over-year for the past 14 months. The situation is more complicate din Florida. Over the past several years, homes coming out of the foreclosure process have boosted the state's unsold inventory of homes and will continue to do so in the near-term. Private sector data for the 2015 calendar year show Florida has the second highest foreclosure rate among states, and second quarter data of the 2016 calendar year indicated that Florida's foreclosure activity was still 26% above the pre-recession levels.

### ***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 utility expansion
- Airport runway expansion
- Other utility extensions to support economic development
- C street sewer improvement project
- 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, 2015. This was the sixth 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

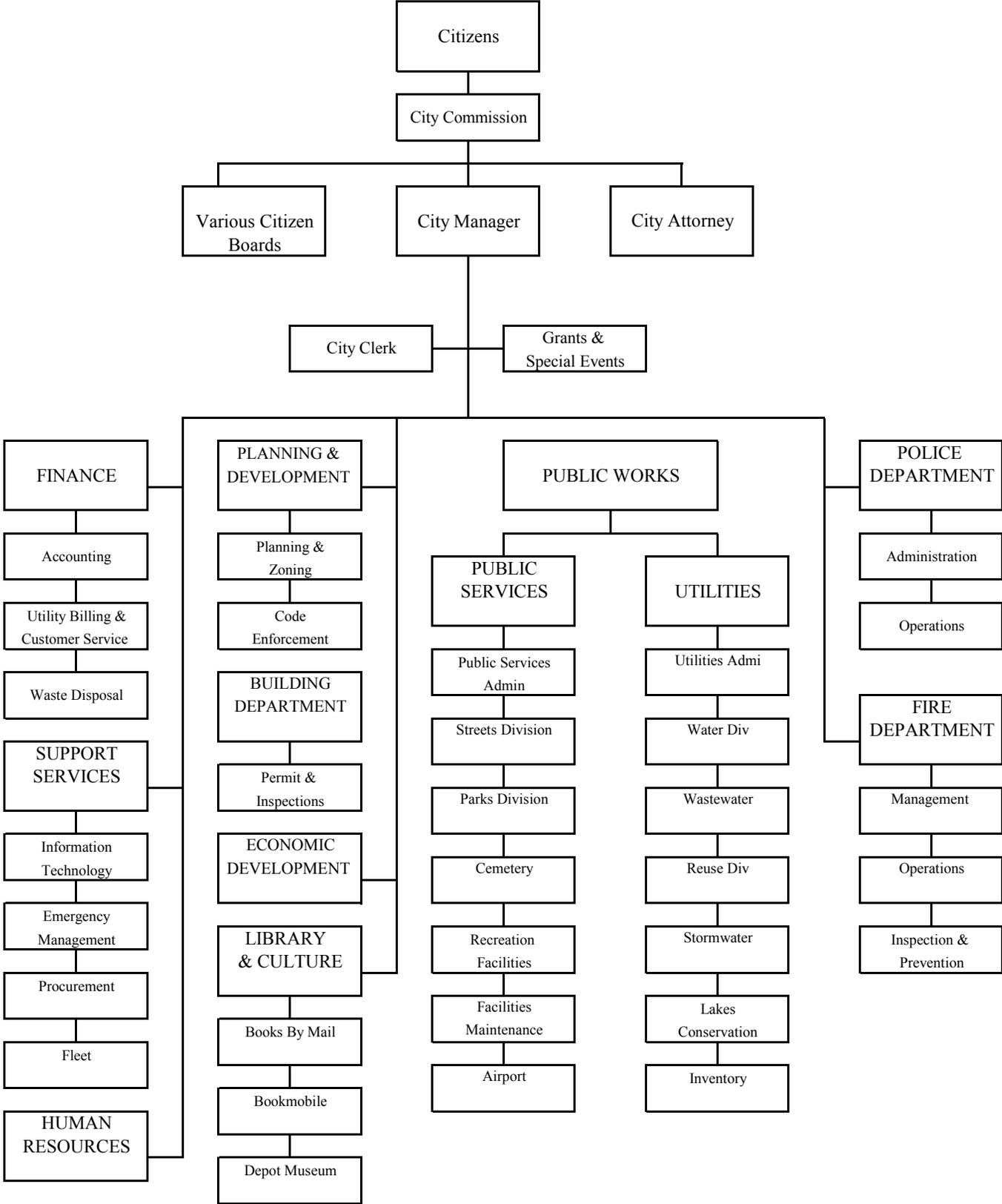
**City of Lake Wales  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

# City of Lake Wales, Florida Organizational Chart



**City of Lakes Wales, Florida**  
Principal Officials

**Elected Officials**

Mayor ----- Eugene Fultz  
Deputy Mayor ----- Jonathan Thornhill  
Commissioner ----- Robin Gibson  
Commissioner ----- Terrye Howell  
Commissioner ----- Pete Perez

**City Officials**

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



This page intentionally left blank.

## **FINANCIAL SECTION**

## 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, 2016, 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, 2016, 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**

### *Change in Accounting Principle*

As discussed in Note I.F to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

### *Correction of an Error*

As described in Note I.E to the financial statements, during the year ended September 30, 2016, the City recorded a prior period adjustment to correct an error reported in the prior year. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, supplementary information, 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 and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards and state financial assistance 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 and state financial assistance 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 March 27, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Orlando, Florida  
March 27, 2017

## 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, 2016. 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-xi.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$47,374,294 (*net position*). As of September 30, 2016, the City reports an unrestricted net position deficit of \$547,415 as compared to a deficit of \$1,499,502 in the prior year.
- The City's total net position increased by \$2,682,142 as a result of operations. The results of operations of the governmental activities and business-type activities increased their respective beginning restated net position by 6%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,614,411; an increase of \$1,061,185 for the year. Approximately 52% 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 (1) assets and deferred outflows, (2) liabilities, and deferred inflows with the residual measure 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 and the Lake Wales Memorial Garden (LWMG) cemetery.

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 18-20 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating 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 nine 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 20-24 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 maintains two enterprise funds to account for its water and sewer distribution operation and for cemetery management. 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 and the cemetery fund are considered a major fund of the City of Lake Wales. The basic proprietary fund financial statements can be found on pages 25-28 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 29-30 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 31-75 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 76-87 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 88-95 of this report.

Lake Wales Airport Authority financial statements can be found on pages 96-98 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$47,374,294 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net Position found on page 18 of this report.

City of Lake Wales Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 6,365,768	\$ 5,621,699	\$ 6,348,223	\$ 5,785,121	\$ 12,713,991	\$ 11,406,820
Capital assets, net of depreciation	25,116,240	25,625,607	38,395,738	36,235,072	63,511,978	61,860,679
<b>Total assets</b>	<b>31,482,008</b>	<b>31,247,306</b>	<b>44,743,961</b>	<b>42,020,193</b>	<b>76,225,969</b>	<b>73,267,499</b>
Deferred Outflows	3,099,209	1,074,075	312,205	146,162	3,411,414	1,220,237
Current and other liabilities	900,061	1,050,016	2,429,132	1,316,048	3,329,193	2,366,064
Long-term liabilities	16,443,442	15,282,217	11,929,292	11,906,604	28,372,734	27,188,821
<b>Total liabilities</b>	<b>17,343,503</b>	<b>16,332,233</b>	<b>14,358,424</b>	<b>13,222,652</b>	<b>31,701,927</b>	<b>29,554,885</b>
Deferred Inflows	513,972	384,632	47,190	55,959	561,162	440,591
Net Position:						
Net investment in capital assets	15,848,115	15,600,248	25,806,028	24,566,866	41,654,143	40,167,114
Restricted	2,495,170	2,242,316	3,772,396	3,582,332	6,267,566	5,824,648
Unrestricted	(1,619,543)	(2,238,048)	1,072,128	738,546	(547,415)	(1,499,502)
<b>Total net position</b>	<b>\$ 16,723,742</b>	<b>\$ 15,604,516</b>	<b>\$ 30,650,552</b>	<b>\$ 28,887,744</b>	<b>\$ 47,374,294</b>	<b>\$ 44,492,260</b>

By far the largest portion of the City's net position, \$41,654,143 (88%), 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.

An additional portion of the City's net position, \$6,267,566 (13%), represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City reported a negative unrestricted net position in the governmental activities of \$1,619,543 and positive balances in all other 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 19-20 of this report.

<b>City of Lake Wales</b>						
<b>Changes in Net Position</b>						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 3,291,004	\$ 2,403,681	\$ 7,921,884	\$ 7,008,375	\$ 11,212,888	\$ 9,412,056
Operating grants and contributions	1,147,668	845,228	-	-	1,147,668	845,228
Capital grants and contributions	15,139	169,913	345,382	307,801	360,521	477,714
General Revenues:						
Property taxes	4,900,523	5,159,264	-	-	4,900,523	5,159,264
Other taxes	2,998,422	2,882,027	-	-	2,998,422	2,882,027
Franchise fees	1,216,849	1,268,042	-	-	1,216,849	1,268,042
Other	1,478,247	1,391,131	209,819	200,903	1,688,066	1,592,034
<b>Total Revenues</b>	<b>15,047,852</b>	<b>14,119,286</b>	<b>8,477,085</b>	<b>7,517,079</b>	<b>23,524,937</b>	<b>21,636,365</b>
<b>Expenses:</b>						
Governmental Activities:						
General government	1,226,946	1,080,211	-	-	1,226,946	1,080,211
Public safety	7,816,386	7,005,129	-	-	7,816,386	7,005,129
Physical environment	1,071,354	1,089,770	-	-	1,071,354	1,089,770
Transportation	1,767,102	1,841,706	-	-	1,767,102	1,841,706
Economic environment	414,110	320,428	-	-	414,110	320,428
Human services	10,174	10,174	-	-	10,174	10,174
Culture and recreation	2,523,366	2,338,582	-	-	2,523,366	2,338,582
Interest on long-term debt	345,798	356,781	-	-	345,798	356,781
Business-type Activities:						
Water and sewer utility	-	-	5,579,359	5,118,913	5,579,359	5,118,913
Cemetery	-	-	88,200	-	88,200	-
<b>Total Expenses</b>	<b>15,175,236</b>	<b>14,042,781</b>	<b>5,667,559</b>	<b>5,118,913</b>	<b>20,842,795</b>	<b>19,161,694</b>
Increase (decrease) in net position before transfers	(127,384)	76,505	2,809,526	2,398,166	2,682,142	2,474,671
Transfers	1,046,718	798,128	(1,046,718)	(798,128)	-	-
Change in net position	919,334	874,633	1,762,808	1,600,038	2,682,142	2,474,671
Beginning net position	15,604,516	18,655,636	28,887,744	27,196,022	44,492,260	45,851,658
Restatement	199,892	(3,925,753)	-	91,684	199,892	(3,834,069)
Ending net position	<b>\$ 16,723,742</b>	<b>\$ 15,604,516</b>	<b>\$ 30,650,552</b>	<b>\$ 28,887,744</b>	<b>\$ 47,374,294</b>	<b>\$ 44,492,260</b>

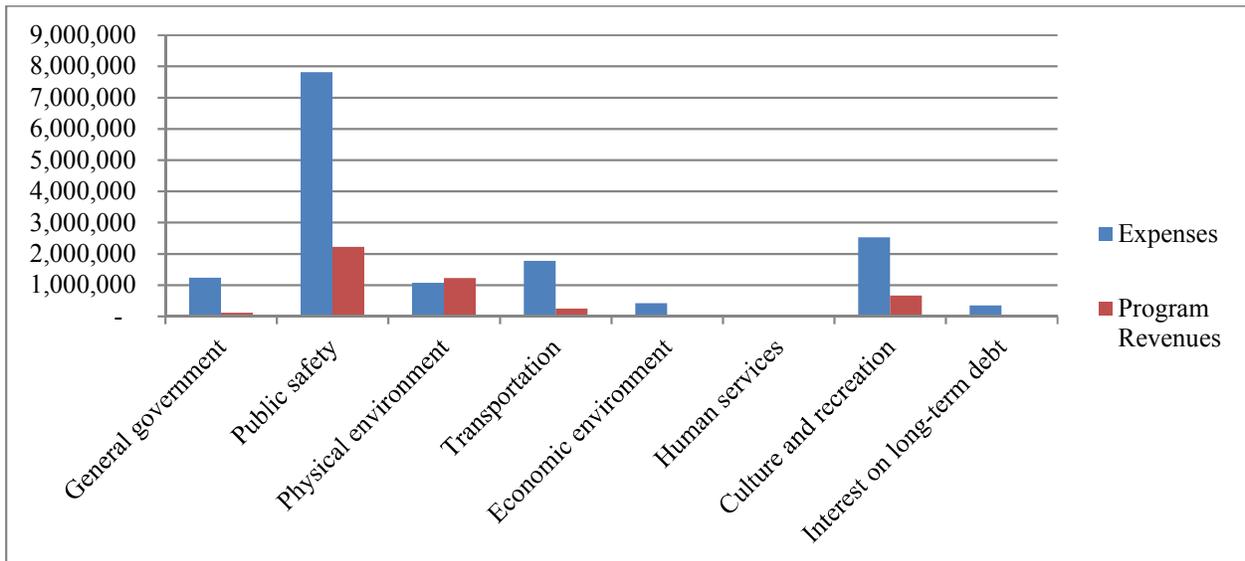
**Governmental activities:** Governmental activities increased the City's net position by \$919,334, as compared to an increase of \$874,633 in the prior year. Key elements of changes in results of activities are as follows:

- Charges for services increased by \$887,323 (37%) from 2015. This change is mainly due to the implementation of a fire assessment fee recorded as a charge for services of the public safety function. The fire assessment fee for the year ended September 30, 2016 totaled \$1,094,113.
- Operating grants and contributions increased by \$302,440 (36%) from 2015. This change is mainly due to the recording of payments from the State of Florida as an operating grant of the public safety function totaling \$242,367. The payments are for an excise tax on property and casualty insurance premiums collected by the State of Florida and is used to help fund the police officers' and firefighters' pension plans.

- Capital grants and contributions decreased by \$154,774 (91%) from 2015. This decrease is mainly due to a \$50,000 FRDAP Grant for the Skate Park and \$99,305 RTP Grant for the Lake Wales Trail that were received in the prior year and did not recur in the current year.
- General revenues decreased during 2016 by \$106,423 (1%) from 2015. This decrease is mainly due to decreases in property taxes of \$258,741, due to a lowering of the millage rate by the City Commission for FY 2015'16. Other taxes increase by \$116,395 mainly due to increase in shared revenue taxes received.
- General government expenses increased in 2016 by \$146,735 (14%). This increase is mainly (\$114,013 or 78%) due to reclassification of \$39,611 pension costs (GASB 68), increase in workers compensation of \$4,589, reduction in accrued compensation of \$27,439, and increased water/sewer management fee allocation of \$42,374.
- Public safety expenses increased in 2016 by \$811,257 (12%). This increase is mainly (\$680,471 or 84%) due to reclassification of \$225,080 pension costs (GASB 68), increase in personnel costs of \$164,868, and increase in capital outlay of \$290,523.
- Physical environment expenses in 2016 decreased by \$18,416 (2%).
- Economic environment expenses in 2016 increased by \$93,682 (29%).
- Transportation expenses in 2016 decreased by \$74,604 (4%). This decrease was mainly due to reduced repair and maintenance expenses of \$57,667 and a reduction in the contribution to the Airport.
- Culture and Recreation expenses increased in 2016 by \$184,784 (8%). This increase is mainly (172,786 or 94%) due to increased personnel costs \$131,960 and costs increases to the depot complexes \$40,826.

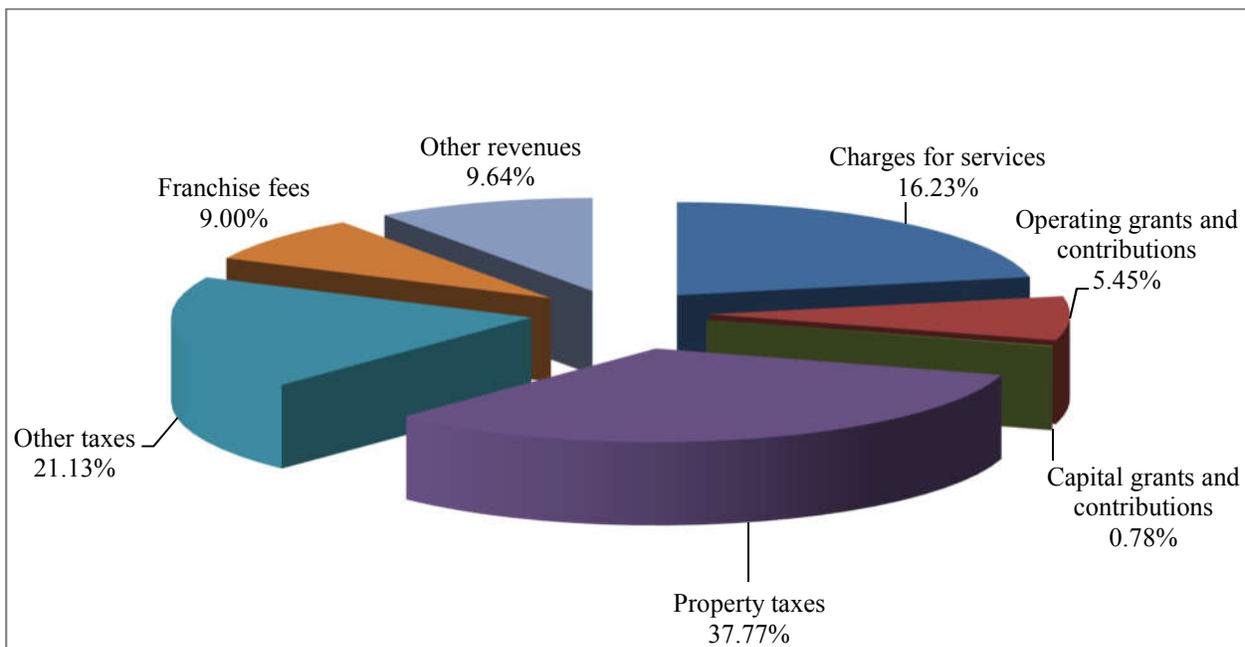
The following chart compares expenses with program revenues for the City's governmental activities:

**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**



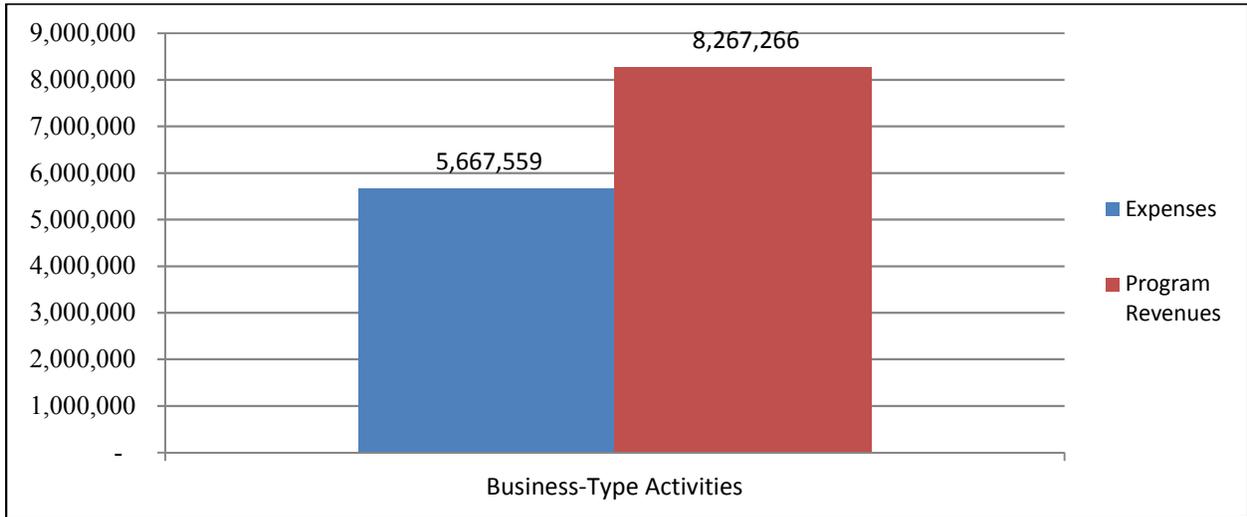
## **Business-type Activities**

Business-type activities increased the City's net position by \$1,762,808, which is \$162,770 (10%) more than the prior year increase in net position. Key elements of this change are as follows:

- Charges for services in 2016 increased by \$913,509 (13%). This change is mainly due to an increase in water and sewer rates of 14.5% for FY 2015'16. Following a 'Water and Sewer Revenue Sufficiency Review', the City Commission adopted a new rates structure which began in FY 2015'16.
- Capital grants and contributions increased by \$37,581 (12%) and other revenues increased by \$8,916 (4%).
- Water and sewer expenses increased \$467,701 (9%). This change is mainly (\$465,755) due to increase in sewer operations of \$121,266, increase in reuse of \$107,377, increase in utility billing of \$117,112, and increase in interfund transfers of \$120,000.
- Lake Wales Memorial Gardens cemetery expenses were \$7,255 in prior year and totaled \$88,200 for the year ended September 30, 2016 which was the first full year of operations as an enterprise fund.
- During 2016, \$1,046,718 was transferred out to the governmental activities, as compared to \$798,128 being transferred out in the prior year.

