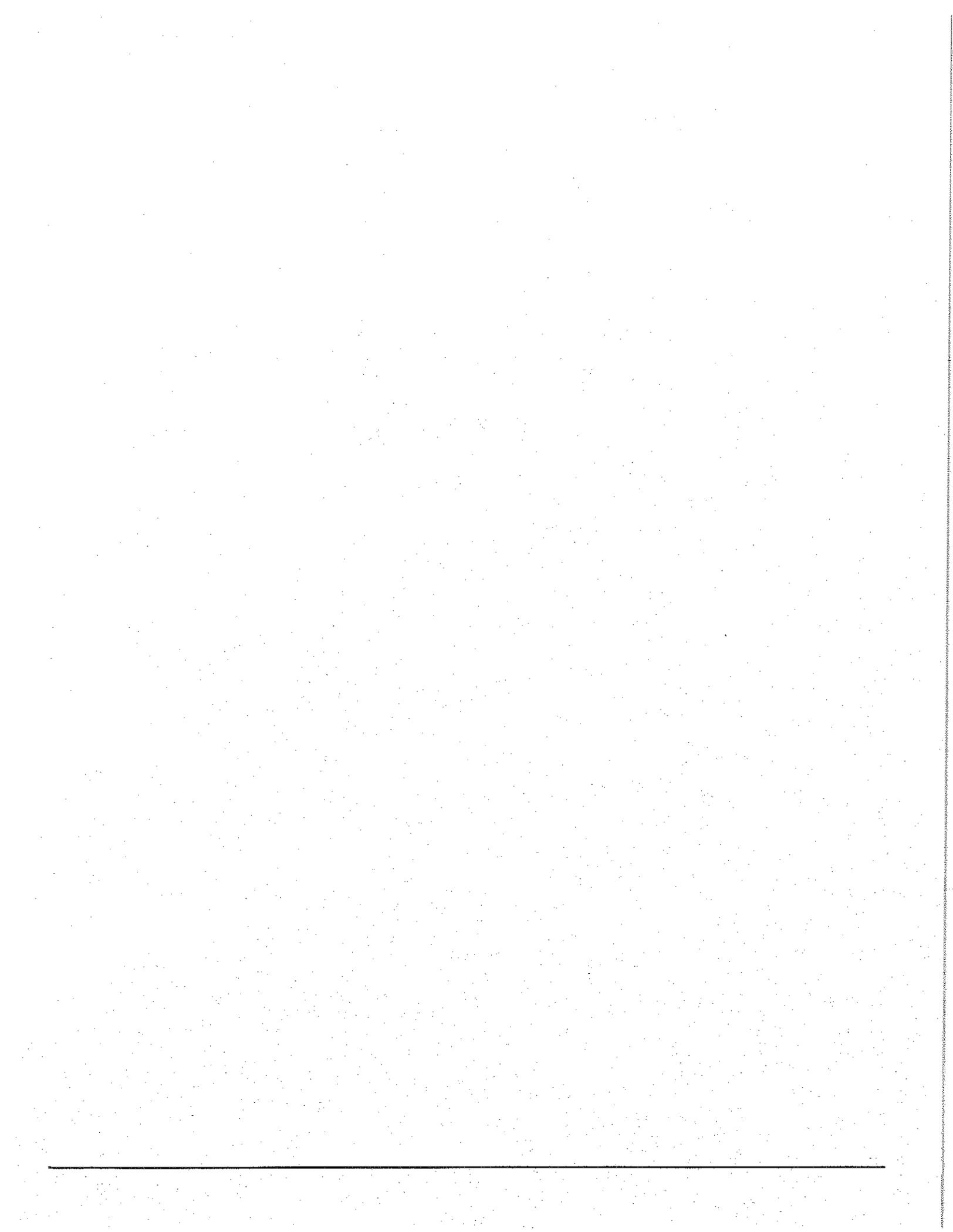




City of Lake Wales, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
September 30, 2008



City of Lake Wales, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2008

Prepared By:
Department of Finance

This page intentionally left blank

City of Lake Wales, Florida

**Comprehensive Annual Financial Report
For Fiscal Year Ended September 30, 2008**

Table of Contents

Introductory Section

Letter of Transmittal i
Organizational Chart vi
Principal Officials vii

Financial Section

Independent Auditors' Report 1

Management's Discussion and Analysis 3

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Assets 15
Statement of Activities 16

Fund Financial Statements:

Balance Sheet - All Governmental Funds 18
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets 19
Statement of Revenues, Expenditures, and Changes in Fund
Balances - All Governmental Funds 20
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities 21
Statement of Net Assets - Proprietary Funds 22
Statement of Revenues, Expenses, and Changes in Fund Net Assets -
Proprietary Funds 23
Statement of Cash Flows - Proprietary Funds 24
Statement of Fiduciary Net Assets 26
Statement of Changes in Fiduciary Net Assets 27

Notes to Financial Statements 29

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual - General Fund 62
Schedule of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual - Transportation Fund 64

Schedule of Revenues, Expenditures, and Changes in Fund	
Balance - Budget and Actual – Community Redevelopment Fund	65
Schedules of Funding Progress and Contributions From Employer and Others	
Firefighters' Pension Plan.....	66
Schedules of Funding Progress and Contributions From Employer and Others	
Municipal Police Officers' Pension Plan	67
Schedules of Funding Progress and Contributions From Employer and Others	
General Employees' Pension Plan.....	68
Supplemental Information	
Combining Balance Sheet - Nonmajor Governmental Funds.....	69
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Nonmajor Governmental Funds.....	70
Budget to Actual Comparison Other Major and Nonmajor Governmental Funds	
Forfeitures Fund	71
Library Fund	72
Law Enforcement Block Grant Fund	73
Community Development Block Grant Fund	74
Historic Preservation Fund.....	75
Debt Service Fund.....	76
Capital Project Fund.....	77
Statistical Section (Unaudited)	78
Financial Trends:	
Net Assets by Component	79
Changes in Net Assets	80
Fund Balances of Governmental Funds	82
Changes in Fund Balances of Governmental Funds.....	83
Tax Revenues by Source, Governmental Funds.....	84
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property	85
Direct and Overlapping Property Tax Rates.....	86
Principal Taxpayers	87
Property Tax Levies and Collections.....	88
Debt Capacity:	
Ratios of Outstanding Debt by Type	89
Direct and Overlapping Governmental Activities Debt.....	90
Pledged-Revenues Coverage	91
Demographic and Economic Information:	
Demographic and Economic Statistics	92
Operating Information:	
Full-time Equivalent City Government Employees by Function/Program	95
Various Indicators by Function/Program.....	96
Water Sold by Type of Customer	97

Sewer Sold by Type of Customer	98
Principal Employers	99

Additional Elements of Report Prepared in Accordance with *Government Auditing Standards*, Issued by the Comptroller General of the United States and the *Rules of the Auditor General* of the State of Florida

Schedule of Expenditures of Federal Awards.....	100
Schedule of Expenditures of State Financial Assistance	101
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.....	102
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103
Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Florida Department of Financial Services, <i>State Projects Compliance Supplement</i>	105
Schedule of Findings and Questioned Costs –Federal Award Programs And State Financial Assistance Projects	107
Management Letter.....	109
Management's Response	114

This page intentionally left blank



City of Lake Wales

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

May 15, 2009
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 20, 2008, is hereby submitted pursuant to the City Charter, Florida Statutes, and Chapter 10.550, Rules of the Auditor General of the State of Florida.

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

Purvis, Gray & Company, Certified Public Accountants, have issued unqualified ("clean") opinions on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Wales's for the year ended September 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement 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 Hwy 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 19.14 square miles and serves a population of 13,052.

Because of the region's rich soil and warm climate, citrus has been a major contributor to the local economy since the earliest days of Lake Wales. Recently, the area has been successful in attracting light manufacturing and construction firms. The stated goal of the City Commission and the city administration is to encourage and facilitate quality growth and economic development without compromising the vintage charm that is so important to the residents of the community. The unhurried lifestyle 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. Five city commissioners are elected at-large to serve four-year terms. Any commissioner who is not running for election is eligible to run for mayor, and, if elected, serves a one-year term. The City is governed by the City Charter, state and local laws and regulations. The Commission is responsible for the establishment and adoption of City policy and appointing a City Manager. The City Manager serves as the Chief Executive Officer of the City and is responsible for the execution of City policy and oversight of the 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, solid waste management, water and sewer service, the construction and maintenance of road and street facilities, planning and development services, recreational and cultural activities, 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 governmental-wide statements. Blended component units (Lake Wales Community Redevelopment Agency and Lake Wales Library Board) are 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

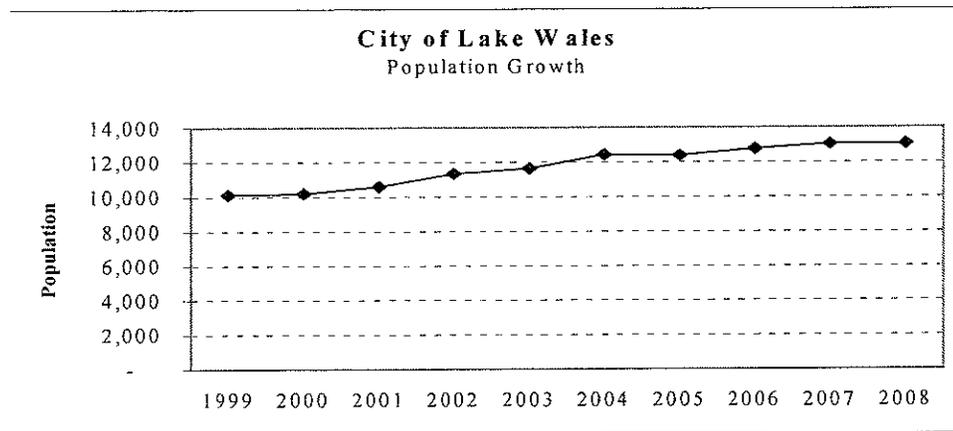
Each fiscal year provides the City an opportunity to identify, address and resolve issues facing our community and citizens. While residents enjoy the quiet suburban lifestyle of this community and public sentiment is to maintain and preserve its residential character, the City's largely residential make-up and continued growth 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 has attracted considerable growth in our community. History has proven that significant emphasis on support systems such as transportation, potable (drinking) water, wastewater, and stormwater 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.

Growth

The population in Lake Wales has increased approximately 28% since the U. S. Census of 2000. As the following table shows, the annual increase has been in the range of 2% with peaks of 7% and 6% in 2002 and 2004 respectively. Note the drop in 2005, attributable to the demolition of a number of units, notably Sunrise Apartments, following the hurricanes.



POPULATION 2000-2007

<u>YEAR</u>	<u>POPULATION*</u>	<u>% INCR.</u>	<u>NOTES</u>
2000	10,194	-	U. S. Census
2001	10,593	3	
2002	11,336	7	
2003	11,626	2	
2004	12,433	6	
2005	12,390	-0.1	Hurricanes/Zoning in Progress
2006	12,755	2	
2007	13,039	2	
2008	13,052	<1%	

*Estimates 2001-2007 by Bureau of Business and Economic Research (BEER) at the University of Florida. Estimates are as of April of 2009.

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 2008 were reported at 6.7% and 6.0%, respectively, while the national unemployment rate was 5.8%.

The regional economy is currently reflecting similar expectations as the state and national economic projections due to the banking crisis and national recession. The state economy is projecting lower personal income growth due to dampened consumer spending. However, Florida income growth is expected to begin recovery during 2008-09 and then return to normal levels in fiscal year 2010-11. Much of the future strength in personal income is projected due to the expected recovery from recessionary conditions.

Residential housing, with the meltdown of the subprime mortgage market, is not expected to rebound within the next fiscal year. As the availability of financing for commercial real estate tightens, growth in private nonresidential construction is projected to slow.

Long-term financial planning

Unreserved/designated fund balance in the general fund of \$1,981,697 (17.9% percent of the total general fund expenditures) falls within the minimum balances of no less than 8 to 17 percent of regular general fund operating expenditures as recommended by Government Finance Officers Association. 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:

Drainage improvements in various location within the City. Street lighting improvements on Dr. Martin Luther King Jr. Boulevard and Lincoln Avenue. Road and alley reconstruction and repaving. Lake beautification project. An elevated storage tank in the south west area of the City. Market Street ground storage tank, and Minnesota/Grove area upgrades. Various lift station replacement and new construction is planned. Sliplining deteriorated sewer lines in various locations over the City is also underway. For these various projects the City obtained \$9,500,000 debt obligations and plans are for continued construction through the fiscal year 2009-10. The City is currently discussing a sewer renovation project for \$4,465,785 with possible debt funding through the state revolving fund program.

Recreation programs continue to be important to the residents of the City. The City has designated over one million dollars for future construction of a municipal pool.

Relevant financial policies

In anticipation of implementation of Governmental Accounting Standards Board Statement No. 45(Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions) the City during fiscal year 2008/2009 will obtain actuary services for Other Post Employment Benefits for financial reporting purposes. The requirements of Statement 45 are effective for the City starting with the 2008/2009 fiscal year.

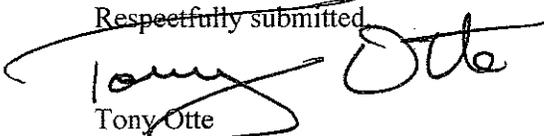
Awards and acknowledgements

The City is applying for an award from the Government Finance Officers Association (GFOA) for a Certificate of Achievement for Excellence in Financial Reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

We believe 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,

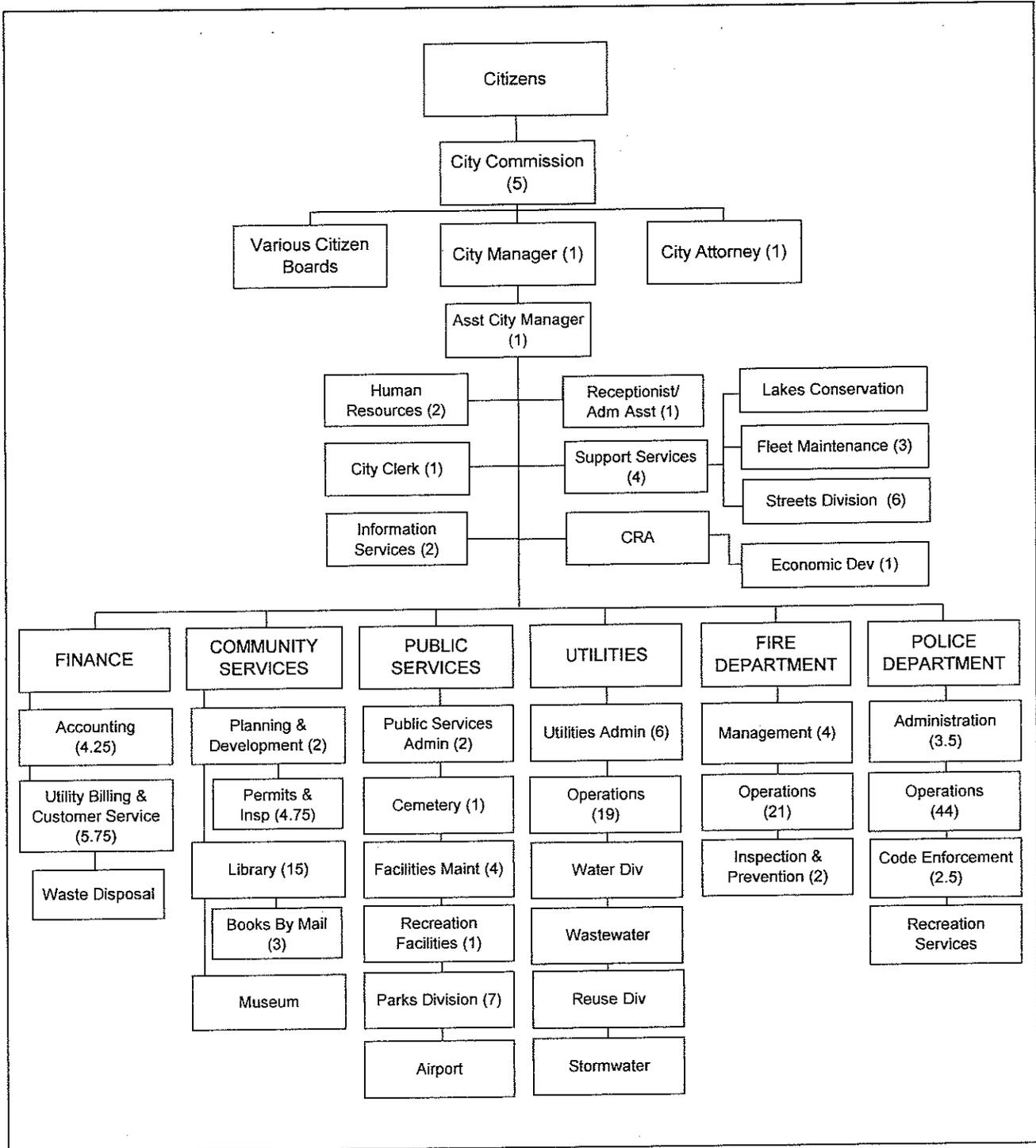


Tony Otte
City Manager



Dorothy Pendergrass,
Finance Director

**City of Lake Wales, Florida
Organizational Chart**



City of Lakes Wales, Florida
Principal Officials

Elected Officials

Mayor----- Lee A. Wheeler, III
Vice Mayor/Commissioner ----- Jack Van Sickle
Commissioner----- Terrye Y. Howell
Commissioner----- Kathy Manry
Commissioner ----- John Paul Rogers

City Officials

City Manager ----- Tony Otte
Assistant City Manager ----- Judith H. Delmar
City Attorney----- Albert C. Galloway, Jr.

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT

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

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of either the firefighters' pension trust fund or the police officers' pension trust fund, which represent 63% and 23%, respectively, of the assets and expenditures/deductions of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the firefighters' and police officers' pension trust funds, is based on the report of the other auditors.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2009, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

The management's discussion and analysis and the required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance for the year ended September 30, 2008, are 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 Chapter 10.550, *Rules of the Auditor General*, and are also not a required part of the basic financial statements of the City. The supplemental information and the schedules of expenditures of federal awards and state financial assistance, have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Purvis, Gray and Company, LLP

May 15, 2009
Sarasota, Florida

Management's Discussion and Analysis

As management of the City of Lake Wales (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$39,115,471 (*net assets*). Of this amount, \$2,200,548 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$6,790,824. Approximately \$2.97 million (44%) of this increase in net assets is attributable to governmental activities. Approximately \$3.82 million (56%) of this increase in net assets is attributable to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,278,225; an increase of \$7,829,924 in comparison with the prior year. Approximately 16.1% is *available for spending* at the government's discretion (*designated and unreserved fund balance*).
- At the end of the current fiscal year, unreserved/undesignated fund balance for the general fund was \$943,845 or 8.5% of total general fund expenditures.
- During the fiscal year, the City entered into a note payable for the Community Redevelopment Area for \$9,500,000 and a capital lease for fire and police communication equipment for \$217,804.

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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 and culture and recreation. The business-type activities of the City include the water and sewer utility.

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

The City's government-wide financial statements can be found on pages 15-17 of this report.

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

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

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balances sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. 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 18-21 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The public utility fund is considered a major fund of the City of Lake Wales. The basic proprietary fund financial statements can be found on pages 22-25 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 26-27 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 29-61 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 benefits to its employees and budgetary schedules for the general and major special revenue funds. Required supplementary information can be found on pages 62-68 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 69-77 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$39,115,471 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (67.4%) reflect 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.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 14,542,910	\$ 6,788,716	\$ 3,038,630	\$ 1,914,629	\$ 17,581,540	\$ 8,703,345
Capital assets, net of depreciation	30,617,901	27,027,970	27,248,941	22,274,945	57,866,842	49,302,915
Total assets	45,160,811	33,816,686	30,287,571	24,189,574	75,448,382	58,006,260
Current and other liabilities	3,589,567	2,949,706	2,682,338	1,979,621	6,271,905	4,929,327
Long-term liabilities	18,444,490	10,710,392	11,616,516	10,041,893	30,061,006	20,752,285
Total liabilities	22,034,057	13,660,098	14,298,854	12,021,514	36,332,911	25,681,612
Net Assets:						
Investment in capital assets net of related debt	11,543,258	16,349,902	14,827,444	11,516,914	26,370,702	27,866,816
Restricted	9,681,679	3,319,481	862,542	320,289	10,544,221	3,639,770
Unrestricted	1,901,817	487,205	298,731	330,857	2,200,548	818,062
Total net assets	\$ 23,126,754	\$ 20,156,588	\$ 15,988,717	\$ 12,168,060	\$ 39,115,471	\$ 32,324,648

City of Lake Wales's Net Assets

An additional portion of the City's net assets (27%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,200,548 unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. The City has designated \$1,037,852 for the purpose of providing funds necessary to cover the City's cash needs during the first quarter of each fiscal year. The account shall be made whole by September 30th of every fiscal year so that it may in the future be used to fund a municipal swimming pool.

At the end of the current fiscal year, the City reported positive balances in net assets for both governmental activities and restricted and unrestricted assets for business-type activities.

