



City of Lake Wales, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
September 30, 2009

City of Lake Wales, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2009

Prepared By:
Department of Finance



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City of Lake Wales, Florida

Comprehensive Annual Financial Report For Fiscal Year Ended September 30, 2009

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**City of
Lake Wales**

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March 3, 2010

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

The Comprehensive Annual Financial Report (CAFR) of the City of Lake Wales, for the fiscal year ended September 30, 2009, 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, 2009. 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 13,067.

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. The blended component unit (Lake Wales Community Redevelopment Agency) is presented as part of the primary government activities.

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

Local economy

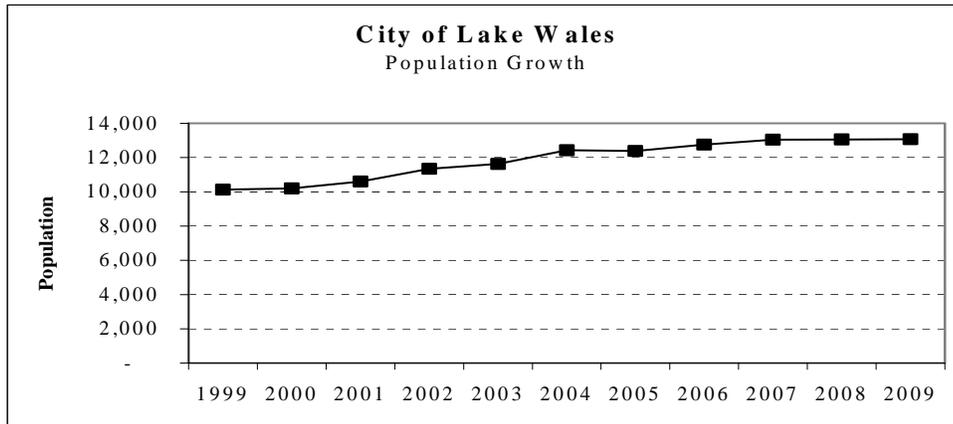
Each fiscal year provides the City an opportunity to identify, address and resolve issues facing our community and citizens. While residents enjoy the quiet suburban lifestyle of this community and public sentiment is to maintain and preserve its residential character, the City's largely residential 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 28.18% since the U. S. Census of 2000. As the following table shows, the annual increase, from 2000 through 2007 had 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. For 2008 and 2009 the trend has been less than 1% population growth.



POPULATION 2000-2009

(April 1,)

<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%	
2009	13,067	<1%	

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

The City's economic outlook is largely impacted by the state and regional economy with a great deal of reliance placed on surrounding communities for work, shopping and entertainment. Area employment consists predominately of service-related activities, retail trade, manufacturing, government and construction. The Lakeland/Winter Haven Metro Area and the State of Florida unemployment rate as of September 2009 were reported at 12.8% and 11.1%, respectively, while the national unemployment rate was 9.8%. The nation, as of September 2009, is now in its 20th month of recession, the longest economic contraction since the Great Depression.

The key measures of employment are the unemployment rate and job growth. While Florida led the nation on the good side of these measures during the boom, the state is now worse than the national averages on both and the problems are widespread. Worse than expected employment figures have changed expectations to the downside, and economic weakness will likely persist for a longer period of time. According to the latest nationwide data, Florida is losing jobs (a job growth rate of -5.2% in July) at a greater pace than the nation as a whole (-4.2%). In June of 2009, 40 of Florida's 67 counties had double-digit unemployment rates. Job restoration in the construction, manufacturing, information and government sectors is expected to lag behind other areas. These job sectors are not expected to return to positive annual growth until fiscal year 2011-2012.

Residential housing, with the meltdown of the subprime mortgage market, foreclosures, and excess supply of homes, is not expected to rebound until the Spring of 2011, likely longer. Because the state is so diverse, some areas will reach recovery much faster than other areas. As the availability of financing for commercial real estate tightens, growth in private nonresidential construction is projected to slow.

Long-term financial planning

Unreserved fund balance in the general fund of \$2,511,060 (24.12% percent of the total general fund expenditures) falls above 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 locations within the City.
- Street lighting improvements on Lincoln Avenue and alley repaving.
- Various lift station replacement and new construction.
- Asbestos pipe removal.
- Lift station pump replacement

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.