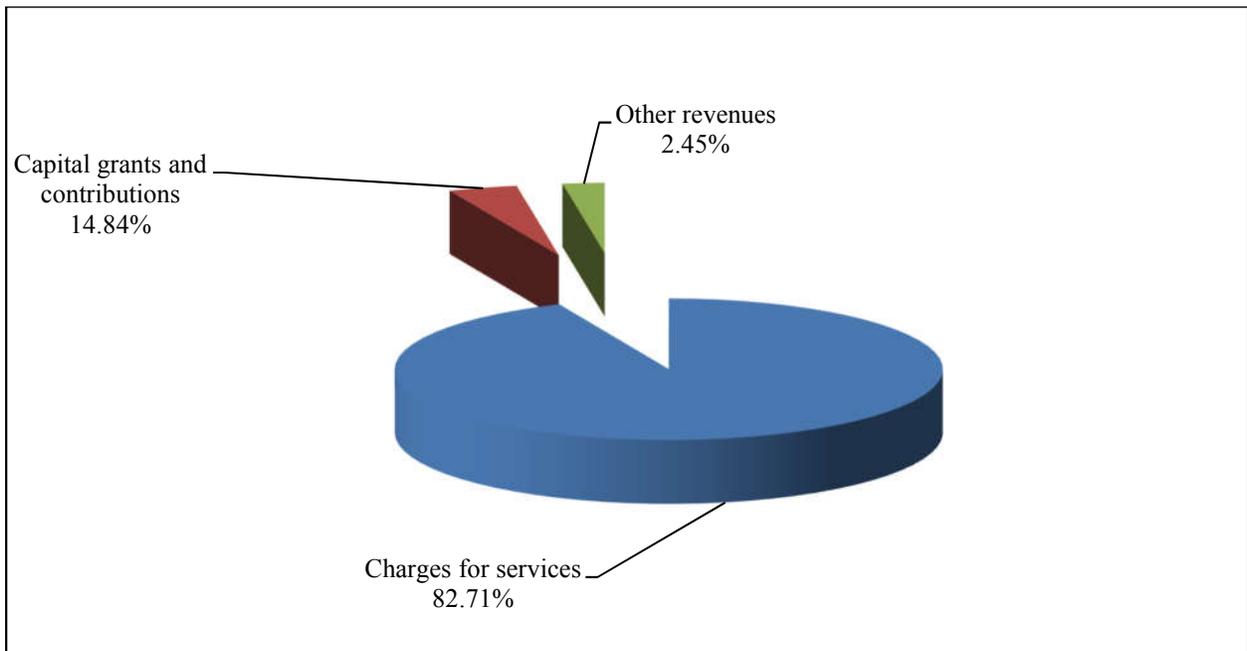
The following chart compares expenses with program revenues for the City's business-type activities:

**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 \$5,614,411, an increase of \$1,061,185 for the year. Approximately 52% of this amount (\$2,892,676) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance (\$2,721,735) is classified as non-spendable (\$130,986), restricted (\$2,495,170) and committed (\$95,579).

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 \$2,892,676 while total fund balance reached \$3,085,511. 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. In 2011, the City established a reserve policy for the General Fund equal to 15% - 20% of total operating costs. As of September 30, 2016, the general fund's unassigned fund balance represents 24% of total general fund expenditures, while total fund balance represents 25% of the same amount.

The minimum fund balance policy has been established 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.

Fund balance of the City's community redevelopment fund increased by \$60,882 during the current fiscal year. Revenue sources within the CRA (\$1,130,203) exceeded debt service requirements (\$795,843) and operating costs (\$273,478).

Fund balance of the City's transportation fund increased by \$79,732 during the current fiscal year as revenues (\$1,048,529) exceeded expenditures (\$951,266) and net transfers out (\$17,531).

Fund balance of the City's debt service fund increased by \$69,440 during the current fiscal year due to debt service requirements (\$1,818,266) which were less than revenues (\$1,034,678) and transfers in (\$853,028).

**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.

In the prior year, the City established a proprietary fund for cemetery operations which reported an unrestricted net position deficit of \$1,176 as of September 30, 2015. As of September 30, 2016 this fund reported an unrestricted net position of \$65,578.

Unrestricted net position of the Public Utilities Fund at the end of the year amounted to \$1,006,550. As of September 30, 2016, the utility system had \$2,314,382 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 \$329,191 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 \$12,000 for City Manager related to personnel costs.
- An increase of \$39,600 for municipal administration building relating to facility maintenance contract, increase in expected electrical costs, and personnel services.
- An increase of \$107,687 for police services related to vehicle leases received during the year.
- An increase of \$41,500 for fire services mainly related to professional services for the fire assessment.
- An increase of \$17,300 for building permits and inspection services for personnel services.
- An increase of \$30,000 for waste disposal services due to larger than expected customer base.
- An increase of \$49,397 for transpiration services due to increase the transfers to the Airport Fund.
- 

During the year there was a net \$16,441 decrease in general fund revenues between the original and final amended budget. These increases/decreases was mainly due to the following items

- An increase in licenses/permits of \$29,000.
- An increase of \$212,200 in charges for services.
- A decrease in taxes of \$114,000, including a decrease of \$56,000 in ad valorem taxes.
- A decrease in intergovernmental revenues of \$143,954, caused mainly by the reduction of the budgeted grant revenues for projects that ultimately did not take place during the fiscal year.

## 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, 2016 is \$63,511,983 (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 \$1,651,304, an increase of 3%. This consisted of a 2% decrease for governmental activities and a 6% increase for business-type activities.

Information on the City's capital assets is summarized in the following table.

### Capital Asset Activity, net of accumulated depreciation as of September 30,

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 5,141,825	\$ 5,141,825	\$ 825,730	\$ 825,730	\$ 5,967,555	\$ 5,967,555
Construction in progress	3,875	-	3,425,250	560,751	3,429,125	560,751
Buildings	14,478,098	14,478,098	1,125,717	1,125,717	15,603,815	15,603,815
Improvements other than buildings	7,063,056	7,009,997	47,322,166	47,083,591	54,385,222	54,093,588
Machinery & equipment	11,205,028	10,578,348	6,008,979	5,551,909	17,214,007	16,130,257
Infrastructure	19,763,813	19,529,666	-	-	19,763,813	19,529,666
<b>Total</b>	<u>57,655,695</u>	<u>56,737,934</u>	<u>58,707,842</u>	<u>55,147,698</u>	<u>116,363,537</u>	<u>111,885,632</u>
Less: accumulated depreciation	<u>(32,539,450)</u>	<u>(31,112,327)</u>	<u>(20,312,104)</u>	<u>(18,912,626)</u>	<u>(52,851,554)</u>	<u>(50,024,953)</u>
Capital assets, net	<u>\$ 25,116,245</u>	<u>\$ 25,625,607</u>	<u>\$ 38,395,738</u>	<u>\$ 36,235,072</u>	<u>\$ 63,511,983</u>	<u>\$ 61,860,679</u>

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

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

#### Governmental Activities:

- Information technology equipment for the City Commission - \$2,500
- New air conditioner unit for the administration building - \$10,250
- New air conditioner unit for the Commission chambers - \$8,300
- New air conditioner unit for the Police station - \$7,450
- New air conditioner unit for the Pink Depot - \$2,400
- New air conditioner unit for the Yellow Depot - \$2,000
- New air conditioner unit for the Library - \$10,100
- Computer server improvements - \$31,629
- Network switch replacement - \$5,000
- Police department security gate - \$18,831
- (2) police canines - \$21,000
- Thermal imaging camera - \$4,946
- Boat - \$9,500
- Grasshopper mower - \$11,479
- (2) John Deere HPX utility vehicles - \$17,906
- Wood Batwing mower - \$19,100

- Fire alarm system - \$9,967
- Soccer field spray trailer - \$8,695
- Tornada floor scrubber - \$4,475
- Bleachers - \$5,769
- Kirkland Gym parking lot - \$69,400
- CWIP - Walking Tour - \$3,875
- Sidewalks improvements - \$25,000
- School Safety Zone Improvements - \$25,640
- Road Resurfacing - \$94,360
- Newspaper bins - \$13,111
- Library books - \$74,666
- (5) Fingerpring scanners - \$9,170
- Canopy for crime scenses - \$1,680
- Skate park equipment - \$16,433
- Park signs - \$13,000
- Sidewalk improvements – Soccer Complex - \$19,747
- Park electrical upgrades - \$21,095
- Exercise equipment - \$9,762
- (18) vehicles - \$693,513

#### Business-Type Activities

- CWIP - Water plant restrooms - \$2,982
- CWIP – U.S. 27 Widening - \$18,459
- CWIP – Southeast Wellfield - \$3,416
- CWIP – Galvanized Pipe - \$91,587
- CWIP – C Street Phase II - \$2,557,406
- CWIP – BCR System - \$45,000
- CWIP – Hwy 60 expansion - \$237,235
- (1) Vactor truck - \$363,016
- SCADA System - \$94,054
- New Service Meters - \$13,064
- Lift station upgrades - \$133,925

**Debt.** At the end of the current fiscal year the City had total debt outstanding of \$20,864,040, including the addition of \$1,647,961 in note payable during fiscal year 2016 to fund construction projects and \$1,027,593 to purchase vehicles. 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 as of September 30,**

	Governmental Activities		Business-type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Note payables	\$ 8,312,131	\$ 9,664,472	\$ 11,162,574	\$ 11,590,984	\$ 19,474,705	\$ 21,255,456
Lease obligations	955,994	394,377	433,341	120,783	1,389,335	515,160
Total debt obligations	<u>\$ 9,268,125</u>	<u>\$ 10,058,849</u>	<u>\$ 11,595,915</u>	<u>\$ 11,711,767</u>	<u>\$ 20,864,040</u>	<u>\$ 21,770,616</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 2016 for Lakeland/Winter Haven Metro Area was 5.7%. 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. 2016</u>	<u>Previous Year Sept. 2015</u>
Lakeland/Winter Haven Metro Area	5.7%	6.2%
State of Florida	4.7%	5.1%
United States	4.9%	5.0%

\*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 3.05% from 2015 to 2016.

The City’s population increased from 14,916 in 2014 to 15,011 in 2015.

All of these factors were considered in preparing the City of Lake Wales’s budget for the 2016’17 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](http://www.cityoflakewales.com)

**City of Lake Wales, Florida**  
**Statement of Net Position**  
**September 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
<b>Assets</b>				
Cash and cash equivalents	\$ 4,452,281	\$ 155,901	\$ 4,608,182	\$ 2,500
Receivable (net of allowance for uncollectibles)	513,758	1,180,998	1,694,756	3,559
Due from component unit	121,845	-	121,845	-
Intergovernmental receivables	366,954	-	366,954	10,510
Restricted assets:				
Cash and cash equivalents	779,944	3,953,238	4,733,182	-
Investments	-	746,450	746,450	-
Inventories	86,983	305,064	392,047	-
Prepaid items	44,003	6,572	50,575	-
Capital Assets:				
Nondepreciable	5,145,700	4,250,980	9,396,680	1,710,374
Depreciable, net	19,970,540	34,144,758	54,115,298	8,393,538
<b>Total assets</b>	<u>31,482,008</u>	<u>44,743,961</u>	<u>76,225,969</u>	<u>10,120,481</u>
<b>Deferred Outflows of resources</b>				
Deferred outflows related to pensions	3,099,209	312,205	3,411,414	-
<b>Liabilities</b>				
Accounts payable	477,366	257,226	734,592	6,343
Construction payable	-	993,795	993,795	-
Accrued liabilities	116,095	20,180	136,275	806
Accrued interest	148,704	85,692	234,396	-
Due to primary government	-	-	-	121,845
Deposits	102,436	848,428	950,864	-
Unearned revenues	55,460	223,811	279,271	3,379
Noncurrent Liabilities:				
Due within one year	1,541,864	2,723,494	4,265,358	-
Due in more than one year	14,901,578	9,205,798	24,107,376	-
<b>Total liabilities</b>	<u>17,343,503</u>	<u>14,358,424</u>	<u>31,701,927</u>	<u>132,373</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	513,972	47,190	561,162	-
<b>Net position</b>				
Net investment in capital assets	15,848,115	25,806,028	41,654,143	10,103,912
Restricted for:				
Law enforcement	67,473	-	67,473	-
Library	81,244	-	81,244	-
Transportation	332,984	-	332,984	-
Community redevelopment	210,468	-	210,468	-
Street lighting	17,154	-	17,154	-
Debt service	1,322,116	1,458,014	2,780,130	-
Capital projects	463,731	2,314,382	2,778,113	-
Unrestricted	(1,619,543)	1,072,128	(547,415)	(115,804)
<b>Total net position</b>	<u>\$ 16,723,742</u>	<u>\$ 30,650,552</u>	<u>\$ 47,374,294</u>	<u>\$ 9,988,108</u>

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, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,226,946	\$ 108,638	\$ 3,875	\$ -
Public safety	7,816,386	1,761,549	441,422	14,466
Physical environment	1,071,354	1,189,190	28,086	-
Transportation	1,767,102	133,323	114,917	-
Economic environment	414,110	-	-	-
Human services	10,174	-	-	-
Culture and recreation	2,523,366	98,304	559,368	673
Interest on long-term debt	345,798	-	-	-
<b>Total governmental activities</b>	<b>15,175,236</b>	<b>3,291,004</b>	<b>1,147,668</b>	<b>15,139</b>
<b>Business-type activities:</b>				
Water and sewer utility	5,579,359	7,860,703	-	345,382
Cemetery	88,200	61,181	-	-
<b>Total business-type activities</b>	<b>5,667,559</b>	<b>7,921,884</b>	<b>-</b>	<b>345,382</b>
<b>Total primary government</b>	<b>20,842,795</b>	<b>11,212,888</b>	<b>1,147,668</b>	<b>360,521</b>
<b>Component unit:</b>				
Airport Authority	\$ 693,025	\$ 94,662	\$ -	\$ 319,555

**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
- Miscellaneous revenues

Transfers

**Total general revenues and transfers**

**Change in net position**

**Net position, beginning of year - as previously reported**

Restatement of beginning 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**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Airport Authority</b>
\$ (1,114,433)	\$ -	\$ (1,114,433)	
(5,598,949)	-	(5,598,949)	
145,922	-	145,922	
(1,518,862)	-	(1,518,862)	
(414,110)	-	(414,110)	
(10,174)	-	(10,174)	
(1,865,021)	-	(1,865,021)	
(345,798)	-	(345,798)	
<u>(10,721,425)</u>	<u>-</u>	<u>(10,721,425)</u>	
-	2,626,726	2,626,726	
-	(27,019)	(27,019)	
-	2,599,707	2,599,707	
<u>(10,721,425)</u>	<u>2,599,707</u>	<u>(8,121,718)</u>	
			<u>\$ (278,808)</u>
4,900,523	-	4,900,523	-
1,216,849	-	1,216,849	-
1,672,772	-	1,672,772	-
469,080	-	469,080	-
786,555	-	786,555	-
70,015	-	70,015	-
1,359,612	-	1,359,612	-
8,998	12,071	21,069	-
1,825	-	1,825	-
40,580	420	41,000	-
67,232	197,328	264,560	-
1,046,718	(1,046,718)	-	-
<u>11,640,759</u>	<u>(836,899)</u>	<u>10,803,860</u>	<u>-</u>
<u>919,334</u>	<u>1,762,808</u>	<u>2,682,142</u>	<u>(278,808)</u>
<u>15,604,516</u>	<u>28,887,744</u>	<u>44,492,260</u>	<u>10,266,916</u>
<u>199,892</u>	<u>-</u>	<u>199,892</u>	<u>-</u>
<u>15,804,408</u>	<u>28,887,744</u>	<u>44,692,152</u>	<u>10,266,916</u>
<u>\$ 16,723,742</u>	<u>\$ 30,650,552</u>	<u>\$ 47,374,294</u>	<u>\$ 9,988,108</u>

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, 2016**

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 2,629,954	\$ 250,688	\$ 1,224,379	\$ 225,056	\$ 122,204	\$ 4,452,281
Receivable (net of allowance for uncollectibles)	508,354	-	-	5,404	-	513,758
Due from other funds	46,501	-	-	-	-	46,501
Due from component unit	121,845	-	-	-	-	121,845
Inventories	86,983	-	-	-	-	86,983
Intergovernmental receivables	238,345	123,923	-	-	4,686	366,954
Restricted cash and cash equivalents:						
Business park escrow	-	-	-	100,000	-	100,000
Sinking fund	-	-	71,195	-	-	71,195
Impact fees	-	-	26,542	-	582,207	608,749
Prepaid items	10,273	-	-	-	33,730	44,003
Total assets	<u>\$ 3,642,255</u>	<u>\$ 374,611</u>	<u>\$ 1,322,116</u>	<u>\$ 330,460</u>	<u>\$ 742,827</u>	<u>\$ 6,412,269</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 392,027	\$ 41,627	\$ -	\$ 19,992	\$ 23,720	\$ 477,366
Accrued liabilities	106,821	-	-	-	9,274	116,095
Due to other funds	-	-	-	-	46,501	46,501
Deposits	2,436	-	-	100,000	-	102,436
Unearned revenues	55,460	-	-	-	-	55,460
Total liabilities	<u>556,744</u>	<u>41,627</u>	<u>-</u>	<u>119,992</u>	<u>79,495</u>	<u>797,858</u>
<b>Fund balances</b>						
Nonspendable:						
Inventories and prepaid items	97,256	-	-	-	33,730	130,986
Restricted for:						
Law enforcement expenditures	-	-	-	-	67,473	67,473
Library expenditures	-	-	-	-	81,244	81,244
Transportation expenditures	-	332,984	-	-	-	332,984
Community redevelopment expenditures	-	-	-	210,468	-	210,468
Street lighting expenditures	-	-	-	-	17,154	17,154
Debt service	-	-	1,322,116	-	-	1,322,116
Capital projects	-	-	-	-	463,731	463,731
Committed for:						
Cemetery expenditures	28,086	-	-	-	-	28,086
Tree replacement expenditures	67,493	-	-	-	-	67,493
Unassigned:						
Total Fund balance	<u>2,892,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,892,676</u>
	<u>\$ 3,085,511</u>	<u>332,984</u>	<u>1,322,116</u>	<u>210,468</u>	<u>663,332</u>	<u>5,614,411</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,642,255</u>	<u>\$ 374,611</u>	<u>\$ 1,322,116</u>	<u>\$ 330,460</u>	<u>\$ 742,827</u>	<u>\$ 6,412,269</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, 2016**

<b>Total Fund balances of governmental funds</b>	\$ 5,614,411
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	25,116,240
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.	(148,704)
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.	(16,443,442)
Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds	3,099,209
Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds	(513,972)
<b>Net position of governmental activities</b>	\$ 16,723,742

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

**City of Lake Wales, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Governmental Funds**  
**Year Ended September 30, 2016**

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>						
Taxes	\$ 4,892,819	\$ 786,555	\$ 756,400	\$ 573,322	\$ 363,189	\$ 7,372,285
Special assessment	-	-	-	-	14,823	14,823
Licenses and permits	1,388,803	-	255,000	-	-	1,643,803
Intergovernmental	1,797,893	128,651	-	556,881	573,224	3,056,649
Charges for services	2,878,905	133,323	-	-	-	3,012,228
Fines and forfeits	48,087	-	-	-	59,985	108,072
Investment earnings	7,241	-	1,757	-	1,721	10,719
Impact fees	-	-	21,521	-	136,360	157,881
Miscellaneous	70,721	-	-	-	16,415	87,136
Total revenues	<u>11,084,469</u>	<u>1,048,529</u>	<u>1,034,678</u>	<u>1,130,203</u>	<u>1,165,717</u>	<u>15,463,596</u>
<b>Expenditures</b>						
Current:						
General government	1,591,291	-	-	-	-	1,591,291
Public safety	7,742,950	-	-	-	35,676	7,778,626
Physical environment	1,032,661	-	-	-	13,451	1,046,112
Transportation	139,918	951,266	-	-	-	1,091,184
Economic environment	140,000	-	-	273,478	-	413,478
Culture and recreation	1,468,051	-	-	-	974,555	2,442,606
Debt Service:						
Principal	-	-	1,484,637	-	-	1,484,637
Interest and fiscal charges	-	-	333,629	-	-	333,629
Capital outlay	-	-	-	-	80,038	80,038
Total expenditures	<u>12,114,871</u>	<u>951,266</u>	<u>1,818,266</u>	<u>273,478</u>	<u>1,103,720</u>	<u>16,261,601</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,030,402)</u>	<u>97,263</u>	<u>(783,588)</u>	<u>856,725</u>	<u>61,997</u>	<u>(798,005)</u>
<b>Other financing sources (uses)</b>						
Transfers in	1,140,000	-	853,028	-	8,000	2,001,028
Transfers out	(101,282)	(57,185)	-	(795,843)	-	(954,310)
Insurance recoveries	1,825	-	-	-	-	1,825
Issuance of debt	653,859	39,654	-	-	-	693,513
Sale of capital assets	117,134	-	-	-	-	117,134
Total other financing (uses) sources	<u>1,811,536</u>	<u>(17,531)</u>	<u>853,028</u>	<u>(795,843)</u>	<u>8,000</u>	<u>1,859,190</u>
Net change in fund balances	781,134	79,732	69,440	60,882	69,997	1,061,185
<b>Fund balances, beginning of year</b>	<u>2,304,377</u>	<u>253,252</u>	<u>1,252,676</u>	<u>149,586</u>	<u>593,335</u>	<u>4,553,226</u>
<b>Fund balances, end of year</b>	<u>\$ 3,085,511</u>	<u>\$ 332,984</u>	<u>\$ 1,322,116</u>	<u>\$ 210,468</u>	<u>\$ 663,332</u>	<u>\$ 5,614,411</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, 2016**

<b>Net change in fund balances of the governmental funds</b>		\$ 1,061,185
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
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 asset additions	\$ 1,301,749	
Capital asset disposals	(76,793)	
Depreciation	<u>(1,734,323)</u>	(509,367)
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	(693,512)	
Principal paid	<u>1,484,236</u>	790,724
Other long-term obligations are reported in the government-wide statement of net position as liabilities, but not at the fund level as they do not require the use of current financial resources and therefore are reported as revenues when received and expenditures when paid:		
(Increase) in Compensated Absences Liability	(131,204)	
(Increase) in Other Post Employment Benefits	(45,336)	
Amortization of Refunding Losses	(33,490)	
Decrease in interest accrued on bonds	<u>21,722</u>	(188,308)
Pension expense is reported in the statement of activities which differs from pension expenditures as reported in governmental funds:		
Increase in deferred outflows related to pensions	1,889,672	
(Increase) in deferred inflows related to pensions	(129,340)	
(Increase) in the net pension liability	<u>(1,995,232)</u>	<u>(234,900)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 919,334</u></b>