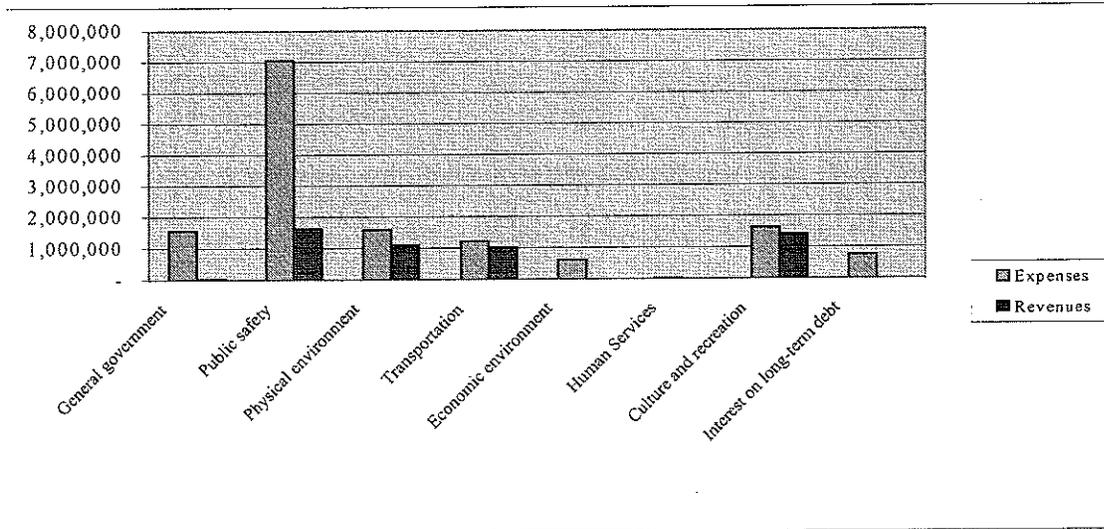
Governmental activities. Governmental activities increased the City's net assets by \$2,970,166, accounting for 43.7% of the total growth in the net assets of the City. Key elements of this increase are as follows.

City of Lake Wales's Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	\$ 2,556,790	\$ 2,330,335	\$ 6,622,986	\$ 5,715,639	\$ 9,179,776	\$ 8,045,974
Operating grants and contributions	875,556	691,710	1,772	40,111	877,328	731,821
Capital grants and contributions	1,740,200	2,044,202	1,166,650	319,088	2,906,850	2,363,290
General Revenues:						
Property taxes	7,306,490	6,999,147	-	-	7,306,490	6,999,147
Other taxes	3,861,073	3,770,254	-	-	3,861,073	3,770,254
Other	1,560,963	1,921,533	693,460	164,029	2,254,423	2,085,562
Total Revenues	17,901,072	17,757,181	8,484,868	6,238,867	26,385,940	23,996,048
Expenses:						
Governmental Activities:						
General government	1,555,163	1,664,465	-	-	1,555,163	1,664,465
Public safety	7,049,550	7,616,565	-	-	7,049,550	7,616,565
Physical environment	1,581,070	1,710,287	-	-	1,581,070	1,710,287
Transportation	1,206,577	1,561,291	-	-	1,206,577	1,561,291
Economic environment	599,756	1,009,089	-	-	599,756	1,009,089
Human services	14,634	35,333	-	-	14,634	35,333
Culture and recreation	1,626,211	1,920,919	-	-	1,626,211	1,920,919
Interest on long-term debt	752,066	505,482	-	-	752,066	505,482
Business-type Activities:						
Public utilities	-	-	5,194,309	4,954,705	5,194,309	4,954,705
Total Expenses	14,385,027	16,023,431	5,194,309	4,954,705	19,579,336	20,978,136
Increase (decrease) in net assets						
before special items and transfers	3,516,045	1,733,750	3,290,559	1,284,162	6,806,604	3,017,912
Special Items		1,963,070				1,963,070
Transfers	(545,879)	296,029	530,099	(296,029)	(15,780)	-
Change in net assets	2,970,166	3,992,849	3,820,658	988,133	6,790,824	4,980,982
Beginning net assets	20,156,588	12,275,209	12,168,059	11,179,926	32,324,647	23,455,136
Prior period adjustment		3,888,530	-	-	-	3,888,530
Ending net assets	\$ 23,126,754	\$ 20,156,588	\$ 15,988,717	\$ 12,168,059	\$ 39,115,471	\$ 32,324,648

- Charges for services in 2008 increased by \$226,455 or 9.7% from 2007. Essentially, \$190,856 (84.6%) of this increase was the result of increases in solid waste fees of \$93,618, fire service fees from Polk County of \$84,771, network consulting fees of \$4,290 and management fees from the public utilities of \$8,177.
- Operating grants and contributions received by the City increased in 2008 by \$183,846 or 27% from 2007. Essentially, \$148,844 (81%) of this increase was the result of additional hurricane reimbursements being received in the amount of \$104,931 and a grant for \$43,913 received by the Fire Department for radios.
- Capital grants and contributions decreased by \$304,002 or 14.9% from 2007.
- General revenues increased by \$37,592 or 3% from 2007. This change is a net result of an increase in property taxes of \$307,343, increase in other taxes of \$90,819 and decrease in other revenues of \$360,570.
- Other revenues decreased by \$360,570 or 18.8% from 2007. This change is mainly due to \$309,493 (85.8%) from an insurance loss recovery received in 2007.
- General government expenses decreased by \$109,302. This change is mainly a result of a decrease in disaster repairs of \$256,297 and increases in fleet maintenance of \$101,094, facilities maintenance \$23,595 and support services of \$22,347.
- Public Safety expenses decreased by \$567,015 mainly due to outsourcing police dispatching services and reductions in health insurance costs for both fire and police. Reductions in costs were \$134,697 for fire and \$670,349 for police. Operating cost increases were \$229,104.
- Physical environment expenses decreased by \$129,217. Essentially, \$89,714 (69.4%) of the decrease in physical environment was from the transfer of cemetery employees to parks and recreation services. The remaining decrease is a result of mowing functions relating to parks no longer being out-sourced.
- Transportation expenses decreased by \$354,714 due to road maintenance/repair work performed in 2007 in preparation for the 2008 construction costs.
- Economic Environment expenses decreased by \$409,333 mainly to a decrease in professional services fees paid during 2007 relating to remediation of environmental issues related to the Cooperative Fruit property.
- Culture and Recreation expenses decreased by \$294,708. This decrease was mainly due to decreases in personal services of \$69,747, operating cost of \$21,359, allocation of expense from police department of \$78,203, parks department \$25,098, reduction of operating cost from depot museum of \$47,288, and reduction in aid to outside recreation programs of \$22,100.

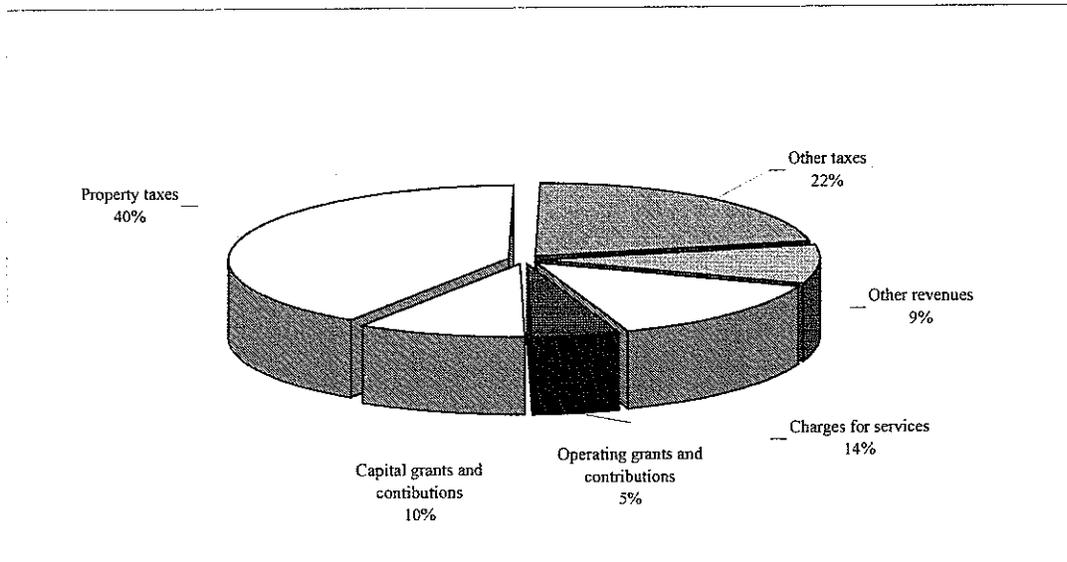
The following chart compares expenses with program revenues for the City's governmental activities:

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 assets by \$3,820,658 accounting for 56.3% of the total growth in the City's net assets. Key elements of this increase are as follows:

- Operating grants and contributions decreased by \$38,339 from 2007.
- Capital grants and contributions increased by \$847,562 as a result of a Southwest Florida Water management District reuse grant for \$632,681 received in 2008 and increases in water and sewer impact fees received during 2008.
- Charges for services increased by \$907,347 as a result of increased user fees.
- Other revenues increased by \$529,431. This change is primarily a result of a settlement received in 2008 for \$405,637; an increase in loss recoveries of \$94,848, and an increase in tower leases.
- Water and sewer expenditures increased \$239,604 as a result of increased engineering professional services and repair and maintenance cost.

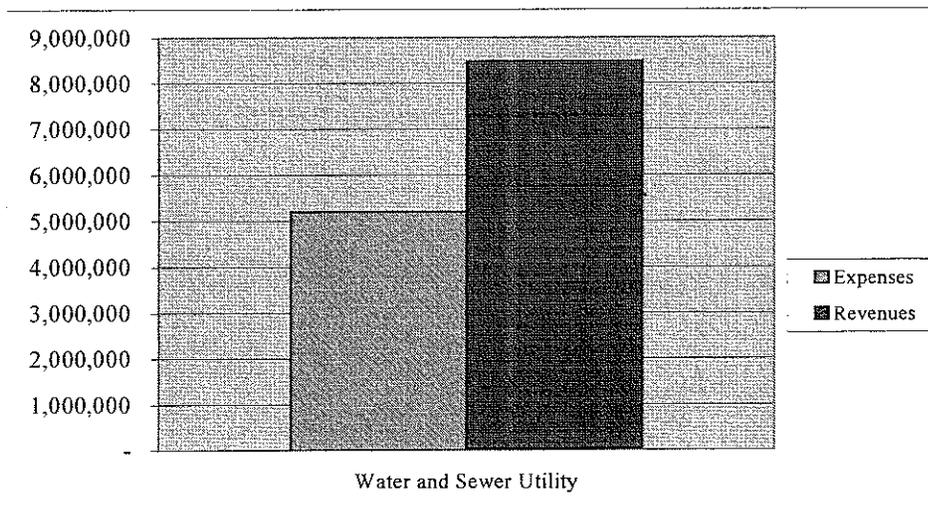
Financial Analysis of the Government's Funds

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

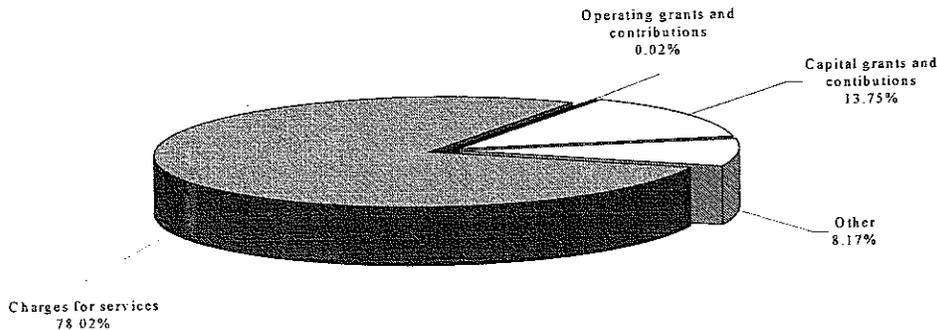
The following chart compares expenses with program revenues for the City's business-type activities:

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



At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,278,225 an increase of \$7,829,924 in comparison with the prior year. Approximately 7.7% of this amount (\$943,845) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. Approximately 8.5% of this amount (\$1,037,852) constitutes *designated fund balance*, for the purpose of providing funding necessary to cover the City's cash needs during the first quarter of each fiscal year. The account shall be made whole by September 30th of every fiscal year so that it may in the future be used to fund a municipal swimming pool. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to future expenditures for inventory and prepaid items of \$621,121, debt service of \$1,389,994, redevelopment of \$7,465,516, road and street expenditures of \$17,842, capital projects of \$394,470 and other purposes of \$307,585.

The general fund is the chief operating fund for the City. At the end of the current fiscal year, unreserved/designated fund balance of the general fund was \$1,981,697, while total fund balance reached \$2,596,546. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balances represents 17.9% percent of total general fund expenditure, while total fund balance represents 23.4 percent of the same amount.

The fund balance of the City's general fund increased by \$1,719,805 during the current fiscal year. Key factors in this growth are as follows:

- The proceeds from the sale of land \$1,000,000, plus accumulated investment earnings of \$37,852 were held in the general fund at year end relating to this transaction.
- Other increases included, increases in building permits of \$182,946, solid waste franchise fee of \$36,828, property tax of \$31,567, communication tax of \$106,270, state revenue sharing of \$93,926, solid waste fees of \$93,618, and fire service fees of \$84,771.

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

Unrestricted net assets of the Water and Sewer Utility Fund at the end of the year amounted to \$298,731. 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 \$432,237 increase in appropriations between the original and final amended budget. Following are the main components of the increase.

- The police department appropriations increased by \$146,786 from the original budget mainly due to additional capital outlay items added. The revised budget increased \$85,446 for autos, \$26,000 for computers and \$44,780 for other equipment.
- The fire department appropriations increased by \$257,659 from the original budget mainly due to an additional capital outlay item. The revised budget increased \$235,402 for a fire truck.

General fund revenues exceeded budget by \$125,174. Major revenue items that exceeded budget were:

- | | |
|------------------------|-----------|
| • Taxes | \$ 16,583 |
| • Licenses and permits | 144,755 |
| • Intergovernmental | 21,068 |
| • Fines and forfeits | 8,733 |

Major revenue items that came in below budget were:

- | | |
|------------------------|-----------|
| • Charges for services | \$ 40,706 |
| • Investment earnings | 8,832 |
| • Miscellaneous | 16,427 |

General fund expenditures were \$391,529 below budget. The city did not expend \$145,884 budgeted for the police department, \$131,079 for the fire department, \$20,195 for parks, \$16,336 building permits/inspections, \$15,387 for culture and recreation and \$53,396 for general government services

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, 2008 is \$57,866,842 (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 total increase (additions less retirements and depreciation) in the City's investment in capital assets was \$8,563,927; an increase of 17.4%. This consisted of a 13.3% increase for governmental activities and an 22.3% increase for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Road resurfacing - \$1,924,136
- Drainage projects - \$880,944
- Motorola equipment - \$217,804
- Pumper Truck - \$264,402
- Hwy 27 waterline relocation - \$614,272
- Hwy 27 sewer relocation - \$424,293
- Southside force main - \$1,691,369
- Liftstation #2 upgrade and force main - \$261,905
- Liftstation #16 - \$211,897
- City Barn - \$356,428
- Elevated Storage Tank - \$341,569

City of Lake Wales's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	5,004,940	4,988,440	633,115	586,560	5,638,055	5,575,000
Construction in progress	2,324,848	2,745,579	3,503,620	2,741,786	5,828,468	5,487,365
Buildings	10,177,778	9,441,945	707,342	668,374	10,885,120	10,110,319
Improvements other than buildings	9,951,423	9,446,684	29,156,945	24,776,579	39,108,368	34,223,263
Machinery & equipment	9,113,339	8,437,023	5,018,680	4,602,012	14,132,019	13,039,035
Infrastructure	14,017,035	10,859,664			14,017,035	10,859,664
Total	50,589,363	45,919,335	39,019,702	33,375,311	89,609,065	79,294,646
Less: accumulated depreciation	(19,971,462)	(18,891,365)	(11,770,761)	(11,100,366)	(31,742,223)	(29,991,731)
Capital assets, net	\$ 30,617,901	\$ 27,027,970	\$ 27,248,941	\$ 22,274,945	\$ 57,866,842	\$ 49,302,915

Additional information on the City's capital assets can be found in note C on pages 43-44 of this report.

Debt. At the end of the current fiscal year the City had total debt outstanding of \$32,236,494. This amount represents \$29,313,491 note payables, \$2,270,000 revenue bonds, and \$653,003 lease obligations. The debt obligations are secured by the equipment acquired, a covenant to budget, or a pledge of revenues sources.

City of Lake Wales's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Note payables	\$ 16,467,211	\$ 7,743,062	\$12,846,280	\$11,226,666	\$ 29,313,491	\$ 18,969,728
Revenue bonds	2,270,000	2,613,363		7,533	2,270,000	2,620,896
Lease obligations	653,003	611,082			653,003	611,082
Total debt obligations	<u>\$ 19,390,214</u>	<u>\$ 10,967,507</u>	<u>\$12,846,280</u>	<u>\$11,234,199</u>	<u>\$ 32,236,494</u>	<u>\$ 22,201,706</u>

Additional information on the City's long-term debt can be found in note F on pages 45-50 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate at the end of fiscal year 2008 for Lakeland/Winter Haven Metro Area was 6.7%. The following is a summary of the applicable unemployment rates for Lakeland/Winter Haven Metro Area, the State of Florida, and United States:

<u>Region Name</u>	<u>Current Year 9/2008</u>	<u>Previous Year 9/2007</u>
Lakeland/Winter Haven Metro Area	6.7%	4.5%
State of Florida	6.0%	4.0%
United States	5.8%	4.6%

The tax base for the City is composed of real property, personal property and centrally assessed property. The taxable value of such property decreased 2.20% from 2007 to 2008.

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

The City's population increased less than 1% from 13,039 in 2007 to 13,052 in 2008.

All of these factors were considered in preparing the City of Lake Wales's budget for the 2008-2009 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

This page intentionally left blank.

City of Lake Wales, Florida
Statement of Net Assets
September 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
Assets				
Cash and cash equivalents	\$ 3,726,472	\$ 31,472	\$ 3,757,944	\$ 375,156
Cash with fiscal agent	335,739	-	335,739	
Receivable (net of allowance for uncollectibles)	449,390	790,550	1,239,940	2,575
Internal balances	300,000	(300,000)	-	-
Due from primary government			-	1,150
Intergovernmental receivables	1,181,115	634,453	1,815,568	133,030
Restricted cash and cash equivalents:				
Revenue bond accounts	6,561,551	309,947	6,871,498	-
Escrow	300,000	-	300,000	-
Impact fees	623,284	805,053	1,428,337	-
Customer deposits	-	454,800	454,800	-
Capacity reserve	-	57,489	57,489	-
Inventories	71,243	178,565	249,808	-
Prepays	549,878	-	549,878	-
Net pension assets	328,999	-	328,999	-
Capital Assets:				
Nondepreciable	7,329,788	4,136,735	11,466,523	3,198,690
Depreciable, net	23,288,113	23,112,206	46,400,319	4,101,398
Unamortized bond issue costs	115,239	76,301	191,540	-
Total assets	<u>45,160,811</u>	<u>30,287,571</u>	<u>75,448,382</u>	<u>7,811,999</u>
Liabilities				
Accounts payable	1,133,785	955,134	2,088,919	246,247
Accrued liabilities	171,334	25,960	197,294	-
Accrued interest	210,617	40,234	250,851	-
Contracts/retainage payable	68,804	183,253	252,057	-
Due to component unit	1,150	-	1,150	-
Deposits	104,021	454,800	558,821	-
Unearned revenues	185,626	57,202	242,828	3,258
Noncurrent Liabilities:				
Due within one year	1,714,230	965,755	2,679,985	-
Due in more than one year	18,444,490	11,616,516	30,061,006	-
Total liabilities	<u>22,034,057</u>	<u>14,298,854</u>	<u>36,332,911</u>	<u>249,505</u>
Net assets				
Invested in capital assets, net of related debt	11,543,258	14,827,444	26,370,702	7,300,088
Restricted for:				
Redevelopment	7,565,516	-	7,565,516	-
Debt service	1,389,994	-	1,389,994	-
Other Purposes	726,169	862,542	1,588,711	-
Unrestricted	1,901,817	298,731	2,200,548	262,406
Total net assets	<u>\$ 23,126,754</u>	<u>\$ 15,988,717</u>	<u>\$ 39,115,471</u>	<u>\$ 7,562,494</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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,555,163	\$ 28,598	\$ -	\$ -
Public safety	7,049,550	1,240,923	347,040	32,839
Physical environment	1,581,070	1,093,013	7,520	-
Transportation	1,206,577	96,923	111,701	812,683
Economic environment	599,756	-	-	-
Human services	14,634	-	-	-
Culture and recreation	1,626,211	97,333	409,295	894,678
Interest on long-term debt	752,066	-	-	-
Total governmental activities	<u>14,385,027</u>	<u>2,556,790</u>	<u>875,556</u>	<u>1,740,200</u>
Business-type activities:				
Water and Sewer Utility	5,194,309	6,622,986	1,772	1,166,650
Total primary government	<u>19,579,336</u>	<u>9,179,776</u>	<u>877,328</u>	<u>2,906,850</u>
Component unit:				
Airport Authority	\$ 198,869	\$ 40,584	\$ -	\$ 2,279,115

