



City of Lake Wales, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
September 30, 2015

City of Lake Wales, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2015

Prepared By:
Department of Finance

City of Lake Wales, Florida

**Comprehensive Annual Financial Report
For Fiscal Year Ended September 30, 2015**

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**City of
Lake Wales**

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March 29, 2016

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, 2015, is hereby submitted pursuant to the City Charter, Florida Statutes, and Chapter 10.550, Rules of the Auditor General of the State of Florida.

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

Cherry Bekaert LLP, Certified Public Accountants, have issued unmodified opinions on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Wales for the year ended September 30, 2015. The Report of Independent Auditor is located at the front of the financial section of this report.

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

Profile of the Government

The City of Lake Wales, Florida was granted its municipal charter in 1921. The City is located in the geographical center of the Florida peninsula, and is accessible by U.S. Hwy. 27 (north/south) and State Road 60 (east/west). Interstate 4 crosses the state 25 miles north of Lake Wales, and both the Tampa and Orlando International Airports are approximately one hour's drive away. It currently occupies 20.14 square miles and serves a population of 15,011.

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

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

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

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

Local Economy

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

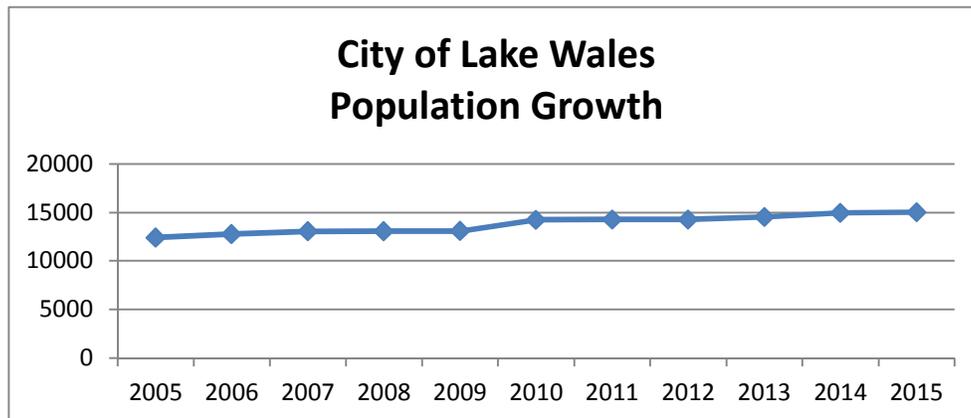
The City's major challenges are to provide the infrastructure and services needed to maintain the quality of life, which attracted considerable growth in our community (19.68% increase in population from 2005 through 2015). History has proven that significant emphasis on support systems such as transportation, potable (drinking) water, wastewater, and storm water management must be balanced fully with the quality of life amenities which include parks, recreation, sports, entertainment, and cultural opportunities to maintain the natural beauty and attractiveness of a community. The following discussion is intended to demonstrate the growth and vitality of the City and to address the challenges and concerns of the near future.

The most significant event impacting the City's economy in the past year has been the opening of the CSX Inter-Modal Facility just north of State Road 60 and west of the city limits. This major inter-modal (rail/truck) freight distribution facility which is already generating significant truck traffic through the area along SR 60 and also ancillary development of additional freight distribution facilities in the immediate area, much of which will either be within the city limits or served by the City's utility system. The City intends to encourage more intensive development along both the US 27 and SR 60 corridors through the City to take advantage of this development to broaden its tax base and increase economic

opportunity for its residents. The City has available large, attractive parcels along these routes ready for construction. The City also owns the closest airport to CSX and already has approved plans to expand its runways which could accommodate air freight operations in conjunction with ground transportation operations. The City owned Longleaf Business Park has also seen significant activity in the past year with the occupancy of a formerly vacant building by Merlin Entertainment for a modeling facility to support the local Legoland and other Merlin sites, the proposed sale of vacant land for a new precast concrete plant, and current tenants occupying additional space in existing buildings. To facilitate future economic development, the City has also formed an Economic Development Council in partnership with the Lake Wales Area Chamber of Commerce to attract new business and help existing ones to grow and take advantage of the opportunities which will come in the future.

Growth

The population in Lake Wales has increased approximately 49.16% since the U. S. Census of 2000 (population of 10,194). Over a ten year period from 2005 to 2015, the City has experienced an average annual population growth rate of 2%. The City currently has several large residential developments which are expected to begin construction within the next eighteen months. Significant population growth is expected from these new development areas.



Year	Population*	% Increase	Notes
2005	12,390	-	
2006	12,755	2.95%	
2007	13,039	2.23%	
2008	13,052	0.10%	
2009	13,067	0.11%	
2010	14,225	8.86%	US Census
2011	14,261	0.25%	
2012	14,261	0.00%	
2013	14,522	1.83%	
2014	14,916	2.71%	
2015	15,011	0.64%	

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

The City's economic outlook is largely impacted by the state and regional economy with a great deal of reliance placed on surrounding communities for work, shopping and entertainment. Area employment consists predominately of service-related activities, retail trade, manufacturing, government and construction. The Lakeland/Winter Haven Metro Area and the State of Florida unemployment rate as of September 2014 were reported at 6.2% and 5.2%, respectively, while the national unemployment rate was 5.1%.

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 2015 Outlook is the ninth 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. Five years later (July 2015), Florida's annual job growth rate has been positive for the past 60 months. Florida's job market is still recovering, but – after eight years – it has finally passed the housing-related employment peak that occurred in March 2007. However, passing the previous peak does not mean the same thing today as it did then. Florida's prime working –age population (age 25-54) has been adding people each month, so even more jobs need to be created to address the population increase since 2007. It would take the creation of an additional 581,000 jobs for the same percentage of the total population to be working as was the case in the peak, but the unemployment rate at the time was extraordinarily low (3.7 percent). A more reasonable benchmark would use an unemployment rate of 5.0%, suggesting that another 460,000 jobs would need to be created over the current level.

The state's unemployment rate in July was slightly higher than the nation as a whole at 5.4%, with 516,600 jobless persons. The rate had been as low as 3.1 percent from March through April 2006 (the lowest unemployment rate in more than thirty years), before peaking at 11.2 percent from November 2009 through January 2010.

To a great extent, the long recovery period for the jobs sector is related to the outlook for Florida's housing market. Construction has lost more jobs in this economic downturn than any other sector. It peaked in June 2006 with 691,900 jobs and at the end of July 2015 was still down 266,200 jobs (-38.5%) from that level. The large inventory of unsold houses coming out of foreclosure coupled with the still difficult credit market for residential loans continue to dampen residential construction activity and sales.

Further exacerbating the situation, the cumulative burden of student loans and recently undertaken auto debts appear to be affecting potential buyers' ability to qualify for residential credit. In Fiscal Year 2014-15, single-family private housing starts were 56,800 or 31.2 percent of their peak level. And, Documentary Stamp Taxes, a strong indicator of housing market activity, were only 52.3 percent of their prior peak as the fiscal year ended.

Overall, the housing market continues to trudge forward, but at an uneven pace. Single-Family building permit activity, an indicator of new construction, is back in positive territory, showing robust growth in both the 2012 and 2013 calendar years (32.3% and 31.3%, respectively). Despite the

strong percentage growth in both years, the level is still low by historic standards, and final data for the 2014 calendar year reveals significantly slowing (but still positive) activity—posting only 1.6% growth over the prior year. However, calendar year-to-date activity through July 2015 is running well above last year for the same period; single family data is higher (+13.02%) than last year’s data at the same point in time.

Similarly, existing home sales volume in the 2014 calendar year exceeded its 2005 peak, and the data for 2015 shows sales are performing even better. However, existing home price gains have shown recent flattening—falling below gains made earlier in the summer, especially relative to the United States as a whole. The shares of both distressed property sales (REO & Short Sales) and cash sales remain unusually high. Since distressed properties sell with a significant discount (43.0% in the most recent data), this sales mix still points to subdued pricing.

After the Great Recession officially ended in June 2009, initial improvements on both the state and national fronts sputtered as the recovery struggled to take hold. For Florida, it appears that the extreme financial and economic stress experienced during the collapse of the Housing Boom and entry into the Great Recession reached its bottom sometime during the spring of 2010. An extremely protracted recovery period began, which still continues today. In the State of Florida’s Long-Range Financial Outlook forecast, months of modest growth are expected before normalcy is largely achieved by Fiscal Year 2016-17.

Long-term Financial Planning

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

- State Road 60 utility expansion
- Airport runway expansion
- Other utility extensions to support economic development
- C street sewer improvement project
- Reuse line extension
- Various utility system relocation projects
- Continued renovation of upgrading of recreation facilities throughout the City

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakes Wales for its comprehensive annual financial report (CAFR) for the fiscal year ending September 30, 2014. This was the fifth 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

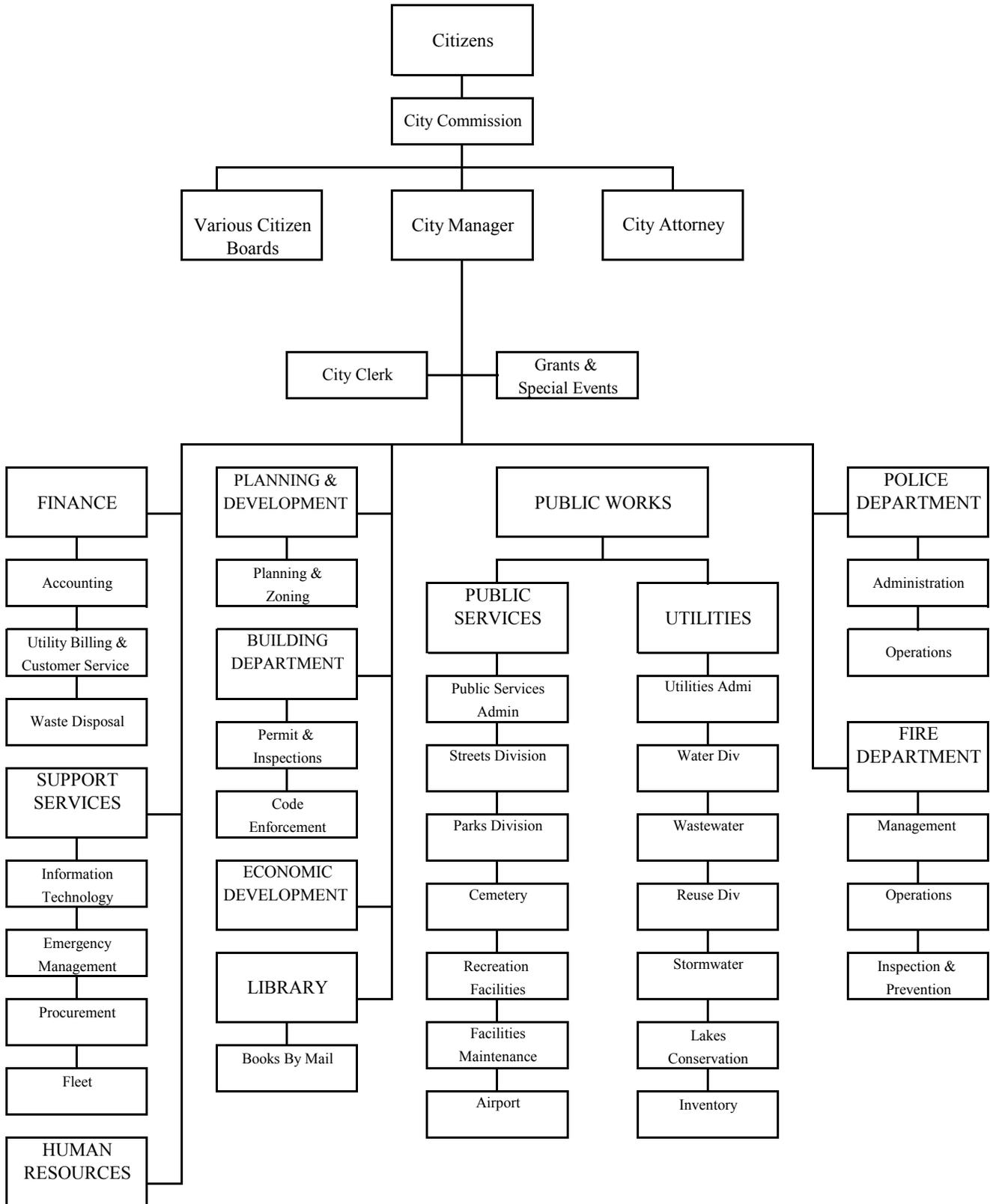
**City of Lake Wales
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

City of Lake Wales, Florida Organizational Chart



City of Lakes Wales, Florida
Principal Officials

Elected Officials

Mayor ----- Eugene Fultz
Deputy Mayor ----- Jonathan Thornhill
Commissioner ----- Terrye Howell
Commissioner ----- Christopher Lutton
Commissioner ----- Pete Perez

City Officials

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

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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Wales, Florida (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note I.E to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, effective October 1, 2014. Our opinions are not modified with respect to this matter.

Fund Reclassification

As described in Note III.F to the financial statements, during the year ended September 30, 2015, the City established an enterprise fund to account for cemetery operations. Previously acquired capital assets and related debt attributable to the LWMG Cemetery have been transferred from governmental activities to the business-type activities/LWMG Cemetery fund. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as provided in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section, as provided in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Orlando, Florida
March 29, 2016

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, 2015. 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-vi.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44,492,260 (*net position*). As of September 30, 2015, the City reports an unrestricted net position deficit of \$1,499,502 as compared to a surplus of \$374,611 in the prior year. The main reason for this decline in unrestricted net position is due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.
- The City's total net position increased by \$2,474,671 as a result of operations and was reduced by \$3,834,069 as a result of a restatement due to the implementation of GASB 68 and 71. The results of operations of the governmental activities and business-type activities increased their respective beginning restated net position by 6%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,553,226; an increase of \$157,025 for the year. Approximately 48.5% is *available for spending* at the government's discretion (unassigned).

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's (1) assets and deferred outflows, (2) liabilities, and deferred inflows with the residual measure between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

Effective October 1, 2014, the City adopted the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. The effect of adopting these standards has resulted in a restatement of beginning net position in the Governmental Activities, Business-Type activities and the Public Utilities Fund of the City. For more information, see note I.E of the notes to the financial statements.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Four of these funds are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements are presented on pages 22-25 of this report.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City maintains two enterprise funds to

account for its water and sewer distribution operation and for cemetery management. The Lake Wales Airport Authority, a discretely presented component unit, uses an enterprise fund to account for the airport's operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The public utility fund and the cemetery fund are considered a major fund of the City of Lake Wales. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-74 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City progress in funding its obligation to provide pension and other post employment benefits to its employees and budgetary schedules for the general and major special revenue funds. Required supplementary information can be found on pages 76-88 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 90-96 of this report.

Lake Wales Airport Authority financial statements can be found on pages 97-99 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,492,260 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, \$40,167,114 (90%), 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 19 of this report.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 5,621,699	\$ 5,876,446	\$ 5,785,121	\$ 5,452,469	\$ 11,406,820	\$ 11,328,915
Capital assets, net of depreciation	25,625,607	26,696,463	36,235,072	35,176,515	61,860,679	61,872,978
Total assets	<u>31,247,306</u>	<u>32,572,909</u>	<u>42,020,193</u>	<u>40,628,984</u>	<u>73,267,499</u>	<u>73,201,893</u>
Deferred Outflows	1,074,075	145,960	146,162	87,124	1,220,237	233,084
Current and other liabilities	1,050,016	3,411,794	1,316,048	3,757,907	2,366,064	7,169,701
Long-term liabilities	15,282,217	10,651,439	11,906,604	9,762,179	27,188,821	20,413,618
Total liabilities	<u>16,332,233</u>	<u>14,063,233</u>	<u>13,222,652</u>	<u>13,520,086</u>	<u>29,554,885</u>	<u>27,583,319</u>
Deferred Inflows	384,632	-	55,959	-	440,591	-
Net Position:						
Net investment in capital assets	15,600,248	15,575,570	24,566,866	24,240,474	40,167,114	39,816,044
Restricted	2,242,316	2,874,458	3,582,332	2,786,545	5,824,648	5,661,003
Unrestricted	(2,238,048)	205,608	738,546	169,003	(1,499,502)	374,611
Total net position	<u>\$ 15,604,516</u>	<u>\$ 18,655,636</u>	<u>\$ 28,887,744</u>	<u>\$ 27,196,022</u>	<u>\$ 44,492,260</u>	<u>\$ 45,851,658</u>

An additional portion of the City's net position, \$5,824,648 (13%), represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City reported a negative unrestricted net position in the governmental activities of \$2,238,048 and positive balances in all other categories of net position for both governmental activities and business-type activities. The main reason for this negative balance in the governmental activities' unrestricted net position is due to the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. For more information, see note I.E of the notes to the financial statements.

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

City of Lake Wales Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 2,403,681	\$ 2,204,985	\$ 7,008,375	\$ 6,649,031	\$ 9,412,056	\$ 8,854,016
Operating grants and contributions	845,228	740,250	-	-	845,228	740,250
Capital grants and contributions	169,913	105,731	307,801	981,217	477,714	1,086,948
General Revenues:						
Property taxes	5,159,264	5,130,461	-	-	5,159,264	5,130,461
Other taxes	2,882,027	2,869,992	-	-	2,882,027	2,869,992
Franchise fees	1,268,042	1,221,973	-	-	1,268,042	1,221,973
Other	1,391,131	1,309,304	200,903	196,663	1,592,034	1,505,967
Total Revenues	14,119,286	13,582,696	7,517,079	7,826,911	21,636,365	21,409,607
Expenses:						
Governmental Activities:						
General government	1,080,211	1,217,965	-	-	1,080,211	1,217,965
Public safety	7,005,129	7,548,733	-	-	7,005,129	7,548,733
Physical environment	1,089,770	1,074,051	-	-	1,089,770	1,074,051
Transportation	1,841,706	1,647,003	-	-	1,841,706	1,647,003
Economic environment	320,428	344,886	-	-	320,428	344,886
Human services	10,174	15,634	-	-	10,174	15,634
Culture and recreation	2,338,582	2,378,641	-	-	2,338,582	2,378,641
Interest on long-term debt	356,781	455,554	-	-	356,781	455,554
Business-type Activities:						
Public utilities	-	-	5,118,913	6,271,228	5,118,913	6,271,228
Total Expenses	14,042,781	14,682,467	5,118,913	6,271,228	19,161,694	20,953,695
Increase (decrease) in net position						
before transfers	76,505	(1,099,771)	2,398,166	1,555,683	2,474,671	455,912
Transfers	798,128	503,000	(798,128)	(503,000)	-	-
Change in net position	874,633	(596,771)	1,600,038	1,052,683	2,474,671	455,912
Beginning net position	18,655,636	19,357,963	27,196,022	26,180,524	45,851,658	45,538,487
Restatement	(3,925,753)	(105,556)	91,684	(37,185)	(3,834,069)	(142,741)
Ending net position	<u>\$ 15,604,516</u>	<u>\$ 18,655,636</u>	<u>\$ 28,887,744</u>	<u>\$ 27,196,022</u>	<u>\$ 44,492,260</u>	<u>\$ 45,851,658</u>

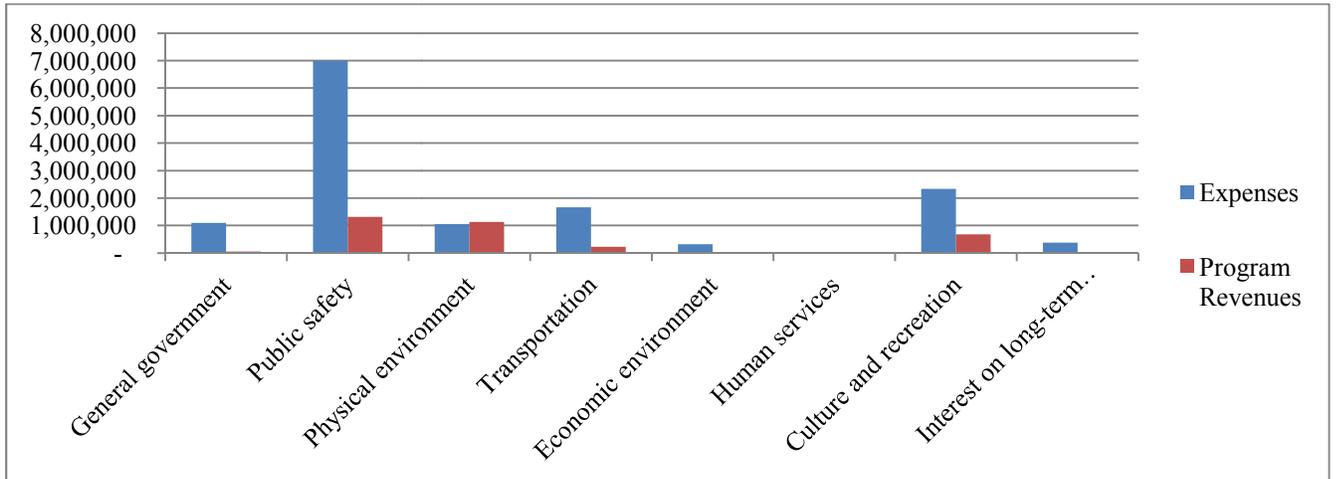
Governmental activities: Governmental activities increased the City's net position by \$874,633, as compared to a decrease of \$596,771 in the prior year. Key elements of changes in results of activities are as follows:

- Charges for services increased by \$198,696 (9%) from 2014. This change is mainly (\$178,980 or 90%) due to increases of \$23,406 in building permits, \$17,109 in code enforcement fines, \$54,885 in solid waste revenue, and \$83,580 in impact fees.
- Operating grants and contributions increased by \$104,978 (15%) from 2014. This change is mainly (\$93,849 or 90%) due to an increase of \$93,849 in the Polk County Library Intergovernmental Revenue grant.
- Capital grants and contributions increased by \$64,182 (61%) from 2014. This increase is mainly due to a \$50,000 FRDAP Grant for the Skate Park.