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, 2016**

	<b>Business-type Activities</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor: LWMG Cemetery Fund</b>	<b>Total Enterprise Funds</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 83,495	\$ 72,406	\$ 155,901
Receivables (net of allowance for uncollectibles)	1,180,998	-	1,180,998
Restricted cash, cash equivalents and investments:			
Debt reserve accounts	1,197,239	-	1,197,239
Unspent bond proceeds	701,402	-	701,402
Escrow - C street project	10,230	-	10,230
Impact fees	1,195,939	-	1,195,939
Customer deposits	848,428	-	848,428
Debt reserve accounts - investment	339,639	-	339,639
Impact fees - investment	406,811	-	406,811
Inventories	305,064	-	305,064
Prepaid items	6,572	-	6,572
Total current assets	<u>6,275,817</u>	<u>72,406</u>	<u>6,348,223</u>
Noncurrent assets			
Capital assets:			
Nondepreciable	4,046,410	204,570	4,250,980
Depreciable, net	<u>33,657,231</u>	<u>487,527</u>	<u>34,144,758</u>
Total noncurrent assets	<u>37,703,641</u>	<u>692,097</u>	<u>38,395,738</u>
Total assets	<u>43,979,458</u>	<u>764,503</u>	<u>44,743,961</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	<u>312,205</u>	<u>-</u>	<u>312,205</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	257,226	-	257,226
Construction payable	993,795	-	993,795
Accrued liabilities	20,180	-	20,180
Accrued interest	78,864	6,828	85,692
Customer deposits	848,428	-	848,428
Unearned revenues	223,811	-	223,811
Accrued compensated absences	13,943	-	13,943
Current portion of long-term debt	2,679,264	30,287	2,709,551
Total current liabilities	<u>5,115,511</u>	<u>37,115</u>	<u>5,152,626</u>
Noncurrent liabilities			
Notes and lease obligations payable - noncurrent	8,446,081	440,283	8,886,364
Accrued compensated absences	125,488	-	125,488
Accrued OPEB	70,399	-	70,399
Net pension liability	123,547	-	123,547
Total noncurrent liabilities	<u>8,765,515</u>	<u>440,283</u>	<u>9,205,798</u>
Total liabilities	<u>13,881,026</u>	<u>477,398</u>	<u>14,358,424</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	<u>47,190</u>	<u>-</u>	<u>47,190</u>
<b>Net position</b>			
Net investment in capital assets	25,584,501	221,527	25,806,028
Restricted for capital projects	2,314,382	-	2,314,382
Restricted for debt service	1,458,014	-	1,458,014
Unrestricted	1,006,550	65,578	1,072,128
<b>Total net position</b>	<u>\$ 30,363,447</u>	<u>\$ 287,105</u>	<u>\$ 30,650,552</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, 2016**

	<b>Business-type Activities</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor: LWMG Cemetery Fund</b>	<b>Total Enterprise Funds</b>
<b>Operating revenues:</b>			
Charges for services	\$ 7,860,703	\$ 61,181	7,921,884
Other income	197,328	-	197,328
<b>Total operating revenues</b>	<u>8,058,031</u>	<u>61,181</u>	<u>8,119,212</u>
<b>Operating expenses:</b>			
Personnel services	1,704,448	-	1,704,448
Contractual services	229,524	-	229,524
Repairs and maintenance	736,385	-	736,385
Materials and supplies	180,778	-	180,778
General and administrative	1,120,344	45,329	1,165,673
Depreciation	1,369,703	29,775	1,399,478
<b>Total operating expenses</b>	<u>5,341,182</u>	<u>75,104</u>	<u>5,416,286</u>
<b>Operating income (loss)</b>	<u>2,716,849</u>	<u>(13,923)</u>	<u>2,702,926</u>
<b>Nonoperating revenues (expenses)</b>			
Interest income	11,925	146	12,071
Interest expense and fiscal charges	(238,177)	(13,096)	(251,273)
Gain on sale of capital assets	420	-	420
<b>Total nonoperating revenues (expenses)</b>	<u>(225,832)</u>	<u>(12,950)</u>	<u>(238,782)</u>
Income (loss) before contributions and transfers	<u>2,491,017</u>	<u>(26,873)</u>	<u>2,464,144</u>
<b>Capital contributions</b>			
Impact fees	345,382	-	345,382
<b>Total capital contributions</b>	<u>345,382</u>	<u>-</u>	<u>345,382</u>
<b>Transfers</b>			
Transfers in	-	93,282	93,282
Transfers out	(1,140,000)	-	(1,140,000)
<b>Total transfers</b>	<u>(1,140,000)</u>	<u>93,282</u>	<u>(1,046,718)</u>
Change in net position	1,696,399	66,409	1,762,808
<b>Total net position, beginning of year</b>	<u>28,667,048</u>	<u>220,696</u>	<u>28,887,744</u>
<b>Total net position, end of year</b>	<u>\$ 30,363,447</u>	<u>\$ 287,105</u>	<u>\$ 30,650,552</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, 2016**

	<b>Business-type Activities</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor: LWMG Cemetery Fund</b>	<b>Total Enterprise Funds</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 7,845,545	\$ 62,387	\$ 7,907,932
Cash payments to suppliers for goods and services	(2,287,580)	(45,329)	(2,332,909)
Cash payments for employee services	(1,722,360)	-	(1,722,360)
Net cash provided by operating activities	<u>3,835,605</u>	<u>17,058</u>	<u>3,852,663</u>
<b>Cash flows from noncapital financing activities</b>			
Transfer to (from) other funds	(1,140,000)	93,282	(1,046,718)
Net cash provided by (used in) noncapital financing activities	<u>(1,140,000)</u>	<u>93,282</u>	<u>(1,046,718)</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(2,566,349)	-	(2,566,349)
Impact fees	345,382	-	345,382
Debt issuance proceeds	2,010,977	-	2,010,977
Principal payments on long-term debt	(2,097,399)	(29,430)	(2,126,829)
Interest paid	(215,477)	(13,523)	(229,000)
Proceeds from sale of equipment	420	-	420
Net cash used in capital and related financing activities	<u>(2,522,446)</u>	<u>(42,953)</u>	<u>(438,570)</u>
<b>Cash flows from investing activities</b>			
Investment income	7,077	146	7,223
Net cash provided by investing activities	<u>7,077</u>	<u>146</u>	<u>7,223</u>
<b>Net increase in cash and cash equivalents</b>	180,236	67,533	247,769
<b>Cash and cash equivalents, beginning of year</b>	<u>3,856,497</u>	<u>4,873</u>	<u>3,861,370</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 4,036,733</u>	<u>\$ 72,406</u>	<u>\$ 4,109,139</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, 2016**  
*(Concluded)*

	<b>Business-type Activities</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor: LWMG Cemetery Fund</b>	<b>Total Enterprise Funds</b>
<b>Reconciliation of cash and cash equivalents to statement of net position</b>			
Cash and cash equivalents	\$ 83,495	\$ 72,406	\$ 155,901
Restricted cash and cash equivalents	3,953,238	-	3,953,238
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,036,733</b>	<b>\$ 72,406</b>	<b>\$ 4,109,139</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 2,716,849	\$ (13,923)	\$ 2,702,926
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation	1,369,703	29,775	1,399,478
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	(285,968)	1,206	(284,762)
Inventories	(122,425)	-	(122,425)
Net pension asset	96,702	-	96,702
Deferred outflows related to pensions	(209,604)	-	(209,604)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	101,876	-	101,876
Accrued liabilities	(34,781)	-	(34,781)
Customer deposits	85,958	-	85,958
Unearned revenue	(12,476)	-	(12,476)
Compensated absences	4,606	-	4,606
Accrued OPEB	10,387	-	10,387
Net pension liability	123,547	-	123,547
Deferred inflows related to pensions	(8,769)	-	(8,769)
<b>Net cash provided by operating activities</b>	<b>\$ 3,835,605</b>	<b>\$ 17,058</b>	<b>\$ 3,852,663</b>

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, 2016**

	<b>Pension Trust Funds</b>
<b>Assets</b>	
Cash and cash equivalent	\$ 1,478,070
Investments, at fair value:	
Certificates of deposit	829,589
Money market funds	608,607
Government bonds	1,408,666
Government assets backed/CMO securities	805,666
Taxable municipal bonds	349,090
Foreign bonds	1,578,952
Corporate bonds and notes	6,203,534
Common and preferred stock	19,499,097
Total investments	<u>31,283,201</u>
Prepays	
Prepaid fiduciary liability insurance	12,006
Total Prepays	<u>12,006</u>
Receivable (net):	
Interest and dividends	78,614
Due from City	5,986
Total receivable	<u>84,600</u>
Total assets	<u>32,857,877</u>
<b>Liabilities</b>	
Accounts payable	43,562
Due to broker	638,905
Total liabilities	<u>682,467</u>
<b>Net position</b>	
Net position restricted for pension benefits	<u>\$ 32,175,410</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, 2016**

	<b><u>Pension</u></b> <b><u>Trust Funds</u></b>
<b>Additions</b>	
Contributions:	
Employer	\$ 1,042,501
State of Florida	242,367
Employee	<u>418,877</u>
Total contributions	<u>1,703,745</u>
Interest and dividends	926,976
Net increase in the fair value of investments	<u>2,192,944</u>
Investment gain	3,119,920
Investment expense	<u>(222,305)</u>
Investment gain, less investment expense	<u>2,897,615</u>
Total additions	<u>4,601,360</u>
<b>Deductions</b>	
Benefit payments, including refunds of employee contributions	2,158,649
Administration	<u>172,888</u>
Total deductions	<u>2,331,537</u>
Change in net position	2,269,823
<b>Total net position - beginning of year</b>	<u>29,905,587</u>
<b>Total net position - end of year</b>	<u><u>\$ 32,175,410</u></u>

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

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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 and Lake Wales Memorial Garden (LWMG) cemetery operations and management. The financial statements have been prepared in accordance with U.S. 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 made this election. The Lake Wales Airport Authority did not issue separate audited financial statements for fiscal year ending September 30, 2016.

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2016

**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, 2016**

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Voluntary non-exchange transactions are recorded as revenues when all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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 ninth-cent fuel tax and the six-cent and five-cent local option tax on fuel. The ninth-cent fuel tax and six-cent local option fuel tax can be used for general road improvement and maintenance. However, the five-cent local option gas tax 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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

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.
- **Lake Wales Memorial Garden (LWMG) Cemetery Fund** – accounts for the operation and maintenance of the City’s LWMG cemetery.

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 and the LWMG Cemetery 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 position 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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

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 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 or amortized cost, which approximates 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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

*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 statement of net position because their use is limited by applicable bond covenants. Impact fees and capacity reserve assets are also restricted in their use.

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 position that is 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 City values these assets at the estimated cost of the item at the date of its donation.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

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. No interest costs were capitalized during the year ended September 30, 2016. Property, plant and equipment of the primary government, as well as the component unit, are 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 position. Bond premiums and discounts, as well as refunding losses, are 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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

8. *Fund Balances*

In accordance with GASB Cod. Sec 1800, the governmental fund balances based on 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, to the extent applicable, 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.

**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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

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, 2016**

*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 unearned revenues are recorded for consistency. Included in accounts receivable at September 30, 2016, are unbilled amounts totaling \$534,508 (\$423,709 enterprise funds and \$110,799 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 2016 fiscal year was 7.3638 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, 2016**

*11. Pension Plans*

The City accounts for its fiduciary pension trust funds under GASB Cod. Sec Po5. The pension plans cover substantially all of the City's full-time employees.

**E. Correction of an error**

For the fiscal year ended September 30, 2015, the City implemented the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. The implementation adjustments excluded \$199,892 from deferred outflows related to pensions as of September 30, 2015. To correct this error, beginning net position of the governmental activities has been restated by \$199,892.

**F. New Accounting Standard**

Effective October 1, 2015, the City adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. The City continues to value certain investments using market approach and has enhanced disclosures regarding these investments to include the level of fair value hierarchy.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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, 2016, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$9,341,364, and the related bank balance was \$11,609,703.

**Investments – City**

At September 30, 2016, the carrying amount of investments was \$746,450. The investments consisted of nonparticipating certificates of deposit and are presented at amortized cost. The City seeks to optimize return on investments within the constraints of safety and liquidity.

**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.

At September 30, 2016, pension trust funds' investments are valued at fair value with the exception of certificates of deposit and money market mutual funds which are presented at amortized costs, which approximates fair value.

**Investments – Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

The City's pension trust funds have the following carrying values as of September 30, 2016, based on measurement criteria as specified:

**General Employees' Pension Trust Fund:**

	September 30, 2016	Level 1	Level 2	Amortized Cost
<b>Investments at fair value</b>				
Certificates of deposit	\$ 248,379	\$ -	\$ -	\$ 248,379
Money market mutual funds	169,197	-	-	169,197
Government bonds	363,867	-	363,867	-
Government Assets backed/ CMO securities	252,454	-	252,454	-
Taxable municipal bonds	137,860	-	137,860	-
Foreign bonds	465,526	-	465,526	-
Corporate bonds and notes	1,861,159	-	1,861,159	-
Common and preferred stock	6,292,552	6,292,552	-	-
<b>Total investments measured at fair value</b>	<b>\$ 9,790,994</b>	<b>\$ 6,292,552</b>	<b>\$ 3,080,866</b>	<b>\$ 417,576</b>

**Firefighters' Pension Trust Fund:**

	September 30, 2016	Level 1	Level 2	Amortized Cost
<b>Investments at fair value</b>				
Certificates of deposit	\$ 177,179	\$ -	\$ -	\$ 177,179
Money market mutual funds	116,074	-	-	116,074
Government bonds	380,816	-	380,816	-
Government Assets backed/ CMO securities	197,111	-	197,111	-
Taxable municipal bonds	89,962	-	89,962	-
Foreign bonds	415,260	-	415,260	-
Corporate bonds and notes	1,546,036	-	1,546,036	-
Common and preferred stock	4,793,729	4,793,729	-	-
<b>Total investments measured at fair value</b>	<b>\$ 7,716,167</b>	<b>\$ 4,793,729</b>	<b>\$ 2,629,185</b>	<b>\$ 293,253</b>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Police Officers' Pension Trust Fund:**

	September 30,			
	2016	Level 1	Level 2	Amortized Cost
<b>Investments at fair value</b>				
Certificates of deposit	\$ 404,031	\$ -	\$ -	\$ 404,031
Money market mutual funds	323,336	-	-	323,336
Government bonds	663,983	-	663,983	-
Government Assets backed/ CMO securities	356,101	-	356,101	-
Taxable municipal bonds	121,268	-	121,268	-
Foreign bonds	698,166	-	698,166	-
Corporate bonds and notes	2,796,339	-	2,796,339	-
Common and preferred stock	8,412,816	8,412,816	-	-
<b>Total investments measured at fair value</b>	<b>\$ 13,776,040</b>	<b>\$ 8,412,816</b>	<b>\$ 4,635,857</b>	<b>\$ 727,367</b>

Common and preferred stock of the fair value hierarchy are valued using prices quoted in active markets for those securities. Government bonds, government asset backed securities, taxable municipal bonds and corporate bonds and notes in the Level 2 of the fair value hierarchy are valued by surveying various market makers and dealers, as well as data from the new issue market. Foreign bonds in Level 2 of the fair value hierarchy are valued using a discounted cash-flow model using a benchmark yield plus a maturity spread to discount coupon and principal cash flows.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

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

	<b>General Employees</b>	<b>Fire Fighters</b>	<b>Police Officers</b>
Domestic and Equity Securities	50%	50%	50%
Fixed Income Securities	35%	35%	35%
International Equity	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 and fixed income portfolios.

Credit ratings and maturities of investments in pension trust funds at September 30, 2016, are presented below:

<b>General Employee Pension</b>	<b>Credit Rating</b>	<b>Fair Value/ Amortized Cost</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>
<b>Investment Type</b>	<b>(S&amp;P's)</b>					
Money Market Funds	N/R	\$ 169,197	\$ 169,197	\$ -	\$ -	\$ -
Certificates of Deposit	N/R	248,379	-	75,180	15,225	157,974
Corporate Bonds	*	1,861,159	30,007	-	189,745	1,641,407
Government Bonds	Aaa	363,867	-	10,021	3,996	349,850
Government Asset Backed/CMO Sec.	Aaa	252,454	-	-	2,395	250,059
Foreign Bonds	*	465,526	-	-	67,975	397,551
Taxable Municipal Bonds	*	137,860	-	-	-	137,860
Equities	N/R	6,292,552	N/A	N/A	N/A	N/A
<b>Total Market Value</b>		\$ 9,790,994	\$ 199,204	\$ 85,201	\$ 279,336	\$ 2,934,701

<b>Firefighters' Pension</b>	<b>Credit Rating</b>	<b>Fair Value/ Amortized Cost</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>
<b>Investment Type</b>	<b>(Moody)</b>					
Money Market Funds	N/R	\$ 116,074	\$ 116,074	\$ -	\$ -	\$ -
Certificates of Deposit	N/R	177,179	-	60,144	10,150	106,885
Corporate Bonds	*	1,546,036	-	-	168,659	1,377,377
Government Bonds	Aaa	380,816	-	-	28,177	352,639
Government Asset Backed/CMO Sec.	Aaa	197,111	-	-	1,415	195,696
Foreign Bonds	*	415,260	-	-	59,979	355,281
Taxable Municipal Bonds	*	89,962	-	-	-	89,962
Equities	N/R	4,793,729	N/A	N/A	N/A	N/A
<b>Total Market Value</b>		\$ 7,716,167	\$ 116,074	\$ 60,144	\$ 268,380	\$ 2,477,840

<b>Police Officers' Pension</b>	<b>Credit Rating</b>	<b>Fair Value/ Amortized Cost</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>
<b>Investment Type</b>	<b>(S&amp;P's)</b>					
Money Market Funds	N/R	\$ 323,336	\$ 323,336	\$ -	\$ -	\$ -
Certificates of Deposit	N/R	404,031	-	100,241	120,523	183,267
Corporate Bonds	*	2,796,339	40,010	-	329,045	2,427,284
Government Bonds	Aaa	663,983	10,084	-	3,996	649,903
Government Asset Backed/CMO Sec.	Aaa	356,101	-	-	3,266	352,835
Foreign Bonds	*	698,166	-	-	104,961	593,205
Municipal Bonds	*	121,268	-	-	-	121,268
Equities	N/R	8,412,816	N/A	N/A	N/A	N/A
<b>Total Market Value</b>		\$ 13,776,040	\$ 373,430	\$ 100,241	\$ 561,791	\$ 4,327,762

\*Credit rating on the above bonds varied from Aaa to Baa2  
N/R = Not rated

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

The pension funds owned cash at September 30, 2016, totaling \$485,073, \$384,201 and \$608,796 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, 2016, 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, 2016**

**B. Receivables**

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

	General	Transportation	Community Redevelopment	Total Governmental Fund	Enterprise - Business Type	Total
Receivable:						
Taxes	\$ 139,754	\$ -	\$ -	\$ 139,754	\$ -	\$ 139,754
Franchise fees	141,109	-	-	141,109	-	141,109
Accounts	132,125	-	5,404	137,529	826,800	964,329
Unbilled amounts	110,799	-	-	110,799	423,709	534,508
Gross receivables	<u>523,787</u>	<u>-</u>	<u>5,404</u>	<u>529,191</u>	<u>1,250,509</u>	<u>1,779,700</u>
Less: allowance for uncollectibles	(15,433)	-	-	(15,433)	(69,511)	(84,944)
Net total receivable	<u>\$ 508,354</u>	<u>\$ -</u>	<u>\$ 5,404</u>	<u>\$ 513,758</u>	<u>\$ 1,180,998</u>	<u>\$ 1,694,756</u>
Intergovernmental Receivables	<u>\$ 238,345</u>	<u>\$ 123,923</u>	<u>\$ -</u>	<u>\$ 362,268</u>	<u>\$ -</u>	<u>\$ 362,268</u>

Governmental funds 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 Revenue
Prepaid local business tax	\$ 52,335
Permit fees collected prior to meeting all eligibility requirements	<u>3,125</u>
Total unearned revenue for governmental funds	<u>\$ 55,460</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**C. Capital assets**

Capital asset activity for the year ended September 30, 2016 was as follows:

<b>Governmental activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 5,141,825	\$ -	\$ -	\$ 5,141,825
Construction in progress	-	3,875	-	3,875
Total capital assets, not being depreciated	<u>5,141,825</u>	<u>3,875</u>	<u>-</u>	<u>5,145,700</u>
Capital assets being depreciated:				
Buildings	14,478,098	-	-	14,478,098
Improvements other than buildings	7,009,997	53,059	-	7,063,056
Machinery and equipment	10,578,348	1,010,668	(383,988)	11,205,028
Infrastructure	19,529,666	234,147	-	19,763,813
Total depreciable capital assets	<u>51,596,109</u>	<u>1,297,874</u>	<u>(383,988)</u>	<u>52,509,995</u>
Total all capital assets	<u>56,737,934</u>	<u>1,301,749</u>	<u>(383,988)</u>	<u>57,655,695</u>
Less accumulated depreciation for:				
Buildings	(4,211,496)	(309,977)	-	(4,521,473)
Improvements other than buildings	(4,735,530)	(283,704)	-	(5,019,234)
Machinery and equipment	(9,064,435)	(390,204)	307,195	(9,147,444)
Infrastructure	(13,100,866)	(750,438)	-	(13,851,304)
Total accumulated depreciation	<u>(31,112,327)</u>	<u>(1,734,323)</u>	<u>307,195</u>	<u>(32,539,455)</u>
Depreciable capital assets, net	<u>20,483,782</u>	<u>(436,449)</u>	<u>(76,793)</u>	<u>19,970,540</u>
Total Governmental capital assets, net	<u>\$ 25,625,607</u>	<u>\$ (432,574)</u>	<u>\$ (76,793)</u>	<u>\$ 25,116,240</u>

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

Governmental activities:	
General government	\$ 92,959
Public safety	354,775
Physical environment	26,221
Transportation	860,328
Economic environment	11,929
Human services	10,173
Culture and recreation	377,938
Total governmental activities depreciation expense	<u>\$ 1,734,323</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

