



City of Lake Wales, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended

September 30, 2017

City of Lake Wales, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2017

Prepared By:
Department of Finance

City of Lake Wales, Florida

Comprehensive Annual Financial Report For Fiscal Year Ended September 30, 2017

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INTRODUCTORY SECTION



**City of
Lake Wales**

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March 14, 2018

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, 2017, 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, has 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, 2017. 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 15,365.

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

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

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

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

Local Economy

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

The City's major challenges are to provide the infrastructure and services needed to maintain the quality of life, while continuing to realize growth within our community (17.72% increase in population from 2008 through 2017). 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.

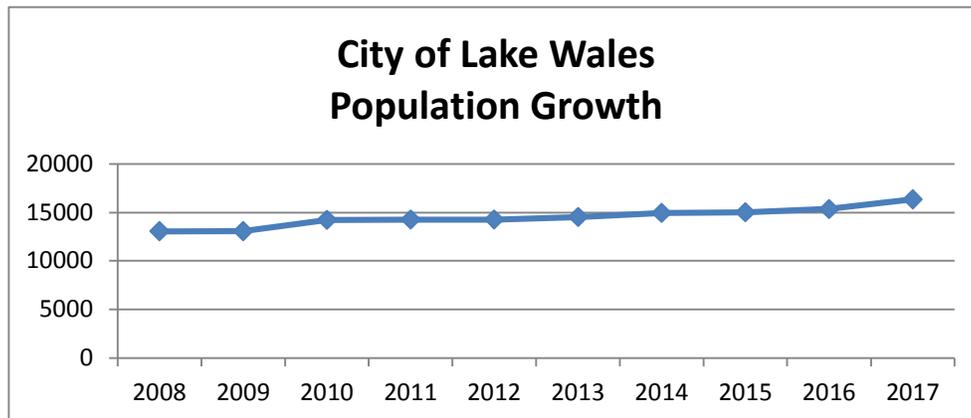
There have been three major developments in the recent past that have a significant impact on the City's future economic development and population growth. The opening of the CSX Inter-Modal facility just west of the City on State Route 60 is generating an increase in transportation and distribution activity in the area as evidenced by the planned opening of a Love's Truck Stop on US 27 in the southern part of the City. The expansion of the main runway at the municipally owned Lake Wales airport and the City's assumption of responsibility for its operations has already led to an increase in activity there, with future growth of ancillary businesses expected. Lastly, the City's sale of most of the remaining parcels in its

industrial park to a private real estate developer is expected to lead to increased marketing and faster development of this attractive location, which was recently renamed the Lake Wales Park of Technology and Commerce.

In the past year the City also has invested in revitalizing its Downtown by entering into a partnership with Lake Wales Main Street and undertaking an update of its Community Redevelopment plan. It is expected that public infrastructure investment by the City and CRA will lead to significant private sector investment and additional redevelopment in the traditional downtown area, as well as additional projects throughout the CRA area. The increased emphasis on Downtown has already led to the renovation of existing structures and the opening of additional businesses.

Growth

The population in Lake Wales has increased approximately 50.72% since the U. S. Census of 2000 (population of 10,194). Over a ten year period from 2008 to 2017, the City has experienced an average annual population growth rate of 1.78%. 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
2008	13,052	-	
2009	13,067	0.11%	
2010	14,225	8.86%	US Census
2011	14,261	0.25%	
2012	14,261	0.00%	
2013	14,522	1.83%	
2014	14,916	2.71%	
2015	15,011	0.64%	
2016	15,362	2.34%	
2017	15,365	0.02%	

* 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 15th of each year. The 2017 Outlook provided the following economic projections:

Most measures of the Florida economy have returned to or surpassed their prior peaks by the close of the 2016-17 fiscal year. In this regard, all of the personal income metrics, about half of the employment sectors, and total tourism counts had topped the levels last seen during the housing boom (2005-06). Still other measures were posting solid year-over-year improvements, even if they were not yet back to peak performance levels.

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. Seven years later (July 2017), Florida's annual job growth rate has been positive for the past 84 months. While the job market is still recovering in several key respects, the state passed its prior employment peak in May 2015.

The state's unemployment rate in July was slightly lower than the nation as a whole at 4.1%, with 411,000 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 2017 was still down 180,000 jobs (26.0%) from that level. In Fiscal Year 2016'17, single-family private housing starts only reached 76,500 or 42.1% of their peak level. And Documentary Stamp Taxes, a strong indicator of housing market activity, were only 59.6% of their prior peak as the fiscal year ended.

Overall, the housing market continues to move slowly forward. Single-family building permit activity, an indicator of new construction, remains in positive territory, beginning with strong back-to-back growth in both the 2012 and 2013 calendar years (over 30 percent in each year). The final data for the 2014 calendar year revealed significant slowing (but still positive) activity—posting only 1.6 percent growth over the prior year. However, calendar year activity for 2015 and 2016 ran well above their respective periods a year prior; single-family data was higher than the prior year by 20.3 percent in 2015 and by 11.1 percent in 2016. Despite the strong percentage growth rates in four of the last five calendar years, the level is still low by historic standards—about half of the long-run per capita level. More recent data for the first six months of the 2017 calendar year indicates that single-family building permit activity increased by 14.8 percent over the prior year during this period. The

key housing market metrics do not show a return to their peak levels until Fiscal Year 2020-21 (total construction expenditures) and Fiscal Year 2023-24 (private residential construction expenditures).

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:

- Implementation of the updated CRA plan to enhance redevelopment in the Downtown and other CRA areas of the City
- Continued expansion of the City's utilities to attract new development both residential and commercial and support annexation of additional tax base
- Expansion of recreational activities and facilities through partnerships with private sector organizations to minimize costs and expand quality of life options for residents
- Continued investment in technology to increase municipal productivity, control operations and maintenance costs

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, 2016. This was the eighth 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 City 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

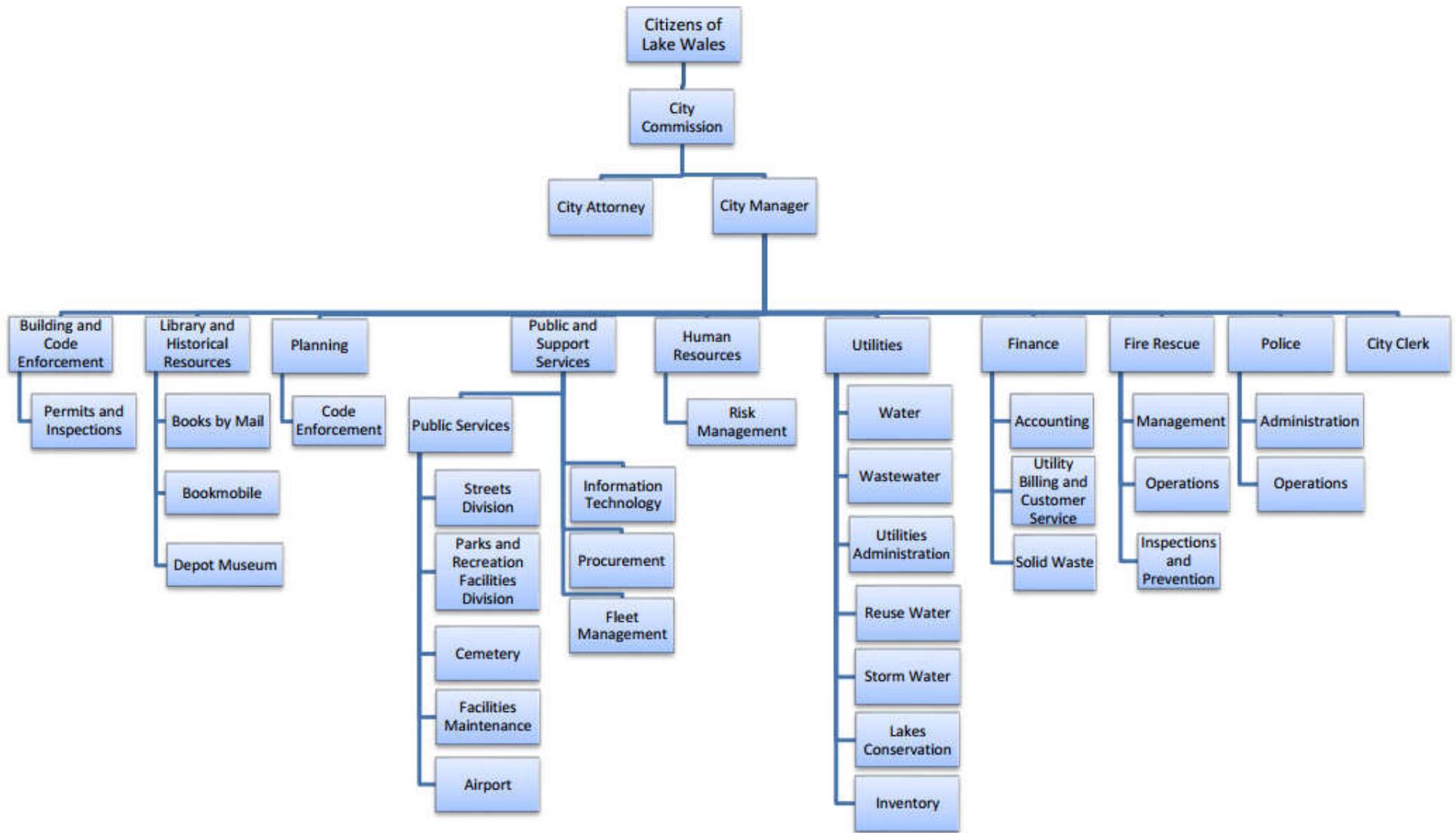
**City of Lake Wales
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO



City of Lake Wales Organization Chart

City of Lakes Wales, Florida
Principal Officials

Elected Officials

Mayor ----- Eugene Fultz
Deputy Mayor ----- Robin Gibson
Commissioner ----- Terrye Howell
Commissioner ----- Curtis Gibson
Commissioner ----- Flora “Tonya” Stewart

City Officials

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



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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, 2017, 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, 2017, 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.

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 14, 2018 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 CPA". The signature is written in a cursive style.

Orlando, Florida
March 14, 2018

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, 2017. 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-viii

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 \$51,283,573 (*net position*). As of September 30, 2017, the City reports an unrestricted net position of \$1,062,007 as compared to a deficit of \$547,415 in the prior year.
- The City's total net position increased by \$3,909,279 as a result of operations. The results of operations of the governmental activities and business-type activities increased their net position by 9% and 8%, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,392,140; an increase of \$1,777,729 for the year. Approximately 43% 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 by referencing the table of contents 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 can be found by referencing the table of contents 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 by referencing the table of contents 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 by referencing the table of contents 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 by referencing the table of contents 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 can be found by referencing the table of contents 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 by referencing the table of contents of this report.

Lake Wales Airport Authority financial statements can be found by referencing the table of contents 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 \$51,283,573 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	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 8,425,775	\$ 6,365,768	\$ 6,975,150	\$ 6,348,223	\$ 15,400,925	\$ 12,713,991
Capital assets, net of depreciation	24,331,410	25,116,240	44,541,527	38,395,738	68,872,937	63,511,978
Total assets	32,757,185	31,482,008	51,516,677	44,743,961	84,273,862	76,225,969
Deferred Outflows	2,943,157	3,099,209	285,294	312,205	3,228,451	3,411,414
Current and other liabilities	967,790	900,061	2,743,949	2,429,132	3,711,739	3,329,193
Long-term liabilities	16,087,856	16,443,442	16,016,561	11,929,292	32,104,417	28,372,734
Total liabilities	17,055,646	17,343,503	18,760,510	14,358,424	35,816,156	31,701,927
Deferred Inflows	399,678	513,972	2,906	47,190	402,584	561,162
Net Position:						
Net investment in capital assets	15,671,679	15,848,115	27,848,331	25,806,028	43,520,010	41,654,143
Restricted	3,813,419	2,495,170	2,888,137	3,772,396	6,701,556	6,267,566
Unrestricted	(1,240,080)	(1,619,543)	2,302,087	1,072,128	1,062,007	(547,415)
Total net position	\$ 18,245,018	\$ 16,723,742	\$ 33,038,555	\$ 30,650,552	\$ 51,283,573	\$ 47,374,294

By far the largest portion of the City's net position, \$43,520,010 (85%), 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, \$6,701,556 (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 \$1,240,080 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.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 3,819,510	\$ 3,291,004	\$ 8,180,612	\$ 7,921,884	\$ 12,000,122	\$ 11,212,888
Operating grants and contributions	1,351,175	1,147,668	-	-	1,351,175	1,147,668
Capital grants and contributions	15,724	15,139	914,886	345,382	930,610	360,521
General Revenues:						
Property taxes	5,122,114	4,900,523	-	-	5,122,114	4,900,523
Other taxes	3,038,431	2,998,422	-	-	3,038,431	2,998,422
Franchise fees	1,202,764	1,216,849	-	-	1,202,764	1,216,849
Other	2,134,523	1,478,247	222,122	209,819	2,356,645	1,688,066
Total Revenues	16,684,241	15,047,852	9,317,620	8,477,085	26,001,861	23,524,937
Expenses:						
Governmental Activities:						
General government	1,399,216	1,226,946	-	-	1,399,216	1,226,946
Public safety	8,501,991	7,816,386	-	-	8,501,991	7,816,386
Physical environment	1,145,447	1,071,354	-	-	1,145,447	1,071,354
Transportation	1,807,487	1,767,102	-	-	1,807,487	1,767,102
Economic environment	441,868	414,110	-	-	441,868	414,110
Human services	10,174	10,174	-	-	10,174	10,174
Culture and recreation	2,648,493	2,523,366	-	-	2,648,493	2,523,366
Interest on long-term debt	288,519	345,798	-	-	288,519	345,798
Business-type Activities:						
Water and sewer utility	-	-	5,761,569	5,579,359	5,761,569	5,579,359
Cemetery	-	-	87,818	88,200	87,818	88,200
Total Expenses	16,243,195	15,175,236	5,849,387	5,667,559	22,092,582	20,842,795
Increase (decrease) in net position						
before transfers	441,046	(127,384)	3,468,233	2,809,526	3,909,279	2,682,142
Transfers	1,080,230	1,046,718	(1,080,230)	(1,046,718)	-	-
Change in net position	1,521,276	919,334	2,388,003	1,762,808	3,909,279	2,682,142
Beginning net position	16,723,742	15,604,516	30,650,552	28,887,744	47,374,294	44,492,260
Restatement	-	199,892	-	-	-	199,892
Ending net position	\$ 18,245,018	\$ 16,723,742	\$ 33,038,555	\$ 30,650,552	\$ 51,283,573	\$ 47,374,294

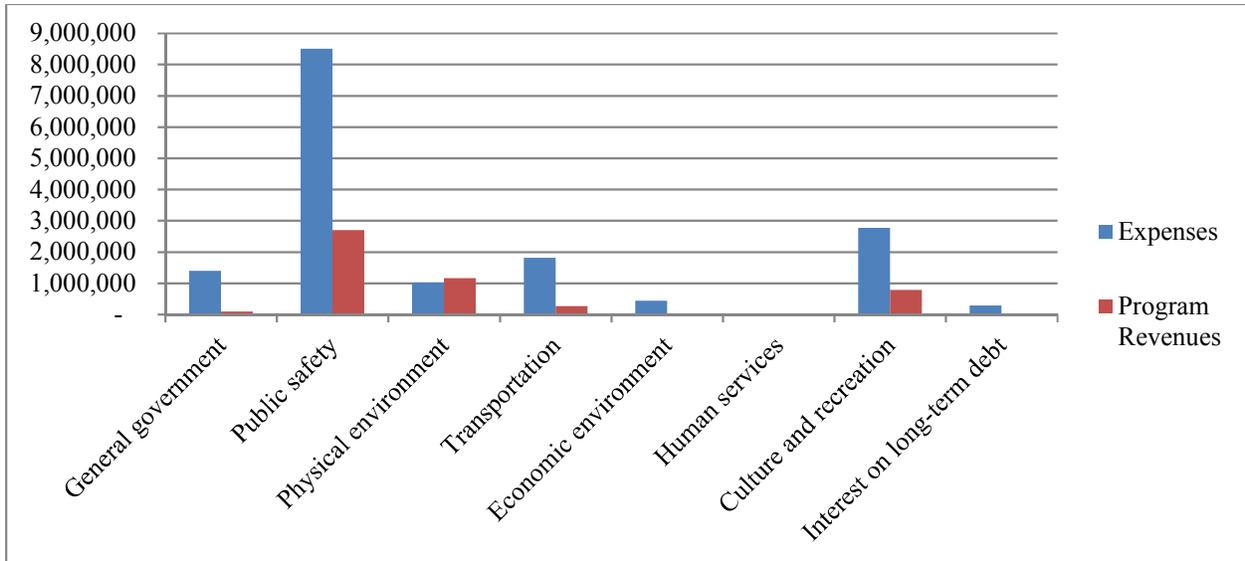
Governmental activities: Governmental activities increased the City's net position by \$1,521,276, as compared to an increase of \$919,334 in the prior year. Key elements of changes in results of activities are as follows:

- Charges for services increased by \$528,506 (16%) from 2016. This change is mainly due to increased management fees charged to the business-type activities (\$83,605), increased code enforcement fees (\$55,975), increased fire assessment fee revenue (\$168,856) and increased building permits (\$197,121).
- Operating grants and contributions increased by \$203,507 (18%) from 2016, mainly due to increased grant revenue from FEMA.
- Capital grants and contributions increased by \$585 (4%) from 2016.

- General revenues increased by \$903,791 (6%) from 2016. This increase is mainly due to increased gain on the sales of capital assets and land of \$867,928.
- General government expenses increased in 2017 by \$172,270 (14%). This increase is mainly due to Hurricane Irma related costs of approximately \$118,600 and a 2% cost of living wage increase for the year ended September 30, 2017.
- Public safety expenses increased in 2017 by \$685,605 (9%). This increase is mainly due to Hurricane Irma related costs of approximately \$102,591 and a 2% cost of living wage increase for the year ended September 30, 2017 as well as two years of cost of living increases for the police officers' in connection with the approval of the police union contract. There were also three new firefighter positions added and police and fire operating expenses increased by approximately \$150,000.
- Physical environment expenses in 2017 increased by \$74,093 (7%). This increase is mainly due to increased solid waste disposal costs related to increased customer base.
- Economic environment expenses in 2017 increased by \$27,758 (7%). This increase is mainly due to increased contract services related to a redevelopment plan consultant.
- Culture and Recreation expenses increased in 2017 by \$125,127 (5%).
- Transportation expenses in 2017 increased by \$40,385 (2%).