- General revenues increased during 2015 by \$168,734 (2%) from 2014. This change is a net result of increases in property taxes of \$28,803, other taxes of \$12,035, franchise fees of \$46,069 and other revenues of \$81,827.
- General government expenses decreased in 2015 by \$137,754 (11%). This decrease is mainly (\$114,013 or 82.77%) due to reclassification of \$39,611 pension costs (GASB 68), decrease in workers compensation of \$4,589, reduction in accrued compensation of \$27,439, and increased water/sewer management fee allocation of \$42,374.
- Public safety expenses decreased in 2015 by \$543,604 (7%). This decrease is mainly (\$513,248 or 94.42%) due to reclassification of \$225,080 pension costs (GASB 68), decrease in personnel costs of \$98,249, decrease in workers compensation costs of \$140,970, and a decrease in fuel costs of \$48,949.
- Physical environment expenses in 2015 increased by \$15,719 (1%).
- Economic environment expenses in 2015 decreased by \$24,458 (7%).
- Human service expenses in 2015 decreased by \$5,460 (35%).
- Transportation expenses in 2015 increased by \$194,703 (12%). This increase was mainly (\$172,788 or 88.74%) due to contribution from the general fund to the airport authority.
- Culture and Recreation expenses decreased in 2015 by \$40,059 (2%).

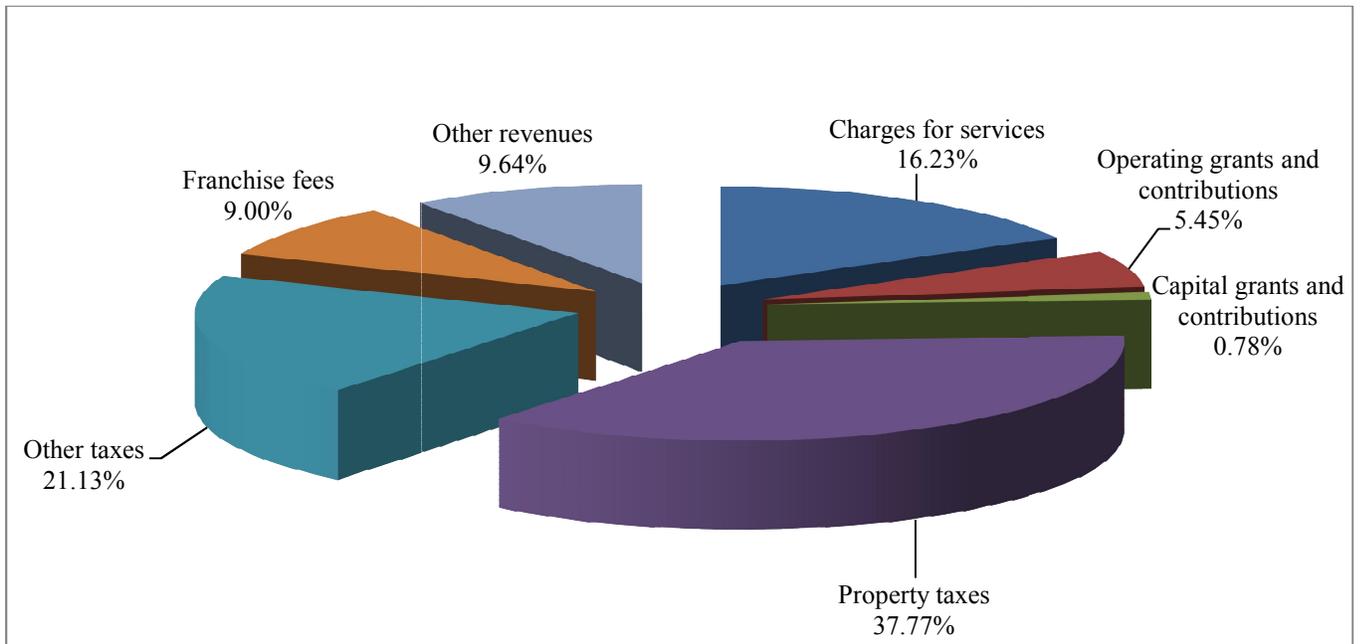
The following chart compares expenses with program revenues for the City's governmental activities:

Expenses and Program Revenues – Governmental Activities



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

Revenues by Source – Governmental Activities



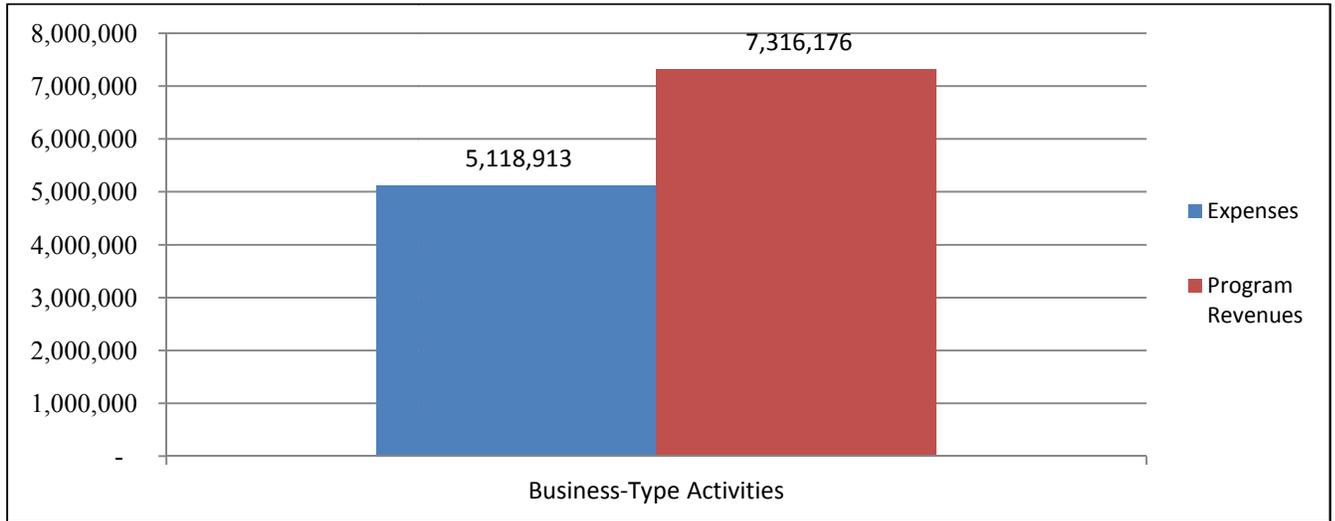
Business-type Activities

Business-type activities increased the City's net position by \$1,600,038, which is \$547,355 more than the prior year increase in net position. Key elements of this change are as follows:

- Charges for services in 2015 increased by \$359,344 (5%). This change is mainly due to an increase of \$162,903 (5%) in sewer service revenue, \$190,362 (6%) in water service revenue and the addition of cemetery charges for service of \$6,079.
- Capital grants and contributions decreased by \$673,416. This change is mainly due to decreases in C Street grant funding.
- Other revenues increased by \$4,240 (2%). This change is due to decreases in interest income of \$713, losses realized on sale of assets of \$6,624 and increases in miscellaneous revenue of \$11,577.
- Water and sewer expenses decreased \$1,152,315 (18%). This change is mainly (\$1,127,479 or 98%) due to decreases in personnel costs in utility operations of \$35,545, repair and maintenance costs of \$159,200, general and administrative expenses of \$90,420, depreciation expense of \$14,190, and settlement costs of \$828,124.
- During 2015, \$798,128 was transferred out to the general fund, as compared to \$503,000 being transferred out in the prior year.

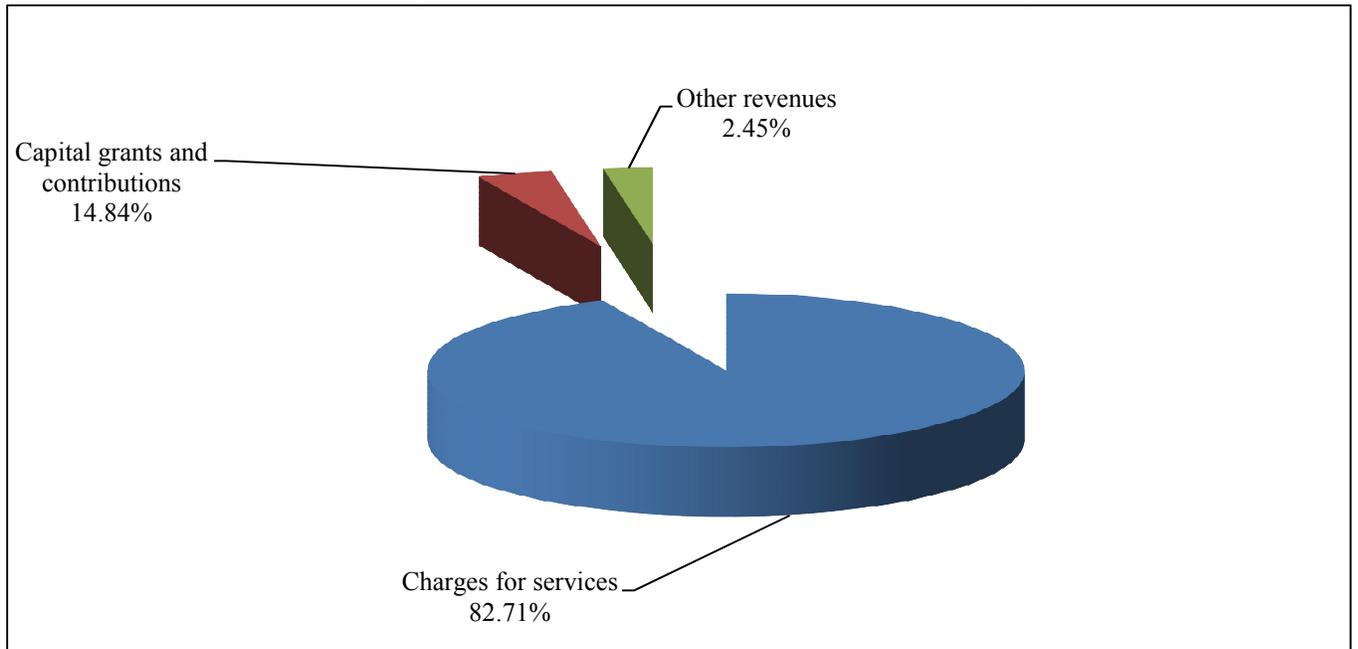
The following chart compares expenses with program revenues for the City's business-type activities:

Expenses and Program Revenues – Business-type Activities



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

Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,553,226, an increase of \$157,025 for the year. Approximately 49% of this amount (\$2,212,543) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance (\$2,340,683) is classified as non-spendable (\$98,367) and restricted (\$2,242,316).

The general fund is the chief operating fund for the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,212,543 while total fund balance reached \$2,304,377. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. In 2011, the City established a reserve policy for the General Fund equal to 15% - 20% of total operating costs. As of September 30, 2015, the City's unassigned fund balance represents 20% of total general fund expenditures, while total fund balance represents 21% of the same amount.

The minimum fund balance policy has been established by the City Commission to providing funding necessary for sufficient working capital at the beginning of the fiscal year until the time the City begins receiving ad valorem taxes, to advance funds necessary to pay for construction of grant-funded projects until reimbursement is received from federal or state agencies, to advance financial resources necessary for responding to emergencies that will be reimbursed by insurance proceeds or grants from FEMA or other federal or state agencies, and to mitigate current and future revenue shortfalls, unanticipated expenditures, and to ensure stable taxes rates.

Fund balance of the City's community redevelopment fund decreased by \$19,755 during the current fiscal year. Revenue sources within the CRA (\$997,129) were not sufficient enough to cover debt service requirements (\$859,938) and operating costs (\$181,268).

Fund balance of the City's transportation fund increased by \$54,687 during the current fiscal year as revenues of \$981,412 exceeded expenditures of \$846,127 and net transfers out of \$80,598.

Fund balance of the City's debt service fund decreased by \$695,748 during the current fiscal year due to debt service requirements of \$2,219,499 which exceeded revenues of \$507,123 and transfers in of \$1,016,628.

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

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

Unrestricted net position of the Public Utilities Fund at the end of the year amounted to \$739,722. As of 9/30/15, the utility system had \$2,157,308 appropriated for capital projects. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$199,628 increase in general fund expenditure appropriations between the original and final amended budget. This increase was mainly due to the following items

- An increase of \$10,000 for payroll processing fees and \$6,500 for computer costs within the finance department.
- An increase of \$35,000 for fire assessment professional service fees within the fire department.
- An increase of \$49,500 for waste disposal fees due to increase in the volume of service provides over expectations.
- An increase of \$4,000 for Christmas decorations and increase of \$21,000 for operating costs in the parks division.
- An increase of \$47,300 for operating costs in the recreation facilities division.
- An increase of \$11,865 for personnel and operating costs in the depot museum.
- An increase of \$71,000 for sinking fund requirements transferred to the debt service fund (Series 2015) and \$275,000 transferred to the capital project fund.

During the year there was a \$529,636 increase in general fund revenues between the original and final amended budget. This increase was mainly due to the following items

- An increase in sales and use taxes of \$89,000 mainly due to electric and water utility service tax.
- An increase in licenses and permits of \$233,000 mainly related to building permits and electric franchise fees.
- An increase in state revenue sharing of \$74,500.
- An increase in various charges for service of \$77,036.
- An increase in fines and forfeitures of \$35,700.
- An increase in miscellaneous revenues of \$15,000 insurance claims and \$18,000 donations
- An increase in other finance sources of \$500,000 loan proceeds (Series 2015) and \$123,000 vehicles leases.

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, 2015 is \$61,860,679 (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 \$12,299, a decrease of .02%. This consisted of a 4% decrease for governmental activities and a 3% increase for business-type activities.

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

Governmental:

- Lake Wailes Trail Improvements - \$408,464
- Cemetery (LWMG) - \$579,503
- Lake Wailes Parking Improvements - \$45,244
- Sidewalk Improvements - \$5,820
- Road Improvements (Premier Street Grant) - \$19,925
- Skate Park Equipment - \$53,185
- Bleachers - \$10,961
- Gym Floor - \$68,212
- (11) Chevrolet Vehicles - \$284,032
- 2015 Ford Fusion Vehicle - \$18,528

- Police Canine - \$8,500
- Smart Interactive White Board - \$7,552
- 52" Commercial Mower - \$4,699
- Library Books - \$63,865
- Austin Center AV Equipment - \$27,253
- Administrative Building Security System - \$15,383
- School Safety Zone Improvements - \$8,920
- Road Resurfacing - \$41,530

Utilities:

- (4) Ford F-150 Vehicles - \$94,095
- (1) Ford F-250 Vehicle - \$21,153
- (1) Ford Escape Vehicle - \$19,149
- CWIP – Pole barn - \$406,487
- CWIP – Market Street Upgrades - \$1,470,494
- CWIP – U.S. 27 Widening - \$20,659
- CWIP – Lift Station Upgrades - \$222,857
- CWIP – Transmission Lines - \$261,815
- CWIP – C Street Phase I - \$3,040,667
- CWIP – C Street Phase II - \$37,386
- CWIP – Galvanized Pipe - \$34,726
- CWIP – Force Main - \$17,639
- CWIP – Utility Master Plan - \$2,500
- Palfinger Crane 6025 - \$24,345
- 2015 Bendron Titan Trailer - \$1,775
- Fencing – Market Street - \$22,751
- Ground Storage Tank - \$31,054
- Lift Station – Force Main - \$35,543
- New Service Meters - \$66,723

Cemetery (LWMG):

- Cemetery – Transferred from Governmental Activities - \$721,872

City of Lake Wales Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 5,141,825	\$ 5,137,312	\$ 825,730	\$ 633,115	\$ 5,967,555	\$ 5,770,427
Construction in progress	-	238,110	560,751	3,620,376	560,751	3,858,486
Buildings	14,478,098	14,434,886	1,125,717	726,957	15,603,815	15,161,843
Improvements other than buildings	7,009,997	7,451,776	47,083,591	42,548,686	54,093,588	50,000,462
Machinery & equipment	10,578,348	10,120,227	5,551,909	5,410,547	16,130,257	15,530,774
Infrastructure	19,529,666	19,428,151	-	-	19,529,666	19,428,151
Total	56,737,934	56,810,462	55,147,698	52,939,681	111,885,632	109,750,143
Less: accumulated depreciation	(31,112,327)	(30,113,999)	(18,912,626)	(17,763,166)	(50,024,953)	(47,877,165)
Capital assets, net	\$ 25,625,607	\$ 26,696,463	\$ 36,235,072	\$ 35,176,515	\$ 61,860,679	\$ 61,872,978

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

Debt. At the end of the current fiscal year the City had total debt outstanding of \$21,770,616, including the addition of \$2,000,000 in note payable during fiscal year 2015 to fund construction projects. 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Note payables	\$ 9,664,472	\$ 11,444,458	\$ 11,590,984	\$ 11,023,165	\$ 21,255,456	\$ 22,467,623
Lease obligations	394,377	166,121	120,783	-	515,160	166,121
Total debt obligations	<u>\$ 10,058,849</u>	<u>\$ 11,610,579</u>	<u>\$ 11,711,767</u>	<u>\$ 11,023,165</u>	<u>\$ 21,770,616</u>	<u>\$ 22,633,744</u>

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

Economic Factors and Next Year's Budget and Rates

The unemployment rate at the end of fiscal year 2015 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. 2015</u>	<u>Previous Year Sept. 2014</u>
Lakeland/Winter Haven Metro Area	6.2%	8.0%
State of Florida	5.2%	6.2%
United States	5.1%	5.9%

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

The tax base for the City is composed of real property, personal property and centrally assessed property. The taxable value of such property increased 6.86% from 2014 to 2015.

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

All of these factors were considered in preparing the City of Lake Wales's budget for the 2015'16 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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
Assets				
Cash and cash equivalents	\$ 3,543,721	\$ 158,445	\$ 3,702,166	\$ -
Receivable (net of allowance for uncollectibles)	474,532	896,236	1,370,768	-
Due from component unit	60,242	-	60,242	-
Intergovernmental receivables	472,781	-	472,781	539,225
Restricted assets:				
Cash and cash equivalents	783,173	3,702,925	4,486,098	-
Investments	-	741,602	741,602	-
Inventories	79,408	182,639	262,047	-
Prepaid items	18,959	6,572	25,531	-
Net pension asset	188,883	96,702	285,585	-
Capital Assets:				
Nondepreciable	5,141,825	1,386,481	6,528,306	1,625,274
Depreciable, net	20,483,782	34,848,591	55,332,373	8,893,576
Total assets	<u>31,247,306</u>	<u>42,020,193</u>	<u>73,267,499</u>	<u>11,058,075</u>
Deferred Outflows of resources				
Interest Rate Swap	30,940	-	30,940	-
Unamortized refunding loss	33,490	43,561	77,051	-
Deferred outflows related to pensions	1,009,645	102,601	1,112,246	-
Total deferred outflows of resources	<u>1,074,075</u>	<u>146,162</u>	<u>1,220,237</u>	<u>-</u>
Liabilities				
Accounts payable	289,687	155,350	445,037	606,632
Accrued liabilities	301,065	54,961	356,026	-
Accrued interest	170,426	106,980	277,406	-
Retainage payable	8,000	-	8,000	-
Due to primary government	-	-	-	60,242
Deposits	101,595	762,470	864,065	-
Unearned revenues	179,243	236,287	415,530	324
Noncurrent Liabilities:				
Due within one year	1,527,297	2,118,298	3,645,595	11,834
Due in more than one year	13,754,920	9,788,306	23,543,226	112,127
Total liabilities	<u>16,332,233</u>	<u>13,222,652</u>	<u>29,554,885</u>	<u>791,159</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	<u>384,632</u>	<u>55,959</u>	<u>440,591</u>	<u>-</u>
Net position				
Net investment in capital assets	15,600,248	24,566,866	40,167,114	10,394,889
Restricted for:				
Law enforcement	29,176	-	29,176	-
Library	117,869	-	117,869	-
Transportation	253,252	-	253,252	-
Community redevelopment	149,586	-	149,586	-
Street lighting	15,782	-	15,782	-
Debt service	1,252,676	1,425,024	2,677,700	-
Capital projects	423,975	2,157,308	2,581,283	-
Unrestricted	(2,238,048)	738,546	(1,499,502)	(127,973)
Total net position	<u>\$ 15,604,516</u>	<u>\$ 28,887,744</u>	<u>\$ 44,492,260</u>	<u>\$ 10,266,916</u>

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

City of Lake Wales, Florida
Statement of Activities
For the Year Ending September 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,080,211	\$ 60,425	\$ -	\$ -
Public safety	7,005,129	1,001,802	205,610	114,175
Physical environment	1,089,770	1,122,696	-	5,075
Transportation	1,841,706	114,342	113,750	-
Economic environment	320,428	-	-	-
Human services	10,174	-	-	-
Culture and recreation	2,338,582	104,416	525,868	50,663
Interest on long-term debt	356,781	-	-	-
Total governmental activities	14,042,781	2,403,681	845,228	169,913
Business-type activities:				
Water and sewer utility	5,111,658	7,002,296	-	307,801
Cemetery	7,255	6,079	-	-
Total business-type activities	5,118,913	7,008,375	-	307,801
Total primary government	19,161,694	9,412,056	845,228	477,714
Component unit:				
Airport Authority	\$ 434,160	\$ 90,286	\$ 172,788	\$ 2,878,616

General revenues

Taxes:

Property taxes
Franchise fees
Public service taxes
Communication service taxes
Fuel taxes

Local business tax
State and county shared revenues
Investment earnings
Insurance recoveries
Gain on disposal of capital assets
Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year - as previously reported

Restatement of beginning net position

Net position, beginning of year - restated

Net position, end of year

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

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

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Airport Authority
\$ (1,019,786)	\$ -	\$ (1,019,786)	
(5,683,542)	-	(5,683,542)	
38,001	-	38,001	
(1,613,614)	-	(1,613,614)	
(320,428)	-	(320,428)	
(10,174)	-	(10,174)	
(1,657,635)	-	(1,657,635)	
(356,781)	-	(356,781)	
<u>(10,623,959)</u>	<u>-</u>	<u>(10,623,959)</u>	
-	2,198,439	2,198,439	
-	(1,176)	(1,176)	
-	2,197,263	2,197,263	
<u>(10,623,959)</u>	<u>2,197,263</u>	<u>(8,426,696)</u>	
			<u>\$ 2,707,530</u>
5,159,264	-	5,159,264	-
1,268,042	-	1,268,042	-
1,603,537	-	1,603,537	-
467,312	-	467,312	-
739,144	-	739,144	-
72,034	-	72,034	-
1,256,194	-	1,256,194	-
6,695	6,783	13,478	-
15,176	-	15,176	-
(17,721)	(6,624)	(24,345)	-
130,787	200,744	331,531	-
798,128	(798,128)	-	-
<u>11,498,592</u>	<u>(597,225)</u>	<u>10,901,367</u>	<u>-</u>
<u>874,633</u>	<u>1,600,038</u>	<u>2,474,671</u>	<u>2,707,530</u>
<u>18,655,636</u>	<u>27,196,022</u>	<u>45,851,658</u>	<u>7,559,386</u>
<u>(3,925,753)</u>	<u>91,684</u>	<u>(3,834,069)</u>	<u>-</u>
<u>14,729,883</u>	<u>27,287,706</u>	<u>42,017,589</u>	<u>7,559,386</u>
<u>\$ 15,604,516</u>	<u>\$ 28,887,744</u>	<u>\$ 44,492,260</u>	<u>\$ 10,266,916</u>