<b>Business-type activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 825,730	\$ -	\$ -	\$ 825,730
Construction in progress	560,751	2,864,499	-	3,425,250
Total capital assets, not being depreciated	<u>1,386,481</u>	<u>2,864,499</u>	<u>-</u>	<u>4,250,980</u>
Capital assets being depreciated:				
Buildings	1,125,717	-	-	1,125,717
Improvements other than buildings	47,083,591	238,575	-	47,322,166
Machinery and equipment	5,551,909	457,070	-	6,008,979
Total depreciable capital assets	<u>53,761,217</u>	<u>695,645</u>	<u>-</u>	<u>54,456,862</u>
Total all capital assets	<u>55,147,698</u>	<u>3,560,144</u>	<u>-</u>	<u>58,707,842</u>
Less accumulated depreciation for:				
Buildings	(516,691)	(32,042)	-	(548,733)
Improvements other than buildings	(13,942,194)	(1,149,778)	-	(15,091,972)
Machinery and equipment	(4,453,741)	(217,658)	-	(4,671,399)
Total accumulated depreciation	<u>(18,912,626)</u>	<u>(1,399,478)</u>	<u>-</u>	<u>(20,312,104)</u>
Depreciable capital assets, net	<u>34,848,591</u>	<u>(703,833)</u>	<u>-</u>	<u>34,144,758</u>
Total business-type capital assets, net	<u>\$ 36,235,072</u>	<u>\$ 2,160,666</u>	<u>\$ -</u>	<u>\$ 38,395,738</u>

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

Business-type activities:	
Water	\$ 529,701
Sewer	840,002
Cemetery	29,775
Total depreciation expense - business-type activities	<u>\$ 1,399,478</u>

**Discretely presented component unit**

<b>Lake Wales Airport Authority:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 1,625,274	\$ -	\$ -	\$ 1,625,274
Construction in progress	-	85,100	-	85,100
Total capital assets, not being depreciated	<u>1,625,274</u>	<u>85,100</u>	<u>-</u>	<u>1,710,374</u>
Capital assets being depreciated:				
Buildings	2,534,616	-	-	2,534,616
Improvements other than buildings	9,603,686	-	-	9,603,686
Machinery and equipment	606,558	42,677	-	649,235
Total depreciable capital assets	<u>12,744,860</u>	<u>42,677</u>	<u>-</u>	<u>12,787,537</u>
Total all capital assets	<u>14,370,134</u>	<u>127,777</u>	<u>-</u>	<u>14,497,911</u>
Less accumulated depreciation for:				
Buildings	(371,285)	(51,654)	-	(422,939)
Improvements other than buildings	(3,218,879)	(454,729)	-	(3,673,608)
Machinery and equipment	(261,120)	(36,332)	-	(297,452)
Total accumulated depreciation	<u>(3,851,284)</u>	<u>(542,715)</u>	<u>-</u>	<u>(4,393,999)</u>
Depreciable capital assets, net	<u>8,893,576</u>	<u>(500,038)</u>	<u>-</u>	<u>8,393,538</u>
Lake Wales Airport Authority capital assets, net	<u>\$ 10,518,850</u>	<u>\$ (414,938)</u>	<u>\$ -</u>	<u>\$ 10,103,912</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**D. Construction commitments**

The City has active construction projects as of September 30, 2016. The projects include asbestos pipe removal, runway extension, water and wastewater facilities. At year-end, the City's commitments with contractors are as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
C street sewer project - engineering phase 2	\$ 104,220	\$ 124,780
C street sewer project - construction	2,265,308	2,495,415
U.S. 27 Vanguard relocation	79,115	225,511
Galvanized pipe replacement	58,177	8,462
Total primary government	<u>\$ 2,506,820</u>	<u>\$ 2,854,168</u>

**Lake Wales Airport Authority - discretely presented component unit:**

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Airport projects	\$ 82,530	\$ 4,645,250
Total Lake Wales Airport Authority	<u>\$ 82,530</u>	<u>\$ 4,645,250</u>

**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>Total</u>
2017	\$ 2,430	\$ 10,483	\$ 15,617	\$ 28,530
2018	-	1,374	7,470	8,844
2019	-	687	1,604	2,291
Total	<u>\$ 2,430</u>	<u>\$ 12,544</u>	<u>\$ 24,691</u>	<u>\$ 39,665</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**F. Interfund receivable, payables and transfers**

The composition of interfund balances as of September 30, 2016, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 41,815
General	Law Enforcement Block Grant	4,686
		<u>\$ 46,501</u>
<u>Due to/from component unit:</u>		
General	Airport Authority	<u>\$121,845</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.

The composition of interfund transfers for the year ended September 30, 2016 is as follows:

	<u>Transfer In:</u>				
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>LWVG Cemetary</u>	<u>Total</u>
Transfer out:			-		
General	-	-	8,000	93,282	101,282
Transportation	-	57,185	-	-	57,185
CRA	-	795,843	-	-	795,843
Public Utilities	1,140,000	-	-	-	1,140,000
Total	<u>1,140,000</u>	<u>853,028</u>	<u>8,000</u>	<u>93,282</u>	<u>2,094,310</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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>
<b>Governmental activities</b>					
Notes and lease obligations payable:					
Notes payable	\$ 9,664,472	\$ -	\$ (1,352,341)	\$ 8,312,131	\$ 1,230,865
Lease obligations	394,377	693,512	(131,895)	955,994	220,475
Total notes and lease obligations payable	<u>10,058,849</u>	<u>693,512</u>	<u>(1,484,236)</u>	<u>9,268,125</u>	<u>1,451,340</u>
Other liabilities					
Interest rate swap	30,940	-	(30,940)	-	-
Net pension liabilities	4,153,615	1,806,349	-	5,959,964	-
OPEB liability	264,777	45,336	-	310,113	-
Compensated absences	774,036	522,143	(390,939)	905,240	90,524
Total other Liabilities	<u>5,223,368</u>	<u>2,373,828</u>	<u>(421,879)</u>	<u>7,175,317</u>	<u>90,524</u>
<b>Governmental long-term liabilities</b>	<u>\$ 15,282,217</u>	<u>\$ 3,067,340</u>	<u>\$ (1,906,115)</u>	<u>\$ 16,443,442</u>	<u>\$ 1,541,864</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
Notes and lease obligations payable:					
Notes payable	\$ 11,590,984	\$ 1,647,961	\$ (2,076,371)	\$ 11,162,574	\$ 2,612,619
Lease obligations	120,783	363,016	(50,458)	433,341	96,932
Total notes and lease obligations payable	<u>11,711,767</u>	<u>2,010,977</u>	<u>(2,126,829)</u>	<u>11,595,915</u>	<u>2,709,551</u>
Other liabilities					
Net pension liabilities	-	123,547	-	123,547	-
OPEB liability	60,012	10,387	-	70,399	-
Compensated absences	134,825	90,819	(86,213)	139,431	13,943
Total other Liabilities	<u>194,837</u>	<u>224,753</u>	<u>(86,213)</u>	<u>333,377</u>	<u>13,943</u>
<b>Business-type long-term liabilities</b>	<u>\$ 11,906,604</u>	<u>\$ 2,235,730</u>	<u>\$ (2,213,042)</u>	<u>\$ 11,929,292</u>	<u>\$ 2,723,494</u>
<b>Discretely presented component unit</b>					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Lake Wales Airport Authority:</b>					
FBO payment credit	\$ 123,961	\$ -	\$ (123,961)	\$ -	\$ -
<b>Airport Authority long-term liabilities</b>	<u>\$ 123,961</u>	<u>\$ -</u>	<u>\$ (123,961)</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2016

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2016:

	Purpose (2)	Frequency of Payment (1)	Maturity	Originally Issued	Outstanding Amount	Interest Rate
<b>Governmental activities</b>						
Note payable:						
Capital Improvement Revenue Note, Series 2003	1	S	2017	\$ 9,117,226	\$ 442,327	3.84%
Redevelopment Revenue Note, Series 2007	8	S	2028	9,500,000	6,460,227	3.77%
Ascending Lien Capital Improvement, Revenue Note, Series 2013	10	S	2028	1,200,000	1,129,327	2.91%
Subordinate Lien Capital Improvement, Revenue Note, Series 2015	14	S	2017	500,000	280,250	1.17%
Lease obligations						
Mears Motor Leasing - FY 2012'13	11	M	2018	119,184	40,611	1.29%
Mears Motor Leasing - FY 2013'14	12	M	2019	86,457	43,435	1.49%
Mears Motor Leasing - FY 2014'15	13	M	2020	436,957	212,779	1.93%
Mears Motor Leasing - FY 2015'16	15	M	2021	693,512	659,169	1.93%
<b>Total governmental activities</b>					<u>\$ 9,268,125</u>	
<b>Business-type activities</b>						
Note payable:						
State Revolving Fund Loan - 5907P	3	S	2019	\$ 1,634,636	\$ 250,725	2.56%
State Revolving Fund Loan - 59110	3	S	2022	1,171,882	277,170	3.05%
State Revolving Fund Loan - 5912S	4	S	2024	1,429,755	600,889	2.14%
State Revolving Fund Loan - 5913P	5	S	2028	1,025,345	635,891	1.88%
State Revolving Fund Loan - 59140	9	S	2033	368,589	321,719	2.30%
State Revolving Fund Loan - 530300	9	S	2033	4,163,664	3,601,340	1.91%
State Revolving Fund Loan - 530310	16	S	2036	1,647,961	1,647,961	1.82%
Capital Improvement Revenue Note, Series 2003	1	S	2017	432,665	21,042	3.84%
Subordinate Lien Capital Improvement, Revenue Note, Series 2015	14	S	2017	1,500,000	840,750	1.17%
Ascending Lien Capital Improvement, Revenue Note, Series 2013	10	S	2028	500,000	470,570	2.91%
Utility System Refunding Note, Series 2006A	2	S	2017	6,272,220	787,360	4.09%
Utility System Refunding Note, Series 2006B	6	S	2027	2,550,000	1,707,155	1.14%
Lease obligations						
Mears Motor Leasing - FY 2014'15	13	M	2020	134,397	99,262	1.93%
Mears Motor Leasing - FY 2015'16	15	M	2021	363,016	334,081	1.93%
<b>Total business-type activities</b>					<u>\$ 11,595,915</u>	

(1) Frequency: 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)

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

4. Construction of sludge dewatering facilities. (SRF – 5912S)
5. Planning and design of wastewater treatment plant expansion. (SRF – 5913P)
6. 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)
7. Not used
8. Acquisition, construction and equipping of various capital improvements within the Community Redevelopment Area. (Series 2007)
9. Construction of wastewater plant rehabilitation and expansion. (SRF – 59140 & 530300)
10. Construction funding for fire substation \$1,200,000 and cemetery addition \$500,000. (Series 2013)
11. Capital lease for six police cars. (Lease FY 2012'13)
12. Capital lease for three fire vehicles. (Lease FY 2013'14)
13. Capital lease for twelve police vehicles and six utility vehicles. (Lease FY 2014'15)
14. Construction funding for governmental capital projects (\$500,000) and business type activities \$1,500,000. (Series 2015)
15. Capital lease for 18 vehicles including 9 police vehicles and one pumper truck for the fire department. (Lease FY 2015'16)
16. Construction of major sewer system rehabilitation/replacement project (SRF – 530310)

The debt obligations are secured by the equipment acquired, a covenant to budget, or a pledge of the following revenue sources:

- 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;
- 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
- Subordinate Lien Cap Imp Rev Note, Series 2015 – junior lien on public service taxes, communication service taxes, and electric franchise fees.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

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
- 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.

- The Utility System Refunding Revenue Note, Series 2006A and Series 2006B both require annual debt service reserves equal to 1/6<sup>th</sup> per month of all interest and 1/12<sup>th</sup> per month of the annual principal amount coming due. As of September 30, 2016, sinking fund balance for Series 2006A and 2006B were \$803,959 and \$156,231, 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 \$339,639.
- 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).
- Subordinate Lien Capital Improvement Revenue Note, Series 2015 requires the designation of a “Debt Service Fund” reserve equal to 1/6<sup>th</sup> per month of all interest and principal becoming due on the next payment date. As of September 30, 2016, the sinking fund balance for the Series 2015 was \$215,590.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

Annual debt service requirements as of September 30, 2016, are as follows:

Fiscal Year	Governmental Activities					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,230,865	\$ 279,380	\$ 220,475	\$ 18,858	\$ 1,451,340	\$ 298,238
2018	526,840	249,565	216,237	11,887	743,077	261,452
2019	546,074	230,010	193,937	8,162	740,011	238,172
2020	566,015	209,735	166,125	4,676	732,140	214,411
2021	586,690	188,715	93,286	2,123	679,976	190,838
2022-2026	3,271,171	600,173	65,934	1,375	3,337,105	601,548
2027-2031	1,584,476	66,535	-	-	1,584,476	66,535
<b>Total</b>	<b>\$ 8,312,131</b>	<b>\$ 1,824,113</b>	<b>\$ 955,994</b>	<b>\$ 47,081</b>	<b>\$ 9,268,125</b>	<b>\$ 1,871,194</b>

Fiscal Year	Business-type Activities					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,612,619	\$ 221,255	\$ 96,932	\$ 7,509	\$ 2,709,551	\$ 228,764
2018	1,006,548	154,279	98,819	5,622	1,105,367	159,901
2019	973,960	134,769	100,743	3,698	1,074,703	138,467
2020	939,763	116,872	92,699	1,740	1,032,462	118,612
2021	864,572	99,288	44,148	-	908,720	99,288
2022-2026	2,693,254	322,406	-	-	2,693,254	322,406
2027-2031	1,667,561	117,272	-	-	1,667,561	117,272
2032-2036	404,297	7,674	-	-	404,297	7,674
<b>Total</b>	<b>\$ 11,162,574</b>	<b>\$ 1,173,815</b>	<b>\$ 433,341</b>	<b>\$ 18,569</b>	<b>\$ 11,595,915</b>	<b>\$ 1,192,384</b>

On July 15, 2014, 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 \$1,647,961 of borrowings on this loan as of September 30, 2016.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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, was amortized using the straight-line method. Amortization of the refunding loss was \$30,940 for the year ended September 30, 2016, and is included as a component of interest expense in the statement of activities. This was the final year of amortization and there are no unamortized balances at September 30, 2016 on the government-wide statement of net position.

**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, was being amortized using the straight-line method. Amortization of refunding loss was \$43,561 for the year ended September 30, 2016, and is included as a component of interest expense. This was the final year of amortization and there are no unamortized balances at September 30, 2016 on the government-wide and proprietary funds statement of net position.

**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.

	<b>Debt Obligation Reference</b>	<b>Total Principal and Interest Outstanding</b>	<b>Current Year Principal and Interest</b>	<b>Current Year Revenue</b>	<b>% of Revenues to Principal and Interest Paid</b>
Public Service Taxes	Series 2003	\$ 472,266	\$ 703,377	\$ 1,672,772	238%
CRA Tax Increment Revenues	Series 2007	8,053,021	675,612	1,099,982	163%
Communication Service Taxes	Series 2013	1,919,056	148,116	169,080	114%
Water and Sewer Net Revenue	SRF, Series 2006A & 2006B	10,900,996	1,571,744	3,889,224	247%
		<u>\$ 21,345,339</u>	<u>\$ 3,098,849</u>	<u>\$ 6,831,058</u>	

# **City of Lake Wales, Florida**

## **Notes to the Financial Statements**

### **September 30, 2016**

#### **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, 2016, the outstanding balance on these bonds is \$23,720,000.

#### **IV Other Information**

##### **A. Related party transactions**

During 2016, 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 \$30,862 were charged to the Authority for the year ended September 30, 2016.

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, 2016**

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 \$121,845 at September 30, 2016.

**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 postemployment benefits (OPEB)**

Other postemployment benefits membership is comprised of the following at 10/1/2014, the date in the latest complete actuarial valuation:

Active employees	<u>171</u>
Retirees:	
Pre-Medicare	7
Post-Medicare	<u>9</u>
Total retirees	<u>16</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, 2016**

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 from actuarial valuations provided during the past three years for the OPEB plan:

**Trending Information**

Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
September 30, 2016	\$ 84,585	34.1%	\$ 380,512
September 30, 2015	84,786	26.8%	324,789
September 30, 2014	119,356	47.1%	262,724

**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)
10/1/2014	-	\$ 716,387	\$ 716,387	0.00%	\$ 8,413,699	8.5%

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, 2015 interim actuarial valuation using the Entry Age Normal actuarial cost method. Select actuarial assumptions included:

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

Actuarial Value of Assets:	Market Value
Funding Interest Rate:	4.00%
Health Care Inflation:	Pre-Medicare: 7.25% in 2016 (grading down .75% per year to 4.50% in 2020) Post-Medicare: 7.25% in 2016 (grading down .75% per year to 4.50% in 2020)
Vision Care Inflation:	3.00%
Payroll Growth:	3.50%
Inflation Assumption:	3.50%
Amortization of UAAL:	Level % of Payroll (closed Amoritzation over 30 years)

Other actuarial assumptions are:

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

**2014-2015 Per Capita Annual Health, Dental, and Vision Costs per Participant**

<u>Program</u>	<u>Pre 65 Cost</u>	<u>Post 65 Cost</u>
Health Insurance	\$12,123	\$3,774
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:

<u>Program</u>	<u>Retiree Contribution</u>
Health Insurance - retiree	\$6,759
Health Insurance - retiree & family coverage	13,518
Dental Insurance	346
Vision Insurance	76
Life Insurance	\$3.15 per \$1,000 coverage

- Health insurance inflation has been assumed to increase to the rate of 8.0% in fiscal year 2015, decreasing .75% each year until the ultimate rate of 4.5% in 2020.
- 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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

- Investment rate of return: 4.0%
- Payroll growth: 3.5%
- Inflation assumption: 3.5%
- Post-retirement benefit increases assumption: 0.0%

*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:	9/30/2016
Annual Required Contributions	\$ 84,060
Interest on Net OPEB Obligation	12,991
Adjustments	<u>(12,466)</u>
Annual OPEB cost	84,585
Estimated Net Contributions	<u>(28,862)</u>
Anticipated increase/(decrease) in Net OPEB obligations	55,723
Net OPEB Obligations - Beginning of year	<u>324,789</u>
Estimated Net Obligations- end of year	<u><u>\$ 380,512</u></u>

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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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

**Summary of Significant Accounting Policies**

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, employer's contributions, and contributions from other entities are recognized in the period in which the contributions are due. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' net position have been determined on the same basis as they are reported to the plans. For this purpose, 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 three pension plans were established by City ordinance and can be amended or terminated by City ordinance.

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.

*Cash, Cash Equivalents, and Investments*

If available, quoted market prices of identical assets 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, certificates of deposit, corporate bonds and government obligations are valued by surveying various market makers and dealers, as well as data from the new issue market and yields currently available on comparable securities of issuers with similar credit ratings. Investments in equity funds are valued at the quoted market price of identical assets. 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% or more of 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, 2016, the money-weighted rate of return on plan investments, net of investment expense, was as follows:

	<u>General</u>	<u>Fire</u>	<u>Police</u>
Money-weighted rate of return	9.83%	9.75%	9.59%

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

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

**General Information about the Pension Plans**

*Plan Description:*

Members of the police officers' and firefighters' pension plans consist of full-time police officers and firefighters and members of the general employees pension plan consists of all full-time employees classified as general employees.

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.

*Benefits Provided:*

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 with a maximum annual benefit of \$75,000. The average final compensation is 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. Members who have accrued the maximum annual benefit of \$75,000 no longer make contributions to the plan.

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 with a maximum annual benefit of \$75,000. The average final compensation is 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. Members who have accrued the maximum annual benefit of \$75,000 no longer make contributions to the plan.

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. Amounts held in DROP accounts as of September 30, 2016, are \$69,530 for the General Pension Plan, \$274,686 for the Police Officers' Pension Plan and \$191,602 for the Firefighters' Pension Plan.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Participant Data:** Plan membership detail is as follows:

	<b>As of October 1, 2015</b>		
	<b>General Employees' Pension Fund</b>	<b>Fire Fighters' Pension Fund</b>	<b>Police Officers' Pension Fund</b>
Inactive Plan members or beneficiaries currently receiving benefit:	42	13	26
Inactive Plan members entitled to but not yet receiving benefits	8	2	3
Active Plan members	93	24	41
Total	143	39	70

**Contributions Required and Contribution Made**

City contributions are based upon an actuarially determined rate recommended by an independent actuary and adopted by the respective Board of Trustees. The City contributes an amount equal to the difference between the total aggregate member contributions and the actuarial required annual contributions to the plans. The Police Officers' and the Firefighters' Pension Funds receive contributions from the State of Florida from a tax on casualty and property insurance premiums which the City may use to offset the City contribution (subject to limits).

The City's annual contributions for the current year for each plan are as follows:

	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
Contribution rates/amounts:			
City	6.8%	35.6%	23.3%
Plan members	5.0%	5.0%	5.0%
Non-employee Contributions made	\$238,987	\$507,922	\$537,959

The non-employee contributions above include City and State contributions paid to the Plans during the current fiscal year and from contributions recognized as a receivable by the individual Plans.

The annual required contribution for the 2016 fiscal year was determined as part of the October 1, 2014 actuarial valuations. The assumptions did not include post retirement cost of living adjustment.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Changes in the Net Pension Liability:** The following schedules represent the changes in the net pension liability as of the City's measurement date of September 30, 2015 for each of the pension plans in which the City participates. As a result, the individual Plan Fiduciary Net Position in the schedules below will not agree to the individual Plan Fiduciary Net Position as of September 30, 2016.