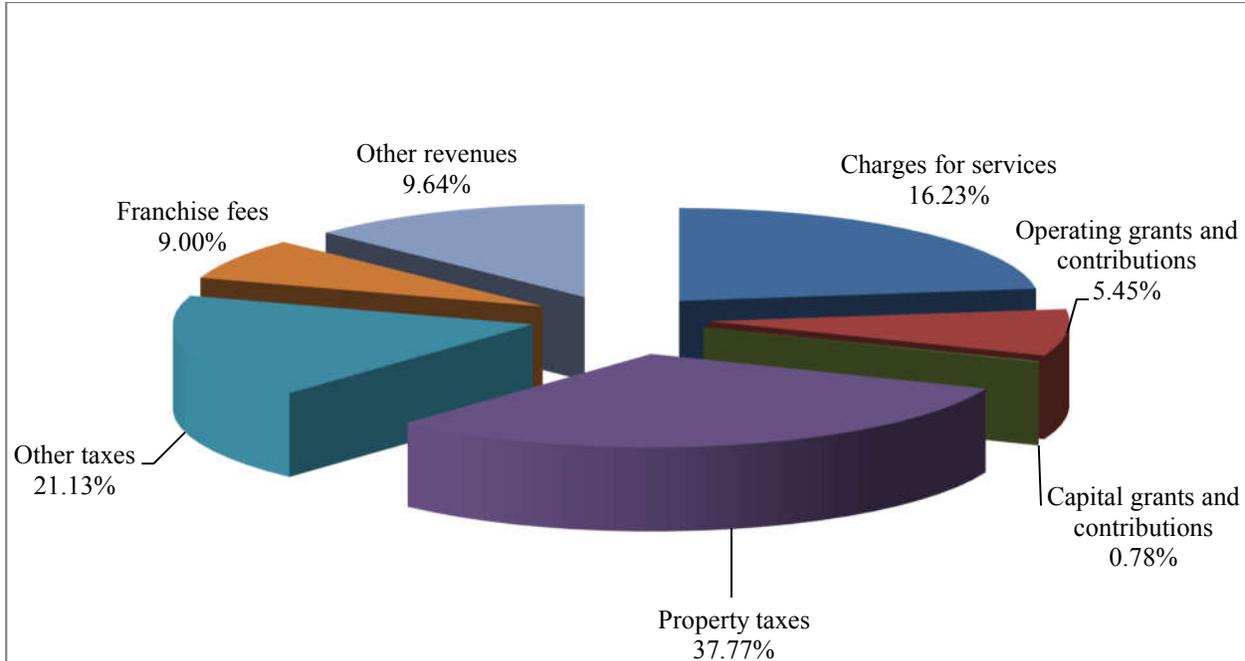
The following chart compares expenses with program revenues for the City’s governmental activities:

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



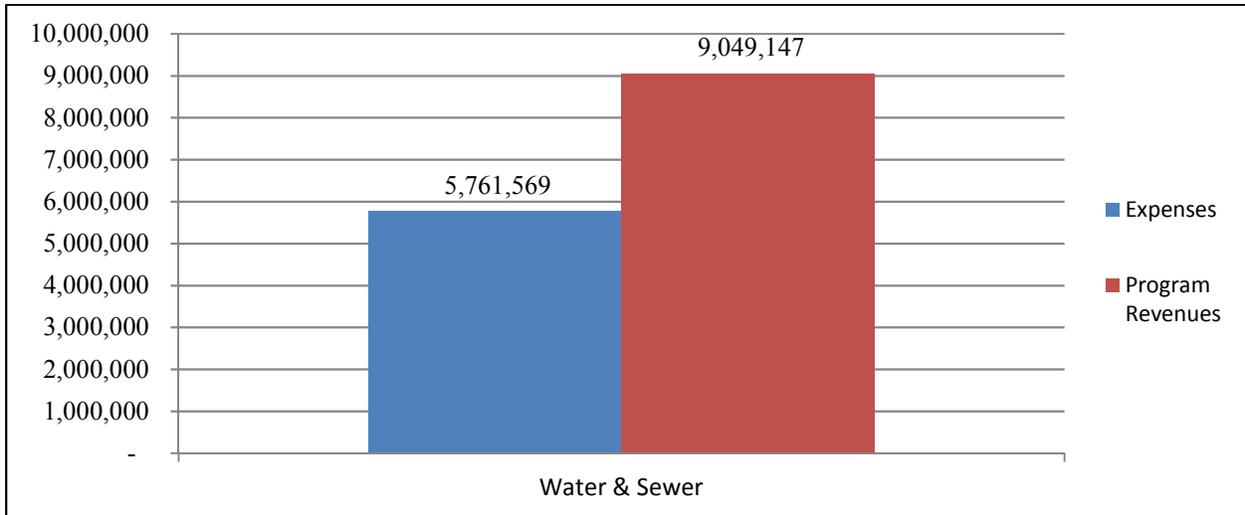
Business-type Activities

Business-type activities increased the City's net position by \$2,388,003, which is \$625,195 (35%) more than the prior year increase in net position. Key elements of this change are as follows:

- Charges for services in 2017 increased by \$258,728 (3%). This change is mainly due to an increase in water and sewer rates for FY 2016'17. 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 \$569,504 (165%) due to increased impact fee revenue (\$319,504), increased grants (\$250,000) and increased other revenues of \$12,303 (6%).
- Water and sewer expenses increased \$182,210 (3%).
- Lake Wales Memorial Gardens cemetery expenses decreased by \$382 (<1%).
- During 2016, \$1,080,230 was transferred out to the governmental activities, as compared to \$1,046,718 being transferred out in the prior year. This is an increase of \$33,512 (3%).

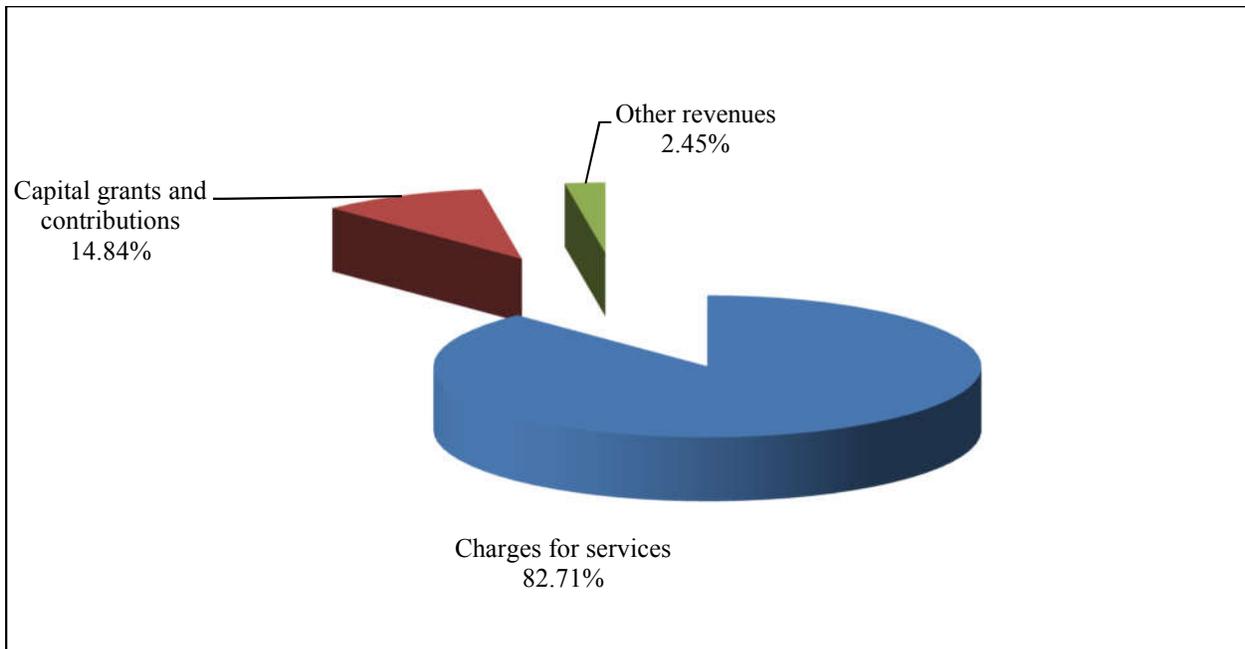
The following chart compares expenses with program revenues for the City's business-type activities:

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 \$7,392,140, an increase of \$1,777,729 for the year. Approximately 43% of this amount (\$3,209,162) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance (\$4,182,978) is classified as non-spendable (\$273,980), restricted (\$3,813,419) 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 \$3,209,162 while total fund balance reached \$3,564,824. 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, 2017, the general fund's unassigned fund balance represents 25% of total general fund expenditures, while total fund balance represents 27% 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 \$1,182,914 during the current fiscal year. Revenue sources within the CRA (\$1,254,890) and land sales proceeds (\$967,738) exceeded debt service requirements (\$670,806) and operating costs (\$368,908).

Fund balance of the City's transportation fund increased by \$175,488 during the current fiscal year as revenues (\$1,089,818) and debt proceeds (\$172,740) exceeded expenditures (\$1,087,070).

Fund balance of the City's debt service fund decreased by \$167,763 during the current fiscal year due to debt service requirements (\$1,817,014) which were more than revenues (\$978,445) and transfers in (\$670,806).

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

Unrestricted net position of the Public Utilities Fund at the end of the year amounted to \$2,189,650. As of September 30, 2017, the utility system had \$2,227,032 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 \$330,774 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 \$20,800 for City Manager related to increased payroll related costs.
- An increase of \$60,315 for facilities maintenance due to increased capital related costs added to the budget during the year.
- An increase of \$146,900 for police services and an increase of \$140,000 for fire services mainly due to the recording of on-behalf payments of the City's insurance premium taxes that increase pension expenditures and increases intergovernmental revenue.
- An increase of \$30,932 for the parks division related increased allocation of field operation costs to this functional group.
- A decrease of \$116,938 for recreational facilities related a reduction in capital related projects from the number of projects originally budgeted.

During the year there was a net \$245,000 increase in general fund revenues between the original and final amended budget. These increases/decreases were mainly due to the following item:

- An increase in intergovernmental revenue in the amount of \$245,000 to budget for the City's insurance premium taxes used to fund the City's police and fire pension plans.

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, 2017 is \$68,872,937 (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 \$5,360,959, an increase of 8%. This consisted of a 3% decrease for governmental activities and a 16% 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,768,631	\$ 5,141,825	\$ 826,730	\$ 825,730	\$ 5,595,361	\$ 5,967,555
Construction in progress	7,550	3,875	4,878,463	3,425,250	4,886,013	3,429,125
Buildings	14,478,098	14,478,098	1,140,625	1,125,717	15,618,723	15,603,815
Improvements other than buildings	7,420,296	7,063,056	53,135,047	47,322,166	60,555,343	54,385,222
Machinery & equipment	12,259,018	11,205,028	6,321,442	6,008,979	18,580,460	17,214,007
Infrastructure	19,763,811	19,763,813	-	-	19,763,811	19,763,813
Total	58,697,404	57,655,695	66,302,307	58,707,842	124,999,711	116,363,537
Less: accumulated depreciation	(34,365,994)	(32,539,455)	(21,760,780)	(20,312,104)	(56,126,774)	(52,851,559)
Capital assets, net	<u>\$ 24,331,410</u>	<u>\$ 25,116,240</u>	<u>\$ 44,541,527</u>	<u>\$ 38,395,738</u>	<u>\$ 68,872,937</u>	<u>\$ 63,511,978</u>

Additional information on the City's capital assets can be found in note C on pages 48-49 of this report.

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

Governmental Activities:

- Fleet roof replacement - \$47,038
- CSX roof replacement - \$47,410
- New air conditioner for the administration building - \$17,000
- (7) network switches - \$31,075
- (7) firewall devices and related software - \$21,206
- Electronic door security system - \$4,822
- Information technology equipment for the Police Department – Servers - \$29,517
- 2017 Ford Interceptor - \$42,402
- New air conditioner for the fire station - \$5,800
- 2016 Ford F-150 for the building department - \$22,308
- (2) Utility trailers - \$4,800
- Lawn mower - \$12,450
- North West Complex improvements – dugouts - \$39,176
- Mobley Park improvements – fence - \$14,314

- Park signage - \$12,600
- Drinking fountains - \$13,279
- Depot Museum improvements – deck, soft and fascia - \$23,617
- (2) John Deere Mower - \$37,720
- (3) Air compressors - \$2,599
- (2) Ice machines - \$4,300
- Soccer field improvements – lighting - \$119,500
- Lake Wales Pier improvements - \$46,505
- CIP - Historic Walking Tour – sound and signage - \$3,580
- Depot Museum dehumidifier - \$3,042
- New air conditioner unit for the Pink Depot - \$4,200
- 13’ vibratory screed - \$1,100
- Compactor - \$1,395
- Sidewalk improvements - \$11,965
- City Wi-Fi expansion - \$27,023
- Parking lot - \$21,897
- Library books - \$54,850
- New air conditioner for the library- \$5,300
- CIP - North Library – design - \$7,550
- Walking Tour - \$22,573
- (4) Police mountain bikes - \$4,372
- (2) Generators for the police department - \$85,657
- (14) Leased vehicles - \$581,184

Business-Type Activities

- CWIP - Water plant restrooms - \$11,926
- CWIP – Storage tank - \$73,404
- CWIP – Southeast Wellfield - \$7,220
- CWIP – C Street Phase II - \$2,439,278
- CWIP – U.S. 27 Vanguard project - \$236,986
- CWIP – Hwy 60 expansion - \$4,557,188
- New Service Meters - \$4,025
- Lift station pumps - \$25,294
- SCADA System improvements - \$62,987
- Software - \$810
- Kubota tractor - \$67,708
- Clarifier tank cover - \$84,370
- Kawasaki tractor - \$22,270
- Plant equipment - \$45,000
- Water plant restroom - \$14,908
- Land - \$1,000
- Reuse design costs - \$462,326
- C Street Phase II - \$5,034,070
- U.S. 27 Widening - \$316,485

Debt. At the end of the current fiscal year the City had total debt outstanding of \$24,091,565, including the addition of \$6,374,881 in note payable during fiscal year 2017 to fund construction projects and \$755,648 additions to lease obligations 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Note payables	\$ 7,080,854	\$ 8,312,131	\$ 15,241,545	\$ 11,162,574	\$ 22,322,399	\$ 19,474,705
Lease obligations	1,432,757	955,994	336,409	433,341	1,769,166	1,389,335
Total debt obligations	\$ 8,513,611	\$ 9,268,125	\$ 15,577,954	\$ 11,595,915	\$ 24,091,565	\$ 20,864,040

Additional information on the City’s long-term debt can be found in note G on pages 52-56 of this report.

Economic Factors and Next Year’s Budget and Rates

The unemployment rate at the end of fiscal year 2017 for Lakeland/Winter Haven Metro Area was 4.1%. 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. 2017</u>	<u>Previous Year Sept. 2016</u>
Lakeland/Winter Haven Metro Area	4.1%	5.7%
State of Florida	3.8%	4.7%
United States	4.1%	4.9%

*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 3.02% from 2016 to 2017.

The City’s population increased from 15,362 in 2016 to 15,365 in 2017.

All of these factors were considered in preparing the City of Lake Wales’s budget for the 2017’18 fiscal year.

Requests for Information

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

City of Lake Wales, Florida
Statement of Net Position
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
Assets				
Cash and cash equivalents	\$ 5,819,009	\$ 1,358,931	\$ 7,177,940	\$ 97,352
Receivable (net of allowance for uncollectibles)	520,067	1,132,777	1,652,844	2,823
Due from component unit	414,175	-	414,175	-
Intergovernmental receivables	586,214	-	586,214	203,742
Restricted assets:				
Cash and cash equivalents	812,330	2,999,753	3,812,083	-
Investments	-	1,011,817	1,011,817	-
Inventories	120,111	467,953	588,064	19,761
Prepaid items	153,869	3,919	157,788	-
Capital assets:				
Nondepreciable	4,776,181	5,705,193	10,481,374	2,492,163
Depreciable, net	19,555,229	38,836,334	58,391,563	7,923,639
Total assets	32,757,185	51,516,677	84,273,862	10,739,480
Deferred outflows of resources				
Deferred outflows related to pensions	2,943,157	285,294	3,228,451	-
Liabilities				
Accounts payable	489,844	322,510	812,354	3,810
Construction payable	146,120	1,115,242	1,261,362	231,489
Accrued liabilities	147,470	27,483	174,953	1,566
Accrued interest	130,371	112,048	242,419	-
Due to primary government	-	-	-	414,175
Deposits	2,341	954,835	957,176	3,683
Unearned revenues	51,644	211,831	263,475	2,181
Noncurrent liabilities:				
Due within one year	982,384	1,027,201	2,009,585	-
Due in more than one year	15,105,472	14,989,360	30,094,832	-
Total liabilities	17,055,646	18,760,510	35,816,156	656,904
Deferred inflows of resources				
Deferred inflows related to pensions	399,678	2,906	402,584	-
Net position				
Net investment in capital assets	15,671,679	27,848,331	43,520,010	10,415,802
Restricted for:				
Law enforcement	57,323	-	57,323	-
Library	127,600	-	127,600	-
Transportation	508,472	-	508,472	-
Community redevelopment	1,393,382	-	1,393,382	-
Street lighting	19,318	-	19,318	-
Debt service	1,154,353	661,105	1,815,458	-
Capital projects	552,971	2,227,032	2,780,003	-
Unrestricted (deficit)	(1,240,080)	2,302,087	1,062,007	(333,226)
Total net position	\$ 18,245,018	\$ 33,038,555	\$ 51,283,573	\$ 10,082,576

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

City of Lake Wales, Florida
Statement of Activities
For the Year Ending September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,399,216	\$ 87,896	\$ 199,841	\$ -
Public safety	8,501,991	2,240,193	438,043	14,932
Physical environment	1,145,447	1,156,756	-	-
Transportation	1,807,487	138,546	124,717	-
Economic environment	441,868	-	-	-
Human services	10,174	-	-	-
Culture and recreation	2,648,493	196,119	588,574	792
Interest on long-term debt	288,519	-	-	-
Total governmental activities	16,243,195	3,819,510	1,351,175	15,724
Business-type activities:				
Water and sewer utility	5,761,569	8,134,261	-	914,886
Cemetery	87,818	46,351	-	-
Total business-type activities	5,849,387	8,180,612	-	914,886
Total primary government	22,092,582	12,000,122	1,351,175	930,610
Component unit:				
Airport Authority	\$ 939,038	\$ 354,901	\$ -	\$ 678,433

