

MEMORANDUM

March 18, 2014

TO: Honorable Mayor and City Commissioners

VIA: Kenneth Fields, City Manager

FROM: Dorothy Ecklund, Finance Director

SUBJECT: Transmittal of Comprehensive Annual Financial Report, For Fiscal Year Ended September 30, 2013

SYNOPSIS: The City's independent auditors, Purvis, Gray and Company, will present the Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2013 for acceptance by the City Commission.

STAFF RECOMMENDATION

The recommendation is for the City Commission to accept the City's Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2013 and independent auditors' report as presented.

Purvis, Gray and Company representative: Joseph J. Welch, C.P.A.

BACKGROUND

In the independent auditors' report for the fiscal year ending September 30, 2013, the auditors stated that, in their opinion, the financial statements 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, 2013, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

This is the fifth year that the City has prepared a comprehensive annual financial report (CAFR). A CAFR is a financial report that contains, at a minimum, three sections: 1). introductory, 2). financial, and 3). statistical, and whose financial section provides information on each individual fund and component unit.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$45,538,487 (*net position*). Of this amount, \$3,018,815 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$944,244. The governmental activities decreased by \$232,458 (1.19%), while business-type activities increased \$1,176,682 (4.71%).
- As close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,510,393; an increase of \$830,600 for the year. Approximately 16.58% is *available for spending* at the government's discretion (unassigned).

ATTACHMENT

Comprehensive Annual Financial Report



City of Lake Wales, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
September 30, 2013

City of Lake Wales, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2013

Prepared By:
Department of Finance



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City of Lake Wales, Florida

**Comprehensive Annual Financial Report
For Fiscal Year Ended September 30, 2013**

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**City of
Lake Wales**

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February 28, 2014

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, 2013, 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.

Purvis, Gray & Company, Certified Public Accountants, have issued unqualified (“clean”) 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’s for the year ended September 30, 2013. The independent auditor’s report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Lake Wales, Florida was granted its municipal charter in 1921. The City is located in the geographical center of the Florida peninsula, and is accessible by U.S. Hwy. 27 (north/south) and State Road 60 (east/west). Interstate 4 crosses the state 25 miles north of Lake Wales, and both the Tampa and Orlando International Airports are approximately one hour's drive away. It currently occupies 20.12 square miles and serves a population of 14,522.

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. Recently, the area has been successful in attracting light manufacturing and construction firms. The stated goal of the City Commission and the city administration is to encourage and facilitate quality growth and economic development without compromising the vintage charm that is so important to the residents of the community. The unhurried environment combined with its location has made the City an ideal choice for living the affordable Florida lifestyle. The City of Lake Wales operates under a commission/manager form of government. A Mayor elected city-wide and four City Commissioners elected by district serve two-year terms. The City is governed by

the City Charter, City Ordinances and state laws and regulations. The Commission is responsible for the establishment and adoption of City policy and appointing a City Manager and the City Attorney. The City Manager serves as the Chief Executive Officer of the City and is responsible for the execution of City policy and the oversight of all staff and day-to-day operations of the City.

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

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

Local Economy

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

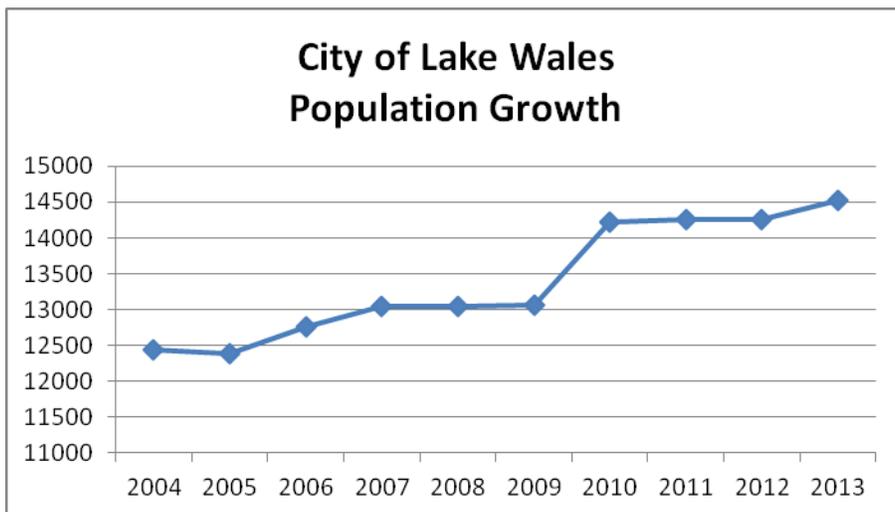
The City's major challenges are to provide the infrastructure and services needed to maintain the quality of life, which attracted considerable growth in our community (39.54% increase in population from 2000 through 2010). History has proven that significant emphasis on support systems such as transportation, potable (drinking) water, wastewater, and storm water management must be balanced fully with the quality of life amenities which include parks, recreation, sports, entertainment, and cultural opportunities to maintain the natural beauty and attractiveness of a community. The following discussion is intended to demonstrate the growth and vitality of the City and to address the challenges and concerns of the near future.

The most significant factor impacting the city's economy in the short term is the expected opening of the CSX Inter-Modal Facility just north of State Road 60 and west of the city limits in the Spring of 2014. This major inter-modal (rail/truck) freight distribution facility is expected to not only generate significant truck traffic through the area along SR 60 but also ancillary development of additional freight distribution facilities in the immediate area, much of which will either be within the city limits or served by the city's

utility system. The City intends to encourage more intensive development along both the US 27 and SR 60 corridors through the city to take advantage of this development to broaden its tax base and increase economic opportunity for its residents. The city has available large, attractive parcels along these routes ready for construction. The City also owns the closest airport to CSX and already has approved plans to expand its runways which could accommodate air freight operations in conjunction with ground transportation operations. To facilitate future economic development, it has also formed an Economic Development Council in partnership with the Lake Wales Area Chamber of Commerce to attract new business and help existing ones to grow and take advantage of the opportunities which will come in the future.

Growth

The population in Lake Wales has increased approximately 42.46% since the U. S. Census of 2000. As the following table shows, the annual increase, from 2004 through 2007 had been in the range of 2%. Note the drop in 2005, attributable to the demolition of a number of units, notably Sunrise Apartments, following the hurricanes. The 2010 Census results revealed an actual population count greater than had previously been annually estimated.



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

* 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 2013 were reported at 8.0% and 6.9%, respectively, while the national unemployment rate was 7.2%.

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 2013 Outlook is the seventh document developed in accordance with the provisions of Article III, Section 19(c)(1) of the Florida Constitution. The following economic projections were provided within the current report:

The key measures of employment are typically **job growth** and the **unemployment rate**. While Florida led the nation on the good-side of these measures during the boom, the state was worse than the national averages on both measures until August 2010 when Florida experienced its first over-the-year increase in jobs since July 2007. Three years later (July 2013), Florida's annual job growth rate has been positive for the past 36 months. However, Florida is still 515,100 jobs below its peak during the boom. This tells us that simple rehiring, while necessary, will not be sufficient to trigger a robust recovery. At the current pace, a full recovery to the previous peak non-farm employment level will not occur until Fiscal Year 2016'17 at the earliest. Since population has continued to grow, the reality is actually worse than it appears—it would take the creation of about 900,000 jobs for the same percentage of the total population to be working as was the case at the peak.

The state's unemployment rate in July was 7.1 percent, with 665,000 jobless persons. It had been as low as 3.3 percent from January through August 2006 (the lowest unemployment rate in more than thirty years), before peaking at 11.4 percent from December 2009 through March 2010. Following the trend of the past several months, Florida's July rate is below the national rate of 7.4 percent. Prior to March 2013, Florida had an unemployment rate that equaled or exceeded the nation's rate for five years.

The pace of Florida's recovery will be driven in large measure by the time it takes for the construction industry to revive. The state will need significant time to work off the current excess supply of homes – at least two years in the optimistic scenario, likely longer. Because the state is so diverse, some areas will reach recovery much faster than other areas. However, the overall Florida economy is unlikely to significantly improve until new construction comes back to life, and that won't happen until the existing inventory is reduced. In May 2013, over 35 percent of all sales were either REO (bank-owned after an unsuccessful sale at a foreclosure) or short sales, and most of these sales were heavily discounted.

Long-term Financial Planning

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

- Completion of the North Fire sub-station construction
- C street sewer improvement project
- Cemetery site development
- Rails to Trails extension
- Reuse line extension
- Various utility system relocation projects
- Continued renovation of upgrading of recreation facilities throughout the City

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakes Wales for its comprehensive annual financial report (CAFR) for the fiscal year ending September 30, 2012. This was the third year the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City has to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Kenneth Fields,
City Manager



Dorothy Ecklund, CPA
Finance Director



Government Finance Officers Association

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

Presented to

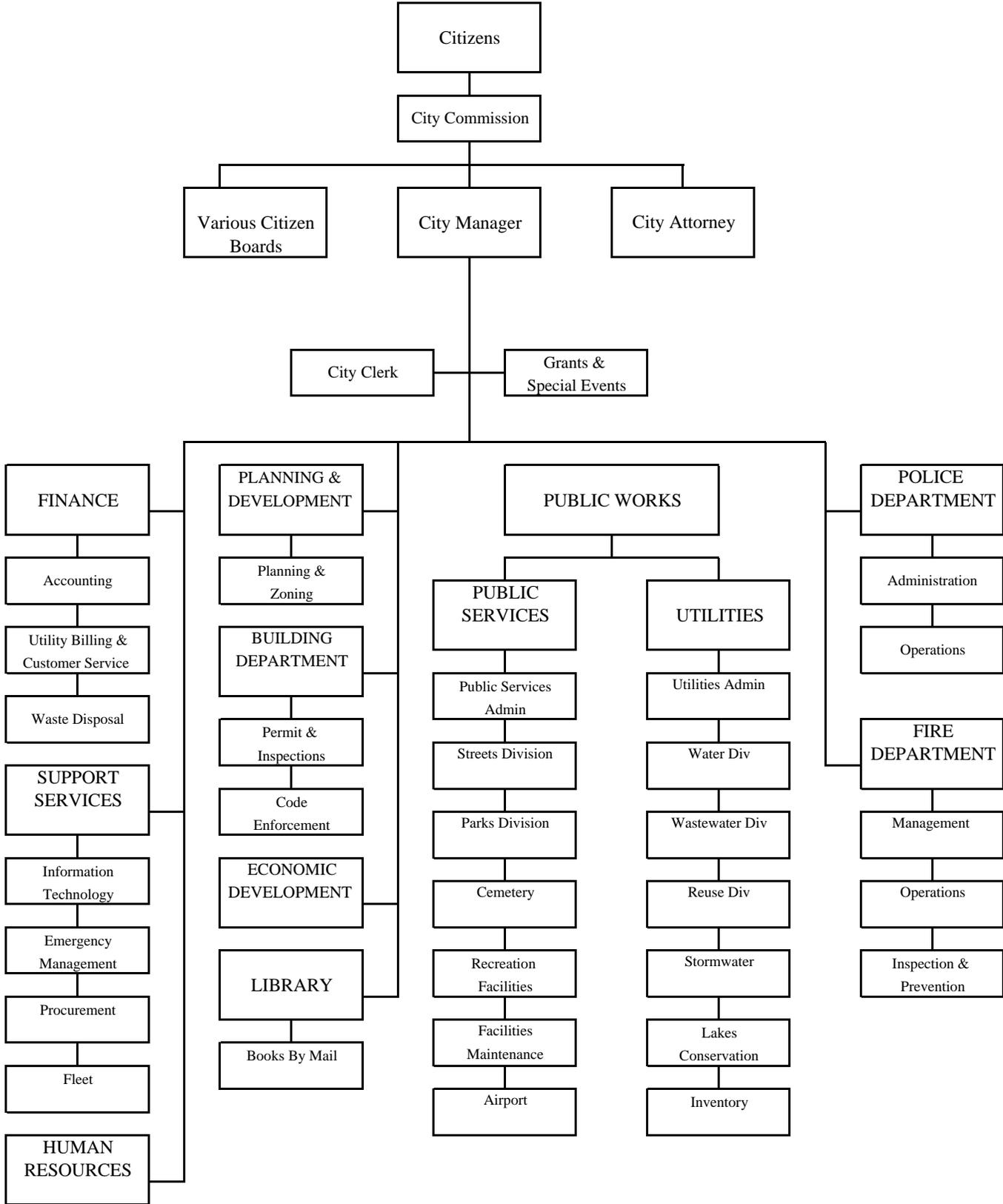
**City of Lake Wales
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

City of Lake Wales, Florida Organizational Chart



City of Lakes Wales, Florida
Principal Officials

Elected Officials

Mayor ----- Eugene Fultz
Vice Mayor/Commissioner ----- Michael Carter
Commissioner ----- Betty Wojcik
Commissioner ----- Jonathan Thornhill
Commissioner ----- Christopher Lutton

City Officials

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners
City of Lake Wales
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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Lake Wales
Lake Wales, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information as listed in the table of contents (collectively the required supplementary information), 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 inquires 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, supplemental information, statistical section, and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates 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 supplemental information is 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 a report dated February 28, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

February 28, 2014
Sarasota, Florida

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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$45,538,487 (*net position*). Of this amount, \$3,018,815 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$944,244. The governmental activities decreased by \$232,458 (1.19%), while business-type activities increased \$1,176,682 (4.71%).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,510,393; an increase of \$830,600 for the year. Approximately 16.58% is *available for spending* at the government's discretion (unassigned).

Overview of the Financial Statements

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

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of its costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, physical environment, transportation, economic environment, human services, and culture and recreation. The business-type activities of the City include the water and sewer utility.

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

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

The City's government-wide financial statements can be found on pages 17-19 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 government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Four of these funds are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements are presented on pages 20-23 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The public utility fund is considered a major fund of the City of Lake Wales. The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-68 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City progress in funding its obligation to provide pension and other post employment benefits to its employees and budgetary schedules for the general and major special revenue funds. Required supplementary information can be found on pages 70-77 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 80-87 of this report.

Lake Wales Airport Authority financial statements can be found on pages 88-90 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$45,538,487 at the close of the most recent fiscal year.

By far the largest portion of the City's net position \$36,977,714 (81.20%) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Lake Wales
Net Position**

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

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 8,325,752	\$ 7,279,839	\$ 6,649,893	\$ 6,668,068	\$ 14,975,645	\$ 13,947,907
Capital assets, net of depreciation	26,579,166	27,280,388	33,654,764	33,540,039	60,233,930	60,820,427
Total assets	<u>34,904,918</u>	<u>34,560,227</u>	<u>40,304,657</u>	<u>40,208,107</u>	<u>75,209,575</u>	<u>74,768,334</u>
Deferred Outflows	158,308	268,390	-	-	158,308	268,390
Current and other liabilities	3,317,418	3,849,002	3,086,644	3,165,964	6,404,062	7,014,966
Long-term liabilities	12,387,845	12,389,194	11,037,489	12,038,301	23,425,334	24,427,495
Total liabilities	<u>15,705,263</u>	<u>16,238,196</u>	<u>14,124,133</u>	<u>15,204,265</u>	<u>29,829,396</u>	<u>31,442,461</u>
Net Position:						
Net investment in capital assets	14,973,405	14,610,965	22,004,309	21,421,022	36,977,714	36,031,987
Restricted	2,768,005	3,221,380	2,773,953	2,589,379	5,541,958	5,810,759
Unrestricted	1,616,553	1,758,076	1,402,262	993,441	3,018,815	2,751,517
Total net position	<u>\$ 19,357,963</u>	<u>\$ 19,590,421</u>	<u>\$ 26,180,524</u>	<u>\$ 25,003,842</u>	<u>\$ 45,538,487</u>	<u>\$ 44,594,263</u>

An additional portion of the City's net position, \$5,541,958 (12.17%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,018,815 (6.63%) unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

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

The following schedule is a summary of the Statement of Activities on page 18 –19 of this report.

City of Lake Wales Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 2,048,352	\$ 1,861,156	\$ 6,549,910	\$ 6,514,807	\$ 8,598,262	\$ 8,375,963
Operating grants and contributions	713,964	707,516	-	-	713,964	707,516
Capital grants and contributions	26,593	24,761	399,621	398,506	426,214	423,267
General Revenues:						
Property taxes	5,101,801	5,123,146	-	-	5,101,801	5,123,146
Other taxes	2,739,356	2,687,342	-	-	2,739,356	2,687,342
Franchise fees	1,098,866	1,198,360	-	-	1,098,866	1,198,360
Other	1,262,247	1,176,620	250,184	292,314	1,512,431	1,468,934
Total Revenues	12,991,179	12,778,901	7,199,715	7,205,627	20,190,894	19,984,528
Expenses:						
Governmental Activities:						
General government	1,170,638	1,214,450	-	-	1,170,638	1,214,450
Public safety	7,134,069	7,309,111	-	-	7,134,069	7,309,111
Physical environment	941,419	1,020,413	-	-	941,419	1,020,413
Transportation	1,558,117	1,609,153	-	-	1,558,117	1,609,153
Economic environment	456,091	483,785	-	-	456,091	483,785
Human services	16,704	64,633	-	-	16,704	64,633
Culture and recreation	2,317,252	2,256,121	-	-	2,317,252	2,256,121
Interest on long-term debt	457,347	543,766	-	-	457,347	543,766
Business-type Activities:						
Public utilities	-	-	5,195,033	4,933,817	5,195,033	4,933,817
Total Expenses	14,051,637	14,501,432	5,195,033	4,933,817	19,246,670	19,435,249
Increase (decrease) in net assets before transfers	(1,060,458)	(1,722,531)	2,004,682	2,271,810	944,224	549,279
Transfers	828,000	828,000	(828,000)	(828,000)	-	-
Change in net assets	(232,458)	(894,531)	1,176,682	1,443,810	944,224	549,279
Beginning net assets	19,590,421	20,484,952	25,003,842	23,560,032	44,594,263	44,044,984
Ending net assets	\$ 19,357,963	\$ 19,590,421	\$ 26,180,524	\$ 25,003,842	\$ 45,538,487	\$ 44,594,263

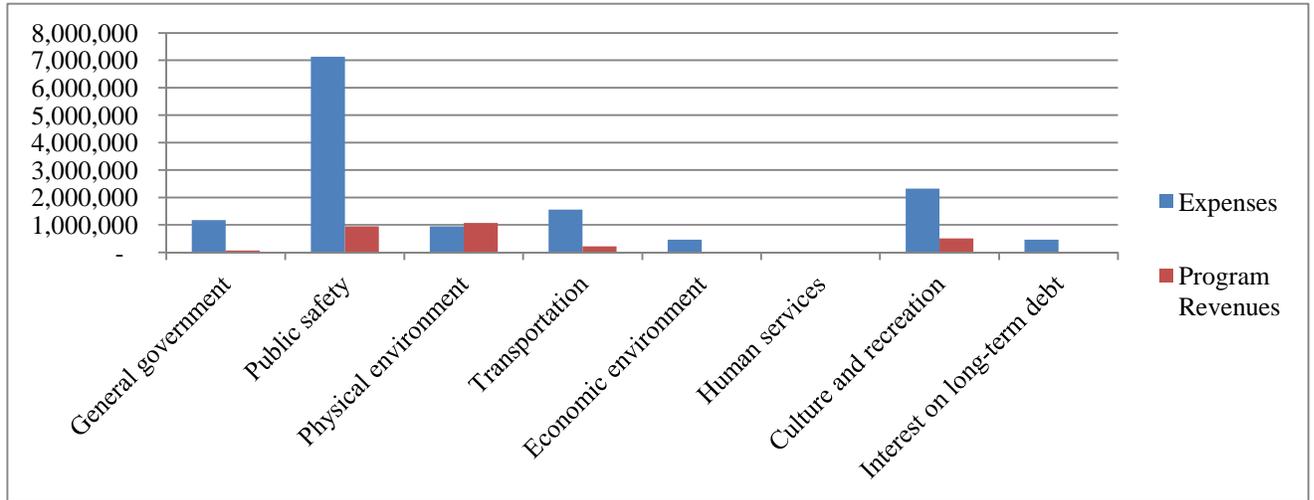
Governmental activities. Governmental activities decreased the City's net position by \$232,458. Key elements of changes in net position are as follows:

- Charges for services increased by \$187,196 (10.06%) from 2012. This change is mainly (\$177,319 or 94.72%) due to increases of \$66,196 in building permits, \$4,619 in site development inspection fees, \$6,797 in code enforcement fines, \$23,119 in police forfeitures, \$43,240 in solid waste revenue, \$15,290 in recreation impact fees, \$6,722 in library impact fees, and \$11,336 police impact fees.
- Operating grants and contributions increased by \$6,448 (0.91%) from 2012. This change is mainly (\$6,383 or 98.99%) due to an increase of \$6,383 in the HIDTA Award.
- Capital grants and contributions increased by \$1,832 (7.40%) from 2012. This change is mainly (\$1,683 or 91.87%) due to an increase of \$8,484 in the FRDAP Grant for the Lake Wales Trail and decreases of \$1,981 in the Law Enforcement Block Grant, \$2,016 in the BYRNE Formula Grant, and \$2,804 in interest earned.