General revenues

Taxes:

- Property taxes
- Franchise taxes
- Public service taxes
- Communication service taxes
- Gas taxes

Intergovernmental revenue

Investment earnings

Insurance recoveries

Gain on disposal of fixed assets

Miscellaneous revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

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

Primary Governments			Component Unit
Governmental Activities	Business-Type Activities	Total	Airport Authority
\$ (1,526,565)	\$ -	\$ (1,526,565)	
(5,428,748)	-	(5,428,748)	
(480,537)	-	(480,537)	
(185,270)	-	(185,270)	
(599,756)	-	(599,756)	
(14,634)	-	(14,634)	
(224,905)	-	(224,905)	
(752,066)	-	(752,066)	
<u>(9,212,481)</u>	<u>-</u>	<u>(9,212,481)</u>	
-	2,597,099	2,597,099	
<u>(9,212,481)</u>	<u>2,597,099</u>	<u>(6,615,382)</u>	
			<u>\$ 2,120,830</u>
7,306,490	-	7,306,490	-
1,220,697	-	1,220,697	-
1,386,825	-	1,386,825	-
588,184	-	588,184	-
665,367	-	665,367	-
1,062,966	-	1,062,966	-
333,176	53,833	387,009	26,522
25,919	-	25,919	-
35,606	-	35,606	-
103,296	639,627	742,923	-
(545,879)	530,099	(15,780)	15,780
<u>12,182,647</u>	<u>1,223,559</u>	<u>13,406,206</u>	<u>42,302</u>
2,970,166	3,820,658	6,790,824	2,163,132
20,156,588	12,168,059	32,324,647	5,399,362
<u>\$ 23,126,754</u>	<u>\$ 15,988,717</u>	<u>\$ 39,115,471</u>	<u>\$ 7,562,494</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, 2008

	<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	\$ 1,630,464	\$ 606,263	\$ 963,557	\$ 383,684	\$ 142,504	\$ 3,726,472
Cash with fiscal agent	-	-	335,739	-	-	335,739
Receivable (net of allowance for uncollectibles)	446,881	-	-	2,459	-	449,340
Due from other funds	300,844	-	-	424,498	-	725,342
Inventories	71,243	-	-	-	-	71,243
Intergovernmental receivables	325,976	126,325	-	-	728,814	1,181,115
Restricted cash and cash equivalents:						
Bond construction	-	-	-	6,561,551	-	6,561,551
Escrow	-	-	-	300,000	-	300,000
Impact fees	-	-	90,698	-	532,586	623,284
Prepays	543,606	-	-	-	6,272	549,878
Total assets	<u>3,319,014</u>	<u>732,588</u>	<u>1,389,994</u>	<u>7,672,192</u>	<u>1,410,176</u>	<u>14,523,964</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	298,715	633,342	-	2,798	198,930	1,133,785
Accrued liabilities	164,128	2,040	-	3,878	1,288	171,334
Contracts/retainage payable	68,804	-	-	-	-	68,804
Due to other funds	-	-	-	-	425,292	425,292
Due to component unit	1,150	-	-	-	-	1,150
Deposits	4,021	-	-	100,000	-	104,021
Deferred revenues	185,650	79,364	-	-	76,339	341,353
Total liabilities	<u>722,468</u>	<u>714,746</u>	<u>-</u>	<u>106,676</u>	<u>701,849</u>	<u>2,245,739</u>
Fund balances						
Reserved for:						
Inventory and prepaids	614,849	-	-	-	6,272	621,121
Debt Service	-	-	1,389,994	-	-	1,389,994
Redevelopment	-	-	-	7,565,516	-	7,565,516
Road and street expenditures	-	17,842	-	-	-	17,842
Capital projects	-	-	-	-	394,470	394,470
Other Purposes	-	-	-	-	307,585	307,585
Designated for:						
Tax anticipation/municipal pool	1,037,852	-	-	-	-	1,037,852
Unreserved/Undesignated	943,845	-	-	-	-	943,845
Total fund balances	<u>2,596,546</u>	<u>17,842</u>	<u>1,389,994</u>	<u>7,565,516</u>	<u>708,327</u>	<u>12,278,225</u>
Total liabilities and fund balances	<u>\$ 3,319,014</u>	<u>\$ 732,588</u>	<u>\$ 1,389,994</u>	<u>\$ 7,672,192</u>	<u>\$ 1,410,176</u>	<u>\$ 14,523,964</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 Activities
As of September 30, 2008

Total Fund balances of governmental funds

Amounts reported for governmental activities in the statement of net assets \$ 12,278,225
are different because:

Capital assets used in governmental activities are not current financial resources 30,617,901
and, therefore, are not reported in the governmental funds balance sheet.

Interest payable on long-term debt does not require current financial resources (210,617)
and, therefore, interest payable is not reported as a liability in the governmental
funds balance sheet.

Revenues that are not received by year-end, or within the "availability" period 155,727
are deferred in the governmental funds balance sheet, but recognized in the
statement of activities.

Long-term liabilities (including certain accounts payable and compensated absences) (20,158,720)
are not due and payable in the current period and, therefore, they are not reported
in the governmental funds balance sheet.

Net pension assets resulting from the overfunding of general, police, and fire pension 328,999
plans are not reported in the applicable funds.

Unamortized debt issuance costs are not current financial resources and, therefore, 115,239
are not reported in the governmental funds balance sheet.

Net assets of governmental activities \$ 23,126,754

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Funds
Year Ended September 30, 2008

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 5,686,005	\$ 665,367	\$ 848,429	\$ 1,345,561	\$ 491,769	\$ 9,037,131
Licenses and permits	1,482,188	-	-	-	-	1,482,188
Intergovernmental	1,385,229	124,799	19,200	1,244,604	2,128,272	4,902,104
Charges for services	1,807,910	96,923	-	-	-	1,904,833
Fines and forfeits	138,522	-	-	-	37,267	175,789
Investment earnings	59,156	936	24,458	232,027	37,820	354,397
Impact fees	-	-	39,356	-	201,040	240,396
Miscellaneous	98,722	(25)	18,002	-	12,914	129,613
Total revenues	<u>10,657,732</u>	<u>888,000</u>	<u>949,445</u>	<u>2,822,192</u>	<u>2,909,082</u>	<u>18,226,451</u>
Expenditures						
Current:						
General government	1,808,325	-	-	-	11,592	1,819,917
Public safety	7,103,417	-	-	138,283	97,568	7,339,268
Physical environment	1,508,307	-	-	-	869,344	2,377,651
Transportation	-	2,834,374	-	-	-	2,834,374
Economic environment	24,256	-	-	534,350	-	558,606
Culture and recreation	640,086	-	-	-	1,284,852	1,924,938
Debt Service:						
Principal	-	-	1,313,097	-	-	1,313,097
Interest and fiscal charges	-	-	760,201	-	-	760,201
Capital outlay	-	-	-	-	701,924	701,924
Total expenditures	<u>(11,084,391)</u>	<u>(2,834,374)</u>	<u>(2,073,298)</u>	<u>(672,633)</u>	<u>(2,965,280)</u>	<u>(19,629,976)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(426,659)</u>	<u>(1,946,374)</u>	<u>(1,123,853)</u>	<u>2,149,559</u>	<u>(56,198)</u>	<u>(1,403,525)</u>
Other financing sources (uses)						
Transfers in	2,197,131	2,202,600	1,563,577	142	362,463	6,325,913
Transfers out	(314,217)	(243,055)	(18,532)	(5,683,863)	(596,347)	(6,856,014)
Transfers out - component unit	(15,780)	-	-	-	-	(15,780)
Insurance recoveries	25,919	-	-	-	-	25,919
Bond proceeds	-	-	-	9,500,000	-	9,500,000
Installment lease proceeds	217,804	-	-	-	-	217,804
Sale of capital assets	35,607	-	-	-	-	35,607
Total other financing (uses) sources	<u>2,146,464</u>	<u>1,959,545</u>	<u>1,545,045</u>	<u>3,816,279</u>	<u>(233,884)</u>	<u>9,233,449</u>
Net change in fund balances	1,719,805	13,171	421,192	5,965,838	(290,082)	7,829,924
Fund balances, beginning of year	<u>876,741</u>	<u>4,671</u>	<u>968,802</u>	<u>1,599,678</u>	<u>998,409</u>	<u>4,448,301</u>
Fund balances, end of year	<u>\$ 2,596,546</u>	<u>\$ 17,842</u>	<u>\$ 1,389,994</u>	<u>\$ 7,565,516</u>	<u>\$ 708,327</u>	<u>\$ 12,278,225</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, 2008

Net change in fund balances of the governmental funds \$7,829,924

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 allocated over their estimated useful lives and reported as depreciation expense:

Capital Expenditures	5,070,044	
Depreciation	<u>(1,480,113)</u>	3,589,931

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

(9,394)

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 net assets.

Note and Lease Proceeds	(9,717,804)	
Debt issuance cost	52,416	
Principal Paid	<u>1,313,094</u>	(8,352,294)

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

Increase in Compensated Absences Liability	(46,773)	
Amortization of Debt Issue Costs	(10,802)	
Amortization of Refunding Losses	(33,479)	
Increase in Net Pension Asset	(1,524)	
Decrease in Interest Accrued on Bonds	<u>4,577</u>	<u>(88,001)</u>

Change in Net Assets of Governmental Activities \$2,970,166

City of Lake Wales, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2008

	<u>Public Utilities Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 31,472
Receivables (net of allowance for uncollectibles)	790,550
Intergovernmental receivable	634,453
Restricted cash and cash equivalents:	
Revenue bond accounts	309,947
Impact fees	805,053
Customer deposits	454,800
Capacity reserve	57,489
Inventories	178,565
Total current assets	<u>3,262,329</u>
Noncurrent assets	
Capital assets:	
Nondepreciable	4,136,735
Depreciable, net	23,112,206
Unamortized bond issue costs	76,301
Total noncurrent assets	<u>27,325,242</u>
Total assets	<u>30,587,571</u>
Liabilities	
Current liabilities	
Accounts payable	955,134
Accrued liabilities	25,960
Accrued interest	40,234
Retainage payable	183,253
Due to other funds	300,000
Customer deposits	454,800
Deferred revenues	57,202
Accrued compensated absences	8,447
Current portion of long-term debt	957,308
Total current liabilities	<u>2,982,338</u>
Noncurrent liabilities	
Notes payable - noncurrent	11,540,490
Accrued compensated absences	76,026
Total noncurrent liabilities	<u>11,616,516</u>
Total liabilities	<u>14,598,854</u>
Net assets	
Invested in capital assets, net of related debt	14,827,444
Restricted for capital projects	862,542
Unrestricted	298,731
Total net assets	<u>\$ 15,988,717</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 Asset
For the Year Ended September 30, 2008

	<u>Public Utilities Fund</u>
Operating revenues:	
Charges for Services	\$ 6,622,986
Other income	639,627
Total operating revenues	<u>7,262,613</u>
Operating expenses:	
Personal services	1,463,757
Contractual services	600,524
Repairs and maintenance	678,525
Materials and supplies	245,315
General and administrative	1,006,749
Depreciation	699,675
(Total operating expenses)	<u>(4,694,545)</u>
Operating income	<u>2,568,068</u>
Nonoperating revenues (expenses)	
Operating grants	1,772
Interest income	53,833
Interest expense and fiscal charges	(491,941)
Amortization of bond issue costs	(7,823)
Gain (loss) on disposition of capital assets	-
Total nonoperating (expenses)	<u>(444,159)</u>
Income before contributions and transfers	<u>2,123,909</u>
Capital contributions	
Impact fees	533,969
Capital Grants	632,681
Total capital contributions	<u>1,166,650</u>
Operating transfers	
Operating transfers in	1,394,976
Operating transfers out	(864,877)
Total operating transfers	<u>530,099</u>
Change in net assets	3,820,658
Total net assets, beginning of year	12,168,059
Total net assets, end of year	<u>\$ 15,988,717</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, 2008

	Business-Type Activities
	Public Utilities Fund
Cash flows from operating activities	
Cash received from customers	\$ 7,128,403
Cash payments to suppliers for goods and services	(2,062,760)
Cash payments for employee services	(1,476,891)
Net cash provided by operating activities	3,588,752
 Cash flows from noncapital financing activities	
Transfer from other funds	1,394,976
Transfer to other funds	(864,877)
Loan from other funds	300,000
Net cash provided by noncapital financing activities	830,099
 Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(5,490,419)
Note proceeds	2,500,000
Impact fees	533,969
Principal payments on long-term debt	(887,917)
Interest paid	(445,311)
Net cash used in capital and related financing activities	(3,789,678)
 Cash flows from investing activities	
Investment income	53,833
Net cash provided by investing activities	53,833
 Net increase in cash and cash equivalents	683,006
Cash and cash equivalents, beginning of year	975,755
Cash and cash equivalents, end of year	\$ 1,658,761

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, 2008
(Concluded)

	Business-Type
	Activities
	Public
	Utilities
	Fund
Reconciliation of cash and cash equivalents to balance sheet	
Cash and cash equivalents	\$ 31,472
Restricted cash and cash equivalents	1,627,289
Cash and cash equivalents, end of year	1,658,761
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 2,568,068
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	699,675
(Increase) decrease in assets:	
Accounts receivable	(108,432)
Inventories	(5,933)
Increase (decrease) in liabilities:	
Accounts payable	465,539
Accrued liabilities	8,748
Utility deposits	(31,586)
Deferred revenue	5,807
Compensated absences	(13,134)
Net cash provided by operating activities	\$ 3,588,752

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

**City of Lake Wales
Statement of Fiduciary Net Assets
Pension Trust Funds
September 30, 2008**

	Pension Trust Funds
Assets	
Cash and cash equivalent	\$ 323,010
Investments, at fair value:	
Money market funds	2,078,477
U.S. Governmental securities	2,399,250
U.S. Government agency securities	2,581,261
Common and preferred stock	10,971,683
Corporate bonds and notes	1,639,190
Foreign stock	1,886,229
Total investments	21,556,090
Receivable (net):	
Interest and dividends	73,008
Due from State	20,095
Total receivable	93,103
Total assets	21,972,203
Liabilities	
Accounts payable	3,594
Due to general fund	50
Due to DROP participants	626,966
Prepaid contributions from City	239,175
Total liabilities	869,785
Net assets	
Held in trust for pension benefits and other purposes	\$ 21,102,418

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

City of Lake Wales, Florida
Fiduciary Funds
Statement of Changes in Plan Net Assets
For the Year Ended September 30, 2008

	<u>Pension</u> <u>Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 692,901
State of Florida	243,081
Employee	<u>315,952</u>
Total contributions	<u>1,251,934</u>
Interest and dividends	767,261
Net increase (decrease) in the fair value of investments	<u>(4,011,039)</u>
Total investments income (loss)	(3,243,778)
Less investment expense	<u>(183,585)</u>
Net investment income (loss)	<u>(3,427,363)</u>
Total additions	<u>(2,175,429)</u>
Deductions	
Benefit payments	1,323,324
Refunds of contributions	119,507
Administration	<u>126,266</u>
Total deductions	<u>1,569,097</u>
Change in net assets	(3,744,526)
Total net assets - beginning	<u>24,846,944</u>
Total net assets - ending	<u><u>\$ 21,102,418</u></u>

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

This page intentionally left blank.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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 several business-type operations that offer services associated with water and sewer utilities. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the governments 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 following component units were determined to be blended component units of the primary government for financial reporting:

- **Lake Wales Community Redevelopment Agency (CRA)** - The 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 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.
- **Lake Wales Library Board (Library Board)** - The Library Board was created pursuant to Chapter 57-1488, Laws of Florida, and is governed by Section 2-116 of the Code of Ordinances. The City Commission appoints the Board of Directors. Chapter 57-1488, Laws of Florida, authorizes the City Commission to levy up to one mill in property taxes to establish, maintain, and operate a public municipal library. The City Commission approves the Library Board's budget, levies the ad valorem property tax for the library operations, and appoints the Library Board of Directors. Since the Library Board cannot transact business in its own name, it is not considered to be a separate legal entity. Accordingly, the Library Board's operations are reported in a special revenue fund and its capital assets are included under governmental activities in the statement of net assets.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2008

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 Authority has issued separate financial statements for the year ended September 30, 2008, which can be obtained by contacting the City Finance Director, P.O. Box 1320, Lake Wales, Florida, 33859.

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 assets and the statement of changes in net assets) 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.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are 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.

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

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

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2008

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation.

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.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

Cash and Cash Equivalents and Investments

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

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

By Ordinance No. 95-44 and Florida Statutes, the City is authorized to invest in the State Board of Administration Local Government Surplus Funds Trust Fund (SBA); 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.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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.

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). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Trade receivables are reported net of an allowance for uncollectible accounts.

3. Inventories and prepaid items

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

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

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 limited to payment of principal and interest on long-term debt obligations of the governmental funds.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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

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

5. Capital assets

Capital assets, which include property, plant, equipment 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 \$750 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 historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the governmental funds and enterprise fund during the current fiscal year was \$707,255 and \$426,663 respectively. No interest cost was capitalized.

Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives:

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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.

7. Long-term obligations

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

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

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Revenue Recognition

Utility revenues are recognized when customers are billed unless there has been a significant change in meter reading dates. In that event, unbilled or deferred revenues are recorded for consistency. Included in accounts receivable at September 30, 2008, are unbilled amounts totaling \$383,998 (\$367,505 enterprise funds and \$16,493 general fund).

Certain restricted grant revenues, which are received but not expended, are recorded as deferred revenues in the liability section of the balance sheet and statement of net assets.

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

property taxes at a rate of up to 10.00 mills. The City's millage rate for the 2008 fiscal year was 7.3521 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.

11. Pension Plans

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

II. Stewardship, compliance, and accountability

A. Budgetary information

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

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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. Budgets are prepared for governmental funds using the same modified accrual basis of accounting as is used to account for actual transactions.

B. Excess of expenditures over appropriations

Waste disposal expenditures exceeded appropriations by \$3,651 were caused by contract services cost. This over expenditure was funded by available waste disposal revenues.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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, 2008, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$12,945,224 (including the Authority), and the related bank balance was \$13,896,895. In addition, the City had \$335,739 deposited with fiscal agent as of September 30, 2008, for the payment of bond principal and interest on October 1, 2008, and \$300,000 in an escrow account for the payment of environmental remediation in connection with the sale of property. The carrying amount of deposits for the Authority, a discretely presented component unit, at September 30, 2008, was \$375,156. During 2008, the Authority operated under the City's investment policy, and all its cash balances were invested in the City's pooled cash and investment pool.

Investments – City

The City seeks to optimize return on investments within the constraints of safety and liquidity. During fiscal year 2008 the City held no investments within the primary government or component units, except for the pension funds.

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 and the Lehman Brothers Government/Credit Bond Index. The volatility of returns is expected to be similar to the benchmarks, and the total return is expected to be in the top half of similarly managed portfolios.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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

	General Employees	Fire Fighters	Police Officers
Domestic and International Equity Securities	65%	50%	50%
Fixed Income Securities	35%	40%	40%
International Equity Securities	0%	10%	10%

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

Investments in pension trust funds at September 30, 2008, are presented below (at market value):

General Employee's Pension	Credit Rating (S&P's)	Investment Maturates				
Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years	
Equities	N/A	4,580,399	4,580,399			
Corporate Bonds	*	537,547	92,212		76,473	368,862
Corporate Bonds	D	10,000			10,000	
Government Bonds	AAA	714,403	151,032		296,479	266,892
Government Sponsored Bonds	AAA	386,184		216,210		169,974
Mortgage Pools	AAA	419,855				419,855
Money Market Funds	N/A	536,600	536,600			
Total Fair Market Value		7,184,988	5,360,243	216,210	382,952	1,225,583

Firefighters' Pension	Credit Rating (S&P's)	Investment Maturates				
Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years	
Equities	N/A	3,278,775	3,278,775			
Corporate Bonds	*	464,027	67,946		62,135	333,946
Corporate Bonds	D	9,375			9,375	
Government Bonds	AAA	572,391	211,445		153,351	207,595
Government Sponsored Bonds	AAA	216,959		75,422	-	141,537
Mortgage Pools	AAA	455,213	26,141			429,072
Money Market Funds	N/A	526,577	526,577			
Total Fair Market Value		5,523,317	4,110,884	75,422	224,861	1,112,150

Police Officers' Pension	Credit Rating (S&P's)	Investment Maturates				
Investment Type	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years	
Equities	N/A	4,998,738	4,998,738			
Corporate Bonds	*	603,241	38,826		100,372	464,043
Corporate Bonds	D	15,000			15,000	
Government Bonds	AAA	1,112,456	473,234		276,032	363,190
Government Sponsored Bonds	AAA	445,966		105,591		340,375
Mortgage Pools	AAA	657,084				657,084
Money Market Funds	N/A	1,015,300	1,015,300			
Total Fair Market Value		8,847,785	6,526,098	105,591	391,404	1,824,692

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

The pension funds owned cash at September 30, 2008, totaling \$48,744, \$107,492 and \$166,774 for the General Employee Pension, Firefighters' Pension and Police Officers' Pension, respectively. Pension fund guidelines 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. To further ensure proper diversification, the City policy permits no more than 5% (at cost) of the total portfolio to be invested in any single corporation, and specifies that exposure to any one industry sector shall not exceed 150% of the exposure represented by that industry in the S&P 500 Stock Index or 5% (at cost), whichever is greater. At September 30, 2008, the separate pension fund portfolios had investments in bonds and mortgage pools of the Federal National Mortgage Association that have slightly exceeded 5% of total plan investments.