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

City of Lake Wales, Florida
Balance Sheet
All Governmental Funds
September 30, 2015

	<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	\$ 1,953,668	\$ 182,879	\$ 1,176,638	\$ 148,168	\$ 82,368	\$ 3,543,721
Receivable (net of allowance for uncollectibles)	468,989	-	-	5,543	-	474,532
Due from other funds	113,736	-	-	-	-	113,736
Due from component unit	60,242	-	-	-	-	60,242
Inventories	79,408	-	-	-	-	79,408
Intergovernmental receivables	303,765	119,016	-	-	50,000	472,781
Restricted cash, cash equivalents and investments:						
Business park escrow	-	-	-	100,000	-	100,000
Sinking fund	-	-	71,017	-	-	71,017
Impact fees	-	-	5,021	-	607,135	612,156
Prepaid items	12,426	-	-	-	6,533	18,959
Total assets	<u>\$ 2,992,234</u>	<u>\$ 301,895</u>	<u>\$ 1,252,676</u>	<u>\$ 253,711</u>	<u>\$ 746,036</u>	<u>\$ 5,546,552</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ 229,198	\$ 48,643	\$ -	\$ 4,125	\$ 7,721	\$ 289,687
Accrued liabilities	277,821	-	-	-	23,244	301,065
Retainage payable	-	-	-	-	8,000	8,000
Due to other funds	-	-	-	-	113,736	113,736
Deposits	1,595	-	-	100,000	-	101,595
Unearned revenues	179,243	-	-	-	-	179,243
Total liabilities	<u>687,857</u>	<u>48,643</u>	<u>-</u>	<u>104,125</u>	<u>152,701</u>	<u>993,326</u>
Fund balances						
Nonspendable						
Inventories and prepaid items	91,834	-	-	-	6,533	98,367
Restricted for:						
Law enforcement expenditures	-	-	-	-	29,176	29,176
Library expenditures	-	-	-	-	117,869	117,869
Transportation expenditures	-	253,252	-	-	-	253,252
Community redevelopment expenditures	-	-	-	149,586	-	149,586
Street lighting expenditures	-	-	-	-	15,782	15,782
Debt Service	-	-	1,252,676	-	-	1,252,676
Capital projects	-	-	-	-	423,975	423,975
Unassigned	2,212,543	-	-	-	-	2,212,543
Total Fund balance	<u>2,304,377</u>	<u>253,252</u>	<u>1,252,676</u>	<u>149,586</u>	<u>593,335</u>	<u>4,553,226</u>
Total liabilities and fund balances	<u>\$ 2,992,234</u>	<u>\$ 301,895</u>	<u>\$ 1,252,676</u>	<u>\$ 253,711</u>	<u>\$ 746,036</u>	<u>\$ 5,546,552</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, 2015

Total Fund balances of governmental funds		\$ 4,553,226
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		25,625,607
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.		(170,426)
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.		(15,282,217)
Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds		1,074,075
The net pension asset is not an available resource and, therefore, is not reported in the governmental funds		188,883
Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds		(384,632)
 Net position of governmental activities		 <u><u>\$ 15,604,516</u></u>

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

City of Lake Wales, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Funds
Year Ended September 30, 2015

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 5,542,677	\$ 739,144	\$ 413,000	\$ 521,773	\$ 378,471	\$ 7,595,065
Special Assessment	-	-	-	-	14,830	14,830
Licenses and permits	1,647,600	-	-	-	-	1,647,600
Intergovernmental	1,475,972	127,926	-	475,356	694,602	2,773,856
Charges for services	1,914,913	114,342	-	-	-	2,029,255
Fines and forfeits	70,301	-	-	-	26,282	96,583
Investment earnings	6,261	-	84	-	2,054	8,399
Impact fees	-	-	94,039	-	148,341	242,380
Miscellaneous	132,335	-	-	-	19,524	151,859
Total revenues	<u>10,790,059</u>	<u>981,412</u>	<u>507,123</u>	<u>997,129</u>	<u>1,284,104</u>	<u>14,559,827</u>
Expenditures						
Current:						
General government	1,522,961	-	-	-	-	1,522,961
Public safety	7,112,173	-	-	-	46,686	7,158,859
Physical environment	1,069,977	-	-	-	13,628	1,083,605
Transportation	178,221	846,127	-	-	-	1,024,348
Economic environment	125,210	-	-	181,268	-	306,478
Culture and recreation	1,168,794	-	-	-	952,930	2,121,724
Debt Service:						
Principal	-	-	1,842,290	-	-	1,842,290
Interest and fiscal charges	-	-	377,209	-	-	377,209
Capital outlay	-	-	-	-	817,123	817,123
Total expenditures	<u>11,177,336</u>	<u>846,127</u>	<u>2,219,499</u>	<u>181,268</u>	<u>1,830,367</u>	<u>16,254,597</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(387,277)</u>	<u>135,285</u>	<u>(1,712,376)</u>	<u>815,861</u>	<u>(546,263)</u>	<u>(1,694,770)</u>
Other financing sources (uses)						
Transfers in	1,020,000	5,075	1,016,628	-	274,935	2,316,638
Transfers out	(345,952)	(85,673)	-	(859,938)	(5,075)	(1,296,638)
Insurance recoveries	15,176	-	-	-	-	15,176
Issuance of debt	790,560	-	-	-	-	790,560
Sale of capital assets	1,737	-	-	24,322	-	26,059
Total other financing (uses) sources	<u>1,481,521</u>	<u>(80,598)</u>	<u>1,016,628</u>	<u>(835,616)</u>	<u>269,860</u>	<u>1,851,795</u>
Net change in fund balances	1,094,244	54,687	(695,748)	(19,755)	(276,403)	157,025
Fund balances, beginning of year	<u>1,210,133</u>	<u>198,565</u>	<u>1,948,424</u>	<u>169,341</u>	<u>869,738</u>	<u>4,396,201</u>
Fund balances, end of year	<u>\$ 2,304,377</u>	<u>\$ 253,252</u>	<u>\$1,252,676</u>	<u>\$ 149,586</u>	<u>\$ 593,335</u>	<u>\$ 4,553,226</u>

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, 2015

Net change in fund balances of the governmental funds		\$ 157,025
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.		
Capital asset additions	\$ 1,376,558	
Capital asset disposals	(43,780)	
Capital assets transferred to the business-type activities	(707,030)	
Depreciation	<u>(1,696,604)</u>	(1,070,856)
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	(790,560)	
Debt transferred to the business-type activities	500,000	
Principal paid	<u>1,842,290</u>	1,551,730
Some expenses reported in the statement of activities do not provide (or require) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
(Increase) in Compensated Absences Liability	(31,582)	
(Increase) in Other Post Employment Benefits	(50,496)	
Amortization of Refunding Losses	(33,479)	
Decrease in interest accrued on bonds	39,063	
Pension contributions made subsequent to the measurement date	1,009,645	
Pension expense	<u>(696,417)</u>	<u>236,734</u>
Change in net position of governmental activities		<u><u>\$ 874,633</u></u>

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, 2015

	Business-type Activities		
	Public Utilities Fund	Nonmajor: LWMG Cemetery Fund	Total Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 153,572	\$ 4,873	\$ 158,445
Receivables (net of allowance for uncollectibles)	895,030	1,206	896,236
Restricted cash, cash equivalents and investments:			
Debt reserve accounts	1,187,316	-	1,187,316
Unspent bond proceeds	699,646	-	699,646
Escrow - C street project	2,880	-	2,880
Impact fees	1,050,613	-	1,050,613
Customer deposits	762,470	-	762,470
Debt reserve accounts - investment	337,433	-	337,433
Impact fees - investment	404,169	-	404,169
Inventories	182,639	-	182,639
Prepaid items	6,572	-	6,572
Total current assets	<u>5,682,340</u>	<u>6,079</u>	<u>5,688,419</u>
Noncurrent assets			
Net pension asset	96,702	-	96,702
Capital assets:			
Nondepreciable	1,181,912	204,569	1,386,481
Depreciable, net	<u>34,331,288</u>	<u>517,303</u>	<u>34,848,591</u>
Total noncurrent assets	<u>35,609,902</u>	<u>721,872</u>	<u>36,331,774</u>
Total assets	<u>41,292,242</u>	<u>727,951</u>	<u>42,020,193</u>
Deferred Outflows of Resources			
Unamortized refunding loss	43,561	-	43,561
Deferred outflows related to pensions	<u>102,601</u>	<u>-</u>	<u>102,601</u>
Total deferred outflows of resources	<u>146,162</u>	<u>-</u>	<u>146,162</u>
Liabilities			
Current liabilities			
Accounts payable	155,350	-	155,350
Accrued liabilities	54,961	-	54,961
Accrued interest	99,725	7,255	106,980
Customer deposits	762,470	-	762,470
Unearned revenues	236,287	-	236,287
Accrued compensated absences	13,483	-	13,483
Current portion of long-term debt	<u>2,069,889</u>	<u>34,926</u>	<u>2,104,815</u>
Total current liabilities	<u>3,392,165</u>	<u>42,181</u>	<u>3,434,346</u>
Noncurrent liabilities			
Notes payable - noncurrent	9,141,878	465,074	9,606,952
Accrued compensated absences	121,342	-	121,342
Accrued OPEB	<u>60,012</u>	<u>-</u>	<u>60,012</u>
Total noncurrent liabilities	<u>9,323,232</u>	<u>465,074</u>	<u>9,788,306</u>
Total liabilities	<u>12,715,397</u>	<u>507,255</u>	<u>13,222,652</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>55,959</u>	<u>-</u>	<u>55,959</u>
Net position			
Net investment in capital assets	24,344,994	221,872	24,566,866
Restricted for capital projects	2,157,308	-	2,157,308
Restricted for debt service	1,425,024	-	1,425,024
Unrestricted	<u>739,722</u>	<u>(1,176)</u>	<u>738,546</u>
Total net position	<u>\$ 28,667,048</u>	<u>\$ 220,696</u>	<u>\$ 28,887,744</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, 2015

	Business-type Activities		
	Public Utilities Fund	Nonmajor: LWMG Cemetery Fund	Total Enterprise Funds
Operating revenues:			
Charges for Services	\$ 7,002,296	\$ 6,079	7,008,375
Other income	200,744	-	200,744
Total operating revenues	7,203,040	6,079	7,209,119
Operating expenses:			
Personal services	1,713,639	-	1,713,639
Contractual services	218,641	-	218,641
Repairs and maintenance	497,827	-	497,827
Materials and supplies	209,894	-	209,894
General and administrative	1,036,951	-	1,036,951
Depreciation	1,168,616	-	1,168,616
Total operating expenses	4,845,568	-	4,845,568
Operating income	2,357,472	6,079	2,363,551
Nonoperating revenues (expenses)			
Interest income	6,783	-	6,783
Interest expense and fiscal charges	(266,090)	(7,255)	(273,345)
Loss on sale of capital assets	(6,624)	-	(6,624)
Total nonoperating (expenses)	(265,931)	(7,255)	(273,186)
Income (loss) before contributions and transfers	2,091,541	(1,176)	2,090,365
Capital contributions			
Impact fees	307,801	-	307,801
Total capital contributions	307,801	-	307,801
Transfers			
Transfers in	-	221,872	221,872
Transfers out	(1,020,000)	-	(1,020,000)
Total transfers	(1,020,000)	221,872	(798,128)
Change in net position	1,379,342	220,696	1,600,038
Total net position, beginning of year - as previously reported	27,196,022	-	27,196,022
Restatement of beginning net position (Note I.E)	91,684	-	91,684
Total net position, beginning of year - restated	27,287,706	-	27,287,706
Total net position, end of year	\$ 28,667,048	\$ 220,696	\$ 28,887,744

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, 2015

	Business-type Activities		
	Public Utilities Fund	Nonmajor: LWMG Cemetery Fund	Total Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 7,238,859	\$ 4,873	\$ 7,243,732
Cash payments to suppliers for goods and services	(2,994,107)	-	(2,994,107)
Cash payments for employee services	(1,761,407)	-	(1,761,407)
Net cash provided by operating activities	<u>2,483,345</u>	<u>4,873</u>	<u>2,488,218</u>
Cash flows from noncapital financing activities			
Transfer to other funds	(1,020,000)	-	(1,020,000)
Net cash used in noncapital financing activities	<u>(1,020,000)</u>	<u>-</u>	<u>(1,020,000)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(1,382,857)	-	(1,382,857)
Impact fees	307,801	-	307,801
Capital grant	290,338	-	290,338
Debt issuance proceeds	1,500,000	-	1,500,000
Principal payments on long-term debt	(1,445,795)	-	(1,445,795)
Interest paid	(238,758)	-	(238,758)
Proceeds from sale of equipment	5,330	-	5,330
Net cash used in capital and related financing activities	<u>(963,941)</u>	<u>-</u>	<u>(963,941)</u>
Cash flows from investing activities			
Sale of investments	152,105	-	152,105
Investment income	6,783	-	6,783
Net cash provided by investing activities	<u>158,888</u>	<u>-</u>	<u>158,888</u>
Net increase in cash and cash equivalents	658,292	4,873	663,165
Cash and cash equivalents, beginning of year	<u>3,198,205</u>	<u>-</u>	<u>3,198,205</u>
Cash and cash equivalents, end of year	<u>\$ 3,856,497</u>	<u>\$ 4,873</u>	<u>\$ 3,861,370</u>

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

City of Lake Wales, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015
(Concluded)

	Business-type Activities		
	Public Utilities Fund	Nonmajor: LWMG Cemetery Fund	Total Enterprise Funds
Reconciliation of cash and cash equivalents to balance sheet			
Cash and cash equivalents	\$ 153,572	\$ 4,873	\$ 158,445
Restricted cash and cash equivalents	3,702,925	-	3,702,925
Cash and cash equivalents, end of year	\$ 3,856,497	\$ 4,873	\$ 3,861,370
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 2,357,472	\$ 6,079	\$ 2,363,551
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation	1,168,616	-	1,168,616
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	(11,055)	(1,206)	(12,261)
Inventories	32	-	32
Prepaid	(3,000)	-	(3,000)
Net pension asset	(104,865)	-	(104,865)
Deferred outflows	(2,754)	-	(2,754)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	(1,027,826)	-	(1,027,826)
Accrued liabilities	(4,320)	-	(4,320)
Utility deposits	56,038	-	56,038
Unearned revenue	(9,164)	-	(9,164)
Compensated absences	(3,357)	-	(3,357)
Accrued OPEB	11,569	-	11,569
Deferred inflows	55,959	-	55,959
Net cash provided by operating activities	\$ 2,483,345	\$ 4,873	\$ 2,488,218
Schedule of non-cash capital and related financing activities			
Purchase of vehicles on account	\$ 134,397	\$ -	\$ 134,397
Transfer of capitalized interest from the governmental activities	-	14,842	14,842
Transfer of capital assets from the governmental activities	-	707,030	707,030
Transfer of long term debt from the governmental activities	-	(500,000)	(500,000)

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, 2015

	<u>Pension Trust Funds</u>
Assets	
Cash and cash equivalent	\$ 621,353
Investments, at fair value:	
Certificates of deposit	380,607
Money market funds	1,460,383
Government bonds	1,513,700
Government assets backed/CMO securities	484,170
Taxable municipal bonds	339,260
Municipal bonds	42,431
Foreign bonds	387,314
Corporate bonds and notes	7,796,029
Common and preferred stock	16,847,633
Total investments	<u>29,251,527</u>
Prepays	
Prepaid fiduciary liability insurance	<u>7,572</u>
Total Prepays	<u>7,572</u>
Receivable (net):	
Interest and dividends	<u>78,496</u>
Total receivable	<u>78,496</u>
Total assets	<u>29,958,948</u>
Liabilities	
Accounts payable	<u>53,361</u>
Total liabilities	<u>53,361</u>
Net position	
Net position restricted for pension benefits	<u>\$ 29,905,587</u>

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

City of Lake Wales, Florida
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2015

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 1,077,712
State of Florida	234,425
Employee	<u>717,572</u>
Total contributions	<u>2,029,708</u>
Interest and dividends	734,776
Net decrease in the fair value of investments	<u>(800,421)</u>
Investment loss	(65,645)
Investment expense	<u>(219,652)</u>
Investment loss, including investment expense	<u>(285,297)</u>
Total additions	<u>1,744,411</u>
Deductions	
Benefit payments, including refunds of employee contributions	1,940,068
Administration	<u>140,192</u>
Total deductions	<u>2,080,260</u>
Change in net position	(335,849)
Total net position - beginning of year	<u>30,241,436</u>
Total net position - ending	<u><u>\$ 29,905,587</u></u>

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

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2015

I. Summary of significant accounting policies

A. Reporting entity

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

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

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

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

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

The Airport Authority meets the criteria provided by Florida Statute 189-403(2) of a dependent special district of the City of Lake Wales. Florida Statute 218.39(3) provides that a dependent special district may make provision for an annual financial audit by being included within the audit of another local governmental entity upon which it is dependent. The Airport Authority and the City of Lake Wales have made this election. The Lake Wales Airport Authority did not issue separate audited financial statements for fiscal year ending September 30, 2015.

City of Lake Wales, Florida

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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.

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Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

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

City of Lake Wales, Florida

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Additionally, the City reports the following fund types:

- ***Special Revenue Funds*** - account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).
- ***Capital Projects Funds*** - account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.
- ***Pension Trust Funds*** - account for the activities of the employee retirement systems, which accumulate resources for pension benefit payments to qualified public safety or general employees.
- ***Lake Wales Memorial Garden (LWMG) Cemetery Fund*** – accounts for the operation and maintenance of the City’s LWMG cemetery.

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

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

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

D. Assets, liabilities, and net position or equity

1. Deposits and investments

Cash and Cash Equivalents and Investments

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

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

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

Investments – City

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

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

2. Receivables

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

3. Inventories and prepaid items

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

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

4. Restricted assets

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

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

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

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

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

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

5. Capital assets

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

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

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Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expenditures/expense incurred by the governmental funds and enterprise fund during the current fiscal year was \$377,209 and \$273,345 respectively. Total capitalized interest incurred by the enterprise fund was \$14,842. Property, plant and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

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

6. Compensated absences

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

7. Long-term obligations

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

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

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

City of Lake Wales, Florida
Notes to the Financial Statements
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8. *Fund Balances*

In accordance with GASB Cod. Sec 1800, the governmental fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned:

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

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

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

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

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

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

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

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

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

City of Lake Wales, Florida
Notes to the Financial Statements
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9. Revenue Recognition

Utility revenues are recognized when customers are billed unless there has been a significant change in meter reading dates. In that event, unbilled or unearned revenues are recorded for consistency. Included in accounts receivable at September 30, 2015, are unbilled amounts totaling \$475,910 (\$367,790 enterprise funds and \$108,120 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 2015 fiscal year was 8.3638 mills.

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

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

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

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

11. Pension Plans

The City accounts for its fiduciary pension trust funds under GASB Statement No. 67 – *Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25*, The pension plans cover substantially all of the City's full-time employees.

E. Change in Accounting Principles

For the fiscal year ended September 30, 2015, the City implemented the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. Accordingly, beginning net position was restated to reflect the recording of net pension liabilities, deferred inflows of resources, and deferred outflows of resources as follows:

	Government- Wide		Fund Level
	Governmental Activities	Business -type Activities	Public Utilities Fund
Net position, as previously reported	\$ 18,655,636	\$ 27,196,022	\$ 27,196,022
Adjustments:			
Net pension liability as of September 30, 2014	(4,733,643)	(8,163)	(8,163)
Deferred outflow of resources	1,080,696	99,847	99,847
Removal of the beginning net pension asset as previously reported under GASB Statement 27	(272,806)	-	-
Net position, as restated	\$ 14,729,883	\$ 27,287,706	\$ 27,287,706

City of Lake Wales, Florida
Notes to the Financial Statements
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II. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

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

City of Lake Wales, Florida
Notes to the Financial Statements
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III. Detailed notes on all funds

A. Deposits and investments

Deposits

All of the City's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 50% to 200% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public 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, 2015, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$8,188,264, and the related bank balance was \$7,976,227.

Investments – City

At September 30, 2015, the carrying amount of investments was \$741,602. The City seeks to optimize return on investments within the constraints of safety and liquidity held twelve month certificates of deposits.

Investments – Pension Funds

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

City of Lake Wales, Florida
Notes to the Financial Statements
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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 Equity Securities	50%	50%	50%
Fixed Income Securities	35%	35%	35%
International Equity	15%	15%	15%

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

Investments in pension trust funds at September 30, 2015, 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	\$ 711,838	\$ 711,838	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	N/R	90,180	-	-	75,074	15,106	-
Corporate Bonds	*	2,332,785	-	25,292	401,757	1,905,736	-
Government Bonds	AA+	361,983	-	-	70,195	291,788	-
Government Asset Backed/CMO Sec.	AA+	159,304	-	-	4,402	154,902	-
Foreign Bonds	*	112,398	-	-	-	112,398	-
Municipal Bonds	AA	40,410	-	-	-	40,410	-
Taxable Municipal Bonds	*	134,256	-	-	-	134,256	-
Equities	N/R	5,249,718	N/A	N/A	N/A	N/A	N/A
Total Fair Market Value		\$ 9,192,872	\$ 711,838	\$ 25,292	\$ 551,428	\$ 2,654,596	

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	\$ 214,685	\$ 214,685	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	N/R	70,130	-	-	60,059	10,071	-
Corporate Bonds	*	1,956,723	-	-	300,152	1,656,571	-
Government Bonds	AA+	417,016	-	-	55,146	361,870	-
Government Asset Backed/CMO Sec.	AA+	112,997	-	-	2,602	110,395	-
Foreign Bonds	*	121,814	-	-	29,953	91,861	-
Municipal Bonds	AA	2,021	-	-	-	2,021	-
Taxable Municipal Bonds	*	87,168	-	-	-	87,168	-
Equities	N/R	4,235,012	N/A	N/A	N/A	N/A	N/A
Total Fair Market Value		\$ 7,217,566	\$ 214,685	\$ -	\$ 447,912	\$ 2,319,957	

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	\$ 533,860	\$ 533,860	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	N/R	220,297	-	-	200,155	20,142	-
Corporate Bonds	*	3,506,521	-	40,466	653,134	2,812,921	-
Government Bonds	AA+	734,701	-	-	191,480	543,221	-
Government Asset Backed/CMO Sec.	AA+	211,869	-	-	6,004	205,865	-
Foreign Bonds	*	153,102	-	-	-	153,102	-
Municipal Bonds	AA	117,836	-	-	-	117,836	-
Equities	N/R	7,362,903	N/A	N/A	N/A	N/A	N/A
Total Fair Market Value		\$ 12,841,089	\$ 533,860	\$ 40,466	\$ 1,050,773	\$ 3,853,087	

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

City of Lake Wales, Florida
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The pension funds owned cash at September 30, 2015, totaling \$109,987, 277,419 and \$233,947 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, 2015, the City's cash deposits were entirely covered by federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans and limit local government deposits to "qualified public depositories."