- General revenues decreased during 2013 by \$16,802 (0.16%) from 2012. This change is a net result of a decrease in property taxes of \$21,345, increases in other taxes of \$52,014, and decreases in franchise fees of \$99,494. In addition, other revenue increased by \$85,627.
- General government expenses decreased in 2013 by \$43,812 (3.61%).
- Public safety expenses decreased in 2013 by \$175,042 (2.39%). This decrease is mainly (\$161,659 or 92.35%) due to reductions in accrued comp liability relating to retirement of staff of \$79,354, depreciation expense of \$49,813, code enforcement operating expenses of \$5,503, and the allocation of code enforcement expenses to the CRA fund of \$26,989.
- Physical environment expenses in 2013 decreased by \$78,994 (7.74%). This decrease is mainly due to reductions in repair and maintenance costs relating to recreation facilities. Repair and maintenance for the Kirkland Gym decreased from \$82,365 in FY 11-12 to \$211 in FY 12-13.
- Transportation expenses in 2013 decreased by \$51,036 (3.17%). This decrease is mainly (\$41,275 or 80.87%) due to reductions in road repair work. Repair and maintenance for road repairs was reduced from \$47,889 in FY 11-12 to \$6,614 in FY 12-13.
- Economic environment expenses in 2013 decreased by \$27,694 (5.72%). This decrease is due to a decrease in personnel costs. The City Commission outsourced economic development to the Economic Development Council in FY 12-13.
- Human service expenses in 2013 decreased by \$47,929 (74.16%). This decrease is due to a reduction in grant funding for the B Street Center.
- Culture and Recreation expenses increased in 2013 by \$61,131 (2.71%). Most of this increase was due to increases in parks operating costs of \$23,193, Depot Museum operating costs of \$14,179, and library personnel costs of \$27,823.

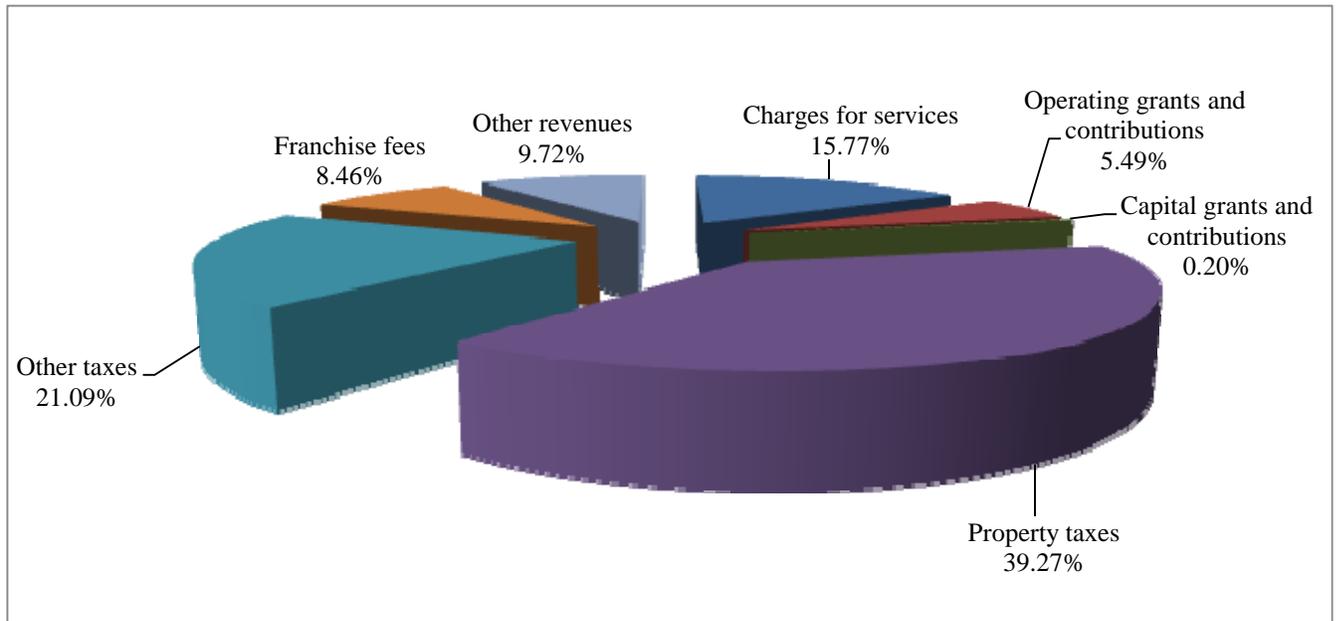
The following chart compares expenses with program revenues for the City's governmental activities:

Expenses and Program Revenues – Governmental Activities



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

Revenues by Source – Governmental Activities



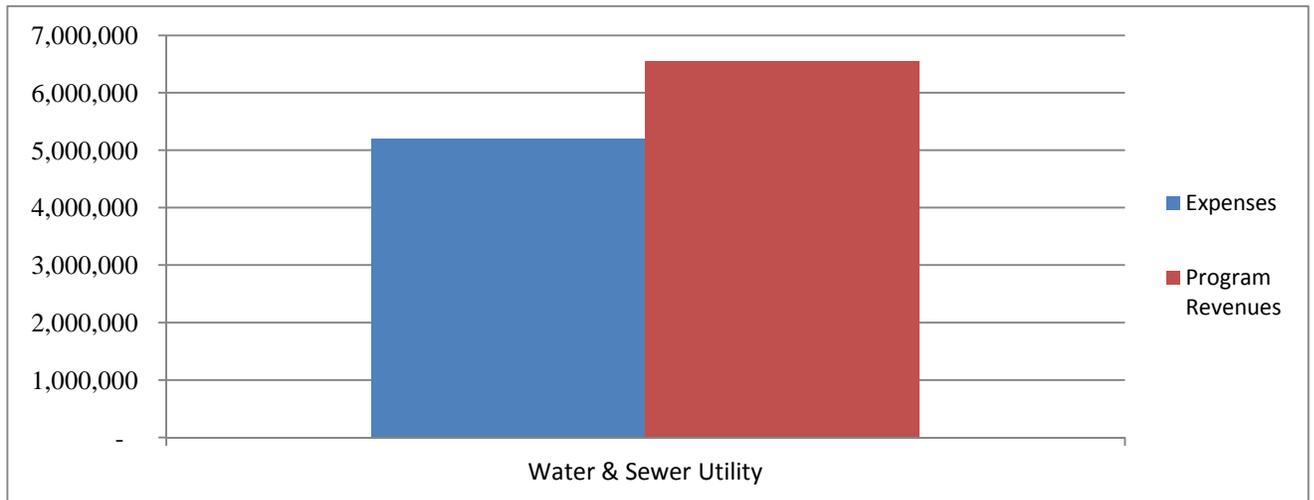
Business-type Activities

Business-type activities increased the City's net position by \$1,176,682. Key elements of this increase are as follows:

- Charges for services in 2013 increased by \$35,103 (0.54%). This change is mainly (\$30,590 or 87.14%) due to increases of \$22,445 in utility billing non-payment fees, \$5,818 in backflow inspection fees, and \$2,327 in reuse water revenue.
- Capital grants and contributions increased by \$1,115 (0.28%) due to increases in impact fees received of \$102,196 and reductions in grants and capital contributions totaling \$101,081.
- Other revenues decreased by \$42,130 (14.41%). This change is mainly (\$42,446 or 100.75%) due to decreases in interest income of \$17,802, telecommunication site leases of \$19,645, sales of surplus equipment of \$8,260, and an increase in gains realized on sale of assets of \$3,261.
- Water and sewer expenditures increased \$261,216 (5.29%). This change is mainly (\$202,448 or 77.50%) due to additional staff costs in utility operations and public works administration of \$104,106 and an increase in reuse water operating costs of \$98,342.
- During 2013, \$828,000 was transferred out to the general fund.

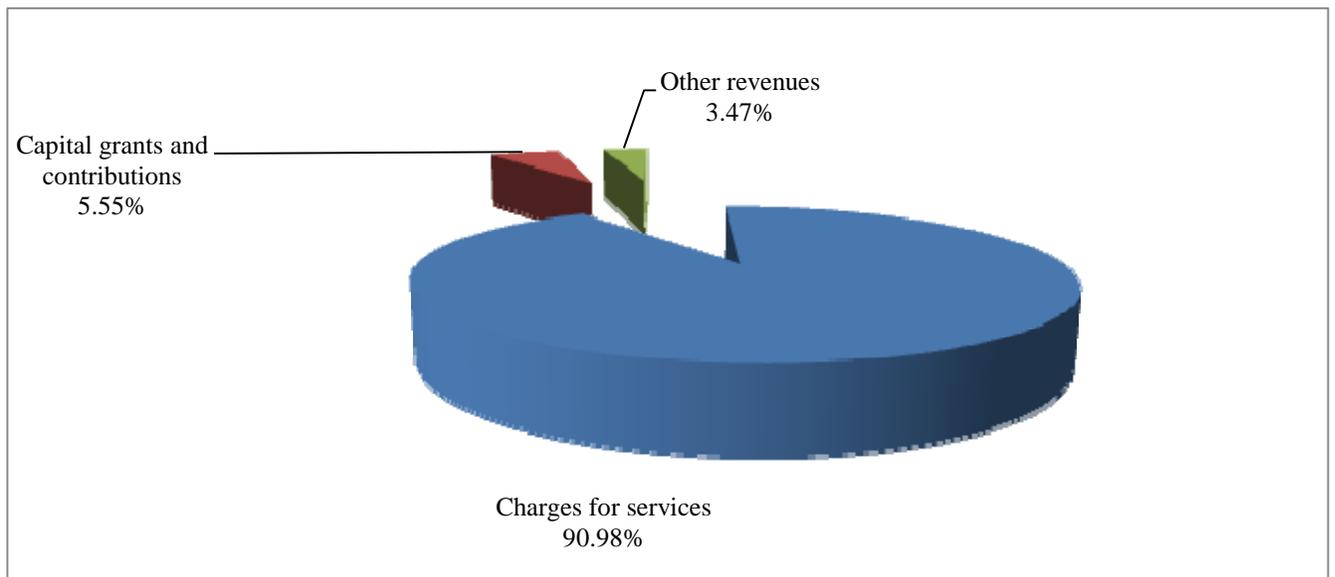
The following chart compares expenses with program revenues for the City's business-type activities:

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 \$6,510,393, an increase of \$830,600 for the year. Approximately 16.58% of this amount (\$1,079,413) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. Approximately 15.00% of fund balance (\$1,594,753) constitutes a *minimum fund balance*, which has been designated by the City Commission to providing funding necessary for sufficient working capital at the beginning of the fiscal year until the time the City begins receiving ad valorem taxes, to advance funds necessary to pay for construction of grant-funded projects until reimbursement is received from federal or state agencies, to advance financial resources necessary for responding to emergencies that will be reimbursed by insurance proceeds or grants from FEMA or other federal or state agencies, and to mitigate current and future revenue shortfalls, unanticipated expenditures, and to ensure stable taxes rates. The remainder of the fund balance (\$5,430,980), under GASB 54 standards is classified as nonspendable (\$166,095), restricted (\$4,525,832), and assigned (\$739,053).

The general fund is the chief operating fund for the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,079,413, while total fund balance reached \$1,979,956. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balances represents 10.15% of total general fund expenditures, while total fund balance represents 18.62% of the same amount.

The fund balance of the City's community redevelopment fund decreased by \$372,920 during the current fiscal year. Revenue sources within the CRA (\$1,000,764) were not sufficient enough to cover debt service requirements (\$981,505) and operating costs (\$392,179).

The fund balance of the City's capital project fund increased by \$1,535,160 during the current fiscal year. This increase is mainly due to the note proceeds of \$1,700,000 to fund the fire substation and new cemetery.

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

Unrestricted net position of the Water and Sewer Utility Fund at the end of the year amounted to \$1,402,262. As of 09/30/13, the utility system had \$1,558,863 appropriated for the C Street Sewer Project. 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 \$144,313 increase in general fund expenditure appropriations between the original and final amended budget. This increase was mainly due to the following items

- A reduction of \$64,760 within the first budget amendment to adjust for shortfall in estimated beginning fund balance projection for FY 2012'13.
- An increase of \$119,184 for the leasing of six new police cars.
- An increase of \$10,270 for debt service payments relating to the leased police cars.
- An increase of \$58,504 for four lawn mowers for public works and the parks departments.
- An increase of \$3,000 for legal advertising costs.
- An increase of \$2,400 for an ID badge machine within the human resource department.

During the year there was a \$27,296 increase in general fund revenues between the original and final amended budget. This increase was mainly due to the following items

- An increase in fines and forfeits of \$5,000 mainly related to code enforcement efforts.
- An increase in miscellaneous of \$15,000 due to the donation of K-9 police dogs to the City.

General fund expenditures and other uses were \$270,864 below budget appropriation mainly due to a pension plan amendments which were implement during the fiscal year.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013 is \$60,233,930 (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 decrease (additions less retirements and depreciation) in the City's investment in capital assets was \$854,887; a decrease of 1.40%. This consisted of a 3.52% decrease for governmental activities and a 0.34% increase for business-type activities.

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

Governmental:

- Stuart House Site - \$1,749
- Depot Museum - \$18,949
- Exchange Server - \$7,677
- HP Server - \$4,283
- ID Badge Printer - \$2,356
- Lien Foreclosure (319 Weaver Ave) - \$10,407
- Cemetery Irrigation System - \$3,862
- (4) John Deere Mowers - \$58,505
- (4) In Car Cameras - \$15,398
- (2) Police Canines - \$15,000
- (6) Chevrolet Impalas - \$119,184
- Fire Department Air Conditioner - \$4,800
- Thermal Imaging Camera - \$4,495
- Laptop Computer - \$1,065
- Camera/Alarm System - \$4,019
- Refurbish Entryway Sign - \$1,200

- Willow Lawn Cemetery Road Paving - \$21,326
- CWIP – Depot Museum Sewer System - \$14,739
- CWIP – Rails to Trails Extension - \$16,445
- CWIP – Crystal Lake Park Parking Improvements - \$10,111
- CWIP – Lake Wailes Park Parking Improvements - \$547
- CWIP – New Cemetery - \$10,947
- CWIP – Fire Substation - \$236,912
- Library Books - \$50,377
- Library Roof - \$60,990
- Library Carpet - \$16,120
- Library Data Network Upgrade - \$7,697

Utilities:

- GPS System - \$31,419
- Reuse Water Facility Air Conditioner - \$3,200
- Carpet – Utility Billing - \$1,694
- 2013 Ford F-150 Regular Cab - \$14,820
- 2013 Ford F-150 Super Cab - \$22,800
- CWIP - Design/Permit Transmission Lines - \$59,066
- CWIP – C Street Project - \$580,679
- CWIP – Market Street Plant Upgrades - \$40,470
- CWIP – Pre-Construction WWTP - \$203,274
- CWIP – US 27 Widening - \$19,540
- CWIP – New Services - \$44,813
- CWIP – Lift Station Rehab - \$77,607
- CWIP – Facilities Master Plan - \$2,500
- CWIP – Lift Station Upgrades - \$11,774
- Other - \$3,585

City of Lake Wales's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 5,137,212	\$ 5,106,105	\$ 633,115	\$ 633,115	\$ 5,770,327	\$ 5,739,220
Construction in progress	290,701	1,000	1,264,922	6,006,556	1,555,623	6,007,556
Buildings	13,171,081	13,093,971	726,957	725,263	13,898,038	13,819,234
Improvements other than buildings	7,072,844	7,067,781	42,209,966	36,425,026	49,282,810	43,492,807
Machinery & equipment	9,892,419	9,652,575	5,400,162	5,353,091	15,292,581	15,005,666
Infrastructure	19,428,151	19,406,825	-	-	19,428,151	19,406,825
Total	54,992,408	54,328,257	50,235,122	49,143,051	105,227,530	103,471,308
Less: accumulated depreciation	(28,413,242)	(26,779,479)	(16,580,360)	(15,603,012)	(44,993,602)	(42,382,491)
Capital assets, net	\$ 26,579,166	\$ 27,548,778	\$ 33,654,762	\$ 33,540,039	\$ 60,233,928	\$ 61,088,817

Additional information on the City's capital assets can be found in note C on pages 46-47 of this report.

Debt. At the end of the current fiscal year the City had total debt outstanding of \$25,655,648. The debt obligations are secured by the equipment acquired a covenant to budget, or a pledge of revenue sources.

City of Lake Wales Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Note payables	\$ 13,155,997	\$ 13,156,945	\$12,390,108	\$13,423,230	\$ 25,546,105	\$ 26,580,175
Lease obligations	109,543	-	-	-	109,543	-
Total debt obligations	<u>\$ 13,265,540</u>	<u>\$ 13,156,945</u>	<u>\$12,390,108</u>	<u>\$13,423,230</u>	<u>\$ 25,655,648</u>	<u>\$ 26,580,175</u>

Additional information on the City’s long-term debt can be found in note G on pages 50-56 of this report.

Economic Factors and Next Year’s Budget and Rates

The unemployment rate at the end of fiscal year 2013 for Lakeland/Winter Haven Metro Area was 8.0%. The following is a summary of the applicable unemployment rates for Lakeland/Winter Haven Metro Area, the State of Florida, and United States:

<u>Region Name</u>	<u>Current Year Sept. 2013</u>	<u>Previous Year Sept. 2012</u>
Lakeland/Winter Haven Metro Area	8.0%	9.7%
State of Florida	6.9%	8.4%
United States	7.2%	7.8%

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

The tax base for the City is composed of real property, personal property and centrally assessed property. The taxable value of such property increased 1.57% from 2012 to 2013.

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

The City’s population increased from 14,261 in 2012 to 14,522 in 2013.