Custodial credit risk - deposits

In the case of deposit, 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, 2008, 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 "authorized depositories."

Custodial credit risk - investments

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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:

	<u>General</u>	<u>Community Redevelopment</u>	<u>Total Governmental Funds</u>	<u>Enterprise - Business Type</u>	<u>Total</u>
Receivable:					
Taxes	\$ 110,211	\$ -	\$ 110,211	\$ -	\$ 110,211
Franchise fees	147,652		147,652	-	147,652
Accounts	129,457	2,459	131,916	623,065	754,981
Unbilled amounts	<u>101,284</u>		<u>101,284</u>	<u>367,504</u>	<u>468,788</u>
Gross receivables	488,604	2,459	491,063	990,569	1,481,632
Less: allowance for uncollectibles	<u>(41,723)</u>		<u>(41,723)</u>	<u>(200,019)</u>	<u>(241,742)</u>
Net total receivable	<u>\$ 446,881</u>	<u>\$ 2,459</u>	449,340	<u>\$ 790,550</u>	<u>\$ 1,239,890</u>
Due from Fiduciary Funds			<u>50</u>		
Net total receivable - Governmental activities			<u>\$ 449,390</u>		

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

Governmental Funds/Activities:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Prepaid local business tax	\$ -	\$ 63,530	\$ 63,530
Local option gas tax	54,425		54,425
Half-cent sales tax	56,753		
Communications services tax	43,031		
Permit fees collected prior to meeting all eligibility requirements		111,910	111,910
Grant funds collected prior to meeting all eligibility requirements		54	54
Donations received prior to meeting all eligibility requirements	<u>1,518</u>	<u>10,132</u>	<u>11,650</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 155,727</u>	<u>\$ 185,626</u>	<u>\$ 241,569</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

C. Capital assets

Capital asset activity for the year ended September 30, 2008 was as follows:

NOTE 5

CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,988,440	\$ 16,500	\$ -	\$ 5,004,940
Construction in progress	2,745,579	(420,731)	-	2,324,848
Total capital assets, not being depreciated	<u>7,734,019</u>	<u>(404,231)</u>	<u>-</u>	<u>7,329,788</u>
Capital assets being depreciated:				
Buildings	9,441,945	735,833	-	10,177,778
Improvements other than buildings	9,446,684	504,739	-	9,951,423
Machinery and equipment	8,437,023	1,076,332	(400,016)	9,113,339
Infrastructure	10,859,664	3,157,371	-	14,017,035
Total depreciable capital assets	<u>38,185,316</u>	<u>5,474,275</u>	<u>(400,016)</u>	<u>43,259,575</u>
Total all capital assets	<u>45,919,335</u>	<u>5,070,044</u>	<u>(400,016)</u>	<u>50,589,363</u>
Less accumulated depreciation for:				
Buildings	(2,227,434)	(200,490)	-	(2,427,924)
Improvements other than buildings	(6,237,745)	(325,345)	-	(6,563,090)
Machinery and equipment	(5,923,017)	(556,090)	400,016	(6,079,091)
Infrastructure	(4,503,169)	(398,188)	-	(4,901,357)
Total accumulated depreciation	<u>(18,891,365)</u>	<u>(1,480,113)</u>	<u>400,016</u>	<u>(19,971,462)</u>
Depreciable capital assets, net	<u>19,293,951</u>	<u>3,994,162</u>	<u>-</u>	<u>23,288,113</u>
Total Governmental capital assets, net	<u>\$ 27,027,970</u>	<u>\$ 3,589,931</u>	<u>\$ -</u>	<u>\$ 30,617,901</u>

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

Governmental activities:	
General government	113,638
Public safety	413,456
Physical environment	31,301
Transportation	549,466
Economic environment	87,045
Human services	14,634
Culture and recreation	270,573
Total governmental activities depreciation expense	<u>1,480,113</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 586,560	\$ 46,555	\$ -	\$ 633,115
Construction in progress	2,741,786	3,852,987	(3,091,153)	3,503,620
Total capital assets, not being depreciated	<u>3,328,346</u>	<u>3,899,542</u>	<u>(3,091,153)</u>	<u>4,136,735</u>
Capital assets being depreciated:				
Buildings	668,374	38,968	-	707,342
Improvements other than buildings	24,776,579	4,380,366	-	29,156,945
Machinery and equipment	4,602,012	445,948	(29,280)	5,018,680
Total depreciable capital assets	<u>30,046,965</u>	<u>4,865,282</u>	<u>(29,280)</u>	<u>34,882,967</u>
Total all capital assets	<u>33,375,311</u>	<u>8,764,824</u>	<u>(3,120,433)</u>	<u>39,019,702</u>
Less accumulated depreciation for:				
Buildings	(358,258)	(15,231)	-	(373,489)
Improvements other than buildings	(7,766,990)	(486,785)	-	(8,253,775)
Machinery and equipment	(2,975,118)	(197,659)	29,280	(3,143,497)
Total accumulated depreciation	<u>(11,100,366)</u>	<u>(699,675)</u>	<u>29,280</u>	<u>(11,770,761)</u>
Depreciable capital assets, net	<u>18,946,599</u>	<u>4,165,607</u>	<u>-</u>	<u>23,112,206</u>
Total business-type capital assets, net	<u>\$ 22,274,945</u>	<u>\$ 8,065,149</u>	<u>\$ (3,091,153)</u>	<u>\$ 27,248,941</u>

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

Business-type activities:	
Water	271,075
Sewer	428,600
Total depreciation expense - business-type activities	<u>699,675</u>

Discretely presented component unit

	Beginning Balance	Additions	Disposals	Ending Balance
Lake Wales Airport Authority:				
Capital assets not being depreciated:				
Land	\$ 22,431	\$ 1,602,843	\$ -	\$ 1,625,274
Construction in progress	3,249,053	(1,675,637)	-	1,573,416
Total capital assets, not being depreciated	<u>3,271,484</u>	<u>(72,794)</u>	<u>-</u>	<u>3,198,690</u>
Capital assets being depreciated:				
Buildings	151,984	1,035,153	-	1,187,137
Improvements other than buildings	2,059,099	2,611,891	-	4,670,990
Machinery and equipment	17,915	-	-	17,915
Total depreciable capital assets	<u>2,228,998</u>	<u>3,647,044</u>	<u>-</u>	<u>5,876,042</u>
Total all capital assets	<u>5,500,482</u>	<u>3,574,250</u>	<u>-</u>	<u>9,074,732</u>
Less accumulated depreciation for:				
Buildings	(4,053)	(20,086)	-	(24,139)
Improvements other than buildings	(1,630,190)	(112,187)	-	(1,742,377)
Machinery and equipment	(6,252)	(1,876)	-	(8,128)
Total accumulated depreciation	<u>(1,640,495)</u>	<u>(134,149)</u>	<u>-</u>	<u>(1,774,644)</u>
Depreciable capital assets, net	<u>588,503</u>	<u>3,512,895</u>	<u>-</u>	<u>4,101,398</u>
Lake Wales Airport Authority capital assets, net	<u>\$ 3,859,987</u>	<u>\$ 3,440,101</u>	<u>\$ -</u>	<u>\$ 7,300,088</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

Construction commitments

The City has active construction projects as of September 30, 2008. The projects include road resurfacing, water and wastewater facilities. At year-end the city's commitments with contractors are as follows:

City of Lake Wales - Primary Government

Projects	Spent-to-Date	Remaining Commitment
Road resurfacing	\$ 974,103	\$ 759,395
Lift station #2 upgrade and force main extension	276,465	62,652
Southside elevation water storage tank	207,213	1,210,364
Southside force main	190,165	33,182
Downtown water main	288,312	469,980
	<u>\$ 1,936,258</u>	<u>\$ 2,535,573</u>

Lake Wales Airport Authority - Component Unit

Projects	Spent-to-Date	Remaining Commitment
Runway extension project	\$ 284,964	\$ 1,862,465
Airport parking	154,347	3,153
Medium intensity runway lights	3,262	94,418
FBO building	1,001,829	407,254
	<u>\$ 1,444,402</u>	<u>\$ 2,367,290</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.

D. Leases

Operating Leases

The City leases office equipment. The future minimum lease payment for these leases is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2009	\$ 11,955
Total	<u>\$ 11,955</u>

Operating leases for copier and postage equipment expire July 2009. New contracts are expected but have not been awarded.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

E. Interfund receivable, payables and transfers

The composition of interfund balances as of September 30, 2008, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Police Forfeiture	\$ 794
General	General Pension	50
General	Public Utilities	300,000
Community Redevelopment	Capital Projects	78,601
Community Redevelopment	Historic Preservation	345,897
		<u>\$ 725,342</u>

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

Interfund transfers:

Source	Transfer To	Amount	Purpose
Community Redevelopment	General	\$ 1,033,414	Funding for Capital Projects in CRA District
Capital Projects	General	335,718	Impact Fee Eligible Funding
Utilities	General	828,000	Budgeted Operating Transfer
General	Transportation	101,596	Budgeted Operating Transfer
Community Redevelopment	Transportation	2,091,428	Road Projects in CRA District
Capital Projects	Police Forfeiture	11,732	Impact Fee Eligible Funding
Community Redevelopment	CDBG	250,731	CDBG Projects in CRA District
Community Redevelopment	Historic Preservation	100,000	Historic Preservation Projects in CRA District
General	Debt Service	212,621	Debt Subsidy
Transportation	Debt Service	243,055	Debt Subsidy
Community Redevelopment	Debt Service	1,071,024	Debt Subsidy
Utilities	Debt Service	36,877	Debt Subsidy
Community Redevelopment	Public Utilities	1,137,266	Utility Projects in CRA District
Debt Service	Public Utilities	8,813	Capital Finance Cost
CDBG	Public Utilities	211,897	Capital Project in Public Utilities
Debt Service	Community Redevelopment	142	Capital Finance Cost
Debt Service	Transportation	9,577	Capital Finance Cost
Capital Projects	Public Utilities	37,000	Acquisition of Reuse Spray Fields
		<u>\$ 7,720,891</u>	
<i>Transfers to component unit:</i>			
General	Airport Authority	<u>\$ 15,780</u>	Budgeted Operating Transfer

Transfers are used to 1) move restricted amounts to finance various programs that the governmental must account for in other funds in accordance with budgetary authorizations, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

F. Long-term debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and notes payable:					
Notes payable	\$ 7,743,062	\$9,500,000	\$ 775,861	\$ 16,467,201	\$1,135,526
Revenue bonds	2,613,363		343,363	2,270,000	280,000
Lease obligations	611,082	217,804	175,873	653,013	183,821
Total bonds and notes payable - par	<u>10,967,507</u>	<u>9,717,804</u>	<u>1,295,097</u>	<u>19,390,214</u>	<u>1,599,347</u>
Less unamortized refunding loss	(301,314)		33,479	(267,835)	
Total bonds and notes payable - net	<u>10,666,193</u>	<u>9,717,804</u>	<u>1,328,576</u>	<u>19,122,379</u>	<u>1,599,347</u>
Other liabilities					
FBO prepayment credit	85,500		18,000	67,500	18,000
Compensated absences	922,065	46,776		968,841	96,883
Total other Liabilities	<u>1,007,565</u>	<u>46,776</u>	<u>18,000</u>	<u>1,036,341</u>	<u>114,883</u>
Governmental long-term liabilities	<u>\$ 11,673,758</u>	<u>\$9,764,580</u>	<u>\$1,346,576</u>	<u>\$ 20,158,720</u>	<u>\$1,714,230</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Bonds and notes payable:					
Notes payable	\$ 11,226,666	\$2,500,000	\$ 880,384	\$ 12,846,282	\$ 957,308
Revenue bonds	7,533		7,533	-	-
Total bonds and notes payable - par	<u>11,234,199</u>	<u>2,500,000</u>	<u>887,917</u>	<u>12,846,282</u>	<u>957,308</u>
Less unamortized refunding loss	(392,044)		43,560	(348,484)	
Total bonds and notes payable - net	<u>10,842,155</u>	<u>2,500,000</u>	<u>931,477</u>	<u>12,497,798</u>	<u>957,308</u>
Other liabilities					
Compensated absences	97,607		13,134	84,473	8,447
Total other Liabilities	<u>97,607</u>	<u>-</u>	<u>13,134</u>	<u>84,473</u>	<u>8,447</u>
Business-type long-term liabilities	<u>\$ 10,939,762</u>	<u>\$2,500,000</u>	<u>\$ 944,611</u>	<u>\$ 12,582,271</u>	<u>\$ 965,755</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2008:

	<u>Purpose**</u>	<u>Frequency of Payment*</u>	<u>Maturity</u>	<u>Originally Issued</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>
Governmental activities						
Revenue bonds:						
Public Improvement Refunding Revenue Bonds, Series 1997	1	S	2015	\$4,445,000	\$ 2,270,000	4.65% ~ 5.00%
Note payable:						
Capital Improvement Refunding Revenue Note, Series 2003	3	S	2017	9,117,280	7,370,704	3.84%
Redevelopment Revenue Note, Series 2007	12	S	2028	9,500,000	9,096,497	3.77%
Lease obligations						
Bank of America #1, 2004 Fire Truck	2	A	2010	399,861	124,429	3.70%
Bank of America #2, 2006 Fire Truck	4	A	2012	599,900	349,215	4.28%
Motorola, Police and Fire Communication Equipment	13	S	2012	217,804	179,369	6.12%
Fixed Based Operator's Prepayment Credit	11	A	2012	300,000	67,500	0.00%
Total governmental activities					<u>\$19,457,714</u>	
Business-type activities						
Note payable:						
State Revolving Fund Loan I	6	S	2019	\$1,592,804	\$ 953,841	2.56%
State Revolving Fund Loan II	6	S	2022	1,171,882	576,555	3.05%
State Revolving Fund Loan III	7	S	2024	1,428,648	1,144,442	2.14%
State Revolving Fund Loan IV	8	S	2028	1,025,345	1,004,253	1.88%
Capital Improvement Refunding Revenue Note, Series 2003	3	S	2017	432,610	349,793	3.84%
Utility System Revenue Note, Series 2005	9	M	2015	1,110,000	779,425	4.20%
Utility System Refunding Note, Series 2006A	5	S	2017	6,272,220	5,487,973	4.09%
Utility System Refunding Note, Series 2006B	10	S	2027	3,100,000	2,550,000	Variable
Total business-type activities					<u>\$12,846,282</u>	

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

****Purpose:**

1. Refund Public Improvement Revenue Bonds, Series 1991 (which refunded Series 1989 bonds originally for various water/sewer, street, drainage and parking infrastructure improvements, plus the airport FBO hangar and Police Department building).
2. Fire truck acquisition.
3. 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 (see 1).
4. Fire truck acquisition.
5. 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 (also originally for utility system improvements).
6. Construction of reclaimed water reuse facilities.
7. Construction of sludge dewatering facilities.
8. Planning and design of wastewater treatment plant expansion.
9. Construction of chlorine contact chamber and reuse system improvements.
10. 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.
11. Agreement between the City and Lake Wales Aviation, Inc., (the Airport Fixed Base Operator) related to leasehold improvements done by the FBO on airport property. The City agreed to credit the FBO for \$300,000 in improvements by reducing their rent \$1,500 per month until fully paid (at 0% interest).
12. Acquisition, construction and equipping of various capital improvements with the Community Redevelopment Area.
13. Police and Fire Department communication equipment acquisition.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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:

- Public Improvement Refunding Revenue Bonds, Series 1997 - franchise fees;
- Capital Improvement Revenue Note, Series 2003 - public service (utility) taxes;
- Lease Obligations, Bank of America - purchased equipment;
- Utility System Revenue and Refunding Revenue Notes, Series 2005, 2006A and 2006B - senior lien on utility system net revenues; and
- State Revolving Fund Loans - junior lien on utility system net revenues.

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

- There is an interest rate differential required on prepayment of the Utility System Revenue Note, Series 2005, during the entire term of the Note, if interest rates have generally decreased.
- There is a "breakage fee" on the Utility System Revenue Note, Series 2006B, if prepaid after October 1, 2009 and through the remaining term of the Note, if interest rates have generally decreased.
- There is a similar "breakage fee" on the Utility System Refunding Revenue Note, Series 2006A.
- The Capital Improvement Revenue Note, Series 2003, has a related swap agreement (see the discussion later in this note).

The revenue bonds are serial bonds, or a combination of serial and term bonds with mandatory redemption provisions on the term bonds that provide for approximately level debt service. There are no large "balloon payments" due in future years. Certain of the bonds and notes require the establishment of construction or reserve accounts and sinking funds.

The Utility System Revenue Note, Series 2006B, is a nonrevolving line of credit for up to \$3.1 million that can be drawn on for eligible project costs. On October 1, 2009, the outstanding balance will be converted to a seventeen-year fixed rate obligation. The variable interest rate at September 30, 2008, was 2.0%.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

Annual debt service requirements as of September 30, 2008 are as follows:

Fiscal Year	Governmental Activities							
	Revenue Bonds		Notes		Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 280,000	\$ 105,007	\$ 1,135,526	\$ 614,757	\$ 183,821	\$ 29,604	\$ 1,599,347	\$ 749,368
2010	295,000	91,443	1,178,276	571,577	192,146	21,281	1,665,422	684,301
2011	305,000	76,935	1,226,368	525,711	135,174	12,564	1,666,542	615,209
2012	320,000	61,506	1,270,166	478,090	141,872	5,863	1,732,038	545,459
2013	340,000	44,997	1,319,120	428,700	-	-	1,659,120	473,697
2014-2018	730,000	37,003	5,234,120	1,430,262	-	-	5,964,120	1,467,265
2019-2023	-	-	2,624,488	782,913	-	-	2,624,488	782,913
2024-2028	-	-	2,479,137	241,515	-	-	2,479,137	241,515
2029-2033	-	-	-	-	-	-	-	-
Total	\$ 2,270,000	\$ 416,890	\$ 16,467,201	\$ 5,073,525	\$ 653,013	\$ 69,313	\$ 19,390,214	\$ 5,559,729

Fiscal Year	Business-type Activities			
	Notes		Total	
	Principal	Interest	Principal	Interest
2009	\$ 957,307	\$ 402,593	\$ 957,307	\$ 402,593
2010	1,092,621	391,246	1,092,621	391,246
2011	1,134,135	343,132	1,134,135	343,132
2012	1,178,900	310,298	1,178,900	310,298
2013	1,223,613	267,150	1,223,613	267,150
2014-2018	4,571,072	701,511	4,571,072	701,511
2019-2023	1,764,145	250,357	1,764,145	250,357
2024-2028	924,489	50,070	924,489	50,070
2029-2033	-	-	-	-
Total	\$ 12,846,282	\$ 2,716,357	\$ 12,846,282	\$ 2,716,357

Bond-Related Accounts - Utility Fund

Debt issuance costs totaling \$95,931 related to other utility fund debt issues are being amortized over the term of the related obligation using the straight-line method. Amortization of issuance costs was \$7,823 for the year ended September 30, 2008. The unamortized balance at September 30, 2008, is \$76,301.

A refunding loss of \$435,604 incurred in conjunction with the issuance of the Utility System Refunding Revenue Note, Series 2006A, is being amortized over the term of the bonds using the straight-line method. Amortization of refunding loss was \$43,560 for the year ended September 30, 2008, and is included as a component of interest expense. The unamortized balance at September 30, 2008, is \$348,483.

Bond-Related Accounts - Governmental Activities

Debt issuance costs of \$52,415 incurred in the current year in conjunction with the issuance of the Redevelopment Revenue Note, Series 2007, are being amortized over the life of the obligation (20 years) using the straight-line method. Amortization of issuance costs on the Series 2007 Note was \$2,621 for the year ended September 30, 2008. The unamortized balance at September 30, 2008, is \$49,794.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

Debt issuance costs totaling \$104,303 related to Capital Improvement Revenue Note, Series 2003, are being amortized over the term of the related obligation (13 years) using the straight-line method. Amortization of issuance costs was \$8,181 for the year ended September 30, 2008. The unamortized balance at September 30, 2008, is \$65,455.

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, 2008, and is included as a component of interest expense in the statement of activities. Unamortized refunding loss of \$267,835 is netted against bonds payable on the government-wide statement of net assets.

Other bond-related accounts for governmental obligations issued prior to fiscal year 2003 are not recorded, as permitted by GASB Statement No. 34.

Interest Rate Swap

In conjunction with the issuance of the 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 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 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>National Amount</u>	<u>Effective Date</u>	<u>Fixed Rate</u>	<u>Fair Value 9/30/08</u>
Capital Improvement Revenue Note, Series 2003	\$8,609,433	12/8/2003	3.84%	(\$205,047)

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.