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

Net position, end of year

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

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Airport Authority
\$ (1,111,479)	\$ -	\$ (1,111,479)	
(5,808,823)	-	(5,808,823)	
11,309	-	11,309	
(1,544,224)	-	(1,544,224)	
(441,868)	-	(441,868)	
(10,174)	-	(10,174)	
(1,863,008)	-	(1,863,008)	
(288,519)	-	(288,519)	
<u>(11,056,786)</u>	<u>-</u>	<u>(11,056,786)</u>	
-	3,287,578	3,287,578	
-	(41,467)	(41,467)	
<u>-</u>	<u>3,246,111</u>	<u>3,246,111</u>	
<u>(11,056,786)</u>	<u>3,246,111</u>	<u>(7,810,675)</u>	
			<u>\$ 94,296</u>
5,122,114	-	5,122,114	-
1,202,764	-	1,202,764	-
1,687,888	-	1,687,888	-
467,274	-	467,274	-
810,953	-	810,953	-
72,316	-	72,316	-
1,404,292	-	1,404,292	-
14,816	11,209	26,025	172
4,669	-	4,669	-
610,380	-	610,380	-
100,366	210,913	311,279	-
1,080,230	(1,080,230)	-	-
<u>12,578,062</u>	<u>(858,108)</u>	<u>11,719,954</u>	<u>172</u>
1,521,276	2,388,003	3,909,279	94,468
16,723,742	30,650,552	47,374,294	9,988,108
<u>\$ 18,245,018</u>	<u>\$ 33,038,555</u>	<u>\$ 51,283,573</u>	<u>\$ 10,082,576</u>

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

City of Lake Wales, Florida

Balance Sheet All Governmental Funds September 30, 2017

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 2,799,677	\$ 409,256	\$ 1,071,702	\$ 1,433,416	\$ 104,958	\$ 5,819,009
Receivable (net of allowance for uncollectibles)	514,907	-	-	5,160	-	520,067
Due from other funds	59,813	-	-	-	-	59,813
Due from component unit	414,175	-	-	-	-	414,175
Inventories	120,111	-	-	-	-	120,111
Intergovernmental receivables	449,477	132,366	-	-	4,371	586,214
Restricted cash and cash equivalents:						
Impact fees	-	-	82,651	-	729,679	812,330
Prepaid items	139,972	-	-	-	13,897	153,869
Total assets	<u>\$ 4,498,132</u>	<u>\$ 541,622</u>	<u>\$ 1,154,353</u>	<u>\$ 1,438,576</u>	<u>\$ 852,905</u>	<u>\$ 8,485,588</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 402,660	\$ 33,150	\$ -	\$ 45,194	\$ 8,840	\$ 489,844
Accrued liabilities	134,327	-	-	-	13,143	147,470
Construction payable	146,120	-	-	-	-	146,120
Due to other funds	-	-	-	-	59,813	59,813
Deposits	2,341	-	-	-	-	2,341
Unearned revenues	51,644	-	-	-	-	51,644
Total liabilities	<u>737,092</u>	<u>33,150</u>	<u>-</u>	<u>45,194</u>	<u>81,796</u>	<u>897,232</u>
Deferred inflows of resources						
Unavailable revenue	196,216	-	-	-	-	196,216
Total deferred inflows of resources	<u>196,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,216</u>
Fund balances						
Nonspendable:						
Inventories and prepaid items	260,083	-	-	-	13,897	273,980
Restricted for:						
Law enforcement expenditures	-	-	-	-	57,323	57,323
Library expenditures	-	-	-	-	127,600	127,600
Transportation expenditures	-	508,472	-	-	-	508,472
Community redevelopment	-	-	-	1,393,382	-	1,393,382
Street lighting expenditures	-	-	-	-	19,318	19,318
Debt service	-	-	1,154,353	-	-	1,154,353
Capital projects	-	-	-	-	552,971	552,971
Committed for:						
Cemetery expenditures	28,086	-	-	-	-	28,086
Tree replacement expenditures	67,493	-	-	-	-	67,493
Unassigned:						
Total fund balance	<u>3,209,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,209,162</u>
Total fund balance	<u>3,564,824</u>	<u>508,472</u>	<u>1,154,353</u>	<u>1,393,382</u>	<u>771,109</u>	<u>7,392,140</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,498,132</u>	<u>\$ 541,622</u>	<u>\$ 1,154,353</u>	<u>\$ 1,438,576</u>	<u>\$ 852,905</u>	<u>\$ 8,485,588</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
September 30, 2017

Total fund balances of governmental funds	\$ 7,392,140
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	24,331,410
Revenues not received within the "availability" period are deferred at the fund level and recognized in the statement of activities.	196,216
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.	(130,371)
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.	(16,087,856)
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	2,943,157
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	(399,678)
Net position of governmental activities	\$ 18,245,018

The notes to 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
For the Year Ended September 30, 2017

	General	Transportation	Debt Service	Community Redevelopment	Other Governmental Funds	Total
Revenues						
Taxes	\$ 5,112,491	\$ 810,953	\$ 667,217	\$ 631,109	\$ 352,538	\$ 7,574,308
Special assessment	-	-	-	-	15,624	15,624
Licenses and permits	1,515,272	-	255,000	-	-	1,770,272
Intergovernmental	1,866,771	139,319	-	617,195	602,785	3,226,070
Charges for services	3,109,136	138,546	-	-	-	3,247,682
Fines and forfeits	100,029	-	-	-	36,462	136,491
Investment earnings	11,285	1,000	119	1,586	2,338	16,328
Impact fees	-	-	56,109	-	254,585	310,694
Miscellaneous	71,493	-	-	5,000	40,534	117,027
Total revenues	11,786,477	1,089,818	978,445	1,254,890	1,304,866	16,414,496
Expenditures						
Current:						
General government	1,904,199	-	-	-	-	1,904,199
Public safety	8,329,050	-	-	-	60,998	8,390,048
Physical environment	1,097,248	-	-	-	13,460	1,110,708
Transportation	42,614	1,087,070	-	-	-	1,129,684
Economic environment	130,000	-	-	368,908	-	498,908
Culture and recreation	1,504,184	-	-	-	988,132	2,492,316
Debt Service:						
Principal	-	-	1,511,401	-	-	1,511,401
Interest and fiscal charges	-	-	305,613	-	-	305,613
Capital outlay	-	-	-	-	119,499	119,499
Total expenditures	13,007,295	1,087,070	1,817,014	368,908	1,182,089	17,462,376
Excess (deficiency) of revenues over (under) expenditures	(1,220,818)	2,748	(838,569)	885,982	122,777	(1,047,880)
Other financing sources (uses)						
Transfers in	1,183,500	-	670,806	-	-	1,854,306
Transfers out	(88,270)	-	-	(670,806)	(15,000)	(774,076)
Insurance recoveries	4,669	-	-	-	-	4,669
Issuance of debt	582,908	172,740	-	-	-	755,648
Sale of capital assets	17,324	-	-	967,738	-	985,062
Total other financing (uses) sources	1,700,131	172,740	670,806	296,932	(15,000)	2,825,609
Net change in fund balances	479,313	175,488	(167,763)	1,182,914	107,777	1,777,729
Fund balances, beginning of year	3,085,511	332,984	1,322,116	210,468	663,332	5,614,411
Fund balances, end of year	\$ 3,564,824	\$ 508,472	\$ 1,154,353	\$ 1,393,382	\$ 771,109	\$ 7,392,140

The notes to 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, 2017

Net change in fund balances of the governmental funds \$ 1,777,729

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

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

Capital asset additions	\$ 1,442,588	
Capital asset disposals	(382,145)	
Depreciation	<u>(1,845,273)</u>	(784,830)

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

196,216

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	(755,648)	
Principal paid	<u>1,510,162</u>	754,514

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	(61,696)	
(Increase) in Other Post Employment Benefits	(49,102)	
Decrease in interest accrued on bonds	<u>18,333</u>	(92,465)

Pension expense is reported in the statement of activities which differs from pension expenditures as reported in governmental funds:

(Decrease) in deferred outflows related to pensions	(156,052)	
Decrease in deferred inflows related to pensions	114,294	
(Increase) in the net pension liability	<u>(288,130)</u>	<u>(329,888)</u>

Change in net position of governmental activities \$ 1,521,276

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, 2017

	Business-type Activities		
	Public Utilities Fund	Nonmajor: LWVG Cemetery Fund	Total Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 1,306,888	\$ 52,043	\$ 1,358,931
Receivables (net of allowance for uncollectibles)	1,128,933	3,844	1,132,777
Restricted cash, cash equivalents and investments:			
Debt reserve accounts	164,322	-	164,322
Unspent bond proceeds	-	63,027	63,027
Escrow - C street project	2,880	-	2,880
Impact fees	1,814,689	-	1,814,689
Customer deposits	954,835	-	954,835
Debt reserve accounts - investment	602,354	-	602,354
Impact fees - investment	409,463	-	409,463
Inventories	467,953	-	467,953
Prepaid items	3,919	-	3,919
Total current assets	<u>6,856,236</u>	<u>118,914</u>	<u>6,975,150</u>
Noncurrent assets			
Capital assets:			
Nondepreciable	5,500,624	204,569	5,705,193
Depreciable, net	38,378,582	457,752	38,836,334
Total noncurrent assets	<u>43,879,206</u>	<u>662,321</u>	<u>44,541,527</u>
Total assets	<u>50,735,442</u>	<u>781,235</u>	<u>51,516,677</u>
Deferred outflows of resources			
Deferred outflows related to pensions	285,294	-	285,294
Liabilities			
Current liabilities			
Accounts payable	322,510	-	322,510
Construction payable	1,115,242	-	1,115,242
Accrued liabilities	27,483	-	27,483
Accrued interest	105,571	6,477	112,048
Customer deposits	954,835	-	954,835
Unearned revenues	211,831	-	211,831
Accrued compensated absences	13,602	-	13,602
Current portion of long-term debt	983,279	30,320	1,013,599
Total current liabilities	<u>3,734,353</u>	<u>36,797</u>	<u>3,771,150</u>
Noncurrent liabilities			
Notes and lease obligations payable - noncurrent	14,153,980	410,375	14,564,355
Accrued compensated absences	122,413	-	122,413
Accrued OPEB	81,835	-	81,835
Net pension liability	220,757	-	220,757
Total noncurrent liabilities	<u>14,578,985</u>	<u>410,375</u>	<u>14,989,360</u>
Total liabilities	<u>18,313,338</u>	<u>447,172</u>	<u>18,760,510</u>
Deferred inflows of resources			
Deferred inflows related to pensions	2,906	-	2,906
Net position			
Net investment in capital assets	27,626,705	221,626	27,848,331
Restricted for capital projects	2,227,032	-	2,227,032
Restricted for debt service	661,105	-	661,105
Unrestricted	2,189,650	112,437	2,302,087
Total net position	<u>\$ 32,704,492</u>	<u>\$ 334,063</u>	<u>\$ 33,038,555</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, 2017

	Business-type Activities		
	Public Utilities Fund	Nonmajor: LWMG Cemetery Fund	Total Enterprise Funds
Operating revenues:			
Charges for services	\$ 8,134,261	\$ 46,333	8,180,594
Other income	210,913	18	210,931
Total operating revenues	<u>8,345,174</u>	<u>46,351</u>	<u>8,391,525</u>
Operating expenses:			
Personnel services	1,910,269	-	1,910,269
Contractual services	235,203	-	235,203
Repairs and maintenance	557,613	-	557,613
Materials and supplies	168,760	-	168,760
General and administrative	1,283,493	45,328	1,328,821
Depreciation	1,418,901	29,775	1,448,676
Total operating expenses	<u>5,574,239</u>	<u>75,103</u>	<u>5,649,342</u>
Operating income (loss)	<u>2,770,935</u>	<u>(28,752)</u>	<u>2,742,183</u>
Nonoperating revenues (expenses)			
Interest income	11,054	155	11,209
Interest expense and fiscal charges	(187,330)	(12,715)	(200,045)
Total nonoperating revenues (expenses)	<u>(176,276)</u>	<u>(12,560)</u>	<u>(188,836)</u>
Income (loss) before contributions and transfers	<u>2,594,659</u>	<u>(41,312)</u>	<u>2,553,347</u>
Capital contributions			
Grants	250,000	-	250,000
Impact fees	664,886	-	664,886
Total capital contributions	<u>914,886</u>	<u>-</u>	<u>914,886</u>
Transfers			
Transfers in	-	88,270	88,270
Transfers out	(1,168,500)	-	(1,168,500)
Total transfers	<u>(1,168,500)</u>	<u>88,270</u>	<u>(1,080,230)</u>
Change in net position	2,341,045	46,958	2,388,003
Total net position, beginning of year	<u>30,363,447</u>	<u>287,105</u>	<u>30,650,552</u>
Total net position, end of year	<u>\$ 32,704,492</u>	<u>\$ 334,063</u>	<u>\$ 33,038,555</u>

The notes to 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, 2017

	Business-type Activities		
	Public Utilities Fund	Nonmajor: LWMG Cemetery Fund	Total Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 8,491,666	\$ 42,507	\$ 8,534,173
Cash payments to suppliers for goods and services	(2,340,021)	(45,328)	(2,385,349)
Cash payments for employee services	(1,815,109)	-	(1,815,109)
Net cash provided by (used in) operating activities	<u>4,336,536</u>	<u>(2,821)</u>	<u>4,333,715</u>
Cash flows from noncapital financing activities			
Transfer to (from) other funds	(1,168,500)	88,270	(1,080,230)
Net cash provided by (used in) noncapital financing activities	<u>(1,168,500)</u>	<u>88,270</u>	<u>(1,080,230)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(7,473,019)	-	(7,473,019)
Impact fees	664,886	-	664,886
Capital grant	250,000	-	250,000
Debt issuance proceeds	6,374,881	-	6,374,881
Principal payments on long-term debt	(2,362,967)	(29,875)	(2,392,842)
Interest paid	(160,623)	(13,065)	(173,688)
Net cash used in capital and related financing activities	<u>(2,706,842)</u>	<u>(42,940)</u>	<u>(2,749,782)</u>
Cash flows from investing activities			
Purchase of investments	(265,367)	-	(265,367)
Investment income	11,054	155	11,209
Net cash provided by (used in) investing activities	<u>(254,313)</u>	<u>155</u>	<u>(254,158)</u>
Net increase in cash and cash equivalents	206,881	42,664	249,545
Cash and cash equivalents, beginning of year	<u>4,036,733</u>	<u>72,406</u>	<u>4,109,139</u>
Cash and cash equivalents, end of year	<u>\$ 4,243,614</u>	<u>\$ 115,070</u>	<u>\$ 4,358,684</u>

The notes to 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, 2017
(Concluded)

	Business-type Activities		
	Nonmajor:		
	Public Utilities Fund	LWVG Cemetery Fund	Total Enterprise Funds
Reconciliation of cash and cash equivalents to statement of net position			
Cash and cash equivalents	\$ 1,306,888	\$ 52,043	\$ 1,358,931
Restricted cash and cash equivalents	2,936,726	63,027	2,999,753
Cash and cash equivalents, end of year	\$ 4,243,614	\$ 115,070	\$ 4,358,684
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 2,770,935	\$ (28,752)	\$ 2,742,183
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:			
Depreciation	1,418,901	29,775	1,448,676
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	52,065	(3,844)	48,221
Inventories	(162,889)	-	(162,889)
Prepaid	2,653	-	2,653
Deferred outflows related to pensions	26,911	-	26,911
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	65,284	-	65,284
Accrued liabilities	7,303	-	7,303
Customer deposits	106,407	-	106,407
Unearned revenue	(11,980)	-	(11,980)
Compensated absences	(3,416)	-	(3,416)
Accrued OPEB	11,436	-	11,436
Net pension liability	97,210	-	97,210
Deferred inflows related to pensions	(44,284)	-	(44,284)
Net cash provided by (used in) operating activities	\$ 4,336,536	\$ (2,821)	\$ 4,333,715

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

City of Lake Wales, Florida
Statement of Net Position
Fiduciary Funds
September 30, 2017

	Pension Trust Funds
Assets	
Cash and cash equivalent	\$ 472,778
Investments, at fair value:	
Certificates of deposit	356,806
Money market funds	1,135,469
Government bonds	2,350,490
Government assets backed/CMO securities	1,904,180
Taxable municipal bonds	759,562
Foreign bonds	1,259,616
Corporate bonds and notes	5,001,762
Common and preferred stock	21,048,265
Total investments	33,816,150
Prepays	
Prepaid fiduciary liability insurance	5,865
Total Prepays	5,865
Receivable (net):	
Interest and dividends	77,330
Total receivable	77,330
Total assets	34,372,123
Liabilities	
Accounts payable	58,835
Total liabilities	58,835
Net position	
Net position restricted for pension benefits	\$ 34,313,288

The notes to 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, 2017

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 1,052,508
State of Florida	240,136
Employee	379,941
Total contributions	<u>1,672,585</u>
Interest and dividends	897,064
Net increase in the fair value of investments	<u>2,293,214</u>
Investment gain	3,190,278
Investment expense	<u>(236,624)</u>
Investment gain, less investment expense	<u>2,953,654</u>
Total additions	<u>4,626,239</u>
Deductions	
Benefit payments, including refunds of employee contributions	2,333,450
Administration	154,911
Total deductions	<u>2,488,361</u>
Change in net position	2,137,878
Total net position - beginning	<u>32,175,410</u>
Total net position - end of year	<u><u>\$ 34,313,288</u></u>

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

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2017

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 and 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, 2017.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2017

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, 2017

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

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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.

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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 during 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

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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 consumed.

4. Restricted assets

Certain proceeds of the water and sewer utility fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the 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 presents these assets at the acquisition value of the item at the date of donation.

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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, 2017. 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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues that are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. 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.

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8. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as 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.

9. *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.

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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 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.

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.

City of Lake Wales, Florida
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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.

10. 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, 2017, are unbilled amounts totaling \$573,006 (\$455,304 enterprise funds and \$117,702 general fund).

11. 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 2017 fiscal year was 7.3273 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.

12. 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.

City of Lake Wales, Florida
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E. Change in Accounting Principle

For the fiscal year ended September 30, 2017, the City implemented the provisions of GASB Statement No. 82 – *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

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
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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 depositors 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, 2017, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$10,990,023, and the related bank balance was \$12,696,020.

Investments – City

At September 30, 2017, the carrying amount of investments was \$1,011,817. 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, 2017, 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 cost, 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.

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The City's pension trust funds have the following carrying values as of September 30, 2017, based on measurement criteria as specified:

General Employees' Pension Trust Fund:

	September 30, 2017	Level 1	Level 2	Amortized Cost
Investments at fair value				
Certificates of deposit	\$ 100,728	\$ -	\$ -	\$ 100,728
Money market mutual funds	253,695	-	-	253,695
Government bonds	685,757	-	685,757	-
Government Assets backed/ CMO securities	601,699	-	601,699	-
Taxable municipal bonds	237,488	-	237,488	-
Foreign bonds	398,227	-	398,227	-
Corporate bonds and notes	1,596,987	-	1,596,987	-
Common and preferred stock	6,824,961	6,824,961	-	-
Total investments measured at fair value	\$ 10,699,542	\$ 6,824,961	\$ 3,520,158	\$ 354,423

Firefighters' Pension Trust Fund:

	September 30, 2017	Level 1	Level 2	Amortized Cost
Investments at fair value				
Certificates of deposit	\$ 55,387	\$ -	\$ -	\$ 55,387
Money market mutual funds	362,400	-	-	362,400
Government bonds	588,260	-	588,260	-
Government Assets backed/ CMO securities	499,983	-	499,983	-
Taxable municipal bonds	194,161	-	194,161	-
Foreign bonds	326,642	-	326,642	-
Corporate bonds and notes	1,269,802	-	1,269,802	-
Common and preferred stock	5,162,291	5,162,291	-	-
Total investments measured at fair value	\$ 8,458,926	\$ 5,162,291	\$ 2,878,848	\$ 417,787

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Police Officers' Pension Trust Fund:

	September 30, 2017	Level 1	Level 2	Amortized Cost
Investments at fair value				
Certificates of deposit	\$ 200,691	\$ -	\$ -	\$ 200,691
Money market mutual funds	519,374	-	-	519,374
Government bonds	1,076,473	-	1,076,473	-
Government Assets backed/ CMO securities	802,498	-	802,498	-
Taxable municipal bonds	327,913	-	327,913	-
Foreign bonds	534,747	-	534,747	-
Corporate bonds and notes	2,134,973	-	2,134,973	-
Common and preferred stock	9,061,013	9,061,013	-	-
Total investments measured at fair value	\$ 14,657,682	\$9,061,013	\$4,876,604	\$ 720,065

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 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.