All of these factors were considered in preparing the City of Lake Wales’s budget for the 2013’14 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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
Assets				
Cash and cash equivalents	\$ 4,513,314	\$ 1,278,511	\$ 5,791,825	\$ 8,000
Receivable (net of allowance for uncollectibles)	441,216	905,087	1,346,303	-
Due from component unit	90,073	-	90,073	-
Intergovernmental receivables	389,135	137,672	526,807	-
Restricted assets:				
Cash and cash equivalents	1,948,195	3,238,871	5,187,066	-
Investments	395,734	891,062	1,286,796	-
Inventories	62,139	158,884	221,023	-
Prepays	103,956	2,621	106,577	-
Net pension assets	276,434	-	276,434	-
Capital Assets:				
Nondepreciable	5,427,913	1,898,037	7,325,950	1,625,274
Depreciable, net	21,151,253	31,756,727	52,907,980	6,352,884
Unamortized bond issue costs	105,556	37,185	142,741	-
Total assets	34,904,918	40,304,657	75,209,575	7,986,158
Deferred Outflows of resources				
Interest Rate Swap	158,308	-	158,308	-
Liabilities				
Accounts payable	711,909	605,923	1,317,832	6,927
Accrued liabilities	275,319	55,797	331,116	-
Accrued interest	217,999	134,603	352,602	-
Retainage payable	15,182	-	15,182	-
Due to primary government	-	-	-	90,073
Deposits	102,784	650,483	753,267	-
Unearned revenues	188,675	260,808	449,483	762
Noncurrent Liabilities:				
Due within one year	1,805,550	1,379,030	3,184,580	18,000
Due in more than one year	12,387,845	11,037,489	23,425,334	79,629
Total liabilities	15,705,263	14,124,133	29,829,396	195,391
Net position				
Net investment in capital assets	14,973,405	22,004,309	36,977,714	7,790,456
Restricted for:				
Law enforcement	48,928	-	48,928	
Library	141,833	-	141,833	
Transportation	137,105	-	137,105	
Community redevelopment	149,677	-	149,677	
Street lighting	6,840	-	6,840	
Debt service	1,860,827	1,163,183	3,024,010	
Capital projects	422,795	1,610,770	2,033,565	
Unrestricted	1,616,553	1,402,262	3,018,815	311
Total net position	\$ 19,357,963	\$ 26,180,524	\$ 45,538,487	\$ 7,790,767

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

City of Lake Wales, Florida
Statement of Activities
For the Year Ending September 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,170,638	\$ 60,774	\$ -	\$ -
Public safety	7,134,069	720,995	193,458	24,240
Physical environment	941,419	1,073,028	-	-
Transportation	1,558,117	108,418	103,235	-
Economic environment	456,091	-	-	-
Human services	16,704	-	-	-
Culture and recreation	2,317,252	85,137	417,271	2,353
Interest on long-term debt	457,347	-	-	-
Total governmental activities	14,051,637	2,048,352	713,964	26,593
Business-type activities:				
Water and sewer utility	5,195,033	6,549,910	-	399,621
Total primary government	19,246,670	8,598,262	713,964	426,214
Component unit:				
Airport Authority	\$ 441,523	\$ 91,092	\$ -	\$ 74,715

General revenues

Taxes:

Property taxes

Franchise fees

Public service taxes

Communication service taxes

Fuel taxes

Local business tax

State and county shared revenues

Investment earnings

Insurance recoveries

Gain on disposal of capital assets

Contribution

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

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

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

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Airport Authority
\$ (1,109,864)	\$ -	\$ (1,109,864)	
(6,195,376)	-	(6,195,376)	
131,609	-	131,609	
(1,346,464)	-	(1,346,464)	
(456,091)	-	(456,091)	
(16,704)	-	(16,704)	
(1,812,491)	-	(1,812,491)	
(457,347)	-	(457,347)	
(11,262,728)	-	(11,262,728)	
-	1,754,498	1,754,498	
(11,262,728)	1,754,498	(9,508,230)	
			\$ (275,716)
5,101,801	-	5,101,801	-
1,098,866	-	1,098,866	-
1,523,497	-	1,523,497	-
524,187	-	524,187	-
615,111	-	615,111	-
76,561	-	76,561	-
1,097,472	-	1,097,472	-
16,366	8,678	25,044	-
6,947	-	6,947	-
16,798	3,261	20,059	-
31,107	-	31,107	-
93,557	238,245	331,802	-
828,000	(828,000)	-	-
11,030,270	(577,816)	10,452,454	-
(232,458)	1,176,682	944,224	(275,716)
19,590,421	25,003,842	44,594,263	8,066,483
\$ 19,357,963	\$ 26,180,524	\$ 45,538,487	\$ 7,790,767

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

City of Lake Wales, Florida
Balance Sheet
All Governmental Funds
September 30, 2013

	<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	\$ 2,006,117	\$ 70,224	\$ 1,932,357	\$ 317,247	\$ 187,369	\$ 4,513,314
Receivable (net of allowance for uncollectibles)	432,732	-	-	-	8,484	441,216
Due from other funds	54,585	-	-	64,881	-	119,466
Due from component unit	90,073	-	-	-	-	90,073
Inventories	62,139	-	-	-	-	62,139
Intergovernmental receivables	280,195	108,940	-	-	-	389,135
Restricted cash, cash equivalents and investments:						
Debt construction funding	-	-	-	-	1,605,598	1,605,598
Business park escrow	-	-	-	100,000	-	100,000
Impact fees	-	-	201	-	242,396	242,597
Impact fees - investments	-	-	-	-	395,734	395,734
Prepays	99,351	-	-	-	4,605	103,956
Total assets	<u>3,025,192</u>	<u>179,164</u>	<u>1,932,558</u>	<u>482,128</u>	<u>2,444,186</u>	<u>8,063,228</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	422,238	35,617	-	28,261	225,793	711,909
Accrued liabilities	271,797	-	-	-	3,522	275,319
Retainage payable	-	-	-	-	15,182	15,182
Due to other funds	64,881	-	-	-	54,585	119,466
Deposits	2,784	-	-	100,000	-	102,784
Deferred revenues	283,536	44,639	-	-	-	328,175
Total liabilities	<u>1,045,236</u>	<u>80,256</u>	<u>-</u>	<u>128,261</u>	<u>299,082</u>	<u>1,552,835</u>
Fund balances						
Nonspendable						
Inventory and prepaid	161,490	-	-	-	4,605	166,095
Restricted for:						
Law enforcement expenditures	-	-	-	-	48,928	48,928
Library expenditures	-	-	-	-	208,159	208,159
Transportation expenditures	-	98,908	-	-	-	98,908
Community redevelopment expenditures	-	-	-	353,867	-	353,867
Street lighting expenditures	-	-	-	-	6,840	6,840
Debt Service	-	-	1,932,558	-	-	1,932,558
Capital projects	-	-	-	-	1,876,572	1,876,572
Assigned						
Subsequent years' expenditure	739,053	-	-	-	-	739,053
Unassigned	1,079,413	-	-	-	-	1,079,413
Total Fund balance	<u>1,979,956</u>	<u>98,908</u>	<u>1,932,558</u>	<u>353,867</u>	<u>2,145,104</u>	<u>6,510,393</u>
Total liabilities and fund balances	<u>\$ 3,025,192</u>	<u>\$ 179,164</u>	<u>\$ 1,932,558</u>	<u>\$ 482,128</u>	<u>\$ 2,444,186</u>	<u>\$ 8,063,228</u>

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

City of Lake Wales, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of September 30, 2013

Total Fund balances of governmental funds	\$ 6,510,393
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	26,579,166
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.	(217,999)
Revenues that are not received by year-end, or within the "availability" period are deferred in the governmental funds balance sheet, but recognized in the statement of activities.	139,500
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.	(14,035,087)
Net pension assets resulting from the overfunding of general, police, and fire pension plans are not reported in the applicable funds.	276,434
Unamortized debt issuance costs are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	105,556
 Net position of governmental activities	 <u><u>\$ 19,357,963</u></u>

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

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Funds
Year Ended September 30, 2013

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 5,211,639	\$ 615,111	\$ 654,931	\$ 541,142	\$ 378,611	\$ 7,401,434
Special Assessment	-	-	-	-	19,050	19,050
Licenses and permits	989,388	-	380,640	-	-	1,370,028
Intergovernmental	1,306,856	115,728	-	458,354	441,153	2,322,091
Charges for services	1,815,722	108,418	-	-	-	1,924,140
Fines and forfeits	33,575	-	-	-	29,581	63,156
Investment earnings	10,911	-	3,008	1,168	3,991	19,078
Impact fees	-	-	5,616	-	113,333	118,949
Miscellaneous	86,097	7,800	-	100	18,231	112,228
Total revenues	<u>9,454,188</u>	<u>847,057</u>	<u>1,044,195</u>	<u>1,000,764</u>	<u>1,003,950</u>	<u>13,350,154</u>
Expenditures						
Current:						
General government	1,533,286	-	-	-	-	1,533,286
Public safety	6,885,181	-	-	10,125	28,639	6,923,945
Physical environment	985,582	-	-	-	12,562	998,144
Transportation	52,634	670,946	-	-	-	723,580
Economic environment	74,881	-	-	382,054	-	456,935
Human services	2,070	-	-	-	-	2,070
Culture and recreation	1,098,052	-	-	-	1,002,841	2,100,893
Debt Service:						
Principal	-	-	1,710,589	-	-	1,710,589
Interest and fiscal charges	-	-	466,078	-	-	466,078
Capital outlay	-	-	-	-	274,963	274,963
Total expenditures	<u>(10,631,686)</u>	<u>(670,946)</u>	<u>(2,176,667)</u>	<u>(392,179)</u>	<u>(1,319,005)</u>	<u>(15,190,483)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,177,498)</u>	<u>176,111</u>	<u>(1,132,472)</u>	<u>608,585</u>	<u>(315,055)</u>	<u>(1,840,329)</u>
Other financing sources (uses)						
Transfers in	844,510	-	1,116,302	-	8,000	1,968,812
Transfers out	(18,261)	(141,046)	-	(981,505)	-	(1,140,812)
Insurance recoveries	6,947	-	-	-	-	6,947
Note proceeds	119,184	-	-	-	1,700,000	1,819,184
Sale of capital assets	8,048	-	-	-	8,750	16,798
Total other financing (uses) sources	<u>960,428</u>	<u>(141,046)</u>	<u>1,116,302</u>	<u>(981,505)</u>	<u>1,716,750</u>	<u>2,670,929</u>
Net change in fund balances	(217,070)	35,065	(16,170)	(372,920)	1,401,695	830,600
Fund balances, beginning of year	<u>2,197,026</u>	<u>63,843</u>	<u>1,948,728</u>	<u>726,787</u>	<u>743,409</u>	<u>5,679,793</u>
Fund balances, end of year	<u>\$ 1,979,956</u>	<u>\$ 98,908</u>	<u>\$1,932,558</u>	<u>\$ 353,867</u>	<u>\$ 2,145,104</u>	<u>\$ 6,510,393</u>

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

City of Lake Wales, Florida
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2013

Net change in fund balances of the governmental funds \$ 830,600

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

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

Capital Expenditures	719,160	
Depreciation	<u>(1,688,772)</u>	(969,612)

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.

5,482

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	(1,819,184)	
Principal Paid	<u>1,710,589</u>	(108,595)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in Compensated Absences Liability	55,324	
(Increase) in Other Post Employment Benefits	(50,398)	
Debt Issuance Costs	37,737	
Amortization of Debt Issuance Costs	(17,392)	
Amortization of Refunding Losses	(33,477)	
(Decrease) in Net Pension Asset	(3,990)	
Decrease in Interest Accrued on Bonds	<u>21,863</u>	<u>9,667</u>

Change in net position of governmental activities \$ (232,458)

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, 2013

	<u>Public Utilities Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 1,278,511
Receivables (net of allowance for uncollectibles)	905,087
Due from other governments	137,672
Restricted cash, cash equivalents and investments:	
Debt reserve accounts	961,109
Escrow - C street project	10,557
Impact fees	1,044,938
Customer deposits	650,483
Debt construction funding	571,784
Debt reserve accounts - investment	335,787
Impact fees - investment	555,275
Inventories	158,884
Prepaid	2,621
Total current assets	<u>6,612,708</u>
Noncurrent assets	
Capital assets:	
Nondepreciable	1,898,037
Depreciable, net	31,756,727
Unamortized bond issue costs	37,185
Total noncurrent assets	<u>33,691,949</u>
Total assets	<u>40,304,657</u>
Liabilities	
Current liabilities	
Accounts payable	605,923
Accrued liabilities	55,797
Accrued interest	134,603
Customer deposits	650,483
Deferred revenues	260,808
Accrued compensated absences	12,087
Current portion of long-term debt	1,366,943
Total current liabilities	<u>3,086,644</u>
Noncurrent liabilities	
Notes payable - noncurrent	10,892,481
Accrued compensated absences	108,780
Accrued OPEB	36,228
Total noncurrent liabilities	<u>11,037,489</u>
Total liabilities	<u>14,124,133</u>
Net position	
Net investment in capital assets	22,004,309
Restricted for capital projects	1,610,770
Restricted for debt service	1,163,183
Unrestricted	1,402,262
Total net position	<u><u>\$ 26,180,524</u></u>

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

City of Lake Wales, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2013

	Public Utilities Fund
Operating revenues:	
Charges for Services	\$ 6,549,910
Other income	238,245
Total operating revenues	6,788,155
Operating expenses:	
Personal services	1,639,373
Contractual services	222,597
Repairs and maintenance	667,796
Materials and supplies	212,917
General and administrative	1,089,951
Depreciation	1,002,516
(Total operating expenses)	(4,835,150)
Operating income	1,953,005
Nonoperating revenues (expenses)	
Interest income	8,678
Interest expense and fiscal charges	(352,060)
Amortization of bond issue costs	(7,823)
Gain on sale of capital assets	3,261
Total nonoperating (expenses)	(347,944)
Income before contributions and transfers	1,605,061
Capital contributions	
Impact fees	246,949
Capital grant	152,672
Total capital contributions	399,621
Transfers	
Transfers out	(828,000)
Total transfers	(828,000)
Change in net position	1,176,682
Total net position, beginning of year	25,003,842
Total net position, end of year	\$ 26,180,524

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

City of Lake Wales, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	Business-Type Activities
	Public Utilities Fund
Cash flows from operating activities	
Cash received from customers	\$ 7,284,292
Cash payments to suppliers for goods and services	(2,419,023)
Cash payments for employee services	(1,619,826)
Net cash provided by operating activities	3,245,443
 Cash flows from noncapital financing activities	
Transfer to other funds	(828,000)
Net cash used in noncapital financing activities	(828,000)
 Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(1,117,241)
Impact fees	246,949
Contribution/donations for capital	
Capital grant	152,672
New debt	342,626
Principal payments on long-term debt	(1,332,188)
Interest paid	(325,079)
Proceeds from sale of equipment	3,261
Net cash used in capital and related financing activities	(2,029,000)
 Cash flows from investing activities	
Purchase of investments	(4,444)
Investment income	8,678
Net cash provided by investing activities	4,234
 Net increase in cash and cash equivalents	392,677
Cash and cash equivalents, beginning of year	4,124,705
Cash and cash equivalents, end of year	\$ 4,517,382

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

City of Lake Wales, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013
(Concluded)

	Business-Type Activities
	Public Utilities Fund
Reconciliation of cash and cash equivalents to balance sheet	
Cash and cash equivalents	\$ 1,278,511
Restricted cash and cash equivalents	3,238,871
Cash and cash equivalents, end of year	4,517,382
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	1,953,005
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	1,002,516
(Increase) decrease in assets:	
Accounts receivable	395,604
Inventories	11,869
Prepaid	-
Increase (decrease) in liabilities:	
Accounts payable	(245,759)
Accrued liabilities	8,128
Utility deposits	56,971
Deferred revenue	43,562
Compensated absences	8,001
Accrued OPEB	11,546
Net cash provided by operating activities	\$ 3,245,443

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

City of Lake Wales
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2013

	Pension Trust Funds
Assets	
Cash and cash equivalent	\$ 18,139
Investments, at fair value:	
Money market funds	1,564,328
Government Bonds	1,512,508
Government Assets backed/CMO Securities	767,653
Taxable Municipal Bonds	484,687
Corporate bonds and notes	5,985,041
Common and preferred stock	17,994,539
Total investments	28,308,756
Prepays	
Prepaid Fiduciary Liability Insurance	5,712
Total Prepays	5,712
Receivable (net):	
Accounts receivable	96,159
Interest and dividends	59,080
Due from State	4,604
Total receivable	159,843
Total assets	28,492,450
Liabilities	
Accounts payable	140,963
Due to DROP participants	980,974
Prepaid contributions from City	95,738
Total liabilities	1,217,675
Net position	
Held in trust for pension benefits and other purposes	\$ 27,274,775

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

City of Lake Wales, Florida
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2013

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 998,696
State of Florida	228,954
Employee	<u>310,451</u>
Total contributions	<u>1,538,101</u>
Interest and dividends	681,006
Net increase (decrease) in the fair value of investments	<u>2,966,054</u>
Total investments income (loss)	3,647,060
Less investment expense	<u>(194,658)</u>
Net investment income (loss)	<u>3,452,402</u>
Total additions	<u>4,990,503</u>
Deductions	
Benefit payments	1,765,370
Refunds of contributions	86,377
Administration	<u>171,116</u>
Total deductions	<u>2,022,862</u>
Change in net position	2,967,641
Total net position - beginning	<u>24,307,134</u>
Total net position - ending	<u><u>\$ 27,274,775</u></u>

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



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City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2013

I. Summary of significant accounting policies

A. Reporting entity

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

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

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

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

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

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

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2013

made this election. The Lake Wales Airport Authority did not issue separate audited financial statements for fiscal year ending September 30, 2013.

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, 2013

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.

Property taxes, sales taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

- **Special Revenue Funds** - account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).
- **Capital Projects Funds** - account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2013

- **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.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including impact fees. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

Cash and Cash Equivalents and Investments

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

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

By Ordinance No. 95-44 and Florida Statutes, the City is authorized to invest in the Florida PRIME Fund; negotiable direct obligations of the United States Government, or obligations unconditionally guaranteed by the U.S. government; bonds, debentures, notes or other indebtedness of U.S. agencies which are backed by the full faith and credit of the U.S. Government; obligations of certain other government agencies (the Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation, (FHLMC), and the Student Loan Marketing Association (SLMA). In addition, the City may invest in

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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.

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.

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3. Inventories and prepaid items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

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

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

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

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

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

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

5. Capital assets

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expenditures/expense incurred by the governmental funds and enterprise fund during the current fiscal year was \$466,078 and \$352,060 respectively. Total capitalized interest incurred by the enterprise fund was \$2,683. Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives:

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

6. Compensated absences

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

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs and refunding losses, are deferred and amortized over the life of the bonds using the bonds outstanding method or the straight-line method, which both approximate the effective interest method. Bonds payable are reported net of the applicable bond

City of Lake Wales, Florida

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premium, discount or refunding loss. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

8. *Fund Balances*

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

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

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- **Unassigned** -This classification is used for (a) negative unrestricted fund balances in any governmental fund, or (b) fund balances within the general fund that are not restricted, committed or assigned.

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

Minimum Fund Balance Policy - Pursuant to a fund balance policy adopted, July 19, 2011, under the City Commission's Ordinance 2011-11, the City established an emergency sinking account in the general fund. 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.

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

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

9. Revenue Recognition

Utility revenues are recognized when customers are billed unless there has been a significant change in meter reading dates. In that event, unbilled or deferred revenues are recorded for consistency. Included in accounts receivable at September 30, 2013, are unbilled amounts totaling \$428,562 (\$332,310 enterprise funds and \$96,252 general fund).

10. Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Polk County Property Appraiser and the Polk County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10.00 mills. The City's millage rate for the 2013 fiscal year was 8.5119 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.

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11. Pension Plans

The City accounts for its pension plans under GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The pension plans cover substantially all of the City's full-time employees. The City records pension costs in the period due. Pension expense includes normal cost plus amortization of past service cost.

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.

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- 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.

III. Detailed notes on all funds

A. Deposits and investments

Deposits

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

At September 30, 2013, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$10,986,891 (including the Authority), and the related bank balance was \$10,943,917. The carrying amount of deposits for the Authority, a discretely presented component unit, at September 30, 2013, was \$8,000.

Investments – City

At September 30, 2013, the carrying amount of investments was \$1,286,796 (\$891,062 enterprise fund, \$244,924 capital projects fund and \$150,810 library fund). The City seeks to optimize return on investments within the constraints of safety and liquidity held twelve month certificates of deposits.

Investments – Pension Funds

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

City of Lake Wales, Florida

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

	General Employees	Fire Fighters	Police Officers
Domestic and International Equity Securities	65%	65%	65%
Fixed Income Securities	35%	35%	35%
 *(International Equity Securities Not To Exceed)	 10%	 -	 15%

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

Investments in pension trust funds at September 30, 2013, are presented below (at market value):

General Employee Pension		Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type							
Money Market Funds	N/R	\$ 419,960	\$ 419,960	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	*	1,927,822	-	-	355,225	1,572,597	-
Government Bonds	AA+	381,481	-	-	316,196	65,285	-
Government Asset Backed/CMO Sec.	AA+	250,710	-	-	-	250,710	-
Taxable Municipal Bonds	*	150,625	-	-	-	150,625	-
Equity	N/R	5,487,157	5,487,157	-	-	-	-
Total Fair Market Value		\$ 8,617,755	\$ 5,907,117	\$ -	\$ 671,421	\$ 2,039,217	\$ -

Firefighters' Pension		Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type							
Money Market Funds	N/R	\$ 630,891	\$ 630,891	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	*	1,577,435	-	-	281,260	1,296,175	-
Government Bonds	AA+	369,646	-	-	265,046	104,600	-
Government Asset Backed/CMO Sec.	AA+	182,128	-	-	-	182,128	-
Taxable Municipal Bonds	*	134,696	-	-	-	134,696	-
Equity	N/R	4,685,526	4,685,526	-	-	-	-
Total Fair Market Value		\$ 7,580,322	\$ 5,316,417	\$ -	\$ 546,306	\$ 1,717,599	\$ -

Police Officers' Pension		Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type							
Money Market Funds	N/R	\$ 513,477	\$ 513,477	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	*	2,479,783	-	-	508,442	1,971,341	-
Government Bonds	AA+	761,382	-	-	608,594	152,788	-
Government Asset Backed/CMO Sec.	AA+	334,815	-	-	-	334,815	-
Taxable Municipal Bonds	*	199,366	-	-	-	199,366	-
Equity	N/R	7,821,856	7,821,856	-	-	-	-
Total Fair Market Value		\$ 12,110,679	\$ 8,335,333	\$ -	\$ 1,117,036	\$ 2,658,310	\$ -

*Credit rating on the above bonds varied from AAA to A-
N/R = Not rated

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The pension funds owned cash at September 30, 2013, totaling -\$55,419, -\$25,014 and \$98,572 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, 2013, 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.