Custodial credit risk - investments

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

City of Lake Wales, Florida
Notes to the Financial Statements
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B. Receivables

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

	General	Transportation	Community Redevelopment	Other Governmental Funds	Total Governmental Fund	Enterprise - Business Type	Total
Receivable:							
Taxes	\$ 129,718	\$ -	\$ -	\$ -	\$ 129,718	\$ -	\$ 129,718
Franchise fees	145,530	-	-	-	145,530	-	145,530
Accounts	93,093	-	5,543	-	98,636	582,626	681,262
Unbilled amounts	108,120	-	-	-	108,120	367,790	475,910
Gross receivables	476,461	-	5,543	-	482,004	950,416	1,432,420
Less: allowance for uncollectibles	(7,472)	-	-	-	(7,472)	(54,180)	(61,652)
Net total receivable	<u>\$ 468,989</u>	<u>\$ -</u>	<u>\$ 5,543</u>	<u>\$ -</u>	<u>\$ 474,532</u>	<u>\$ 896,236</u>	<u>\$ 1,370,768</u>
Intergovernmental Receivables	<u>\$ 303,765</u>	<u>\$ 119,016</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 472,781</u>	<u>\$ -</u>	<u>\$ 472,781</u>

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

Governmental Funds:

	<u>Unearned</u>
Prepaid local business tax	\$ 54,279
Permit fees collected prior to meeting all eligibility requirements	67,493
Cemetery funds collected prior to meeting all eligibility requirements	<u>57,471</u>
Total deferred inflows /unearned revenue for governmental funds	<u>\$ 179,243</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

C. Capital assets

Capital asset activity for the year ended September 30, 2015 was as follows:

Governmental activities:	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,137,312	\$ 46,613	\$ (42,100)	\$ 5,141,825
Construction in progress	238,110	763,938	(1,002,048)	-
Total capital assets, not being depreciated	<u>5,375,422</u>	<u>810,551</u>	<u>(1,044,148)</u>	<u>5,141,825</u>
Capital assets being depreciated:				
Buildings	14,434,886	68,212	(25,000)	14,478,098
Improvements other than buildings	7,451,776	208,302	(650,081)	7,009,997
Machinery and equipment	10,120,227	482,996	(24,875)	10,578,348
Infrastructure	19,428,151	101,515	-	19,529,666
Total depreciable capital assets	<u>51,435,040</u>	<u>861,025</u>	<u>(699,956)</u>	<u>51,596,109</u>
Total all capital assets	<u>56,810,462</u>	<u>1,671,576</u>	<u>(1,744,104)</u>	<u>56,737,934</u>
Less accumulated depreciation for:				
Buildings	(3,929,927)	(306,569)	25,000	(4,211,496)
Improvements other than buildings	(5,092,099)	(291,832)	648,401	(4,735,530)
Machinery and equipment	(8,734,966)	(354,344)	24,875	(9,064,435)
Infrastructure	(12,357,007)	(743,859)	-	(13,100,866)
Total accumulated depreciation	<u>(30,113,999)</u>	<u>(1,696,604)</u>	<u>698,276</u>	<u>(31,112,327)</u>
Depreciable capital assets, net	<u>21,321,041</u>	<u>(835,579)</u>	<u>(1,680)</u>	<u>20,483,782</u>
Total Governmental capital assets, net	<u>\$ 26,696,463</u>	<u>\$ (25,028)</u>	<u>\$ (1,045,828)</u>	<u>\$ 25,625,607</u>

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

Governmental activities:	
General government	\$ 87,846
Public safety	323,731
Physical environment	24,532
Transportation	863,084
Economic environment	11,930
Human services	10,174
Culture and recreation	375,307
Total governmental activities depreciation expense	<u>\$ 1,696,604</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 633,115	\$ 204,569	\$ (11,954)	\$ 825,730
Construction in progress	3,620,376	1,254,938	(4,314,563)	560,751
Total capital assets, not being depreciated	<u>4,253,491</u>	<u>1,459,507</u>	<u>(4,326,517)</u>	<u>1,386,481</u>
Capital assets being depreciated:				
Buildings	726,957	398,760	-	1,125,717
Improvements other than buildings	42,548,686	4,534,905	-	47,083,591
Machinery and equipment	5,410,547	160,518	(19,156)	5,551,909
Total depreciable capital assets	<u>48,686,190</u>	<u>5,094,183</u>	<u>(19,156)</u>	<u>53,761,217</u>
Total all capital assets	<u>52,939,681</u>	<u>6,553,690</u>	<u>(4,345,673)</u>	<u>55,147,698</u>
Less accumulated depreciation for:				
Buildings	(494,617)	(22,074)	-	(516,691)
Improvements other than buildings	(12,973,185)	(969,009)	-	(13,942,194)
Machinery and equipment	(4,295,364)	(177,533)	19,156	(4,453,741)
Total accumulated depreciation	<u>(17,763,166)</u>	<u>(1,168,616)</u>	<u>19,156</u>	<u>(18,912,626)</u>
Depreciable capital assets, net	<u>30,923,024</u>	<u>3,925,567</u>	<u>-</u>	<u>34,848,591</u>
Total business-type capital assets, net	<u>\$ 35,176,515</u>	<u>\$ 5,385,074</u>	<u>\$ (4,326,517)</u>	<u>\$ 36,235,072</u>

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

Business-type activities:	
Water	\$ 467,618
Sewer	700,998
Total depreciation expense - business-type activities	<u>\$ 1,168,616</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	162,000	2,857,072	(3,019,072)	-
Total capital assets, not being depreciated	<u>1,787,274</u>	<u>2,857,072</u>	<u>(3,019,072)</u>	<u>1,625,274</u>
Capital assets being depreciated:				
Buildings	2,534,616	-	-	2,534,616
Improvements other than buildings	6,378,985	3,224,701	-	9,603,686
Machinery and equipment	606,558	-	-	606,558
Total depreciable capital assets	<u>9,520,159</u>	<u>3,224,701</u>	<u>-</u>	<u>12,744,860</u>
Total all capital assets	<u>11,307,433</u>	<u>6,081,773</u>	<u>(3,019,072)</u>	<u>14,370,134</u>
Less accumulated depreciation for:				
Buildings	(319,632)	(51,653)	-	(371,285)
Improvements other than buildings	(2,979,129)	(239,750)	-	(3,218,879)
Machinery and equipment	(226,686)	(34,434)	-	(261,120)
Total accumulated depreciation	<u>(3,525,447)</u>	<u>(325,837)</u>	<u>-</u>	<u>(3,851,284)</u>
Depreciable capital assets, net	<u>5,994,712</u>	<u>2,898,864</u>	<u>-</u>	<u>8,893,576</u>
Lake Wales Airport Authority capital assets, net	<u>\$ 7,781,986</u>	<u>\$ 5,755,936</u>	<u>\$ (3,019,072)</u>	<u>\$ 10,518,850</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

D. Construction commitments

The City has active construction projects as of September 30, 2015. The projects include asbestos pipe removal, runway extension, water and wastewater facilities. At year-end, the City's commitments with contractors are as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
C street sewer project - engineering	\$ 498,342	\$ 11,354
SR 60 westerly expansion	327,764	66,875
	<u>\$ 826,106</u>	<u>\$ 78,229</u>

Other Commitments

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

E. Leases

Operating Leases

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

	<u>Postage Equipment</u>	<u>Copier Equipment</u>	<u>Vehicles</u>	<u>Total</u>
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>\$ 5,670</u>	<u>\$ 24,724</u>	<u>\$ 67,067</u>	<u>\$ 97,461</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

F. Interfund receivable, payables and transfers

The composition of interfund balances as of September 30, 2015, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 113,654
General	Law Enforcement Block Grant	82
		<u>\$ 113,736</u>

Due to/from component unit:

General	Airport Authority	<u>\$ 60,242</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.

Source	Transfer To	Amount	Purpose
Public Utilities	General	\$ 1,020,000	Operating Transfer
Capital Projects	Transportation	5,075	Capital Outlay Transfer
General	Debt Service	71,017	Debt Subsidy
Transportation	Debt Service	85,673	Debt Subsidy
Community Redevelopment	Debt Service	859,938	Operating Transfer
General	Capital Projects	274,935	Operating Transfer
Total Transfers In - Governmental Funds		<u>\$ 2,316,638</u>	

Source	Transfer To	Amount	Purpose
Governmental Activities	Business-Type Activities	(221,872)	Transfer of capital assets and related debt
Business-Type Activities	Governmental Activities	1,020,000	Operating Transfer
Total Transfers In - Governmental Activities		<u>\$ 798,128</u>	

During the year ended September 30, 2015, the City established an enterprise fund to account for the cemetery operations. In the prior year, the City made capital asset improvements to the LWMG cemetery which was financed by a portion of the capital improvement revenue note, Series 2013. These improvements and related debt were reported in the governmental activities in the prior year. Upon completion of the LWMG cemetery improvements in the current fiscal year, the governmental activities transferred the capital assets totaling \$721,872 and the related long term debt totaling \$500,000 for a net transfer of \$221,872 to the business-type activities / LWMG cemetery fund.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

G. Long-term debt

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

	Beginning Balance (restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds, notes and lease obligations payable:					
Notes payable	\$ 11,444,458	\$ 500,000	\$ 2,279,986	\$ 9,664,472	\$ 1,352,341
Lease obligations	166,121	290,560	62,304	394,377	97,552
Total bonds and notes payable	11,610,579	790,560	2,342,290	10,058,849	1,449,893
Other liabilities					
Interest rate swap	78,991	-	48,051	30,940	-
Net pension liabilities	4,733,643	3,243,497	3,823,525	4,153,615	-
OPEB liability	214,281	50,496	-	264,777	-
Compensated absences	742,454	488,303	456,721	774,036	77,404
Total other Liabilities	5,769,369	3,782,296	4,328,297	5,223,368	77,404
Governmental long-term liabilities	\$ 17,379,948	\$ 4,572,856	\$ 6,670,587	\$ 15,282,217	\$ 1,527,297
Business-type activities					
Bonds, notes and lease obligations payable:					
Notes payable	\$ 11,023,165	\$ 2,000,000	\$ 1,432,181	\$ 11,590,984	\$ 2,083,294
Lease obligations	-	134,397	13,614	120,783	21,521
Total notes payable	11,023,165	2,134,397	1,445,795	11,711,767	2,104,815
Other liabilities					
Net pension liabilities	8,163	-	8,163	-	-
OPEB liability	48,443	11,569	-	60,012	-
Compensated absences	138,182	55,745	59,102	134,825	13,483
Total other Liabilities	194,788	67,314	67,265	194,837	13,483
Business-type long-term liabilities	\$ 11,217,953	\$ 2,201,711	\$ 1,513,060	\$ 11,906,604	\$ 2,118,298
Discretely presented component unit					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lake Wales Airport Authority:					
FBO payment credit	\$ 135,795	\$ -	\$ 11,834	\$ 123,961	\$ 11,834
Airport Authority long-term liabilities	\$ 135,795	\$ -	\$ 11,834	\$ 123,961	\$ 11,834

The beginning balance of long-term liabilities was restated to reflect the beginning net pension liability in accordance with GASBS 68 by increasing the long-term liabilities of the governmental activities by \$4,733,643 and business-type activities by \$8,163. See Note I.E for more information.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2015

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2015:

	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	\$ 1,084,524	3.84%
Redevelopment Revenue Note, Series 2007	8	S	2028	9,500,000	6,879,948	3.77%
Ascending Lien Capital Improvement, Revenue Note, Series 2013	10	S	2028	1,200,000	1,200,000	2.91%
Subordinate Lien Capital Improvement, Revenue Note, Series 2015	14	S	2017	500,000	500,000	1.17%
Lease obligations						
Mears Motor Leasing - FY 2012'13	11	M	2018	119,184	64,542	1.29%
Mears Motor Leasing - FY 2013'14	12	M	2019	86,457	60,600	1.49%
Mears Motor Leasing - FY 2014'15	13	M	2020	436,957	269,235	1.93%
Total governmental activities					<u>\$ 10,058,849</u>	
Business-type activities						
Note payable:						
State Revolving Fund Loan - 5907P	3	S	2019	\$ 1,634,636	\$ 346,637	2.56%
State Revolving Fund Loan - 59110	3	S	2022	1,171,882	318,705	3.05%
State Revolving Fund Loan - 5912S	4	S	2024	1,429,755	674,002	2.14%
State Revolving Fund Loan - 5913P	5	S	2028	1,025,345	684,925	1.88%
State Revolving Fund Loan - 59140	9	S	2033	368,589	337,587	2.30%
State Revolving Fund Loan - 530300	9	S	2033	4,163,664	3,784,822	1.91%
Capital Improvement Revenue Note, Series 2003	1	S	2017	432,665	51,514	3.84%
Subordinate Lien Capital Improvement, Revenue Note, Series 2015	14	S	2017	1,500,000	1,500,000	1.17%
Ascending Lien Capital Improvement, Revenue Note, Series 2013	10	S	2028	500,000	500,000	2.91%
Utility System Refunding Note, Series 2006A	2	S	2017	6,272,220	1,540,876	4.09%
Utility System Refunding Note, Series 2006B	6	S	2027	2,550,000	1,851,916	1.14%
Lease obligations						
Mears Motor Leasing - FY 2014'15	13	M	2020	134,397	120,783	1.93%
Total business-type activities					<u>\$ 11,711,767</u>	
Lake Wales Airport Authority						
Discretely presented component unit						
Fixed Based Operator's Payment Credit	7	M	2019	\$ 340,000	\$ 123,961	0.00%
Total Lake Wales Airport Authority					<u>\$ 123,961</u>	

(1) Frequency: 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)

City of Lake Wales, Florida
Notes to the Financial Statements
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4. Construction of sludge dewatering facilities. (SRF – 5912S)
5. Planning and design of wastewater treatment plant expansion. (SRF – 5913P)
6. Construction of water and wastewater system improvements, including rehabilitation of lift station #2, southside force main and water main extension, and southside reuse transmission lines. This note was initially issued as a non-revolving line of credit during May, 2006 but on October 1, 2009, the loan converted to a term loan. (Series 2006B)
7. Agreement between the City and Lake Wales Aviation, Inc., (the Airport Fixed Base Operator) related to leasehold improvements done by the FBO on airport property. The City agreed to credit the FBO for improvements and equipment by reducing the FBO rent until fully paid (at 0% interest).
8. Acquisition, construction and equipping of various capital improvements within the Community Redevelopment Area. (Series 2007)
9. Construction of wastewater plant rehabilitation and expansion. (SRF – 59140 & 530300)
10. Construction funding for fire substation \$1,200,000 and cemetery addition \$500,000. (Series 2013)
11. Capital lease for six police cars. (Lease FY 2012'13)
12. Capital lease for three fire vehicles. (Lease FY 2013'14)
13. Capital lease for twelve police vehicles and six utility vehicles. (Lease FY 2014'15)
14. Construction funding for governmental capital projects (\$500,000) and business type activities \$1,500,000. (Series 2015)

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;
- State Revolving Fund Loans - junior lien on utility system net revenues;
- Ascending Lien Cap Imp Rev Note, Series 2013 – senior lien on communication service taxes and a junior lien on electric franchise fees and public service (utility) taxes
- Subordinate Lien Cap Imp Rev Note, Series 2015 – junior lien on public service taxes, communication service taxes, and electric franchise fees.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

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 a “breakage fee” on the Utility System Refunding Revenue Note, Series 2006A, if interest rates have generally decreased.
- There is a “breakage fee” on the Utility System Revenue Note, Series 2006B, if interest rates have generally decreased.
- There is a “prepayment charge” on the Redevelopment Revenue Note, Series 2007 to compensate the Bank for all losses, costs and expenses incurring in connection with such prepayment.
- The Ascending Lien Cap Imp Rev Note, Series 2013 may not be prepaid prior to September 2015.

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

- The Utility System Refunding Revenue Note, Series 2006A and Series 2006B both require annual debt service reserves equal to 1/6th per month of all interest and 1/12th per month of the annual principal amount coming due. As of September 30, 2015, sinking fund balance for Series 2006A and 2006B were \$785,352 and \$155,440, 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 \$337,433.
- Three of the existing State Revolving Fund loans require a “Loan Replacement Reserve Account”. The Replacement Reserve Account for the existing loans is \$136,508 (Loan #5907P - \$47,349, 5911O - \$44,490 and 5912S - \$44,669).
- Subordinate Lien Capital Improvement Revenue Note, Series 2015 requires the designation of a “Debt Service Fund” reserve equal to 1/6th per month of all interest and principal becoming due on the next payment date. As of September 30, 2015, the sinking fund balance for the Series 2015 was \$215,050.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

Annual debt service requirements as of September 30, 2015 are as follows:

Fiscal Year	Governmental Activities					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,352,341	\$ 321,241	\$ 97,552	\$ 5,698	\$ 1,449,893	\$ 326,939
2017	1,230,865	279,380	99,098	4,152	1,329,963	283,532
2018	526,840	249,565	92,478	2,563	619,318	252,128
2019	546,074	230,010	67,761	1,254	613,835	231,264
2020	566,015	209,735	37,488	232	603,503	209,967
2021-2025	3,155,820	717,465	-	-	3,155,820	717,465
2026-2030	2,286,517	137,958	-	-	2,286,517	137,958
Total	\$ 9,664,472	\$ 2,145,354	\$ 394,377	\$ 13,899	\$ 10,058,849	\$ 2,159,253

Fiscal Year	Business-type Activities					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,077,798	\$ 222,045	\$ 21,521	\$ 1,801	\$ 2,099,319	\$ 223,846
2017	2,296,325	168,393	26,532	1,682	2,322,857	170,075
2018	660,059	131,612	27,049	1,165	687,108	132,777
2019	621,137	118,437	27,575	638	648,712	119,075
2020	580,489	106,990	18,106	106	598,595	107,096
2021-2025	2,781,364	372,433	-	-	2,781,364	372,433
2026-2030	1,903,762	151,657	-	-	1,903,762	151,657
2031-2035	670,050	19,237	-	-	670,050	19,237
Total	\$ 11,590,984	\$ 1,290,804	\$ 120,783	\$ 5,392	\$ 11,711,767	\$ 1,296,196

Fiscal Year	Discretely Presented Component Unit	
	Agreement	
	Principal	Interest
2016	\$ 11,834	\$ -
2017	11,834	-
2018	11,834	-
2019	11,834	-
2020	11,834	-
2021-2025	59,170	-
2026-2030	5,621	-
Total	\$ 123,961	\$ -

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

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Bond-Related Accounts - Governmental Activities

A refunding loss of \$426,861 incurred in conjunction with the issuance of the Capital Improvement Revenue Note, Series 2003, is being amortized over the life of the bonds using the straight-line method. Amortization of the refunding loss was \$33,479 for the year ended September 30, 2015, and is included as a component of interest expense in the statement of activities. The unamortized balance at September 30, 2015 is \$33,490 and is reported as a deferred outflow of resources on the government-wide statement of net position.

Bond-Related Accounts - Utility Fund

A refunding loss of \$435,604 incurred in conjunction with the issuance of the Utility System Refunding Revenue Note, Series 2006A, is being amortized over the term of the bonds using the straight-line method. Amortization of refunding loss was \$43,563 for the year ended September 30, 2015, and is included as a component of interest expense. The unamortized balance at September 30, 2015, is \$43,561 and is reported as a deferred outflow of resources on the government-wide and proprietary funds statement of net position.

Interest Rate Swap

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

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

<u>Associated Bond Issue</u>	<u>Counter-party Credit Rating</u>	<u>Notional Amount</u>	<u>Fair Value 9/30/2014</u>	<u>Change in Fair Value</u>	<u>Fair Value 9/30/2015</u>
Capital Improvements Revenue Note, Series 2003	BBB+ (S&P)	\$1,136,038	\$ (78,991)	\$ 48,051	\$ (30,940)

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.

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Using rates as of September 30, 2015, 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, 2015). 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	Total
	Principal	Interest	Swap, Net	
2016	\$ 672,669	\$ 6,026	\$ 24,683	\$ 703,378
2017	463,369	1,746	7,151	472,266
	<u>\$ 1,136,038</u>	<u>\$ 7,772</u>	<u>\$ 31,834</u>	<u>\$ 1,175,644</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, 2015 was \$-0- because the swap was a liability at that date.
- **Basis Risk** - This risk is present when a floating to fixed interest rate swap is executed and the floating rate in the swap agreement does not perfectly match the floating rate paid by the Borrower to the bondholders. The City is paying SunTrust VRDB rate to the bondholders, which is a tax-exempt rate, while the floating rate on the swap is 67% of 1-Month LIBOR, which is a taxable rate. However, under this swap agreement, both rates are the same: 67% of 1-month LIBOR plus 65 basis points.

Future Revenues that are Pledged

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

	Debt Obligation Reference	Total		% of	
		Principal and Interest Outstanding	Current Year Principal and Interest	Current Year Revenue	Revenues to Principal and Interest Paid
Public Service Taxes	Series 2003	\$ 1,175,643	\$ 1,115,912	\$ 1,603,538	144%
CRA Tax Increment Revenues	Series 2007	8,728,633	675,437	967,998	143%
Communication Service Taxes	Series 2013	1,921,828	49,470	467,311	945%
Water and Sewer Net Revenue	SRF, Series 2005, 2006A & 2006B	10,717,270	1,598,605	3,325,344	208%
		<u>\$ 22,543,374</u>	<u>\$ 3,439,424</u>	<u>\$ 6,364,191</u>	

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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, 2015, the outstanding balance on these bonds is \$23,805,000.