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 to the City of Lake Wales for its comprehensive annual financial report (CAFR). In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

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

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

Respectfully submitted,

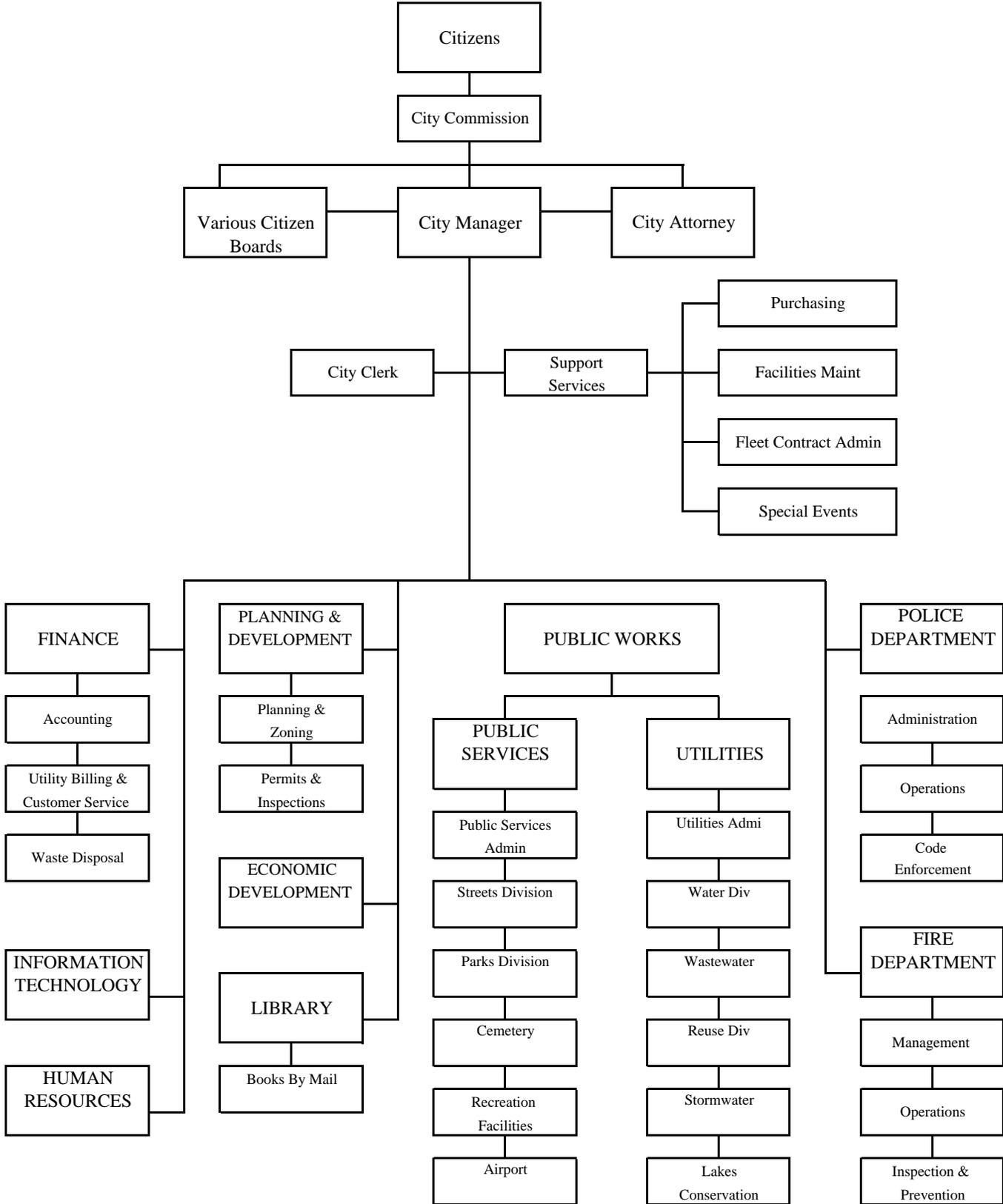


Judith H. Delmar,
City Manager



Dorothy Pendergrass, CPA
Finance Director

City of Lake Wales, Florida Organizational Chart



City of Lakes Wales, Florida
Principal Officials

Elected Officials

Mayor----- Jack Van Sickle
Vice Mayor/Commissioner ----- John Paul Rogers
Commissioner ----- Lee Alex Wheeler III
Commissioner ----- Terrye Y. Howell
Commissioner ----- Jonathan Thornhill

City Officials

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



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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, 2009, 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 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2009, 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 March 3, 2010, 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 should be considered in assessing the results of our audit.

Certified Public Accountants

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

Honorable Mayor and City 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 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, statistical section, and schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information and the schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied 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

March 3, 2010
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, 2009. 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 \$40,924,941 (*net assets*). Of this amount, \$3,067,335 (*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 \$1,852,886. The governmental activities decreased by approximately \$1.59 million (6.89%), while business-type activities increased approximately \$3.45 million (21.61%).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,278,552; a decrease of \$2,999,673 for the year. Approximately 27.01% is *available for spending* at the government's discretion.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the general fund was \$1,468,618 or 14.11% of total general fund expenditures.
- During the fiscal year, the City entered into a note payable, Refunding Revenue Note, Series 2009, for \$1,870,300 for the refunding of a Motorola Lease for \$138,600 and the refunding of the Series 1997 Bonds for \$1,731,700.