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

	General Employees	Fire Fighters	Police Officers
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.

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Credit ratings and maturities of investments in pension trust funds at September 30, 2017, are presented below:

General Employees' Pension Trust Fund:

Investment Type	Credit Rating (S&P's)	Fair Value/ Amortized Cost	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Money Market Funds	N/R	\$ 253,695	\$ 253,695	\$ -	\$ -	\$ -
Certificates of Deposit	N/R	100,728	-	-	15,000	85,728
Corporate Bonds	*	1,596,987	81,330	-	147,517	1,368,140
Government Bonds	Aaa	685,757	-	3,992	49,729	632,036
Government Asset Backed/CMO Sec.	Aaa	601,699	-	767	11,698	589,234
Foreign Bonds	*	398,227	-	-	24,845	373,382
Taxable Municipal Bonds	*	237,488	-	-	-	237,488
Equities	N/R	6,824,961	N/A	N/A	N/A	N/A
Total Fair Value		\$ 10,699,542	\$ 335,025	\$ 4,759	\$ 248,789	\$ 3,286,008

Firefighters' Pension Trust Fund:

Investment Type	Credit Rating (Moody)	Fair Value/ Amortized Cost	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Money Market Funds	N/R	\$ 362,400	\$ 362,400	\$ -	\$ -	\$ -
Certificates of Deposit	N/R	55,387	-	-	10,000	45,387
Corporate Bonds	*	1,269,802	-	66,080	112,812	1,090,910
Government Bonds	Aaa	588,260	-	2,994	44,756	540,510
Government Asset Backed/CMO Sec.	Aaa	499,983	-	453	10,210	489,320
Foreign Bonds	*	326,642	-	-	14,907	311,735
Taxable Municipal Bonds	*	194,161	-	-	-	194,161
Equities	N/R	5,162,291	N/A	N/A	N/A	N/A
Total Fair Value		\$ 8,458,926	\$ 362,400	\$ 69,527	\$ 192,685	\$ 2,672,023

Police Officers' Pension Trust Fund:

Investment Type	Credit Rating (S&P's)	Fair Value/ Amortized Cost	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Money Market Funds	N/R	\$ 519,374	\$ 519,374	\$ -	\$ -	\$ -
Certificates of Deposit	N/R	200,691	100,000	-	20,000	80,691
Corporate Bonds	*	2,134,973	106,745	-	203,557	1,824,671
Government Bonds	Aaa	1,076,473	-	3,992	74,594	997,887
Government Asset Backed/CMO Sec.	Aaa	802,498	-	1,046	15,827	785,625
Foreign Bonds	*	534,747	-	-	35,777	498,970
Municipal Bonds	*	327,913	-	-	-	327,913
Equities	N/R	9,061,013	N/A	N/A	N/A	N/A
Total Fair Value		\$ 14,657,682	\$ 726,119	\$ 5,038	\$ 349,755	\$ 4,515,757

*Credit rating on the above bonds varied from Aaa to Baa2

N/R = Not rated

City of Lake Wales, Florida
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The pension funds owned cash at September 30, 2017, totaling \$91,125, \$198,957 and \$182,696 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, 2017, 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
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B. Receivables

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

	General	Transportation	Community Redevelopment	Other Governmental Funds	Total Governmental Funds
Receivable:					
Taxes	\$ 143,914	\$ -	\$ -	\$ -	\$ 143,914
Franchise fees	149,004	-	-	-	149,004
Accounts	131,216	-	5,160	-	136,376
Unbilled amounts	117,702	-	-	-	117,702
Gross receivables	541,836	-	5,160	-	546,996
Less: allowance for uncollectibles	(26,929)	-	-	-	(26,929)
Net total receivable	<u>\$ 514,907</u>	<u>\$ -</u>	<u>\$ 5,160</u>	<u>\$ -</u>	<u>\$ 520,067</u>
Intergovernmental Receivables	<u>\$ 449,477</u>	<u>\$ 132,366</u>	<u>\$ -</u>	<u>\$ 4,371</u>	<u>\$ 586,214</u>
	<u>Enterprise - Business Type</u>				
Receivable:					
Accounts	\$ 816,619				
Unbilled amounts	455,304				
Gross receivables	1,271,923				
Less: allowance for uncollectibles	(139,146)				
Net total receivable	<u>\$ 1,132,777</u>				
Intergovernmental Receivables	<u>\$ -</u>				

Governmental funds delay 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 consisted of \$51,644 of prepaid local business tax.

Governmental funds defer revenue recognition in connection with resources that have not been received during the period of availability as a deferred inflow of resources. At the end of the current fiscal year, the general fund reported a deferred inflow of resources related to unavailable revenue in the amount of \$196,216, which consisted of unavailable grant revenue.

City of Lake Wales, Florida
Notes to the Financial Statements
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C. Capital assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 5,141,825	\$ -	\$ (373,194)	\$ 4,768,631
Construction in progress	3,875	11,137	(7,462)	7,550
Total capital assets, not being depreciated	<u>5,145,700</u>	<u>11,137</u>	<u>(380,656)</u>	<u>4,776,181</u>
Capital assets being depreciated:				
Buildings	14,478,098	-	-	14,478,098
Improvements other than buildings	7,063,056	357,240	-	7,420,296
Machinery and equipment	11,205,028	1,074,211	(20,221)	12,259,018
Infrastructure	19,763,813	-	(2)	19,763,811
Total depreciable capital assets	<u>52,509,995</u>	<u>1,431,451</u>	<u>(20,223)</u>	<u>53,921,223</u>
Total all capital assets	<u>57,655,695</u>	<u>1,442,588</u>	<u>(400,879)</u>	<u>58,697,404</u>
Less accumulated depreciation for:				
Buildings	(4,521,473)	(307,805)	-	(4,829,278)
Improvements other than buildings	(5,019,234)	(286,109)	-	(5,305,343)
Machinery and equipment	(9,147,444)	(497,676)	18,734	(9,626,386)
Infrastructure	(13,851,304)	(753,683)	-	(14,604,987)
Total accumulated depreciation	<u>(32,539,455)</u>	<u>(1,845,273)</u>	<u>18,734</u>	<u>(34,365,994)</u>
Depreciable capital assets, net	<u>19,970,540</u>	<u>(413,822)</u>	<u>(1,489)</u>	<u>19,555,229</u>
Total governmental activities capital assets, net	<u>\$ 25,116,240</u>	<u>\$ (402,685)</u>	<u>\$ (382,145)</u>	<u>\$ 24,331,410</u>

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

Governmental activities:	
General government	\$ 113,867
Public safety	411,214
Physical environment	36,217
Transportation	863,280
Economic environment	12,482
Human services	10,173
Culture and recreation	398,040
Total governmental activities depreciation expense	<u>\$ 1,845,273</u>

City of Lake Wales, Florida
Notes to the Financial Statements
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 825,730	\$ 1,000	\$ -	\$ 826,730
Construction in progress	3,425,250	7,326,002	(5,872,789)	4,878,463
Total capital assets, not being depreciated	<u>4,250,980</u>	<u>7,327,002</u>	<u>(5,872,789)</u>	<u>5,705,193</u>
Capital assets being depreciated:				
Buildings	1,125,717	14,908	-	1,140,625
Improvements other than buildings	47,322,166	5,812,881	-	53,135,047
Machinery and equipment	6,008,979	312,463	-	6,321,442
Total depreciable capital assets	<u>54,456,862</u>	<u>6,140,252</u>	<u>-</u>	<u>60,597,114</u>
Total all capital assets	<u>58,707,842</u>	<u>13,467,254</u>	<u>(5,872,789)</u>	<u>66,302,307</u>
Less accumulated depreciation for:				
Buildings	(548,733)	(32,541)	-	(581,274)
Improvements other than buildings	(15,091,972)	(1,167,820)	-	(16,259,792)
Machinery and equipment	(4,671,399)	(248,315)	-	(4,919,714)
Total accumulated depreciation	<u>(20,312,104)</u>	<u>(1,448,676)</u>	<u>-</u>	<u>(21,760,780)</u>
Depreciable capital assets, net	<u>34,144,758</u>	<u>4,691,576</u>	<u>-</u>	<u>38,836,334</u>
Total business-type activities capital assets, net	<u>\$ 38,395,738</u>	<u>\$ 12,018,578</u>	<u>\$ (5,872,789)</u>	<u>\$ 44,541,527</u>

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

Business-type activities:	
Water	\$ 541,568
Sewer	877,333
Cemetery	29,775
Total business-type activities depreciation expense	<u>\$ 1,448,676</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Discretely presented component unit				
Capital assets not being depreciated				
Land	\$ 1,625,274	\$ -	\$ -	\$ 1,625,274
Construction in progress	85,100	781,789	-	866,889
Total capital assets, not being depreciated	<u>1,710,374</u>	<u>781,789</u>	<u>-</u>	<u>2,492,163</u>
Capital assets being depreciated:				
Buildings	2,534,616	4,770	-	2,539,386
Improvements other than buildings	9,603,686	6,814	-	9,610,500
Machinery and equipment	649,235	59,899	-	709,134
Total depreciable capital assets	<u>12,787,537</u>	<u>71,483</u>	<u>-</u>	<u>12,859,020</u>
Total all capital assets	<u>14,497,911</u>	<u>853,272</u>	<u>-</u>	<u>15,351,183</u>
Less accumulated depreciation for:				
Buildings	(422,939)	(51,696)	-	(474,635)
Improvements other than buildings	(3,673,608)	(447,821)	-	(4,121,429)
Machinery and equipment	(297,452)	(41,865)	-	(339,317)
Total accumulated depreciation	<u>(4,393,999)</u>	<u>(541,382)</u>	<u>-</u>	<u>(4,935,381)</u>
Depreciable capital assets, net	<u>8,393,538</u>	<u>(469,899)</u>	<u>-</u>	<u>7,923,639</u>
Total governmental activities capital assets, net	<u>\$ 10,103,912</u>	<u>\$ 311,890</u>	<u>\$ -</u>	<u>\$ 10,415,802</u>

City of Lake Wales, Florida
Notes to the Financial Statements
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D. Construction commitments

The City has active construction projects as of September 30, 2017. 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	\$ 231,953	\$ 17,048
Ground storage tank	59,319	66,291
Reuse upgrades	12,100	104,650
S.R. 60 Western Expansion	3,941,525	1,586,865
Galvanized pipe replacement	58,177	8,462
C street sewer project - construction	4,652,496	20,561
Total primary government	<u>\$ 8,955,570</u>	<u>\$ 1,803,877</u>

Lake Wales Airport Authority - discretely presented component unit:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Airport projects	\$ 274,019	\$ 4,190,360
Total Lake Wales Airport Authority	<u>\$ 274,019</u>	<u>\$ 4,190,360</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.

F. 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>Fiscal Year Ending September 30,</u>	<u>Copier Equipment</u>	<u>Vehicles</u>	<u>Total</u>
2018	\$ 1,374	\$ 7,470	\$ 8,844
2019	687	1,604	2,291
Total	<u>\$ 2,061</u>	<u>\$ 9,074</u>	<u>\$ 11,135</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2017

F. Interfund receivable, payables and transfers

The composition of interfund balances as of September 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 55,442
General	Law Enforcement Block Grant	4,371
		<u>\$ 59,813</u>
<u>Due to/from component unit:</u>		
General	Airport Authority	<u>\$ 414,175</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, 2017 is as follows:

	Transfer In:			Total
	General	Debt Service	LWVG Cemetery	
Transfer Out:				
General	\$ -	\$ -	\$ 88,270	\$ 88,270
Capital Projects	15,000	-	-	15,000
CRA	-	670,806	-	670,806
Public Utilities	1,168,500	-	-	1,168,500
Total	<u>\$ 1,183,500</u>	<u>\$ 670,806</u>	<u>\$ 88,270</u>	<u>\$ 1,942,576</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2017

G. Long-term debt

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

	Beginning Balance	Additions	Disposals	Ending Balance	Due Within One Year
Governmental activities					
Notes and lease obligations payable:					
Notes payable	\$ 8,312,131	\$ -	\$ (1,231,277)	\$ 7,080,854	\$ 526,840
Lease obligations	955,994	755,648	(278,885)	1,432,757	358,850
Total notes and lease obligations payable	<u>9,268,125</u>	<u>755,648</u>	<u>(1,510,162)</u>	<u>8,513,611</u>	<u>885,690</u>
Other liabilities:					
Net pension liabilities	5,959,964	288,130	-	6,248,094	-
OPEB liability	310,113	49,102	-	359,215	-
Compensated absences	905,240	511,347	(449,651)	966,936	96,694
Total other liabilities	<u>7,175,317</u>	<u>848,579</u>	<u>(449,651)</u>	<u>7,574,245</u>	<u>96,694</u>
Governmental long-term liabilities	<u>\$ 16,443,442</u>	<u>\$ 1,604,227</u>	<u>\$ (1,959,813)</u>	<u>\$ 16,087,856</u>	<u>\$ 982,384</u>
	Beginning Balance	Additions	Disposals	Ending Balance	Due Within One Year
Business-type activities					
Notes and lease obligations payable:					
Notes payable	\$ 11,162,574	\$ 6,374,881	\$ (2,295,910)	\$ 15,241,545	\$ 914,780
Lease obligations	433,341	-	(96,932)	336,409	98,819
Total notes and lease obligations payable	<u>11,595,915</u>	<u>6,374,881</u>	<u>(2,392,842)</u>	<u>15,577,954</u>	<u>1,013,599</u>
Other liabilities:					
Net pension liabilities	123,547	97,210	-	220,757	-
OPEB liability	70,399	11,436	-	81,835	-
Compensated absences	139,431	84,926	(88,342)	136,015	13,602
Total other liabilities	<u>333,377</u>	<u>193,572</u>	<u>(88,342)</u>	<u>438,607</u>	<u>13,602</u>
Business-type long-term liabilities	<u>\$ 11,929,292</u>	<u>\$ 6,568,453</u>	<u>\$ (2,481,184)</u>	<u>\$ 16,016,561</u>	<u>\$ 1,027,201</u>

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2017

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2017:

	Purpose (2)	Frequency of Payment (1)	Maturity	Originally Issued	Outstanding Amount	Interest Rate
Governmental activities						
Note payable:						
Redevelopment Revenue Note, Series 2007	5	S	2028	\$ 9,500,000	\$ 6,024,668	3.77%
Ascending Lien Capital Improvement, Revenue Note, Series 2013	10	S	2028	1,200,000	1,056,186	2.91%
Lease obligations						
Mears Motor Leasing - FY 2012'13	8	M	2018	119,184	16,368	1.29%
Mears Motor Leasing - FY 2013'14	9	M	2019	86,457	26,012	1.49%
Mears Motor Leasing - FY 2014'15	10	M	2020	436,957	155,347	1.93%
Mears Motor Leasing - FY 2015'16	11	M	2021	693,512	537,792	1.93%
Mears Motor Leasing - FY 2016'17	13	M	2022	666,119	625,955	1.93%
Generator Lease - 2016'17	14	M	2021	89,529	71,283	1.80%
Total governmental activities					<u>\$ 8,513,611</u>	
Business-type activities						
Note payable:						
State Revolving Fund Loan - 5907P	1	S	2019	\$ 1,634,636	\$ 152,345	2.56%
State Revolving Fund Loan - 59110	1	S	2022	1,171,882	234,395	3.05%
State Revolving Fund Loan - 5912S	2	S	2024	1,429,755	526,205	2.14%
State Revolving Fund Loan - 5913P	3	S	2028	1,025,345	585,866	1.88%
State Revolving Fund Loan - 59140	6	S	2033	368,589	305,484	2.30%
State Revolving Fund Loan - 530300	6	S	2033	4,163,664	3,412,968	1.91%
State Revolving Fund Loan - 530310	12	S	2036	5,112,700	5,112,700	1.82%
State Revolving Fund Loan - 530320	15	S	2039	1,320,058	1,320,058	0.72%
State Revolving Fund Loan - 530330	15	S	2039	1,590,084	1,590,084	0.00%
Ascending Lien Capital Improvement, Revenue Note, Series 2013	7	S	2028	500,000	440,695	2.91%
Utility System Refunding Note, Series 2006B	4	S	2027	2,550,000	1,560,743	1.14%
Lease obligations						
Mears Motor Leasing - FY 2014'15	10	M	2020	134,397	72,730	1.93%
Mears Motor Leasing - FY 2015'16	11	M	2021	363,016	263,681	1.93%
Total business-type activities					<u>\$ 15,577,954</u>	

(1) Frequency: S = Semiannual, M = Monthly

(2) Purpose:

1. Construction of reclaimed water reuse facilities. (SRF – 5907P & 59110)
2. Construction of sludge dewatering facilities. (SRF – 5912S)
3. Planning and design of wastewater treatment plant expansion. (SRF – 5913P)
4. 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)
5. Acquisition, construction and equipping of various capital improvements within the Community Redevelopment Area. (Series 2007)
6. Construction of wastewater plant rehabilitation and expansion. (SRF – 59140 & 530300)
7. Construction funding for fire substation \$1,200,000 and cemetery addition \$500,000. (Series 2013)

City of Lake Wales, Florida
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8. Capital lease for six police cars. (Lease FY 2012'13)
9. Capital lease for three fire vehicles. (Lease FY 2013'14)
10. Capital lease for twelve police vehicles and six utility vehicles. (Lease FY 2014'15)
11. Capital lease for 18 vehicles including 9 police vehicles and one pumper truck for the fire department. (Lease FY 2015'16)
12. Construction of major sewer system rehabilitation/replacement project (SRF – 530310)
13. Capital lease for 15 vehicles including 6 police vehicles and one dump truck for the transportation fund (Lease FY 2016'17)
14. Capital lease for two generators (Generator Lease - 2016'17)
15. Construction of the State Road 60 utilities extensions (SRF – 530320 & SRF - 530330)

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

- Utility System Revenue and Refunding Revenue Notes, Series 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

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

- 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 2006B requires annual debt service reserves equal to 1/6th per month of all interest and 1/12th per month of the annual principal amount coming due. As of September 30, 2017, sinking fund balance for Series 2006B was \$164,322.