Using rates as of September 30, 2008, 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, 2008). As rates vary, variable rate bond interest payments and net swap payments will vary, but the total should remain relatively constant):

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

<u>Fiscal Year</u> <u>Ending Sept. 30</u>	<u>Variable-Rate Bond</u>		<u>Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
2009	\$ 837,380	\$ 169,095	\$ 111,295	\$ 1,117,770
2010	868,875	149,338	98,291	1,116,504
2011	905,465	128,793	84,769	1,119,027
2012	937,035	107,459	70,727	1,115,221
2013	973,467	85,337	56,167	1,114,971
2014	1,010,148	62,369	41,050	1,113,567
2015	1,052,088	38,490	25,334	1,115,912
2016	672,669	18,519	12,189	703,377
2017	463,370	5,365	3,531	472,266
	<u>\$ 7,720,497</u>	<u>\$ 764,765</u>	<u>\$ 503,353</u>	<u>\$ 8,988,615</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.
- **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.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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.

	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Revenue	% of Revenues to Principal and Interest Paid
Public Service Taxes	\$ 8,581,376	\$ 662,544	\$ 1,386,825	209%
Franchise Fees	2,686,891	387,688	1,220,687	315%
Water and Sewer Net Revenue	15,562,369	1,333,228	2,568,068	193%
	<u>\$ 26,830,636</u>	<u>\$ 2,383,460</u>	<u>\$ 5,175,580</u>	

Other Information

A. Related party transactions

During 2008, 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 Emergency Management Director/Assistant to City Manager served as a project coordinator for the Authority projects, and 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 \$24,724 were charged to the Authority for the year ended September 30, 2008.

B. Subsequent events

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Pension Plan investments have incurred a significant decline in fair value since September 30, 2008.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

C. 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.

D. Other postemployment benefits

Pursuant to Section 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. However, the City may be providing an "implicit subsidy" to these retirees, since the cost of health care for retirees is generally higher than the cost for other employees. The cost of that subsidy has not been calculated, and the accrued liability for post-employment benefits has not been determined. Premium payments for the 12 retirees participating in the plan totaled \$75,777 for the year ended September 30, 2008.

E. Employee retirement systems and pension plans

The City maintains three single-employer, public employee retirement systems, one for firefighters, one for police officers, and one for general employees. These plans are maintained as pension trust funds and are included as part of the City's reporting entity. Additionally, each plan produces separate audited annual financial statements, which may be obtained by writing to the City Clerk, City of Lake Wales, 201 Central Avenue West, Lake Wales, Florida 33859. Formally, these plans are the Lake Wales Police Officers' Pension Trust Fund, the Lake Wales Firefighters' Pension Trust Fund, and the Lake Wales General Employees' Pension Trust Fund. Each plan is administered by a Board appointed by the City Commission. These Boards may propose amendments to each plan, but any such amendments must be approved by the City Commission as City Ordinances. These plans operate under similar instruments and, therefore, have several common aspects.

The Florida Constitution requires local governments to make the actuarially determined contribution to their defined benefit pension plans. Additionally, the State of Florida collects two locally authorized insurance premium surcharges (one for the Police Pension Plan on casualty insurance policies and one for the Firefighter Pension Plan on certain real and personal property insurance policies within the corporate limits) which can only be distributed after the State of Florida has ascertained that the local government has met their actuarial funding requirement for the then most recently completed fiscal year.

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. The average final compensation is based on annual compensation of the 3 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.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

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. 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.

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

Summary of Significant Accounting Policies - All Plans

- **Basis of Accounting**

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

- **Investments**

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

- **Cash and Cash Equivalents**

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

Contributions Required and Contribution Made

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

Contribution rates/amounts:	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
City	7.1%	26.5%	15.1%
Plan members	5.0%	5.0%	5.0%
Actuarially determined contributions	240,595	186,177	267,653
Contributions made	234,584	187,521	270,796
Actuarial valuation date	10/1/2006	10/1/2006	10/1/2006
Actuarial cost method	Frozen Entry Age	Entry Age Normal	Entry Age Normal
Amortized method	Level Percentage of Pay, Closed	Level Percentage of Pay, Closed	Level Percentage of Pay, Closed
Remaining amortization period	30 Years (as of 10/01/06)	30 Years (as of 10/01/06)	30 Years
Asset valuation method	4 Year Smoothed Market	4 Year Smoothed Market	4 Year Smoothed Market
Asset assumptions:			
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increase*	7.0%	6.0%	6.0%
*Includes inflation at	3.0%	3.0%	3.0%
Post retirement COLA	0.0%	0.0%	0.0%

• **Tax Status**

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

Participant Data

	As of October 1, 2008		
	General Employees' Fund	Police Officers' Fund	Fire Fighters' Fund
Retirees and Beneficiaries Currently Receiving Benefits	18	20	11
Vested Terminated Employees	8	2	2
DROP Participant	4	1	2
Active Plan Participants:			
Vested	17	18	10
Nonvested	<u>75</u>	<u>21</u>	<u>14</u>
Total	<u>122</u>	<u>62</u>	<u>39</u>

Annual Pension Cost

The City's annual required contribution for the year ended September 30, 2008, was \$692,901 (\$234,584 General, \$270,796 Police, and \$187,521 Fire - City share). The annual required contribution for the 2008 fiscal year was determined as part of the October 1, 2007, actuarial valuations. The assumptions did not include post retirement cost of living adjustment. The City's total current year payroll for general employees was \$3,853,730, compared to \$3,258,666 for employees covered by the General Employees' Pension Plan. The City's total current year payroll for fire personnel was \$1,242,168, compared to \$1,101,799 for employees covered by the Firefighters' Pension Plan. The City's total current year payroll for police personnel was \$2,136,521, compared to \$2,030,119 for employees covered by the Police Officers' Pension Plan.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

Other Pension Plan Information

Three year trend information

General Employees' Pension Plan

<u>Year Ending</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Percentage of ADC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2008	\$ 234,584	100%	\$ (112,842)
September 30, 2007	160,446	100%	(118,853)
September 30, 2006	112,500	100%	(124,493)

Police Officers' Pension Plan

<u>Year Ending</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Percentage of ADC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2008	\$ 270,796	100%	\$ (143,561)
September 30, 2007	320,649	100%	(140,418)
September 30, 2006	270,637	100%	(137,343)

Firefighters' Pension Plan

<u>Year Ending</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Percentage of ADC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2008	\$ 187,521	100%	\$ (72,596)
September 30, 2007	251,744	100%	(71,252)
September 30, 2006	216,510	100%	(69,932)

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

Schedule of Funding Progress - General Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2008	\$ 8,106,339	\$ 9,235,732	\$ 1,129,393	87.77%	\$ 2,986,894	37.81%

Schedule of Funding Progress - Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2008	\$ 10,125,825	\$ 12,308,290	\$ 2,182,465	82.27%	\$ 1,968,564	110.87%

Schedule of Funding Progress - Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2008	\$ 6,118,404	\$ 8,673,633	\$ 2,555,229	70.54%	\$ 1,111,770	229.83%

Net Pension Obligation

The pension plans have been subjected to minimum funding standards since the adoption of the *Florida Protection of Public Employee Retirement Benefits Act* (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the City has funded the actuarially determined required contribution for all years from October 1, 1987, through the transition date, October 1, 1997 (the Net Pension Obligation (NPO) for each plan at

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

October 1, 1997, was \$0). Following are the components of pension cost for the year ended September 30, 2008, and the change in the Net Pension Asset (NPA) for the year:

	General	Police	Fire
Actuarially Determined Contribution (A)	\$ 234,584	\$ 270,796	\$ 187,521
Interest on NPA	(9,508)	(11,233)	(5,700)
Adjustments to (A)	15,519	8,090	4,356
Annual Pension Cost	240,595	267,653	186,177
Contributions Made	(234,584)	(270,796)	(187,521)
Increase in NPA	6,011	(3,143)	(1,344)
NPA, Beginning of Year	(118,853)	(140,418)	(71,252)
NPA, End of Year	\$ (112,842)	\$ (143,561)	\$ (72,596)

The City recorded the Net Pension Asset (negative NPO) of \$328,999 in the governmental activities column of the statement of net assets.

Schedule of Pension Plan Net Assets for the year ended September 30, 2008

	Pension Trust Funds			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Assets				
Cash and cash equivalent	\$ 48,744	\$ 107,492	\$ 166,774	\$ 323,010
Investments, at fair value:				
Money market funds	536,600	526,577	1,015,300	2,078,477
U.S. Governmental securities	714,403	572,391	1,112,456	2,399,250
U.S. Government agency securities	806,039	672,172	1,103,050	2,581,261
Common and preferred stock	3,878,298	2,777,062	4,316,323	10,971,683
Corporate bonds and notes	547,547	473,402	618,241	1,639,190
Foreign stock	702,101	501,713	682,415	1,886,229
Total investments	7,184,988	5,523,317	8,847,785	21,556,090
Receivable (net):				
Interest and dividends	30,936	15,482	26,590	73,008
Due from State	-	20,095	-	20,095
Total receivable	30,936	35,577	26,590	93,103
Total assets	7,264,668	5,666,386	9,041,149	21,972,203
Liabilities				
Accounts payable	3,594	-	-	3,594
Due to general fund	50	-	-	50
Due to DROP participants	236,240	254,478	136,248	626,966
Prepaid contributions from City	21,989	127,858	89,328	239,175
Total liabilities	261,873	382,336	225,576	869,785
Net assets				
Held in trust for pension benefits and other purposes	\$ 7,002,795	\$ 5,284,050	\$ 8,815,573	\$ 21,102,418

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

Schedule of Change in Pension Plan Net Assets for the year ended September 30, 2008

	Pension Trust Funds			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Additions				
Contributions:				
Employer	\$ 234,584	\$ 187,521	\$ 270,796	\$ 692,901
State of Florida	-	133,340	109,741	243,081
Employee	157,846	54,774	103,332	315,952
Total contributions	<u>392,430</u>	<u>375,635</u>	<u>483,869</u>	<u>1,251,934</u>
Interest and dividends	259,177	195,627	312,457	767,261
Net increase (decrease) in the fair value of investments	(1,401,524)	(1,027,925)	(1,581,590)	(4,011,039)
Total investments income (loss)	<u>(1,142,347)</u>	<u>(832,298)</u>	<u>(1,269,133)</u>	<u>(3,243,778)</u>
Less investment expense	(61,559)	(47,147)	(74,879)	(183,585)
Net investment income (loss)	<u>(1,203,906)</u>	<u>(879,445)</u>	<u>(1,344,012)</u>	<u>(3,427,363)</u>
Total additions	<u>(811,476)</u>	<u>(503,810)</u>	<u>(860,143)</u>	<u>(2,175,429)</u>
Deductions				
Benefit payments	253,318	460,526	609,480	1,323,324
Refunds of contributions	107,608	-	11,899	119,507
Administration	33,554	43,532	49,180	126,266
Total deductions	<u>394,480</u>	<u>504,058</u>	<u>670,559</u>	<u>1,569,097</u>
Change in net assets	(1,205,956)	(1,007,868)	(1,530,702)	(3,744,526)
Total net assets - beginning	<u>8,208,751</u>	<u>6,291,918</u>	<u>10,346,275</u>	<u>24,846,944</u>
Total net assets - ending	<u>\$ 7,002,795</u>	<u>\$ 5,284,050</u>	<u>\$ 8,815,573</u>	<u>\$ 21,102,418</u>

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, 2008, no additional assessments could be required from the City to fund prior year costs of the risk pool.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2008

G. New pronouncements

The City plans to implement GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions" during the fiscal year ending September 30, 2009. The City will engage an actuary to provide preliminary estimates of the potential liability the City will be required to disclose. This project is scheduled to be completed during the summer of 2009.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended September 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 5,558,379	\$ 5,669,422	\$ 5,686,005	\$ 16,583
Licenses and permits	1,403,908	1,337,433	1,482,188	144,755
Intergovernmental	1,307,051	1,364,161	1,385,229	21,068
Charges for services	1,750,452	1,848,616	1,807,910	(40,706)
Fines and forfeits	164,450	129,789	138,522	8,733
Investment earnings	88,000	67,988	59,156	(8,832)
Miscellaneous	49,250	115,149	98,722	(16,427)
Total revenues	<u>10,321,490</u>	<u>10,532,558</u>	<u>10,657,732</u>	<u>125,174</u>
Expenditures				
Current:				
General government:				
City commission	88,117	91,217	81,435	9,782
City manager	291,673	288,568	283,994	4,574
City clerk	86,100	90,100	88,603	1,497
Finance	293,632	276,934	271,921	5,013
Human resources	127,339	123,239	120,530	2,709
City attorney	45,096	51,611	51,610	1
Planning	169,206	163,406	160,813	2,593
Fleet maintenance	195,057	204,218	197,190	7,028
Facilities maintenance	96,666	120,793	111,614	9,179
Information services	121,988	131,230	126,928	4,302
Municipal building administration	69,118	72,568	69,743	2,825
Disaster repairs	2	12,716	12,683	33
Non-departmental	55,500	27,242	24,972	2,270
Support services	200,754	213,879	206,289	7,590
Public safety:				
Police	4,280,663	4,427,449	4,281,565	145,884
Fire	2,278,460	2,536,119	2,405,040	131,079
Building permits and inspections	434,490	433,148	416,812	16,336
Physical environment:				
Waste disposal	812,000	770,392	774,043	(3,651)
Cemetery	142,063	136,136	129,233	6,903
Parks	532,548	625,226	605,031	20,195
Economic environment	24,256	24,256	24,256	-
Culture and recreation:				
Recreation facilities	430,640	431,097	420,480	10,617
Recreation services	80,379	89,235	87,739	1,496
Depot museum	140,156	127,784	124,509	3,275
Other culture and recreation	47,780	7,357	7,358	(1)
Total expenditures	<u>\$ (11,043,683)</u>	<u>\$ (11,475,920)</u>	<u>\$ (11,084,391)</u>	<u>\$ 391,529</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, 2008
(Conclusion)

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (722,193)	\$ (943,362)	\$ (426,659)	\$ 516,703
Other financing sources (uses)				
Installment lease proceeds	217,644	217,644	217,804	160
Insurance recoveries	0	15,962	25,919	9,957
Sale of capital assets	2,000	2,000	35,607	33,607
Transfers in	828,000	2,201,785	2,197,131	(4,654)
Transfers out	(245,596)	(313,599)	(314,217)	(618)
Transfers out - component unit	0	(38,121)	(15,780)	22,341
Total other financing sources (uses)	<u>802,048</u>	<u>2,085,671</u>	<u>2,146,464</u>	<u>60,793</u>
Net change in fund balance	79,855	1,142,309	1,719,805	577,496
Fund balances, beginning of year	<u>876,741</u>	<u>876,741</u>	<u>876,741</u>	<u>0</u>
Fund balances, end of year	<u>\$ 956,596</u>	<u>\$ 2,019,050</u>	<u>\$ 2,596,546</u>	<u>\$ 577,496</u>

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Transportation Fund
For the Year Ended September 30, 2008

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 709,280	\$ 709,280	\$ 665,367	\$ (43,913)
Intergovernmental	658,929	658,929	124,799	(534,130)
Charges for services	91,564	91,564	96,923	5,359
Investment earnings	3,000	3,000	936	(2,064)
Miscellaneous	500	500	(25)	(525)
Total revenues	1,463,273	1,463,273	888,000	(575,273)
Expenditures				
Current:				
Transportation	5,736,302	5,565,751	2,834,374	2,731,377
(Total expenditures)	(5,736,302)	(5,565,751)	(2,834,374)	2,731,377
Excess (deficiency) of revenues over (under) expenditures	(4,273,029)	(4,102,478)	(1,946,374)	2,156,104
Other financing sources (uses)				
Insurance recoveries	-	4,500	-	(4,500)
Transfers in	4,254,075	4,322,078	2,202,600	(2,119,478)
Transfers out	-	(243,055)	(243,055)	-
Total other financing sources (uses)	4,254,075	4,083,523	1,959,545	(2,123,978)
Net change in fund balance	(18,954)	(18,955)	13,171	32,126
Fund balances, beginning of year	4,671	4,671	4,671	0
Fund balances, end of year	\$ (14,283)	\$ (14,284)	\$ 17,842	\$ 32,126

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, 2008

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,359,035	\$ 1,345,561	\$ 1,345,561	\$ -
Intergovernmental	1,273,616	1,244,623	1,244,604	(19)
Investment earnings	90,000	165,000	232,027	67,027
Total revenues	<u>2,722,651</u>	<u>2,755,184</u>	<u>2,822,192</u>	<u>67,008</u>
Expenditures				
Current:				
Public safety	158,918	158,918	138,283	20,635
Economic environment	2,555,157	2,597,457	534,350	2,063,107
(Total expenditures)	<u>(2,714,075)</u>	<u>(2,756,375)</u>	<u>(672,633)</u>	<u>2,083,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,576</u>	<u>(1,191)</u>	<u>2,149,559</u>	<u>2,150,750</u>
Other financing sources (uses)				
Bond proceeds	6,971,100	9,500,000	9,500,000	0
Transfers in	-	-	142	142
Transfers out	<u>(8,142,125)</u>	<u>(10,596,208)</u>	<u>(5,683,863)</u>	<u>4,912,345</u>
Total other financing sources (uses)	<u>(1,171,025)</u>	<u>(1,096,208)</u>	<u>3,816,279</u>	<u>4,912,487</u>
Net change in fund balance	<u>(1,162,449)</u>	<u>(1,097,399)</u>	<u>5,965,838</u>	<u>7,063,237</u>
Fund balances, beginning of year	<u>1,599,678</u>	<u>1,599,678</u>	<u>1,599,678</u>	<u>0</u>
Fund balances, end of year	<u>\$ 437,229</u>	<u>\$ 502,279</u>	<u>\$ 7,565,516</u>	<u>\$ 7,063,237</u>

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer and Others
Firefighters' Pension Plan
September 30, 2008

Schedule of Funding Progress - Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2008	\$ 6,118,404	\$ 8,673,633	\$ 2,555,229	70.54%	\$ 1,111,770	229.83%
10/1/2007	5,679,086	8,033,286	2,354,200	70.69%	947,177	248.55%
10/1/2006	5,276,297	7,623,452	2,347,155	69.21%	906,142	259.03%
10/1/2005	4,953,540	7,409,118	2,455,578	66.86%	843,618	291.08%
10/1/2004	4,794,974	6,996,003	2,201,029	68.54%	714,282	308.15%
10/1/2003	4,753,916	5,705,326	951,410	83.32%	686,076	138.67%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
9/30/2008	\$ 339,187	\$ 187,521	\$ 133,340	94.60%
9/30/2007	340,107	251,744	108,027	105.78%
9/30/2006	294,486	216,510	77,976	100.00%
9/30/2005	314,374	235,629	78,745	100.00%
9/30/2004	275,583	207,675	67,908	100.00%
9/30/2003	238,835	176,722	62,113	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer and Others
Municipal Police Officers' Pension Plan
September 30, 2008

Schedule of Funding Progress - Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2008	\$ 10,125,825	\$ 12,308,290	\$ 2,182,465	82.27%	\$ 1,968,564	110.87%
10/1/2007	9,822,219	11,285,608	1,463,389	87.03%	1,877,296	77.95%
10/1/2006	9,049,308	10,142,549	1,093,241	89.22%	1,651,717	66.19%
10/1/2005	8,329,601	10,465,863	2,136,263	79.59%	1,765,347	121.01%
10/1/2004	7,915,414	9,578,774	1,663,359	82.63%	1,642,104	101.29%
10/1/2003	7,856,018	8,504,828	648,810	92.37%	1,464,901	44.29%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
9/30/2008	\$ 380,537	\$ 270,796	\$ 109,741	100.00%
9/30/2007	430,249	320,649	109,600	100.00%
9/30/2006	381,939	270,637	111,302	100.00%
9/30/2005	358,590	252,658	105,932	100.00%
9/30/2004	277,944	174,138	103,806	100.00%
9/30/2003	226,158	133,762	92,396	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer and Others
General Employees' Pension Plan
September 30, 2008

Schedule of Funding Progress - General Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2008	\$ 8,106,339	\$ 9,235,732	\$ 1,129,393	87.77%	\$ 2,986,894	37.81%
10/1/2007	7,761,324	8,966,325	1,205,001	86.56%	3,133,820	38.45%
10/1/2006	6,762,740	7,891,683	1,128,943	85.69%	3,091,143	36.52%
10/1/2005	6,092,211	6,391,916	299,705	95.31%	2,532,944	11.83%
10/1/2004	5,760,618	6,196,381	435,764	92.97%	2,201,601	19.79%
10/1/2003	5,534,573	5,968,716	434,143	92.73%	2,000,555	21.70%

Schedule of Contributions from the Employer

Year Ended	Annual Required Contribution	City Contribution	Percentage Contribution
9/30/2008	\$ 234,584	\$ 234,584	100.00%
9/30/2007	160,446	160,446	100.00%
9/30/2006	112,500	112,500	100.00%
9/30/2005	81,363	81,363	100.00%
9/30/2004	69,328	69,328	100.00%
9/30/2003	68,482	68,482	100.00%

SUPPLEMENTAL INFORMATION

City of Lake Wales, Florida
 Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2008