**General Employees' Pension**

	Increase (Decrease)		
	Total	Plan Fiduciary	Net
	Pension	Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
<b>Balance at 9/30/2015</b>	\$ 9,032,970	\$ 9,270,134	\$ (237,164)
<b>Changes for the year:</b>			
Service cost	312,998	-	312,998
interest	698,894	-	698,894
Differences between expencted and actual experience	(17,979)	-	(17,979)
Contributions - employer	-	267,808	(267,808)
Contributions - employee	-	159,410	(159,410)
Contributions - buy back	385,692	385,692	-
Net investment income	-	(94,331)	94,331
Benefit payments, including			-
refunds of employee contributions	(655,950)	(655,936)	(14)
Administrative expense	-	(22,009)	22,009
<b>Net changes</b>	<u>723,655</u>	<u>40,634</u>	<u>683,021</u>
<b>Balances at 9/30/2016</b>	<u>\$ 9,756,625</u>	<u>\$ 9,310,768</u>	<u>\$ 445,857</u>

**Firefighters' Pension**

	Increase (Decrease)		
	Total	Plan Fiduciary	Net
	Pension	Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
<b>Balance at 9/30/2015</b>	\$ 10,706,691	\$ 7,587,739	\$ 3,118,952
<b>Changes for the year:</b>			
Service cost	214,792	-	214,792
Interest	825,592	-	825,592
Differences between expencted and actual experience	(70,554)	-	(70,554)
Timing differences	-	(13,964)	13,964
Contributions - employer	-	390,377	(390,377)
Contributions - State of Florida	-	134,243	(134,243)
Contributions - employee	-	66,407	(66,407)
Net investment income	-	(70,904)	70,904
Benefit payments, including			-
refunds of employee contributions	(537,358)	(537,358)	-
Administrative expense	-	(51,457)	51,457
<b>Net changes</b>	<u>432,472</u>	<u>(82,656)</u>	<u>515,128</u>
<b>Balances at 9/30/2016</b>	<u>\$ 11,139,163</u>	<u>\$ 7,505,083</u>	<u>\$ 3,634,080</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Police Officers' Pension**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
<b>Balance at 9/30/2015</b>	\$ 14,454,192	\$ 13,419,526	\$ 1,034,666
<b>Changes for the year:</b>			
Service cost	439,663	-	439,663
Interest	1,125,422	-	1,125,422
Differences between expected and actual experience	(181,415)	-	(181,415)
Timing differences	-	(21,999)	21,999
Contributions - employer	-	419,527	(419,527)
Contributions - State of Florida	-	100,182	(100,182)
Contributions - employee	-	106,063	(106,063)
Net investment income	-	(120,063)	120,063
Benefit payments, including refunds of employee contributions	(744,552)	(746,774)	2,222
Administrative expense	-	(66,726)	66,726
<b>Net changes</b>	<u>639,118</u>	<u>(329,790)</u>	<u>968,908</u>
<b>Balances at 9/30/2016</b>	<u>\$ 15,093,310</u>	<u>\$ 13,089,736</u>	<u>\$ 2,003,574</u>

The net pension liability of each Plan was measured as of September 30, 2015 for financial reporting purposes and the total pension liability used to calculate the net pension liability for this purpose was determined by actuarial valuations as of October 1, 2015 updated to September 30, 2016. Significant actuarial assumptions used to measure the total pension liability are as follows:

	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
Significant assumptions:			
Investment rate of return	7.75%	7.75%	7.75%
Projected salary increase*	6.50%	5.75%	5.75%
*Includes inflation at	2.50%	2.50%	2.50%
Post retirement COLA	0.00%	0.00%	0.00%
Mortality table	RP 2000 (Combined healthy with disabled lives set	RP 2000 (Sex Distinct with disabled lives set forward 5	RP 2000 (Sex Distinct with disabled lives set forward 5
Experience study used	1992-2008	1992-2007	1992-2007

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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

Best estimates of arithmetic real rates of return for each major asset class included in each pension plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	50%	5.75%
International Equity	15%	6.00%
Fixed Income	35%	2.50%
	<u>100%</u>	

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions - General Employees' Pension Fund:**

For the year ended September 30, 2016, the City recognized pension expense of \$306,224 related to the General Employees' Pension Plan. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 13,485
City contributions made subsequent to the measurement date of September 30, 2015	238,991	-
Net difference between projected and actual earning on pension plan investments	<u>665,196</u>	<u>123,949</u>
Total	<u>\$ 904,187</u>	<u>\$ 137,434</u>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2015 will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	
2017	\$ 120,489
2018	120,487
2019	120,487
2020	<u>166,299</u>
	<u>\$ 527,762</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions - Firefighters' Pension Fund:**

For the year ended September 30, 2016, the City recognized pension expense of \$545,010 related to Firefighters' Pension Plan. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 136,553
City contributions made subsequent to the measurement date of September 30, 2015	507,921	-
Net difference between projected and actual earning on pension plan investments	<u>531,532</u>	<u>-</u>
Total	<u>\$ 1,039,453</u>	<u>\$ 136,553</u>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2015 will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	
2017	\$ 99,123
2018	99,124
2019	99,125
2020	124,064
2021	(8,819)
Thereafter	<u>(17,638)</u>
	<u>\$ 394,979</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions - Police Officers' Pension Fund:**

For the year ended September 30, 2016, the City recognized pension expense of \$670,408 related to Police Officers' Pension Plan. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 155,499
City contributions made subsequent to the measurement date of September 30, 2015	537,959	-
Net difference between projected and actual earning on pension plan investments	<u>929,815</u>	<u>131,676</u>
Total	<u>\$ 1,467,774</u>	<u>\$ 287,175</u>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2015 will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	
2017	\$ 162,644
2018	162,645
2019	162,645
2020	206,538
2021	(25,916)
Thereafter	<u>(25,916)</u>
	<u>\$ 642,640</u>

*Discount Rate:* The discount rate used to measure the total pension liability for each plan was 7.75%. 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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liabilities to Changes in the Discount Rate:* The following presents the net pension liabilities of the Plans, calculated using the discount rate of 7.75%, as well as what the Plans' net pension liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

Sensitivity of the Net Pension Liabilities as of the City's measurement date of September 30, 2015:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension General Employees Liability (Asset)	\$ 1,460,171	\$ 445,857	\$ (465,595)
Sponsor's Net Pension Firefighters Liability	\$ 4,880,913	\$ 3,634,080	\$ 2,561,464
Sponsor's Net Pension Police Officers Liability	\$ 3,645,717	\$ 2,003,574	\$ 571,665
Total	<u>\$ 9,986,801</u>	<u>\$ 6,083,511</u>	<u>\$ 2,667,534</u>

Sensitivity of the Net Pension Liabilities as of the Plans' current fiscal year of September 30, 2016:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension General Employees Liability (Asset)	\$ 2,013,936	\$ 768,863	\$ (319,425)
Sponsor's Net Pension Firefighters Liability	\$ 5,037,387	\$ 3,661,415	\$ 2,496,106
Sponsor's Net Pension Police Officers Liability	\$ 3,890,072	\$ 2,038,573	\$ 458,799
Total	<u>\$ 10,941,395</u>	<u>\$ 6,468,851</u>	<u>\$ 2,635,480</u>

The net effect of significant changes between the City's measurement date of September 30, 2015 and the reporting date of September 30, 2016 can be seen in the tables above. The most significant change between the measurement date and the reporting date is that the Plan's changed the assumed rates of mortality to the assumptions used by the Florida Retirement Plan, which increased the net pension liability of all three Plans.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Statement of Fiduciary Net Position as of September 30, 2016**

	<b>Pension Trust Fund</b>			<b>Total</b>
	<b>General Employees' Pension</b>	<b>Firefighters' Pension</b>	<b>Police Officers' Pension</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 485,073	\$ 384,201	\$ 608,796	\$ 1,478,070
Investments, at fair value:				
Certificates of deposit	248,379	177,179	404,031	829,589
Money market funds	169,197	116,074	323,336	608,607
Government Bonds	363,867	380,816	663,983	1,408,666
Government Assets backed/CMO Securities	252,454	197,111	356,101	805,666
Taxable Municipal Bonds	137,860	89,962	121,268	349,090
Foreign Bonds	465,526	415,260	698,166	1,578,952
Corporate bonds and notes	1,861,159	1,546,036	2,796,339	6,203,534
Common and preferred stock	6,292,552	4,793,729	8,412,816	19,499,097
Total investments	<u>9,790,994</u>	<u>7,716,167</u>	<u>13,776,040</u>	<u>31,283,201</u>
Prepays				
Prepaid fiduciary liability insurance	8,283	1,727	1,996	12,006
Total Prepays	<u>8,283</u>	<u>1,727</u>	<u>1,996</u>	<u>12,006</u>
Receivable (net):				
Due from City	-	-	5,986	5,986
Interest and dividends	22,913	19,825	35,876	78,614
Total receivable	<u>22,913</u>	<u>19,825</u>	<u>41,862</u>	<u>84,600</u>
Total assets	<u>10,307,263</u>	<u>8,121,920</u>	<u>14,428,694</u>	<u>32,857,877</u>
<b>Liabilities</b>				
Accounts payable	17,720	9,258	16,584	43,562
Due to broker	229,607	159,726	249,572	638,905
Total liabilities	<u>247,327</u>	<u>168,984</u>	<u>266,156</u>	<u>682,467</u>
<b>Net position</b>				
Restricted for pension benefits	<u>\$ 10,059,936</u>	<u>\$ 7,952,936</u>	<u>\$ 14,162,538</u>	<u>\$ 32,175,410</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**Schedule of Changes in Fiduciary Net Position for the year ended September 30, 2016**

	<b>Pension Trust Fund</b>			<b>Total</b>
	<b>General Employees' Pension</b>	<b>Firefighters' Pension</b>	<b>Police Officers' Pension</b>	
<b>Additions</b>				
Contributions:				
Employer	\$ 238,987	\$ 373,680	\$ 429,834	\$ 1,042,501
State of Florida	-	134,242	108,125	242,367
Employee	175,726	70,978	172,173	418,877
Total contributions	<u>414,713</u>	<u>578,900</u>	<u>710,132</u>	<u>1,703,745</u>
Interest and dividends	263,400	244,755	418,821	926,976
Net increase in the fair value of investments	724,503	532,408	936,033	2,192,944
Investment gain	987,903	777,163	1,354,854	3,119,920
Investment expense	(69,605)	(54,705)	(97,995)	(222,305)
Net investment gain	918,298	722,458	1,256,859	2,897,615
Total additions	<u>1,333,011</u>	<u>1,301,358</u>	<u>1,966,991</u>	<u>4,601,360</u>
<b>Deductions</b>				
Benefit payments, including refunds of employee contributions	541,909	789,877	826,863	2,158,649
Administration	41,934	63,628	67,326	172,888
Total deductions	<u>583,843</u>	<u>853,505</u>	<u>894,189</u>	<u>2,331,537</u>
Change in net position	749,168	447,853	1,072,802	2,269,823
<b>Total net position - beginning</b>	<u>9,310,768</u>	<u>7,505,083</u>	<u>13,089,736</u>	<u>29,905,587</u>
<b>Total net position - ending</b>	<u>\$ 10,059,936</u>	<u>\$ 7,952,936</u>	<u>\$ 14,162,538</u>	<u>\$ 32,175,410</u>

**Net Pension Liability:**

The components of the net pension liabilities of the City as measured as of the Plans' most recent fiscal year-end, which is September 30, 2016, were as follows:

	General	Firefighters'	Police	Total
	Employees'		Officers'	
	Pension Fund	Pension Fund	Pension Fund	
Total pension liability	\$ 10,828,799	\$ 11,614,351	\$ 16,201,111	\$ 38,644,261
Plan fiduciary net position	10,059,936	7,952,936	14,162,538	32,175,410
City's net pension liability	<u>\$ 768,863</u>	<u>\$ 3,661,415</u>	<u>\$ 2,038,573</u>	<u>\$ 6,468,851</u>
Plan fiduciary net position as a percentage of the total pension liability	92.90%	68.48%	87.42%	83.26%

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2016**

**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 3 active participants in the plan. The plan required City contributions of 6.8% and employee contribution of 5% for fiscal year ending September 30, 2016.

The funds are invested in life insurance, annuity contracts and a variable rate investment plan. The asset management charge is deducted from individual contracts, where applicable. Total pension contributions for the year ended September 30, 2016 were approximately \$34,121 (City's contribution of \$19,663, employees' contributions of \$14,458) on covered payroll of \$289,155. 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, 2016 there were 3 participants vested in the plan with vested benefits of approximately \$289,117. The plan held no securities of the City or other related parties as of and for the year ended September 30, 2016.

**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, 2016, 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,020,800	\$ 4,906,800	\$ 4,892,819	\$ (13,981)
Licenses and permits	1,258,500	1,287,500	1,388,803	101,303
Intergovernmental	1,678,452	1,534,498	1,797,893	263,395
Charges for services	2,621,018	2,833,218	2,878,905	45,687
Fines and forfeits	42,250	46,950	48,087	1,137
Investment earnings	5,300	5,300	7,241	1,941
Miscellaneous	54,675	50,288	70,721	20,433
<b>Total revenues</b>	<u>10,680,995</u>	<u>10,664,554</u>	<u>11,084,469</u>	<u>419,915</u>
<b>Expenditures</b>				
Current:				
General government:				
City commission	96,576	100,296	98,091	2,205
City manager	205,434	217,434	214,181	3,253
City clerk	113,288	113,288	108,032	5,256
Finance	294,235	295,235	293,816	1,419
Human resources	143,740	143,740	141,284	2,456
City attorney	66,375	71,625	63,734	7,891
Planning	209,569	209,969	207,081	2,888
Facilities maintenance	104,420	91,985	63,686	28,299
Information services	203,279	203,279	192,971	10,308
Municipal building administration	30,017	69,617	64,357	5,260
Non-departmental	183,200	183,200	55,991	127,209
Support services	85,896	88,646	88,067	579
Public safety:				
Police	4,660,166	4,767,853	4,625,457	142,396
Fire	2,704,569	2,746,069	2,832,828	(86,759)
Building permits and inspections	217,414	234,714	228,797	5,917
Code Enforcement	54,612	58,762	55,868	2,894
Physical environment:				
Waste disposal	863,405	893,405	886,778	6,627
Lake conservation	8,000	8,000	-	8,000
Cemetery	154,084	154,984	145,883	9,101
Economic environment	130,800	130,800	127,500	3,300
Transportation	97,706	147,103	139,918	7,185
Human services	13,500	13,500	12,500	1,000
Culture and recreation:				
Parks division	652,550	651,268	643,505	7,763
Recreation facilities	734,115	736,669	636,335	100,334
Special events	45,175	49,875	46,438	3,437
Depot museum	136,242	156,242	141,773	14,469
<b>Total expenditures</b>	<u>\$ 12,208,367</u>	<u>\$ 12,537,558</u>	<u>\$ 12,114,871</u>	<u>\$ 422,687</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, 2016**  
*(Conclusion)*

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Deficiency of revenues under expenditures	\$ (1,527,372)	\$ (1,873,004)	\$ (1,030,402)	\$ 842,602
<b>Other financing sources (uses)</b>				
Note proceeds	612,941	612,941	653,859	40,918
Transfers in	1,157,500	1,157,500	1,140,000	(17,500)
Transfers out	(171,429)	(173,172)	(101,282)	71,890
Insurance recoveries	-	-	1,825	1,825
Sale of capital assets	-	118,757	117,134	(1,623)
Total other financing sources (uses)	<u>1,599,012</u>	<u>1,716,026</u>	<u>1,811,536</u>	<u>95,510</u>
<b>Net change in fund balance</b>	71,640	(156,978)	781,134	938,112
<b>Fund balances, beginning of year</b>	<u>2,304,377</u>	<u>2,304,377</u>	<u>2,304,377</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 2,376,017</u>	<u>\$ 2,147,399</u>	<u>\$ 3,085,511</u>	<u>\$ 938,112</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, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 722,881	\$ 780,081	\$ 786,555	\$ 6,474
Intergovernmental	130,642	128,242	128,651	409
Charges for services	132,672	132,672	133,323	651
Miscellaneous	800	800	-	(800)
Total revenues	<u>986,995</u>	<u>1,041,795</u>	<u>1,048,529</u>	<u>6,734</u>
<b>Expenditures</b>				
Current:				
Transportation	1,013,811	1,007,554	951,266	56,288
Total expenditures	<u>1,013,811</u>	<u>1,007,554</u>	<u>951,266</u>	<u>56,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,816)</u>	<u>34,241</u>	<u>97,263</u>	<u>63,022</u>
<b>Other financing sources (uses)</b>				
Transfers in	82,501	76,244	-	(76,244)
Transfers out	(57,185)	(57,185)	(57,185)	-
Issuance of debt	42,307	42,307	39,654	(2,653)
Total other financing sources (uses)	<u>67,623</u>	<u>61,366</u>	<u>(17,531)</u>	<u>(78,897)</u>
<b>Net change in fund balance</b>	40,807	95,607	79,732	(15,875)
<b>Fund balances, beginning of year</b>	<u>253,252</u>	<u>253,252</u>	<u>253,252</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 294,059</u>	<u>\$ 348,859</u>	<u>\$ 332,984</u>	<u>\$ (15,875)</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, 2016**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 578,924	\$ 571,924	\$ 573,322	\$ 1,398
Intergovernmental	568,958	556,258	556,881	623
Investment earnings	1,000	1,000	-	(1,000)
Total revenues	<u>1,148,882</u>	<u>1,129,182</u>	<u>1,130,203</u>	<u>1,021</u>
<b>Expenditures</b>				
Current:				
Economic environment	321,062	306,332	273,478	32,854
Total expenditures	<u>321,062</u>	<u>306,332</u>	<u>273,478</u>	<u>32,854</u>
Excess of revenues over expenditures	<u>827,820</u>	<u>822,850</u>	<u>856,725</u>	<u>33,875</u>
<b>Other financing uses</b>				
Transfers out	(795,843)	(795,843)	(795,843)	-
Total other financing uses	<u>(795,843)</u>	<u>(795,843)</u>	<u>(795,843)</u>	<u>-</u>
<b>Net change in fund balance</b>	31,977	27,007	60,882	33,875
<b>Fund balances, beginning of year</b>	<u>149,586</u>	<u>149,586</u>	<u>149,586</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 181,563</u>	<u>\$ 176,593</u>	<u>\$ 210,468</u>	<u>\$ 33,875</u>

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

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

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 321,612	\$ 312,998	\$ 313,558
Interest	760,064	698,894	667,476
Differences between expected and actual experience	158,268	(17,979)	-
Change of assumptions	374,139	-	-
Contributions - Buy back	-	385,692	-
Benefit payments, including refunds of employee contributions	(541,909)	(655,950)	(494,203)
Net change in total pension liability	<u>1,072,174</u>	<u>723,655</u>	<u>486,831</u>
<b>Total pension liability - beginning</b>	<u>9,756,625</u>	<u>9,032,970</u>	<u>8,546,139</u>
<b>Total pension liability - ending</b>	<u>\$ 10,828,799</u>	<u>\$ 9,756,625</u>	<u>\$ 9,032,970</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 238,987	\$ 267,808	\$ 294,882
Contributions - Employee	175,726	159,410	155,201
Contributions - Buy backs	-	385,692	-
Net investment income (loss)	918,298	(94,331)	848,507
Benefit payments, including refunds of employee contributions	(541,909)	(655,936)	(495,954)
Administrative expense	(41,934)	(22,009)	(54,587)
<b>Net change in plan fiduciary net position</b>	<u>749,168</u>	<u>40,634</u>	<u>748,049</u>
<b>Plan fiduciary net position - beginning, as reported</b>	9,310,768	9,270,134	8,339,975
<b>Restatement of beginning net position (a)</b>	-	-	182,110
<b>Plan fiduciary net position - ending</b>	<u>\$ 10,059,936</u>	<u>\$ 9,310,768</u>	<u>\$ 9,270,134</u>
<b>Net pension liability - ending</b>	<u>\$ 768,863</u>	<u>\$ 445,857</u>	<u>\$ (237,164)</u>
Plan fiduciary net position as a percentage of the total pension liability	92.90%	95.43%	102.63%
Covered employee payroll	\$ 3,514,557	\$ 3,651,542	\$ 3,104,032
Net pension liability as a percentage of covered employee payroll	21.88%	12.21%	-7.64%

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

**Notes to Schedule:**

For the year ended September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

For the year ended September 30, 2016, the inflation rate was lowered from 3.0% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**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>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 213,696	\$ 214,792	\$ 197,807
Interest	849,239	825,592	809,770
Differences between expected and actual experience	(139,447)	(70,554)	-
Share plan allocation	724	-	-
Changes of Assumptions	340,853	-	-
Benefit payments, including refunds of employee contributions	<u>(789,877)</u>	<u>(537,358)</u>	<u>(1,103,457)</u>
Net change in total pension liability	<u>475,188</u>	<u>432,472</u>	<u>(95,880)</u>
<b>Total pension liability - beginning</b>	<u>11,139,163</u>	<u>10,706,691</u>	<u>10,802,571</u>
<b>Total pension liability - ending</b>	<u><u>\$ 11,614,351</u></u>	<u><u>\$ 11,139,163</u></u>	<u><u>\$ 10,706,691</u></u>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 373,680	\$ 390,377	\$ 394,982
Contributions - State	134,242	134,243	132,572
Contributions - Employee	70,978	66,407	63,503
Net investment income (loss)	722,458	(70,904)	675,710
Benefit payments, including refunds of employee contributions	(789,877)	(537,358)	(1,101,302)
Administrative expense	<u>(63,628)</u>	<u>(51,457)</u>	<u>(45,836)</u>
<b>Net change in plan fiduciary net position</b>	<u>447,853</u>	<u>(68,692)</u>	<u>119,629</u>
<b>Plan fiduciary net position - beginning, as reported</b>	7,505,083	7,573,775	6,747,553
<b>Restatement of beginning net position (a)</b>	-	-	706,593
<b>Plan fiduciary net position - ending</b>	<u><u>\$ 7,952,936</u></u>	<u><u>\$ 7,505,083</u></u>	<u><u>\$ 7,573,775</u></u>
<b>Net pension liability - ending</b>	<u><u>\$ 3,661,415</u></u>	<u><u>\$ 3,634,080</u></u>	<u><u>\$ 3,132,916</u></u>
Plan fiduciary net position as a percentage of the total pension liability	68.48%	67.38%	70.74%
Covered employee payroll	\$ 1,419,567	\$ 1,372,085	\$ 1,270,068
Net pension liability as a percentage of covered employee payroll	257.92%	264.86%	246.67%

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

**Notes to Schedule:**

For the year ended September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