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B. Receivables

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

	General	Transportation	Capital Projects	Total Governmental Fund	Enterprise - Business Type	Total
Receivable:						
Taxes	\$ 120,444	\$ -	\$ -	\$ 120,444	\$ -	\$ 120,444
Franchise fees	129,217	-	-	129,217	-	129,217
Accounts	93,090	-	8,484	101,574	615,381	716,955
Unbilled amounts	96,252	-	-	96,252	332,310	428,562
Gross receivables	<u>\$ 439,003</u>	<u>\$ -</u>	<u>\$ 8,484</u>	<u>\$ 447,487</u>	<u>\$ 947,691</u>	<u>\$ 1,395,178</u>
Less: allowance for uncollectibles	(6,271)	-	-	(6,271)	(42,604)	(48,875)
Net total receivable	<u>\$ 432,732</u>	<u>\$ -</u>	<u>\$ 8,484</u>	<u>\$ 441,216</u>	<u>\$ 905,087</u>	<u>\$ 1,346,303</u>
Intergovernmental Receivables	<u>\$ 280,195</u>	<u>\$ 108,940</u>	<u>\$ -</u>	<u>\$ 389,135</u>	<u>\$ 137,672</u>	<u>\$ 526,807</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

Governmental Funds:

	Unavailable	Unearned	Total
Prepaid local business tax	\$ -	\$ 54,907	\$ 54,907
Prepaid rent	-	30,000	30,000
Local option gas tax	40,500	-	40,500
Half-cent sales tax	60,000	-	60,000
Communications services tax	39,000	-	39,000
Permit fees collected prior to meeting all eligibility requirements	-	70,095	70,095
Cemetery funds collected prior to meeting all eligibility requirements	-	33,673	33,673
Total deferred /unearned revenue for governmental funds	<u>\$ 139,500</u>	<u>\$ 188,675</u>	<u>\$ 328,175</u>

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C. Capital assets

Capital asset activity for the year ended September 30, 2013 was as follows:

Governmental activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,106,105	\$ 31,107	\$ -	\$ 5,137,212
Construction in progress	1,000	289,701	-	290,701
Total capital assets, not being depreciated	<u>5,107,105</u>	<u>320,808</u>	<u>-</u>	<u>5,427,913</u>
Capital assets being depreciated:				
Buildings	13,093,971	77,110	-	13,171,081
Improvements other than buildings	7,067,781	5,063	-	7,072,844
Machinery and equipment	9,652,575	294,853	(55,009)	9,892,419
Infrastructure	19,406,825	21,326	-	19,428,151
Total depreciable capital assets	<u>49,221,152</u>	<u>398,352</u>	<u>(55,009)</u>	<u>49,564,495</u>
Total all capital assets	<u>54,328,257</u>	<u>719,160</u>	<u>(55,009)</u>	<u>54,992,408</u>
Less accumulated depreciation for:				
Buildings	(3,374,517)	(274,118)	-	(3,648,635)
Improvements other than buildings	(4,453,280)	(293,926)	-	(4,747,206)
Machinery and equipment	(7,992,795)	(423,219)	55,009	(8,361,005)
Infrastructure	(10,958,887)	(697,509)	-	(11,656,396)
Total accumulated depreciation	<u>(26,779,479)</u>	<u>(1,688,772)</u>	<u>55,009</u>	<u>(28,413,242)</u>
Depreciable capital assets, net	<u>22,441,673</u>	<u>(1,290,420)</u>	<u>-</u>	<u>21,151,253</u>
Total Governmental capital assets, net	<u>\$ 27,548,778</u>	<u>\$ (969,612)</u>	<u>\$ -</u>	<u>\$ 26,579,166</u>

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

Governmental activities:	
General government	85,034
Public safety	351,977
Physical environment	29,145
Transportation	833,279
Economic environment	13,603
Human services	14,634
Culture and recreation	361,100
Total governmental activities depreciation expense	<u>1,688,772</u>

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	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 633,115	\$ -	\$ -	\$ 633,115
Construction in progress	6,006,556	1,043,306	(5,784,940)	1,264,922
Total capital assets, not being depreciated	<u>6,639,671</u>	<u>1,043,306</u>	<u>(5,784,940)</u>	<u>1,898,037</u>
Capital assets being depreciated:				
Buildings	725,263	1,694	-	726,957
Improvements other than buildings	36,425,026	5,784,940	-	42,209,966
Machinery and equipment	5,353,092	72,241	(25,169)	5,400,164
Total depreciable capital assets	<u>42,503,381</u>	<u>5,858,875</u>	<u>(25,169)</u>	<u>48,337,087</u>
Total all capital assets	<u>49,143,052</u>	<u>6,902,181</u>	<u>(5,810,109)</u>	<u>50,235,124</u>
Less accumulated depreciation for:				
Buildings	(450,631)	(21,912)	-	(472,543)
Improvements other than buildings	(11,227,539)	(780,852)	-	(12,008,391)
Machinery and equipment	(3,924,843)	(199,752)	25,169	(4,099,426)
Total accumulated depreciation	<u>(15,603,013)</u>	<u>(1,002,516)</u>	<u>25,169</u>	<u>(16,580,360)</u>
Depreciable capital assets, net	<u>26,900,368</u>	<u>4,856,358</u>	<u>-</u>	<u>31,756,727</u>
Total business-type capital assets, net	<u>\$ 33,540,039</u>	<u>\$ 5,899,664</u>	<u>\$ (5,784,940)</u>	<u>\$ 33,654,762</u>

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

Business-type activities:	
Water	\$ 473,635
Sewer	528,881
Total depreciation expense - business-type activities	<u>\$ 1,002,516</u>

Discretely presented component unit

	Beginning Balance	Additions	Disposals	Ending Balance
Lake Wales Airport Authority:				
Capital assets not being depreciated:				
Land	\$ 1,625,274	\$ -	\$ -	\$ 1,625,274
Construction in progress	103,892	-	(103,892)	-
Total capital assets, not being depreciated	<u>1,729,166</u>	<u>-</u>	<u>(103,892)</u>	<u>1,625,274</u>
Capital assets being depreciated:				
Buildings	2,534,616	-	-	2,534,616
Improvements other than buildings	6,311,579	132,440	(65,034)	6,378,985
Machinery and equipment	606,558	-	-	606,558
Total depreciable capital assets	<u>9,452,753</u>	<u>132,440</u>	<u>(65,034)</u>	<u>9,520,159</u>
Total all capital assets	<u>11,181,919</u>	<u>132,440</u>	<u>(168,926)</u>	<u>11,145,433</u>
Less accumulated depreciation for:				
Buildings	(216,322)	(51,655)	-	(267,977)
Improvements other than buildings	(2,528,768)	(244,454)	65,034	(2,708,188)
Machinery and equipment	(155,535)	(35,575)	-	(191,110)
Total accumulated depreciation	<u>(2,900,625)</u>	<u>(331,684)</u>	<u>65,034</u>	<u>(3,167,275)</u>
Depreciable capital assets, net	<u>6,552,128</u>	<u>(199,244)</u>	<u>-</u>	<u>6,352,884</u>
Lake Wales Airport Authority capital assets, net	<u>\$ 8,281,294</u>	<u>\$ (199,244)</u>	<u>\$ (103,892)</u>	<u>\$ 7,978,158</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

D. Construction commitments

The City has active construction projects as of September 30, 2013. The projects include asbestos pipe removal, runway extension, water and wastewater facilities. At year-end the city's commitments with contractors are as follows:

City of Lake Wales - Primary Government

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
C street sewer project - engineering	\$ 250,365	\$ 164,582
C street sewer project - construction	242,906	1,394,281
Main street distribution upgrades	44,070	55,575
US 27 water/sewer relocation	19,540	30,301
Fire substation	136,638	922,471
	<u>\$ 693,519</u>	<u>\$ 2,567,210</u>

Lake Wales Airport Authority - Component Unit

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

Other Commitments

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

E. Leases

Operating Leases

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

	<u>Postage Equipment</u>	<u>Copier Equipment</u>	<u>Vehicles</u>	<u>Back Hoe</u>	<u>Total</u>
2014	\$ 3,240	\$ 15,615	\$ 83,067	\$ 13,876	\$ 115,798
2015	3,240	15,615	82,819	13,876	115,550
2016	3,240	15,615	42,376	-	61,231
2017	2,430	9,109	15,617	-	27,156
2018	-	-	7,470	-	7,470
2019	-	-	1,604	-	1,604
Total	<u>\$ 12,150</u>	<u>\$ 55,954</u>	<u>\$ 232,953</u>	<u>\$ 27,752</u>	<u>\$ 328,809</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

F. Interfund receivable, payables and transfers

The composition of interfund balances as of September 30, 2013, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 54,585
Comm. Redevelopment	General	64,881
		<u>\$ 119,466</u>

Due to/from component unit:

General	Airport Authority	<u>\$ 90,073</u>
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The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Source	Transfer To	Amount	Purpose
General	Debt Service	\$ 10,261	Debt Subsidy
General	Capital Projects	8,000	Capital Outlay Transfer - Rails to Trail Project
Community Redevelopment	Debt Service	964,995	Debt Subsidy
Community Redevelopment	General	16,510	Capital Outlay Transfer - Depot Museum Sewer
Public Utilities	General	828,000	Operating Transfer
Transportation	Debt Service	141,046	Debt Subsidy
		<u>\$ 1,968,812</u>	

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

G. Long-term debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and notes payable:					
Notes payable	\$ 13,156,945	\$ 1,700,000	\$ 1,700,948	\$ 13,155,997	\$ 1,711,539
Lease obligations	-	119,184	9,641	109,543	23,352
Total bonds and notes payable - par	<u>13,156,945</u>	<u>1,819,184</u>	<u>1,710,589</u>	<u>13,265,540</u>	<u>1,734,891</u>
Less unamortized refunding loss	(133,923)	-	(33,477)	(100,446)	-
Total bonds and notes payable - net	<u>13,023,022</u>	<u>1,819,184</u>	<u>1,677,112</u>	<u>13,165,094</u>	<u>1,734,891</u>
Other liabilities					
Interest rate swap	268,390	-	110,082	158,308	-
OPEB liability	113,008	50,398	-	163,406	-
Compensated absences	761,911	608,657	663,981	706,587	70,659
Total other Liabilities	<u>1,143,309</u>	<u>659,055</u>	<u>774,063</u>	<u>1,028,301</u>	<u>70,659</u>
Governmental long-term liabilities	<u>\$ 14,166,331</u>	<u>\$ 2,478,239</u>	<u>\$ 2,451,175</u>	<u>\$ 14,193,395</u>	<u>\$ 1,805,550</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Notes payable:					
Notes payable	\$ 13,423,230	\$ 299,066	\$ 1,332,188	\$ 12,390,108	\$ 1,366,943
Less unamortized refunding loss	(174,244)	43,560	-	(130,684)	-
Total notes payable - net	<u>13,248,986</u>	<u>342,626</u>	<u>1,332,188</u>	<u>12,259,424</u>	<u>1,366,943</u>
Other liabilities					
OPEB liability	24,682	11,546	-	36,228	-
Compensated absences	112,866	87,664	79,663	120,867	12,087
Total other Liabilities	<u>137,548</u>	<u>99,210</u>	<u>79,663</u>	<u>157,095</u>	<u>12,087</u>
Business-type long-term liabilities	<u>\$ 13,386,534</u>	<u>\$ 441,836</u>	<u>\$ 1,411,851</u>	<u>\$ 12,416,519</u>	<u>\$ 1,379,030</u>

Discretely presented component unit

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lake Wales Airport Authority:					
FBO payment credit	\$ 115,629	\$ -	\$ 18,000	\$ 97,629	\$ 18,000
Airport Authority long-term liabilities	<u>\$ 115,629</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 97,629</u>	<u>\$ 18,000</u>

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2013

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2013:

	Purpose(2)	Frequency of Payment(1)	Maturity	Originally Issued	Outstanding Amount	Interest Rate
Governmental activities						
Note payable:						
Capital Improvement Revenue Note, Series 2003	1	S	2017	9,117,226	\$ 3,053,340	3.84%
Redevelopment Revenue Note, Series 2007	9	S	2028	9,500,000	7,674,157	3.77%
Refunding Revenue Note, Series 2009	10	S	2015	1,870,300	728,500	3.19%
Ascending Lien Capital Improvement Revenue Note, Series 2013	12	S	2028	1,700,000	1,700,000	2.91%
Lease obligations						
Mears Motor Leasing - 2013	13	M	2018	119,184	109,543	1.29%
Total governmental activities					<u>\$ 13,265,540</u>	
Business-type activities						
Note payable:						
State Revolving Fund Loan - 5907P	3	S	2019	\$ 1,634,636	\$ 531,291	2.56%
State Revolving Fund Loan - 59110	3	S	2022	1,171,882	398,032	3.05%
State Revolving Fund Loan - 5912S	4	S	2024	1,429,755	815,640	2.14%
State Revolving Fund Loan - 5913P	5	S	2028	1,025,345	780,407	1.88%
State Revolving Fund Loan - 59140	11	S	2033	368,589	361,261	2.30%
State Revolving Fund Loan - 530300	11	S	2033	4,163,664	4,061,308	1.91%
Capital Improvement Revenue Note, Series 2003	1	S	2017	432,665	144,934	3.84%
Utility System Revenue Note, Series 2005	6	M	2015	1,110,000	200,092	4.20%
Utility System Refunding Note, Series 2006A	2	S	2017	6,272,220	2,962,193	4.09%
Utility System Refunding Note, Series 2006B	7	S	2027	2,550,000	2,134,950	1.14%
Total business-type activities					<u>\$ 12,390,108</u>	
Lake Wales Airport Authority						
Discretely presented component unit						
Fixed Based Operator's Payment Credit	8	M	2019	340,000	97,629	0.00%
Total Lake Wales Airport Authority					<u>\$ 97,629</u>	

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

(2) Purpose:

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

8. Agreement between the City and Lake Wales Aviation, Inc., (the Airport Fixed Base Operator) related to leasehold improvements done by the FBO on airport property. The City agreed to credit the FBO for \$300,000 in improvements and up to \$40,000 for mowing equipment by reducing their rent \$1,500 per month until fully paid (at 0% interest).
9. Acquisition, construction and equipping of various capital improvements within the Community Redevelopment Area. (Series 2007)
10. Refund of Public Improvement Revenue Bonds, Series 1997 (which refunded 1991 and 1989 bonds originally for various water/sewer, street, drainage and parking infrastructure improvements, plus the airport FBO lease and Police Department building). Also, refunded the 2010 Motorola lease which originally funded fire and police equipment. (Series 2009)
11. Construction of wastewater plant rehabilitation and expansion. (SRF – 59140 & 530300)
12. Construction funding for fire substation \$1,200,000 and cemetery addition \$500,000. (Series 2013)
13. Capital lease for six police cars. (Lease 2013)

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

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

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

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

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

- The Utility System Refunding Revenue Note, Series 2006A and Series 2006B both require annual debt service reserves equal to 1/6th per month of all interest and 1/12th per month of the annual principal amount coming due. As of September 30, 2013, sinking fund balance for Series 2006A and 2006B were, \$807,330 and \$153,779, respectively.
- State Revolving Fund loans require a “Loan Debt Service Account”. Beginning six months prior to each semiannual loan payment, the City shall make five monthly loan deposits into the Loan Debt Service Account. The Loan Debt Service Account for the existing State Revolving Fund loans is \$199,279.
- 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, 2013 are as follows:

Fiscal Year	Governmental Activities				Total	
	Notes		Leases		Principal	Interest
	Principal	Interest	Principal	Interest		
2014	\$ 1,711,539	\$ 428,691	\$ 23,352	\$ 1,275	\$ 1,734,891	\$ 429,966
2015	1,880,089	387,301	23,654	972	1,903,743	388,273
2016	1,164,934	333,223	23,962	665	1,188,896	333,888
2017	983,900	292,405	24,272	354	1,008,172	292,759
2018	561,093	263,893	14,303	63	575,396	263,956
2019-2023	3,124,058	993,182	-	-	3,124,058	993,182
2024-2028	3,730,384	370,964	-	-	3,730,384	370,964
2029-2033	-	-	-	-	-	-
Total	\$ 13,155,997	\$ 3,069,659	\$ 109,543	\$ 3,329	\$ 13,265,540	\$ 3,072,988

Fiscal Year	Business-type Activities			
	Notes		Total	
	Principal	Interest	Principal	Interest
2014	\$ 1,366,943	\$ 283,039	\$ 1,366,943	\$ 283,039
2015	1,433,793	235,651	1,433,793	235,651
2016	1,389,118	191,589	1,389,118	191,589
2017	1,425,288	147,327	1,425,288	147,327
2018	628,891	118,806	628,891	118,806
2019-2023	2,788,757	429,891	2,788,757	429,891
2024-2028	2,168,005	206,661	2,168,005	206,661
2029-2033	1,189,313	57,397	1,189,313	57,397
Total	\$ 12,390,108	\$ 1,670,361	\$ 12,390,108	\$ 1,670,361

Fiscal Year	Discretely Presented Component Unit			
	Agreement		Total	
	Principal	Interest	Principal	Interest
2014	\$ 18,000	\$ -	\$ 18,000	\$ -
2015	18,000	-	18,000	-
2016	18,000	-	18,000	-
2017	18,000	-	18,000	-
2018	18,000	-	18,000	-
2019-2023	7,629	-	7,629	-
	\$ 97,629	\$ -	\$ 97,629	\$ -

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

Bond-Related Accounts - Utility Fund

Debt issuance costs totaling \$95,931 related to other utility fund debt issues are being amortized over the term of the related obligation using the straight-line method. Amortization of issuance costs was \$7,823 for the year ended September 30, 2013. The unamortized balance at September 30, 2013, is \$37,185.

A refunding loss of \$435,604 incurred in conjunction with the issuance of the Utility System Refunding Revenue Note, Series 2006A, is being amortized over the term of the bonds using the straight-line method. Amortization of refunding loss was \$43,560 for the year ended September 30, 2013, and is included as a component of interest expense. The unamortized balance at September 30, 2013, is \$130,684.

Bond-Related Accounts - Governmental Activities

Debt issuance costs of \$52,415 incurred in conjunction with the issuance of the Redevelopment Revenue Note, Series 2007, are being amortized over the life of the obligation (20 years) using the straight-line method. Amortization of issuance costs on the Series 2007 Note was \$2,621 for the year ended September 30, 2013. The unamortized balance at September 30, 2013, is \$36,689.

Debt issuance costs totaling \$104,303 related to Capital Improvement Revenue Note, Series 2003, are being amortized over the term of the related obligation (13 years) using the straight-line method. Amortization of issuance costs was \$8,181 for the year ended September 30, 2013. The unamortized balance at September 30, 2013, is \$24,540.

Debt issuance costs totaling \$32,950 related to Refunding Revenue Note, Series 2009, will be amortized over the term of the relating obligation (5 years), using the straight -line method. Amortization of issuance costs was \$6,590 for the year ended September 30, 2013. The unamortized balance at September 30, 2013, is \$6,590.

Debt issuance costs totaling \$37,737 related to Ascending Lien Capital Improvement Revenue Note, Series 2013 (closed 09/17/2013), will be amortized over the term of the relating obligation (15 years), using the straight -line method. Amortization of issuance costs was \$-0- for the year ended September 30, 2013.

A refunding loss of \$426,861 incurred in conjunction with the issuance of the Capital Improvement Revenue Note, Series 2003, is being amortized over the life of the bonds using the straight-line method. Amortization of the refunding loss was \$33,477 for the year ended September 30, 2013, and is included as a component of interest expense in the statement of activities. Unamortized refunding loss of \$100,446 is netted against bonds payable on the government-wide statement of net position.

Interest Rate Swap

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

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

Associated Bond Issue	Counter-party Credit Rating	Notional Amount	Fair Value 9/30/2012	Change in Fair Value	Fair Value 9/30/2013
Capital Improvement Revenue Note, Series 2003	BBB+ (S&P)	\$3,198,274	(268,390)	110,082	\$ (158,308)

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

Using rates as of September 30, 2013, debt service requirements of the variable rate debt and net swap payments are as follows (note interest calculations were based on rates as of September 30, 2013). As rates vary, variable rate bond interest payments and net swap payments will vary, but the total should remain relatively constant):

Fiscal Year Ending Sept. 30	Variable-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2014	1,010,148	20,800	82,619	1,113,567
2015	1,052,088	12,837	50,987	1,115,912
2016	672,669	6,176	24,532	703,377
2017	463,369	1,789	7,107	472,265
	<u>\$ 3,198,274</u>	<u>\$ 41,602</u>	<u>\$ 165,245</u>	<u>\$ 3,405,121</u>

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

- **Liquidity and Remarketing Risk** - There is no public market for swaps and there is no exchange-type market that can be used to sell, cancel or reverse an outstanding swap.
- **Termination Risk** - The swap may be subject to either optional or mandatory termination without the City's consent in accordance with the terms of the swap agreement. In addition, the swap agreement automatically terminates if the bonds are prepaid, in whole or in part, before their scheduled maturity dates. If the swap is "in-the-money" to the counterparty upon early termination, there is an obligation to make a termination payment representing the market value of the swap.
- **Credit Risk** - The City entered into the transaction with SunTrust Bank. There is a risk that SunTrust Bank could run into financial difficulty and be unable to meet its obligations during the swap term, thereby eliminating the potential cash-flow benefit to the City. If SunTrust Bank defaulted, the maximum risk of loss at September 30, 2013 was \$-0- because the swap was a liability at that date.
- **Basis Risk** - This risk is present when a floating to fixed interest rate swap is executed and the floating rate in the swap agreement does not perfectly match the floating rate paid by the Borrower to the bondholders. The City is paying SunTrust VRDB rate to the bondholders, which is a tax-exempt

City of Lake Wales, Florida
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rate, while the floating rate on the swap is 67% of 1-Month LIBOR, which is a taxable rate. However, under this swap agreement, both rates are the same: 67% of 1-month LIBOR plus 65 basis points.