	Special Revenue Funds						
	Forfeitures 106	Library 110	Law Enforcement Block Grant 116	Community Development Block Grant 131	Historic Preservation 151	Capital Projects 330	Total
Assets							
Cash and cash equivalents	\$ 10,662	\$ 129,562	\$ 476	\$ -	\$ -	\$ 1,804	\$ 142,504
Restricted cash and cash equivalent:							
Capital projects - impact fee	-	169,301	-	-	-	363,285	532,586
Intergovernmental receivables	-	-	-	-	544,547	184,267	728,814
Prepays	-	6,272	-	-	-	-	6,272
Total assets	<u>10,662</u>	<u>305,135</u>	<u>476</u>	<u>-</u>	<u>544,547</u>	<u>549,356</u>	<u>1,410,176</u>
Liabilities and fund balances							
Liabilities							
Accounts payable	-	1,708	-	-	197,222	-	198,930
Accrued liabilities	-	1,288	-	-	-	-	1,288
Due to other funds	794	-	-	-	345,897	78,601	425,292
Deferred revenues	-	-	-	-	54	76,285	76,339
Total liabilities	<u>794</u>	<u>2,996</u>	<u>-</u>	<u>-</u>	<u>543,173</u>	<u>154,886</u>	<u>701,849</u>
Fund balances							
Reserved for:							
Prepays	-	6,272	-	-	-	-	6,272
Capital projects	-	-	-	-	-	394,470	394,470
Other Purposes	9,868	295,867	476	-	1,374	-	307,585
Unreserved/Undesignated	-	-	-	-	-	-	-
Total fund balances	<u>9,868</u>	<u>302,139</u>	<u>476</u>	<u>-</u>	<u>1,374</u>	<u>394,470</u>	<u>708,327</u>
Total liabilities and fund balances	<u>\$ 10,662</u>	<u>\$ 305,135</u>	<u>\$ 476</u>	<u>\$ -</u>	<u>\$ 544,547</u>	<u>\$ 549,356</u>	<u>\$ 1,410,176</u>

City of Lake Wales, Florida
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 NonMajor Governmental Funds
 Year Ended September 30, 2008

	Special Revenue Funds					Total
	Forfeitures 106	Library 110	Law Enforcement Block Grant 116	Community Development Block Grant 131	Historic Preservation 151	
Revenues						
Taxes	\$ -	\$ 491,769	\$ -	\$ -	\$ -	\$ 491,769
Intergovernmental	-	409,295	24,808	812,682	423,585	2,128,272
Fines and forfeits	37,267	-	-	-	-	37,267
Investment earnings	793	11,557	37	-	5,246	37,820
Impact fees	-	27,894	-	-	-	201,040
Miscellaneous	-	12,914	-	-	-	12,914
Total revenues	38,060	953,429	24,845	812,682	428,831	2,909,082
Expenditures						
Current:						
General government	-	-	-	-	163	11,592
Public safety	72,760	-	24,808	-	-	97,568
Physical environment	-	-	-	869,344	-	869,344
Culture and recreation	-	853,643	-	-	431,209	1,284,852
Capital outlay:	-	-	-	-	-	701,924
Total expenditures	(72,760)	(853,643)	(24,808)	(869,344)	(431,372)	(2,965,280)
Excess (deficiency) of revenues over (under) expenditures	(34,700)	99,786	37	(56,662)	(2,541)	(56,198)
Other financing sources (uses)						
Transfers in	11,732	-	-	250,731	100,000	362,463
Transfers out	-	-	-	(211,897)	-	(596,347)
Total other financing (uses) sources	11,732	-	-	38,834	100,000	(233,884)
Net change in fund balances	(22,968)	99,786	37	(17,828)	97,459	(290,082)
Fund balances, beginning of year	32,836	202,353	439	17,828	(96,085)	998,409
Fund balances, end of year	\$ 9,868	\$ 302,139	\$ 476	\$ -	\$ 1,374	\$ 708,327

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Forfeiture Fund
For the Year Ended September 30, 2008

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Fines and forfeits	\$ 119,000	\$ 119,000	\$ 37,267	\$ (81,733)
Investment earnings	0	0	793	793
Total revenues	119,000	119,000	38,060	(80,940)
Expenditures				
Current:				
Public safety	119,000	130,732	72,760	57,972
(Total expenditures)	(119,000)	(130,732)	(72,760)	57,972
Excess (deficiency) of revenues over (under) expenditures	-	(11,732)	(34,700)	(22,968)
Other financing sources				
Transfers in	-	11,732	11,732	-
Total other financing sources	-	11,732	11,732	-
Net change in fund balance	-	-	(22,968)	(22,968)
Fund balances, beginning of year	32,836	32,836	32,836	-
Fund balances, end of year	\$ 32,836	\$ 32,836	\$ 9,868	\$ (22,968)

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, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 494,496	\$ 494,496	\$ 491,769	\$ (2,727)
Intergovernmental	421,696	415,991	409,295	(6,696)
Investment earnings	21,000	21,000	11,557	(9,443)
Impact fees	25,000	25,000	27,894	2,894
Miscellaneous	7,500	7,500	12,914	5,414
Total revenues	<u>969,692</u>	<u>963,987</u>	<u>953,429</u>	<u>(10,558)</u>
Expenditures				
Current:				
Culture and recreation	<u>925,884</u>	<u>920,179</u>	<u>853,643</u>	<u>66,536</u>
(Total expenditures)	<u>(925,884)</u>	<u>(920,179)</u>	<u>(853,643)</u>	<u>66,536</u>
Net change in fund balance	43,808	43,808	99,786	55,978
Fund balances, beginning of year	<u>202,353</u>	<u>202,353</u>	<u>202,353</u>	<u>-</u>
Fund balances, end of year	<u>\$ 246,161</u>	<u>\$ 246,161</u>	<u>\$ 302,139</u>	<u>\$ 55,978</u>

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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 21,000	\$ 24,808	\$ 24,808	\$ -
Investment earnings	-	-	37	37
Total revenues	<u>21,000</u>	<u>24,808</u>	<u>24,845</u>	<u>37</u>
Expenditures				
Current:				
Public safety	<u>21,000</u>	<u>24,808</u>	<u>24,808</u>	<u>-</u>
(Total expenditures)	<u>(21,000)</u>	<u>(24,808)</u>	<u>(24,808)</u>	<u>-</u>
Net change in fund balance	-	-	37	37
Fund balances, beginning of year	<u>439</u>	<u>439</u>	<u>439</u>	<u>-</u>
Fund balances, end of year	<u>\$ 439</u>	<u>\$ 439</u>	<u>\$ 476</u>	<u>\$ 37</u>

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Communit Development Block Grant Fund
For the Year Ended September 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Intergovernmental	\$ 750,000	\$ 812,684	\$ 812,682	\$ (2)
Total revenues	<u>750,000</u>	<u>812,684</u>	<u>812,682</u>	<u>(2)</u>
Expenditures				
Current:				
Physical environment	1,000,000	1,081,242	869,344	211,898
(Total expenditures)	<u>(1,000,000)</u>	<u>(1,081,242)</u>	<u>(869,344)</u>	<u>211,898</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(250,000)</u>	<u>(268,558)</u>	<u>(56,662)</u>	<u>211,896</u>
Other financing sources (uses)				
Transfers in	250,000	250,731	250,731	(0)
Transfers out	-	-	(211,897)	(211,897)
Total other financing sources (uses)	<u>250,000</u>	<u>250,731</u>	<u>38,834</u>	<u>(211,897)</u>
Net change in fund balance	-	(17,827)	(17,828)	(1)
Fund balances, beginning of year	<u>17,828</u>	<u>17,828</u>	<u>17,828</u>	<u>-</u>
Fund balances, end of year	<u>\$ 17,828</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ (1)</u>

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Historic Preservation Fund
For the Year Ended September 30, 2008

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,072,000	\$ 1,422,000	\$ 423,585	\$ (998,415)
Investment earnings	-	-	5,246	5,246
Miscellaneous	76,500	76,500	-	(76,500)
Total revenues	1,148,500	1,498,500	428,831	(1,069,669)
Expenditures				
Current:				
General government	-	-	163	(163)
Culture and recreation	1,433,074	1,502,414	431,209	1,071,205
(Total expenditures)	(1,433,074)	(1,502,414)	(431,372)	1,071,042
Excess (deficiency) of revenues over (under) expenditures	(284,574)	(3,914)	(2,541)	1,373
Other financing sources				
Transfers in	100,000	100,000	100,000	-
Total other financing sources	100,000	100,000	100,000	-
Net change in fund balance	(184,574)	96,086	97,459	1,373
Fund balances, beginning of year	(96,085)	(96,085)	(96,085)	-
Fund balances, end of year	\$ (280,659)	\$ 1	\$ 1,374	\$ 1,373

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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 848,429	\$ 848,429	\$ 848,429	\$ -
Intergovernmental	19,200	19,200	19,200	-
Impact fees	15,000	39,356	39,356	-
Investment earnings	48,000	24,459	24,458	(1)
Miscellaneous	0	18,000	18,002	2
Total revenues	<u>930,629</u>	<u>949,444</u>	<u>949,445</u>	<u>1</u>
Expenditures				
Current:				
Principal	864,021	1,315,816	1,313,097	2,719
Interest and fiscal charges	681,648	776,014	760,201	15,813
(Total expenditures)	<u>(1,545,669)</u>	<u>(2,091,830)</u>	<u>(2,073,298)</u>	<u>18,532</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(615,040)</u>	<u>(1,142,386)</u>	<u>(1,123,853)</u>	<u>18,533</u>
Other financing sources (uses)				
Transfers in	1,563,578	1,563,578	1,563,577	(1)
Transfers out	-	-	(18,532)	(18,532)
Total other financing sources (uses)	<u>1,563,578</u>	<u>1,563,578</u>	<u>1,545,045</u>	<u>(18,533)</u>
Net change in fund balance	948,538	421,192	421,192	0
Fund balances, beginning of year	<u>968,802</u>	<u>968,802</u>	<u>968,802</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,917,340</u>	<u>\$ 1,389,994</u>	<u>\$ 1,389,994</u>	<u>\$ 0</u>

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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 100,000	\$ 457,902	\$ 457,902	\$ 0
Impact fees	360,000	173,146	173,146	-
Investment earnings	-	20,188	20,187	(1)
Total revenues	<u>460,000</u>	<u>651,236</u>	<u>651,235</u>	<u>(1)</u>
Expenditures				
Capital outlay	175,000	696,854	701,924	(5,070)
(Total expenditures)	<u>(175,000)</u>	<u>(696,854)</u>	<u>(701,924)</u>	<u>(5,070)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>285,000</u>	<u>(45,618)</u>	<u>(50,689)</u>	<u>(5,071)</u>
Other financing sources (uses)				
Transfers out	-	(347,450)	(384,450)	(37,000)
Total other financing sources (uses)	<u>-</u>	<u>(347,450)</u>	<u>(384,450)</u>	<u>(37,000)</u>
Net change in fund balance	285,000	(393,068)	(435,139)	(42,071)
Fund balances, beginning of year	<u>841,038</u>	<u>841,038</u>	<u>841,038</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,126,038</u>	<u>\$ 447,970</u>	<u>\$ 405,899</u>	<u>\$ (42,071)</u>

**STATISTICAL SECTION
(UNAUDITED)**

This page intentionally left blank

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

Contents

Page

Financial Trends

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

Net Assets by Component	79
Changes in Net Assets	80
Fund Balances of Governmental Funds	82
Changes in Fund Balances of Governmental Funds	83
Tax Revenues by Source, Governmental Funds	84

Revenue Capacity

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

Assessed Value and Estimated Actual Value of Taxable Property	85
Direct and Overlapping Property Tax Rates	86
Principal Property Taxpayers.....	87
Property Tax Levies and Collections	88

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Ratios of Outstanding Debt by Type	89
Direct and Overlapping Governmental Activities Debt.....	90
Pledged-Revenues Coverage	91

Demographic and Economic Information

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

Demographic and Economic Statistics	92
---	----

Operating Information

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

Full-time Equivalent City Government Employees by Function/Program	95
Various Indicators by Function/Program	96
Water Sold by Type of Customer	97
Sewer Sold by Type of Customer	98
Principal Employers	99

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

This page intentionally left blank

City of Lake Wales, Florida
Net Assets by Component
Last Six Fiscal Years

(accrual basis of accounting - GASB 34 implemented fiscal year 2003)

	Fiscal Year					
	9/30/2003	9/30/2004	9/30/2005	9/30/2006	9/30/2007	9/30/2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 7,646,370	\$ 7,626,251	\$ 7,908,681	\$ 9,349,135	\$ 16,349,902	\$ 11,543,258
Restricted	(76,971)	113,240	696,578	2,160,716	3,319,481	9,681,679
Unrestricted	632,862	2,865,182	3,788,358	765,358	487,205	1,901,817
Total governmental activities net assets	<u>8,202,261</u>	<u>10,604,673</u>	<u>12,393,617</u>	<u>12,275,209</u>	<u>20,156,588</u>	<u>23,126,754</u>
Business-type activities						
Invested in capital assets, net of related debt	7,118,492	6,895,415	6,197,002	10,143,995	11,516,914	14,827,444
Restricted	103,726	-	-	402,875	320,289	862,542
Unrestricted	1,252,796	2,011,118	3,864,639	633,057	330,857	298,731
Total business-type activities in net assets	<u>8,475,014</u>	<u>8,906,533</u>	<u>10,061,641</u>	<u>11,179,927</u>	<u>12,168,060</u>	<u>15,988,717</u>
Primary government						
Invested in capital assets, net of related debt	14,764,862	14,521,666	14,105,683	19,493,130	27,866,816	26,370,702
Restricted	26,755	113,240	696,578	2,563,591	3,639,770	10,544,221
Unrestricted	1,885,658	4,876,300	7,652,997	1,398,415	818,062	2,200,548
Total primary government net assets	<u>\$ 16,677,275</u>	<u>\$ 19,511,206</u>	<u>\$ 22,455,258</u>	<u>\$ 23,455,136</u>	<u>\$ 32,324,648</u>	<u>\$ 39,115,471</u>

City of Lake Wales, Florida
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting - GASB 34 implemented fiscal year 2003)

	Fiscal Year					
	9/30/2003	9/30/2004	9/30/2005	9/30/2006	9/30/2007*	9/30/2008
Expenses						
Governmental activities:						
General government	\$ 976,327	\$ 1,150,513	\$ 5,010,709	\$ 2,318,393	\$ 1,666,102	\$ 1,555,163
Public safety	5,401,305	6,020,977	6,351,058	7,348,265	7,616,565	7,049,550
Physical environment	1,228,133	1,326,532	1,295,512	2,399,900	1,710,287	1,581,070
Transportation	790,945	926,413	1,084,406	270,039	1,561,291	1,206,577
Economic Environment	306,618	289,743	497,095	400,010	1,007,452	599,756
Human services	20,423	32,963	32,963	24,402	35,333	14,634
Culture and recreation	1,092,911	1,189,886	1,227,319	1,388,649	1,920,919	1,626,211
Interest on long term debt	703,552	571,573	576,083	540,210	505,482	752,066
Total governmental activities expenses	10,520,214	11,508,600	16,075,145	14,689,868	16,023,431	14,385,027
Business-type activities:						
Water and wastewater	3,574,105	3,953,710	4,030,470	4,546,209	4,954,705	5,194,309
Total business-type activities	3,574,105	3,953,710	4,030,470	4,546,209	4,954,705	5,194,309
Total primary government expenses	14,094,319	15,462,310	20,105,615	19,236,077	20,978,136	19,579,336
Program revenues						
Governmental activities:						
Charges for services:						
General government	284,716	17,462	74,155	39,091	31,095	28,598
Public safety	928,326	1,053,866	1,614,914	1,248,470	1,116,037	1,240,923
Physical environment	699,656	678,657	799,508	970,539	996,493	1,093,013
Transportation	42,910	94,477	110,197	87,943	96,331	96,923
Economic Environment	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture and recreation	76,441	78,984	260,555	246,795	90,379	97,333
Operating grants and contributions	65,225	822,220	670,774	745,463	691,710	875,556
Capital grants and contributions	182,286	356,340	360,913	1,172,735	2,044,202	1,740,200
Total governmental activities program revenues	2,279,560	3,102,006	3,891,016	4,511,036	5,066,247	5,172,546
Business -type activities:						
Charges for services:						
Water and wastewater	4,128,685	4,644,292	4,598,397	5,258,800	5,715,639	6,622,986
Operation grants and contributions	-	139,118	120,778	8,811	40,111	1,772
Capital grants and contributions	303,792	269,276	490,962	496,386	319,088	1,166,650
Total business-type activities program revenues	4,432,477	5,052,686	5,210,137	5,763,997	6,074,838	7,791,408
Total primary government program revenues	6,712,037	8,154,692	9,101,153	10,275,033	11,141,085	12,963,954

Net (expenditures) revenues									
Governmental activities	(8,240,654)	(8,406,594)	(12,184,129)	(10,178,832)	(10,957,184)	(9,212,481)			
Business-type activities	858,372	1,098,976	1,179,667	1,217,788	1,120,133	2,597,099			
Total primary government net(expenses) revenue	<u>(7,382,282)</u>	<u>(7,307,618)</u>	<u>(11,004,462)</u>	<u>(8,961,044)</u>	<u>(9,837,051)</u>	<u>(6,615,382)</u>			
General revenues and other changes in net assets									
Governmental activities:									
Taxes:									
Property taxes	3,321,225	4,208,282	4,723,412	5,473,219	6,999,147	7,306,490			
Franchise fees	805,402	874,116	950,532	1,172,989	1,206,210	1,220,697			
Public service taxes	1,067,933	1,091,395	1,139,125	1,299,073	1,347,754	1,386,825			
Communication service taxes	1,066,045	517,807	556,105	408,684	502,239	588,184			
Gas taxes	637,714	732,734	695,867	702,476	714,051	665,367			
Intergovernmental revenue	1,241,322	950,055	1,119,130	1,201,329	1,156,315	1,062,966			
Investment earnings	21,066	38,671	153,538	249,705	296,486	333,176			
Insurance recoveries	-	-	3,374,250	2,189,227	335,412	25,919			
Gain/(loss) on disposal of fixed assets	237,809	1,383,602	650,600	(25,085)	(93,173)	35,606			
Miscellaneous revenue	97,705	45,442	349,228	565,961	226,493	103,296			
Transfers	605,238	966,902	261,286	565,961	296,029	(545,879)			
Special items	-	-	-	(3,177,154)	1,963,070	-			
Total governmental activities	<u>9,101,459</u>	<u>10,809,006</u>	<u>13,973,073</u>	<u>10,060,424</u>	<u>14,950,033</u>	<u>12,182,647</u>			
Business-type activities:									
Investment earnings	6,170	8,608	50,914	157,738	56,321	53,833			
Gain/(loss) on disposal of fixed assets		164,200	(67,591)						
Miscellaneous revenue	137,738	126,637	253,404	308,721	107,708	639,627			
Transfers	(605,238)	(966,902)	(261,286)	(565,961)	(296,029)	530,099			
Total business-type activities	<u>(461,330)</u>	<u>(667,457)</u>	<u>(24,559)</u>	<u>(99,502)</u>	<u>(132,000)</u>	<u>1,223,559</u>			
Total primary government	<u>8,640,129</u>	<u>10,141,549</u>	<u>13,948,514</u>	<u>9,960,922</u>	<u>14,818,033</u>	<u>13,406,206</u>			
Change in net assets									
Governmental activities	860,805	2,402,412	1,788,944	(118,408)	3,992,849	2,970,166			
Business-type activities	397,042	431,519	1,155,108	1,118,286	988,133	3,820,658			
Total primary government	<u>\$1,257,847</u>	<u>\$2,833,931</u>	<u>\$2,944,052</u>	<u>\$999,878</u>	<u>\$4,980,982</u>	<u>\$6,790,824</u>			

* 2007 also reported a prior period adjustment increase to governmental activities of \$3,888,530.