For the year ended September 30, 2016, the inflation rate was lowered from 3.0% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**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>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 421,452	\$ 439,663	\$ 417,622
Interest	1,170,401	1,125,422	1,064,424
Share plan allocation	5,983	-	-
Differences between expected and actual experience	(109,886)	(181,415)	-
Changes of Assumptions	387,470	-	-
Contributions - buy back	58,016	-	-
Benefit payments, including refunds of employee contributions	(825,635)	(744,552)	(689,470)
Net change in total pension liability	<u>1,107,801</u>	<u>639,118</u>	<u>792,576</u>
<b>Total pension liability - beginning</b>	<u>15,093,310</u>	<u>14,454,192</u>	<u>13,661,616</u>
<b>Total pension liability - ending</b>	<u><u>\$ 16,201,111</u></u>	<u><u>\$ 15,093,310</u></u>	<u><u>\$ 14,454,192</u></u>
 <b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 429,834	\$ 419,527	\$ 490,676
Contributions - State	108,125	100,182	96,680
Contributions - Employee	172,173	106,063	108,368
Net investment income	1,256,859	(120,063)	1,153,544
Benefit payments, including refunds of employee contributions	(826,863)	(746,774)	(679,118)
Administrative expense	(67,326)	(66,726)	(52,141)
<b>Net change in plan fiduciary net position</b>	<u>1,072,802</u>	<u>(307,791)</u>	<u>1,118,009</u>
 <b>Plan fiduciary net position - beginning, as reported</b>	<u>13,089,736</u>	<u>13,397,527</u>	<u>12,187,247</u>
<b>Restatement of beginning net position (a)</b>	<u>-</u>	<u>-</u>	<u>92,271</u>
<b>Plan fiduciary net position - ending</b>	<u><u>\$ 14,162,538</u></u>	<u><u>\$ 13,089,736</u></u>	<u><u>\$ 13,397,527</u></u>
 <b>Net pension liability - ending</b>	<u><u>\$ 2,038,573</u></u>	<u><u>\$ 2,003,574</u></u>	<u><u>\$ 1,056,665</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	87.42%	86.73%	92.69%
 Covered employee payroll	\$ 2,283,146	\$ 2,124,365	\$ 2,167,367
Net pension liability as a percentage of covered employee payroll	89.29%	94.31%	48.75%

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

**Notes to Schedule:**

For the year ended September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

For the year ended September 30, 2016, the inflation rate was lowered from 3.0% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**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**

	<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>	<u>9/30/2015</u>	<u>9/30/2016</u>
Actuarially Determined Contribution	\$ 160,446	\$ 234,584	\$ 195,820	\$ 41,622	\$ 71,803	\$ 165,024	\$ 245,477	\$ 294,883	\$ 267,808	\$ 238,987
Interest on NPO	(9,959)	(9,508)	(9,027)	(8,303)	(7,414)	(6,623)	(5,926)	-	-	-
Adjustment to (A)	15,599	15,519	14,734	19,779	17,621	15,611	13,343	-	-	-
Annual Pension Cost	166,086	240,595	201,527	53,098	82,010	174,012	252,894	294,883	267,808	238,987
Contributions in Relation to the										
Actuarially Determined Contributions	160,446	234,584	195,820	41,622	71,803	165,024	245,477	294,883	238,987	238,987
Contribution Deficiency (Excess)	5,640	6,011	5,707	11,476	10,207	8,988	7,417	-	28,821	-
Covered Employee Payroll	\$ 3,133,820	\$ 2,986,894	\$ 2,848,785	\$ 2,907,120	\$ 2,704,493	\$ 2,926,546	\$ 3,219,722	\$ 3,104,032	\$ 3,651,542	\$ 3,514,557
Contributions as a Percentage of										
Covered Employee Payroll	5.12%	7.85%	6.87%	1.43%	2.65%	5.64%	7.62%	9.50%	6.54%	6.80%

**Notes to Schedule of Contributions**

Valuation Date 10/1/2014

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Frozen Entry Age
Amortization Method:	Level percentage of pay, closed
Remaining Amortization Period:	28 years as of 10-1-2013
Actuarial Asset Method:	4-year average market value return, net of fees
Inflation	2.50%
Payroll Growth	3.66%
Salary Increases:	6.50%
Interest Rate:	7.75%
Retirement Age:	Age 60 and 10 years of service
Mortality:	RP-2000 (combined healthy) with disabled lives set forward 5 years

Termination and Disability Rates	Age	% Becoming	% Terminating
		Disabled During the Year	During the Year
	20	0.05%	46.30%
	30	0.06%	23.30%
	40	0.12%	13.10%
	50	0.43%	10.40%
	60	1.61%	10.40%

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

	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016
Actuarially Determined Contribution (A)	\$ 340,107	\$ 339,187	\$ 366,303	\$ 461,317	\$ 484,508	\$ 529,707	\$ 473,635	\$ 532,159	\$ 524,620	\$ 505,366
Interest on NPO	(5,595)	(5,700)	(5,808)	(5,917)	(5,943)	(5,690)	(5,277)	-	-	-
Adjustment to (A)	4,275	4,356	4,438	5,591	9,111	8,722	4,062	-	-	-
Annual Pension Cost	338,787	337,843	364,933	460,991	487,676	532,739	472,420	532,159	524,620	505,366
Contributions in Relation to the Actuarially Determined Contributions	340,107	339,187	366,303	461,317	484,508	529,707	473,635	532,159	524,620	507,922
Contribution Deficiency (Excess)	(1,320)	(1,344)	(1,370)	(326)	3,168	3,032	(1,215)	-	-	(2,556)
Covered Employee Payroll	\$ 947,177	\$ 1,111,770	\$ 1,194,794	\$ 1,176,080	\$ 1,160,475	\$ 1,153,396	\$ 1,214,019	\$ 1,270,068	\$ 1,372,085	\$ 1,419,567
Contributions as a Percentage of Covered Employee Payroll	35.91%	30.51%	30.66%	39.22%	41.75%	45.93%	39.01%	41.90%	38.24%	35.78%

**Notes to Schedule of Contributions**

Valuation Date 10/1/2014

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of pay, closed
Remaining Amortization Period:	30 years
Actuarial Asset Method:	4-year average market value return, net of fees
Inflation	2.50%
Payroll Growth	3.00%
Salary Increases:	5.75%
Interest Rate:	7.75%
Retirement Age:	Earlier of age 55 and 10 years of credited service, or age 50 and 25 years of credited service.
Mortality:	RP-2000 (sex distinct) with disabled lives set forward 5 years

The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 9/30/2015 measurement period which includes DROP payroll.

Termination and Disability Rates	Age	% Becoming Disabled	% Terminating
		During the Year	During the Year
	20	0.14%	6.00%
	30	0.18%	5.00%
	40	0.30%	2.60%
	50	1.00%	0.80%

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

	<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>	<u>9/30/2015</u>	<u>9/30/2016</u>
Actuarially Determined Contribution	\$ 430,249	\$ 380,537	\$ 447,008	\$ 623,601	\$ 541,275	\$ 699,733	\$ 508,870	\$ 587,357	\$ 519,709	\$ 531,976
Interest on NPO	(10,987)	(11,233)	(11,485)	(11,680)	(11,719)	(11,282)	(10,530)	-	-	-
Adjustment to (A)	7,912	8,090	9,044	11,198	17,182	16,435	8,318	-	-	-
Annual Pension Cost	<u>427,174</u>	<u>377,394</u>	<u>444,567</u>	<u>623,119</u>	<u>546,738</u>	<u>704,886</u>	<u>506,658</u>	<u>587,357</u>	<u>519,709</u>	<u>531,976</u>
Contributions in Relation to the										
Actuarially Determined Contributions	430,249	380,537	447,008	623,601	541,275	699,733	508,870	587,357	519,709	537,959
Contribution Deficiency (Excess)	<u>(3,075)</u>	<u>(3,143)</u>	<u>(2,441)</u>	<u>(482)</u>	<u>5,463</u>	<u>5,153</u>	<u>(2,212)</u>	<u>-</u>	<u>-</u>	<u>(5,983)</u>
Covered Employee Payroll	\$ 1,877,296	\$ 1,968,564	\$ 2,140,829	\$ 2,245,228	\$ 2,119,040	\$ 1,940,719	\$ 2,178,365	\$ 2,167,367	\$ 2,124,365	\$ 2,283,146
Contributions as a Percentage of										
Covered Employee Payroll	22.92%	19.33%	20.88%	27.77%	25.54%	36.06%	23.36%	27.10%	24.46%	23.56%

**Notes to Schedule of Contributions**

Valuation Date 10/1/2014

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of pay, closed
Remaining Amortization Period:	30 years
Actuarial Asset Method:	4-year average market value return, net of fees
Inflation	2.50%
Payroll Growth	3.30%
Salary Increases:	5.75%
Interest Rate:	7.75%
Retirement Age:	Earlier of age 55 and 10 years of credited service, or age 50 and 25 years of credited service.
Early Retirement:	Age 50 with 10 years of credited service
Mortality:	RP-2000 (sex distinct) with disabled lives set forward 5 years

Termination and Disability Rates	Age	% Becoming	
		Disabled During the Year	% Terminating During the Year
	20	0.14%	6.00%
	30	0.18%	5.00%
	40	0.30%	2.60%
	50	1.00%	0.80%

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

		<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
<b>Firefighters' Pension Plan</b>				
	Annual Money-Weighted Rate of Return net of Investment Expense	9.75%	-1.01%	9.51%
<b>General Employees' Pension Plan</b>				
	Annual Money-Weighted Rate of Return net of Investment Expense	9.83%	-1.14%	10.18%
<b>Police Officers' Pension Plan</b>				
	Annual Money-Weighted Rate of Return net of Investment Expense	9.59%	-0.97%	9.59%

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

**City of Lake Wales, Florida**  
**Schedules of Funding Progress and Employer Contributions**  
**Other Post Employment Benefit Plan**  
**September 30, 2016**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date*</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age Normal (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent of Covered Payroll ((b-a)/c)</b>
10/1/2014	N/A	\$ 716,387	\$ 716,387	0.00%	\$ 8,413,699	8.50%
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 three full actuarial valuations of its OPEB Liability.

**Three Year Trend Information**

<b>Year Ended</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2016	\$ 84,585	34.1%	\$ 380,512
9/30/2015	\$ 84,886	26.8%	\$ 324,789
9/30/2014	\$ 119,356	47.1%	\$ 262,724



This page intentionally left blank.

## **SUPPLEMENTAL INFORMATION**

**City of Lake Wales, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2016**

	<b>Special Revenue Funds</b>					
	<b>Forfeitures 106</b>	<b>Library 110</b>	<b>Law Enforcement Block Grant 116</b>	<b>Street Lighting District 103</b>	<b>Capital Projects 330</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	\$ 68,973	\$ 36,077	\$ -	\$ 17,154	\$ -	\$ 122,204
Intergovernmental receivables	-	-	4,686	-	-	4,686
Restricted cash and cash equivalents:						
Impact fee	-	63,660	-	-	518,547	582,207
Prepaid items	-	33,730	-	-	-	33,730
<b>Total assets</b>	<b>\$ 68,973</b>	<b>\$ 133,467</b>	<b>\$ 4,686</b>	<b>\$ 17,154</b>	<b>\$ 518,547</b>	<b>\$ 742,827</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 1,500	\$ 9,219	\$ -	\$ -	\$ 13,001	\$ 23,720
Accrued liabilities	-	9,274	-	-	-	9,274
Due to other funds	-	-	4,686	-	41,815	46,501
<b>Total liabilities</b>	<b>1,500</b>	<b>18,493</b>	<b>4,686</b>	<b>-</b>	<b>54,816</b>	<b>79,495</b>
<b>Fund balances</b>						
Nonspendable:						
Inventory and prepaid	-	33,730	-	-	-	33,730
Restricted for:						
Law enforcement expenditures	67,473	-	-	-	-	67,473
Library expenditures	-	81,244	-	-	-	81,244
Street lighting expenditures	-	-	-	17,154	-	17,154
Capital projects	-	-	-	-	463,731	463,731
<b>Total fund balances</b>	<b>67,473</b>	<b>114,974</b>	<b>-</b>	<b>17,154</b>	<b>463,731</b>	<b>663,332</b>
<b>Total liabilities and fund balances</b>	<b>\$ 68,973</b>	<b>\$ 133,467</b>	<b>\$ 4,686</b>	<b>\$ 17,154</b>	<b>\$ 518,547</b>	<b>\$ 742,827</b>

**City of Lake Wales, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2016**

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Forfeitures 106</u>	<u>Library 110</u>	<u>Law Enforcement Block Grant 116</u>	<u>Street Lighting District 103</u>	<u>Capital Projects 330</u>	
<b>Revenues</b>						
Taxes	\$ -	\$ 363,189	\$ -	\$ -	\$ -	\$ 363,189
Special Assessment	-	-	-	14,823	-	14,823
Intergovernmental	-	559,368	13,856	-	-	573,224
Fines and forfeits	59,985	-	-	-	-	59,985
Investment earnings	132	306	-	-	1,283	1,721
Impact fees	-	25,849	-	-	110,511	136,360
Miscellaneous	-	16,415	-	-	-	16,415
Total revenues	<u>60,117</u>	<u>965,127</u>	<u>13,856</u>	<u>14,823</u>	<u>111,794</u>	<u>1,165,717</u>
<b>Expenditures</b>						
Current:						
Public safety	21,820	-	13,856	-	-	35,676
Physical environment	-	-	-	13,451	-	13,451
Culture and recreation	-	974,555	-	-	-	974,555
Capital outlay	-	-	-	-	80,038	80,038
Total expenditures	<u>21,820</u>	<u>974,555</u>	<u>13,856</u>	<u>13,451</u>	<u>80,038</u>	<u>1,103,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>38,297</u>	<u>(9,428)</u>	<u>-</u>	<u>1,372</u>	<u>31,756</u>	<u>61,997</u>
<b>Other financing sources</b>						
Transfers in	-	-	-	-	8,000	8,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Net change in fund balances	38,297	(9,428)	-	1,372	39,756	69,997
<b>Fund balances, beginning of year</b>	<u>29,176</u>	<u>124,402</u>	<u>-</u>	<u>15,782</u>	<u>423,975</u>	<u>593,335</u>
<b>Fund balances, end of year</b>	<u>\$ 67,473</u>	<u>\$ 114,974</u>	<u>\$ -</u>	<u>\$ 17,154</u>	<u>\$ 463,731</u>	<u>\$ 663,332</u>

**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, 2016**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 756,400	\$ 756,400	\$ 756,400	\$ -
Licenses and permits	255,000	255,000	255,000	-
Investment earnings	-	-	1,757	1,757
Impact fees	10,000	21,500	21,521	21
<b>Total revenues</b>	<b>1,021,400</b>	<b>1,032,900</b>	<b>1,034,678</b>	<b>1,778</b>
<b>Expenditures</b>				
Current:				
Principal	1,544,984	1,544,984	1,484,637	60,347
Interest and fiscal charges	325,720	325,720	333,629	(7,909)
<b>Total expenditures</b>	<b>1,870,704</b>	<b>1,870,704</b>	<b>1,818,266</b>	<b>52,438</b>
Deficiency of revenues under expenditures	(849,304)	(837,804)	(783,588)	54,216
<b>Other financing sources</b>				
Transfers in	853,028	853,028	853,028	-
<b>Total other financing sources</b>	<b>853,028</b>	<b>853,028</b>	<b>853,028</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>3,724</b>	<b>15,224</b>	<b>69,440</b>	<b>54,216</b>
<b>Fund balances, beginning of year</b>	<b>1,252,676</b>	<b>1,252,676</b>	<b>1,252,676</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 1,256,400</b>	<b>\$ 1,267,900</b>	<b>\$ 1,322,116</b>	<b>\$ 54,216</b>

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**  
**Forfeitures Fund**  
**For the Year Ended September 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and forfeits	\$ 20,000	\$ 56,700	\$ 59,985	\$ 3,285
Investment earnings	-	130	132	2
Total revenues	<u>20,000</u>	<u>56,830</u>	<u>60,117</u>	<u>3,287</u>
<b>Expenditures</b>				
Current:				
Public safety	25,359	25,359	21,820	3,539
Total expenditures	<u>25,359</u>	<u>25,359</u>	<u>21,820</u>	<u>3,539</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,359)</u>	<u>31,471</u>	<u>38,297</u>	<u>6,826</u>
<b>Other financing sources</b>				
Sale of capital assets	-	4,150	-	(4,150)
Total other financing sources	<u>-</u>	<u>4,150</u>	<u>-</u>	<u>(4,150)</u>
<b>Net change in fund balance</b>	(5,359)	35,621	38,297	2,676
<b>Fund balances, beginning of year</b>	<u>29,176</u>	<u>29,176</u>	<u>29,176</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 23,817</u>	<u>\$ 64,797</u>	<u>\$ 67,473</u>	<u>\$ 2,676</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, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 398,844	\$ 343,144	\$ 363,189	\$ 20,045
Intergovernmental	535,000	559,400	559,368	(32)
Investment earnings	4,500	4,500	306	(4,194)
Impact fees	25,000	25,000	25,849	849
Miscellaneous	20,244	17,044	16,415	(629)
Total revenues	<u>983,588</u>	<u>949,088</u>	<u>965,127</u>	<u>16,039</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	1,031,253	1,041,253	974,555	66,698
Total expenditures	<u>1,031,253</u>	<u>1,041,253</u>	<u>974,555</u>	<u>66,698</u>
<b>Net change in fund balance</b>	(47,665)	(92,165)	(9,428)	82,737
<b>Fund balances, beginning of year</b>	124,402	124,402	124,402	-
<b>Fund balances, end of year</b>	<u>\$ 76,737</u>	<u>\$ 32,237</u>	<u>\$ 114,974</u>	<u>\$ 82,737</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, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 14,000	\$ 13,850	\$ 13,856	\$ 6
Total revenues	<u>14,000</u>	<u>13,850</u>	<u>13,856</u>	<u>6</u>
<b>Expenditures</b>				
Current:				
Public safety	14,000	14,000	13,856	144
Total expenditures	<u>14,000</u>	<u>14,000</u>	<u>13,856</u>	<u>144</u>
<b>Net change in fund balance</b>	-	(150)	-	150
<b>Fund balances, beginning of year</b>	-	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ (150)</u>	<u>\$ -</u>	<u>\$ 150</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, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special Assessment	\$ 14,500	\$ 14,800	\$ 14,823	\$ 23
Total revenues	<u>14,500</u>	<u>14,800</u>	<u>14,823</u>	<u>23</u>
<b>Expenditures</b>				
Current:				
Physical environment	14,602	14,602	13,451	1,151
Total expenditures	<u>14,602</u>	<u>14,602</u>	<u>13,451</u>	<u>1,151</u>
<b>Net change in fund balance</b>	(102)	198	1,372	1,174
<b>Fund balances, beginning of year</b>	<u>15,782</u>	<u>15,782</u>	<u>15,782</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 15,680</u>	<u>\$ 15,980</u>	<u>\$ 17,154</u>	<u>\$ 1,174</u>

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**  
**Capital Projects Fund**  
**For the Year Ended September 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 2,500	\$ 2,500	\$ 1,283	\$ (1,217)
Impact fees	24,400	117,400	110,511	(6,889)
Total revenues	<u>26,900</u>	<u>119,900</u>	<u>111,794</u>	<u>(8,106)</u>
<b>Expenditures</b>				
Capital outlay	73,000	73,000	80,038	(7,038)
Total expenditures	<u>73,000</u>	<u>73,000</u>	<u>80,038</u>	<u>(7,038)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,100)</u>	<u>46,900</u>	<u>31,756</u>	<u>(15,144)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	8,000	8,000
Transfers out	(17,500)	(17,500)	-	17,500
Total other financing sources (uses)	<u>(17,500)</u>	<u>(17,500)</u>	<u>8,000</u>	<u>25,500</u>
<b>Net change in fund balance</b>	(63,600)	29,400	39,756	10,356
<b>Fund balances, beginning of year</b>	<u>423,975</u>	<u>423,975</u>	<u>423,975</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 360,375</u>	<u>\$ 453,375</u>	<u>\$ 463,731</u>	<u>\$ 10,356</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, 2016**

	<b>2016</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 2,500
Receivables (net of allowance for uncollectibles)	3,559
Due from other governments	10,510
<b>Total Current Assets</b>	<b>16,569</b>
<b>Noncurrent Assets</b>	
Capital assets:	
Nondepreciable	1,710,374
Depreciable, net	8,393,538
<b>Total Noncurrent Assets</b>	<b>10,103,912</b>
<b>Total Assets</b>	<b>10,120,481</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	6,343
Accrued liabilities	806
Unearned revenues	3,379
Due to primary government	121,845
<b>Total Current Liabilities</b>	<b>132,373</b>
<b>Total Liabilities</b>	<b>132,373</b>
<b>Net Position</b>	
Net investment in capital assets	10,103,912
Unrestricted	(115,804)
<b>Total Net Position</b>	<b>\$ 9,988,108</b>

**Lake Wales Airport Authority  
City of Lake Wales, Florida  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended September 30, 2016**

	<b>2016</b>
<b>Operating Revenues</b>	
Charges for services	\$ 94,662
<b>Operating Expenses</b>	
Personnel services	28,533
Contractual services	27,403
Repairs and maintenance	17,639
Materials and supplies	3,893
General and administrative	72,842
Depreciation	542,715
Total operating expenses	693,025
<b>Operating Loss</b>	(598,363)
Income before contributions and transfers	(598,363)
<b>Capital Contributions</b>	
Grants	69,000
From City of Lake Wales	250,555
Total capital contributions	319,555
<b>Change in Net Position</b>	(278,808)
<b>Total Net Position, Beginning of Year</b>	10,266,916
<b>Total Net Position, End of Year</b>	\$ 9,988,108

**Lake Wales Airport Authority  
City of Lake Wales, Florida  
Statement of Cash Flows  
For the Year Ended September 30, 2016**

	<b>2016</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 94,158
Cash payments for employee services	(27,727)
Cash payments to suppliers	(121,777)
Net cash used in operating activities	(55,346)
<b>Cash flows from capital and related financing activities</b>	
Capital grants	597,715
Capital contributions from City of Lake Wales (net)	188,197
Acquisition and construction of capital assets	(728,066)
Net cash provided by capital and related financing activities	57,846
<b>Net increase in cash and cash equivalents</b>	2,500
<b>Cash and cash equivalents, beginning of year</b>	-
<b>Cash and cash equivalents, end of year</b>	\$ 2,500
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (598,363)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	542,715
Increase in assets:	
Accounts receivable	(3,559)
Increase in liabilities:	
Accrued liabilities	806
Unearned revenues	3,055
Net cash used in operating activities	\$ (55,346)

**City of Lake Wales, Florida  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Grant Number</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Justice passed through</b>			
Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant			
Lake Wales Wireless Scanners	2016-JAGD-POLK-1-R1-040	16.738	\$ 4,686
Lake Wales Wireless Scanners	2016-JAGC-POLK-8-H3-121	16.738	9,170
Bulletproof Vest Program		16.607	5,414
Total U.S. Department of Justice			<u>19,270</u>
<b>Executive Office of the President passed through</b>			
Office of National Drug Control Policy			
Central Florida HIDTA			
HIDTA Task Force	G13-CF0005A	95.001	<u>10,953</u>
			<u>\$ 30,223</u>

- (1) SRF - 5907P Loan Balance at September 30, 2016 - \$250,726
- (2) SRF - 59110 Loan Balance at September 30, 2016 - \$277,171
- (3) SRF - 5912S Loan Balance at September 30, 2016 - \$600,890
- (4) SRF - 5913P Loan Balance at September 30, 2016- \$635,891
- (5) SRF - 59140 Loan Balance at September 30, 2016 - \$321,719
- (6) SRF - 530300 Loan Balance at September 30, 2016 - \$3,601,340
- (7) SRF - 530310 Loan Balance at September 30, 2016 - \$1,647,961

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
CITY OF LAKE WALES, FLORIDA**

**Note 1 – General**

The accompanying schedule of expenditures of federal awards presents the activities of all federal award 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, 2016.