City of Lake Wales, Florida
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- 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 \$602,354.
- Three of the existing State Revolving Fund loans require a “Loan Replacement Reserve Account”. The Replacement Reserve Account for the existing loans is \$136,508 (Loan #5907P - \$47,349, 5911O - \$44,490 and 5912S - \$44,669).

Annual debt service requirements as of September 30, 2017, are as follows:

Fiscal Year	Governmental Activities					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 526,840	\$ 248,475	\$ 358,850	\$ 34,065	\$ 885,690	\$ 282,540
2019	546,074	228,889	341,508	25,382	887,582	254,271
2020	566,015	208,582	318,909	16,685	884,924	225,267
2021	586,690	187,528	250,221	8,724	836,911	196,252
2022	608,124	165,700	129,991	2,406	738,115	168,106
2023-2027	3,390,766	471,903	33,278	379	3,424,044	472,282
2028-2032	856,345	18,281	-	-	856,345	18,281
Total	\$ 7,080,854	\$ 1,529,358	\$ 1,432,757	\$ 87,641	\$ 8,513,611	\$ 1,616,999

Fiscal Year	Business-type Activities					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 914,780	\$ 233,203	\$ 98,819	\$ 5,622	\$ 1,013,599	\$ 238,825
2019	1,015,887	219,575	100,743	3,698	1,116,630	223,273
2020	1,116,050	206,984	92,699	1,740	1,208,749	208,724
2021	1,136,810	189,766	44,148	800	1,180,958	190,566
2022	1,157,951	172,203	-	-	1,157,951	172,203
2023-2027	5,536,375	613,190	-	-	5,536,375	613,190
2028-2032	3,548,212	251,160	-	-	3,548,212	251,160
2033-2037	815,480	18,369	-	-	815,480	18,369
Total	\$15,241,545	\$ 1,904,450	\$ 336,409	\$ 11,860	\$15,577,954	\$ 1,916,310

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 \$5,112,700 of borrowings on this loan as of September 30, 2017.

On December 14, 2016, the City accepted two State Revolving funds loans from the State of Florida Department of Environmental Protection in the aggregate amount of \$5,393,749, for use in completing the State Road 60 utilities extension project. There were \$2,910,142 of borrowing on this loan as of September 30, 2017.

City of Lake Wales, Florida
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Future Revenues that are Pledged

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

	Debt Obligation Reference	Total Principal and Interest Outstanding	Current Year Principal and Interest	Current Year Revenue	% of Revenues to Principal and Interest Paid
Public Service Taxes	Series 2003	\$ -	\$ 472,266	\$ 1,687,888	357%
CRA Tax Increment Revenues	Series 2007	7,359,018	694,003	1,217,344	175%
Communication Service Taxes	Series 2013	1,773,096	145,960	467,274	320%
Water and Sewer Net Revenue	SRF, Series 2006A & 2006B	16,624,091	1,580,021	3,978,923	252%
		<u>\$ 25,756,205</u>	<u>\$ 2,892,250</u>	<u>\$ 7,351,429</u>	

Conduit Debt

The City has issued bonds to provide financing assistance to a private sector entity for acquisition, construction and equipping a senior care facility 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, 2017, the outstanding balance on these bonds is \$23,720,000.

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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 \$33,091 were charged to the Authority for the year ended September 30, 2017.

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 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 \$414,175 at September 30, 2017.

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.

City of Lake Wales, Florida
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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.

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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, 2017	\$ 90,621	33.2%	\$ 441,050
September 30, 2016	84,585	34.1%	380,512
September 30, 2015	84,786	26.8%	324,789

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, 2016 interim actuarial valuation using the Entry Age Normal actuarial cost method. Select actuarial assumptions included:

- Actuarial Value of Asset: Market Value
- Funding Interest Rate: 4.00%
- Health Care Inflation: 6.50% in 2017, decreasing .75% each year to 4.50% in 2020
- Vision Care Inflation: 3.00%
- Payroll Growth: 3.50%
- Inflation Assumption: 4.00%
- Amortization of UAAL: Level percentage of pay over a closed 30 year period

Other actuarial assumptions are:

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- 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 6.5% in fiscal year 2017, 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.

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 plan 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.

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Net OPEB Obligation:

	9/30/2017
Annual Required Contributions	\$ 90,220
Interest on Net OPEB Obligation	15,220
Adjustments	(14,819)
Annual OPEB cost	90,621
Estimated Net Contributions	(30,083)
Increase/(decrease) in Net OPEB Obligation	60,538
Net OPEB Obligations - beginning of year	380,512
Estimated Net Obligations- end of year	\$ 441,050

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.

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Notes to the Financial Statements
September 30, 2017

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 member contributions, employer 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, 2017, 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	9.71%	9.25%	9.20%

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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, 2017, are \$119,354 for the General Pension Plan, \$-0- for the Police Officers' Pension Plan and \$249,367 for the Firefighters' Pension Plan.

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Participant Data: Plan membership detail is as follows:

	As of October 1, 2016		
	General Employees' Pension Fund	Fire Fighters' Pension Fund	Police Officers' Pension Fund
Inactive Plan members or beneficiaries currently receiving benefit:	40	13	27
Inactive Plan members entitled to but not yet receiving benefits	13	2	4
Active Plan members	95	26	43
Total	148	41	74

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 and State contributions	\$ 169,482	\$ 537,422	\$ 585,740
Plan members	5.0%	5.0%	5.0%

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 2017 fiscal year was determined as part of the October 1, 2015 actuarial valuations. The assumptions did not include post retirement cost of living adjustment.

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, 2016 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, 2017.

City of Lake Wales, Florida
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General Employees' Pension Plan:

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
Balance at 9/30/2016	\$ 9,756,625	\$ 9,310,768	\$ 445,857
Changes for the year:			
Service cost	321,612	-	321,612
Interest	760,064	-	760,064
Differences between expected and actual experience	158,268	-	158,268
Changes of assumptions	374,139	-	374,139
Contributions - employer	-	238,987	(238,987)
Contributions - employee	-	175,726	(175,726)
Net investment income	-	918,298	(918,298)
Benefit payments, including refunds of employee contributions	(541,909)	(541,909)	-
Administrative expenses	-	(41,934)	41,934
Net changes	<u>1,072,174</u>	<u>749,168</u>	<u>323,006</u>
Balances at 9/30/2017	<u>\$ 10,828,799</u>	<u>\$ 10,059,936</u>	<u>\$ 768,863</u>

Firefighters' Pension Plan:

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
Balance at 9/30/2016	\$ 11,139,163	\$ 7,505,083	\$ 3,634,080
Changes for the year:			
Service cost	213,696	-	213,696
Interest	849,239	-	849,239
Share plan allocation	724	-	724
Differences between expected and actual experience	(139,447)	-	(139,447)
Changes of assumptions	340,853	-	340,853
Contributions - employer	-	373,680	(373,680)
Contributions - State of Florida	-	134,242	(134,242)
Contributions - employee	-	70,978	(70,978)
Net investment income	-	722,458	(722,458)
Benefit payments, including refunds of employee contributions	(789,877)	(789,877)	-
Administrative expenses	-	(63,628)	63,628
Net changes	<u>475,188</u>	<u>447,853</u>	<u>27,335</u>
Balances at 9/30/2017	<u>\$ 11,614,351</u>	<u>\$ 7,952,936</u>	<u>\$ 3,661,415</u>

City of Lake Wales, Florida
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Police Officers' Pension Plan:

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
Balance at 9/30/2016	\$ 15,093,310	\$ 13,089,736	\$ 2,003,574
Changes for the year:			
Service cost	421,452	-	421,452
Interest	1,170,401	-	1,170,401
Share plan allocation	5,983	-	5,983
Differences between expected and actual experience	(109,886)	-	(109,886)
Changes of assumptions	387,470	-	387,470
Contributions - employer	-	429,834	(429,834)
Contributions - State of Florida	-	108,125	(108,125)
Contributions - employee	-	172,173	(172,173)
Contributions - buy back	58,016	-	58,016
Net investment income	-	1,256,859	(1,256,859)
Benefit payments, including refunds of employee contributions	(825,635)	(826,863)	1,228
Administrative expenses	-	(67,326)	67,326
Net changes	1,107,801	1,072,802	34,999
Balances at 9/30/2017	\$ 16,201,111	\$ 14,162,538	\$ 2,038,573

The net pension liability of each Plan was measured as of September 30, 2016 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 forward 5 years))	RP 2000 (Sex Distinct with disabled lives set forward 5 years)	RP 2000 (Sex Distinct with disabled lives set forward 5 years)
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
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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, 2017 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%	7.17%
International Equity	15%	7.30%
Fixed Income	35%	0.43%
	<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, 2017, the City recognized pension expense of \$431,598 related to the General Employees' Pension Plan. At September 30, 2017, 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	\$ 118,701	\$ 8,990
City contributions made subsequent to the measurement date of September 30, 2016	169,471	-
Change in assumptions	280,605	-
Net difference between projected and actual earnings on pension plan investments	263,857	-
Total	<u>\$ 832,634</u>	<u>\$ 8,990</u>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2016 will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. 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>	
2018	\$ 215,488
2019	215,487
2020	261,299
2021	(38,101)
	<u>\$ 654,173</u>

City of Lake Wales, Florida
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Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions - Firefighters' Pension Fund:

For the year ended September 30, 2017, the City recognized pension expense of \$570,322 related to Firefighters' Pension Plan. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 172,441
City contributions made subsequent to the measurement date of September 30, 2016	537,422	-
Change in assumptions	292,159	-
Net difference between projected and actual earnings on pension plan investments	234,883	-
Total	\$ 1,064,464	\$ 172,441

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2016 will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2018	\$ 99,425
2019	99,425
2020	124,364
2021	(8,519)
2022	19,953
Thereafter	19,953
	\$ 354,601

City of Lake Wales, Florida
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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, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 221,153
City contributions made subsequent to the measurement date of September 30, 2016	585,739	-
Change in assumptions	322,891	-
Net difference between projected and actual earnings on pension plan investments	422,723	-
Total	\$ 1,331,353	\$ 221,153

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2016 will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. 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>	
2018	\$ 162,195
2019	162,195
2020	206,089
2021	(26,366)
2022	20,348
	\$ 524,461

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.

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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 they 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, 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>

Sensitivity of the Net Pension Liabilities as of the Plans' current fiscal year of September 30, 2017:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension General Employees Liability (Asset)	\$ 1,795,777	\$ 511,621	\$ (649,837)
Sponsor's Net Pension Firefighters Liability	\$ 4,858,605	\$ 3,433,995	\$ 2,225,185
Sponsor's Net Pension Police Officers Liability (Asset)	\$ 3,522,458	\$ 1,606,993	\$ (27,382)
Total	<u>\$ 10,176,840</u>	<u>\$ 5,552,609</u>	<u>\$ 1,547,966</u>

The net effect of significant changes between the City's measurement date of September 30, 2016 and the Plans' reporting date of September 30, 2017 can be seen in the tables above.

City of Lake Wales, Florida
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September 30, 2017

Statement of Fiduciary Net Position as of September 30, 2017

	<u>Pension Trust Fund</u>			<u>Total</u>
	<u>General Employees' Pension</u>	<u>Firefighters' Pension</u>	<u>Police Officers' Pension</u>	
Assets				
Cash and cash equivalent	\$ 91,125	\$ 198,957	\$ 182,696	\$ 472,778
Investments, at fair value:				
Certificates of deposit	100,728	55,387	200,691	356,806
Money market funds	253,695	362,400	519,374	1,135,469
Government Bonds	685,757	588,260	1,076,473	2,350,490
Government Assets backed/CMO Securities	601,699	499,983	802,498	1,904,180
Taxable Municipal Bonds	237,488	194,161	327,913	759,562
Foreign Bonds	398,227	326,642	534,747	1,259,616
Corporate bonds and notes	1,596,987	1,269,802	2,134,973	5,001,762
Common and preferred stock	6,824,961	5,162,291	9,061,013	21,048,265
Total investments	<u>10,699,542</u>	<u>8,458,926</u>	<u>14,657,682</u>	<u>33,816,150</u>
Prepays				
Prepaid insurance	2,142	1,727	1,996	5,865
Total Prepays	<u>2,142</u>	<u>1,727</u>	<u>1,996</u>	<u>5,865</u>
Receivable (net):				
Interest and dividends	23,505	19,990	33,835	77,330
Due from General Employees' Pension Fund	-	-	21,791	21,791
Total receivable	<u>23,505</u>	<u>19,990</u>	<u>55,626</u>	<u>99,121</u>
Total assets	<u>10,816,314</u>	<u>8,679,600</u>	<u>14,898,000</u>	<u>34,393,914</u>
Liabilities				
Accounts payable	31,504	9,994	17,337	58,835
Due to Police Officers' Pension Fund	21,791	-	-	21,791
Total liabilities	<u>53,295</u>	<u>9,994</u>	<u>17,337</u>	<u>80,626</u>
Net position				
Held in trust for pension benefits and other purposes	<u>\$ 10,763,019</u>	<u>\$ 8,669,606</u>	<u>\$ 14,880,663</u>	<u>\$ 34,313,288</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2017

Schedule of Changes in Fiduciary Net Position for the year ended September 30, 2017

	Pension Trust Fund			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Additions				
Contributions:				
Employer	\$ 169,482	\$ 411,611	\$ 471,415	\$ 1,052,508
State of Florida	-	125,811	114,325	240,136
Employee	184,030	77,257	118,654	379,941
Total contributions	<u>353,512</u>	<u>614,679</u>	<u>704,394</u>	<u>1,672,585</u>
Interest and dividends	272,391	227,382	397,291	897,064
Net increase (decrease) in the fair value of investments	752,662	560,213	980,339	2,293,214
Total investments income (loss)	<u>1,025,053</u>	<u>787,595</u>	<u>1,377,630</u>	<u>3,190,278</u>
Less investment expense	(74,988)	(58,470)	(103,166)	(236,624)
Net investment income (loss)	950,065	729,125	1,274,464	2,953,654
Total additions	<u>1,303,577</u>	<u>1,343,804</u>	<u>1,978,858</u>	<u>4,626,239</u>
Deductions				
Benefit payments	477,289	573,619	822,235	1,873,143
Refunds of contributions	86,354	-	373,953	460,307
Administration	36,851	53,515	64,545	154,911
Total deductions	<u>600,494</u>	<u>627,134</u>	<u>1,260,733</u>	<u>2,488,361</u>
Change in net assets	703,083	716,670	718,125	2,137,878
Total net assets - beginning	<u>10,059,936</u>	<u>7,952,936</u>	<u>14,162,538</u>	<u>32,175,410</u>
Total net assets - ending	<u>\$ 10,763,019</u>	<u>\$ 8,669,606</u>	<u>\$ 14,880,663</u>	<u>\$ 34,313,288</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, 2017, were as follows:

	General	Firefighters'	Police	Total
	Employees' Pension Fund	Pension Fund	Officers' Pension Fund	
Total pension liability	\$ 11,274,640	\$ 12,103,601	\$ 16,487,656	\$ 39,865,897
Plan fiduciary net position	10,763,019	8,669,606	14,880,663	34,313,288
City's net pension liability	<u>\$ 511,621</u>	<u>\$ 3,433,995</u>	<u>\$ 1,606,993</u>	<u>\$ 5,552,609</u>
Plan fiduciary net position as a percentage of the total pension liability	95.46%	71.63%	90.25%	86.07%

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2017

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 4.6% and employee contribution of 5% for fiscal year ending September 30, 2017.

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, 2017 were approximately \$40,732 (City's contribution of \$25,861, employees' contributions of \$14,871) on covered payroll of \$297,438. 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, 2017 there were 3 participants vested in the plan with vested benefits of approximately \$297,438. The plan held no securities of the City or other related parties as of and for the year ended September 30, 2017.

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, 2017, 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.

G. Subsequent Event

On November 11, 2017, the City issued Subordinate Lien Capital Improvement Revenue Note (Airport Project), Series 2017 in the amount of \$1,825,000. The interest rate on the note is 2.92% and is due semi-annually on January 1 and July 1 of each year till maturity. Principal is due annually on January 1 until maturity on January 1, 2017.