IV Other Information

A. Related party transactions

During 2015, the City provided the use of certain City personnel to the Authority (the discretely presented component unit) at no cost. The City Manager and City Finance Director currently serve as the Airport Manager and Airport Finance Director, respectively. The City's Public Service Director acted in a liaison capacity between the City Commission and the Airport Authority Board. Additional services were provided by City purchasing, information technology, and finance departments. Public Service department costs totaling \$33,995 were charged to the Authority for the year ended September 30, 2015.

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

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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 \$60,242 at September 30, 2015.

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 postemployment benefits (OPEB) costs and the associated unfunded actuarial accrued liability (UAAL) for past service costs.

Membership is comprised of the following at 10/1/2014, the date in the latest complete actuarial valuation:

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

Plan Description

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

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Funding Policy

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

The following is required three-year trend information and a schedule of funding progress from actuarial valuations provided during the past three years for the OPEB plan:

Trending Information

Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
September 30, 2015	\$ 84,786	26.8%	\$ 324,789
September 30, 2014	119,356	47.1%	262,724
September 30, 2013	113,902	45.6%	199,634

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Rate (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2014	-	716,387	716,387	0.00%	8,413,699	8.5%

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

Actuarial Valuations and Net OPEB Obligation

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

Actuarial Value of Assets:	Market Value
Funding Interest Rate:	4.00%
Health Care Inflation:	Pre-Medicare: 8.00% in 2015 (grading down .75% per year to 4.50% in 2020)
	Post-Medicare: 8.00% in 2015 (grading down .75% per year to 4.50% in 2020)
Vision Care Inflation:	3.00%
Payroll Growth:	3.50%
Inflation Assumption:	3.50%
Amortization of UAAL:	Level % of Payroll (closed Amoritzation over 30 years)

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Other actuarial assumptions are:

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

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

<u>Program</u>	<u>Pre 65 Cost</u>	<u>Post 65 Cost</u>
Health Insurance	\$12,123	\$3,774
Dental Insurance	346	346
Vision Insurance	100	100
Life Insurance	10,000 or 15,000	10,000 or 15,000

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

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

- Health insurance inflation has been assumed to increase at the rate of 8.0% in fiscal year 2015, decreasing .75% each year until the ultimate rate of 4.5% in 2020.
- Retirees electing health care participation has been assumed to be 30%, with 50% electing spouse coverage. Vision care participation has been assumed to be 0%.
- Current retirees have been assumed to continue their current election as to healthcare coverage.
- Investment rate of return: 4.0%
- Payroll growth: 3.5%
- Inflation assumption: 3.5%
- Post-retirement benefit increases assumption: 0.0%

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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>9/30/2015</u>
Annual Required Contributions	\$ 84,603
Interest on Net OPEB Obligation	10,509
Adjustments	<u>(10,325)</u>
Annual OPEB cost	84,787
Estimated Net Contributions	<u>(22,722)</u>
Anticipated increase/(decrease) in Net OPEB obligations	62,065
Net OPEB Obligations - Beginning of year	<u>262,724</u>
Estimated Net Obligations- end of year	<u><u>\$ 324,789</u></u>

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

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D. Employee retirement systems and pension plans

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

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

Summary of Significant Accounting Policies

The City accounts for all three plans as pension trust funds; therefore, they are accounted for in substantially the same manner as proprietary funds with an economic resources measurement focus and the accrual basis of accounting. Plan members contributions, employer's contributions, and contributions from other entities are recognized in the period in which the contributions are due. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' net position have been determined on the same basis as they are reported to the plans. For this purpose, benefits and refunds are recognized when due and payable in accordance with terms of the plans. Plan assets are valued at fair value for financial statement purposes, as reported within the annual trustee statements. The three pension plans were established by City ordinance and can be amended or terminated by City ordinance.

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

Cash, Cash Equivalents, and Investments

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

The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the fiscal year ended September 30, 2015, the money-weighted rate of return on plan investments, net of investment expense, was as follows:

	<u>General</u>	<u>Firefighter</u>	<u>Police</u>
Money-Weighted Rate of Return	-1.14%	-1.01%	-0.97%

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

General Information about the Pension Plans

Plan Description:

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

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

Benefits Provided:

Benefits for police officers and firefighters are payable at normal retirement, the earlier of age 55 with 10 years of creditable service or age 50 with 25 years of creditable service, equal to 3% of average final compensation multiplied by the number of service years with a maximum annual benefit of \$75,000. The average final compensation is based on annual compensation of the 5 highest paid years of the last 10 years of creditable service. Both plans provide for early retirement with reduced benefits at age 50 and provide disability, death, and survivor benefit provisions. Members who have accrued the maximum annual benefit of \$75,000 no longer make contributions to the plan.

Benefits for general employees are payable at normal retirement, upon the attainment of age 60 with 10 years of creditable service. The normal retirement benefit is equal to 2.5% of average final compensation multiplied by the number of creditable service years with a maximum annual benefit of \$75,000. The average final compensation is based on annual compensation of the highest 5 consecutive years of service. The plan provides for early retirement with reduced benefits at age 55 and provides death and survivor benefit provisions. Members who have accrued the maximum annual benefit of \$75,000 no longer make contributions to the plan.

Police, fire and general employees who have satisfied the requirements for normal retirement are eligible to participate in the Deferred Retirement Option Program (DROP) for up to five years. During the DROP period, the member accrues a benefit amount equal to what would have been the members retirement benefit had the member retired as of the date of entry into the DROP program plus earnings. This accumulated amount is paid in a lump-sum when the member leaves active service at the end of the DROP period. Amounts held in DROP accounts as of September 30, 2015 are \$77,718 for the General Pension Plan, \$215,765 for the Police Officers' Pension Plan and \$346,479 for the Firefighters' Pension Plan.

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Participant Data

Following is a detail of participant data for each plan:

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

Contributions Required and Contribution Made

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

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

Contribution rates/amounts:	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
City	7.3%	38.2%	24.5%
Plan members	5.0%	5.0%	5.0%
Non-employee Contributions made	\$267,808	\$524,620	\$519,709

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

The annual required contribution for the 2015 fiscal year was determined as part of the October 1, 2013 actuarial valuations. The assumptions did not include post retirement cost of living adjustment.

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Changes in the Net Pension Liability: The following schedules represent the changes in the net pension liability as of the City's measurement date of September 30, 2014 for each of the pension plans in which the City participates. As a result, the individual Plan Fiduciary Net Position in the schedules below will not agree to the individual Plan Fiduciary Net Position as of September 30, 2015.

General Employees Pension

	Increase (Decrease)		
	Total	Plan Fiduciary	Net
	Pension	Net	Pension
	Liability	Position	Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at 9/30/2014	\$ 8,546,139	\$ 8,522,030	\$ 24,109
Changes for the year:			
Service cost	313,558	-	313,558
interest	667,476	-	667,476
Contributions - employer	-	294,883	(294,883)
Contributions - employee	-	155,202	(155,202)
Net investment income	-	864,409	(864,409)
refunds of employee contributions	(494,203)	(494,203)	-
Administrative expense	-	(23,766)	23,766
Net changes	<u>486,831</u>	<u>796,525</u>	<u>(309,694)</u>
Balances at 9/30/2015	<u>\$ 9,032,970</u>	<u>\$ 9,318,555</u>	<u>\$ (285,585)</u>

Firefighter's Pension

	Increase (Decrease)		
	Total	Plan Fiduciary	Net
	Pension	Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
Balance at 9/30/2014	\$ 10,802,571	\$ 7,456,858	\$ 3,345,713
Changes for the year:			
Service cost	197,807	-	197,807
interest	809,770	-	809,770
Contributions - employer	-	394,983	(394,983)
Contributions - State of Florida	-	137,176	(137,176)
Contributions - employee	-	63,503	(63,503)
Net investment income	-	681,276	(681,276)
refunds of employee contributions	(1,103,457)	(1,103,457)	-
Administrative expense	-	(42,600)	42,600
Net changes	<u>(95,880)</u>	<u>130,881</u>	<u>(226,761)</u>
Balances at 9/30/2015	<u>\$ 10,706,691</u>	<u>\$ 7,587,739</u>	<u>\$ 3,118,952</u>

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Police Officers' Pension

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 9/30/2014	\$ 13,661,616	\$ 12,289,632	\$ 1,371,984
Changes for the year:			
Service cost	417,622	-	417,622
interest	1,064,424	-	1,064,424
Differences between expencted and actual experience	-	-	-
Contributions - employer	-	490,677	(490,677)
Contributions - State of Florida	-	96,680	(96,680)
Contributions - employee	-	108,367	(108,367)
Net investment income	-	1,170,339	(1,170,339)
Benefit payments, including refunds of employee contributions	(689,470)	(689,470)	-
Administrative expense	-	(46,699)	46,699
Other charges	-	-	-
Net changes	<u>792,576</u>	<u>1,129,894</u>	<u>(337,318)</u>
Balances at 9/30/2015	<u>\$ 14,454,192</u>	<u>\$ 13,419,526</u>	<u>\$ 1,034,666</u>

The net pension liability of each Plan was measured as of September 30, 2014 for financial reporting purposes and the total pension liability used to calculate the net pension liability for this purpose was determined by actuarial valuations as of October 1, 2013 updated to September 30, 2014. Significant actuarial assumptions used to measure the total pension liability are as follows:

	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
Significant assumptions:			
Investment rate of return	7.75%	7.75%	7.75%
Projected salary increase*	6.50%	5.75%	5.75%
*Includes inflation at	3.00%	3.00%	3.00%
Post retirement COLA	0.00%	0.00%	0.00%
Mortality table	RP 2000 (Combined healthy with disabled lives set forward 5 years)	RP 2000 (Sex Distinct with disabled lives set forward 5 years)	RP 2000 (Sex Distinct with disabled lives set forward 5 years)
Experience study used	1992-2008	1992-2007	1992-2007

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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Best estimates of arithmetic real rates of return for each major asset class included in each pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

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

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$747,361. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of Assumptions	-	-
City contributions made subsequent to the measurement date of September 30, 2014	1,112,246	-
Net difference between projected and actual earning on pension plan investments	-	440,591
Total	<u>\$ 1,112,246</u>	<u>\$ 440,591</u>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2014 will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	
2016	\$ (110,148)
2017	(110,148)
2018	(110,148)
2019	(110,147)
	<u>\$ (440,591)</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

Discount Rate: The discount rate used to measure the total pension liability for each plan was 7.75 percent. The projection of cash flow used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Net Pension Liabilities as of the City's measurement date of September 30, 2014:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension General Employees Liability (Asset)	\$ 732,771	\$ (285,585)	\$ (1,069,143)
Sponsor's Net Pension Firefighters Liability	\$ 4,404,085	\$ 3,118,952	\$ 2,193,530
Sponsor's Net Pension Police Officers Liability (Asset)	\$ 2,692,758	\$ 1,034,666	\$ (272,027)
Total	<u>\$ 7,829,614</u>	<u>\$ 3,868,033</u>	<u>\$ 852,360</u>

Sensitivity of the Net Pension Liabilities as of the Plans' current fiscal year of September 30, 2015:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension General Employees Liability (Asset)	\$ 1,460,171	\$ 445,857	\$ (465,595)
Sponsor's Net Pension Firefighters Liability	\$ 4,880,913	\$ 3,634,080	\$ 2,651,646
Sponsor's Net Pension Police Officers Liability	\$ 3,645,717	\$ 1,983,617	\$ 571,665
Total	<u>\$ 9,986,801</u>	<u>\$ 6,063,554</u>	<u>\$ 2,757,716</u>

The net effect of significant changes between the City's measurement date of September 30, 2014 and the reporting date of September 30, 2015 can be seen in the tables above. The most significant change between the measurement date and the reporting date is that actual earnings on plan investments were less than projected.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

Statement of Fiduciary Net Position as of September 30, 2015

	Pension Trust Fund			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Assets				
Cash and cash equivalents	\$ 109,987	\$ 277,419	\$ 233,947	\$ 621,353
Investments, at fair value:				
Certificates of deposit	90,180	70,130	220,297	380,607
Money market funds	711,838	214,685	533,860	1,460,383
Government Bonds	361,983	417,016	734,701	1,513,700
Government Assets backed/CMO Securities	159,304	112,997	211,869	484,170
Taxable Municipal Bonds	134,256	87,168	117,836	339,260
Municipal Bonds	40,410	2,021	-	42,431
Foreign Bonds	112,398	121,814	153,102	387,314
Corporate bonds and notes	2,332,785	1,956,723	3,506,521	7,796,029
Common and preferred stock	5,249,718	4,235,012	7,362,903	16,847,633
Total investments	<u>9,192,872</u>	<u>7,217,566</u>	<u>12,841,089</u>	<u>29,251,527</u>
Prepays				
Prepaid Fiduciary Liability Insurance	2,101	3,228	2,243	7,572
Total Prepays	<u>2,101</u>	<u>3,228</u>	<u>2,243</u>	<u>7,572</u>
Receivable (net):				
Interest and dividends	22,431	20,178	35,887	78,496
Total receivable	<u>22,431</u>	<u>20,178</u>	<u>35,887</u>	<u>78,496</u>
Total assets	<u>9,327,391</u>	<u>7,518,391</u>	<u>13,113,166</u>	<u>29,958,948</u>
Liabilities				
Accounts payable	16,623	13,308	23,430	53,361
Total liabilities	<u>16,623</u>	<u>13,308</u>	<u>23,430</u>	<u>53,361</u>
Net position				
Restricted for pension benefits	<u>\$ 9,310,768</u>	<u>\$ 7,505,083</u>	<u>\$ 13,089,736</u>	<u>\$ 29,905,587</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

Schedule of Changes in Fiduciary Net Position for the year ended September 30, 2015

	<u>Pension Trust Fund</u>			<u>Total</u>
	<u>General Employees' Pension</u>	<u>Firefighters' Pension</u>	<u>Police Officers' Pension</u>	
Additions				
Contributions:				
Employer	\$ 267,808	\$ 390,377	\$ 419,527	\$ 1,077,712
State of Florida	-	134,243	100,182	234,425
Employee	545,102	66,407	106,063	717,572
Total contributions	<u>812,910</u>	<u>591,027</u>	<u>625,772</u>	<u>2,029,709</u>
Interest and dividends	239,923	178,754	316,099	734,776
Net (decrease) in the fair value of investments	<u>(267,811)</u>	<u>(194,864)</u>	<u>(337,746)</u>	<u>(800,421)</u>
Total investments (loss)	<u>(27,888)</u>	<u>(16,110)</u>	<u>(21,647)</u>	<u>(65,645)</u>
Less investment expense	<u>(66,443)</u>	<u>(54,794)</u>	<u>(98,416)</u>	<u>(219,653)</u>
Net investment (loss)	<u>(94,331)</u>	<u>(70,904)</u>	<u>(120,063)</u>	<u>(285,298)</u>
Total additions	<u>718,579</u>	<u>520,123</u>	<u>505,709</u>	<u>1,744,411</u>
Deductions				
Benefit payments, including refunds of employee contributions	655,936	537,358	746,774	1,940,068
Administration	<u>22,009</u>	<u>51,457</u>	<u>66,726</u>	<u>140,192</u>
Total deductions	<u>677,945</u>	<u>588,815</u>	<u>813,500</u>	<u>2,080,260</u>
Change in net position	40,634	(68,692)	(307,791)	(335,849)
Total net position - beginning	<u>9,270,134</u>	<u>7,573,775</u>	<u>13,397,527</u>	<u>30,241,436</u>
Total net position - ending	<u>\$ 9,310,768</u>	<u>\$ 7,505,083</u>	<u>\$ 13,089,736</u>	<u>\$ 29,905,587</u>

Net Pension Liability:

The components of the net pension liabilities of the City as measured as of the Plans' most recent fiscal year-end, which is September 30, 2015, were as follows:

	General	Firefighters'	Police	Total
	Employees'		Officers'	
	Pension Fund	Pension Fund	Pension Fund	
Total pension liability	\$ 9,756,625	\$ 11,139,163	\$ 15,073,353	\$ 35,969,141
Plan fiduciary net position	9,310,768	7,505,083	13,089,736	29,905,587
City's net pension liability	<u>\$ 445,857</u>	<u>\$ 3,634,080</u>	<u>\$ 1,983,617</u>	<u>\$ 6,063,554</u>

Plan fiduciary net position as a percentage of the total pension liability

95.43%	67.38%	86.84%	83.14%
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City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2015

E. Defined Contribution Plan

The City of Lake Wales Money Purchase Plan, sponsored by the City, is a defined contribution plan available to upper level management of the City who elect not to participate in the defined benefit plan offered by the City. There are 3 active participants in the plan. The plan required City contributions of 8.4% and employee contribution of 5% for fiscal year ending September 30, 2015.

The funds are invested in life insurance, annuity contracts and a variable rate investment plan. The asset management charge is deducted from individual contracts, where applicable. Total pension contributions for the year ended September 30, 2015 were approximately \$54,702 (City's contribution of \$20,411, employees' contributions of \$34,291) on covered payroll of \$408,227. No pension provision changes occurred during the year that affected the City's required contribution. The vesting schedule allows 100% vesting immediately. At September 30, 2015 there were 3 participants vested in the plan with vested benefits of approximately \$251,625. The plan held no securities of the City or other related parties as of and for the year ended September 30, 2015.

F. Risk Management

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

PRM assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. If total member assessments (premiums) do not produce sufficient funds to meet its obligations, PRM can make additional limited assessments. Losses, if any, in excess of PRM's ability to assess its members would revert back to the member that incurred the loss. As of September 30, 2015, 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.

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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, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,464,600	\$ 5,553,600	\$ 5,542,677	\$ (10,923)
Licenses and permits	1,413,500	1,646,500	1,647,600	1,100
Intergovernmental	1,379,588	1,454,088	1,475,972	21,884
Charges for services	1,840,058	1,917,094	1,914,913	(2,181)
Fines and forfeits	32,250	67,950	70,301	2,351
Investment earnings	7,600	7,600	6,261	(1,339)
Miscellaneous	106,833	127,233	132,335	5,102
Total revenues	<u>10,244,429</u>	<u>10,774,065</u>	<u>10,790,059</u>	<u>15,994</u>
Expenditures				
Current:				
General government:				
City commission	83,590	96,190	93,506	2,684
City manager	217,869	213,306	210,457	2,849
City clerk	103,555	107,855	104,876	2,979
Finance	279,051	302,281	299,183	3,098
Human resources	138,468	147,018	145,499	1,519
City attorney	65,387	67,037	66,400	637
Planning	233,474	230,074	226,684	3,390
Fleet maintenance	-	-	-	-
Facilities maintenance	86,800	55,400	38,342	17,058
Information services	184,638	171,138	159,444	11,694
Municipal building administration	64,872	64,872	60,957	3,915
Non-departmental	158,200	158,200	32,326	125,874
Support services	80,050	85,650	85,288	362
Public safety:				
Police	4,464,744	4,484,644	4,394,432	90,212
Fire	2,443,806	2,479,806	2,453,792	26,014
Building permits and inspections	215,151	224,906	221,266	3,640
Code Enforcement	58,739	47,680	42,683	4,997
Physical environment:				
Waste disposal	868,796	918,296	909,293	9,003
Lake conservation	2,000	2,000	500	1,500
Cemetery	158,241	164,341	160,184	4,157
Economic environment	125,700	125,700	125,210	490
Transportation	178,221	178,221	178,221	-
Human services	1,000	1,000	-	1,000
Culture and recreation:				
Parks division	528,961	554,161	537,985	16,176
Recreation facilities	525,720	573,020	558,612	14,408
Special events	41,103	43,103	42,596	507
Depot museum	21,013	32,878	29,600	3,278
Total expenditures	<u>\$ 11,329,149</u>	<u>\$ 11,528,777</u>	<u>\$ 11,177,336</u>	<u>\$ 351,441</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, 2015
(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	\$ (1,084,720)	\$ (754,712)	\$ (387,277)	\$ 367,435
Other financing sources (uses)				
Note proceeds	167,000	790,560	790,560	-
Transfers in	1,020,000	1,020,000	1,020,000	-
Transfers out	-	(346,100)	(345,952)	148
Insurance recoveries	-	15,176	15,176	-
Sale of capital assets	-	1,737	1,737	-
Total other financing sources (uses)	<u>1,187,000</u>	<u>1,481,373</u>	<u>1,481,521</u>	<u>148</u>
Net change in fund balance	102,280	726,661	1,094,244	367,583
Fund balances, beginning of year	<u>660,000</u>	<u>1,210,133</u>	<u>1,210,133</u>	<u>-</u>
Fund balances, end of year	<u>\$ 762,280</u>	<u>\$ 1,936,794</u>	<u>\$ 2,304,377</u>	<u>\$ 367,583</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, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 679,250	\$ 734,250	\$ 739,144	\$ 4,894
Intergovernmental	135,800	125,800	127,926	2,126
Charges for services	114,342	114,342	114,342	-
Miscellaneous	800	800	-	(800)
Total revenues	<u>930,192</u>	<u>975,192</u>	<u>981,412</u>	<u>6,220</u>
Expenditures				
Current:				
Transportation	849,818	906,818	846,127	60,691
Total expenditures	<u>849,818</u>	<u>906,818</u>	<u>846,127</u>	<u>60,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>80,374</u>	<u>68,374</u>	<u>135,285</u>	<u>66,911</u>
Other financing sources (uses)				
Transfers in	-	5,075	5,075	-
Transfers out	(85,673)	(85,673)	(85,673)	-
Total other financing sources (uses)	<u>(85,673)</u>	<u>(80,598)</u>	<u>(80,598)</u>	<u>-</u>
Net change in fund balance	(5,299)	(12,224)	54,687	66,911
Fund balances, beginning of year	<u>6,800</u>	<u>198,565</u>	<u>198,565</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,501</u>	<u>\$ 186,341</u>	<u>\$ 253,252</u>	<u>\$ 66,911</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, 2015