Federal awards received directly, as well as passed through to other government agencies, if any, are included in the schedule.

**Note 2 – Basis of Accounting**

The accompanying schedule of expenditures of federal awards are 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. The City's federal awards did not include indirect cost reimbursement and; therefore, the City did not elect to use the 10 percent de minimis cost rate as covered by 2 CFR 200.414.

**Note 3 – Contingencies**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

Grant monies received and disbursed by the City or discretely-presented component unit are for specific purposes and are subject to review by the grantor agencies. Such reviews potentially may result in disallowed expenditures.

**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 .....	102
Changes in Net Position .....	103
Fund Balances of Governmental Funds .....	105
Changes in Fund Balances of Governmental Funds.....	106
Governmental Activities Tax Revenues by Source.....	107

**Revenue Capacity**

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

Assessed and Estimated Actual Value of Taxable Property .....	108
Direct and Overlapping Property Tax Rates .....	109
Principal Property Taxpayers .....	110
Property Tax Levies and Collections .....	111

**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 .....	112
Direct and Overlapping Governmental Activities Debt .....	113
Pledged-Revenues Coverage .....	114

**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 .....	115
---	-----

**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 .....	118
Various Indicators by Function/Program .....	119
Water Sold by Type of Customer and Associated Rates.....	120
Sewer Sold by Type of Customer and Associated Rates.....	121
Principal Employers .....	122

*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									
	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 16,349,902	\$ 11,543,258	\$ 14,626,172	\$ 15,123,821	\$ 14,412,716	\$ 14,610,965	\$ 14,973,405	\$ 15,575,570	\$ 15,600,248	\$ 15,848,115
Restricted	3,319,481	9,681,679	4,579,237	4,431,294	3,606,811	3,221,380	2,768,005	2,874,458	2,242,316	2,495,170
Unrestricted	487,205	1,901,817	2,329,160	2,875,420	2,465,425	1,758,076	1,510,997	205,608	(2,238,048)	(1,619,543)
Total governmental activities net position	<u>20,156,588</u>	<u>23,126,754</u>	<u>21,534,569</u>	<u>22,430,535</u>	<u>20,484,952</u>	<u>19,590,421</u>	<u>19,252,407</u>	<u>18,655,636</u>	<u>15,604,516</u>	<u>16,723,742</u>
<b>Business-type activities</b>										
Net investment in capital assets	11,516,914	14,827,444	17,897,798	17,430,569	19,802,017	21,421,022	22,004,309	24,240,474	24,566,866	25,806,028
Restricted	320,289	862,542	754,399	2,145,793	2,426,057	2,589,379	2,773,953	2,786,545	3,582,332	3,772,396
Unrestricted	330,857	298,731	738,175	523,332	1,331,958	993,441	1,365,077	169,003	738,546	1,072,128
Total business-type activities in net position	<u>12,168,060</u>	<u>15,988,717</u>	<u>19,390,372</u>	<u>20,099,694</u>	<u>23,560,032</u>	<u>25,003,842</u>	<u>26,143,339</u>	<u>27,196,022</u>	<u>28,887,744</u>	<u>30,650,552</u>
<b>Primary government</b>										
Net investment in capital assets	27,866,816	26,370,702	32,523,970	32,554,390	34,214,733	36,031,987	36,977,714	39,816,044	40,167,114	41,654,143
Restricted	3,639,770	10,544,221	5,333,636	6,577,087	6,032,868	5,810,759	5,541,958	5,661,003	5,824,648	6,267,566
Unrestricted	818,062	2,200,548	3,067,335	3,398,752	3,797,383	2,751,517	2,876,074	374,611	(1,499,502)	(547,415)
Total primary government net position	<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>	<u>\$ 44,492,260</u>	<u>\$ 47,374,294</u>

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

	Fiscal Year									
	9/30/2007 <sup>(1)</sup>	9/30/2008	09/30/2009 <sup>(2)</sup>	9/30/2010 <sup>(3)</sup>	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015 <sup>(4)</sup>	9/30/2016 <sup>(5)</sup>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,666,102	\$ 1,555,163	\$ 1,444,334	\$ 1,354,698	\$ 1,461,907	\$ 1,214,450	\$ 1,170,638	\$ 1,217,965	\$ 1,080,211	\$ 1,226,946
Public safety	7,616,565	7,049,550	7,197,292	7,647,887	7,340,512	7,309,111	7,134,069	7,548,733	7,005,129	7,816,386
Physical environment	1,710,287	1,581,070	963,588	1,204,112	1,211,193	1,020,413	941,419	745,501	1,089,770	1,071,354
Transportation	1,561,291	1,206,577	1,515,164	1,548,696	1,570,751	1,609,153	1,558,117	1,647,003	1,841,706	1,767,102
Economic Environment	1,007,452	599,756	580,616	532,987	506,936	483,785	456,091	344,886	320,428	414,110
Human services	35,333	14,634	20,636	20,634	20,635	64,633	16,704	15,634	10,174	10,174
Culture and recreation	1,920,919	1,626,211	2,291,706	2,337,296	2,354,841	2,256,121	2,317,252	2,707,191	2,338,582	2,523,366
Interest on long term debt	505,482	752,066	767,787	675,004	605,706	543,766	457,347	455,554	356,781	345,798
Total governmental activities expenses	16,023,431	14,385,027	14,781,123	15,321,314	15,072,481	14,501,432	14,051,637	14,682,467	14,042,781	15,175,236
Business-type activities:										
Water and wastewater	4,954,705	5,194,309	5,024,906	5,285,512	4,731,031	4,933,817	5,195,033	6,271,228	5,111,658	5,579,359
LWMG Cemetery	-	-	-	-	-	-	-	-	7,255	88,200
Total business-type activities	4,954,705	5,194,309	5,024,906	5,285,512	4,731,031	4,933,817	5,195,033	6,271,228	5,118,913	5,667,559
Total primary government expenses	20,978,136	19,579,336	19,806,029	20,606,826	19,803,512	19,435,249	19,246,670	20,953,695	19,161,694	20,842,795
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
General government	31,095	28,598	17,429	30,704	69,395	74,304	60,774	68,363	60,425	108,638
Public safety	1,116,037	1,240,923	624,776	872,049	700,165	594,963	720,995	862,226	1,001,802	1,761,549
Physical environment	996,493	1,093,013	1,120,801	1,125,826	1,152,546	1,029,093	1,073,028	1,061,209	1,122,696	1,189,190
Transportation	96,331	96,923	97,247	97,750	105,543	107,530	108,418	109,168	114,342	133,323
Culture and recreation	90,379	97,333	47,050	86,184	146,054	55,266	85,137	104,019	104,416	98,304
Operating grants and contributions	691,710	875,556	772,085	811,508	785,447	707,516	713,964	740,250	845,228	1,147,668
Capital grants and contributions	2,044,202	1,740,200	55,401	408,721	888,272	24,761	26,593	105,731	169,913	15,139
Total governmental activities program revenues	5,066,247	5,172,546	2,734,789	3,432,742	3,847,422	2,593,433	2,788,909	3,050,966	3,418,822	4,453,811
Business -type activities:										
Charges for services:										
Water and wastewater	5,715,639	6,622,986	6,025,162	6,125,465	6,303,592	6,514,807	6,549,910	6,649,031	7,002,296	7,860,703
LWMG Cemetery	-	-	-	-	-	-	-	-	6,079	61,181
Operation grants and contributions	40,111	1,772	-	-	-	-	-	-	-	-
Capital grants and contributions	319,088	1,166,650	159,572	383,974	512,411	398,506	399,621	981,217	307,801	345,382
Total business-type activities program revenues	6,074,838	7,791,408	6,184,734	6,509,439	6,816,003	6,913,313	6,949,531	7,630,248	7,316,176	8,267,266
Total primary government program revenues	11,141,085	12,963,954	8,919,523	9,942,181	10,663,425	9,506,746	9,738,440	10,681,214	10,734,998	12,721,077
<b>Net (expenditures) revenues</b>										
Governmental activities	(10,957,184)	(9,212,481)	(12,046,334)	(11,888,572)	(11,225,059)	(11,907,999)	(11,262,728)	(11,631,501)	(10,623,959)	(10,721,425)
Business-type activities	1,120,133	2,597,099	1,159,828	1,223,927	2,084,972	1,979,496	1,754,498	1,359,020	2,197,263	2,599,707
Total primary government net(expenses) revenues	(9,837,051)	(6,615,382)	(10,886,506)	(10,664,645)	(9,140,087)	(9,928,503)	(9,508,230)	(10,272,481)	(8,426,696)	(8,121,718)
<b>General revenues and other changes in net assets</b>										
Governmental activities:										
Taxes:										
Property taxes	6,999,147	7,306,490	7,148,427	6,427,817	5,239,552	5,123,146	5,101,801	5,130,461	5,159,264	4,900,523
Franchise fees	1,206,210	1,220,697	1,247,248	1,368,738	1,273,566	1,198,360	1,098,866	1,221,973	1,268,042	1,216,849

	Fiscal Year									
	9/30/2007 <sup>(1)</sup>	9/30/2008	09/30/2009 <sup>(2)</sup>	9/30/2010 <sup>(3)</sup>	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015 <sup>(4)</sup>	9/30/2016 <sup>(5)</sup>
Public service taxes	1,347,754	1,386,825	1,429,708	1,580,190	1,531,338	1,465,024	1,523,497	1,612,772	1,603,537	1,672,772
Communication service taxes	502,239	588,184	684,620	588,111	556,166	543,749	524,187	483,337	467,312	469,080
Gas taxes	714,051	665,367	633,491	630,798	603,823	603,415	615,111	703,120	739,144	786,555
Local business tax	-	-	79,325	77,009	74,292	75,154	76,561	70,763	72,034	70,015
State and county shared revenues	1,156,315	1,062,966	943,024	904,179	934,042	1,050,977	1,097,472	1,169,636	1,256,194	1,359,612
Investment earnings	296,486	333,176	75,140	94,987	54,322	31,156	16,366	8,986	6,695	8,998
Insurance recoveries	335,412	25,919	12,304	71,463	42,151	9,774	6,947	11,704	15,176	1,825
Gain/(loss) on disposal of fixed assets	(93,173)	35,606	-	42,409	(62,971)	23,637	16,798	1,016	(17,721)	40,580
Contribution	-	-	-	-	-	-	31,107	100	-	-
Miscellaneous revenue	226,493	103,296	231,145	158,665	92,282	61,076	93,557	117,862	130,787	67,232
Transfers	296,029	(545,879)	(2,030,282)	790,672	(1,059,087)	828,000	828,000	503,000	798,128	1,046,718
Special items	1,963,070	-	-	-	-	-	-	-	-	-
Total governmental activities	14,950,033	12,182,647	10,454,150	12,735,038	9,279,476	11,013,468	11,030,270	11,034,730	11,498,592	11,640,759
Business-type activities:										
Investment earnings	56,321	53,833	9,844	24,662	32,293	26,480	8,678	7,496	6,783	12,071
Gain/(loss) on disposal of fixed assets	-	-	-	7,390	15,393	-	3,261	-	(6,624)	420
Miscellaneous revenue	107,708	639,627	245,117	244,015	268,593	265,834	238,245	189,167	200,744	197,328
Transfers	(296,029)	530,099	2,030,282	(790,672)	1,059,087	(828,000)	(828,000)	(503,000)	(798,128)	(1,046,718)
Total business-type activities	(132,000)	1,223,559	2,285,243	(514,605)	1,375,366	(535,686)	(577,816)	(306,337)	(597,225)	(836,899)
Total primary government	14,818,033	13,406,206	12,739,393	12,220,433	10,654,842	10,477,782	10,452,454	10,728,393	10,901,367	10,803,860
<b>Change in net position</b>										
Governmental activities	3,992,849	2,970,166	(1,592,184)	846,466	(1,945,583)	(894,531)	(232,458)	(596,771)	874,633	919,334
Business-type activities	988,133	3,820,658	3,445,071	709,322	3,460,338	1,443,810	1,176,682	1,052,683	1,600,038	1,762,808
Total primary government	\$ 4,980,982	\$ 6,790,824	\$ 1,852,887	\$ 1,555,788	\$ 1,514,755	\$ 549,279	\$ 944,224	\$ 455,912	\$ 2,474,671	\$ 2,682,142

(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.

(4) - 2015 reported a prior period adjustment decrease to governmental activities of \$3,925,753 and a increase to business-type activities of \$91,684

(5) - 2016 reported a prior period adjustment increase in governmental activities of \$199,892

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

	Fiscal Year									
	2007	2008*	2009	2010	2011	2012	2013	2014	2015	2016
<b>General fund</b>										
Reserved	\$ 301,504	\$ 614,849	\$ 471,950	\$ 314,820						
Unreserved, designated	-	1,037,852	1,042,442	1,056,957						
Unreserved, undesignated	575,237	943,845	1,468,618	2,099,390						
Total general fund	<u>876,741</u>	<u>2,596,546</u>	<u>2,983,010</u>	<u>3,471,167</u>						
<b>All other governmental funds</b>										
Reserved	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	187,395	-	-	-						
Total all other governmental funds	<u>\$3,571,560</u>	<u>\$9,681,679</u>	<u>\$6,295,542</u>	<u>\$6,232,079</u>						
					<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General fund</b>										
Nonspendable										
Inventory and Prepaid					\$ 52,500	\$ 177,812	\$ 161,490	\$ 133,694	\$ 91,834	\$ 97,256
Committed										
Cemetery expenditures					-	-	-	-	-	28,086
Tree replacement expenditures					-	-	-	-	-	67,493
Assigned										
Subsequent years' expenditure					480,658	416,670	739,053	-	-	-
Unassigned					<u>2,405,383</u>	<u>1,602,544</u>	<u>1,079,413</u>	<u>1,076,439</u>	<u>2,212,543</u>	<u>2,892,676</u>
Total general fund					<u>2,938,541</u>	<u>2,197,026</u>	<u>1,979,956</u>	<u>1,210,133</u>	<u>2,304,377</u>	<u>3,085,511</u>
<b>All other governmental funds</b>										
Nonspendable										
Inventory and Prepaid					-	14,270	4,605	15,499	6,533	33,730
Restricted for:										
Library expenditures					429,949	363,617	208,159	108,048	117,869	81,244
Law enforcement expenditures					746	23,758	48,928	35,135	29,176	67,473
Transportation expenditures					51,748	63,843	98,908	198,565	253,252	332,984
Community redevelopment expenditures					983,683	726,787	353,867	169,341	149,586	210,468
Street lighting expenditures					2,127	352	6,840	14,580	15,782	17,154
Debt Service					1,951,563	1,948,728	1,932,558	1,948,424	1,252,676	1,322,116
Capital projects					483,013	341,412	1,876,572	696,476	423,975	463,731
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>	<u>\$ 2,248,849</u>	<u>\$ 2,528,900</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 10,750,506	\$ 9,037,131	\$ 8,806,899	\$ 8,309,070	\$ 7,364,962	\$ 7,330,959	\$ 7,401,434	\$ 7,641,409	\$ 7,595,065	\$ 7,372,285
Special assessment	-	-	-	-	12,387	11,212	19,050	21,218	14,830	14,823
Licenses and permits	437,690	1,482,188	1,478,370	1,719,720	1,542,751	1,398,707	1,370,028	1,600,762	1,647,600	1,643,803
Intergovernmental	3,628,247	4,902,104	2,945,190	3,143,948	3,320,211	2,327,699	2,322,091	2,567,234	2,773,856	3,056,649
Charges for services	1,738,456	1,904,833	1,911,990	1,885,734	1,897,737	1,906,420	1,924,140	1,903,900	2,029,255	3,012,228
Fines and forfeitures	212,979	175,789	101,546	50,951	58,692	40,588	63,156	58,592	96,583	108,072
Interest and miscellaneous	868,858	724,406	364,596	499,594	368,837	186,044	250,255	311,885	402,638	255,736
<b>Total revenues</b>	<b>17,636,736</b>	<b>18,226,451</b>	<b>15,608,591</b>	<b>15,609,017</b>	<b>14,565,577</b>	<b>13,201,629</b>	<b>13,350,154</b>	<b>14,105,000</b>	<b>14,559,827</b>	<b>15,463,596</b>
<b>Expenditures</b>										
Current:										
General government	1,959,458	1,819,917	1,783,559	1,570,053	1,695,130	1,584,817	1,533,286	1,503,113	1,522,961	1,591,291
Public safety	7,540,707	7,339,268	6,828,950	7,398,705	6,983,033	6,989,426	6,923,945	7,314,126	7,158,859	7,778,626
Physical environment	1,737,508	2,377,651	960,310	1,290,902	1,955,822	977,589	998,144	1,032,401	1,083,605	1,046,112
Transportation	1,562,517	2,834,374	1,905,876	729,046	783,120	816,012	723,580	783,519	1,024,348	1,091,184
Economic environment	2,839,298	558,606	553,994	504,877	480,816	455,627	456,935	341,333	306,478	413,478
Human services	20,700	-	6,000	6,000	6,000	50,000	2,070	1,000	-	-
Culture and recreation	3,073,610	1,924,938	2,073,895	2,618,050	2,274,531	1,909,602	2,100,893	2,419,371	2,121,724	2,442,606
Debt service:										
Principal	1,209,274	1,313,097	1,281,267	1,314,339	1,668,163	1,729,272	1,710,589	1,741,418	1,842,290	1,484,637
Interest and fiscal charges	479,511	760,201	609,246	618,964	594,010	523,840	466,078	430,585	377,209	333,629
Capital outlay	829,339	701,924	275,949	37,931	10,000	196,650	274,963	1,254,503	817,123	80,038
<b>Total expenditures</b>	<b>21,251,922</b>	<b>19,629,976</b>	<b>16,279,046</b>	<b>16,088,867</b>	<b>16,450,625</b>	<b>15,232,835</b>	<b>15,190,483</b>	<b>16,821,369</b>	<b>16,254,597</b>	<b>16,261,601</b>
Excess (deficiency) of revenues over (under) expenditures	(3,615,186)	(1,403,525)	(670,455)	(479,850)	(1,885,048)	(2,031,206)	(1,840,329)	(2,716,369)	(1,694,770)	(798,005)
<b>Other financing sources (uses)</b>										
Lease proceeds	-	217,804	-	-	-	-	1,819,184	86,457	-	-
Proceeds from issuance of debt	-	9,500,000	1,870,300	-	-	-	-	-	790,560	693,513
Principal - current refunding	-	-	(138,526)	-	-	-	-	-	-	-
Payments to refunding escrow	-	-	(2,043,014)	-	-	-	-	-	-	-
Insurance recoveries	335,412	25,919	12,304	71,463	42,150	9,774	6,947	11,704	15,176	1,825
Sale of capital assets	-	35,607	-	42,409	48,328	23,636	16,798	1,016	26,059	117,134
Transfers in	2,327,986	6,325,913	3,425,521	2,902,828	2,129,024	1,108,876	1,968,812	2,089,038	2,316,638	2,001,028
Transfers out	(2,031,957)	(6,871,794)	(5,455,803)	(2,112,156)	(3,188,111)	(280,876)	(1,140,812)	(1,586,038)	(1,296,638)	(954,310)
<b>Total other financing sources (uses)</b>	<b>631,441</b>	<b>9,233,449</b>	<b>(2,329,218)</b>	<b>904,544</b>	<b>(968,609)</b>	<b>861,410</b>	<b>2,670,929</b>	<b>602,177</b>	<b>1,851,795</b>	<b>1,859,190</b>
<b>Special item</b>										
Proceeds from sale of land	3,500,000	-	-	-	-	-	-	-	-	-
Initial contribution to airport authority	-	-	-	-	-	-	-	-	-	-
<b>Total special items</b>	<b>3,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 516,255</b>	<b>\$ 7,829,924</b>	<b>\$ (2,999,673)</b>	<b>\$ 424,694</b>	<b>\$ (2,853,657)</b>	<b>\$ (1,169,796)</b>	<b>\$ 830,600</b>	<b>\$ (2,114,192)</b>	<b>\$ 157,025</b>	<b>\$ 1,061,185</b>
Debt Service as a percentage of noncapital expenditures	9.04%	14.58%	16.87%	13.50%	14.63%	16.06%	14.63%	13.29%	14.92%	12.15%

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Franchise Fees</b>	<b>Public Service Tax</b>	<b>Communication Service Tax</b>	<b>Fuel Taxes</b>	<b>Local Business Tax</b>	<b>Totals</b>
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
2015	5,159,264	1,268,042	1,603,537	467,312	739,144	72,034	9,309,333
2016	4,900,523	1,216,849	1,672,772	469,080	786,555	70,015	9,115,794