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, 2017

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,163,978	\$ 5,163,978	\$ 5,112,491	\$ (51,487)
Licenses and permits	1,268,500	1,268,500	1,515,272	246,772
Intergovernmental	1,612,924	1,857,924	1,866,771	8,847
Charges for services	2,886,584	2,886,584	3,109,136	222,552
Fines and forfeits	43,650	43,650	100,029	56,379
Investment earnings	5,300	5,300	11,285	5,985
Miscellaneous	30,488	30,488	71,493	41,005
Total revenues	11,011,424	11,256,424	11,786,477	530,053
Expenditures				
Current:				
General government:				
City commission	104,926	107,926	104,481	3,445
City manager	247,652	268,452	266,752	1,700
City clerk	99,986	99,986	78,321	21,665
Finance	318,875	321,825	320,791	1,034
Human resources	150,095	156,095	154,108	1,987
City attorney	65,125	65,125	53,028	12,097
Planning	221,402	221,402	213,241	8,161
Fleet maintenance	49,561	53,176	52,423	753
Facilities maintenance	113,627	173,942	139,955	33,987
Information services	274,547	274,547	253,355	21,192
Municipal building administration	61,705	74,705	75,627	(922)
Non-departmental	233,200	233,200	92,680	140,520
Support services	94,448	100,748	99,437	1,311
Public safety:				
Police	4,909,950	5,056,850	5,019,807	37,043
Fire	2,875,439	3,015,439	2,986,865	28,574
Building permits and inspections	194,817	197,317	224,860	(27,543)
Code Enforcement	114,366	114,366	97,518	16,848
Physical environment:				
Waste disposal	954,921	954,921	943,039	11,882
Lake conservation	8,000	8,000	-	8,000
Cemetery	158,169	157,569	154,209	3,360
Economic environment	133,300	133,300	130,000	3,300
Transportation	39,964	39,964	42,614	(2,650)
Human services	1,000	1,000	-	1,000
Culture and recreation:				
Parks division	721,536	752,468	746,338	6,130
Recreation facilities	649,915	532,977	542,134	(9,157)
Special events	59,599	59,599	53,281	6,318
Depot museum	154,579	166,579	162,431	4,148
Total expenditures	\$ 13,010,704	\$ 13,341,478	\$ 13,007,295	\$ 334,183

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, 2017
(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	\$ (1,999,280)	\$ (2,085,054)	\$ (1,220,818)	\$ 864,236
Other financing sources (uses)				
Note proceeds	478,267	478,267	582,908	104,641
Transfers in	1,168,500	1,183,500	1,183,500	-
Transfers out	(75,628)	(88,270)	(88,270)	-
Insurance recoveries	-	-	4,669	4,669
Sale of capital assets	2,000	2,000	17,324	15,324
Total other financing sources (uses)	<u>1,573,139</u>	<u>1,575,497</u>	<u>1,700,131</u>	<u>124,634</u>
Net change in fund balance	(426,141)	(509,557)	479,313	988,870
Fund balances, beginning of year	<u>2,376,017</u>	<u>2,376,017</u>	<u>3,085,511</u>	<u>709,494</u>
Fund balances, end of year	<u>\$ 1,949,876</u>	<u>\$ 1,866,460</u>	<u>\$ 3,564,824</u>	<u>\$ 1,698,364</u>

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, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 778,599	\$ 778,599	\$ 810,953	\$ 32,354
Intergovernmental	139,225	139,225	139,319	94
Charges for services	132,672	132,672	138,546	5,874
Investment earnings	300	300	1,000	700
Miscellaneous	800	800	-	(800)
Total revenues	<u>1,051,596</u>	<u>1,051,596</u>	<u>1,089,818</u>	<u>38,222</u>
Expenditures				
Current:				
Transportation	<u>1,249,268</u>	<u>1,249,268</u>	<u>1,087,070</u>	<u>162,198</u>
Total expenditures	<u>1,249,268</u>	<u>1,249,268</u>	<u>1,087,070</u>	<u>162,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(197,672)</u>	<u>(197,672)</u>	<u>2,748</u>	<u>200,420</u>
Other financing sources (uses)				
Issuance of debt	<u>193,000</u>	<u>193,000</u>	<u>172,740</u>	<u>(20,260)</u>
Total other financing sources (uses)	<u>193,000</u>	<u>193,000</u>	<u>172,740</u>	<u>(20,260)</u>
Net change in fund balance	(4,672)	(4,672)	175,488	180,160
Fund balances, beginning of year	<u>332,984</u>	<u>332,984</u>	<u>332,984</u>	<u>-</u>
Fund balances, end of year	<u>\$ 328,312</u>	<u>\$ 328,312</u>	<u>\$ 508,472</u>	<u>\$ 180,160</u>

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, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 640,199	\$ 640,199	\$ 631,109	\$ (9,090)
Intergovernmental	619,772	619,772	617,195	(2,577)
Investment earnings	1,000	1,000	1,586	586
Miscellaneous revenue	-	-	5,000	5,000
Total revenues	<u>1,260,971</u>	<u>1,260,971</u>	<u>1,254,890</u>	<u>(6,081)</u>
Expenditures				
Current:				
Economic environment	672,780	672,780	368,908	303,872
Total expenditures	<u>672,780</u>	<u>672,780</u>	<u>368,908</u>	<u>303,872</u>
Excess of revenues over expenditures	<u>588,191</u>	<u>588,191</u>	<u>885,982</u>	<u>297,791</u>
Other financing uses				
Transfers out	(670,806)	(670,806)	(670,806)	-
Sale of capital assets	-	-	967,738	967,738
Total other financing uses	<u>(670,806)</u>	<u>(670,806)</u>	<u>296,932</u>	<u>967,738</u>
Net change in fund balance	(82,615)	(82,615)	1,182,914	1,265,529
Fund balances, beginning of year	<u>210,468</u>	<u>210,468</u>	<u>210,468</u>	<u>-</u>
Fund balances, end of year	<u>\$ 127,853</u>	<u>\$ 127,853</u>	<u>\$ 1,393,382</u>	<u>\$ 1,265,529</u>

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

City reporting period date	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability				
Service cost	\$ 348,439	\$ 321,612	\$ 312,998	\$ 313,558
Interest	844,363	760,064	698,894	667,476
Differences between expected and actual experience	(182,488)	158,268	(17,979)	-
Change of assumptions	-	374,139	-	-
Contributions - Buy back	-	-	385,692	-
Benefit payments, including refunds of employee contributions	(564,473)	(541,909)	(655,950)	(494,203)
Net change in total pension liability	445,841	1,072,174	723,655	486,831
Total pension liability - beginning	10,828,799	9,756,625	9,032,970	8,546,139
Total pension liability - ending	\$ 11,274,640	\$ 10,828,799	\$ 9,756,625	\$ 9,032,970
Plan Fiduciary Net Position				
Contributions - Employer	\$ 169,482	\$ 238,987	\$ 267,808	\$ 294,882
Contributions - Employee	184,030	175,726	159,410	155,201
Contributions - Buy backs	-	-	385,692	-
Net investment income (loss)	950,065	918,298	(94,331)	848,507
Benefit payments, including refunds of employee contributions	(563,643)	(541,909)	(655,936)	(495,954)
Administrative expense	(36,851)	(41,934)	(22,009)	(54,587)
Net change in plan fiduciary net position	703,083	749,168	40,634	748,049
Plan fiduciary net position - beginning, as reported	10,059,936	9,310,768	9,270,134	8,339,975
Restatement of beginning net position (a)	-	-	-	182,110
Plan fiduciary net position - ending	\$ 10,763,019	\$ 10,059,936	\$ 9,310,768	\$ 9,270,134
Net pension liability - ending	\$ 511,621	\$ 768,863	\$ 445,857	\$ (237,164)
Plan fiduciary net position as a percentage of the total pension liability	95.46%	92.90%	95.43%	102.63%
Covered payroll	\$ 3,680,602	\$ 3,514,557	\$ 3,651,542	\$ 3,104,032
Net pension liability as a percentage of covered payroll	13.90%	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

City reporting period date	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability				
Service cost	\$ 237,240	\$ 213,696	\$ 214,792	\$ 197,807
Interest	896,271	849,239	825,592	809,770
Differences between expected and actual experience	(70,642)	(139,447)	(70,554)	-
Share plan allocation	-	724	-	-
Changes of assumptions	-	340,853	-	-
Benefit payments, including refunds of employee contributions	(573,619)	(789,877)	(537,358)	(1,103,457)
Net change in total pension liability	489,250	475,188	432,472	(95,880)
Total pension liability - beginning	11,614,351	11,139,163	10,706,691	10,802,571
Total pension liability - ending	<u>\$ 12,103,601</u>	<u>\$ 11,614,351</u>	<u>\$ 11,139,163</u>	<u>\$ 10,706,691</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 411,611	\$ 373,680	\$ 390,377	\$ 394,982
Contributions - State	125,811	134,242	134,243	132,572
Contributions - Employee	77,257	70,978	66,407	63,503
Net investment income (loss)	729,125	722,458	(70,904)	675,710
Benefit payments, including refunds of employee contributions	(573,619)	(789,877)	(537,358)	(1,101,302)
Administrative expense	(53,515)	(63,628)	(51,457)	(45,836)
Net change in plan fiduciary net position	716,670	447,853	(68,692)	119,629
Plan fiduciary net position - beginning, as reported	7,952,936	7,505,083	7,573,775	6,747,553
Restatement of beginning net position (a)	-	-	-	706,593
Plan fiduciary net position - ending	<u>\$ 8,669,606</u>	<u>\$ 7,952,936</u>	<u>\$ 7,505,083</u>	<u>\$ 7,573,775</u>
Net pension liability - ending	<u>\$ 3,433,995</u>	<u>\$ 3,661,415</u>	<u>\$ 3,634,080</u>	<u>\$ 3,132,916</u>
Plan fiduciary net position as a percentage of the total pension liability	71.63%	68.48%	67.38%	70.74%
Covered payroll	\$ 1,545,143	\$ 1,419,567	\$ 1,372,085	\$ 1,270,068
Net pension liability as a percentage of covered payroll	222.24%	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

City reporting period date	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability				
Service cost	\$ 457,088	\$ 421,452	\$ 439,663	\$ 417,622
Interest	1,244,658	1,170,401	1,125,422	1,064,424
Share plan allocation	9,083	5,983	-	-
Differences between expected and actual experience	(228,096)	(109,886)	(181,415)	-
Changes of assumptions	-	387,470	-	-
Contributions - buy back	-	58,016	-	-
Benefit payments, including refunds of employee contributions	(1,196,188)	(825,635)	(744,552)	(689,470)
Net change in total pension liability	286,545	1,107,801	639,118	792,576
Total pension liability - beginning	16,201,111	15,093,310	14,454,192	13,661,616
Total pension liability - ending	<u>\$ 16,487,656</u>	<u>\$ 16,201,111</u>	<u>\$ 15,093,310</u>	<u>\$ 14,454,192</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 471,415	\$ 429,834	\$ 419,527	\$ 490,676
Contributions - State	114,325	108,125	100,182	96,680
Contributions - Employee	118,654	172,173	106,063	108,368
Net investment income	1,274,464	1,256,859	(120,063)	1,153,544
Benefit payments, including refunds of employee contributions	(1,196,188)	(826,863)	(746,774)	(679,118)
Administrative expense	(64,545)	(67,326)	(66,726)	(52,141)
Net change in plan fiduciary net position	718,125	1,072,802	(307,791)	1,118,009
Plan fiduciary net position - beginning, as reported	14,162,538	13,089,736	13,397,527	12,187,247
Restatement of beginning net position (a)	-	-	-	92,271
Plan fiduciary net position - ending	<u>\$ 14,880,663</u>	<u>\$ 14,162,538</u>	<u>\$ 13,089,736</u>	<u>\$ 13,397,527</u>
Net pension liability - ending	<u>\$ 1,606,993</u>	<u>\$ 2,038,573</u>	<u>\$ 2,003,574</u>	<u>\$ 1,056,665</u>
Plan fiduciary net position as a percentage of the total pension liability	90.25%	87.42%	86.73%	92.69%
Covered payroll	\$ 2,373,081	\$ 2,283,146	\$ 2,124,365	\$ 2,167,367
Net pension liability as a percentage of covered payroll	67.72%	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>9/30/2008</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>	<u>9/30/2017</u>
Actuarially Determined Contribution (A)	\$ 234,584	\$ 195,820	\$ 41,622	\$ 71,803	\$ 165,024	\$ 245,477	\$ 294,883	\$ 267,808	\$ 238,987	\$ 169,308
Interest on NPO	(9,508)	(9,027)	(8,303)	(7,414)	(6,623)	(5,926)	-	-	-	-
Adjustment to (A)	15,519	14,734	19,779	17,621	15,611	13,343	-	-	-	-
Annual Pension Cost	240,595	201,527	53,098	82,010	174,012	252,894	294,883	267,808	238,987	169,308
Contributions in Relation to the										
Actuarially Determined Contributions	234,584	195,820	41,622	71,803	165,024	245,477	294,883	238,987	238,987	169,482
Contribution Deficiency (Excess)	6,011	5,707	11,476	10,207	8,988	7,417	-	28,821	-	(174)
Covered Payroll	\$ 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	\$ 3,680,602
Contributions as a Percentage of										
Covered Payroll	7.85%	6.87%	1.43%	2.65%	5.64%	7.62%	9.50%	6.54%	6.80%	4.60%

Notes to Schedule of Contributions

Valuation Date 10/1/2015

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: 27 years as of 10-1-2015
Actuarial Asset Method: 4-year average market value return, net of fees
Inflation 2.50%
Payroll Growth 2.94%
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	<u>20</u>	<u>30</u>	<u>40</u>	<u>50</u>	<u>60</u>
% becoming disabled during the year	0.05%	0.06%	0.12%	0.43%	1.61%
% terminating during the year	46.32%	23.28%	13.14%	10.44%	10.44%

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

	<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>	<u>9/30/2017</u>
Actuarially Determined Contribution (A)	\$ 339,187	\$ 366,303	\$ 461,317	\$ 484,508	\$ 529,707	\$ 473,635	\$ 532,159	\$ 524,620	\$ 505,366	\$ 539,255
Interest on NPO	(5,700)	(5,808)	(5,917)	(5,943)	(5,690)	(5,277)	-	-	-	-
Adjustment to (A)	4,356	4,438	5,591	9,111	8,722	4,062	-	-	-	-
Annual Pension Cost	337,843	364,933	460,991	487,676	532,739	472,420	532,159	524,620	505,366	539,255
Contributions in Relation to the Actuarially Determined Contributions	339,187	366,303	461,317	484,508	529,707	473,635	532,159	524,620	507,922	537,422
Contribution Deficiency (Excess)	(1,344)	(1,370)	(326)	3,168	3,032	(1,215)	-	-	(2,556)	1,833
Covered Payroll	\$ 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	\$ 1,545,143
Contributions as a Percentage of Covered Payroll	30.51%	30.66%	39.22%	41.75%	45.93%	39.01%	41.90%	38.24%	35.78%	34.78%

Notes to Schedule of Contributions

Valuation Date 10/1/2015

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	Up to 3.0% per year (3.0% for the 10/1/2015 valuation)
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	<u>20</u>	<u>30</u>	<u>40</u>	<u>50</u>
% becoming disabled during the year	0.14%	0.18%	0.30%	1.00%
% terminating during the year	6.00%	5.00%	2.60%	0.80%

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

	<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>	<u>9/30/2017</u>
Actuarially Determined Contribution (A)	\$ 380,537	\$ 447,008	\$ 623,601	\$ 541,275	\$ 699,733	\$ 508,870	\$ 587,357	\$ 519,709	\$ 531,976	\$ 576,659
Interest on NPO	(11,233)	(11,485)	(11,680)	(11,719)	(11,282)	(10,530)	-	-	-	-
Adjustment to (A)	8,090	9,044	11,198	17,182	16,435	8,318	-	-	-	-
Annual Pension Cost	377,394	444,567	623,119	546,738	704,886	506,658	587,357	519,709	531,976	576,659
Contributions in Relation to the Actuarially Determined Contributions	380,537	447,008	623,601	541,275	699,733	508,870	587,357	519,709	537,959	585,740
Contribution Deficiency (Excess)	(3,143)	(2,441)	(482)	5,463	5,153	(2,212)	-	-	(5,983)	(9,081)
Covered Payroll	\$ 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	\$ 2,373,081
Contributions as a Percentage of Covered Payroll	19.33%	20.88%	27.77%	25.54%	36.06%	23.36%	27.10%	24.46%	23.56%	24.68%

Notes to Schedule of Contributions

Valuation Date 10/1/2015
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: Up to 5.0% per year (2.16% for the 10/1/2015 valuation)
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

Termination and Disability Rates:	<u>20</u>	<u>30</u>	<u>40</u>	<u>50</u>
Age				
% becoming disabled during the year	0.14%	0.18%	0.30%	1.00%
% terminating during the year	6.00%	5.00%	2.60%	0.80%

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

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Firefighters' Pension Plan				
Annual Money-Weighted Rate of Return net of Investment Expense	9.25%	9.75%	-1.01%	9.51%
General Employees' Pension Plan				
Annual Money-Weighted Rate of Return net of Investment Expense	9.71%	9.83%	-1.14%	10.18%
Police Officers' Pension Plan				
Annual Money-Weighted Rate of Return net of Investment Expense	9.20%	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, 2017

Schedule of Funding Progress

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Employee Payroll (c)	UAAL as a Percent of
		Entry Age Normal (b)	(AAL) - Normal				Covered Employee Payroll ((b-a)/c)
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

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
9/30/2017	\$ 90,621	33.2%	\$ 441,050
9/30/2016	\$ 84,585	34.1%	\$ 380,512
9/30/2015	\$ 84,886	26.8%	\$ 324,789



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SUPPLEMENTARY INFORMATION

City of Lake Wales, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2017

	<u>Special Revenue Funds</u>					
	Forfeitures	Library	Law Enforcement Block Grant	Street Lighting District	Capital Projects	Total
	106	110	116	103	330	
Assets						
Cash and cash equivalents	\$ 57,761	\$ 27,879	\$ -	\$ 19,318	\$ -	\$ 104,958
Intergovernmental receivables	-	-	4,371	-	-	4,371
Restricted cash and cash equivalents:						
Impact fee	-	121,266	-	-	608,413	729,679
Prepaid items	-	13,897	-	-	-	13,897
Total assets	\$ 57,761	\$ 163,042	\$ 4,371	\$ 19,318	\$ 608,413	\$ 852,905
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 438	\$ 8,402	\$ -	\$ -	\$ -	\$ 8,840
Accrued liabilities	-	13,143	-	-	-	13,143
Retainage payable	-	-	-	-	-	-
Due to other funds	-	-	4,371	-	55,442	59,813
Total liabilities	438	21,545	4,371	-	55,442	81,796
Fund balances						
Nonspendable:						
Inventory and prepaid	-	13,897	-	-	-	13,897
Restricted for:						
Law enforcement expenditures	57,323	-	-	-	-	57,323
Library expenditures	-	127,600	-	-	-	127,600
Street lighting expenditures	-	-	-	19,318	-	19,318
Capital projects	-	-	-	-	552,971	552,971
Total fund balances	57,323	141,497	-	19,318	552,971	771,109
Total liabilities and fund balances	\$ 57,761	\$ 163,042	\$ 4,371	\$ 19,318	\$ 608,413	\$ 852,905

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2017

	<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>	
Revenues						
Taxes	\$ -	\$ 352,538	\$ -	\$ -	\$ -	\$ 352,538
Special assessment	-	-	-	15,624	-	15,624
Intergovernmental	-	588,574	14,211	-	-	602,785
Fines and forfeits	36,462	-	-	-	-	36,462
Investment earnings	175	651	-	-	1,512	2,338
Impact fees	-	57,358	-	-	197,227	254,585
Miscellaneous	-	15,534	-	-	25,000	40,534
Total revenues	<u>36,637</u>	<u>1,014,655</u>	<u>14,211</u>	<u>15,624</u>	<u>223,739</u>	<u>1,304,866</u>
Expenditures						
Current:						
Public safety	46,787	-	14,211	-	-	60,998
Physical environment	-	-	-	13,460	-	13,460
Culture and recreation	-	988,132	-	-	-	988,132
Capital outlay	-	-	-	-	119,499	119,499
Total expenditures	<u>46,787</u>	<u>988,132</u>	<u>14,211</u>	<u>13,460</u>	<u>119,499</u>	<u>1,182,089</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,150)</u>	<u>26,523</u>	<u>-</u>	<u>2,164</u>	<u>104,240</u>	<u>122,777</u>
Other financing sources						
Transfers out	-	-	-	-	(15,000)	(15,000)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Net change in fund balances	(10,150)	26,523	-	2,164	89,240	107,777
Fund balances, beginning of year	<u>67,473</u>	<u>114,974</u>	<u>-</u>	<u>17,154</u>	<u>463,731</u>	<u>663,332</u>
Fund balances, end of year	<u>\$ 57,323</u>	<u>\$ 141,497</u>	<u>\$ -</u>	<u>\$ 19,318</u>	<u>\$ 552,971</u>	<u>\$ 771,109</u>