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 549,546	\$ 534,546	\$ 521,773	\$ (12,773)
Intergovernmental	478,434	478,434	475,356	(3,078)
Investment earnings	1,000	1,000	-	(1,000)
Total revenues	1,028,980	1,013,980	997,129	(16,851)
Expenditures				
Current:				
Economic environment	169,042	183,192	181,268	1,924
Total expenditures	169,042	183,192	181,268	1,924
Excess (deficiency) of revenues over (under) expenditures	859,938	830,788	815,861	(14,927)
Other financing sources (uses)				
Transfers out	(859,938)	(859,938)	(859,938)	-
Sale of capital assets	-	23,000	24,322	1,322
Total other financing sources (uses)	(859,938)	(836,938)	(835,616)	1,322
Net change in fund balance	-	(6,150)	(19,755)	(13,605)
Fund balances, beginning of year	100,000	169,341	169,341	-
Fund balances, end of year	\$ 100,000	\$ 163,191	\$ 149,586	\$ (13,605)

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

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

	<u>9/30/2015</u>	<u>9/30/2014</u>
Total Pension Liability		
Service Cost	\$ 312,998	\$ 313,558
Interest	698,894	667,476
Differences between expected and actual experience	(17,979)	-
Contributions - Buy back	385,692	-
Benefit payments, including refunds of employee contributions	(655,950)	(494,203)
Net change in total pension liability	<u>723,655</u>	<u>486,831</u>
Total pension liability - beginning	<u>9,032,970</u>	<u>8,546,139</u>
Total pension liability - ending	<u><u>\$ 9,756,625</u></u>	<u><u>\$9,032,970</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 267,808	\$ 294,882
Contributions - Employee	159,410	155,201
Contributions - Buy backs	385,692	-
Net investment income (loss)	(94,331)	848,507
Benefit payments, including refunds of employee contributions	(655,936)	(495,954)
Administrative expense	(22,009)	(54,587)
Net change in plan fiduciary net position	<u>40,634</u>	<u>748,049</u>
 Plan fiduciary net position - beginning, as reported	9,270,134	8,339,975
Restatement of beginning net position (a)	-	182,110
Plan fiduciary net position - ending	<u><u>\$ 9,310,768</u></u>	<u><u>\$9,270,134</u></u>
 Net pension liability - ending	<u><u>\$ 445,857</u></u>	<u><u>\$ (237,164)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	95.43%	102.63%
 Covered employee payroll *	\$ 3,651,542	\$3,104,032
Net pension liability as a percentage of covered employee payroll	12.21%	-7.64%

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

* The reported Covered Payroll figure for the 2014 fiscal year was not available. Pensionable Salary was reported instead

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

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

	<u>9/30/2015</u>	<u>9/30/2014</u>
Total Pension Liability		
Service Cost	\$ 214,792	\$ 197,807
Interest	825,592	809,770
Differences between expected and actual experience	(70,554)	-
Benefit payments, including refunds of employee contributions	<u>(537,358)</u>	<u>(1,103,457)</u>
Net change in total pension liability	<u>432,472</u>	<u>(95,880)</u>
Total pension liability - beginning	<u>10,706,691</u>	<u>10,802,571</u>
Total pension liability - ending	<u><u>\$ 11,139,163</u></u>	<u><u>\$ 10,706,691</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 390,377	\$ 394,982
Contributions - State	134,243	132,572
Contributions - Employee	66,407	63,503
Net investment income	(70,904)	675,710
Benefit payments, including refunds of employee contributions	(537,358)	(1,101,302)
Administrative expense	<u>(51,457)</u>	<u>(45,836)</u>
Net change in plan fiduciary net position	<u>(68,692)</u>	<u>119,629</u>
 Plan fiduciary net position - beginning, as reported	<u>7,573,775</u>	<u>6,747,553</u>
Restatement of beginning net position (a)	<u>-</u>	<u>706,593</u>
Plan fiduciary net position - ending	<u><u>\$ 7,505,083</u></u>	<u><u>\$ 7,573,775</u></u>
 Net pension liability - ending	<u><u>\$ 3,634,080</u></u>	<u><u>\$ 3,132,916</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	67.38%	70.74%
 Covered employee payroll *	\$ 1,372,085	\$ 1,270,068
Net pension liability as a percentage of covered employee payroll	264.86%	246.67%

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

* The reported Covered Payroll figure for the 2014 fiscal year was not available. Pensionable Salary was reported instead

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

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

	<u>9/30/2015</u>	<u>9/30/2014</u>
Total Pension Liability		
Service Cost	\$ 439,663	\$ 417,622
Interest	1,125,422	1,064,424
Differences between expected and actual experience	(181,415)	-
Timing differences	(19,957)	
Benefit payments, including refunds of employee contributions	(744,552)	(689,470)
Net change in total pension liability	<u>619,161</u>	<u>792,576</u>
Total pension liability - beginning	<u>14,454,192</u>	<u>13,661,616</u>
Total pension liability - ending	<u>\$ 15,073,353</u>	<u>\$ 14,454,192</u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 419,527	\$ 490,676
Contributions - State	100,182	96,680
Contributions - Employee	106,063	108,368
Net investment income	(120,063)	1,153,544
Benefit payments, including refunds of employee contributions	(746,774)	(679,118)
Administrative expense	(66,726)	(52,141)
Net change in plan fiduciary net position	<u>(307,791)</u>	<u>1,118,009</u>
 Plan fiduciary net position - beginning, as reported	<u>13,397,527</u>	<u>12,187,247</u>
Restatement of beginning net position (a)	<u>-</u>	<u>92,271</u>
Plan fiduciary net position - ending	<u>\$ 13,089,736</u>	<u>\$ 13,397,527</u>
 Net pension liability - ending	<u>\$ 1,983,617</u>	<u>\$ 1,056,665</u>
 Plan fiduciary net position as a percentage of the total pension liability	86.84%	92.69%
 Covered employee payroll	\$ 2,124,365	\$ 2,167,367
Net pension liability as a percentage of covered employee payroll	93.37%	48.75%

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

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

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

	<u>9/30/2006</u>	<u>9/30/2007</u>	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2011</u>	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2015</u>
Actuarially Determined Contribution	\$ 112,500	\$ 160,446	\$ 234,584	\$ 195,820	\$ 41,622	\$ 71,803	\$ 165,024	\$ 245,477	\$ 294,883	\$ 267,808
Interest on NPO	(10,070)	(9,959)	(9,508)	(9,027)	(8,303)	(7,414)	(6,623)	(5,926)	-	-
Adjustment to (A)	11,452	15,599	15,519	14,734	19,779	17,621	15,611	13,343	-	-
Annual Pension Cost	113,882	166,086	240,595	201,527	53,098	82,010	174,012	252,894	294,883	267,808
Contributions in Relation to the										
Actuarially Determined Contributions	112,500	160,446	234,584	195,820	41,622	71,803	165,024	245,477	294,883	267,808
Contribution Deficiency (Excess)	1,382	5,640	6,011	5,707	11,476	10,207	8,988	7,417	-	-
Covered Employee Payroll *	\$ 3,091,143	\$ 3,133,820	\$ 2,986,894	\$ 2,848,785	\$ 2,907,120	\$ 2,704,493	\$ 2,926,546	\$ 3,219,722	\$ 3,104,032	\$ 3,651,542
Contributions as a Percentage of										
Covered Employee Payroll	3.64%	5.12%	7.85%	6.87%	1.43%	2.65%	5.64%	7.62%	9.50%	7.33%

* The reported Covered Payroll figure for the 2014 fiscal year was not available. Pensionable Salary was reported instead

Notes to Schedule of Contributions

Valuation Date 10/1/2013
Actuarial determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Frozen Entry Age
Amortization Method:	Level percentage of pay, closed
Remaining Amortization Period:	29 years as of 10-1-2013
Actuarial Asset Method:	4-year average market value return, net of fees
Inflation	3.00%
Payroll Growth	3.66%
Salary Increases:	6.50%
Interest Rate:	7.75%
Retirement Age:	Age 60 and 10 years of service
Mortality:	RP-2000 (combined healthy) with disabled lives set forward 5 years

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

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

	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
Actuarially Determined Contribution (A)	\$ 294,486	\$ 340,107	\$ 339,187	\$ 366,303	\$ 461,317	\$ 484,508	\$ 529,707	\$ 473,635	\$ 532,159	\$ 524,620
Interest on NPO	(5,657)	(5,595)	(5,700)	(5,808)	(5,917)	(5,943)	(5,690)	(5,277)	-	-
Adjustment to (A)	6,433	4,275	4,356	4,438	5,591	9,111	8,722	4,062	-	-
Annual Pension Cost	295,262	338,787	337,843	364,933	460,991	487,676	532,739	472,420	532,159	524,620
Contributions in Relation to the Actuarially Determined Contributions	294,486	340,107	339,187	366,303	461,317	484,508	529,707	473,635	532,159	524,620
Contribution Deficiency (Excess)	776	(1,320)	(1,344)	(1,370)	(326)	3,168	3,032	(1,215)	-	-
Covered Employee Payroll	\$ 906,142	\$ 947,177	\$ 1,111,770	\$ 1,194,794	\$ 1,176,080	\$ 1,160,475	\$ 1,153,396	\$ 1,214,019	\$ 1,270,068	\$ 1,372,085
Contributions as a Percentage of Covered Employee Payroll	32.50%	35.91%	30.51%	30.66%	39.22%	41.75%	45.93%	39.01%	41.90%	38.24%

Notes to Schedule of Contributions

Valuation Date

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

Methods and assumptions used to determine contribution rates:

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

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

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

	<u>9/30/2006</u>	<u>9/30/2007</u>	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2011</u>	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2015</u>
Actuarially Determined Contribution	\$ 381,939	\$ 430,249	\$ 380,537	\$ 447,008	\$ 623,601	\$ 541,275	\$ 699,733	\$ 508,870	\$ 587,357	\$ 519,709
Interest on NPO	(11,109)	(10,987)	(11,233)	(11,485)	(11,680)	(11,719)	(11,282)	(10,530)	-	-
Adjustment to (A)	12,634	7,912	8,090	9,044	11,198	17,182	16,435	8,318	-	-
Annual Pension Cost	<u>383,464</u>	<u>427,174</u>	<u>377,394</u>	<u>444,567</u>	<u>623,119</u>	<u>546,738</u>	<u>704,886</u>	<u>506,658</u>	<u>587,357</u>	<u>519,709</u>
Contributions in Relation to the Actuarially Determined Contributions	<u>381,939</u>	<u>430,249</u>	<u>380,537</u>	<u>447,008</u>	<u>623,601</u>	<u>541,275</u>	<u>699,733</u>	<u>508,870</u>	<u>587,357</u>	<u>519,709</u>
Contribution Deficiency (Excess)	1,525	(3,075)	(3,143)	(2,441)	(482)	5,463	5,153	(2,212)	-	-
Covered Employee Payroll	\$ 1,651,717	\$ 1,877,296	\$ 1,968,564	\$ 2,140,829	\$ 2,245,228	\$ 2,119,040	\$ 1,940,719	\$ 2,178,365	\$ 2,167,367	\$ 2,124,365
Contributions as a Percentage of Covered Employee Payroll	23.12%	22.92%	19.33%	20.88%	27.77%	25.54%	36.06%	23.36%	27.10%	24.46%

Notes to Schedule of Contributions

Valuation Date 10/1/2013
Actuarial determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal
Amortization Method: Level percentage of pay, closed
Remaining Amortization Period: 30 years
Actuarial Asset Method: 4-year average market value return, net of fees
Inflation 3.00%
Payroll Growth 4.05%
Salary Increases: 5.75%
Interest Rate: 7.75%
Retirement Age: Earlier of age 55 and 10 years of credited service, or age 50 and 25 years of credited service.
Early Retirement: Age 50 with 10 years of credited service
Mortality: RP-2000 (sex distinct) with disabled lives set forward 5 years

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

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

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

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

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SUPPLEMENTARY INFORMATION

City of Lake Wales, Florida
Schedules of Funding Progress and Employer Contributions
Other Post Employment Benefit Plan
September 30, 2015

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)
10/1/2014	N/A	\$ 716,387	\$ 716,387	0.00%	\$ 8,413,699	8.50%
10/1/2011	N/A	\$ 854,806	\$ 854,806	0.00%	\$ 5,935,112	14.40%
10/1/2008	N/A	\$ 408,669	\$ (408,669)	0.00%	\$ 6,825,394	6.00%

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

Three Year Trend Information

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
9/30/2015	\$ 84,886	26.8%	\$ 324,789
9/30/2014	\$ 119,356	47.1%	\$ 262,724
9/30/2013	\$ 113,902	45.6%	\$ 199,634

**City of Lake Wales, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2015**

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Forfeitures 106</u>	<u>Library 110</u>	<u>Law Enforcement Block Grant 116</u>	<u>Street Lighting District 103</u>	<u>Capital Projects 330</u>	
Assets						
Cash and cash equivalents	\$ 29,176	\$ 36,235	\$ 82	\$ 16,875	\$ -	\$ 82,368
Intergovernmental receivables	-	-	-	-	50,000	50,000
Receivable (net of allowance for uncollectibles)	-	-	-	-	-	-
Restricted cash, cash equivalents and investments:						
Debt construction fundings	-	-	-	-	-	-
Impact fee	-	111,506	-	-	495,629	607,135
Impact fees - investments	-	-	-	-	-	-
Prepaid items	-	6,533	-	-	-	6,533
Total assets	<u>\$ 29,176</u>	<u>\$ 154,274</u>	<u>\$ 82</u>	<u>\$ 16,875</u>	<u>\$ 545,629</u>	<u>\$ 746,036</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	\$ -	\$ 6,628	\$ -	\$ 1,093	\$ -	\$ 7,721
Accrued liabilities	-	23,244	-	-	-	23,244
Retainage payable	-	-	-	-	8,000	8,000
Due to other funds	-	-	82	-	113,654	113,736
Unearned revenues	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>29,872</u>	<u>82</u>	<u>1,093</u>	<u>121,654</u>	<u>152,701</u>
Fund balances						
Nonspendable:						
Inventory and prepaid	-	6,533	-	-	-	6,533
Restricted for:						
Law enforcement expenditures	29,176	-	-	-	-	29,176
Library expenditures	-	117,869	-	-	-	117,869
Street lighting expenditures	-	-	-	15,782	-	15,782
Capital projects	-	-	-	-	423,975	423,975
Total fund balances	<u>29,176</u>	<u>124,402</u>	<u>-</u>	<u>15,782</u>	<u>423,975</u>	<u>593,335</u>
Total liabilities and fund balances	<u>\$ 29,176</u>	<u>\$ 154,274</u>	<u>\$ 82</u>	<u>\$ 16,875</u>	<u>\$ 545,629</u>	<u>\$ 746,036</u>

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2015

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Forfeitures 106</u>	<u>Library 110</u>	<u>Law Enforcement Block Grant 116</u>	<u>Street Lighting District 103</u>	<u>Capital Projects 330</u>	
Revenues						
Taxes	\$ -	\$ 378,471	\$ -	\$ -	\$ -	\$ 378,471
Special Assessment	-	-	-	14,830	-	14,830
Intergovernmental	-	525,869	14,353	-	154,380	694,602
Fines and forfeits	26,282	-	-	-	-	26,282
Investment earnings	92	348	-	-	1,614	2,054
Impact fees	-	29,573	-	-	118,768	148,341
Miscellaneous	-	19,524	-	-	-	19,524
Total revenues	<u>26,374</u>	<u>953,785</u>	<u>14,353</u>	<u>14,830</u>	<u>274,762</u>	<u>1,284,104</u>
Expenditures						
Current:						
Public safety	32,333	-	14,353	-	-	46,686
Physical environment	-	-	-	13,628	-	13,628
Culture and recreation	-	952,930	-	-	-	952,930
Capital outlay	-	-	-	-	817,123	817,123
Total expenditures	<u>32,333</u>	<u>952,930</u>	<u>14,353</u>	<u>13,628</u>	<u>817,123</u>	<u>1,830,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,959)</u>	<u>855</u>	<u>-</u>	<u>1,202</u>	<u>(542,361)</u>	<u>(546,263)</u>
Other financing sources						
Transfers in	-	-	-	-	274,935	274,935
Transfers out	-	-	-	-	(5,075)	(5,075)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,860</u>	<u>269,860</u>
Net change in fund balances	(5,959)	855	-	1,202	(272,501)	(276,403)
Fund balances, beginning of year	<u>35,135</u>	<u>123,547</u>	<u>-</u>	<u>14,580</u>	<u>696,476</u>	<u>869,738</u>
Fund balances, end of year	<u>\$ 29,176</u>	<u>\$ 124,402</u>	<u>\$ -</u>	<u>\$ 15,782</u>	<u>\$ 423,975</u>	<u>\$ 593,335</u>

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2015

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 413,000	\$ 413,000	\$ 413,000	\$ -
Investment earnings	-	-	84	84
Impact fees	5,900	94,041	94,039	(2)
Total revenues	418,900	507,041	507,123	82
Expenditures				
Current:				
Principal	2,288,281	2,236,178	1,842,290	393,888
Interest and fiscal charges	1,076,600	1,235,998	377,209	858,789
Total expenditures	3,364,881	3,472,176	2,219,499	1,252,677
Excess (deficiency) of revenues over (under) expenditures	(2,945,981)	(2,965,135)	(1,712,376)	1,252,759
Other financing sources				
Transfers in	945,611	1,016,711	1,016,628	(83)
Total other financing sources	945,611	1,016,711	1,016,628	(83)
Net change in fund balance	(2,000,370)	(1,948,424)	(695,748)	1,252,676
Fund balances, beginning of year	2,000,370	1,948,424	1,948,424	-
Fund balances, end of year	\$ -	\$ -	\$ 1,252,676	\$ 1,252,676

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Forfeitures Fund
For the Year Ended September 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 20,000	\$ 26,280	\$ 26,282	\$ 2
Investment earnings	-	100	92	(8)
Total revenues	<u>20,000</u>	<u>26,380</u>	<u>26,374</u>	<u>(6)</u>
Expenditures				
Current:				
Public safety	15,000	38,400	32,333	6,067
Total expenditures	<u>15,000</u>	<u>38,400</u>	<u>32,333</u>	<u>(6,067)</u>
Net change in fund balance	5,000	(12,020)	(5,959)	6,061
Fund balances, beginning of year	<u>38,300</u>	<u>35,135</u>	<u>35,135</u>	<u>-</u>
Fund balances, end of year	<u>\$ 43,300</u>	<u>\$ 23,115</u>	<u>\$ 29,176</u>	<u>\$ 6,061</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, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 377,500	\$ 377,500	\$ 378,471	\$ 971
Intergovernmental	430,000	525,000	525,869	869
Investment earnings	-	-	348	348
Impact fees	8,000	8,000	29,573	21,573
Miscellaneous	39,125	45,835	19,524	(26,311)
Total revenues	<u>854,625</u>	<u>956,335</u>	<u>953,785</u>	<u>(2,550)</u>
Expenditures				
Current:				
Culture and recreation	910,231	988,906	952,930	35,976
Total expenditures	<u>910,231</u>	<u>988,906</u>	<u>952,930</u>	<u>35,976</u>
Net change in fund balance	(55,606)	(32,571)	855	33,426
Fund balances, beginning of year	<u>180,000</u>	<u>123,547</u>	<u>123,547</u>	<u>-</u>
Fund balances, end of year	<u>\$ 124,394</u>	<u>\$ 90,976</u>	<u>\$ 124,402</u>	<u>\$ 33,426</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, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 14,000	\$ 14,353	\$ 14,353	\$ -
Total revenues	<u>14,000</u>	<u>14,353</u>	<u>14,353</u>	<u>-</u>
Expenditures				
Current:				
Public safety	14,000	14,353	14,353	-
Total expenditures	<u>14,000</u>	<u>14,353</u>	<u>14,353</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Street Lighting District Fund
For the Year Ended September 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special Assessment	\$ 14,500	\$ 14,500	\$ 14,830	\$ 330
Total revenues	<u>14,500</u>	<u>14,500</u>	<u>14,830</u>	<u>330</u>
Expenditures				
Current:				
Physical environment	14,602	14,602	13,628	974
Total expenditures	<u>14,602</u>	<u>14,602</u>	<u>13,628</u>	<u>(974)</u>
Net change in fund balance	(102)	(102)	1,202	1,304
Fund balances, beginning of year	<u>6,800</u>	<u>14,580</u>	<u>14,580</u>	<u>-</u>
Fund balances, end of year	<u>\$ 6,698</u>	<u>\$ 14,478</u>	<u>\$ 15,782</u>	<u>\$ 1,304</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2015

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 50,000	\$ 154,375	\$ 154,380	\$ 5
Investment earnings	-	1,178	1,614	436
Impact fees	26,900	120,400	118,768	(1,632)
Total revenues	<u>76,900</u>	<u>275,953</u>	<u>274,762</u>	<u>(1,191)</u>
Expenditures				
Capital outlay	670,000	865,075	817,123	47,952
Total expenditures	<u>670,000</u>	<u>865,075</u>	<u>817,123</u>	<u>47,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(593,100)</u>	<u>(589,122)</u>	<u>(542,361)</u>	<u>46,761</u>
Other financing sources				
Transfers in	-	275,000	274,935	(65)
Transfers out	-	-	(5,075)	(5,075)
Total other financing sources	<u>-</u>	<u>275,000</u>	<u>269,860</u>	<u>(5,140)</u>
Net change in fund balance	(593,100)	(314,122)	(272,501)	41,621
Fund balances, beginning of year	<u>863,000</u>	<u>696,476</u>	<u>696,476</u>	<u>-</u>
Fund balances, end of year	<u>\$ 269,900</u>	<u>\$ 382,354</u>	<u>\$ 423,975</u>	<u>\$ 41,621</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, 2015**

	2015
Assets	
Current Assets	
Due from Other Governments	\$ 539,225
Total Current Assets	539,225
Noncurrent Assets	
Capital Assets:	
Nondepreciable	1,625,274
Depreciable, Net	8,893,576
Total Noncurrent Assets	10,518,850
Total Assets	11,058,075
Liabilities	
Current Liabilities	
Accounts Payable	606,632
Unearned revenues	324
Due to primary government	60,242
Current portion of long-term debt	11,834
Total Current Liabilities	679,032
Noncurrent liabilities	
Note payable - noncurrent	112,127
	112,127
Total liabilities	791,159
Net Position	
Net Investment in Capital Assets	10,394,889
Unrestricted	(127,973)
Total Net Position	\$ 10,266,916