Future Revenues that are Pledged

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

	Debt Obligation Reference	Total Principal and Interest Outstanding	Current Year Principal and Interest	Current Year Revenue	% of Revenues to Principal and Interest Paid
Public Service Taxes	Series 2003	\$ 3,405,122	\$ 1,114,971	\$ 1,513,497	136%
CRA Tax Increment Revenues	Series 2007	10,045,237	676,390	908,983	134%
Electric Franchise Fees	Series 2009	751,958	425,555	981,696	231%
Communication Service Taxes	Series 2013	2,143,491	-	527,187	-
Water and Sewer Net Revenue	SRF, Series 2005, 2006A & 2006B	13,906,159	1,560,659	2,717,276	174%
		<u>\$ 30,251,967</u>	<u>\$ 3,777,575</u>	<u>\$ 6,648,639</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 facilities deemed to be in the public interest. These bonds are payable solely from the revenues of the private sector entity.

The Retirement Facility Revenue Bonds, Series 2008 (Series 2008) and interest thereon do not constitute an indebtedness or pledge of the general credit of the City, Polk County, the State of Florida or any political subdivision or agency thereof. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Series 2008 was initially issued for \$26,885,000. As of September 30, 2013, the outstanding balance on these bonds is \$23,805,000.

IV Other Information

A. Related party transactions

During 2013, 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 \$28,423 were charged to the Authority for the year ended September 30, 2013.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

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 \$90,073 at September 30, 2013.

B. Contingent liabilities

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

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

C. Other postemployment benefits (OPEB)

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

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

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

Plan Description

In accordance with Chapter 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Therefore, the City offers retirees the option of purchasing the City's group health, dental and/or vision insurance coverage at the cost applicable to active employees.

Funding Policy

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

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

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>of OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
September 30, 2013	\$ 113,902	45.6%	\$ 199,634
September 30, 2012	114,481	46.9%	137,690
September 30, 2011	47,971	42.6%	76,903

Schedule of Funding Progress

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

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

Actuarial Valuations and Net OPEB Obligation

The annual required contribution for the current year was determined as part of an October 1, 2012 interim actuarial valuation using the Entry Age Normal actuarial cost method. Select actuarial assumptions included:

Actuarial Value of Assets:	Market Value
Funding Interest Rate:	4.50%
Health Care Inflation:	Pre-Medicare: 8.5% in 2013 (grading down 1% per year to 4.5% in 2017)
	Post-Medicare: 8.5% in 2013 (grading down 1% per year to 4.5% in 2017)
Vision Care Inflation:	3.00%
Payroll Growth/Inflation Assumptions:	2.40%
Amortization of UAAL:	Level % of Payroll (closed Amortization over 30 years)

Other actuarial assumptions are:

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

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

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

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

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

City of Lake Wales, Florida
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September 30, 2013

- Retiree health insurance contributions have been assumed to increase at the rate of 8.5% in fiscal year 2013, decreasing 1% each year until the ultimate rate of 4.5% in 2017.
- Retirees electing health care participation has been assumed to be 30%, with 50% electing spouse coverage. Vision care participation has been assumed to be 0%.
- Current retirees have been assumed to continue their current election as to healthcare coverage.
- Investment rate of return: 4.5%
- Payroll growth/inflation assumption: 2.4%
- Post-retirement benefit increases assumption: 0.0%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

Net OPEB Obligation:	<u>9/30/2013</u>
Annual Required Contributors	\$ 114,166
Interest on Net OPEB Obligation	6,196
Adjustments	(6,460)
Annual OPEB cost	113,902
Estimated Net Contributions	(51,958)
Anticipated increase/(Decrease) in Net OPEB Obligations	61,944
Net OPEB Obligations - Beginning of Year	137,690
Estimated Net OPEB Obligations - End of Year	\$ 199,634

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

D. Employee retirement systems and pension plans

The City maintains three defined benefit single-employer:

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

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

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

The defined benefit plans were amended in 2013, effective October 1, 2012, for the following:

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

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

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

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

Summary of Significant Accounting Policies - All Plans

• **Basis of Accounting**

The accounts of the plans are maintained on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and are payable in accordance with the terms of the plans.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

• **Investments**

If available, quoted market prices are used to value investments. Purchases and sales of investment securities are recorded on a trade-date basis. Many factors are considered in arriving at fair value. In general, however, corporate bonds and government obligations are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in equity funds are valued at the quoted market price. Investments are held with a registered security dealer. Investment decisions are made by the investment advisor who provides quarterly reports of the investment portfolio and its performance to the Board of Trustees for each plan. Performance is assessed quarterly by A.G. Edwards.

• **Cash and Cash Equivalents**

From time-to-time, small amounts of cash are maintained in the plans due to isolated transactions occurring for brief periods of time. No cash funds are generally held for any length of time, and no federally insured depository institutions are used to hold cash.

Contributions Required and Contribution Made

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

Contribution rates/amounts:	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
City	8.2%	41.0%	24.7%
Plan members	5.0%	5.0%	5.0%
Actuarially determined contributions	252,894	472,420	506,658
Contributions made	245,477	473,635	508,870
Actuarial valuation date	10/1/2011	10/1/2011	10/1/2011
Actuarial cost method	Frozen Entry Age	Entry Age Normal	Entry Age Normal
Amortized method	Level Percentage of Pay, Closed	Level Percentage of Pay, Closed	Level Percentage of Pay, Closed
Remaining amortization period	30 Years (as of 10/01/11)	30 Years	30 Years
Asset valuation method	4 Year Smoothed Market	4 Year Smoothed Market	4 Year Smoothed Market
Asset assumptions:			
Investment rate of return	7.75%	7.75%	7.75%
Projected salary increase*	7.00%	5.75%	5.75%
*Includes inflation at	3.00%	3.00%	3.00%
Post retirement COLA	0.00%	0.00%	0.00%

Tax Status

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

Participant Data

	As of October 1, 2013		
	General Employees' Fund	Fire Fighters' Fund	Police Officers' Fund
Retirees and Beneficiaries Currently:			
Receiving Benefits	34	10	22
Vested Terminated Employees	7	1	3
DROP Participant	3	4	1
Active Plan Participants:			
Vested	14	10	16
Nonvested	79	13	26
Total	137	38	68

Annual Pension Cost

The City's annual required contribution for the year ended September 30, 2013, including the portion contributed by the state was \$1,227,982 (\$245,477 General, \$508,870 Police, and \$473,635 Fire - City share). The annual required contribution for the 2013 fiscal year was determined as part of the October 1, 2011, actuarial valuations. The assumptions did not include post retirement cost of living adjustment. The City's total current year payroll for general employees was \$3,739,328, compared to \$3,219,722 for employees covered by the General Employees' Pension Plan. The City's total current year payroll for fire personnel was \$1,432,195, compared to \$1,214,019 for employees covered by the Firefighters' Pension Plan. The City's total current year payroll for police personnel was \$2,211,010, compared to \$2,178,365 for employees covered by the Police Officers' Pension Plan.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

General Pension Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ending			
September 30, 2013	\$ 252,894	97%	\$ (69,048)
September 30, 2012	174,012	95%	(76,465)
September 30, 2011	82,009	88%	(85,453)

Firefighters' Pension Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ending			
September 30, 2013	\$ 472,420	100%	\$ (69,307)
September 30, 2012	532,739	99%	(68,092)
September 30, 2011	365,445	99%	(71,124)

Police Officers' Pension Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ending			
September 30, 2013	\$ 506,658	100%	\$ (138,079)
September 30, 2012	704,886	99%	(135,867)
September 30, 2011	546,738	99%	(141,021)

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

Schedule of Funding Progress - General Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Frozen (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2013	\$ 8,127,448	\$ 8,911,546	\$ (784,098)	91.20%	\$ 3,219,722	24.35%

Schedule of Funding Progress - Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2013	\$ 7,180,562	\$ 10,850,339	\$ (3,669,777)	66.18%	\$ 1,214,019	302.28%

Schedule of Funding Progress - Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2013	\$ 11,784,459	\$ 13,729,122	\$ (1,944,663)	85.84%	\$ 2,178,365	89.27%

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

Net Pension Obligation

The pension plans have been subjected to minimum funding standards since the adoption of the *Florida Protection of Public Employee Retirement Benefits Act* (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the City has funded the actuarially determined required contribution for all years from October 1, 1987, through the transition date, October 1, 1997 (the Net Pension Obligation (NPO) for each plan at October 1, 1997, was \$0). Following are the components of pension cost for the year ended September 30, 2013, and the change in the Net Pension Asset (NPA) for the year:

	General Employee Pension Plan			Firefighters' Pension Plan		
	<u>9/30/2013</u>	<u>9/30/2012</u>	<u>9/30/2011</u>	<u>9/30/2013</u>	<u>9/30/2012</u>	<u>9/30/2011</u>
Actuarially Determined:						
Contribution (A)	\$ 245,477	\$ 165,024	\$ 71,802	\$ 473,635	\$ 529,707	\$ 362,277
Interest on NPO	(5,926)	(6,623)	(7,414)	(5,277)	(5,690)	(5,943)
Adjustments to (A)	13,343	15,611	17,621	4,062	8,722	9,111
Annual Pension Cost (APC)*	<u>252,894</u>	<u>174,012</u>	<u>82,009</u>	<u>472,420</u>	<u>532,739</u>	<u>365,445</u>
Contributions Made	(245,477)	(165,024)	(71,803)	(473,635)	(529,707)	(362,277)
Increase in NPO	7,417	8,988	10,206	(1,215)	3,032	3,168
NPA, Beginning of Year	(76,465)	(85,453)	(95,659)	(68,092)	(71,124)	(74,292)
NPA, End of Year	<u>\$ (69,048)</u>	<u>\$ (76,465)</u>	<u>\$ (85,453)</u>	<u>\$ (69,307)</u>	<u>\$ (68,092)</u>	<u>\$ (71,124)</u>
Percentage of APC Contribution	<u>97%</u>	<u>95%</u>	<u>88%</u>	<u>100%</u>	<u>99%</u>	<u>99%</u>

	Police Officers' Pension Plan		
	<u>9/30/2013</u>	<u>9/30/2012</u>	<u>9/30/2011</u>
Actuarially Determined:			
Contribution (A)	\$ 508,870	\$ 699,733	\$ 541,275
Interest on NPO	(10,530)	(11,282)	(11,719)
Adjustments to (A)	8,318	16,435	17,182
Annual Pension Cost (APC)*	<u>506,658</u>	<u>704,886</u>	<u>546,738</u>
Contributions Made	(508,870)	(699,732)	(541,275)
Increase in NPO	(2,212)	5,154	5,463
NPA, Beginning of Year	(135,867)	(141,021)	(146,484)
NPA, End of Year	<u>\$ (138,079)</u>	<u>\$ (135,867)</u>	<u>\$ (141,021)</u>
Percentage of APC Contribution	<u>100%</u>	<u>99%</u>	<u>99%</u>

* For 9/30/12 and 9/30/13 this includes both city and state contributions

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

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

Schedule of Pension Plan Net Position as of September 30, 2013

	Pension Trust Fund			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Assets				
Cash and cash equivalents	\$ (55,419)	\$ (25,014)	\$ 98,572	\$ 18,139
Investments, at fair value:				
Money market funds	419,960	630,891	513,477	1,564,328
Government Bonds	381,481	369,646	761,381	1,512,508
Government Assets backed/CMO Securities	250,710	182,128	334,815	767,653
Taxable Municipal Bonds	150,625	134,696	199,366	484,687
Corporate bonds and notes	1,927,822	1,577,435	2,479,784	5,985,041
Common and preferred stock	5,487,157	4,685,526	7,821,856	17,994,539
Total investments	<u>8,617,755</u>	<u>7,580,322</u>	<u>12,110,679</u>	<u>28,308,756</u>
Prepays				
Prepaid Fiduciary Liability Insurance	2,084	1,684	1,944	5,712
Total Prepays	<u>2,084</u>	<u>1,684</u>	<u>1,944</u>	<u>5,712</u>
Receivable (net):				
Accounts receivable			96,159	96,159
Interest and dividends	18,237	15,006	25,837	59,080
Due from State	-	4,604	-	4,604
Total receivable	<u>18,237</u>	<u>19,610</u>	<u>121,996</u>	<u>159,843</u>
Total assets	<u>8,582,657</u>	<u>7,576,602</u>	<u>12,333,191</u>	<u>28,492,450</u>
Liabilities				
Accounts payable	21,658	105,157	14,148	140,963
Due to DROP participants	182,110	706,593	92,271	980,974
Prepaid contribution from City	38,914	17,299	39,525	95,738
Total liabilities	<u>242,682</u>	<u>829,049</u>	<u>145,944</u>	<u>1,217,675</u>
Net position				
Held in trust for pension benefits and other purposes	<u>\$ 8,339,975</u>	<u>\$ 6,747,553</u>	<u>\$ 12,187,247</u>	<u>\$ 27,274,775</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2013

Schedule of Change in Pension Plan Net Position as of September 30, 2013

	Pension Trust Fund			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Additions				
Contributions:				
Employer	\$ 245,477	\$ 340,509	\$ 412,710	\$ 998,696
State of Florida	-	132,795	96,159	228,954
Employee	149,681	57,760	103,010	310,451
Total contributions	<u>395,158</u>	<u>531,064</u>	<u>611,879</u>	<u>1,538,101</u>
Interest and dividends	211,535	174,578	294,893	681,006
Net increase (decrease) in the fair value of investments	916,124	759,311	1,290,619	2,966,054
Total investments income (loss)	<u>1,127,659</u>	<u>933,889</u>	<u>1,585,512</u>	<u>3,647,060</u>
Less investment expense	<u>(60,621)</u>	<u>(50,398)</u>	<u>(83,639)</u>	<u>(194,658)</u>
Net investment income (loss)	1,067,038	883,491	1,501,873	3,452,402
Total additions	<u>1,462,196</u>	<u>1,414,555</u>	<u>2,113,752</u>	<u>4,990,503</u>
Deductions				
Benefit payments	444,054	628,893	692,423	1,765,370
Refunds of contributions	72,940	-	13,436	86,376
Administration	46,726	57,360	67,030	171,116
Total deductions	<u>563,720</u>	<u>686,253</u>	<u>772,889</u>	<u>2,022,862</u>
Change in net position	898,476	728,302	1,340,863	2,967,641
Total net position - beginning	<u>7,441,499</u>	<u>6,019,251</u>	<u>10,846,384</u>	<u>24,307,134</u>
Total net position - ending	<u>\$ 8,339,975</u>	<u>\$ 6,747,553</u>	<u>\$ 12,187,247</u>	<u>\$ 27,274,775</u>

E. 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, 2013, no additional assessments could be required from the City to fund prior year costs of the risk pool. Settlements have not exceeded coverages for each of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended September 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,260,095	\$ 5,260,095	\$ 5,211,639	\$ (48,456)
Licenses and permits	1,028,500	1,028,500	989,388	(39,112)
Intergovernmental	1,279,954	1,282,222	1,306,856	24,634
Charges for services	1,789,832	1,794,860	1,815,722	20,862
Fines and forfeits	41,750	46,750	33,575	(13,175)
Investment earnings	25,000	25,000	10,911	(14,089)
Miscellaneous	76,434	91,434	86,097	(5,337)
Total revenues	<u>9,501,565</u>	<u>9,528,861</u>	<u>9,454,188</u>	<u>(74,673)</u>
Expenditures				
Current:				
General government:				
City commission	84,063	84,063	71,427	12,636
City manager	152,786	193,903	193,123	780
City clerk	103,035	110,295	102,346	7,949
Finance	250,679	230,261	218,888	11,373
Human resources	148,280	150,271	150,053	218
City attorney	57,460	57,660	57,599	61
Planning	250,783	245,522	236,752	8,770
Fleet maintenance	2,155	2,155	-	2,155
Facilities maintenance	112,050	110,776	104,364	6,412
Information services	174,174	197,894	194,844	3,050
Municipal building administration	67,782	67,782	28,370	39,412
Non-departmental	27,200	87,250	79,035	8,215
Support services	112,403	97,344	96,485	859
Public safety:	-	-	-	
Police	4,266,828	4,308,976	4,218,723	90,253
Fire	2,497,263	2,415,210	2,378,806	36,404
Building permits and inspections	212,519	217,862	217,778	84
Code Enforcement	88,366	81,191	69,874	11,317
Physical environment:	-	-	-	
Waste disposal	817,372	817,723	815,773	1,950
Lake conservation	2,000	2,000	-	2,000
Cemetery	174,897	173,474	169,809	3,665
Economic environment	81,696	75,708	74,881	827
Transportation	53,027	53,027	52,634	393
Human services	-	2,070	2,070	-
Culture and recreation:	-	-	-	
Parks division	526,185	582,656	580,731	1,925
Recreation facilities	449,338	461,181	458,838	2,343
Special events	45,896	41,996	41,919	77
Depot museum	-	34,300	16,564	17,736
Total expenditures	<u>\$ (10,758,237)</u>	<u>\$ (10,902,550)</u>	<u>\$ (10,631,686)</u>	<u>\$ 270,864</u>

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended September 30, 2013
(Conclusion)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	\$ (1,256,672)	\$ (1,373,689)	\$ (1,177,498)	\$ 196,191
Other financing sources (uses)				
Note proceeds	-	119,184	119,184	-
Transfers in	828,000	853,000	844,510	(8,490)
Transfers out	-	(18,270)	(18,261)	9
Insurance recoveries	-	-	6,947	6,947
Sale of capital assets	12,000	12,000	8,048	(3,952)
Total other financing sources (uses)	<u>840,000</u>	<u>965,914</u>	<u>960,428</u>	<u>(5,486)</u>
Net change in fund balance	(416,672)	(407,775)	(217,070)	190,705
Fund balances, beginning of year	<u>2,144,882</u>	<u>2,080,547</u>	<u>2,197,026</u>	<u>116,479</u>
Fund balances, end of year	<u>\$ 1,728,210</u>	<u>\$ 1,672,772</u>	<u>\$ 1,979,956</u>	<u>\$ 307,184</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Transportation Fund
For the Year Ended September 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 603,830	\$ 603,830	\$ 615,111	\$ 11,281
Intergovernmental	122,200	122,200	115,728	(6,472)
Charges for services	112,357	112,357	108,418	(3,939)
Miscellaneous	500	500	7,800	7,300
Total revenues	<u>838,887</u>	<u>838,887</u>	<u>847,057</u>	<u>8,170</u>
Expenditures				
Current:				
Transportation	731,260	714,795	670,946	43,849
(Total expenditures)	<u>(731,260)</u>	<u>(714,795)</u>	<u>(670,946)</u>	<u>43,849</u>
Excess (deficiency) of revenues over (under) expenditures	<u>107,627</u>	<u>124,092</u>	<u>176,111</u>	<u>52,019</u>
Other financing sources (uses)				
Transfers out	(141,046)	(141,046)	(141,046)	-
Total other financing sources (uses)	<u>(141,046)</u>	<u>(141,046)</u>	<u>(141,046)</u>	<u>-</u>
Net change in fund balance	(33,419)	(16,954)	35,065	52,019
Fund balances, beginning of year	<u>38,085</u>	<u>38,085</u>	<u>63,843</u>	<u>25,758</u>
Fund balances, end of year	<u>\$ 4,666</u>	<u>\$ 21,131</u>	<u>\$ 98,908</u>	<u>\$ 77,777</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Community Redevelopment Fund
For the Year Ended September 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 541,142	\$ 528,051	\$ 541,142	\$ 13,091
Intergovernmental	463,588	463,588	458,354	(5,234)
Investment earnings	4,100	4,100	1,168	(2,932)
Miscellaneous revenue	-	-	100	100
Total revenues	<u>1,008,830</u>	<u>995,739</u>	<u>1,000,764</u>	<u>5,025</u>
Expenditures				
Current:				
Public safety	-	-	10,125	(10,125)
Economic environment	876,463	765,014	382,054	382,960
(Total expenditures)	<u>(876,463)</u>	<u>(765,014)</u>	<u>(392,179)</u>	<u>372,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>132,367</u>	<u>230,725</u>	<u>608,585</u>	<u>377,860</u>
Other financing sources (uses)				
Transfers out	(964,995)	(989,995)	(981,505)	8,490
Total other financing sources (uses)	<u>(964,995)</u>	<u>(989,995)</u>	<u>(981,505)</u>	<u>8,490</u>
Net change in fund balance	(832,628)	(759,270)	(372,920)	386,350
Fund balances, beginning of year	<u>932,628</u>	<u>833,562</u>	<u>726,787</u>	<u>(106,775)</u>
Fund balances, end of year	<u>\$ 100,000</u>	<u>\$ 74,292</u>	<u>\$ 353,867</u>	<u>\$ 279,575</u>