**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)**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Centrally Assessed Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Assessed Valuation</b>	<b>Total Direct Rate</b>	<b>Estimated Actual Value</b>	<b>Assessed Value<sup>(1)</sup> as a Percentage of Actual Value</b>
2007	\$ 1,099,329	\$ 89,167	\$ 304	\$ 340,112	\$ 848,688	8.4400	\$1,382,799	85.97%
2008	1,126,601	93,040	320	382,733	837,228	7.3521	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%
2015	798,982	107,500	497	284,591	622,388	7.3638	1,047,976	86.55%
2016	838,628	101,096	552	300,401	639,875	7.3273	1,088,269	86.40%

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)**

<b>Fiscal Year</b>	<b>Direct Rate</b>	<b>Overlapping Rates</b>				<b>Total</b>
	<b>City of Lake Wales</b>	<b>County of Polk</b>	<b>Polk County School Board</b>	<b>Peace River Basin</b>	<b>South West Florida Water Management District</b>	
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 *	0.3658	22.8041
2015	7.3638	6.7815	7.1490	N/A *	0.3488	21.6431
2016	7.3273	6.7815	6.7970	N/A *	0.3317	21.2375

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](http://www.polktaxes.com), Property Taxes, Millage Rates & Fees

**City of Lake Wales, Florida  
Principal Property Taxpayers  
Fiscal Year Ended September 30, 2016**

Taxpayer	Rank	2016		Rank	2006	
		Total Assessed Valuation	Percentage of Total Taxable Assessed Value		Total Assessed Valuation	Percentage of Total Taxable Assessed Value
Publix Super Markets	1	\$ 20,555,643	3.21%	N/A	N/A	N/A
Duke Energy	2	15,955,751	2.49%	N/A	N/A	N/A
CRF II LTD	3	14,428,122	2.25%	N/A	N/A	N/A
Lake Wales Hospital Corp	4	13,441,487	2.10%	N/A	N/A	N/A
Preserve at Lake Wales Inc	5	9,297,600	1.45%	N/A	N/A	N/A
Walmart	6	8,555,193	1.33%	N/A	N/A	N/A
T Eagle Ridge LLC	7	7,925,551	1.24%	N/A	N/A	N/A
Lowes	8	6,087,038	0.95%	N/A	N/A	N/A
Gill Development LLLP	9	5,413,471	0.84%	N/A	N/A	N/A
Kegel LLC	10	5,034,824	0.79%	N/A	N/A	N/A
		<u>\$ 106,694,680</u>	<u>16.64%</u>		<u>\$ -</u>	<u>N/A</u>
Total Assessed Valuation		<u>\$ 641,350,463</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**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Levy Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collection</b>	<b>Total Tax Collections</b>	<b>Percent Total Collections To Levy</b>
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%
2015	4,843,338	4,689,790	96.83%	22,965	4,712,755	97.30%
2016	4,581,641	4,343,730	94.81%	17,700	4,361,430	95.19%

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**

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-Type Activities</b>			<b>Total Primary Government</b>	<b>Population</b>	<b>Per Capita</b>
	<b>Revenue Bonds</b>	<b>Notes Payable</b>	<b>Lease Obligations</b>	<b>Total</b>	<b>Revenue Bonds</b>	<b>Notes Payable</b>	<b>Total</b>			
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
2015	-	9,664,472	394,377	10,058,849	-	11,711,767	11,711,767	21,770,616	15,011	1,450
2016	-	8,312,131	955,994	9,268,125	-	11,162,574	11,162,574	20,430,699	15,362	1,330

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, 2016**

<u>Taxing Authority</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Lake Wales	\$ 9,268,125	100.00%	\$ 9,268,125
Total Direct Debt	<u>9,268,125</u>		<u>9,268,125</u>
County of Polk (1)	177,415,852	2.37%	4,204,756
Polk County School Board (2)	<u>277,170,871</u>	2.37%	<u>6,568,950</u>
Total Overlapping Debt	<u>454,586,723</u>		<u>10,773,706</u>
Total Direct and Overlapping Debt	<u>\$ 463,854,848</u>		<u>\$ 20,041,831</u>

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, 2015.

(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, 2016.

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

**Utility Fund Debt Obligations**

<b>Fiscal Year</b>	<b>(1) Charges for Service Revenues</b>	<b>(2) Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
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
2015	7,002,296	3,676,952	3,325,344	1,445,795	238,758	1.97
2016	7,860,703	3,971,479	3,889,224	2,068,464	215,477	1.70

(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
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	38,624	30,686	39,594	22,617	26,319	32,337	44,390	41,184	46,043	33,732	42,165	42,343
2011	40,476	32,386	42,692	23,365	27,864	33,423	44,250	40,258	46,592	33,058	40,933	44,965
2012	40,983	32,050	41,153	24,014	27,525	34,209	45,006	41,337	46,534	34,012	42,743	41,579
2013	40,771	32,060	40,290	23,552	27,733	34,711	46,021	42,447	49,510	34,884	41,592	44,244
2014	42,868	32,959	41,639	24,448	28,412	36,327	47,439	42,768	50,758	35,371	42,945	46,895
2015	44,429	33,723	43,435	25,591	29,911	37,698	49,416	44,024	51,710	35,850	45,127	49,711
2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(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/data/interactive/saipe.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
2007	97.50	102.10	96.02	98.86	97.70	4.3	5.4	4.6	6.5	4.7	4.6
2008	97.59	101.71	96.00	98.79	97.64	7	8.1	7.3	9.3	7.1	7.4
2009	98.07	101.57	95.53	98.66	97.51	11.0	12.3	11.2	12.7	12.1	11.8
2010	98.98	101.55	95.70	98.64	97.49	11.3	12.6	10.8	13.9	12.5	11.7
2011	98.48	101.65	96.21	98.10	96.95	10.2	11.5	9.4	12.3	11.2	10.4
2012	97.87	101.37	96.05	97.95	96.43	8.5	9.6	7.7	11.4	9.2	8.6
2013	98.17	100.75	95.30	98.96	97.02	6.9	8.4	6.5	10.4	7.7	7.3
2014	96.26	100.89	96.69	97.47	96.33	6.1	7.3	5.8	9.4	6.6	6.3
2015	96.34	100.97	95.92	98.13	96.99	5.1	6.2	4.9	8.7	5.5	5.2
2016	N/A	N/A	N/A	N/A	N/A	4.7	5.9	4.6	7.2	5.00	4.8

(1) Univ. of Fla, Bureau of Economic and Business Research, <http://www.bebr.ufl.edu/>, economic, Fla. Price Level Index. 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**

<b>(April 1st) Year</b>	<b>Population</b>		<b>% of City Compared to County</b>
	<b>Polk</b>	<b>City of Lake Wales</b>	
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	623,174	14,916	2.39%
2015	634,555	15,011	2.37%
2016	646,989	15,362	2.37%

Source: Office of Economic & Demographic Research, Population & Demographics, <http://edr.state.fl.us>

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

<b>Function/Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
City Manager	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Clerk	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Development Services	3.00	2.00	1.00	1.00	1.00	1.00	1.00	-	-	-
Finance	5.50	4.50	4.25	4.00	4.50	4.50	3.75	3.50	3.50	3.50
Support Services	2.00	3.00	3.75	3.75	3.00	3.00	2.50	2.00	1.30	1.30
Human Resource	2.00	2.00	2.00	2.50	3.50	3.00	2.50	2.00	2.00	2.00
Planning and Zoning	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Information Services	2.00	2.00	2.00	3.00	3.00	3.00	3.00	2.50	2.30	3.30
Public Services Administration	1.50	2.00	2.00	2.50	2.50	2.50	2.50	2.25	2.40	1.90
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Total general government	<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>	<u>18.00</u>	<u>18.50</u>
Police Department	59.50	45.50	47.50	49.50	47.50	50.00	49.00	51.00	50.00	50.00
Fire & Rescue:	23.00	24.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
Building Permits and Inspection	8.00	6.00	4.75	3.00	3.00	3.00	2.00	2.00	2.50	2.50
Code Enforcement	2.50	2.50	2.50	2.50	1.50	1.00	1.75	1.50	1.00	2.00
Total public safety	<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>	<u>80.50</u>	<u>81.50</u>
Cemetery	3.00	1.00	1.00	-	-	-	-	-	-	-
Parks Division	6.00	7.00	7.00	-	-	-	-	-	-	-
Streets	6.00	6.00	6.25	-	-	-	-	-	-	-
Field Operations	-	-	-	17.75	18.00	18.00	19.00	19.00	19.00	18.00
Fleet Maintenance	2.00	3.00	3.00	-	-	-	-	-	-	-
Facilities Maintenance	3.00	4.00	4.00	5.00	4.50	4.00	4.00	3.00	3.00	3.00
Total maintenance	<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>	<u>22.00</u>	<u>21.00</u>
Recreation	3.50	2.00	1.00	-	-	-	-	-	-	-
Depot	2.00	1.50	-	-	-	-	-	-	-	1.10
Library	14.00	16.00	18.00	18.00	17.75	16.50	16.50	16.50	16.50	17.90
Total culture and recreation	<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>	<u>16.50</u>	<u>19.00</u>
Wastewater Division	9.50	9.00	9.00	-	-	-	-	-	-	-
Water Division	10.50	10.00	10.00	-	-	-	-	-	-	-
Reuse Division	-	1.00	1.00	-	-	-	-	-	-	-
Utilities Operations	-	-	-	22.00	22.00	23.00	23.50	23.00	23.00	23.00
Utilities Administration	4.00	5.00	5.00	5.50	5.50	5.50	5.50	6.75	6.50	6.00
Utility Billing/Customer Service	5.50	5.50	5.75	3.25	3.00	3.75	3.25	3.50	4.50	5.50
Total utilities	<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>	<u>34.00</u>	<u>34.50</u>
Total government employees	<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>	<u>171.00</u>	<u>174.50</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**

<b>Function/Program</b>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General</b>										
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)	19.01	19.14	19.58	19.60	19.60	20.12	20.12	20.12	20.14	20.14
<b>Police</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	1,399	1,403	1,304	1,233	1,206	1,263	1,173	1,158	1,071	1,125
Number of calls for service	18,096	17,313	15,792	23,746	25,758	26,876	n/a	20,904	22,047	21,522
Number of crashes	446	363	374	350	383	397	390	436	478	621
<b>Fire</b>										
Response volume (includes fire, rescue and medical calls)	2,786	2,879	2,618	2,576	2,480	2,580	2,514	2,660	2,991	2,410
Response time average (minutes)	4.94	5.39	5.14	5.11	5.21	6.37	5.72	5.66	5.02	4.83
Inspections/plans reviewed	1,383	1,767	1,031	1,422	1,489	1,712	1,837	1,877	2,067	2,031
Public education (persons)	2,378	2,917	1,645	2,627	534	2,263	1,652	1,148	3,860	3,892
<b>Permits and Inspections Division</b>										
Plan review residential	253	411	198	291	309	192	264	291	320	196
Plan review commercial	114	189	133	205	145	108	163	177	157	49
Permits issued	768	797	407	636	500	490	579	657	739	792
Inspections:										
Construction	3,968	2,664	2,176	2,287	1,389	1,628	1,918	2,332	2,557	2,467
Inspections per month (avg.)	331	222	181	191	116	136	174	194	213	205
Certificates of Occupancy issued	99	72	44	46	33	44	51	70	65	68
<b>Library</b>										
Number of libraries	1	1	1	1	1	1	1	1	1	1
<b>Public Works</b>										
Miles of streets	86.04	86.74	86.74	86.74	86.74	86.74	86.74	86.74	87.41	87.41
<b>Water</b>										
Average monthly customers:										
Water	7,938	7,923	7,899	7,892	7,437	7,595	7,673	7,890	7,889	8,159
Sewer	5,316	5,325	5,309	5,311	5,047	5,136	5,227	5,369	5,412	5,610
Irrigation	1,116	1,167	1,238	1,254	1,291	1,313	1,362	1,425	1,454	1,534
<b>Wastewater</b>										
Number of lift stations	39	39	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 Nine Fiscal Years**

<b>Water Revenues</b>	<b>Fiscal Year</b>								
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Water Fees	\$3,508,152	\$2,963,174	\$2,959,160	\$3,083,609	\$3,071,890	\$3,109,898	\$3,069,206	\$3,270,884	\$3,687,443
Installation Fees	74,965	57,022	81,790.00	51,383	103,640	73,351	78,956	70,822	109,202
Backflow Inspection Fees					55,005	60,823	63,760	65,300	67,928
Fire Sprinkler Fees	39,989	28,478	-	-	-	-	-	-	-
Construction Meter Fees	6,935	6,777	3,397	4,222	5,187	3,510	4,924	3,850	3,651
Reuse Fees	15,198	36,380	24,559	12,373	20,858	23,185	24,804	19,533	31,109
Miscellaneous	85	35	101	36	185	281	293	195	315
Impact Fees	169,836	44,565	134,838	168,426	55,581	93,706	130,823	127,528	137,060
<b>Totals</b>	<b>\$3,815,160</b>	<b>\$3,136,431</b>	<b>\$3,203,845</b>	<b>\$3,320,049</b>	<b>\$3,312,346</b>	<b>\$3,364,754</b>	<b>\$3,372,766</b>	<b>\$3,558,112</b>	<b>\$4,036,708</b>
Penalties & Service Charges (Water & Sewer Combined)	\$ 96,071	\$ 61,169	\$ 73,817	\$ 65,990	\$ 100,893	\$ 114,905	\$ 117,560	\$ 110,973	\$ 124,854

**Water Rates(1)**

<b>% of Rate Increase (Decrease) - Base Rate</b>	N/A	5.10%	2.50%	2.50%	3.60%	2.50%	2.60%	2.50%	14.40%
<b>Inside City Limits</b>									
Base Rate	\$ 4.95	\$ 5.20	\$ 5.33	\$ 5.46	\$ 5.66	\$ 5.80	\$ 5.95	\$ 6.10	\$ 6.98
0-5,000	1.96	2.06	2.11	2.16	2.24	2.30	2.35	2.41	2.76
5,001-10,000	2.65	2.78	2.85	2.92	3.03	3.11	3.18	3.26	3.73
10,001-25,000	4.11	4.32	4.43	4.54	4.70	4.82	4.94	5.06	5.79
> 25,000	6.77	7.11	7.29	7.47	7.74	7.93	8.13	8.33	9.54
<b>Outside City Limits</b>									
Base Rate	\$ 6.19	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.08	\$ 7.26	\$ 7.44	\$ 7.63	\$ 8.73
0-5,000	2.45	2.57	2.64	2.71	2.80	2.87	2.94	3.01	3.45
5,001-10,000	3.32	3.49	3.56	3.65	3.79	3.88	3.98	4.08	4.67
10,001-25,000	5.14	5.40	5.54	5.68	5.88	6.03	6.18	6.33	7.24
> 25,000	8.47	8.89	9.11	9.34	9.68	9.92	10.17	10.42	11.93

(1)Source-City of Lake Wales  
N/A - Not available

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

<b>Sewer Revenues</b>	<b>Fiscal Year</b>								
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Sewer Fees	\$ 2,881,191	\$ 2,871,209	\$ 2,982,641	\$ 3,085,977	\$ 3,156,505	\$ 3,163,404	\$ 3,279,080	\$ 3,448,974	\$ 3,832,287
Installation Fees	400	918	-	-	644	551	10,348	3,919	3,914
Miscellaneous	-	-	-	-	-	-	-	-	-
Impact Fees	364,133	82,175	249,136	343,985	89,172	153,243	214,505	180,273	208,322
Totals	<u>\$ 3,245,724</u>	<u>\$ 2,954,302</u>	<u>\$ 3,231,777</u>	<u>\$ 3,429,962</u>	<u>\$ 3,246,321</u>	<u>\$ 3,317,198</u>	<u>\$ 3,503,933</u>	<u>\$ 3,633,166</u>	<u>\$ 4,044,523</u>

**Sewer Rates (1)**

<b>% of Rate Increase (Decrease) - Base Rate</b>	N/A	5.00%	2.50%	2.50%	3.60%	2.50%	2.50%	2.50%	14.50%
<b>Inside City Limits</b>									
Base Rate	\$ 17.59	\$ 18.47	\$ 18.93	\$ 19.40	\$ 20.10	\$ 20.60	\$ 21.12	\$ 21.65	\$ 24.79
0-5,000 Gallons	2.31	2.43	2.49	2.55	2.64	2.71	2.77	2.84	3.25
5,001 + Gallons	4.05	4.25	4.36	4.47	4.63	4.75	4.86	4.98	5.70
<b>Outside City Limits</b>									
Base Rate	\$ 21.99	\$ 23.09	\$ 23.66	\$ 24.25	\$ 25.13	\$ 25.76	\$ 26.40	\$ 27.06	\$ 30.98
0-5,000 Gallons	2.89	3.03	3.11	3.19	3.30	3.38	3.47	3.56	4.06
5,001 + Gallons	5.07	5.32	5.45	5.59	5.79	5.93	6.08	6.23	7.13

Residential Cap = 15,000 gallons

(1)Source-City of Lake Wales  
N/A - Not available

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

<u>Employer</u>	<u>2016</u>		<u>2007</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Citrus World, Inc.	722	1	N/A	1
Lake Wales Charter Schools	561	2	N/A	2
Lake Wales Medical Center	529	3	N/A	3
Polk County School Board	355	4	N/A	4
Oakley	350	5	N/A	5
Wal-Mart	322	6		
Publix, Inc.	268	7	N/A	6
Hunt Brothers	200	8		
Warner University	188	9	N/A	7
City of Lake Wales	173	10	N/A	8
	<u>3,668</u>		<u>N/A</u>	

Source: Lake Wales Area Chamber of Commerce

N/A - Not available

**City of Lake Wales, Florida**  
**Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended September 30, 2016**

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Expenditures</u>
<b>State of Florida Department of Environmental Protection</b>			
Wastewater Treatment Facility Construction - Loan	WW530310	37.077	\$ 2,369,527
<b>Florida Department of Transportation</b>			
Aviation Development Grant -Lake Wales Municipal Airport	438920-1-94-01, G0658	55.004	<u>69,000</u>
			<u>\$ 2,438,527</u>

**NOTES TO THE SCHEDULE OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
CITY OF LAKE WALES, FLORIDA**

**Note 1 – General**

The accompanying schedule of state financial assistance presents the activities of all state financial assistance projects 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, 2016.

State financial assistance received directly, as well as those passed through to other government agencies, if any, are included in the schedule.

**Note 2 – Basis of Accounting**

The accompanying schedule of state financial assistance 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**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

Grant monies received and disbursed by the City or discretely-presented component unit 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 Each Major State Financial Assistance Project and on Internal Control Over Compliance**

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

### **Report on Compliance for the Major State Financial Assistance Project**

We have audited the City of Lake Wales, Florida's (the "City's") compliance with the types of compliance requirements described in the State of Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on the City's major state financial assistance project for the year ended September 30, 2016. The City's major state financial assistance project 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 major state financial assistance project.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major state financial assistance project 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 Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major state financial assistance project. However, our audit does not provide a legal determination of the City's compliance with those requirements.

#### ***Opinion on Each Major State Financial Assistance Project***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

## 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 state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state financial assistance project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Orlando, Florida  
March 27, 2017

**CITY OF LAKE WALES, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED SEPTEMBER 30, 2016

**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	

**State Financial Assistance Project Section**

Internal control over major programs:			
Material weakness(es) identified?	<u>          </u> yes	<u>  x  </u> no	
Significant deficiency(ies) identified?	<u>          </u> yes	<u>  x  </u> none reported	
Type of auditor's report on compliance for major state financial assistance projects:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550?	<u>          </u> yes	<u>  x  </u> no	

**CITY OF LAKE WALES, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED SEPTEMBER 30, 2016

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

**State Financial Assistance Project Section (continued)**

Identification of major state project:

State Project:

Name of Project	CSFA Number
State of Florida Department of Environmental Protection Wastewater Treatment Facility Construction - Loan	37.077

Dollar threshold used to determine Type A programs:

State	\$	750,000
-------	----	---------

**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*.

**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 state financial assistance projects, as required to be reported by Chapter 10.550, Rules of the Auditor General.

There were no findings required to be reported by Chapter 10.550, Rules of the Auditor General.

**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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2017.

**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 LLP". The signature is written in a cursive, flowing style.

Orlando, Florida  
March 27, 2017

## **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, 2016, and have issued our report thereon dated March 27, 2017.

### **Auditor's Responsibility**

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

### **Other Reports and Schedule**

We have issued our 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 Each Major State Financial Assistance Project and on Internal Control over Compliance; 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 March 27, 2017, 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 findings and recommendations made in the preceding annual financial audit report.

### **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. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and 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. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, 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, 2016. 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.



Orlando, Florida  
March 27, 2017

**CITY OF LAKE WALES, FLORIDA**  
**APPENDIX A - MANAGEMENT LETTER COMMENTS**

YEAR ENDED SEPTEMBER 30, 2016

---

**Review and Approval**

Comment 2016-001:

*Criteria:* The City should maintain internal controls over state financial assistance projects that provide reasonable assurance that the City is managing the awards in compliance with laws, regulations and the provisions of contract or grant agreements that could have a material effect on its state financial assistance projects.

*Condition:* The City contracts with an engineer to perform many of the aspects of Wastewater Treatment Facility Construction Loan (CSFA #37.077) grant compliance, including assisting with the application, reviewing disbursements related to the project, coordinating with the contractor, and overseeing the wage rate requirements of grant agreements. The contractor performs all duties in relation to compliance with the wage rate requirements, including obtaining and reviewing the certified payrolls, and performing wage rate interviews. Although the City has reviewed some elements of the contractor's work, we noted no review over the contractor's work in relation to wage rate requirements.

*Effect:* Without regular monitoring or review of contractors who oversee compliance aspects of state financial assistance projects, the possibility exists that noncompliance with state financial assistance projects may occur and not be prevented, or detected and corrected, on a timely basis.

*Cause:* Whereas the City generally reviewed the work of the contract engineer and has a policy of doing so for wage rate requirements, the City did not review the work of the contracted engineer in regards to wage rate compliance, specifically obtaining and reviewing certified payrolls and employee interviews, for the Wastewater Treatment Facility Construction Loan.

*Recommendation:* We recommend that the City obtain copies of 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. with respect to grant compliance requirements.

*Management's Response:* The Finance Department will collect certified payrolls and evidence of review from each project coordinator on a regular basis to ensure this review is being performed.

**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, for the year ended September 30, 2016. 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, 2016.



Orlando, Florida  
March 27, 2017