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2015**

	2015
Operating Revenues	
Charges for Services	\$ 90,286
Operating Expenses	
Contractual Services	26,755
Repairs and Maintenance	9,358
Materials and Supplies	1,032
General and Administrative	59,344
Depreciation	325,837
Total Operating Expenses	422,326
Operating Loss	(332,040)
Nonoperating revenues (expenses)	
Interest expense and fiscal charges	(11,834)
Total nonoperating expenses	(11,834)
Income before contributions and transfers	(343,874)
Capital Contributions	
Grants	2,878,616
From City of Lake Wales	172,788
Total capital contributions	3,051,404
Change in Net Position	2,707,530
Total Net Position, Beginning of Year	7,559,386
Total Net Position, End of Year	\$ 10,266,916

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Cash Flows
For the Year Ended September 30, 2015**

	2015
Cash Flows from Operating Activities	
Receipts from Customers	\$ 90,037
Payments to Suppliers	(96,489)
Net Cash (Used for) Operating Activities	(6,452)
Cash Flows from Capital and Related Financing Activities	
Capital Grants	2,369,363
Capital Contributions from City of Lake Wales (Net)	138,087
Acquisition and Construction of Capital Assets	(2,477,330)
Payments of interest	(11,834)
Principal payment on long-term debt	(11,834)
Net Cash Provided by (Used in) Capital and Related Financing Activities	6,452
Net (Decrease) Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	\$ -
<u>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</u>	
Operating Loss	\$ (332,040)
Adjustments to Reconcile Operating Loss to Net Cash (Used for) Operating Activities:	
Depreciation	325,837
(Decrease) in Unearned Revenues	(249)
Net Cash (Used for) Operating Activities	\$ (6,452)

City of Lake Wales, Florida
Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2015

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Expenditures</u>
Florida Department of State			
FRDAP Grant - Skate Enhancement Phase 2	A5150	37.017	\$ 50,000
Florida Department of Economic Opportunity			
Growth Management Implementation - Premier Street		40.024	5,075
Florida Department of Transportation			
Aviation Development Grant - Runway 24 Safety and and Taxiway Alpha Realignment	AR709	55.004	<u>290,784</u>
			<u>\$ 345,859</u>

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

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

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

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

	Fiscal Year									
	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
Governmental activities:										
Net investment in capital assets	\$ 9,349,135	\$ 16,349,902	\$ 11,543,258	\$ 14,626,172	\$ 15,123,821	\$ 14,412,716	\$ 14,610,965	\$ 14,973,405	\$ 15,575,570	\$ 15,600,248
Restricted	2,160,716	3,319,481	9,681,679	4,579,237	4,431,294	3,606,811	3,221,380	2,768,005	2,874,458	2,242,316
Unrestricted	765,358	487,205	1,901,817	2,329,160	2,875,420	2,465,425	1,758,076	1,510,997	205,608	(2,238,048)
Total governmental activities net position	<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>19,252,407</u>	<u>18,655,636</u>	<u>15,604,516</u>
Business-type activities										
Net investment in capital assets	10,143,995	11,516,914	14,827,444	17,897,798	17,430,569	19,802,017	21,421,022	22,004,309	24,240,474	24,566,866
Restricted	402,875	320,289	862,542	754,399	2,145,793	2,426,057	2,589,379	2,773,953	2,786,545	3,582,332
Unrestricted	633,057	330,857	298,731	738,175	523,332	1,331,958	993,441	1,365,077	169,003	738,546
Total business-type activities in net position	<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>26,143,339</u>	<u>27,196,022</u>	<u>28,887,744</u>
Primary government										
Net investment in capital assets	19,493,130	27,866,816	26,370,702	32,523,970	32,554,390	34,214,733	36,031,987	36,977,714	39,816,044	40,167,114
Restricted	2,563,591	3,639,770	10,544,221	5,333,636	6,577,087	6,032,868	5,810,759	5,541,958	5,661,003	5,824,648
Unrestricted	1,398,415	818,062	2,200,548	3,067,335	3,398,752	3,797,383	2,751,517	2,876,074	374,611	(1,499,502)
Total primary government net position	<u>\$ 23,455,136</u>	<u>\$ 32,324,648</u>	<u>\$ 39,115,471</u>	<u>\$ 40,924,941</u>	<u>\$ 42,530,229</u>	<u>\$ 44,044,984</u>	<u>\$ 44,594,263</u>	<u>\$ 45,395,746</u>	<u>\$ 45,851,658</u>	<u>\$ 44,492,260</u>

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

	Fiscal Year									
	9/30/2006	9/30/2007 ⁽¹⁾	9/30/2008	09/30/2009 ⁽²⁾	9/30/2010 ⁽³⁾	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015 ⁽⁴⁾
Expenses										
Governmental activities:										
General government	\$ 2,318,393	\$ 1,666,102	\$ 1,555,163	\$ 1,444,334	\$ 1,354,698	\$ 1,461,907	\$ 1,214,450	\$ 1,170,638	\$ 1,217,965	\$ 1,080,211
Public safety	7,348,265	7,616,565	7,049,550	7,197,292	7,647,887	7,340,512	7,309,111	7,134,069	7,548,733	7,005,129
Physical environment	2,399,900	1,710,287	1,581,070	963,588	1,204,112	1,211,193	1,020,413	941,419	745,501	1,089,770
Transportation	270,039	1,561,291	1,206,577	1,515,164	1,548,696	1,570,751	1,609,153	1,558,117	1,647,003	1,841,706
Economic Environment	400,010	1,007,452	599,756	580,616	532,987	506,936	483,785	456,091	344,886	320,428
Human services	24,402	35,333	14,634	20,636	20,634	20,635	64,633	16,704	15,634	10,174
Culture and recreation	1,388,649	1,920,919	1,626,211	2,291,706	2,337,296	2,354,841	2,256,121	2,317,252	2,707,191	2,338,582
Interest on long term debt	540,210	505,482	752,066	767,787	675,004	605,706	543,766	457,347	455,554	356,781
Total governmental activities expenses	14,689,868	16,023,431	14,385,027	14,781,123	15,321,314	15,072,481	14,501,432	14,051,637	14,682,467	14,042,781
Business-type activities:										
Water and wastewater	4,546,209	4,954,705	5,194,309	5,024,906	5,285,512	4,731,031	4,933,817	5,195,033	6,271,228	5,111,658
LWMG Cemetery	-	-	-	-	-	-	-	-	-	7,255
Total business-type activities	4,546,209	4,954,705	5,194,309	5,024,906	5,285,512	4,731,031	4,933,817	5,195,033	6,271,228	5,118,913
Total primary government expenses	19,236,077	20,978,136	19,579,336	19,806,029	20,606,826	19,803,512	19,435,249	19,246,670	20,953,695	19,161,694
Program revenues										
Governmental activities:										
Charges for services:										
General government	39,091	31,095	28,598	17,429	30,704	69,395	74,304	60,774	68,363	60,425
Public safety	1,248,470	1,116,037	1,240,923	624,776	872,049	700,165	594,963	720,995	862,226	1,001,802
Physical environment	970,539	996,493	1,093,013	1,120,801	1,125,826	1,152,546	1,029,093	1,073,028	1,061,209	1,122,696
Transportation	87,943	96,331	96,923	97,247	97,750	105,543	107,530	108,418	109,168	114,342
Culture and recreation	246,795	90,379	97,333	47,050	86,184	146,054	55,266	85,137	104,019	104,416
Operating grants and contributions	745,463	691,710	875,556	772,085	811,508	785,447	707,516	713,964	740,250	845,228
Capital grants and contributions	1,172,735	2,044,202	1,740,200	55,401	408,721	888,272	24,761	26,593	105,731	169,913
Total governmental activities program revenues	4,511,036	5,066,247	5,172,546	2,734,789	3,432,742	3,847,422	2,593,433	2,788,909	3,050,966	3,418,822
Business -type activities:										
Charges for services:										
Water and wastewater	5,258,800	5,715,639	6,622,986	6,025,162	6,125,465	6,303,592	6,514,807	6,549,910	6,649,031	7,002,296
LWMG Cemetery	-	-	-	-	-	-	-	-	-	6,079
Operation grants and contributions	8,811	40,111	1,772	-	-	-	-	-	-	-
Capital grants and contributions	496,386	319,088	1,166,650	159,572	383,974	512,411	398,506	399,621	981,217	307,801
Total business-type activities program revenues	5,763,997	6,074,838	7,791,408	6,184,734	6,509,439	6,816,003	6,913,313	6,949,531	7,630,248	7,316,176
Total primary government program revenues	10,275,033	11,141,085	12,963,954	8,919,523	9,942,181	10,663,425	9,506,746	9,738,440	10,681,214	10,734,998
Net (expenditures) revenues										
Governmental activities	(10,178,832)	(10,957,184)	(9,212,481)	(12,046,334)	(11,888,572)	(11,225,059)	(11,907,999)	(11,262,728)	(11,631,501)	(10,623,959)
Business-type activities	1,217,788	1,120,133	2,597,099	1,159,828	1,223,927	2,084,972	1,979,496	1,754,498	1,359,020	2,197,263
Total primary government net(expenses) revenues	(8,961,044)	(9,837,051)	(6,615,382)	(10,886,506)	(10,664,645)	(9,140,087)	(9,928,503)	(9,508,230)	(10,272,481)	(8,426,696)
General revenues and other changes in net assets										
Governmental activities:										
Taxes:										
Property taxes	5,473,219	6,999,147	7,306,490	7,148,427	6,427,817	5,239,552	5,123,146	5,101,801	5,130,461	5,159,264
Franchise fees	1,172,989	1,206,210	1,220,697	1,247,248	1,368,738	1,273,566	1,198,360	1,098,866	1,221,973	1,268,042

	Fiscal Year									
	9/30/2006	9/30/2007 ⁽¹⁾	9/30/2008	09/30/2009 ⁽²⁾	9/30/2010 ⁽³⁾	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015 ⁽⁴⁾
Public service taxes	1,299,073	1,347,754	1,386,825	1,429,708	1,580,190	1,531,338	1,465,024	1,523,497	1,612,772	1,603,537
Communication service taxes	408,684	502,239	588,184	684,620	588,111	556,166	543,749	524,187	483,337	467,312
Gas taxes	702,476	714,051	665,367	633,491	630,798	603,823	603,415	615,111	703,120	739,144
Local business tax	-	-	-	79,325	77,009	74,292	75,154	76,561	70,763	72,034
State and county shared revenues	1,201,329	1,156,315	1,062,966	943,024	904,179	934,042	1,050,977	1,097,472	1,169,636	1,256,194
Investment earnings	249,705	296,486	333,176	75,140	94,987	54,322	31,156	16,366	8,986	6,695
Insurance recoveries	2,189,227	335,412	25,919	12,304	71,463	42,151	9,774	6,947	11,704	15,176
Gain/(loss) on disposal of fixed assets	-	(93,173)	35,606	-	42,409	(62,971)	23,637	16,798	1,016	(17,721)
Contribution	-	-	-	-	-	-	-	31,107	100	-
Miscellaneous revenue	(25,085)	226,493	103,296	231,145	158,665	92,282	61,076	93,557	117,862	130,787
Transfers	565,961	296,029	(545,879)	(2,030,282)	790,672	(1,059,087)	828,000	828,000	503,000	798,128
Special items	(3,177,154)	1,963,070	-	-	-	-	-	-	-	-
Total governmental activities	<u>10,060,424</u>	<u>14,950,033</u>	<u>12,182,647</u>	<u>10,454,150</u>	<u>12,735,038</u>	<u>9,279,476</u>	<u>11,013,468</u>	<u>11,030,270</u>	<u>11,034,730</u>	<u>11,498,592</u>
Business-type activities:										
Investment earnings	157,738	56,321	53,833	9,844	24,662	32,293	26,480	8,678	7,496	6,783
Gain/(loss) on disposal of fixed assets	-	-	-	-	7,390	15,393	-	3,261	-	(6,624)
Miscellaneous revenue	308,721	107,708	639,627	245,117	244,015	268,593	265,834	238,245	189,167	200,744
Transfers	(565,961)	(296,029)	530,099	2,030,282	(790,672)	1,059,087	(828,000)	(828,000)	(503,000)	(798,128)
Total business-type activities	<u>(99,502)</u>	<u>(132,000)</u>	<u>1,223,559</u>	<u>2,285,243</u>	<u>(514,605)</u>	<u>1,375,366</u>	<u>(535,686)</u>	<u>(577,816)</u>	<u>(306,337)</u>	<u>(597,225)</u>
Total primary government	<u>9,960,922</u>	<u>14,818,033</u>	<u>13,406,206</u>	<u>12,739,393</u>	<u>12,220,433</u>	<u>10,654,842</u>	<u>10,477,782</u>	<u>10,452,454</u>	<u>10,728,393</u>	<u>10,901,367</u>
Change in net position										
Governmental activities	(118,408)	3,992,849	2,970,166	(1,592,184)	846,466	(1,945,583)	(894,531)	(232,458)	(596,771)	874,633
Business-type activities	1,118,286	988,133	3,820,658	3,445,071	709,322	3,460,338	1,443,810	1,176,682	1,052,683	1,600,038
Total primary government	<u>\$ 999,878</u>	<u>\$ 4,980,982</u>	<u>\$ 6,790,824</u>	<u>\$ 1,852,887</u>	<u>\$ 1,555,788</u>	<u>\$ 1,514,755</u>	<u>\$ 549,279</u>	<u>\$ 944,224</u>	<u>\$ 455,912</u>	<u>\$ 2,474,671</u>

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

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

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

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

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

	Fiscal Year									
	2006	2007	2008*	2009	2010	2011	2012	2013	2014	2015
General fund										
Reserved	\$ 88,693	\$ 301,504	\$ 614,849	\$ 471,950	\$ 314,820					
Unreserved, designated	-	-	1,037,852	1,042,442	1,056,957					
Unreserved, undesignated	1,260,393	575,237	943,845	1,468,618	2,099,390					
Total general fund	<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	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	191,361	187,395	-	-	-					
Total all other governmental funds	<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>	<u>2014</u>	<u>2015</u>
Nonspendable										
Inventory and Prepaid						\$ 52,500	\$ 177,812	\$ 161,490	\$ 133,694	\$ 91,834
Assigned										
Subsequent years' expenditure						480,658	416,670	739,053	-	-
Unassigned						2,405,383	1,602,544	1,079,413	1,076,439	2,212,543
Total general fund						<u>2,938,541</u>	<u>2,197,026</u>	<u>1,979,956</u>	<u>1,210,133</u>	<u>2,304,377</u>
All other governmental funds										
Nonspendable										
Inventory and Prepaid						-	14,270	4,605	15,499	6,533
Restricted for:										
Library expenditures						429,949	363,617	208,159	108,048	117,869
Law enforcement expenditures						746	23,758	48,928	35,135	29,176
Transportation expenditures						51,748	63,843	98,908	198,565	253,252
Community redevelopment expenditures						983,683	726,787	353,867	169,341	149,586
Street lighting expenditures						2,127	352	6,840	14,580	15,782
Debt Service						1,951,563	1,948,728	1,932,558	1,948,424	1,252,676
Capital projects						483,013	341,412	1,876,572	696,476	423,975
Assigned										
Capital Projects						8,219	-	-	-	-
Total all other governmental funds						<u>\$3,911,048</u>	<u>\$3,482,767</u>	<u>\$ 4,530,437</u>	<u>\$ 3,186,068</u>	<u>\$ 2,248,849</u>

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

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

Prior year numbers are not restated.

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$9,077,838	\$ 10,750,506	\$ 9,037,131	\$ 8,806,899	\$ 8,309,070	\$ 7,364,962	\$ 7,330,959	\$ 7,401,434	\$ 7,641,409	\$ 7,595,065
Special assessment	-	-	-	-	-	12,387	11,212	19,050	21,218	14,830
Licenses and permits	524,374	437,690	1,482,188	1,478,370	1,719,720	1,542,751	1,398,707	1,370,028	1,600,762	1,647,600
Intergovernmental	3,110,460	3,628,247	4,902,104	2,945,190	3,143,948	3,320,211	2,327,699	2,322,091	2,567,234	2,773,856
Charges for services	1,623,114	1,738,456	1,904,833	1,911,990	1,885,734	1,897,737	1,906,420	1,924,140	1,903,900	2,029,255
Fines and forfeitures	337,774	212,979	175,789	101,546	50,951	58,692	40,588	63,156	58,592	96,583
Interest and miscellaneous	929,890	868,858	724,406	364,596	499,594	368,837	186,044	250,255	311,885	402,638
Total revenues	<u>15,603,450</u>	<u>17,636,736</u>	<u>18,226,451</u>	<u>15,608,591</u>	<u>15,609,017</u>	<u>14,565,577</u>	<u>13,201,629</u>	<u>13,350,154</u>	<u>14,105,000</u>	<u>14,559,827</u>
Expenditures										
Current:										
General government	2,423,028	1,959,458	1,819,917	1,783,559	1,570,053	1,695,130	1,584,817	1,533,286	1,503,113	1,522,961
Public safety	7,889,711	7,540,707	7,339,268	6,828,950	7,398,705	6,983,033	6,989,426	6,923,945	7,314,126	7,158,859
Physical environment	2,393,308	1,737,508	2,377,651	960,310	1,290,902	1,955,822	977,589	998,144	1,032,401	1,083,605
Transportation	688,951	1,562,517	2,834,374	1,905,876	729,046	783,120	816,012	723,580	783,519	1,024,348
Economic environment	472,734	2,839,298	558,606	553,994	504,877	480,816	455,627	456,935	341,333	306,478
Human services	9,768	20,700	-	6,000	6,000	6,000	50,000	2,070	1,000	-
Culture and recreation	1,748,196	3,073,610	1,924,938	2,073,895	2,618,050	2,274,531	1,909,602	2,100,893	2,419,371	2,121,724
Debt service:										
Principal	1,333,193	1,209,274	1,313,097	1,281,267	1,314,339	1,668,163	1,729,272	1,710,589	1,741,418	1,842,290
Interest and fiscal charges	512,222	479,511	760,201	609,246	618,964	594,010	523,840	466,078	430,585	377,209
Capital outlay	175,477	829,339	701,924	275,949	37,931	10,000	196,650	274,963	1,254,503	817,123
Total expenditures	<u>17,646,588</u>	<u>21,251,922</u>	<u>19,629,976</u>	<u>16,279,046</u>	<u>16,088,867</u>	<u>16,450,625</u>	<u>15,232,835</u>	<u>15,190,483</u>	<u>16,821,369</u>	<u>16,254,597</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,043,138)</u>	<u>(3,615,186)</u>	<u>(1,403,525)</u>	<u>(670,455)</u>	<u>(479,850)</u>	<u>(1,885,048)</u>	<u>(2,031,206)</u>	<u>(1,840,329)</u>	<u>(2,716,369)</u>	<u>(1,694,770)</u>
Other financing sources (uses)										
Lease proceeds	599,900	-	217,804	-	-	-	-	1,819,184	86,457	-
Proceeds from issuance of debt	-	-	9,500,000	1,870,300	-	-	-	-	-	790,560
Principal - current refunding	-	-	-	(138,526)	-	-	-	-	-	-
Payments to refunding escrow	-	-	-	(2,043,014)	-	-	-	-	-	-
Insurance recoveries	2,959,449	335,412	25,919	12,304	71,463	42,150	9,774	6,947	11,704	15,176
Sale of capital assets	-	-	35,607	-	42,409	48,328	23,636	16,798	1,016	26,059
Transfers in	1,982,130	2,327,986	6,325,913	3,425,521	2,902,828	2,129,024	1,108,876	1,968,812	2,089,038	2,316,638
Transfers out	(1,416,169)	(2,031,957)	(6,871,794)	(5,455,803)	(2,112,156)	(3,188,111)	(280,876)	(1,140,812)	(1,586,038)	(1,296,638)
Total other financing sources (uses)	<u>4,125,310</u>	<u>631,441</u>	<u>9,233,449</u>	<u>(2,329,218)</u>	<u>904,544</u>	<u>(968,609)</u>	<u>861,410</u>	<u>2,670,929</u>	<u>602,177</u>	<u>1,851,795</u>
Special item										
Proceeds from sale of land	-	3,500,000	-	-	-	-	-	-	-	-
Initial contribution to airport authority	(2,525,585)	-	-	-	-	-	-	-	-	-
Total special items	<u>(2,525,585)</u>	<u>3,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (443,413)</u>	<u>\$ 516,255</u>	<u>\$ 7,829,924</u>	<u>\$ (2,999,673)</u>	<u>\$ 424,694</u>	<u>\$ (2,853,657)</u>	<u>\$ (1,169,796)</u>	<u>\$ 830,600</u>	<u>\$ (2,114,192)</u>	<u>\$ 157,025</u>
Debt Service as a percentage of noncapital expenditures	11.10%	9.04%	14.58%	16.87%	13.50%	14.63%	16.06%	14.63%	13.29%	14.92%

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
2006	\$ 5,473,219	\$ 1,172,989	\$ 1,299,073	\$ 408,684	\$ 702,476	\$ -	\$ 9,056,441
2007	6,999,147	1,206,210	1,347,754	502,239	714,051	-	10,769,401
2008	7,306,490	1,220,697	1,386,825	588,184	665,367	-	11,167,563
2009	7,148,427	1,247,248	1,429,708	684,620	633,491	79,325	11,222,819
2010	6,427,817	1,368,738	1,580,190	588,111	630,798	77,009	10,672,663
2011	5,239,552	1,273,566	1,531,338	556,166	603,823	74,292	9,278,737
2012	5,123,146	1,198,360	1,465,024	543,749	603,415	75,154	9,008,848
2013	5,101,801	1,098,866	1,523,497	524,187	615,111	76,561	8,940,023
2014	5,130,461	1,221,973	1,612,772	483,337	703,120	70,763	9,222,426
2015	5,159,264	1,268,042	1,603,537	467,312	739,144	72,034	9,309,333

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
2006	\$ 909,104	\$ 87,926	\$ 271	\$ 284,073	\$ 713,228	8.9400	\$1,157,731	86.14%
2007	1,099,329	89,167	304	340,112 ⁽²⁾	848,688	8.4400	1,382,799	85.97%
2008	1,126,601	93,040	320	382,733	837,228	7.3521	1,418,773	85.99%
2009	1,005,486	95,412	362	338,245	763,015	7.3277	1,278,699	86.12%
2010	866,769	87,604	278	306,577	648,074	7.3277	1,107,610	86.19%
2011	795,640	87,741	308	261,975	621,714	7.9998	1,024,096	86.29%
2012	758,970	81,092	517	276,571	564,008	8.5119	974,515	86.26%
2013	774,265	79,045	517	290,745	563,082	8.5866	990,462	86.20%
2014	797,750	80,803	496	296,599	582,450	8.3638	1,019,828	86.20%
2015	849,678	107,523	497	335,309	622,389	7.3638	1,107,641	86.46%