City of Lake Wales, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 667,217	\$ 667,217	\$ 667,217	\$ -
Licenses and permits	255,000	255,000	255,000	-
Investment earnings	-	-	119	119
Impact fees	10,000	10,000	56,109	46,109
Total revenues	<u>932,217</u>	<u>932,217</u>	<u>978,445</u>	<u>46,228</u>
Expenditures				
Current:				
Principal	1,575,392	1,575,392	1,511,401	63,991
Interest and fiscal charges	310,324	310,324	305,613	4,711
Total expenditures	<u>1,885,716</u>	<u>1,885,716</u>	<u>1,817,014</u>	<u>68,702</u>
Deficiency of revenues under expenditures	<u>(953,499)</u>	<u>(953,499)</u>	<u>(838,569)</u>	<u>114,930</u>
Other financing sources				
Transfers in	670,806	670,806	670,806	-
Total other financing sources	<u>670,806</u>	<u>670,806</u>	<u>670,806</u>	<u>-</u>
Net change in fund balance	(282,693)	(282,693)	(167,763)	114,930
Fund balances, beginning of year	<u>1,322,116</u>	<u>1,322,116</u>	<u>1,322,116</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,039,423</u>	<u>\$ 1,039,423</u>	<u>\$ 1,154,353</u>	<u>\$ 114,930</u>

City of Lake Wales, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Forfeitures Fund
For the Year Ended September 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 20,000	\$ 20,000	\$ 36,462	\$ 16,462
Investment earnings	-	-	175	175
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>36,637</u>	<u>16,637</u>
Expenditures				
Current:				
Public safety	28,081	49,081	46,787	2,294
Total expenditures	<u>28,081</u>	<u>49,081</u>	<u>46,787</u>	<u>2,294</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,081)</u>	<u>(29,081)</u>	<u>(10,150)</u>	<u>18,931</u>
Net change in fund balance	(8,081)	(29,081)	(10,150)	18,931
Fund balances, beginning of year	<u>67,473</u>	<u>67,473</u>	<u>67,473</u>	<u>-</u>
Fund balances, end of year	<u>\$ 59,392</u>	<u>\$ 38,392</u>	<u>\$ 57,323</u>	<u>\$ 18,931</u>

City of Lake Wales, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Library Fund
For the Year Ended September 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 368,184	\$ 368,184	\$ 352,538	\$ (15,646)
Intergovernmental	565,000	588,575	588,574	(1)
Investment earnings	1,000	1,000	651	(349)
Impact fees	25,000	25,000	57,358	32,358
Miscellaneous	24,350	24,350	15,534	(8,816)
Total revenues	<u>983,534</u>	<u>1,007,109</u>	<u>1,014,655</u>	<u>7,546</u>
Expenditures				
Current:				
Culture and recreation	1,072,534	1,081,534	988,132	93,402
Total expenditures	<u>1,072,534</u>	<u>1,081,534</u>	<u>988,132</u>	<u>93,402</u>
Net change in fund balance	(89,000)	(74,425)	26,523	100,948
Fund balances, beginning of year	<u>114,974</u>	<u>114,974</u>	<u>114,974</u>	<u>-</u>
Fund balances, end of year	<u>\$ 25,974</u>	<u>\$ 40,549</u>	<u>\$ 141,497</u>	<u>\$ 100,948</u>

City of Lake Wales, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Law Enforcement Block Grant Fund
For the Year Ended September 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 14,000	\$ 14,000	\$ 14,211	\$ 211
Total revenues	<u>14,000</u>	<u>14,000</u>	<u>14,211</u>	<u>211</u>
Expenditures				
Current:				
Public safety	14,000	14,211	14,211	-
Total expenditures	<u>14,000</u>	<u>14,211</u>	<u>14,211</u>	<u>-</u>
Net change in fund balance	-	(211)	-	211
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ (211)</u>	<u>\$ -</u>	<u>\$ 211</u>

City of Lake Wales, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Street Lighting District Fund
For the Year Ended September 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special Assessment	\$ 14,500	\$ 14,500	\$ 15,624	\$ 1,124
Total revenues	<u>14,500</u>	<u>14,500</u>	<u>15,624</u>	<u>1,124</u>
Expenditures				
Current:				
Physical environment	<u>14,602</u>	<u>14,602</u>	<u>13,460</u>	<u>1,142</u>
Total expenditures	<u>14,602</u>	<u>14,602</u>	<u>13,460</u>	<u>1,142</u>
Net change in fund balance	(102)	(102)	2,164	2,266
Fund balances, beginning of year	<u>17,154</u>	<u>17,154</u>	<u>17,154</u>	<u>-</u>
Fund balances, end of year	<u>\$ 17,052</u>	<u>\$ 17,052</u>	<u>\$ 19,318</u>	<u>\$ 2,266</u>

City of Lake Wales, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 2,500	\$ 2,500	\$ 1,512	\$ (988)
Impact fees	105,000	105,000	197,227	92,227
Miscellaneous	-	25,000	25,000	-
Total revenues	<u>107,500</u>	<u>107,500</u>	<u>223,739</u>	<u>91,239</u>
Expenditures				
Capital outlay	132,963	252,463	119,499	132,964
Total expenditures	<u>132,963</u>	<u>252,463</u>	<u>119,499</u>	<u>132,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,463)</u>	<u>(144,963)</u>	<u>104,240</u>	<u>224,203</u>
Other financing sources (uses)				
Transfers out	-	(15,000)	(15,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balance	(25,463)	(159,963)	89,240	249,203
Fund balances, beginning of year	<u>463,731</u>	<u>463,731</u>	<u>463,731</u>	<u>-</u>
Fund balances, end of year	<u>\$ 438,268</u>	<u>\$ 303,768</u>	<u>\$ 552,971</u>	<u>\$ 249,203</u>

Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Net Position
September 30, 2017

	2017
Assets	
Current Assets	
Cash and cash equivalents	\$ 97,352
Receivables (net of allowance for uncollectibles)	2,823
Inventories	19,761
Due from other governments	203,742
	323,678
Total Current Assets	
Noncurrent Assets	
Capital assets:	
Nondepreciable	2,492,163
Depreciable, net	7,923,639
	10,415,802
Total Noncurrent Assets	
	10,739,480
Liabilities	
Current Liabilities	
Accounts payable	3,810
Construction payable	231,489
Accrued liabilities	1,566
Unearned revenues	2,181
Deposits	3,683
Due to primary government	414,175
	656,904
Total Current Liabilities	
	656,904
Net Position	
Net investment in capital assets	10,415,802
Unrestricted (deficit)	(333,226)
	\$ 10,082,576

Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2017

	2017
Operating Revenues	
Charges for services	\$ 354,901
Operating Expenses	
Personnel services	101,837
Contractual services	15,862
Repairs and maintenance	24,054
Materials and supplies	173,321
General and administrative	82,582
Depreciation	541,382
Total operating expenses	939,038
Operating Loss	(584,137)
Nonoperating revenues (expenses)	
Interest income	172
Total nonoperating expenses	172
Loss before contributions and transfers	(583,965)
Capital Contributions	
Grants	643,902
From City of Lake Wales	34,531
Total capital contributions	678,433
Change in Net Position	94,468
Total Net Position, Beginning of Year	9,988,108
Total Net Position, End of Year	\$ 10,082,576

Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Cash Flows
For the Year Ended September 30, 2017

	2017
Cash flows from operating activities	
Receipts from customers	\$ 358,122
Cash payments for employee services	(101,077)
Cash payments to suppliers	(318,113)
Net cash used in operating activities	(61,068)
Cash flows from capital and related financing activities	
Capital grants	450,670
Capital contributions from City of Lake Wales (net)	326,861
Acquisition and construction of capital assets	(621,783)
Net cash provided by capital and related financing activities	155,748
Cash flows from investing activities	
Investment income	172
Net cash provided by investing activities	172
Net increase in cash and cash equivalents	94,852
Cash and cash equivalents, beginning of year	2,500
Cash and cash equivalents, end of year	\$ 97,352
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (584,137)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	541,382
(Increase) decrease in assets:	
Accounts receivable	736
Inventories	(19,761)
Increase (decrease) in liabilities:	
Accounts payable	(2,533)
Accrued liabilities	760
Deposits	3,683
Unearned revenues	(1,198)
Net cash used in operating activities	\$ (61,068)

City of Lake Wales, Florida
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Justice passed through			
Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant			
Lake Wales Subcompact Handguns	2017-JAGD-POLK-3-F8-004	16.738	\$ 3,911
Lake Wales Equipment Purchase Program	2017-JAGC-POLK-12-F9-198	16.738	10,300
Total program			<u>14,211</u>
Bulletproof Vest Program		16.607	<u>226</u>
Total U.S. Department of Justice			<u>14,437</u>
Executive Office of the President passed through			
Office of National Drug Control Policy			
Central Florida HIDTA Policy			
HIDTA Task Force	G13-CF0005A	95.001	<u>14,570</u>
U.S. Department of Transportation			
Federal Aviation Administration			
Rehab Taxiway Alpha - Construction Way Bravo - North (Design)	3-12-0040-018-2017	20.106	<u>137,043</u>
			<u>\$ 166,050</u>

- (1) SRF - 5907P Loan Balance at September 30, 2017 - \$152,345
- (2) SRF - 59110 Loan Balance at September 30, 2017 - \$234,395
- (3) SRF - 5912S Loan Balance at September 30, 2017 - \$526,205
- (4) SRF - 5913P Loan Balance at September 30, 2017- \$585,866
- (5) SRF - 59140 Loan Balance at September 30, 2017 - \$305,484
- (6) SRF - 530300 Loan Balance at September 30, 2017 - \$3,412,968
- (7) SRF - 530310 Loan Balance at September 30, 2017 - \$5,112,700

City of Lake Wales, Florida
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

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, 2017.

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

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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

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



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

	Fiscal Year									
	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	9/30/2017
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 15,671,679
Restricted	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	3,813,419
Unrestricted	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)	(1,240,080)
Total governmental activities net position	23,126,754	21,534,569	22,430,535	20,484,952	19,590,421	19,252,407	18,655,636	15,604,516	16,723,742	18,245,018
Business-type activities										
Net investment in capital assets	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	27,848,331
Restricted	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	2,888,137
Unrestricted	298,731	738,175	523,332	1,331,958	993,441	1,365,077	169,003	738,546	1,072,128	2,302,087
Total business-type activities in net position	15,988,717	19,390,372	20,099,694	23,560,032	25,003,842	26,143,339	27,196,022	28,887,744	30,650,552	33,038,555
Primary government										
Net investment in capital assets	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	43,520,010
Restricted	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	6,701,556
Unrestricted	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)	1,062,007
Total primary government net position	\$ 39,115,471	\$ 40,924,941	\$ 42,530,229	\$ 44,044,984	\$ 44,594,263	\$ 45,395,746	\$ 45,851,658	\$ 44,492,260	\$ 47,374,294	\$ 51,283,573

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

	Fiscal Year									
	9/30/2008	09/30/2009 ⁽²⁾	9/30/2010 ⁽³⁾	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015 ⁽⁴⁾	9/30/2016 ⁽⁵⁾	9/30/2017
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,399,216
Public safety	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	8,501,991
Physical environment	1,581,070	963,588	1,204,112	1,211,193	1,020,413	941,419	745,501	1,089,770	1,071,354	1,145,447
Transportation	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	1,807,487
Economic environment	599,756	580,616	532,987	506,936	483,785	456,091	344,886	320,428	414,110	441,868
Human services	14,634	20,636	20,634	20,635	64,633	16,704	15,634	10,174	10,174	10,174
Culture and recreation	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	2,648,493
Interest on long term debt	752,066	767,787	675,004	605,706	543,766	457,347	455,554	356,781	345,798	288,519
Total governmental activities expenses	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	16,243,195
Business-type activities:										
Water and wastewater	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	5,761,569
LWMG Cemetery	-	-	-	-	-	-	-	7,255	88,200	87,818
Total business-type activities	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	5,849,387
Total primary government expenses	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	22,092,582
Program revenues										
Governmental activities:										
Charges for services:										
General government	28,598	17,429	30,704	69,395	74,304	60,774	68,363	60,425	108,638	87,896
Public safety	1,240,923	624,776	872,049	700,165	594,963	720,995	862,226	1,001,802	1,761,549	2,240,193
Physical environment	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	1,156,756
Transportation	96,923	97,247	97,750	105,543	107,530	108,418	109,168	114,342	133,323	138,546
Culture and recreation	97,333	47,050	86,184	146,054	55,266	85,137	104,019	104,416	98,304	196,119
Operating grants and contributions	875,556	772,085	811,508	785,447	707,516	713,964	740,250	845,228	1,147,668	1,351,175
Capital grants and contributions	1,740,200	55,401	408,721	888,272	24,761	26,593	105,731	169,913	15,139	15,724
Total governmental activities program revenues	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	5,186,409
Business -type activities:										
Charges for services:										
Water and wastewater	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	8,134,261
LWMG Cemetery	-	-	-	-	-	-	-	6,079	61,181	46,351
Operating grants and contributions	1,772	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,166,650	159,572	383,974	512,411	398,506	399,621	981,217	307,801	345,382	914,886
Total business-type activities program revenues	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	9,095,498
Total primary government program revenues	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	14,281,907
Net (expenditures) revenues										
Governmental activities	(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)	(11,056,786)
Business-type activities	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	3,246,111
Total primary government net(expenses) revenues	(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)	(7,810,675)

	Fiscal Year									
	9/30/2008	09/30/2009 ⁽²⁾	9/30/2010 ⁽³⁾	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015 ⁽⁴⁾	9/30/2016 ⁽⁵⁾	9/30/2017
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	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	5,122,114
Franchise fees	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	1,202,764
Public service taxes	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	1,687,888
Communication service taxes	588,184	684,620	588,111	556,166	543,749	524,187	483,337	467,312	469,080	467,274
Gas taxes	665,367	633,491	630,798	603,823	603,415	615,111	703,120	739,144	786,555	810,953
Local business tax	-	79,325	77,009	74,292	75,154	76,561	70,763	72,034	70,015	72,316
State and county shared revenues	1,062,966	943,024	904,179	934,042	1,050,977	1,097,472	1,169,636	1,256,194	1,359,612	1,404,292
Investment earnings	333,176	75,140	94,987	54,322	31,156	16,366	8,986	6,695	8,998	14,816
Insurance recoveries	25,919	12,304	71,463	42,151	9,774	6,947	11,704	15,176	1,825	4,669
Gain/(loss) on disposal of capital assets	35,606	-	42,409	(62,971)	23,637	16,798	1,016	(17,721)	40,580	610,380
Contribution	-	-	-	-	-	31,107	100	-	-	-
Miscellaneous revenue	103,296	231,145	158,665	92,282	61,076	93,557	117,862	130,787	67,232	100,366
Transfers	(545,879)	(2,030,282)	790,672	(1,059,087)	828,000	828,000	503,000	798,128	1,046,718	1,080,230
Total governmental activities	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	12,578,062
Business-type activities:										
Investment earnings	53,833	9,844	24,662	32,293	26,480	8,678	7,496	6,783	12,071	11,209
Gain/(loss) on disposal of capital assets	-	-	7,390	15,393	-	3,261	-	(6,624)	420	-
Miscellaneous revenue	639,627	245,117	244,015	268,593	265,834	238,245	189,167	200,744	197,328	210,913
Transfers	530,099	2,030,282	(790,672)	1,059,087	(828,000)	(828,000)	(503,000)	(798,128)	(1,046,718)	(1,080,230)
Total business-type activities	1,223,559	2,285,243	(514,605)	1,375,366	(535,686)	(577,816)	(306,337)	(597,225)	(836,899)	(858,108)
Total primary government	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	11,719,954
Change in net position										
Governmental activities	2,970,166	(1,592,184)	846,466	(1,945,583)	(894,531)	(232,458)	(596,771)	874,633	919,334	1,521,276
Business-type activities	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	2,388,003
Total primary government	\$ 6,790,824	\$ 1,852,887	\$ 1,555,788	\$ 1,514,755	\$ 549,279	\$ 944,224	\$ 455,912	\$ 2,474,671	\$ 2,682,142	\$ 3,909,279

(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									
	2008*	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ 614,849	\$ 471,950	\$ 314,820							
Unreserved, designated	1,037,852	1,042,442	1,056,957							
Unreserved, undesignated	943,845	1,468,618	2,099,390							
Total general fund	<u>2,596,546</u>	<u>2,983,010</u>	<u>3,471,167</u>							
All other governmental funds										
Reserved	9,681,679 *	6,295,542	6,236,772							
Unreserved reported in:										
Special revenue funds	-	-	(4,693)							
Capital projects funds	-	-	-							
Total all other governmental funds	<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>	<u>2017</u>
General fund										
Nonspendable										
Inventory and Prepaid				\$ 52,500	\$ 177,812	\$ 161,490	\$ 133,694	\$ 91,834	\$ 97,256	\$ 260,083
Committed										
Cemetery expenditures				-	-	-	-	-	28,086	28,086
Tree replacement expenditures				-	-	-	-	-	67,493	67,493
Assigned										
Subsequent years' expenditure				480,658	416,670	739,053	-	-	-	-
Unassigned				2,405,383	1,602,544	1,079,413	1,076,439	2,212,543	2,892,676	3,209,162
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>	<u>3,564,824</u>
All other governmental funds										
Nonspendable										
Inventory and Prepaid				-	14,270	4,605	15,499	6,533	33,730	13,897
Restricted for:										
Library expenditures				429,949	363,617	208,159	108,048	117,869	81,244	127,600
Law enforcement expenditures				746	23,758	48,928	35,135	29,176	67,473	57,323
Transportation expenditures				51,748	63,843	98,908	198,565	253,252	332,984	508,472
Community redevelopment expenditures				983,683	726,787	353,867	169,341	149,586	210,468	1,393,382
Street lighting expenditures				2,127	352	6,840	14,580	15,782	17,154	19,318
Debt service				1,951,563	1,948,728	1,932,558	1,948,424	1,252,676	1,322,116	1,154,353
Capital projects				483,013	341,412	1,876,572	696,476	423,975	463,731	552,971
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>	<u>\$ 3,827,316</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 Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 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	\$ 7,574,308
Special assessment	-	-	-	12,387	11,212	19,050	21,218	14,830	14,823	15,624
Licenses and permits	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	1,770,272
Intergovernmental	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	3,226,070
Charges for services	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	3,247,682
Fines and forfeitures	175,789	101,546	50,951	58,692	40,588	63,156	58,592	96,583	108,072	136,491
Interest and miscellaneous	724,406	364,596	499,594	368,837	186,044	250,255	311,885	402,638	255,736	444,049
Total revenues	18,226,451	15,608,591	15,609,017	14,565,577	13,201,629	13,350,154	14,105,000	14,559,827	15,463,596	16,414,496
Expenditures										
Current:										
General government	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	1,904,199
Public safety	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	8,390,048
Physical environment	2,377,651	960,310	1,290,902	1,955,822	977,589	998,144	1,032,401	1,083,605	1,046,112	1,110,708
Transportation	2,834,374	1,905,876	729,046	783,120	816,012	723,580	783,519	1,024,348	1,091,184	1,129,684
Economic environment	558,606	553,994	504,877	480,816	455,627	456,935	341,333	306,478	413,478	498,908
Human services	-	6,000	6,000	6,000	50,000	2,070	1,000	-	-	-
Culture and recreation	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	2,492,316
Debt service:										
Principal	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	1,511,401
Interest and fiscal charges	760,201	609,246	618,964	594,010	523,840	466,078	430,585	377,209	333,629	305,613
Capital outlay	701,924	275,949	37,931	10,000	196,650	274,963	1,254,503	817,123	80,038	119,499
Total expenditures	19,629,976	16,279,046	16,088,867	16,450,625	15,232,835	15,190,483	16,821,369	16,254,597	16,261,601	17,462,376
Excess (deficiency) of revenues over (under) expenditures	(1,403,525)	(670,455)	(479,850)	(1,885,048)	(2,031,206)	(1,840,329)	(2,716,369)	(1,694,770)	(798,005)	(1,047,880)
Other financing sources (uses)										
Lease proceeds	217,804	-	-	-	-	1,819,184	86,457	-	-	-
Proceeds from issuance of debt	9,500,000	1,870,300	-	-	-	-	-	790,560	693,513	755,648
Principal - current refunding	-	(138,526)	-	-	-	-	-	-	-	-
Payments to refunding escrow	-	(2,043,014)	-	-	-	-	-	-	-	-
Insurance recoveries	25,919	12,304	71,463	42,150	9,774	6,947	11,704	15,176	1,825	4,669
Sale of capital assets	35,607	-	42,409	48,328	23,636	16,798	1,016	26,059	117,134	985,062
Transfers in	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	1,854,306
Transfers out	(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)	(774,076)
Total other financing sources (uses)	9,233,449	(2,329,218)	904,544	(968,609)	861,410	2,670,929	602,177	1,851,795	1,859,190	2,825,609
Net change in fund balances	\$ 7,829,924	\$ (2,999,673)	\$ 424,694	\$ (2,853,657)	\$ (1,169,796)	\$ 830,600	\$ (2,114,192)	\$ 157,025	\$ 1,061,185	\$ 1,777,729
Debt Service as a percentage of noncapital expenditures	14.58%	16.87%	13.50%	14.63%	16.06%	14.63%	13.29%	14.92%	12.15%	11.34%