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

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer
General Employees' Pension Plan
September 30, 2013

Schedule of Funding Progress - General Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Frozen (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2013	\$ 8,127,448	\$ 8,911,546	\$ (784,098)	91.20%	\$ 3,219,722	24.35%
10/1/2012	7,827,712	9,003,499	(1,175,787)	86.94%	2,926,546	40.18%
10/1/2011	7,328,691	8,474,199	(1,145,508)	86.48%	2,704,493	42.36%
10/1/2010	7,907,212	8,970,892	(1,063,680)	88.14%	2,907,120	36.59%
10/1/2009	8,074,499	9,117,416	(1,042,917)	88.56%	2,848,785	36.61%
10/1/2008	8,078,208	9,299,162	(1,220,954)	86.87%	2,986,894	40.88%

Schedule of Contributions from the Employer

Year Ended	Annual Required Contribution	City Contribution	Percentage Contribution
9/30/2013	\$ 245,477	\$ 245,477	100.00%
9/30/2012	165,024	165,024	100.00%
9/30/2011	71,802	71,803	100.00%
9/30/2010	41,622	41,622	100.00%
9/30/2009	195,820	195,820	100.00%
9/30/2008	234,584	234,584	100.00%

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

Schedule of Funding Progress - Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2013	\$ 7,180,562	\$ 10,850,339	\$ (3,669,777)	66.18%	\$ 1,214,019	302.28%
10/1/2012	6,558,413	10,931,961	(4,373,548)	59.99%	1,153,396	379.19%
10/1/2011	5,887,625	10,337,826	(4,450,201)	56.95%	1,160,475	383.48%
10/1/2010	6,129,964	10,121,004	(3,991,040)	60.57%	1,176,080	339.35%
10/1/2009	6,128,347	9,065,847	(2,937,500)	67.60%	1,194,794	245.86%
10/1/2008	6,118,404	8,673,633	(2,555,229)	70.54%	1,111,770	229.83%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
9/30/2013	\$ 473,635	\$ 340,508	\$ 133,127	100.00%
9/30/2012	529,707	401,344	128,363	100.00%
9/30/2011	484,508	362,277	122,231	100.00%
9/30/2010	461,317	338,631	122,686	100.00%
9/30/2009	366,303	226,125	140,178	100.00%
9/30/2008	339,187	187,521	151,666	100.00%

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

Schedule of Funding Progress - Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2013	\$ 11,784,459	\$ 13,729,122	\$ (1,944,663)	85.84%	\$ 2,178,365	89.27%
10/1/2012	11,004,097	14,122,588	(3,118,491)	77.92%	1,940,719	160.69%
10/1/2011	10,335,184	13,823,598	(3,488,414)	74.76%	2,119,040	164.62%
10/1/2010	10,474,805	13,656,242	(3,181,437)	76.70%	2,245,228	141.70%
10/1/2009	10,195,532	12,959,011	(2,763,479)	78.68%	2,140,829	129.08%
10/1/2008	10,125,825	12,308,290	(2,182,465)	82.27%	1,968,564	110.87%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
9/30/2013	\$ 508,870	\$ 412,711	\$ 96,159	100.00%
9/30/2012	699,733	603,031	96,702	100.00%
9/30/2011	643,552	541,275	102,277	100.00%
9/30/2010	623,601	519,405	104,196	100.00%
9/30/2009	447,008	337,385	109,623	100.00%
9/30/2008	380,537	270,796	109,741	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Employer Contributions
Other Post Employment Benefit Plan
September 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2011	\$ -	\$ 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%

Note: Only two actuarial valuations have been completed since inception.

Three Year Trend Information

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
9/30/2012	\$ 114,594	46.9%	\$ 137,690
9/30/2011	47,924	42.6%	76,903
9/30/2010	45,561	44.6%	49,375



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SUPPLEMENTAL INFORMATION

**City of Lake Wales, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013**

	Special Revenue Funds					
	Forfeitures 106	Library 110	Law Enforcement Block Grant 116	Street Lighting District 103	Capital Projects 330	Total
Assets						
Cash and cash equivalents	\$ 49,258	\$ 122,283	\$ -	\$ 7,828	\$ 8,000	\$ 187,369
Receivable (net of allowance for uncollectibles)					8,484	8,484
Restricted cash, cash equivalents and investments:						
Debt construction fundings	-	-	-	-	1,605,598	1,605,598
Impact fee	-	18,094	-	-	224,302	242,396
Impact fees - investments	-	150,810	-	-	244,924	395,734
Prepays	-	4,605	-	-	-	4,605
Total assets	49,258	295,792	-	7,828	2,091,308	2,444,186
Liabilities and fund balances						
Liabilities						
Accounts payable	330	79,506	-	988	144,969	225,793
Accrued liabilities	-	3,522	-	-	-	3,522
Retainage payable	-	-	-	-	15,182	15,182
Due to other funds	-	-	-	-	54,585	54,585
Total liabilities	330	83,028	-	988	214,736	299,082
Fund balances						
Nonspendable:						
Inventory and prepaid	-	4,605	-	-	-	4,605
Restricted for:						
Law enforcement expenditures	48,928	-	-	-	-	48,928
Library expenditures	-	208,159	-	-	-	208,159
Street lighting expenditures	-	-	-	6,840	-	6,840
Capital projects	-	-	-	-	1,876,572	1,876,572
Total fund balances	48,928	212,764	-	6,840	1,876,572	2,145,104
Total liabilities and fund balances	\$ 49,258	\$ 295,792	\$ -	\$ 7,828	\$ 2,091,308	\$ 2,444,186

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2013

	Special Revenue Funds					Total
	Forfeitures 106	Library 110	Law Enforcement Block Grant 116	Street Lighting District 103	Capital Projects 330	
Revenues						
Taxes	\$ -	\$ 378,611	\$ -	\$ -	\$ -	\$ 378,611
Special Assessment	-	-	-	19,050	-	19,050
Intergovernmental	-	417,271	15,398	-	8,484	441,153
Fines and forfeits	29,581	-	-	-	-	29,581
Investment earnings	80	2,063	-	-	1,848	3,991
Impact fees	-	21,542	-	-	91,791	113,333
Miscellaneous	-	18,231	-	-	-	18,231
Total revenues	29,661	837,718	15,398	19,050	102,123	1,003,950
Expenditures						
Current:						
Public safety	13,241	-	15,398	-	-	28,639
Physical environment	-	-	-	12,562	-	12,562
Culture and recreation	-	1,002,841	-	-	-	1,002,841
Capital outlay	-	-	-	-	274,963	274,963
Total expenditures	(13,241)	(1,002,841)	(15,398)	(12,562)	(274,963)	(1,319,005)
Excess (deficiency) of revenues over (under) expenditures	16,420	(165,123)	-	6,488	(172,840)	(315,055)
Other financing sources						
Transfers in	-	-	-	-	8,000	8,000
Note proceeds	-	-	-	-	1,700,000	1,700,000
Gain on sale of capital assets	8,750	-	-	-	-	8,750
Total other financing sources	8,750	-	-	-	1,708,000	1,716,750
Net change in fund balances	25,170	(165,123)	-	6,488	1,535,160	1,401,695
Fund balances, beginning of year	23,758	377,887	-	352	341,412	743,409
Fund balances, end of year	\$ 48,928	\$ 212,764	\$ -	\$ 6,840	\$ 1,876,572	\$ 2,145,104

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Forfeitures Fund
For the Year Ended September 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 10,000	\$ 29,000	\$ 29,581	\$ 581
Investment earnings	-	-	80	80
Miscellaneous revenue	-	-	-	-
Total revenues	<u>10,000</u>	<u>29,000</u>	<u>29,661</u>	<u>661</u>
Expenditures				
Current:				
Public safety	15,000	15,000	13,241	1,759
(Total expenditures)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(13,241)</u>	<u>1,759</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,000)</u>	<u>14,000</u>	<u>16,420</u>	<u>2,420</u>
Other financing sources				
Sale of capital assets	-	-	8,750	8,750
Total other financing sources	<u>-</u>	<u>-</u>	<u>8,750</u>	<u>8,750</u>
Net change in fund balance	(5,000)	14,000	25,170	11,170
Fund balances, beginning of year	<u>24,346</u>	<u>23,758</u>	<u>23,758</u>	<u>-</u>
Fund balances, end of year	<u>\$ 19,346</u>	<u>\$ 37,758</u>	<u>\$ 48,928</u>	<u>\$ 11,170</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Library Fund
For the Year Ended September 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 372,970	\$ 372,970	\$ 378,611	\$ 5,641
Intergovernmental	403,000	417,270	417,271	1
Investment earnings	4,500	4,500	2,063	(2,437)
Impact fees	5,000	5,000	21,542	16,542
Miscellaneous	17,524	20,024	18,231	(1,793)
Total revenues	<u>802,994</u>	<u>819,764</u>	<u>837,718</u>	<u>17,954</u>
Expenditures				
Current:				
Culture and recreation	944,823	1,023,021	1,002,841	20,180
(Total expenditures)	<u>(944,823)</u>	<u>(1,023,021)</u>	<u>(1,002,841)</u>	<u>20,180</u>
Net change in fund balance	(141,829)	(203,257)	(165,123)	38,134
Fund balances, beginning of year	<u>395,608</u>	<u>377,887</u>	<u>377,887</u>	<u>-</u>
Fund balances, end of year	<u>\$ 253,779</u>	<u>\$ 174,630</u>	<u>\$ 212,764</u>	<u>\$ 38,134</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Law Enforcement Block Grant Fund
For the Year Ended September 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 16,000	\$ 16,000	\$ 15,398	\$ (602)
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>15,398</u>	<u>(602)</u>
Expenditures				
Current:				
Public safety	16,000	16,000	15,398	602
(Total expenditures)	<u>(16,000)</u>	<u>(16,000)</u>	<u>(15,398)</u>	<u>602</u>
Net change in fund balance	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Street Lighting District Fund
For the Year Ended September 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special Assessment	\$ 14,577	\$ 14,577	\$ 19,050	\$ 4,473
Total revenues	<u>14,577</u>	<u>14,577</u>	<u>19,050</u>	<u>4,473</u>
Expenditures				
Current:				
Physical environment	14,577	14,577	12,562	2,015
(Total expenditures)	<u>(14,577)</u>	<u>(14,577)</u>	<u>(12,562)</u>	<u>2,015</u>
Net change in fund balance	-	-	6,488	6,488
Fund balances, beginning of year	-	1,341	352	(989)
Fund balances, end of year	<u>\$ -</u>	<u>\$ 1,341</u>	<u>\$ 6,840</u>	<u>\$ 5,499</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2013

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 654,931	\$ 654,931	\$ 654,931	\$ -
Licenses and permits	380,640	380,640	380,640	-
Investment earnings	10,300	10,300	3,008	(7,292)
Impact fees	10,500	10,500	5,616	(4,884)
Total revenues	<u>1,056,371</u>	<u>1,056,371</u>	<u>1,044,195</u>	<u>(12,176)</u>
Expenditures				
Current:				
Principal	1,700,948	1,710,598	1,710,589	9
Interest and fiscal charges	461,318	466,078	466,078	-
(Total expenditures)	<u>(2,162,266)</u>	<u>(2,176,676)</u>	<u>(2,176,667)</u>	<u>9</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,105,895)</u>	<u>(1,120,305)</u>	<u>(1,132,472)</u>	<u>(12,167)</u>
Other financing sources				
Transfers in	1,106,041	1,116,311	1,116,302	(9)
Total other financing sources	<u>1,106,041</u>	<u>1,116,311</u>	<u>1,116,302</u>	<u>(9)</u>
Net change in fund balance	146	(3,994)	(16,170)	(12,176)
Fund balances, beginning of year	<u>1,972,089</u>	<u>1,948,728</u>	<u>1,948,728</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,972,235</u>	<u>\$ 1,944,734</u>	<u>\$ 1,932,558</u>	<u>\$ (12,176)</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2013

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 700,000	\$ 160,000	\$ 8,484	\$ (151,516)
Investment earnings	2,500	2,500	1,848	67,391
Impact fees	24,400	24,400	91,791	(652)
Total revenues	<u>726,900</u>	<u>186,900</u>	<u>102,123</u>	<u>(84,777)</u>
Expenditures				
Current:				
General government	-	-	-	-
Capital outlay	775,000	993,000	274,963	718,037
(Total expenditures)	<u>(775,000)</u>	<u>(993,000)</u>	<u>(274,963)</u>	<u>718,037</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,100)</u>	<u>(806,100)</u>	<u>(172,840)</u>	<u>633,260</u>
Other financing sources				
Note proceeds	-	1,700,000	1,700,000	-
Transfers out	-	8,000	8,000	-
Total other financing sources	<u>-</u>	<u>1,708,000</u>	<u>1,708,000</u>	<u>-</u>
Net change in fund balance	(48,100)	901,900	1,535,160	633,260
Fund balances, beginning of year	<u>604,732</u>	<u>421,098</u>	<u>341,412</u>	<u>(79,686)</u>
Fund balances, end of year	<u>\$ 556,632</u>	<u>\$ 1,322,998</u>	<u>\$1,876,572</u>	<u>\$ 553,574</u>

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

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Net Position
September 30, 2013**

Assets

	2013
Current Assets	
Cash and Cash Equivalents	\$ 8,000
Receivables (net of allowance for uncollectibles)	-
Due from Other Governments	-
Total Current Assets	8,000
Noncurrent Assets	
Capital Assets:	
Nondepreciable	1,625,274
Depreciable, Net	6,352,884
Total Noncurrent Assets	7,978,158
Total Assets	7,986,158

Liabilities

Current Liabilities	
Accounts Payable	6,927
Unearned revenues	762
Due to primary government	90,073
Current portion of long-term debt	18,000
Total Current Liabilities	115,762
Noncurrent liabilities	
Note payable - noncurrent	79,629
	79,629
Total liabilities	195,391
Net Position	
Net Investment in Capital Assets	7,790,456
Unrestricted	311
Total Net Position	7,790,767

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2013**

	2013
Operating Revenues	
Charges for Services	\$ 91,092
Operating Expenses	
Contractual Services	35,160
Repairs and Maintenance	6,217
Materials and Supplies	623
General and Administrative	67,839
Depreciation	331,684
(Total Operating Expenses)	(441,523)
Operating (Loss)	(350,431)
Capital Contributions	
Grants	27,121
From City of Lake Wales	47,594
Change in Net Position	(275,716)
Total Net Position, Beginning of Year	8,066,483
Total Net Position, End of Year	7,790,767

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Cash Flows
For the Year Ended September 30, 2013**

	2013
Cash Flows from Operating Activities	
Receipts from Customers	\$ 98,971
Payments to Suppliers	(153,780)
Net Cash Provided by (Used in) Operating Activities	(54,809)
 Cash Flows from Capital and Related Financing Activities	
Capital Grants	61,763
Capital Contributions from City of Lake Wales (Net)	47,594
Acquisition and Construction of Capital Assets	(28,548)
Principal payment on long-term debt	(18,000)
Net Cash Provided by (Used in) Capital and Related Financing Activities	62,809
 Net (Decrease) Increase in Cash and Cash Equivalents	8,000
 Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	\$ 8,000
 <u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u>	
Operating (Loss)	\$ (350,431)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	331,684
Increase (Decrease) in Assets:	
Accounts Receivable	7,879
Increase (Decrease) in Liabilities:	
Accounts Payable	(736)
Due to City of Lake Wales	(43,205)
Net Cash Provided by (Used in) Operating Activities	\$ (54,809)
 <u>Supplemental Disclosure of Noncash Transactions</u>	
FBO Lease Credit	(6,000)
Contracted Services - Mowing by FBO	6,000
	\$ -

**STATISTICAL SECTION
(UNAUDITED)**



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City of Lake Wales, Florida
Statistical Section
(Unaudited)

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Financial Trends

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

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in the fiscal year ending in 2003; schedules presenting government-wide information include information beginning in that year.



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

	Fiscal Year									
	9/30/2004	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013
Governmental activities:										
Net investment in capital assets	\$ 7,626,251	\$ 7,908,681	\$ 9,349,135	\$ 16,349,902	\$ 11,543,258	\$ 14,626,172	\$ 15,123,821	\$ 14,412,716	\$ 14,610,965	\$ 14,973,405
Restricted	113,240	696,578	2,160,716	3,319,481	9,681,679	4,579,237	4,431,294	3,606,811	3,221,380	2,768,005
Unrestricted	2,865,182	3,788,358	765,358	487,205	1,901,817	2,329,160	2,875,420	2,465,425	1,758,076	1,616,553
Total governmental activities net position	<u>10,604,673</u>	<u>12,393,617</u>	<u>12,275,209</u>	<u>20,156,588</u>	<u>23,126,754</u>	<u>21,534,569</u>	<u>22,430,535</u>	<u>20,484,952</u>	<u>19,590,421</u>	<u>19,357,963</u>
Business-type activities										
Net investment in capital assets	6,895,415	6,197,002	10,143,995	11,516,914	14,827,444	17,897,798	17,430,569	19,802,017	21,421,022	22,004,309
Restricted	-	-	402,875	320,289	862,542	754,399	2,145,793	2,426,057	2,589,379	2,773,953
Unrestricted	2,011,118	3,864,639	633,057	330,857	298,731	738,175	523,332	1,331,958	993,441	1,402,262
Total business-type activities in net position	<u>8,906,533</u>	<u>10,061,641</u>	<u>11,179,927</u>	<u>12,168,060</u>	<u>15,988,717</u>	<u>19,390,372</u>	<u>20,099,694</u>	<u>23,560,032</u>	<u>25,003,842</u>	<u>26,180,524</u>
Primary government										
Net investment in capital assets	14,521,666	14,105,683	19,493,130	27,866,816	26,370,702	32,523,970	32,554,390	34,214,733	36,031,987	36,977,714
Restricted	113,240	696,578	2,563,591	3,639,770	10,544,221	5,333,636	6,577,087	6,032,868	5,810,759	5,541,958
Unrestricted	4,876,300	7,652,997	1,398,415	818,062	2,200,548	3,067,335	3,398,752	3,797,383	2,751,517	3,018,815
Total primary government net position	<u>\$ 19,511,206</u>	<u>\$ 22,455,258</u>	<u>\$ 23,455,136</u>	<u>\$ 32,324,648</u>	<u>\$ 39,115,471</u>	<u>\$ 40,924,941</u>	<u>\$ 42,530,229</u>	<u>\$ 44,044,984</u>	<u>\$ 44,594,263</u>	<u>\$ 45,538,487</u>