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	
General fund										
Reserved	\$ 601,905	\$ 599,943	\$ -	\$ 46,141	\$ 88,273	\$ 113,376	\$ 134,835	\$ 88,693	\$ 301,504	\$ 614,849
Designated	-	-	-	-	-	-	-	-	-	1,037,852
Unreserved	496,943	524,754	249,944	593,437	835,299	1,179,330	555,751	1,260,393	575,237	943,845
Total general fund	<u>1,098,848</u>	<u>1,124,697</u>	<u>249,944</u>	<u>639,578</u>	<u>923,572</u>	<u>1,292,706</u>	<u>690,586</u>	<u>1,349,086</u>	<u>876,741</u>	<u>2,596,546</u>
All other governmental funds										
Reserved	1,307,676	783,529	861,599	573,500	785,847	1,930,338	2,391,599	3,480,250	9,681,679	*
Unreserved reported in:										
Special revenue funds	24,028	14,194	-	-	-	-	-	-	(96,085)	
Capital projects funds	-	-	-	11,843	11,155	1,754,535	191,361	187,395		
Total all other governmental funds	<u>\$ 1,331,704</u>	<u>\$ 783,529</u>	<u>\$ 724,872</u>	<u>\$ 585,343</u>	<u>\$ 797,002</u>	<u>\$ 3,684,873</u>	<u>\$ 2,582,960</u>	<u>\$ 3,571,560</u>	<u>\$ 9,681,679</u>	

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

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 4,746,004	\$ 4,997,524	\$ 5,236,327	\$ 6,871,376	\$ 6,998,083	\$ 7,380,929	\$ 8,065,624	\$ 9,077,838	\$ 10,750,506	\$ 9,037,131
Licenses and permits	163,001	225,956	214,191	345,366	374,441	559,692	911,497	524,374	437,690	1,482,188
Intergovernmental	1,331,005	1,504,087	2,206,486	3,178,514	1,483,229	2,126,374	2,135,853	3,110,460	3,628,247	4,902,104
Charges for services	2,106,173	2,172,693	2,081,202	1,321,160	1,446,689	1,302,951	1,515,140	1,623,114	1,738,456	1,904,833
Fines and forfeitures	95,635	146,987	158,823	180,585	192,954	169,598	168,046	337,774	212,979	175,789
Interest and miscellaneous	314,782	370,779	389,097	330,459	417,936	380,293	1,475,521	929,890	868,858	724,406
Total revenues	8,756,600	9,418,026	10,306,126	12,227,460	10,913,332	11,919,837	14,271,681	15,603,450	17,636,736	18,226,451
Expenditures										
Current:										
General government	1,095,834	965,562	1,169,649	1,007,391	873,725	1,054,841	5,062,487	2,423,028	1,959,458	1,819,917
Public safety	4,173,222	4,697,989	4,735,971	4,951,870	5,378,232	6,584,977	6,189,959	7,889,711	7,540,707	7,339,268
Physical environment	1,456,327	1,777,760	2,016,048	1,203,045	1,126,960	1,177,219	1,612,548	2,393,308	1,737,508	2,377,651
Transportation	532,091	508,977	478,641	583,352	593,075	804,747	853,638	688,951	1,562,517	2,834,374
Economic environment	102,339	1,108,682	1,094,516	432,975	439,259	340,052	481,277	472,734	2,839,298	558,606
Human services	63,372	12,000	12,110	18,454	21,814	18,329	18,329	9,768	20,700	-
Culture and recreation	1,150,983	907,124	1,149,164	955,493	1,004,341	1,107,023	1,178,945	1,748,196	3,073,610	1,924,938
Debt service:										
Principal	1,389,208	1,827,069	778,481	726,340	771,202	592,251	502,261	1,333,193	1,209,274	1,313,097
Interest and fiscal charges	550,005	767,558	711,837	761,798	712,090	608,354	549,188	512,222	479,511	760,201
Capital outlay	3,968,195	1,709,294	1,462,215	1,716,555	453,407	455,598	225,156	175,477	829,339	701,924
(Total expenditures)	14,481,576	14,282,015	13,608,632	12,357,273	11,374,105	12,743,391	16,673,788	17,646,588	21,251,922	19,629,976
Excess (deficiency) of revenues over (under) expenditures	(5,724,976)	(4,863,989)	(3,302,506)	(129,813)	(460,773)	(823,554)	(2,402,107)	(2,043,138)	(3,615,186)	(1,403,525)
Other financing sources (uses)										
Lease proceeds						399,861	-	599,900	-	217,804
Proceeds from issuance of debt	2,435,356	5,285,619				9,117,226				9,500,000
Principal - current refunding						(4,332,781)				
Payments to refunding escrow						(4,746,861)				
Insurance recoveries						-	4,426,572	2,959,449	335,412	25,919
Sale of capital assets										35,607
Transfers in	2,543,219	4,812,278	3,848,534	3,927,506	1,572,012	1,754,304	1,575,543	1,982,130	2,327,986	6,325,913
Transfers out	(1,936,027)	(4,071,896)	(3,105,120)	(3,442,359)	(966,774)	(787,402)	(1,314,257)	(1,416,169)	(2,031,957)	(6,871,794)
Total other financing sources (uses)	3,042,548	6,026,001	743,414	483,147	605,238	1,404,347	4,687,858	4,125,310	631,441	9,233,449
Special item									3,500,000	
Proceeds from sale of land								(2,525,585)		
Initial contribution to airport authority								(2,525,585)		
Total special items										
Net change in fund balances	\$(2,682,428)	\$ 1,162,012	\$(2,559,992)	\$ 355,334	\$ 144,465	\$ 580,793	\$ 2,285,751	\$ (443,413)	\$ 516,255	\$ 7,829,924
Debt Service as a percentage of noncapital expenditures	18.45%	20.64%	12.27%	13.99%	13.58%	9.77%	6.39%	10.56%	8.27%	10.95%

City of Lake Wales, Florida
Governmental Activities Tax Revenues by Source
Last Six Fiscal Years
(accrual basis of accounting - GASB 34 implemented fiscal year 2003)

Fiscal Year	Property Tax	Franchise Fees	Public Service Tax	Communication Service Tax	Gas Tax	Totals
2003	\$ 3,321,225	\$ 805,402	\$ 1,067,933	\$ 1,066,045	\$ 637,714	\$ 6,898,319
2004	4,208,282	874,116	1,091,395	517,807	732,734	7,424,334
2005	4,723,412	950,532	1,139,125	556,105	695,867	8,065,041
2006	5,473,219	1,172,989	1,299,073	408,684	702,476	9,056,441
2007	6,999,147	1,206,210	1,347,754	502,239	714,051	10,769,401
2008	7,306,490	1,220,697	1,386,825	588,184	665,367	11,167,563

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:		Total Assessed Valuation	Total Direct Rate	Estimated Actual Taxable Value	Assessed Value ⁽¹⁾ as a Percentage of Actual Value
				Tax Exempt Property	Tax Exempt Property				
1999	\$ 338,489	\$ 69,698	\$ 195	\$ 123,337	\$ 285,045	\$ 7.67	\$ 468,115	87.24%	
2000	376,751	66,706	216	128,898	314,775	7.65	510,158	86.97%	
2001	413,417	66,196	230	138,777	341,066	8.19	552,799	86.80%	
2002	436,423	65,072	215	146,444	355,266	8.94	578,726	86.69%	
2003	490,043	64,096	221	141,058	413,302	9.44	640,838	86.51%	
2004	544,577	68,464	225	151,020	462,246	9.44	709,368	86.45%	
2005	689,050	74,640	231	220,599	543,322	8.94	885,518	86.27%	
2006	909,104	87,926	271	284,073	713,228	8.44	1,157,731	86.14%	
2007	1,099,329 ⁽²⁾	89,167	304	340,112	848,688	7.3521	1,382,799	85.97%	
2008	1,126,601	93,040	320	382,733	837,228	7.3277	1,418,773	85.99%	

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

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 percentage. 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	City of Lake Wales	County of Polk	Overlapping Rates				South West Florida Waster Management District
				Polk County School Board	Peace River Basin	Polk County School Board	Peace River Basin	
1999		7.7400	7.9770	9.3280	0.0195	0.0195	0.0422	
2000		7.6700	7.9770	9.0720	0.0195	0.0195	0.0422	
2001		7.6500	7.7270	8.8460	0.0195	0.0195	0.0422	
2002		8.1900	7.7270	8.7220	0.0195	0.0195	0.0422	
2003		8.9400	7.7270	8.5780	0.0195	0.0195	0.0422	
2004		9.4400	7.7270	8.3170	0.0195	0.0195	0.0422	
2005		9.4400	7.7270	8.2060	0.0195	0.0195	0.0422	
2006		8.9400	8.7270	8.0780	0.0195	0.0195	0.0422	
2007		8.4400	8.3330	7.7700	0.0195	0.0195	0.0422	
2008		7.3521	6.8665	7.5120	0.1827	0.1827	0.3866	

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

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

City of Lake Wales, Florida
Principal Property Taxpayers
Fiscal Year Ended September 30, 2008
(amount expressed in thousands)

	2008			1999		
	Rank	Total Assessed Valuation	Percentage of Total Taxable Assessed Value	Rank	Total Assessed Valuation	Percentage of Total Taxable Assessed Value
Eagle Ridge Mall LP	1	\$ 37,189	4.44%	N/A	N/A	
Lake Wales Hospital Corporation	2	16,702	1.99%	N/A	N/A	
Wal-Mart	3	11,632	1.39%	N/A	N/A	
Preserve at Lake Wales, Inc.	4	11,356	1.36%	N/A	N/A	
Lowe's Home Centers, Inc.	5	11,225	1.34%	N/A	N/A	
Florida Power Corporation	6	10,152	1.21%	N/A	N/A	
DORM Shoppes on the Ridge LLC	7	9,858	1.18%	N/A	N/A	
Verizon Florida	8	9,660	1.15%	N/A	N/A	
CRF II LTD	9	8,809	1.05%	N/A	N/A	
Publix Super Markets	10	6,803	0.81%	N/A	N/A	
		<u>\$ 133,386</u>	<u>15.93%</u>		<u>\$ -</u>	
Total Assessed Valuation		\$ 837,228			\$ 285,044	

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		Total Tax Collections	Percent Total Collections To Levy
				Tax Collection	Tax		
1999	2,123,503	2,012,749	94.78%	38,467		2,051,216	96.60%
2000	2,191,782	2,048,267	93.45%	34,250		2,082,516	95.01%
2001	2,410,826	2,258,054	93.66%	8,015		2,266,069	94.00%
2002	2,798,777	2,678,855	95.72%	42,884		2,721,739	97.25%
2003	3,199,225	3,050,361	95.35%	25,226		3,075,586	96.14%
2004	3,919,780	3,756,999	95.85%	38,803		3,795,802	96.84%
2005	4,369,587	4,217,239	96.51%	20,004		4,237,243	96.97%
2006	4,881,409	4,689,093	96.06%	36,592		4,725,685	96.81%
2007	6,030,347	5,821,296	96.53%	21,132		5,842,427	96.88%
2008	6,274,751	5,983,531	95.36%	73,328		6,056,859	96.53%

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 Six Fiscal Years
(GASB 34 implemented fiscal year 2003)

Fiscal Year	Governmental Activities				Business-Type Activities				Total	
	Revenue Bonds	Notes Payable	Capital Leases	Total	Revenue Bonds	Notes Payable	Total	Primary Government	Population	Per Capita
2003	\$13,872,136	\$ 124,590	\$ -	\$13,996,726	\$ 8,248,055	\$ 3,509,897	\$11,757,952	\$ 25,754,678	11,626	2,215
2004	3,922,505	9,228,529	347,735	13,498,769	7,457,285	4,152,781	11,610,066	25,108,835	12,433	2,020
2005	3,672,447	9,029,148	294,913	12,996,508	7,047,285	5,161,907	12,209,192	25,205,700	12,390	2,034
2006	3,196,215	8,219,371	743,195	12,158,781	39,641	10,907,250	10,946,891	23,105,672	12,755	1,811
2007	2,613,363	7,743,062	611,082	10,967,507	7,533	11,226,666	11,234,199	22,201,706	13,039	1,703
2008	2,270,000	16,467,201	653,013	19,390,214	-	12,846,282	12,846,282	32,236,496	13,052	2,470

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

City of Lake Wales, Florida
Direct and Overlapping Governmental Activities Debt
As of September 30, 2008

<u>Taxing Authority</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Lake Wales	\$ 19,390,213	100%	\$ 19,390,213
County of Polk (1)	386,413,811	N/A (2)	-
Polk County School Board (1)	<u>478,769,389</u>	N/A (2)	<u>-</u>
Total Direct and Overlapping Debt	<u>\$ 884,573,413</u>		<u>\$ 19,390,213</u>

Source:

(1) Debt outstanding data provided from information with Polk County, Florida CAFR statistical section disclosure "Direct and Overlapping Governmental Activities Debt" as of their most recent audited financial statements, which is 9/30/08.

(2) The City Commission of the City of Lakes Wales is not responsible for the debt of the Board of County Commissioners of Polk County or the School Board.

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

Fiscal Year	Utility Fund Debt Obligations					
	(1) Charges for Service Revenues		(2) Less Operating Expenses		Net Available Revenue	
	\$	\$	\$	\$	\$	\$
1999	3,624,890	2,373,113	1,251,777	490,623	523,268	1.23
2000	3,609,023	2,661,131	947,892	969,023	553,410	0.62
2001	3,348,080	2,471,043	877,037	463,558	544,219	0.87
2002	3,915,040	2,336,358	1,578,682	479,796	524,550	1.57
2003	4,128,685	2,328,479	1,800,206	570,250	594,873	1.55
2004	4,644,292	2,877,649	1,766,643	876,120	517,437	1.27
2005	4,598,397	2,877,649	1,720,748	707,331	539,860	1.38
2006	5,258,800	3,344,687	1,914,113	767,735	509,048	1.50
2007	5,715,639	3,845,573	1,870,066	537,888	473,969	1.85
2008	6,622,986	3,994,870	2,628,116	887,917	445,311	1.97

(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 Income (1)					Median Household Income (2)					
	Florida	Polk	Hillsborough	Hardee	Lake	Florida	Polk	Hillsborough	Hardee	Osceola	Lake
1998	25,987	22,213	25,648	16,378	23,698	34,909	32,654	37,362	27,007	33,519	32,898
1999	26,894	23,140	26,889	17,293	24,610	35,831	25,216	28,477	22,065	27,260	23,395
2000	28,508	23,728	28,550	16,619	25,653	38,856	35,438	40,987	29,693	38,309	37,554
2001	29,277	24,850	29,186	18,091	26,074	36,421	34,442	40,922	28,525	37,342	36,585
2002	29,727	24,998	29,527	17,342	25,980	38,024	34,620	42,407	28,004	37,469	37,398
2003	30,330	25,679	30,274	17,694	26,628	38,972	35,125	43,304	27,851	38,966	39,040
2004	32,618	27,696	31,944	17,968	27,929	40,535	36,339	44,850	28,669	39,770	40,745
2005	34,798	2,925	33,677	18,908	28,601	42,437	39,114	45,084	27,989	40,978	40,059
2006	36,720	31,018	35,079	19,545	29,815	45,494	41,176	46,751	33,034	44,277	42,194
2007	38,417	31,329	36,616	20,388	30,460	47,804	44,216	50,485	36,590	46,599	46,557

(1) Source U.S. Department of Commerce, Bureau of Economic Analysis (Florida Research Economic Database) <http://www.bea.gov/regional/>

(2) Source Florida Research and Economic Database <http://fred.labormarketinfo.com>, Analysts and Researchers, Income & Wages, Income, Median Household Income.

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

Year	Florida Price Level Index				Unemployment Rate (2)						
	Polk	Hillsborough	Hardee	Osceola	Lake	Florida	Polk	Hillsborough	Hardee	Osceola	Lake
1998	94.98	100.86	92.01	96.56	96.14	4.5	5.7	2.9	12.2	3.2	3.3
1999	95.93	100.48	90.62	95.52	94.48	4.0	5.1	2.7	10.5	2.8	2.7
2000	95.24	100.32	93.78	95.81	95.13	3.8	4.1	3.3	5.9	3.1	3.6
2001	95.44	99.86	93.83	96.36	95.57	4.7	5.0	4.2	6.9	4.4	4.4
2002	94.85	99.53	92.41	96.09	94.64	5.7	5.8	5.3	7.8	5.8	5.6
2003	98.85	101.18	94.90	98.45	98.79	5.3	5.5	5.1	6.6	5.4	5.2
2004	98.85	101.06	95.05	98.83	98.13	4.7	4.9	4.3	6.0	4.7	4.5
2005	97.56	101.69	95.64	98.65	97.50	3.8	4.0	3.7	4.7	3.8	3.7
2006	97.58	102.13	96.05	98.84	97.69	3.4	3.7	3.3	4.0	3.4	3.3
2007	97.50	102.10	96.02	98.86	97.70	4.1	4.5	4.0	4.5	4.2	4.1

(1) <http://www.bebr.ufl.edu/start>, Free Data, Florida Price Level Index. Provides relative cost of living. The Average is set at 100%.

(2) www.labormarketinfo.com, Library, LAUS - Local Area Unemployment Statistics, Annual Averages.

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

Year	Population		% of City Compared to County
	Polk (1)	City of Lake Wales	
1998	461,774	10,027	2.17%
1999	472,527	10,129	2.14%
2000	483,924	10,194	2.11%
2001	496,112	10,593	2.14%
2002	502,385	11,336	2.26%
2003	511,929	11,626	2.27%
2004	528,389	12,433	2.35%
2005	541,840	12,390	2.29%
2006	565,049	12,755	2.26%
2007	581,058	13,039	2.24%

(1) <http://fred.labormarketinfo.com>, Analysts and Research, Area Profile, Demographics, Population, Ofc. Of Economic & Demographic Research.

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

Function/Program	Full-Time Equivalent Employees									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
City Manager	3.00	3.00	3.00	3.00	3.00	4.00	3.25	2.50	3.00	3.00
City Clerk	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Finance	6.00	7.00	6.00	5.00	5.75	5.00	5.00	5.00	5.50	4.50
Support Services	2.00	2.00	2.90	2.00	1.00	2.00	2.00	2.00	2.00	3.00
Development Services	1.00	2.00	2.00	-	-	0.75	1.00	1.50	3.00	2.00
Human Resource	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Planning and Zoning	3.00	2.00	1.00	1.00	1.00	1.50	2.00	2.00	2.00	2.00
Information Services	1.00	1.00	1.10	2.00	1.00	1.00	1.00	2.00	2.00	2.00
Community Services Administration	-	2.00	2.00	-	-	-	-	-	-	-
Parks & Recreation	2.00	2.00	1.00	1.00	1.00	1.00	0.75	0.50	-	-
Public Services Administration	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	2.00
Total general government	24.00	25.00	23.00	18.00	16.75	19.25	19.00	19.50	22.00	21.50
Police Department	57.00	59.75	59.00	56.00	55.00	57.00	57.50	59.00	59.50	45.50 (1)
Fire & Rescue:	19.00	19.00	20.00	21.00	21.00	21.00	21.00	21.00	23.00	24.00
Building Permits and Inspection	2.00	3.75	4.00	4.00	4.00	5.00	7.00	7.25	8.00	6.00
Code Enforcement	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50	2.50
Total public safety	79.00	84.50	85.00	83.00	82.00	85.00	87.50	89.25	93.00	78.00
Cemetery	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	1.00
Parks Division	10.00	10.75	11.00	9.00	9.00	6.00	5.00	5.00	6.00	7.00
Streets	7.00	8.00	8.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Fleet Maintenance	4.00	4.00	3.00	3.00	2.00	2.50	2.50	2.00	2.00	3.00
Facilities Maintenance	4.00	5.50	5.50	3.50	3.00	2.50	3.50	3.50	3.00	4.00
Total maintenance	29.00	32.25	31.50	24.50	23.00	20.00	20.00	19.50	20.00	21.00
Recreation	4.00	4.00	5.00	2.50	2.50	2.00	2.50	2.50	3.50	2.00
Depot	2.00	2.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	1.50
Library	7.50	8.50	10.50	10.50	10.50	11.00	12.00	12.00	14.00	16.00
Total culture and recreation	13.50	14.50	18.50	15.00	15.00	15.00	16.50	16.50	19.50	19.50
Wastewater Division	10.00	10.00	9.00	8.00	8.00	8.00	7.00	7.00	9.50	9.00
Water Division	12.00	12.00	12.00	9.00	9.00	9.00	11.00	10.00	10.50	10.00
Reuse Division	-	-	-	-	-	-	-	-	-	1.00
Utilities Administration	6.00	6.00	7.00	6.00	8.50	6.00	4.00	5.00	4.00	5.00
Utility Billing/Customer Service	4.00	5.00	5.00	6.00	4.00	4.00	6.00	6.00	5.50	5.50
Total utilities	32.00	33.00	33.00	29.00	29.50	27.00	28.00	28.00	29.50	30.50
Total government employees	177.50	189.25	191.00	169.50	166.25	166.25	171.00	172.75	184.00	170.50

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

This page intentionally left blank.