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

Fiscal Year	Property Tax	Franchise Fees	Public Service Tax	Communication Service Tax	Fuel Taxes	Local Business Tax	Totals
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
2017	5,122,114	1,202,764	1,687,888	467,274	810,953	72,316	9,363,309

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

Fiscal Year	Real Property	Personal Property	Centrally Assessed Property	Less: Tax Exempt Property	Total Assessed Valuation	Total Direct Rate	Estimated Actual Value	Assessed Value⁽¹⁾ as a Percentage of Actual Value
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%
2017	886,259	107,225	623	303,049	691,058	7.0438	1,150,506	86.41%

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

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

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

(1) Includes tax-exempt property

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

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

Fiscal Year	Direct Rate	Overlapping Rates				Total
	City of Lake Wales	County of Polk	Polk County School Board	Peace River Basin	South West Florida Water Management District	
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
2017	7.0438	6.7815	6.5140	N/A *	0.3317	20.6710

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

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

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

**City of Lake Wales, Florida
Principal Property Taxpayers
Fiscal Year Ended September 30, 2017**

Taxpayer	Rank	2017		Rank	2008	
		Total Assessed Valuation	Percentage of Total Taxable Assessed Value		Total Assessed Valuation	Percentage of Total Taxable Assessed Value
Publix Super Markets	1	\$ 20,565,973	2.98%	N/A	N/A	N/A
Duke Energy	2	18,614,450	2.69%	N/A	N/A	N/A
CRF II LTD	3	14,735,102	2.13%	N/A	N/A	N/A
Lake Wales Hospital Corp	4	14,488,063	2.10%	N/A	N/A	N/A
Preserve at Lake Wales Inc	5	10,227,360	1.48%	N/A	N/A	N/A
Walmart	6	9,540,770	1.38%	N/A	N/A	N/A
Lake Wales Retirement Center Inc	7	9,085,727	1.31%	N/A	N/A	N/A
T Eagle Ridge LLC	8	7,179,548	1.04%	N/A	N/A	N/A
Lowes	9	6,534,853	0.95%	N/A	N/A	N/A
Gill Development LLLP	10	5,694,252	0.82%	N/A	N/A	N/A
		<u>\$ 116,666,098</u>	<u>16.88%</u>		<u>\$ -</u>	<u>N/A</u>
Total Assessed Valuation		<u>\$ 691,057,310</u>			<u>N/A</u>	

Source: Polk County Property Appraiser

N/A - Not available

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

Fiscal Year	Total Tax Levy	Current Levy Collections	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collections	Percent Total Collections To Levy
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	4,498,652	4,351,685	96.73%	17,700	4,369,385	97.13%
2017	4,676,205	4,520,948	96.68%	10,294	4,531,242	96.90%

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

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Population	Per Capita
	Revenue Bonds	Notes Payable	Lease Obligations	Total	Notes Payable	Lease Obligations	Total			
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	120,783	11,832,550	21,891,399	15,011	1,458
2016	-	8,312,131	955,994	9,268,125	11,162,574	433,341	11,595,915	20,864,040	15,362	1,358
2017	-	7,080,854	1,432,757	8,513,611	15,241,545	336,409	15,577,954	24,091,565	15,365	1,568

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, 2017

<u>Taxing Authority</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Lake Wales	\$ 8,513,611	100.00%	\$ 8,513,611
Total Direct Debt	<u>8,513,611</u>		<u>8,513,611</u>
County of Polk (1)	149,783,387	2.20%	3,293,930
Polk County School Board (2)	289,706,717	2.20%	6,371,025
Total Overlapping Debt	<u>439,490,104</u>		<u>9,664,955</u>
Total Direct and Overlapping Debt	<u>\$ 448,003,715</u>		<u>\$ 18,178,566</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, 2016.

(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, 2017.

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

Utility Fund Debt Obligations

Fiscal Year	(1) Charges for Service Revenues	(2) Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2017	8,134,261	4,155,338	3,978,923	2,362,967	160,623	1.58

(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
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	38,626	30,685	39,594	22,615	26,317	32,336	44,390	41,184	46,043	33,732	42,165	42,343
2011	40,494	32,379	42,698	23,375	27,864	33,411	44,250	40,258	46,592	33,058	40,933	44,965
2012	41,000	32,065	41,151	24,024	27,512	34,201	45,006	41,337	46,534	34,012	42,743	41,579
2013	40,797	32,043	40,317	23,644	27,761	34,721	46,021	42,447	49,510	34,884	41,592	44,244
2014	43,064	33,061	41,742	24,654	28,494	36,432	47,439	42,768	50,758	35,371	42,945	46,895
2015	45,441	34,028	43,472	26,122	30,200	37,743	49,416	44,024	51,710	35,850	45,127	49,711
2016	45,953	34,199	43,803	25,246	30,655	38,266	50,857	46,289	54,509	37,612	50,716	50,125
2017	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
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	96.50	101.14	95.12	98.38	97.23	4.7	5.9	4.6	7.2	5.0	4.8
2017	N/A	N/A	N/A	N/A	N/A	3.8	4.1	3.3	6.1	3.7	3.4

(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**

(April 1st) Year	Population		% of City Compared to County
	Polk	City of Lake Wales	
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%
2017	661,645	15,365	2.32%

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City Manager	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50
City Clerk	1.00	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.00
Development Services	2.00	1.00	1.00	1.00	1.00	1.00	-	-	-	-
Finance	4.50	4.25	4.00	4.50	4.50	3.75	3.50	3.50	3.50	3.50
Support Services	3.00	3.75	3.75	3.00	3.00	2.50	2.00	1.30	1.30	1.30
Human Resource	2.00	2.00	2.50	3.50	3.00	2.50	2.00	2.00	2.00	2.00
Planning and Zoning	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Information Services	2.00	2.00	3.00	3.00	3.00	3.00	2.50	2.30	3.30	3.30
Public Services Administration	2.00	2.00	2.50	2.50	2.50	2.50	2.25	2.40	1.90	1.90
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Total general government	<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>	<u>18.50</u>
Airport Authority										2.00
Police Department	45.50	47.50	49.50	47.50	50.00	49.00	51.00	50.00	50.00	53.00
Fire & Rescue:	24.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	30.00
Building Permits and Inspection	6.00	4.75	3.00	3.00	3.00	2.00	2.00	2.50	2.50	3.00
Code Enforcement	2.50	2.50	2.50	1.50	1.00	1.75	1.50	1.00	2.00	2.00
Total public safety	<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>	<u>90.00</u>
Cemetery	1.00	1.00	-	-	-	-	-	-	-	-
Parks Division	7.00	7.00	-	-	-	-	-	-	-	-
Streets	6.00	6.25	-	-	-	-	-	-	-	-
Field Operations	-	-	17.75	18.00	18.00	19.00	19.00	19.00	18.00	18.00
Fleet Maintenance	3.00	3.00	-	-	-	-	-	-	-	-
Facilities Maintenance	4.00	4.00	5.00	4.50	4.00	4.00	3.00	3.00	3.00	2.00
Total maintenance	<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>	<u>20.00</u>
Recreation	2.00	1.00	-	-	-	-	-	-	-	-
Depot	1.50	-	-	-	-	-	-	-	1.10	1.60
Library	16.00	18.00	18.00	17.75	16.50	16.50	16.50	16.50	17.90	17.90
Total culture and recreation	<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>	<u>19.50</u>
Wastewater Division	9.00	9.00	-	-	-	-	-	-	-	-
Water Division	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	23.00
Utilities Administration	5.00	5.00	5.50	5.50	5.50	5.50	6.75	6.50	6.00	6.00
Utility Billing/Customer Service	5.50	5.75	3.25	3.00	3.75	3.25	3.50	4.50	5.50	5.50
Total utilities	<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>	<u>34.50</u>
Total government employees	<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>	<u>182.50</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

Function/Program	<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>	<u>2017</u>
General										
Municipal boundaries (1)	19.14	19.58	19.60	19.60	20.12	20.12	20.12	20.14	20.14	20.14
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	1,403	1,304	1,233	1,206	1,263	1,173	1,158	1,071	1,125	1,182
Number of calls for service	17,313	15,792	23,746	25,758	26,876	n/a	20,904	22,047	21,522	22,888
Number of crashes	363	374	350	383	397	390	436	478	621	584
Fire										
Response volume (includes fire, rescue and medical calls)	2,879	2,618	2,576	2,480	2,580	2,514	2,660	2,991	2,410	2,769
Response time average (minutes)	5.39	5.14	5.11	5.21	6.37	5.72	5.66	5.02	4.83	4.60
Inspections/plans reviewed	1,767	1,031	1,422	1,489	1,712	1,837	1,877	2,067	2,031	2,031
Public education (persons)	2,917	1,645	2,627	534	2,263	1,652	1,148	3,860	3,892	3,152
Permits and Inspections Division										
Plan review residential	411	198	291	309	192	264	291	320	196	319
Plan review commercial	189	133	205	145	108	163	177	157	49	129
Permits issued	797	407	636	500	490	579	657	739	792	1,166
Inspections:										
Construction	2,664	2,176	2,287	1,389	1,628	1,918	2,332	2,557	2,467	5,348
Inspections per month (avg.)	222	181	191	116	136	174	194	213	205	445
Certificates of Occupancy issued	72	44	46	33	44	51	70	65	68	71
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	86.74	86.74	86.74	86.74	86.74	86.74	86.74	87.41	87.41	87.41
Water										
Average monthly customers:										
Water	7,923	7,899	7,892	7,437	7,595	7,673	7,890	7,889	8,159	8,210
Sewer	5,325	5,309	5,311	5,047	5,136	5,227	5,369	5,412	5,610	5,649
Irrigation	1,167	1,238	1,254	1,291	1,313	1,362	1,425	1,454	1,534	1,586
Wastewater										
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

Water Revenues	Fiscal Year								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water Fees	\$2,963,174	\$2,959,160	\$3,083,609	\$3,071,890	\$3,109,898	\$3,069,206	\$3,270,884	\$3,687,443	\$3,777,279
Installation Fees	57,022	81,790.00	51,383	103,640	73,351	78,956	70,822	109,202	158,917
Backflow Inspection Fees	-	-	-	55,005	60,823	63,760	65,300	67,928	69,850
Fire Sprinkler Fees	28,478	-	-	-	-	-	-	-	-
Construction Meter Fees	6,777	3,397	4,222	5,187	3,510	4,924	3,850	3,651	5,601
Reuse Fees	36,380	24,559	12,373	20,858	23,185	24,804	19,533	31,109	32,331
Miscellaneous	35	101	36	185	281	293	195	315	490
Impact Fees	44,565	134,838	168,426	55,581	93,706	130,823	127,528	137,060	255,751
Totals	\$3,136,431	\$3,203,845	\$3,320,049	\$3,312,346	\$3,364,754	\$3,372,766	\$3,558,112	\$4,036,708	\$4,300,219
Penalties & Service Charges (Water & Sewer Combined)	\$ 61,169	\$ 73,817	\$ 65,990	\$ 100,893	\$ 114,905	\$ 117,560	\$ 110,973	\$ 124,854	\$ 124,854

Water Rates(1)

% of Rate Increase (Decrease) - Base Rate	N/A	2.50%	2.50%	3.60%	2.50%	2.60%	2.50%	14.40%	2.40%
Inside City Limits									
Base Rate	\$ 5.20	\$ 5.33	\$ 5.46	\$ 5.66	\$ 5.80	\$ 5.95	\$ 6.10	\$ 6.98	\$ 7.15
0-5,000	2.06	2.11	2.16	2.24	2.30	2.35	2.41	2.76	2.83
5,001-10,000	2.78	2.85	2.92	3.03	3.11	3.18	3.26	3.73	3.82
10,001-25,000	4.32	4.43	4.54	4.70	4.82	4.94	5.06	5.79	5.93
> 25,000	7.11	7.29	7.47	7.74	7.93	8.13	8.33	9.54	9.78
Outside City Limits									
Base Rate	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.08	\$ 7.26	\$ 7.44	\$ 7.63	\$ 8.73	\$ 8.95
0-5,000	2.57	2.64	2.71	2.80	2.87	2.94	3.01	3.45	3.54
5,001-10,000	3.49	3.56	3.65	3.79	3.88	3.98	4.08	4.67	4.79
10,001-25,000	5.40	5.54	5.68	5.88	6.03	6.18	6.33	7.24	7.42
> 25,000	8.89	9.11	9.34	9.68	9.92	10.17	10.42	11.93	12.23

(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

Sewer Revenues	Fiscal Year								
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sewer Fees	\$ 2,871,209	\$ 2,982,641	\$ 3,085,977	\$ 3,156,505	\$ 3,163,404	\$ 3,279,080	\$ 3,448,974	\$ 3,832,287	\$ 3,939,531
Installation Fees	918	-	-	644	551	10,348	3,919	3,914	4,855
Miscellaneous	-	-	-	-	-	-	-	-	-
Impact Fees	82,175	249,136	343,985	89,172	153,243	214,505	180,273	208,322	409,135
Totals	<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>	<u>\$ 4,353,521</u>

Sewer Rates (1)

% of Rate Increase (Decrease) - Base Rate	N/A	2.50%	2.50%	3.60%	2.50%	2.50%	2.50%	14.50%	2.50%
Inside City Limits									
Base Rate	\$ 18.47	\$ 18.93	\$ 19.40	\$ 20.10	\$ 20.60	\$ 21.12	\$ 21.65	\$ 24.79	\$ 25.41
0-5,000 Gallons	2.43	2.49	2.55	2.64	2.71	2.77	2.84	3.25	3.33
5,001 + Gallons	4.25	4.36	4.47	4.63	4.75	4.86	4.98	5.70	5.84
Outside City Limits									
Base Rate	\$ 23.09	\$ 23.66	\$ 24.25	\$ 25.13	\$ 25.76	\$ 26.40	\$ 27.06	\$ 30.98	\$ 31.75
0-5,000 Gallons	3.03	3.11	3.19	3.30	3.38	3.47	3.56	4.06	4.16
5,001 + Gallons	5.32	5.45	5.59	5.79	5.93	6.08	6.23	7.13	7.31

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>2017</u>		<u>2008</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Florida's Natural	650	1		
Oakley	650	2		
Lake Wales Charter School System	612	3	365	3
Lake Wales Medical Center	520	4	471	2
Wal-Mart	323	5	330	4
Publix, Inc.	275	6	243	5
Polk County School Board	223	7	150	9
City of Lake Wales	182	8	170	7
Warner University	170	9	150	10
Hunt Brothers	125	10	160	8
Citrus World, Inc.			700	1
Citrusuco			235	6
	<u>3,730</u>		<u>2,039</u>	

Source: Lake Wales Area Chamber of Commerce

N/A - Not available



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GOVERNMENT AUDITING SECTION

City of Lake Wales, Florida
Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2017

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Expenditures</u>
State of Florida Department of Environmental Protection			
Wastewater Construction - Loan: C Street II	WW530310	37.077	\$ 2,285,926
Wastewater Construction - Loan: S.R. 60 Expansion	WW530330	37.077	<u>1,590,084</u>
Total program			<u>3,876,010</u>
Cleanwater Construction - Loan: S.R. 60 Expansion	DW530320	37.076	1,320,058
Surface Water Restoration & Wastewater Grant	LP53034	37.039	<u>250,000</u>
Total State of Florida department of Environmental Protecion			<u>5,446,068</u>
Florida Department of Transportation			
Aviation Development Grant - Lake Wales Municipal Airport	4400357-1-94-01, G0G58	55.004	66,699
Aviation Development Grant - Lake Wales Municipal Airport	43820-1-94-01, G0658	55.004	<u>440,160</u>
Total Florida Department of Transportation			<u>506,859</u>
			<u>\$ 5,952,927</u>

City of Lake Wales, Florida
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2017

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, 2017.

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 projects for the year ended September 30, 2017. The City's major state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 projects. 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 state financial assistance projects for the year ended September 30, 2017.

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 projects 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 14, 2018

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

YEAR ENDED SEPTEMBER 30, 2017

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

State Financial Assistance Project Section

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Type of auditor's report on compliance for major state financial assistance projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550? yes x no

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

YEAR ENDED SEPTEMBER 30, 2017

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

State Financial Assistance Project Section (continued)

Identification of major state projects:

Name of Project	CSFA Number
State of Florida Department of Environmental Protection Wastewater Treatment Facility Construction - Loan	37.077
State of Florida Department of Environmental Protection Drinking Water Facility Construction - Loan	37.076
State of Florida Department of Transportation Aviation Grants Programs	55.004

Dollar threshold used to determine Type A programs:

State	\$ 300,000
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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 - State Project 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, 2017, 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 14, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Orlando, Florida
March 14, 2018

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, 2017, and have issued our report thereon dated March 14, 2018.

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 14, 2018, 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding 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 and Management

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 for the City. 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 review of financial information provided by the same.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. Our comparison of these two reports resulted in no material differences.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note 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.

Handwritten signature of Cheryl Behr in cursive script.

Orlando, Florida
March 14, 2018

**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

We have examined the City of Lake Wales, Florida's (the "City's") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2017. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with the local investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2017.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and Rules of the Auditor General.



Orlando, Florida
March 14, 2018