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

	Fiscal Year									
	9/30/2004	9/30/2005	9/30/2006	9/30/2007 ⁽¹⁾	9/30/2008	09/30/2009 ⁽²⁾	9/30/2010 ⁽³⁾	9/30/2011	9/30/2012	9/30/2013
Expenses										
Governmental activities:										
General government	\$ 1,150,513	\$ 5,010,709	\$ 2,318,393	\$ 1,666,102	\$ 1,555,163	\$ 1,444,334	\$ 1,354,698	\$ 1,461,907	\$ 1,214,450	\$ 1,170,638
Public safety	6,020,977	6,351,058	7,348,265	7,616,565	7,049,550	7,197,292	7,647,887	7,340,512	7,309,111	7,134,069
Physical environment	1,326,532	1,295,512	2,399,900	1,710,287	1,581,070	963,588	1,204,112	1,211,193	1,020,413	941,419
Transportation	926,413	1,084,406	270,039	1,561,291	1,206,577	1,515,164	1,548,696	1,570,751	1,609,153	1,558,117
Economic Environment	289,743	497,095	400,010	1,007,452	599,756	580,616	532,987	506,936	483,785	456,091
Human services	32,963	32,963	24,402	35,333	14,634	20,636	20,634	20,635	64,633	16,704
Culture and recreation	1,189,886	1,227,319	1,388,649	1,920,919	1,626,211	2,291,706	2,337,296	2,354,841	2,256,121	2,317,252
Interest on long term debt	571,573	576,083	540,210	505,482	752,066	767,787	675,004	605,706	543,766	457,347
Total governmental activities expenses	<u>11,508,600</u>	<u>16,075,145</u>	<u>14,689,868</u>	<u>16,023,431</u>	<u>14,385,027</u>	<u>14,781,123</u>	<u>15,321,314</u>	<u>15,072,481</u>	<u>14,501,432</u>	<u>14,051,637</u>
Business-type activities:										
Water and wastewater	3,953,710	4,030,470	4,546,209	4,954,705	5,194,309	5,024,906	5,285,512	4,731,031	4,933,817	5,195,033
Total business-type activities	<u>3,953,710</u>	<u>4,030,470</u>	<u>4,546,209</u>	<u>4,954,705</u>	<u>5,194,309</u>	<u>5,024,906</u>	<u>5,285,512</u>	<u>4,731,031</u>	<u>4,933,817</u>	<u>5,195,033</u>
Total primary government expenses	<u>15,462,310</u>	<u>20,105,615</u>	<u>19,236,077</u>	<u>20,978,136</u>	<u>19,579,336</u>	<u>19,806,029</u>	<u>20,606,826</u>	<u>19,803,512</u>	<u>19,435,249</u>	<u>19,246,670</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	17,462	74,155	39,091	31,095	28,598	17,429	30,704	69,395	74,304	60,774
Public safety	1,053,866	1,614,914	1,248,470	1,116,037	1,240,923	624,776	872,049	700,165	594,963	720,995
Physical environment	678,657	799,508	970,539	996,493	1,093,013	1,120,801	1,125,826	1,152,546	1,029,093	1,073,028
Transportation	94,477	110,197	87,943	96,331	96,923	97,247	97,750	105,543	107,530	108,418
Economic Environment	-	-	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-	-	-
Culture and recreation	78,984	260,555	246,795	90,379	97,333	47,050	86,184	146,054	55,266	85,137
Operating grants and contributions	822,220	670,774	745,463	691,710	875,556	772,085	811,508	785,447	707,516	713,964
Capital grants and contributions	356,340	360,913	1,172,735	2,044,202	1,740,200	55,401	408,721	888,272	24,761	26,593
Total governmental activities program revenues	<u>3,102,006</u>	<u>3,891,016</u>	<u>4,511,036</u>	<u>5,066,247</u>	<u>5,172,546</u>	<u>2,734,789</u>	<u>3,432,742</u>	<u>3,847,422</u>	<u>2,593,433</u>	<u>2,788,909</u>
Business -type activities:										
Charges for services:										
Water and wastewater	4,644,292	4,598,397	5,258,800	5,715,639	6,622,986	6,025,162	6,125,465	6,303,592	6,514,807	6,549,910
Operation grants and contributions	139,118	120,778	8,811	40,111	1,772	-	-	-	-	-
Capital grants and contributions	269,276	490,962	496,386	319,088	1,166,650	159,572	383,974	512,411	398,506	399,621
Total business-type activities program revenues	<u>5,052,686</u>	<u>5,210,137</u>	<u>5,763,997</u>	<u>6,074,838</u>	<u>7,791,408</u>	<u>6,184,734</u>	<u>6,509,439</u>	<u>6,816,003</u>	<u>6,913,313</u>	<u>6,949,531</u>
Total primary government program revenues	<u>8,154,692</u>	<u>9,101,153</u>	<u>10,275,033</u>	<u>11,141,085</u>	<u>12,963,954</u>	<u>8,919,523</u>	<u>9,942,181</u>	<u>10,663,425</u>	<u>9,506,746</u>	<u>9,738,440</u>
Net (expenditures) revenues										
Governmental activities	(8,406,594)	(12,184,129)	(10,178,832)	(10,957,184)	(9,212,481)	(12,046,334)	(11,888,572)	(11,225,059)	(11,907,999)	(11,262,728)
Business-type activities	1,098,976	1,179,667	1,217,788	1,120,133	2,597,099	1,159,828	1,223,927	2,084,972	1,979,496	1,754,498
Total primary government net(expenses) revenues	<u>(7,307,618)</u>	<u>(11,004,462)</u>	<u>(8,961,044)</u>	<u>(9,837,051)</u>	<u>(6,615,382)</u>	<u>(10,886,506)</u>	<u>(10,664,645)</u>	<u>(9,140,087)</u>	<u>(9,928,503)</u>	<u>(9,508,230)</u>
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										

	Fiscal Year									
	9/30/2004	9/30/2005	9/30/2006	9/30/2007 ⁽¹⁾	9/30/2008	09/30/2009 ⁽²⁾	9/30/2010 ⁽³⁾	9/30/2011	9/30/2012	9/30/2013
Property taxes	4,208,282	4,723,412	5,473,219	6,999,147	7,306,490	7,148,427	6,427,817	5,239,552	5,123,146	5,101,801
Franchise fees	874,116	950,532	1,172,989	1,206,210	1,220,697	1,247,248	1,368,738	1,273,566	1,198,360	1,098,866
Public service taxes	1,091,395	1,139,125	1,299,073	1,347,754	1,386,825	1,429,708	1,580,190	1,531,338	1,465,024	1,523,497
Communication service taxes	517,807	556,105	408,684	502,239	588,184	684,620	588,111	556,166	543,749	524,187
Gas taxes	732,734	695,867	702,476	714,051	665,367	633,491	630,798	603,823	603,415	615,111
Local business tax	-	-	-	-	-	79,325	77,009	74,292	75,154	76,561
State and county shared revenues	950,055	1,119,130	1,201,329	1,156,315	1,062,966	943,024	904,179	934,042	1,050,977	1,097,472
Investment earnings	38,671	153,538	249,705	296,486	333,176	75,140	94,987	54,322	31,156	16,366
Insurance recoveries	-	3,374,250	2,189,227	335,412	25,919	12,304	71,463	42,151	9,774	6,947
Gain/(loss) on disposal of fixed assets	1,383,602	650,600	-	(93,173)	35,606	-	42,409	(62,971)	23,637	16,798
Contribution	-	-	-	-	-	-	-	-	-	31,107
Miscellaneous revenue	45,442	349,228	(25,085)	226,493	103,296	231,145	158,665	92,282	61,076	93,557
Transfers	966,902	261,286	565,961	296,029	(545,879)	(2,030,282)	790,672	(1,059,087)	828,000	828,000
Special items	-	-	(3,177,154)	1,963,070	-	-	-	-	-	-
Total governmental activities	10,809,006	13,973,073	10,060,424	14,950,033	12,182,647	10,454,150	12,735,038	9,279,476	11,013,468	11,030,270
Business-type activities:										
Investment earnings	8,608	50,914	157,738	56,321	53,833	9,844	24,662	32,293	26,480	8,678
Gain/(loss) on disposal of fixed assets	164,200	(67,591)	-	-	-	-	7,390	15,393	-	3,261
Miscellaneous revenue	126,637	253,404	308,721	107,708	639,627	245,117	244,015	268,593	265,834	238,245
Transfers	(966,902)	(261,286)	(565,961)	(296,029)	530,099	2,030,282	(790,672)	1,059,087	(828,000)	(828,000)
Total business-type activities	(667,457)	(24,559)	(99,502)	(132,000)	1,223,559	2,285,243	(514,605)	1,375,366	(535,686)	(577,816)
Total primary government	10,141,549	13,948,514	9,960,922	14,818,033	13,406,206	12,739,393	12,220,433	10,654,842	10,477,782	10,452,454
Change in net position										
Governmental activities	2,402,412	1,788,944	(118,408)	3,992,849	2,970,166	(1,592,185)	846,466	(1,945,583)	(894,531)	(232,458)
Business-type activities	431,519	1,155,108	1,118,286	988,133	3,820,658	3,445,071	709,322	3,460,338	1,443,810	1,176,682
Total primary government	\$ 2,833,931	\$ 2,944,052	\$ 999,878	\$ 4,980,982	\$ 6,790,824	\$ 1,852,886	\$ 1,555,788	\$ 1,514,755	\$ 549,279	\$ 944,224

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

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

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008*	2009	2010	2011	2012	2013
General fund										
Reserved	\$ 113,376	\$ 134,835	\$ 88,693	\$ 301,504	\$ 614,849	\$ 471,950	\$ 314,820			
Unreserved, designated	-	-	-	-	1,037,852	1,042,442	1,056,957			
Unreserved, undesignated	1,179,330	555,751	1,260,393	575,237	943,845	1,468,618	2,099,390			
Total general fund	<u>1,292,706</u>	<u>690,586</u>	<u>1,349,086</u>	<u>876,741</u>	<u>2,596,546</u>	<u>2,983,010</u>	<u>3,471,167</u>			
All other governmental funds										
Reserved	785,847	1,930,338	2,391,599	3,480,250	9,681,679 *	6,295,542	6,236,772			
Unreserved reported in:										
Special revenue funds	-	-	-	(96,085)	-	-	(4,693)			
Capital projects funds	11,155	1,754,535	191,361	187,395	-	-	-			
Total all other governmental funds	<u>\$ 797,002</u>	<u>\$ 3,684,873</u>	<u>\$ 2,582,960</u>	<u>\$ 3,571,560</u>	<u>\$ 9,681,679</u>	<u>\$ 6,295,542</u>	<u>\$ 6,232,079</u>			
General fund								<u>2011</u>	<u>2012</u>	<u>2013</u>
Nonspendable										
Inventory and Prepaid								\$ 52,500	\$ 177,812	\$ 161,490
Assigned										
Subsequent years' expenditure								480,658	416,670	739,053
Unassigned								2,405,383	1,602,544	1,079,413
Total general fund								<u>2,938,541</u>	<u>2,197,026</u>	<u>1,979,956</u>
All other governmental funds										
Nonspendable										
Inventory and Prepaid									14,270	4,605
Restricted for:										
Library expenditures								429,949	363,617	208,159
Law enforcement expenditures								746	23,758	48,928
Transportation expenditures								51,748	63,843	98,908
Community redevelopment expenditures								983,683	726,787	353,867
Street lighting expenditures								2,127	352	6,840
Debt Service								1,951,563	1,948,728	1,932,558
Capital projects								483,013	341,412	1,876,572
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>

* 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.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$7,380,929	\$8,065,624	\$9,077,838	\$10,750,506	\$9,037,131	\$8,806,899	\$8,309,070	\$7,364,962	\$7,330,959	\$7,401,434
Special assessment	-	-	-	-	-	-	-	12,387	11,212	19,050
Licenses and permits	559,692	911,497	524,374	437,690	1,482,188	1,478,370	1,719,720	1,542,751	1,398,707	1,370,028
Intergovernmental	2,126,374	2,135,853	3,110,460	3,628,247	4,902,104	2,945,190	3,143,948	3,320,211	2,327,699	2,322,091
Charges for services	1,302,951	1,515,140	1,623,114	1,738,456	1,904,833	1,911,990	1,885,734	1,897,737	1,906,420	1,924,140
Fines and forfeitures	169,598	168,046	337,774	212,979	175,789	101,546	50,951	58,692	40,588	63,156
Interest and miscellaneous	380,293	1,475,521	929,890	868,858	724,406	364,596	499,594	368,837	186,044	250,255
Total revenues	11,919,837	14,271,681	15,603,450	17,636,736	18,226,451	15,608,591	15,609,017	14,565,577	13,201,629	13,350,154
Expenditures										
Current:										
General government	1,054,841	5,062,487	2,423,028	1,959,458	1,819,917	1,783,559	1,570,053	1,695,130	1,584,817	1,533,286
Public safety	6,584,977	6,189,959	7,889,711	7,540,707	7,339,268	6,828,950	7,398,705	6,983,033	6,989,426	6,923,945
Physical environment	1,177,219	1,612,548	2,393,308	1,737,508	2,377,651	960,310	1,290,902	1,955,822	977,589	998,144
Transportation	804,747	853,638	688,951	1,562,517	2,834,374	1,905,876	729,046	783,120	816,012	723,580
Economic environment	340,052	481,277	472,734	2,839,298	558,606	553,994	504,877	480,816	455,627	456,935
Human services	18,329	18,329	9,768	20,700	-	6,000	6,000	6,000	50,000	2,070
Culture and recreation	1,107,023	1,178,945	1,748,196	3,073,610	1,924,938	2,073,895	2,618,050	2,274,531	1,909,602	2,100,893
Debt service:										
Principal	592,251	502,261	1,333,193	1,209,274	1,313,097	1,281,267	1,314,339	1,668,163	1,729,272	1,710,589
Interest and fiscal charges	608,354	549,188	512,222	479,511	760,201	609,246	618,964	594,010	523,840	466,078
Capital outlay	455,598	225,156	175,477	829,339	701,924	275,949	37,931	10,000	196,650	274,963
(Total expenditures)	12,743,391	16,673,788	17,646,588	21,251,922	19,629,976	16,279,046	16,088,867	16,450,625	15,232,835	15,190,483
Excess (deficiency) of revenues over (under) expenditures	(823,554)	(2,402,107)	(2,043,138)	(3,615,186)	(1,403,525)	(670,455)	(479,850)	(1,885,048)	(2,031,206)	(1,840,329)
Other financing sources (uses)										
Lease proceeds	399,861	-	599,900	-	217,804	-	-	-	-	1,819,184
Proceeds from issuance of debt	9,117,226	-	-	-	9,500,000	1,870,300	-	-	-	-
Principal - current refunding	(4,332,781)	-	-	-	-	(138,526)	-	-	-	-
Payments to refunding escrow	(4,746,861)	-	-	-	-	(2,043,014)	-	-	-	-
Insurance recoveries	-	4,426,572	2,959,449	335,412	25,919	12,304	71,463	42,150	9,774	6,947
Sale of capital assets	-	-	-	-	35,607	-	42,409	48,328	23,636	16,798
Transfers in	1,754,304	1,575,543	1,982,130	2,327,986	6,325,913	3,425,521	2,902,828	2,129,024	1,108,876	1,968,812
Transfers out	(787,402)	(1,314,257)	(1,416,169)	(2,031,957)	(6,871,794)	(5,455,803)	(2,112,156)	(3,188,111)	(280,876)	(1,140,812)
Total other financing sources (uses)	1,404,347	4,687,858	4,125,310	631,441	9,233,449	(2,329,218)	904,544	(968,609)	861,410	2,670,929
Special item										
Proceeds from sale of land	-	-	-	3,500,000	-	-	-	-	-	-
Initial contribution to airport authority	-	-	(2,525,585)	-	-	-	-	-	-	-
Total special items	-	-	(2,525,585)	3,500,000	-	-	-	-	-	-
Net change in fund balances	\$ 580,793	\$ 2,285,751	\$ (443,413)	\$ 516,255	\$ 7,829,924	\$ (2,999,673)	\$ 424,694	\$ (2,853,657)	\$ (1,169,796)	\$ 830,600
Debt Service as a percentage of noncapital expenditures	10.50%	6.72%	12.24%	10.66%	14.24%	13.03%	12.80%	14.83%	15.10%	14.80%

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
2004	\$ 4,208,282	\$ 874,116	\$ 1,091,395	\$ 517,807	\$ 732,734	\$ -	\$ 7,424,334
2005	4,723,412	950,532	1,139,125	556,105	695,867	-	8,065,041
2006	5,473,219	1,172,989	1,299,073	408,684	702,476	-	9,056,441
2007	6,999,147	1,206,210	1,347,754	502,239	714,051	-	10,769,401
2008	7,306,490	1,220,697	1,386,825	588,184	665,367	-	11,167,563
2009	7,148,427	1,247,248	1,429,708	684,620	633,491	79,325	11,222,819
2010	6,427,817	1,368,738	1,580,190	588,111	630,798	77,009	10,672,663
2011	5,239,552	1,273,566	1,531,338	556,166	603,823	74,292	9,278,737
2012	5,123,146	1,198,360	1,465,024	543,749	603,415	75,154	9,008,848
2013	5,101,801	1,098,866	1,523,497	524,187	615,111	76,561	8,940,023

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
2004	544,577	68,464	225	151,020	462,246	9.44	709,368	86.45%
2005	689,050	74,640	231	220,599	543,322	8.94	885,518	86.27%
2006	909,104	87,926	271	284,073	713,228	8.44	1,157,731	86.14%
2007	1,099,329	89,167	304	340,112 ⁽²⁾	848,688	7.3521	1,382,799	85.97%
2008	1,126,601	93,040	320	382,733	837,228	7.3277	1,418,773	85.99%
2009	1,005,486	95,412	362	338,245	763,015	7.3277	1,278,699	86.12%
2010	866,769	87,604	278	306,577	648,074	7.3277	1,107,610	86.19%
2011	795,640	87,741	308	261,975	621,714	7.9998	1,024,096	86.29%
2012	758,970	81,092	517	276,571	564,008	8.5119	974,515	86.26%
2013	774,265	79,045	517	290,745	563,082	8.5866	990,462	86.20%

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 Waster Management District	
2004	9.4400	7.7270	8.3170	0.0195	0.0422	25.5457
2005	9.4400	7.7270	8.2060	0.0195	0.0422	25.4347
2006	8.9400	8.7270	8.0780	0.0195	0.0422	25.8067
2007	8.4400	8.3330	7.7700	0.0195	0.0422	24.6047
2008	7.3521	6.8665	7.5120	0.1827	0.3866	22.2999
2009	7.3277	6.8665	7.5860	0.1827	0.3866	22.3495
2010	7.3277	6.8665	7.7920	0.1827	0.3770	22.5459
2011	7.9998	6.8665	7.6700	N/A *	0.3928	22.9291
2012	8.5119	6.8665	7.4920	N/A *	0.3928	23.2632
2013	8.5866	6.8665	7.5470	N/A *	0.3818	23.3819

The overlapping rate represents agencies which have taxing authority within the area. These rates plus the city direct rate is the total mileage 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, 2013**

Taxpayer	Rank	2013		Rank	2004	
		Total Assessed Valuation	Percentage of Total Taxable Assessed Value		Total Assessed Valuation	Percentage of Total Taxable Assessed Value
T Eagle Ridge FL LLC	1	\$ 16,855,706	2.99%	N/A	N/A	N/A
Progress Energy	2	15,702,133	2.79%	N/A	N/A	N/A
Lake Wales Hospital Corporation	3	11,922,958	2.12%	N/A	N/A	N/A
CRF II LTD	4	11,860,736	2.11%	N/A	N/A	N/A
Preserve at Lake Wales, Inc.	5	7,628,687	1.35%	N/A	N/A	N/A
Walmart	6	7,526,668	1.34%	N/A	N/A	N/A
Verizon	7	7,270,389	1.29%	N/A	N/A	N/A
DDRM Shoppes of the Ridge LLC	8	7,103,746	1.26%	N/A	N/A	N/A
Lowes Home Center, Inc	9	6,589,480	1.17%	N/A	N/A	N/A
Lake Wales Medical Center	10	6,536,935	1.16%	N/A	N/A	N/A
		<u>\$ 98,997,438</u>	<u>17.58%</u>		<u>\$ -</u>	
Total Assessed Valuation		<u>\$ 563,082,888</u>			<u>N/A</u>	

Source: Polk County Property Appraiser

N/A - Not available

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

Fiscal Year	Total Tax Levy	Current Levy Collections	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collections	Percent Total Collections To Levy
2004	3,919,780	3,756,999	95.85%	38,803	3,795,802	96.84%
2005	4,369,587	4,217,239	96.51%	20,004	4,237,243	96.97%
2006	4,881,409	4,689,093	96.06%	36,592	4,725,685	96.81%
2007	6,030,347	5,821,296	96.53%	21,132	5,842,427	96.88%
2008	6,274,751	5,983,531	95.36%	73,328	6,056,859	96.53%
2009	6,114,563	5,886,159	96.26%	74,299	5,960,458	97.48%
2010	5,573,456	5,381,576	96.56%	50,228	5,431,804	97.46%
2011	4,755,826	4,536,040	95.38%	47,623	4,583,663	96.38%
2012	4,805,346	4,582,454	95.36%	59,962	4,642,416	96.61%
2013	4,834,971	4,597,660	95.09%	83,980	4,681,640	96.83%

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	Revenue Bonds	Notes Payable	Total			
2004	\$ 3,922,505	\$ 9,228,529	\$ 347,735	\$13,498,769	\$ 7,457,285	\$ 4,152,781	\$11,610,066	\$ 25,108,835	12,433	2,020
2005	3,672,447	9,029,148	294,913	12,996,508	7,047,285	5,161,907	12,209,192	25,205,700	12,390	2,034
2006	3,196,215	8,219,371	743,195	12,158,781	39,641	10,907,250	10,946,891	23,105,672	12,755	1,811
2007	2,613,363	7,743,062	611,082	10,967,507	7,533	11,226,666	11,234,199	22,201,706	13,039	1,703
2008	2,270,000	16,467,201	653,013	19,390,214	-	12,846,282	12,846,282	32,236,496	13,052	2,470
2009	-	17,538,054	330,666	17,868,720	-	12,068,920	12,068,920	29,937,640	13,067	2,291
2010	-	16,372,461	181,921	16,554,382	-	11,693,522	11,693,522	28,247,904	14,225	1,986
2011	-	14,793,353	92,866	14,886,219	-	10,653,701	10,653,701	25,539,920	14,261	1,791
2012	-	13,156,945	-	13,156,945	-	13,423,230	13,423,230	26,580,175	14,261	1,864
2013	-	13,155,997	109,543	13,265,540	-	12,390,108	12,390,108	25,655,648	14,522	1,767

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, 2013

<u>Taxing Authority</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Lake Wales	\$ 13,265,540	100.00%	\$ 13,265,540
County of Polk (1)	356,619,113	2.37%	8,451,873
Polk County School Board (2)	<u>416,518,000</u>	2.37%	<u>9,871,477</u>
Total Direct and Overlapping Debt	<u>\$ 786,402,653</u>		<u>\$ 31,588,890</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, 2012.