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

Function/Program	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General										
Last charter amendment										
Number of Commissioners										
Form of government										
Municipal boundaries	13.60	13.92	14.66	14.74	14.84	15.76	16.18	17.14	19.01	19.14
March 2, 2007 The City Commission is a five member elected governing board. Five member elected governing board, four-year term - Appointed City Manager										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	N/A	N/A	N/A	N/A	1,491	1,048	1,928	1,673	1,399	1,403
Number of calls for service	N/A	N/A	N/A	N/A	15,147	15,522	19,480	19,990	18,096	17,313
Number of crashes	N/A	N/A	N/A	N/A	613	640	548	410	446	363
Fire										
Response volume (includes fire, rescue and medical calls)	N/A	1,546	1,967	1,836	1,883	2,305	2,379	2,756	2,786	2,879
Response time average (minutes)	N/A	4.88	5.94	4.77	4.46	5.01	4.55	4.80	4.94	5.39
Inspections/plans reviewed	N/A	538	654	232	511	652	678	832	1,383	1,767
Public education (persons)	N/A	2,061	2,738	6,663	1,325	1,750	2,117	2,771	2,378	2,917
Permits and Inspections Division										
Plan review residential	N/A	142	310	124	244	562	551	106	253	411
Plan review commercial	N/A	151	140	31	25	238	96	25	114	189
Permits issued	N/A	409	674	717	591	1,756	1,622	256	768	797
Inspections:										
Construction	N/A	5,979	6,469	3,306	3,100	5,700	8,407	2,298	3,968	2,664
Inspections per month (avg.)	N/A	509	553	556	260	475	701	192	331	222
Certificates of Occupancy issued	N/A	82	45	82	61	54	347	117	99	72
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	73.40	73.40	74.70	77.10	79.60	80.10	80.10	84.40	86.04	92.34
Number of city maintained traffic signals	14	14	14	14	14	14	14	14	14	14
Number of school signals	13	13	13	13	13	13	13	13	13	13
Water										
Average monthly customers:										
Water	6,774	6,867	6,602	6,733	6,965	7,269	7,629	7,824	7,938	7,923
Sewer	4,088	4,132	3,950	4,036	4,267	4,528	4,859	5,205	5,316	5,325
Irrigation	407	439	459	486	535	658	789	1,052	1,116	1,167
Wastewater										
Number of lift stations	N/A	26	27	28	30	32	34	35	39	39

(1) Square miles
 N/A - Not available

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

Type of Customer	Fiscal Year		
	2005	2006	2007
Single Family Residences	\$ 1,429,281	\$ 1,601,518	\$ 1,563,810
Multi Family Residences	262,224	278,644	290,003
Commercial	415,877	434,001	807,042
Municipal	32,273	70,077	76,516
Duplex	21,989	22,920	22,132
School	67,012	86,470	59,834
Church	26,638	20,029	22,071
Irrigation	250,152	372,406	483,960
Totals	\$ 2,505,466	\$ 2,886,065	\$ 3,325,368
			\$ 1,723,361
			243,686
			812,729
			67,062
			26,221
			46,274
			30,440
			545,344
			\$ 3,495,118

Water Rates(1)

Inside City Limits	Base Rate	8.44	\$	8.65	\$	8.87	Base Rate	\$	4.95
4,001-10,000	2.04	2.09	2.14	2.39	2.64	2.89	0-5,000	1.96	1.96
10,001-15,000	2.29	2.34	2.39	2.59	2.64	2.89	5,001-10,000	2.65	2.65
15,001-25,000	2.54	2.59	2.64	2.84	3.19	3.49	10,001-25,000	4.11	4.11
25,001-35,000	2.79	3.09	3.14	3.44	3.79	4.14	> 25,000	6.77	6.77
35,001-50,000	3.09	3.39	3.44	3.74	4.09	4.44			
50,001-65,000	3.39	3.69	3.74	4.09	4.49				
65,001-80,000	3.69	4.04	4.09						
80,001-100,000	4.04	4.44							
100,001 +	4.44								
Outside City Limits									
Base Rate	\$ 12.66	\$ 12.98	\$ 13.31	Base Rate	\$	6.19			
4,001-10,000	3.06	3.14	3.21	0-5,000	2.45	2.45			
10,001-15,000	3.44	3.51	3.59	5,001-10,000	3.32	3.32			
15,001-25,000	3.81	3.89	3.96	10,001-25,000	5.14	5.14			
25,001-35,000	4.19	4.26	4.34	> 25,000	8.47	8.47			
35,001-50,000	4.64	4.71	4.79						
50,001-65,000	5.09	5.16	5.24						
65,001-80,000	5.54	5.61	5.69						
80,001-100,000	6.06	6.14	6.21						
100,001 +	6.66	6.74	6.81						

(1)Source-City of Lake Wales

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

Type of Customer	Fiscal Year		
	2005	2006	2007
Single Family Residences	\$ 1,147,297	\$ 1,304,800	\$ 1,515,894
Multi Family Residences	254,596	262,336	315,666
Commercial	431,404	433,607	512,747
Municipal	29,181	31,861	33,549
Duplex	29,732	30,613	34,080
School	48,802	57,729	55,506
Church	22,175	19,625	22,379
Reclaim	900	953	4,869
Totals	\$ 1,964,087	\$ 2,141,523	\$ 2,494,691
			\$ 1,635,720
			430,559
			655,972
			44,319
			44,276
			62,585
			27,112
			18,298
			\$ 2,918,841

Sewer Rates (1)

Inside City Limits					
Base Rate	\$ 19.28	\$ 19.76	\$ 23.25	\$	17.59
0-7,000 Gallons	1.13	1.16	1.19	0-5,000 Gallons	2.31
7,001 + Gallons	1.17	1.74	1.77	5,001 + Gallons	4.05
Outside City Limits					
Base Rate	\$ 28.92	\$ 29.64	\$ 34.88	\$	21.99
0-7,000 Gallons	1.70	1.74	1.79	0-5,000 Gallons	2.89
7,001 + Gallons	2.57	2.61	2.66	5,001 + Gallons	5.07

Residential Cap = 15,000 gallons

(1) Source-City of Lake Wales

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

Employer	2008		1999	
	Employees	Rank	Employees	Rank
Citrus World, Inc.	700	1	N/A	1
Lake Wales Medical Center	471	2	N/A	2
Lake Wales Charter Schools	365	3	N/A	3
Wal-Mart	330	4	N/A	4
Publix, Inc.	243	5	N/A	5
Citrusuco	235	6	N/A	6
City of Lake Wales	170	7	N/A	7
Hunt Brothers	160	8	N/A	8
Polk County School Board	150	9	N/A	9
Warner University	150	10	N/A	10
	<u>2,974</u>		<u>N/A</u>	

Source: Lake Wales Area Chamber of Commerce

N/A - Not available

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUES BY THE COMPTROLLER GENERAL OF THE
UNITED STATES AND THE *RULES OF THE AUDITOR
GENERAL OF THE STATE OF FLORIDA***

City of Lake Wales, Florida
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Grant Number	CFDA Number	Program or Award Amount	Expenditures
U.S. Department of Housing & Urban Development				
Community Development Block Grant:				
Disaster Recovery Grant	06DB-03-07-63-02-W16	14.228	\$ 500,000	\$ 77,683
Flood & Drainage Grant	07DB-3R-07-63-02-NO5	14.228	750,000	735,000
			<u>1,250,000</u>	<u>812,683</u>
U.S. Department of Justice				
Edward Byrne Memorial Justice Grant	2008-JACC-Polk-13-Q9-048	16.738	16,000	16,000
Edward Byrne Memorial Justice Grant	2008-JAGD-Polk-3-Q0-006	16.738	8,808	8,808
Bulletproof Vest Program		16.607	4,441	794
			<u>29,249</u>	<u>25,602</u>
U.S. Environmental Protection Agency passed through Florida Department of Environmental Protection				
Treatment & Reclaimed Water Usage				
(Upgrade of Sewage Treatment Plant) (1)	CS1207590P	66.458	1,592,804	-
Reclaimed Water Reuse Facilities (2)	CS12075911O	66.458	1,120,193	-
Treatment Facilities (Sludge Dewatering) (3)	WWG12075912S	66.458	1,390,983	-
WW Management System (4)	WW75913P	66.458	1,025,346	-
			<u>5,129,326</u>	<u>-</u>
U.S. Department of Transportation				
Federal Aviation Administration				
MIRLS	3-12-0040-609-2007	20.106	365,059	337,541
Federal Highway Administration passed through Florida Department of Environmental Protection				
Recreational Trails Program	T27019	20.219	200,000	150,988
			<u>565,059</u>	<u>488,529</u>
U.S. Department of Agriculture passed through Florida Department of Agriculture and Consumer Services				
Cooperative Forestry Assistance				
	11773	10.664	4,905	4,905
U.S. Department of Homeland Security				
Assistance to Firefighters Grant	EMW-2007-FO-03614	97.044	57,715	43,913
			<u>\$ 7,036,254</u>	<u>\$ 1,375,631</u>

(1) Loan Balance at September 30, 2008 - \$953,841
(2) Loan Balance at September 30, 2008 - \$576,555
(3) Loan Balance at September 30, 2008 - \$1,144,442
(4) Loan Balance at September 30, 2008 - \$1,004,253

City of Lake Wales, Florida
Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2008

State Grantor/Program Title	Grant Number	CSFA Number	Program or Award Amount	Expenditures
Florida Department of State				
Historic Preservation Grant Program:				
Historic Grant - Hardman Hall	SC621	45.032	300,000	73,585
Historic Grant - City Barn	SC709	45.032	350,000	350,000
Florida Recreation Development Assistance Program:				
FRDAP Grant - Skate Park	A08071	37.017	50,000	49,016
FRDAP Grant - Boat Ramp	A08069	37.017	50,000	50,000
			<u>750,000</u>	<u>522,600</u>
Executive Office of the Governor				
Office of Tourism Trade and Economic Development Transportation	OT07-017	31.002	3,000,000	1,839,634
Florida Department of Transportation				
Aviation Development Grant-MIRLS	AOE33	55.004	9,607	8,883
Aviation Development Grant-Auto Parking	ANW91	55.004	126,000	75,878
			<u>135,607</u>	<u>84,760</u>
			<u>\$ 4,385,607</u>	<u>\$ 2,446,994</u>

This page intentionally left blank.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2008
CITY OF LAKE WALES, FLORIDA**

Note 1 - General

The accompanying schedule of expenditures of federal awards and state financial assistance presents the activity of all federal and state financial assistance 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, 2008. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (federal awards) and Chapter 69I-5, *Rules of the Florida Department of Financial Services* (state financial assistance).

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

Note 2 - Basis of Accounting

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

Note 3 - Contingencies

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

This page intentionally left blank.



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

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

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, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2009. Our report referred to the reports of other auditors of the firefighters and police officers pension trust funds. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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*.

We noted certain other matters that we reported to management of the City in a separate Management Letter dated May 15, 2009.

This report is intended solely for the information and use of the Mayor, City Commission, and management of the City, the Florida Auditor General, and federal and state agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

May 15, 2009
Sarasota, Florida

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND THE FLORIDA DEPARTMENT OF
FINANCIAL SERVICES, *STATE PROJECTS COMPLIANCE SUPPLEMENT***

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

Compliance

We have audited the compliance of the City of Lake Wales, Florida (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the requirements described in the Florida Department of Financial Services, *State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Chapter 691-5, *Rules of the Florida Department of Financial Services*, and Chapter 10.550, *Rules of the Auditor General*. Those standards, rules, 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 or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2008.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

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

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND THE FLORIDA DEPARTMENT OF
FINANCIAL SERVICES, *STATE PROJECTS COMPLIANCE SUPPLEMENT*
(Concluded)**

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, City Commission, and management of the City, the Florida Auditor General, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Pinvis, Gray and Company, LLP

May 15, 2009
Sarasota, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS
CITY OF LAKE WALES, FLORIDA**

PART A - SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses unqualified opinions on the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Lake Wales, Florida (the City), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements. The opinion on the aggregate remaining fund information refers to the reports of other auditors on the firefighters and police officers pension trust funds.
2. No material weaknesses in the internal control over financial reporting, or significant deficiencies were disclosed during the audit of the basic financial statements (see report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*).
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit (see the same report referenced in 2).
4. No material weaknesses or significant deficiencies were disclosed during the audit of compliance and internal control applicable to the City's major federal programs or major state projects (see report on compliance with requirements applicable to each major federal program or state project and internal control over compliance in accordance with OMB Circular A-133 and the Florida Department of Financial Services, *State Projects Compliance Supplement*).
5. No instances of noncompliance material to a major federal program or major state project were disclosed during the audit (see the same report referenced in 4).
6. Audit findings relative to major federal programs and major state projects for the City are reported in Part C of this schedule.
7. The programs tested as major programs/projects were the following:
 - **Major Federal Programs**
 - U.S. Department of Housing and Urban Development, Community Development Block Grant, CFDA Number 14.228
 - U.S. Department of Transportation, Federal Aviation Administration, MIRLS, CFDA Number 20.106
 - Executive Office of the Governor, CSFA Number 31.002

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS AND
STATE FINANCIAL ASSISTANCE PROJECTS
CITY OF LAKE WALES, FLORIDA
(Concluded)**

PART A - SUMMARY OF AUDITORS' RESULTS (Concluded)

8. The threshold for distinguishing Type A and Type B programs/projects was \$300,000 for both major federal programs and state projects.
9. The City did qualify as a low-risk auditee pursuant to OMB Circular A-133.

PART B - FINDINGS - FINANCIAL STATEMENT AUDIT

None

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AND MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

None

PART D - OTHER ISSUES

No summary schedule of prior audit findings is required because there were no findings in the prior year federal or state single audits. No corrective action plan is required because there were no findings in the current year requiring correction under the Federal or Florida Single Audits.

MANAGEMENT LETTER

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

We have audited the basic financial statements of the City of Lake Wales, Florida (the City), as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated May 15, 2009.

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, *Audit of States, Local Governments, and Non-Profit Organizations*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*. We have issued our report on internal control over financial reporting and on compliance and other matters, report on compliance with requirements applicable to each major federal program and state project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated May 15, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and, unless otherwise required to be reported in the reports on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information:

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

- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of provision 218.415, Florida Statutes, regarding investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899

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

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

MANAGEMENT LETTER
(Continued)

- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had the following recommendations:

- **08-1 Lapse in Key Controls**—The City had changes in key management positions during 2008 (Finance Director and Customer Service Supervisor) and vacancies during portions of the year. During these transition periods, there was a breakdown in many key controls, including omission of reconciliation procedures (receivables and payables), proper cut-off of year-end payables, reviews of coding of receipts to the correct account, and recording of investment gains/losses in the pension plans.

Recommendation: We encourage the City to review their procedures to ensure that they are performing timely reconciliations and reviews under the new management.

- **08-2 Financial Statement Preparation**—Management drafted the City's financial statements for the first time this year, including the first attempt at a new format to qualify for a prestigious certification. In prior years, the audit firm had drafted the financial statements. While management displayed proficiency and performed commendably, we still uncovered numerous errors and omissions as a result of this initial attempt by management. This highlights the complex and technical nature of municipal financial reporting.

Recommendation: We recommend the City continue to produce their financial statements in-house, but review their quality control system, and understand that certain technical expertise may still be required from the auditors.

- **08-3 Capital Assets**—The following observations were noted relating to our audit of capital assets:
 - a. The City does not have a subsidiary listing of streets infrastructure that reconciles to their financial statements.
 - b. The City's capitalization policy does not address, among other things, the specific criteria for when infrastructure should be capitalized vs. expensed, accounting for the removal or replacement of asset components, and accounting for infrastructure disposals.
 - c. There appear to be soft costs capitalized through the work-order system (cleaning and sealing pipes, repairing pumps, etc.) that could be expensed to avoid doubling up on the asset.
 - d. The City should develop procedures for periodically evaluating the reasonableness of asset useful lives.
 - e. There are a substantial amount of capital assets shown on the depreciation schedules with very little or no descriptions.
 - f. The City should consider a capital asset software to replace the excel spreadsheets.

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

MANAGEMENT LETTER
(Concluded)

Recommendation: We recommend the City review their capital asset policies to assure they include procedures and practices for the above items, and consider acquiring, maintaining, and integrating a capital asset software module into their accounting system.

- **08-4 Information Technology**—Our audit included a review of the City’s information technology (IT) activities relevant to financial reporting. The purpose of that review was to assess the impact on audit procedures. The review did not uncover any material weaknesses in key controls for the City’s significant transaction classes or in key grant compliance requirements. However, we did have the following observations:
 - a. No steering committee for IT priorities.
 - b. Passwords are only required to be four characters long and only need to be changed annually.
 - c. There is no message at log-in to deter unauthorized access.
 - d. There are no controls to authenticate log-ins are being made from specific workstations.
 - e. Users are not restricted from multiple concurrent log-ins.
 - f. Users are not restricted to log-ins within specific timeframes of the day/week.
 - g. There is no process to ensure users receive education on security awareness and their responsibilities.
 - h. There is no monitoring of the security administration process for effectiveness.
 - i. There are no defined roles and responsibilities for system software maintenance.
 - j. There are no defined system software maintenance procedures.
 - k. There is no network documentation.
 - l. There are no processes for capacity planning and performance level monitoring.

Recommendation: We recommend the City review its IT policies and procedures in light of the above observations.

- **08-5 Formalized Control Environment**—The City does not have formal documentation of its internal control system, including its risk assessment and monitoring activities. In addition, the City has not formally documented its internal control system over federal and state grants, including the controls over the applicable compliance requirements related to major programs/projects. Finally, the City does not have a formal fraud risk assessment and monitoring program. Each of these items is considered best practices under accounting standards.

Recommendation: We recommend the City consider whether formal documented policies and procedures would be appropriate in these areas.

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

MANAGEMENT LETTER

(Continued)

- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including but not limited to: improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we have no matters to report in this section.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The applicable disclosure can be found in note I.A to the financial statements.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2008, 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, 2008. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. There were no findings of deteriorating financial condition, which were required to be reported.

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

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

MANAGEMENT LETTER
(Concluded)

This management letter is intended solely for the information and use of the Mayor, City Commission, and management of the City, the Florida Auditor General, and certain federal and state agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

May 15, 2009
Sarasota, Florida





**City of
Lake Wales**

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

RESPONSE TO MANAGEMENT LETTER COMMENTS

May 29, 2009

On May 20, 2009, the City's Certified Public Accountants, Purvis, Gray & Company, delivered the management letter for the fiscal year ended September 30, 2008. The rules of the Auditor General – Local Government Entity Audits, Chapter 10.550, state "...A written statement of explanation or rebuttal concerning the deficiencies, including corrective action to be taken, must be filed with the governing body of the local governmental entity within thirty (30) days of the delivery of the financial audit report..and must be submitted to the Auditor General within forty-five (45) days after delivery of the audit report..."

In accordance with the above requirement, the recommended responses to the auditors' management letter are submitted below.

CURRENT YEAR RECOMMENDATIONS

08-1 Lapse in Key Controls:

The City had changes in key management positions during 2008 (Finance Director and Customer Service Supervisor) and vacancies during portions of the year. During these transition periods, there was a breakdown in many key controls, including omission of reconciliation procedures (receivables and payables), proper cut-off of year-end payables, reviews of coding of receipts to the correct account, and recording of investment gains/losses in the pension plans. We encourage the City to review their procedures to ensure that they are performing timely reconciliation and reviews under the new management.

Management Response:

To ensure future compliance, a review of key controls relating to reconciliation, proper cut-off of year-end payables, and review of coding of the correct accounts and recording of investments gains/loss in the pension plans will be performed. Written procedures will be implemented.

08-2 Financial Statement Preparation:

Management drafted the City's financial statements for the first time this year, including the first attempt at a new format to qualify for a prestigious certification. In prior years, the audit firm had drafted the financial statements. While management displayed proficiency and performed commendably, we still uncovered numerous errors and omissions as a result of this initial attempt by management. This highlights the complex and technical nature of municipal financial reporting. We recommend the City continue to produce their financial statements in-house, but review their quality control system, and understand that certain technical expertise may still be required from the auditors.

Management Response:

To ensure future compliance, staff will continue to work on improving the in-house preparation of the annual financial report.

08-3 Capital Assets – The following observations were noted relating to our audit of capital assets:

- a. The City does not have a subsidiary listing of streets infrastructure that reconciles to their financial statements.
- b. The City's capitalization policy does not address, among other things, the specific criteria for when infrastructure should be capitalized vs. expensed, accounting for the removal or replacement of asset components, and accounting for infrastructure disposals.
- c. There appear to be soft costs capitalized through the work-order system (cleaning and sealing pipes, repairing pumps, etc.) that could be expensed to avoid doubling up on the asset.
- d. The City should develop procedures for periodically evaluating the reasonableness of asset useful lives.
- e. There are a substantial amount of capital assets shown on the depreciation schedules with very little or no descriptions.
- f. The City should consider a capital asset software to replace the excel spreadsheets.

We recommend the City review their capital asset policies to assure they include procedures and practices for the above items, and consider acquiring, maintaining, and integrating a capital asset software module into their accounting system.

Management Response:

Staff is currently in the process of integrating a capital asset software module into the City's accounting system. A reconciliation of street infrastructure shall be performed from detail ledgers to the fixed assets module. Any necessary adjustments shall be performed. Management shall review the depreciation policies and procedures.

08-4 Information Technology:

Our audit included a review of the City's information technology (IT) activities relevant to financial reporting. The purpose of that review was to assess the impact on audit procedures. The review did not uncover any material weaknesses in key controls for the City's significant transaction classes or in key grant compliance requirements. However, we did have the following observations:

- a. No steering committee for IT priorities
- b. Passwords are only required to be four characters long and only need to be changed annually
- c. There is no message at log-in to deter unauthorized access
- d. There are no controls to authenticate log-ins are being made from specific workstations
- e. Users are not restricted from multiple concurrent log-ins
- f. Users are not restricted to log-ins within specific timeframes of the day/week
- g. There is no process to ensure users receive education on security awareness and their responsibilities
- h. There is no monitoring of the security administration process for effectiveness
- i. There are no defined roles and responsibilities for system software maintenance
- j. There are no defined system software maintenance procedures
- k. There is no network documentation
- l. There are no processes for capacity planning and performance level monitoring

We recommend the City review its IT policies and procedures in light of the above observations.

Management Response:

Management shall review its IT policies and procedures based on the above observations.

08-5 Formalized Control Environment:

The City does not have formal documentation of its internal control system, including its risk assessment and monitoring activities. In addition, the City has not formally documented its internal control system over federal and state grants, including the controls over the applicable compliance requirements related to major programs/projects. Finally, the City does not have a formal fraud risk assessment and monitoring program. Each of these items is considered best practices under accounting standards. We recommend the City consider whether formal documented policies and procedures would be appropriate in these areas.

Management Response:

Management shall review whether formal documented policies and procedures shall be implemented on the above observations.