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

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

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

(1) Includes tax-exempt property

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

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

Fiscal Year	Direct Rate	Overlapping Rates				Total
	City of Lake Wales	County of Polk	Polk County School Board	Peace River Basin	South West Florida Water Management District	
2006	8.9400	8.7270	8.0780	0.0195	0.0422	25.8067
2007	8.4400	8.3330	7.7700	0.0195	0.0422	24.6047
2008	7.3521	6.8665	7.5120	0.1827	0.3866	22.2999
2009	7.3277	6.8665	7.5860	0.1827	0.3866	22.3495
2010	7.3277	6.8665	7.7920	0.1827	0.3770	22.5459
2011	7.9998	6.8665	7.6700	N/A *	0.3928	22.9291
2012	8.5119	6.8665	7.4920	N/A *	0.3928	23.2632
2013	8.5866	6.8665	7.5470	N/A *	0.3818	23.3819
2014	8.3638	6.8665	7.2080	N/A *	0.3658	22.8041
2015	7.3638	6.7815	7.1490	N/A *	0.3488	21.6431

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

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

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

**City of Lake Wales, Florida
Principal Property Taxpayers
Fiscal Year Ended September 30, 2015**

<u>Taxpayer</u>	<u>Rank</u>	<u>2015</u>		<u>Rank</u>	<u>2006</u>	
		<u>Total Assessed Valuation</u>	<u>Percentage of Total Taxable Assessed Value</u>		<u>Total Assessed Valuation</u>	<u>Percentage of Total Taxable Assessed Value</u>
Duke Energy	1	\$ 16,124,679	2.59%	N/A	N/A	N/A
Real Sub LLC	2	14,409,176	2.32%	N/A	N/A	N/A
CRF II LTD	3	14,274,633	2.29%	N/A	N/A	N/A
Lake Wales Hospital Corp	4	12,463,716	2.00%	N/A	N/A	N/A
T Eagle Ridge LLC	5	10,617,617	1.71%	N/A	N/A	N/A
Preserve at Lake Wales Inc	6	8,777,397	1.41%	N/A	N/A	N/A
Walmart	7	8,399,401	1.35%	N/A	N/A	N/A
Waters Edge of Lake Wales LLC	8	8,307,934	1.33%	N/A	N/A	N/A
Lowes	9	6,395,023	1.03%	N/A	N/A	N/A
Publix Super Markets	10	6,324,504	1.02%	N/A	N/A	N/A
		<u>\$ 106,094,080</u>	<u>17.05%</u>		<u>\$ -</u>	
Total Assessed Valuation		<u>\$ 622,388,554</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
2006	\$ 4,881,409	\$ 4,689,093	96.06%	\$ 36,592	\$ 4,725,685	96.81%
2007	6,030,347	5,821,296	96.53%	21,132	5,842,427	96.88%
2008	6,274,751	5,983,531	95.36%	73,328	6,056,859	96.53%
2009	6,114,563	5,886,159	96.26%	74,299	5,960,458	97.48%
2010	5,573,456	5,381,576	96.56%	50,228	5,431,804	97.46%
2011	4,755,826	4,536,040	95.38%	47,623	4,583,663	96.38%
2012	4,805,346	4,582,454	95.36%	59,962	4,642,416	96.61%
2013	4,834,971	4,597,660	95.09%	83,980	4,681,640	96.83%
2014	4,836,682	4,657,071	96.29%	40,553	4,697,624	97.12%
2015	4,843,338	4,689,790	96.83%	22,965	4,712,755	97.30%

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			
2006	\$ 3,196,215	\$ 8,219,371	\$ 743,195	\$12,158,781	\$ 39,641	\$ 10,907,250	\$10,946,891	\$ 23,105,672	12,755	1,811
2007	2,613,363	7,743,062	611,082	10,967,507	7,533	11,226,666	11,234,199	22,201,706	13,039	1,703
2008	2,270,000	16,467,201	653,013	19,390,214	-	12,846,282	12,846,282	32,236,496	13,052	2,470
2009	-	17,538,054	330,666	17,868,720	-	12,068,920	12,068,920	29,937,640	13,067	2,291
2010	-	16,372,461	181,921	16,554,382	-	11,693,522	11,693,522	28,247,904	14,225	1,986
2011	-	14,793,353	92,866	14,886,219	-	10,653,701	10,653,701	25,539,920	14,261	1,791
2012	-	13,156,945	-	13,156,945	-	13,423,230	13,423,230	26,580,175	14,261	1,864
2013	-	13,155,997	109,543	13,265,540	-	12,390,108	12,390,108	25,655,648	14,522	1,767
2014	-	11,444,458	166,121	11,610,579	-	11,023,165	11,023,165	22,633,744	14,916	1,517
2015	-	9,664,472	394,377	10,058,849	-	11,711,767	11,711,767	21,770,616	15,011	1,450

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, 2015

<u>Taxing Authority</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Lake Wales	\$ 10,058,849	100.00%	\$ 10,058,849
Total Direct Debt	<u>10,058,849</u>		<u>10,058,849</u>
County of Polk (1)	194,322,249	2.37%	4,605,437
Polk County School Board (2)	<u>330,264,000</u>	2.37%	<u>7,827,257</u>
Total Overlapping Debt	<u>524,586,249</u>		<u>12,432,694</u>
Total Direct and Overlapping Debt	<u>\$ 534,645,098</u>		<u>\$ 22,491,543</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, 2014.

(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, 2014.

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

Utility Fund Debt Obligations

Fiscal Year	(1) Charges for Service Revenues	(2) Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ 5,258,800	\$ 3,344,687	\$ 1,914,113	\$ 767,735	\$ 509,048	1.50
2007	5,715,639	3,845,573	1,870,066	537,888	473,969	1.85
2008	6,622,986	3,994,870	2,628,116	887,917	445,311	1.97
2009	6,025,162	3,837,972	2,187,190	957,362	434,894	1.57
2010	6,125,465	3,524,740	2,600,725	375,398	240,434	4.22
2011	6,303,592	3,296,392	3,007,200	1,142,531	325,639	2.05
2012	6,514,807	3,607,564	2,907,243	1,180,743	291,324	1.97
2013	6,549,910	3,832,634	2,717,276	1,332,188	325,079	1.64
2014	6,649,031	3,950,814	2,698,217	1,366,943	328,131	1.59
2015	7,002,296	3,676,952	3,325,344	1,445,795	238,758	1.97

(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
2006	\$37,996	\$31,090	\$36,417	\$22,361	\$24,618	\$31,739	\$45,494	\$41,176	\$46,751	\$33,034	\$44,277	\$42,194
2007	39,256	31,838	37,473	22,705	25,410	33,034	47,804	44,216	50,485	36,590	46,599	46,557
2008	39,978	32,621	37,923	23,854	25,978	33,885	44,857	44,350	49,762	34,385	45,766	45,517
2009	37,382	30,953	36,210	23,222	25,243	31,871	44,755	41,913	47,129	33,728	42,626	42,479
2010	38,493	32,902	38,457	25,197	26,129	32,612	44,390	41,184	46,043	33,732	42,165	42,343
2011	40,215	34,873	38,951	26,793	26,823	33,629	44,250	40,258	46,592	33,058	40,933	44,965
2012	41,041	33,647	40,206	25,311	26,865	34,445	45,006	41,337	46,534	34,012	42,743	41,579
2013	41,497	34,393	40,680	25,752	27,019	34,782	47,827	44,398	50,195	38,046	46,479	47,509
2014	N/A	N/A	N/A	N/A	N/A	N/A	47,309	43,606	49,450	36,115	44,887	45,663
2015	N/A	N/A	N/A	N/A	N/A	N/A	46,956	43,113	49,596	37,125	43,891	45,035

(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
2006	97.58	102.13	96.05	98.84	97.69	3.4	4.2	3.5	5.3	3.6	3.6
2007	97.50	102.10	96.02	98.86	97.70	4.3	5.4	4.6	6.5	4.7	4.6
2008	97.59	101.71	96.00	98.79	97.64	7	8.1	7.3	9.3	7.1	7.4
2009	98.07	101.57	95.53	98.66	97.51	11.0	12.3	11.2	12.7	12.1	11.8
2010	98.98	101.55	95.70	98.64	97.49	11.3	12.6	10.8	13.9	12.5	11.7
2011	98.48	101.65	96.21	98.10	96.95	10.2	11.5	9.4	12.3	11.2	10.4
2012	97.87	101.37	96.05	97.95	96.43	8.5	9.6	7.7	11.4	9.2	8.6
2013	98.17	100.75	95.30	98.96	97.02	6.9	8.4	6.5	10.4	7.7	7.3
2014	96.26	100.89	96.69	97.47	96.33	6.1	7.3	5.8	9.4	6.6	6.3
2015	N/A	N/A	N/A	N/A	N/A	5.2	6.2	4.9	8.7	5.5	5.2

(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	
2006	565,049	12,755	2.26%
2007	581,058	13,039	2.24%
2008	585,733	13,052	2.23%
2009	584,343	13,067	2.24%
2010	602,095	14,225	2.36%
2011	604,792	14,261	2.36%
2012	606,888	14,261	2.35%
2013	613,950	14,522	2.37%
2014	623,174	14,916	2.39%
2015	634,555	15,011	2.37%

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

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City Manager	2.50	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
City Clerk	1.00	1.00	1.00	1.00	1.50	1.50	1.50	1.50	1.50	1.50
Development Services	1.50	3.00	2.00	1.00	1.00	1.00	1.00	1.00	-	-
Finance	5.00	5.50	4.50	4.25	4.00	4.50	4.50	3.75	3.50	3.50
Support Services	2.00	2.00	3.00	3.75	3.75	3.00	3.00	2.50	2.00	1.30
Human Resource	2.00	2.00	2.00	2.00	2.50	3.50	3.00	2.50	2.00	2.00
Planning and Zoning	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00
Information Services	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	2.50	2.30
Public Services Administration	1.00	1.50	2.00	2.00	2.50	2.50	2.50	2.50	2.25	2.40
Parks & Recreation	0.50	-	-	-	-	-	-	-	-	-
Total general government	<u>19.50</u>	<u>22.00</u>	<u>21.50</u>	<u>21.00</u>	<u>23.25</u>	<u>24.00</u>	<u>23.50</u>	<u>21.75</u>	<u>18.75</u>	<u>18.00</u>
Police Department	59.00	59.50	45.50	47.50	49.50	47.50	50.00	49.00	51.00	50.00
Fire & Rescue:	21.00	23.00	24.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00
Building Permits and Inspection	7.25	8.00	6.00	4.75	3.00	3.00	3.00	2.00	2.00	2.50
Code Enforcement	2.00	2.50	2.50	2.50	2.50	1.50	1.00	1.75	1.50	1.00
Total public safety	<u>89.25</u>	<u>93.00</u>	<u>78.00</u>	<u>81.75</u>	<u>82.00</u>	<u>79.00</u>	<u>81.00</u>	<u>79.75</u>	<u>81.50</u>	<u>80.50</u>
Cemetery	3.00	3.00	1.00	1.00	-	-	-	-	-	-
Parks Division	5.00	6.00	7.00	7.00	-	-	-	-	-	-
Streets	6.00	6.00	6.00	6.25	-	-	-	-	-	-
Field Operations	-	-	-	-	17.75	18.00	18.00	19.00	19.00	19.00
Fleet Maintenance	2.00	2.00	3.00	3.00	-	-	-	-	-	-
Facilities Maintenance	3.50	3.00	4.00	4.00	5.00	4.50	4.00	4.00	3.00	3.00
Total maintenance	<u>19.50</u>	<u>20.00</u>	<u>21.00</u>	<u>21.25</u>	<u>22.75</u>	<u>22.50</u>	<u>22.00</u>	<u>23.00</u>	<u>22.00</u>	<u>22.00</u>
Recreation	2.50	3.50	2.00	1.00	-	-	-	-	-	-
Depot	2.00	2.00	1.50	-	-	-	-	-	-	-
Library	12.00	14.00	16.00	18.00	18.00	17.75	16.50	16.50	16.50	16.50
Total culture and recreation	<u>16.50</u>	<u>19.50</u>	<u>19.50</u>	<u>19.00</u>	<u>18.00</u>	<u>17.75</u>	<u>16.50</u>	<u>16.50</u>	<u>16.50</u>	<u>16.50</u>
Wastewater Division	7.00	9.50	9.00	9.00	-	-	-	-	-	-
Water Division	10.00	10.50	10.00	10.00	-	-	-	-	-	-
Reuse Division	-	-	1.00	1.00	-	-	-	-	-	-
Utilities Operations	-	-	-	-	22.00	22.00	23.00	23.50	23.00	23.00
Utilities Administration	5.00	4.00	5.00	5.00	5.50	5.50	5.50	5.50	6.75	6.50
Utility Billing/Customer Service	6.00	5.50	5.50	5.75	3.25	3.00	3.75	3.25	3.50	4.50
Total utilities	<u>28.00</u>	<u>29.50</u>	<u>30.50</u>	<u>30.75</u>	<u>30.75</u>	<u>30.50</u>	<u>32.25</u>	<u>32.25</u>	<u>33.25</u>	<u>34.00</u>
Total government employees	<u>172.75</u>	<u>184.00</u>	<u>170.50</u>	<u>173.75</u>	<u>176.75</u>	<u>173.75</u>	<u>175.25</u>	<u>173.25</u>	<u>172.00</u>	<u>171.00</u>

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

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

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

Function/Program	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</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)	17.14	19.01	19.14	19.58	19.60	19.60	20.12	20.12	20.12	20.14
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	1,673	1,399	1,403	1,304	1,233	1,206	1,263	1,173	1,158	1,071
Number of calls for service	19,990	18,096	17,313	15,792	23,746	25,758	26,876	n/a	20,904	22,047
Number of crashes	410	446	363	374	350	383	397	390	436	478
Fire										
Response volume (includes fire, rescue and medical calls)	2,756	2,786	2,879	2,618	2,576	2,480	2,580	2,514	2,660	2,991
Response time average (minutes)	4.80	4.94	5.39	5.14	5.11	5.21	6.37	5.72	5.66	5.02
Inspections/plans reviewed	832	1,383	1,767	1,031	1,422	1,489	1,712	1,837	1,877	2,067
Public education (persons)	2,771	2,378	2,917	1,645	2,627	534	2,263	1,652	1,148	3,860
Permits and Inspections Division										
Plan review residential	106	253	411	198	291	309	192	264	291	320
Plan review commercial	25	114	189	133	205	145	108	163	177	157
Permits issued	256	768	797	407	636	500	490	579	657	739
Inspections:										
Construction	2,298	3,968	2,664	2,176	2,287	1,389	1,628	1,918	2,332	2,557
Inspections per month (avg.)	192	331	222	181	191	116	136	174	194	213
Certificates of Occupancy issued	117	99	72	44	46	33	44	51	70	65
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	84.40	86.04	86.74	86.74	86.74	86.74	86.74	86.74	86.74	87.41
Water										
Average monthly customers:										
Water	7,824	7,938	7,923	7,899	7,892	7,437	7,595	7,673	7,890	7,889
Sewer	5,205	5,316	5,325	5,309	5,311	5,047	5,136	5,227	5,369	5,412
Irrigation	1,052	1,116	1,167	1,238	1,254	1,291	1,313	1,362	1,425	1,454
Wastewater										
Number of lift stations	35	39	39	39	39	39	39	39	39	39

(1) Square miles
N/A - Not available

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

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

Water Rates(1)								
% of Rate Increase (Decrease) - Base l	2008	2009	2010	2011	2012	2013	2014	2015
	-44.20%	5.10%	2.50%	2.50%	3.60%	2.50%	2.50%	2.50%
Inside City Limits								
Base Rate	\$ 4.95	\$ 5.20	\$ 5.33	\$ 5.46	\$ 5.66	\$ 5.80	\$ 5.95	\$ 6.10
0-5,000	1.96	2.06	2.11	2.16	2.24	2.30	2.35	2.41
5,001-10,000	2.65	2.78	2.85	2.92	3.03	3.11	3.18	3.26
10,001-25,000	4.11	4.32	4.43	4.54	4.70	4.82	4.94	5.06
> 25,000	6.77	7.11	7.29	7.47	7.74	7.93	8.13	8.33
Outside City Limits								
Base Rate	\$ 6.19	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.08	\$ 7.26	\$ 7.44	\$ 7.63
0-5,000	2.45	2.57	2.64	2.71	2.80	2.87	2.94	3.01
5,001-10,000	3.32	3.49	3.56	3.65	3.79	3.88	3.98	4.08
10,001-25,000	5.14	5.40	5.54	5.68	5.88	6.03	6.18	6.33
> 25,000	8.47	8.89	9.11	9.34	9.68	9.92	10.17	10.42

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

Sewer Rates (1)

% of Rate Increase (Decrease) - Ba:	-24.30%	5.00%	2.50%	2.50%	3.60%	2.50%	2.50%	2.50%
Inside City Limits								
Base Rate	\$ 17.59	\$ 18.47	\$ 18.93	\$ 19.40	\$ 20.10	\$ 20.60	\$ 21.12	\$ 21.65
0-5,000 Gallons	2.31	2.43	2.49	2.55	2.64	2.71	2.77	2.84
5,001 + Gallons	4.05	4.25	4.36	4.47	4.63	4.75	4.86	4.98
Outside City Limits								
Base Rate	\$ 21.99	\$ 23.09	\$ 23.66	\$ 24.25	\$ 25.13	\$ 25.76	\$ 26.40	\$ 27.06
0-5,000 Gallons	2.89	3.03	3.11	3.19	3.30	3.38	3.47	3.56
5,001 + Gallons	5.07	5.32	5.45	5.59	5.79	5.93	6.08	6.23

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>2015</u>		<u>2006</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Citrus World, Inc.	800	1	N/A	1
Lake Wales Charter Schools	549	2	N/A	2
Lake Wales Medical Center	520	3	N/A	3
Wal-Mart	320	4	N/A	4
Polk County School Board	276	5	N/A	5
Publix, Inc.	221	6	N/A	6
Warner University	207	7	N/A	7
City of Lake Wales	171	8	N/A	8
Webber International University	164	9	N/A	9
Hunt Brothers	120	10	N/A	10
	<u>3,348</u>		<u>N/A</u>	

Source: Lake Wales Area Chamber of Commerce

N/A - Not available

**City of Lake Wales, Florida
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA Number	Expenditures
U.S. Department of Justice passed through			
Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant			
Lake Wales In-Car Camera Program	2015-JAGD-POLK-1-R1-040	16.738	4,346
Lake Wales Community Safety Program	2015-JAGC-POLK-12-R3-111	16.738	10,007
Total U.S. Department of Justice			<u>14,353</u>
U.S. Environmental Protection Agency passed through			
Florida Department of Environmental Protection			
Office of Greenways and Trails			
Recreation Trails Program	T12008	20.219	96,016
Executive Office of the President passed through			
Office of National Drug Control Policy			
Central Florida HIDTA			
HIDTA Task Force	G13-CF0005A	95.001	22,949
U.S. Department of Transportation			
Federal Aviation Administration			
Airport Improvement Program			
Lake Wales Municipal Airport Airfield Improvement Project	3-12-0040-015-2013	20.106	<u>2,587,832</u>
			<u>\$ 2,721,150</u>

- (1) SRF - 5907P Loan Balance at September 30, 2014 - \$346,637
- (2) SRF - 59110 Loan Balance at September 30, 2014 - \$318,705
- (3) SRF - 5912S Loan Balance at September 30, 2014 - \$674,002
- (4) SRF - 5913P Loan Balance at September 30, 2014 - \$684,925
- (5) SRF - 59140 Loan Balance at September 30, 2014 - \$337,587
- (6) SRF - 530300 Loan Balance at September 30, 2014 - \$3,784,823

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
CITY OF LAKE WALES, FLORIDA**

Note 1 – General

The accompanying schedule of expenditures of federal awards presents the activities of all federal award programs of the City of Lake Wales, Florida (the City), as well as the Lake Wales Airport Authority (the discretely-presented component unit) for the year ended September 30, 2015.

Federal awards programs received directly as well as passed through other government agencies are included in the schedules.

Note 2 – Basis of Accounting

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

Note 3 – Contingencies

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

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lake Wales, Florida's (the "City's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2015. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cheryl Behrman LLP". The signature is written in black ink and is positioned above the typed name and date.

Orlando, Florida
March 29, 2016

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

YEAR ENDED SEPTEMBER 30, 2015

Part I - Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

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

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

YEAR ENDED SEPTEMBER 30, 2015

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

Federal Awards Section (continued)

Identification of major federal programs:

Federal Programs:

Name of Program or Cluster	CFDA Numbers
Department of Transportation Airport Improvement Program	20.106

Dollar threshold used to determine Type A programs:

Federal \$ 300,000

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

Part II - Schedule of Financial Statement Findings

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

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

Part III - Federal Award Findings and Questioned Costs

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

There were no findings required to be reported by Section 510(a) of OMB Circular A-133.

CITY OF LAKE WALES, FLORIDA

SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2015

Prior Audit Findings:

FINDING #2014-001

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

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

Corrective Action: The City took corrective action to resolve the above finding during fiscal year 2015.

Corrective Action Plan:

There were no audit findings in the current year's independent auditor's reports that required corrective action.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Wales, Florida (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Orlando, Florida
March 29, 2016

Independent Auditor's Management Letter

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

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Wales, Florida ("the City"), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 29, 2016.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Report of Independent Auditor on Compliance for the Major Program and on Internal Control over Compliance Required by OMB Circular A-133; Schedule of Findings and Questioned Costs; and Report of Independent Accountant on Compliance with Local Government Investment Policies. Disclosures in those reports and schedule, which are dated March 29, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit of the financial statements of the City, the results of our tests did not indicate the City met any of the specified conditions of a financial emergency contained in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, 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, 2015. Our comparison of these two reports resulted in no material differences.

Other Matters

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

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

Purpose of this Letter

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



Orlando, Florida
March 29, 2016

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

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

Report on Compliance

We have examined the City of Lake Wales, Florida's (the "City's") compliance with the local government investment policy requirements of 218.415, Florida Statutes, for the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Scope

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

Opinion

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.



Orlando, Florida
March 29, 2016