(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, 2012.

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

Utility Fund Debt Obligations

Fiscal Year	(1)	(2)	Net Available Revenue	Debt Service		Coverage
	Charges for Service Revenues	Less Operating Expenses		Principal	Interest	
2004	4,644,292	2,877,649	1,766,643	876,120	517,437	1.27
2005	4,598,397	2,877,649	1,720,748	707,331	539,860	1.38
2006	5,258,800	3,344,687	1,914,113	767,735	509,048	1.50
2007	5,715,639	3,845,573	1,870,066	537,888	473,969	1.85
2008	6,622,986	3,994,870	2,628,116	887,917	445,311	1.97
2009	6,025,162	3,837,972	2,187,190	957,362	434,894	1.57
2010	6,125,465	3,524,740	2,600,725	375,398	240,434	4.22
2011	6,303,592	3,296,392	3,007,200	1,142,531	325,639	2.05
2012	6,514,807	3,607,564	2,907,243	1,180,743	291,324	1.97
2013	6,549,910	3,832,634	2,717,276	1,332,188	325,079	1.64

(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
2004	33,463	27,965	32,662	20,199	22,205	29,470	40,535	36,339	44,850	28,669	39,770	40,745
2005	35,489	29,833	34,343	22,045	23,726	30,303	42,437	39,114	45,084	27,989	40,978	40,059
2006	37,996	31,090	36,417	22,361	24,618	31,739	45,494	41,176	46,751	33,034	44,277	42,194
2007	39,256	31,838	37,473	22,705	25,410	33,034	47,804	44,216	50,485	36,590	46,599	46,557
2008	39,978	32,621	37,923	23,854	25,978	33,885	44,857	44,350	49,762	34,385	45,766	45,517
2009	37,382	30,953	36,210	23,222	25,243	31,871	44,755	41,913	47,129	33,728	42,626	42,479
2010	38,210	31,807	36,869	24,091	26,033	32,697	44,390	41,184	46,043	33,732	42,165	42,343
2011	39,636	33,447	39,180	24,898	27,171	33,846	44,250	40,258	46,592	33,058	40,933	44,965
2012	N/A	N/A	N/A	N/A	N/A	N/A	45,006	41,337	46,534	34,012	42,743	41,579
2013	N/A	N/A	N/A	N/A	N/A	N/A	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/county.html>.

N/A = Data not currently available.

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

Year	Florida Price Level Index (1)					Unemployment Rate (2)					
	Polk	Hillsborough	Hardee	Osceola	Lake	Florida	Polk	Hillsborough	Hardee	Osceola	Lake
2004	98.85	101.06	95.05	98.83	98.13	4.7	4.9	4.3	6.0	4.7	4.5
2005	97.56	101.69	95.64	98.65	97.50	3.8	4.0	3.7	4.7	3.8	3.7
2006	97.58	102.13	96.05	98.84	97.69	3.4	3.7	3.3	4.0	3.4	3.3
2007	97.50	102.10	96.02	98.86	97.70	4.1	4.5	4.0	4.5	4.2	4.1
2008	97.59	101.71	96.00	98.79	97.64	6.3	6.7	6.3	6.6	6.2	6.3
2009	98.07	101.57	95.53	98.66	97.51	10.5	11.4	10.7	11.0	11.3	11.1
2010	98.98	101.55	95.70	98.64	97.49	11.8	13.1	12.0	13.6	12.6	12.1
2011	98.48	101.65	96.21	98.10	96.95	10.6	12.1	10.6	11.9	11.7	11.2
2012	97.87	101.37	96.05	97.95	96.43	8.6	9.9	8.6	10.3	9.4	8.9
2013	N/A	N/A	N/A	N/A	N/A	6.9	8.0	6.5	9.1	7.1	6.9

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

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

N/A = Data not currently available.

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

(April 1st) Year	Population		% of City Compared to County
	Polk	City of Lake Wales	
2004	528,389	12,433	2.35%
2005	541,840	12,390	2.29%
2006	565,049	12,755	2.26%
2007	581,058	13,039	2.24%
2008	585,733	13,052	2.23%
2009	584,343	13,067	2.24%
2010	602,095	14,225	2.36%
2011	604,792	14,261	2.36%
2012	606,888	14,261	2.35%
2013	613,950	14,522	2.37%

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

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City Manager	4.00	3.25	2.50	3.00	3.00	3.00	2.00	2.00	2.00	2.00
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50
Development Services	0.75	1.00	1.50	3.00	2.00	1.00	1.00	1.00	1.00	1.00
Finance	5.00	5.00	5.00	5.50	4.50	4.25	4.00	4.50	4.50	3.75
Support Services	2.00	2.00	2.00	2.00	3.00	3.75	3.75	3.00	3.00	2.50
Human Resource	2.00	2.00	2.00	2.00	2.00	2.00	2.50	3.50	3.00	2.50
Planning and Zoning	1.50	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00
Information Services	1.00	1.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00
Community Services Administration	-	-	-	-	-	-	-	-	-	-
Public Services Administration	1.00	1.00	1.00	1.50	2.00	2.00	2.50	2.50	2.50	2.50
Parks & Recreation	1.00	0.75	0.50	-	-	-	-	-	-	-
Total general government	<u>19.25</u>	<u>19.00</u>	<u>19.50</u>	<u>22.00</u>	<u>21.50</u>	<u>21.00</u>	<u>23.25</u>	<u>24.00</u>	<u>23.50</u>	<u>21.75</u>
Police Department	57.00	57.50	59.00	59.50	45.50	47.50	49.50	47.50	50.00	49.00
Fire & Rescue:	21.00	21.00	21.00	23.00	24.00	27.00	27.00	27.00	27.00	27.00
Building Permits and Inspection	5.00	7.00	7.25	8.00	6.00	4.75	3.00	3.00	3.00	2.00
Code Enforcement	2.00	2.00	2.00	2.50	2.50	2.50	2.50	1.50	1.00	1.75
Total public safety	<u>85.00</u>	<u>87.50</u>	<u>89.25</u>	<u>93.00</u>	<u>78.00</u>	<u>81.75</u>	<u>82.00</u>	<u>79.00</u>	<u>81.00</u>	<u>79.75</u>
Cemetery	3.00	3.00	3.00	3.00	1.00	1.00	-	-	-	-
Parks Division	6.00	5.00	5.00	6.00	7.00	7.00	-	-	-	-
Streets	6.00	6.00	6.00	6.00	6.00	6.25	-	-	-	-
Field Operations	-	-	-	-	-	-	17.75	18.00	18.00	19.00
Fleet Maintenance	2.50	2.50	2.00	2.00	3.00	3.00	-	-	-	-
Facilities Maintenance	2.50	3.50	3.50	3.00	4.00	4.00	5.00	4.50	4.00	4.00
Total maintenance	<u>20.00</u>	<u>20.00</u>	<u>19.50</u>	<u>20.00</u>	<u>21.00</u>	<u>21.25</u>	<u>22.75</u>	<u>22.50</u>	<u>22.00</u>	<u>23.00</u>
Recreation	2.00	2.50	2.50	3.50	2.00	1.00	-	-	-	-
Depot	2.00	2.00	2.00	2.00	1.50	-	-	-	-	-
Library	11.00	12.00	12.00	14.00	16.00	18.00	18.00	17.75	16.50	16.50
Total culture and recreation	<u>15.00</u>	<u>16.50</u>	<u>16.50</u>	<u>19.50</u>	<u>19.50</u>	<u>19.00</u>	<u>18.00</u>	<u>17.75</u>	<u>16.50</u>	<u>16.50</u>
Wastewater Division	8.00	7.00	7.00	9.50	9.00	9.00	-	-	-	-
Water Division	9.00	11.00	10.00	10.50	10.00	10.00	-	-	-	-
Reuse Division	-	-	-	-	1.00	1.00	-	-	-	-
Utilities Operations	-	-	-	-	-	-	22.00	22.00	23.00	23.50
Utilities Administration	6.00	4.00	5.00	4.00	5.00	5.00	5.50	5.50	5.50	5.50
Utility Billing/Customer Service	4.00	6.00	6.00	5.50	5.50	5.75	3.25	3.00	3.75	3.25
Total utilities	<u>27.00</u>	<u>28.00</u>	<u>28.00</u>	<u>29.50</u>	<u>30.50</u>	<u>30.75</u>	<u>30.75</u>	<u>30.50</u>	<u>32.25</u>	<u>32.25</u>
Total government employees	<u>166.25</u>	<u>171.00</u>	<u>172.75</u>	<u>184.00</u>	<u>170.50</u>	<u>173.75</u>	<u>176.75</u>	<u>173.75</u>	<u>175.25</u>	<u>173.25</u>

(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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General										
Last charter amendment	April 5, 2011									
Number of Commissioners	The City Commission is a five member elected governing board.									
Form of government	Five member elected governing board, two-year term. Appointed City Manager									
Municipal boundaries (1)	15.76	16.18	17.14	19.01	19.14	19.58	19.60	19.60	20.12	20.12
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	1,048	1,928	1,673	1,399	1,403	1,304	1,233	1,206	1,263	1,173
Number of calls for service	15,522	19,480	19,990	18,096	17,313	15,792	23,746	25,758	26,876	n/a
Number of crashes	640	548	410	446	363	374	350	383	397	390
Fire										
Response volume (includes fire, rescue and medical calls)	2,305	2,379	2,756	2,786	2,879	2,618	2,576	2,480	2,580	2,514
Response time average (minutes)	5.01	4.55	4.80	4.94	5.39	5.14	5.11	5.21	6.37	5.72
Inspections/plans reviewed	652	678	832	1,383	1,767	1,031	1,422	1,489	1,712	1,837
Public education (persons)	1,750	2,117	2,771	2,378	2,917	1,645	2,627	534	2,263	1,652
Permits and Inspections Division										
Plan review residential	562	551	106	253	411	198	291	309	192	264
Plan review commercial	238	96	25	114	189	133	205	145	108	163
Permits issued	1,756	1,622	256	768	797	407	636	500	490	579
Inspections:										
Construction	5,700	8,407	2,298	3,968	2,664	2,176	2,287	1,389	1,628	1,918
Inspections per month (avg.)	475	701	192	331	222	181	191	116	136	174
Certificates of Occupancy issued	54	347	117	99	72	44	46	33	44	51
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	80.10	80.10	84.40	86.04	86.74	86.74	86.74	86.74	86.74	86.74
Water										
Average monthly customers:										
Water	7,269	7,629	7,824	7,938	7,923	7,899	7,892	7,437	7,595	7,673
Sewer	4,528	4,859	5,205	5,316	5,325	5,309	5,311	5,047	5,136	5,227
Irrigation	658	789	1,052	1,116	1,167	1,238	1,254	1,291	1,313	1,362
Wastewater										
Number of lift stations	32	34	35	39	39	39	39	39	39	39

(1) Square miles
N/A - Not available

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

Water Revenues	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
Water Fees	\$ 2,854,380	\$ 3,008,939	\$ 3,508,152	\$ 2,963,174	\$ 2,959,160	\$ 3,083,609	\$ 3,071,890	\$ 3,109,898
Installation Fees	142,668	72,268	74,965	57,022	81,790.00	51,383	103,640	73,351
Backflow Inspection Fees							55,005	60,823
Fire Sprinkler Fees	35,246	38,151	39,989	28,478	-	-	-	-
Construction Meter Fees	8,695	10,081	6,935	6,777	3,397	4,222	5,187	3,510
Reuse Fees	953	4,969	15,198	36,380	24,559	12,373	20,858	23,185
Miscellaneous	-	1	85	35	101	36	185	281
Impact Fees	177,132	130,443	169,836	44,565	134,838	168,426	55,581	93,706
Totals	\$ 3,219,074	\$ 3,264,852	\$ 3,815,160	\$ 3,136,431	\$ 3,203,845	\$ 3,320,049	\$ 3,312,346	\$ 3,364,754
Penalties & Service Charges (Water & Sewer Combined)	\$ 90,491	\$ 97,661	\$ 96,071	\$ 61,169	\$ 73,817	\$ 65,990	\$ 100,893	\$ 114,905

Water Rates(1)

% of Rate Increase (Decrease) - Base Rate	2.50%	-44.20%	5.10%	2.50%	2.50%	3.60%	2.50%		
Inside City Limits									
Base Rate	\$ 8.65	\$ 8.87	\$ 4.95	Base Rate	\$ 5.20	\$ 5.33	\$ 5.46	\$ 5.66	\$ 5.80
4,001-10,000	2.09	2.14	1.96	0-5,000	2.06	2.11	2.16	2.24	2.30
10,001-15,000	2.34	2.39	2.65	5,001-10,000	2.78	2.85	2.92	3.03	3.11
15,001-25,000	2.59	2.64	4.11	10,001-25,000	4.32	4.43	4.54	4.70	4.82
25,001-35,000	2.84	2.89	6.77	> 25,000	7.11	7.29	7.47	7.74	7.93
35,001-50,000	3.14	3.19							
50,001-65,000	3.44	3.49							
65,001-80,000	3.74	3.79							
80,001-100,000	4.09	4.14							
100,001 +	4.49	4.54							
Outside City Limits									
Base Rate	\$ 12.98	\$ 13.31	\$ 6.19	Base Rate	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.08	\$ 7.26
4,001-10,000	3.14	3.21	2.45	0-5,000	2.57	2.64	2.71	2.80	2.87
10,001-15,000	3.51	3.59	3.32	5,001-10,000	3.49	3.56	3.65	3.79	3.88
15,001-25,000	3.89	3.96	5.14	10,001-25,000	5.40	5.54	5.68	5.88	6.03
25,001-35,000	4.26	4.34	8.47	> 25,000	8.89	9.11	9.34	9.68	9.92
35,001-50,000	4.71	4.79							
50,001-65,000	5.16	5.24							
65,001-80,000	5.61	5.69							
80,001-100,000	6.14	6.21							
100,001 +	6.74	6.81							

(1)Source-City of Lake Wales

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

Sewer Revenues	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013		
Sewer Fees	\$ 2,122,387	\$ 2,481,658	\$ 2,881,191	\$ 2,871,209	\$ 2,982,641	\$ 3,085,977	\$ 3,156,505	\$ 3,163,404		
Installation Fees	916	1,205	400	918	-	-	644	551		
Miscellaneous	3,064	705	-	-	-	-	-	-		
Impact Fees	319,254	188,646	364,133	82,175	249,136	343,985	89,172	153,243		
Totals	\$ 2,445,621	\$ 2,672,214	\$ 3,245,724	\$ 2,954,302	\$ 3,231,777	\$ 3,429,962	\$ 3,246,321	\$ 3,317,198		

Sewer Rates (1)

% of Rate Increase (Decrease) - Base Rate		17.70%	-24.30%	5.00%	2.50%	2.50%	3.60%	2.50%	
Inside City Limits				Inside City Limits					
Base Rate	\$ 19.76	\$ 23.25	\$ 17.59	Base Rate	\$ 18.47	\$ 18.93	\$ 19.40	\$ 20.10	\$ 20.60
0-7,000 Gallons	1.16	1.19	2.31	0-5,000 Gallons	2.43	2.49	2.55	2.64	2.71
7,001 + Gallons	1.74	1.77	4.05	5,001 + Gallons	4.25	4.36	4.47	4.63	4.75
Outside City Limits				Outside City Limits					
Base Rate	\$ 29.64	\$ 34.88	\$ 21.99	Base Rate	\$ 23.09	\$ 23.66	\$ 24.25	\$ 25.13	\$ 25.76
0-7,000 Gallons	1.74	1.79	2.89	0-5,000 Gallons	3.03	3.11	3.19	3.30	3.38
7,001 + Gallons	2.61	2.66	5.07	5,001 + Gallons	5.32	5.45	5.59	5.79	5.93

Residential Cap = 15,000 gallons

(1)Source-City of Lake Wales

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

<u>Employer</u>	<u>2013</u>		<u>2004</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Citrus World, Inc.	673	1	N/A	1
Lake Wales Medical Center	520	2	N/A	2
Lake Wales Charter Schools	400	3	N/A	3
Wal-Mart	350	4	N/A	4
Publix, Inc.	214	5	N/A	5
Polk County School Board	209	6	N/A	6
Hunt Brothers	195	7	N/A	7
Warner University	190	8	N/A	8
City of Lake Wales	173	9	N/A	9
Citrusuco	170	10	N/A	10
	<u>3,094</u>		<u>N/A</u>	

Source: Lake Wales Area Chamber of Commerce

N/A - Not available



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City of Lake Wales, Florida
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA Number	Expenditures
U.S. Department of Housing and Urban Development passed through			
Florida Dept of Economic Opportunity Small Cities Community Development Block Grant - Neighborhood Revitalization	12DB-OH-07-63-02-N15	14.228	\$ 362,484
U.S. Department of Justice passed through			
Florida Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant Lake Wales In-Car Camera Program	2013-JAGC-POLK-2-D8-031	16.738	5,170
Lake Wales Community Safety Program	2013-JAGC-POLK-10-D7-103	16.738	10,228
U.S. Environmental Protection Agency passed through			
Florida Departmental of Environmental Protection Office of Greenways and Trails Recreation Trails Program	T12008	20.219	16,445
Executive Office of the President passed through			
Office of National Drug Control Policy Central Florida HIDTA HIDTA Task Force	G13-CF0005A	95.001	13,419
U.S. Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program Lake Wales Municipal Airport Master Plan Update	3-12-0040-014-2011	20.106	28,548
			<u>\$ 436,294</u>

- (1) SRF - 5907P Loan Balance at September 30, 2013 - \$531,291
- (2) SRF - 59110 Loan Balance at September 30, 2013 - \$398,032
- (3) SRF - 5912S Loan Balance at September 30, 2013 - \$815,640
- (4) SRF - 5913P Loan Balance at September 30, 2013 - \$780,407
- (5) SRF - 59140 Loan Balance at September 30, 2013 - \$361,261
- (6) SRF - 530300 Loan Balance at September 30, 2013 - \$4,061,308

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF LAKE WALES, FLORIDA**

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal programs of the City of Lake Wales, Florida (the City), as well as the Lake Wales Airport Authority (the discretely-presented component unit) for the year ended September 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included in the schedule.

Note 2 - Basis of Accounting

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

Note 3 - Contingencies

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Commissioners
City of Lake Wales
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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2014.

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 City'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.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Lake Wales
Lake Wales, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(*Concluded*)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

February 28, 2014
Sarasota, Florida

MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Lake Wales
Lake Wales, Florida

We have audited the financial statements of the City of Lake Wales, Florida (the City), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated February 28, 2014.

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. We have also issued our independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. Disclosures in that report, which is also dated February 28, 2014, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address noncompliance with the provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Commissioners
City of Lake Wales
Lake Wales, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)5., *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 the 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.
- Section 10.554(1)(i)6.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), *Rules of the Auditor General*, we applied financial assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. There were no findings of deteriorating financial condition which were required to be reported.

This management letter is intended solely for the information and use of the Honorable Mayor, City Commissioners and management of the City, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to express our appreciation for the professionalism and courtesies which were extended to our staff. If you have any questions or comments about the contents of this letter, or the information accompanying this letter, please do not hesitate to contact us.

Purvis, Gray and Company, LLP

February 28, 2014
Sarasota, Florida