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, human services, and culture and recreation. The business-type activities of the City include the water and sewer utility.

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

The City's government-wide financial statements can be found on pages 17-19 of this report.

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

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

Because the focus of governmental funds is narrower than that of the 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 20-23 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.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used

for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-65 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City progress in funding its obligation to provide pension and other post employment benefits to its employees and budgetary schedules for the general and major special revenue funds. Required supplementary information can be found on pages 68-75 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 78-88 of this report.

Lake Wales Airport Authority financial statements can be found on pages 89/: ; 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 \$40,924,941 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets \$32,523,970 (79.47%) 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.

City of Lake Wales
Net Assets

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

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 10,889,930	\$ 14,542,910	\$ 2,719,126	\$ 3,038,630	\$ 13,609,056	\$ 17,581,540
Capital assets, net of depreciation	30,615,339	30,617,901	29,593,316	27,248,941	60,208,655	57,866,842
Total assets	<u>41,505,269</u>	<u>45,160,811</u>	<u>32,312,442</u>	<u>30,287,571</u>	<u>73,817,711</u>	<u>75,448,382</u>
Current and other liabilities	2,730,553	3,589,567	2,078,718	2,682,338	4,809,271	6,271,905
Long-term liabilities	17,240,147	18,444,490	10,843,352	11,616,516	28,083,499	30,061,006
Total liabilities	<u>19,970,700</u>	<u>22,034,057</u>	<u>12,922,070</u>	<u>14,298,854</u>	<u>32,892,770</u>	<u>36,332,911</u>
Net Assets:						
Investment in capital assets net of related debt	14,626,172	11,543,258	17,897,798	14,827,444	32,523,970	26,370,702
Restricted	4,579,237	9,681,679	754,399	862,542	5,333,636	10,544,221
Unrestricted	2,329,160	1,901,817	738,175	298,731	3,067,335	2,200,548
Total net assets	<u>\$ 21,534,569</u>	<u>\$ 23,126,754</u>	<u>\$ 19,390,372</u>	<u>\$ 15,988,717</u>	<u>\$ 40,924,941</u>	<u>\$ 39,115,471</u>

An additional portion of the City's net assets \$5,333,636 (13.07%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,067,335 (7.50%) unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

City of Lake Wales Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 1,907,303	\$ 2,556,790	\$ 6,025,162	\$ 6,622,986	\$ 7,932,465	\$ 9,179,776
Operating grants and contributions	772,085	875,556	-	1,772	772,085	877,328
Capital grants and contributions	55,401	1,740,200	159,572	1,166,650	214,973	2,906,850
General Revenues:						
Property taxes	7,148,427	7,306,490	-	-	7,148,427	7,306,490
Other taxes	2,827,144	2,640,376	-	-	2,827,144	2,640,376
Franchise fees	1,247,248	1,220,697			1,247,248	1,220,697
Other	1,261,613	1,560,963	254,961	693,460	1,516,574	2,254,423
Total Revenues	<u>15,219,221</u>	<u>17,901,072</u>	<u>6,439,695</u>	<u>8,484,868</u>	<u>21,658,916</u>	<u>26,385,940</u>
Expenses:						
Governmental Activities:						
General government	1,444,336	1,555,163	-	-	1,444,336	1,555,163
Public safety	7,197,291	7,049,550	-	-	7,197,291	7,049,550
Physical environment	963,588	1,581,070	-	-	963,588	1,581,070
Transportation	1,515,164	1,206,577	-	-	1,515,164	1,206,577
Economic environment	580,616	599,756	-	-	580,616	599,756
Human services	20,636	14,634	-	-	20,636	14,634
Culture and recreation	2,291,706	1,626,211	-	-	2,291,706	1,626,211
Interest on long-term debt	767,787	752,066	-	-	767,787	752,066
Business-type Activities:						
Public utilities	-	-	5,024,906	5,194,309	5,024,906	5,194,309
Total Expenses	<u>14,781,124</u>	<u>14,385,027</u>	<u>5,024,906</u>	<u>5,194,309</u>	<u>19,806,030</u>	<u>19,579,336</u>
Increase (decrease) in net assets before special items and transfers	438,097	3,516,045	1,414,789	3,290,559	1,852,886	6,806,604
Special Items						-
Transfers	(2,030,282)	(545,879)	2,030,282	530,099	-	(15,780)
Change in net assets	(1,592,185)	2,970,166	3,445,071	3,820,658	1,852,886	6,790,824
Beginning net assets (restated)	23,126,754	20,156,588	15,945,301	12,168,059	39,072,055	32,324,647
Ending net assets	<u>\$ 21,534,569</u>	<u>\$ 23,126,754</u>	<u>\$ 19,390,372</u>	<u>\$ 15,988,717</u>	<u>\$ 40,924,941</u>	<u>\$ 39,115,471</u>

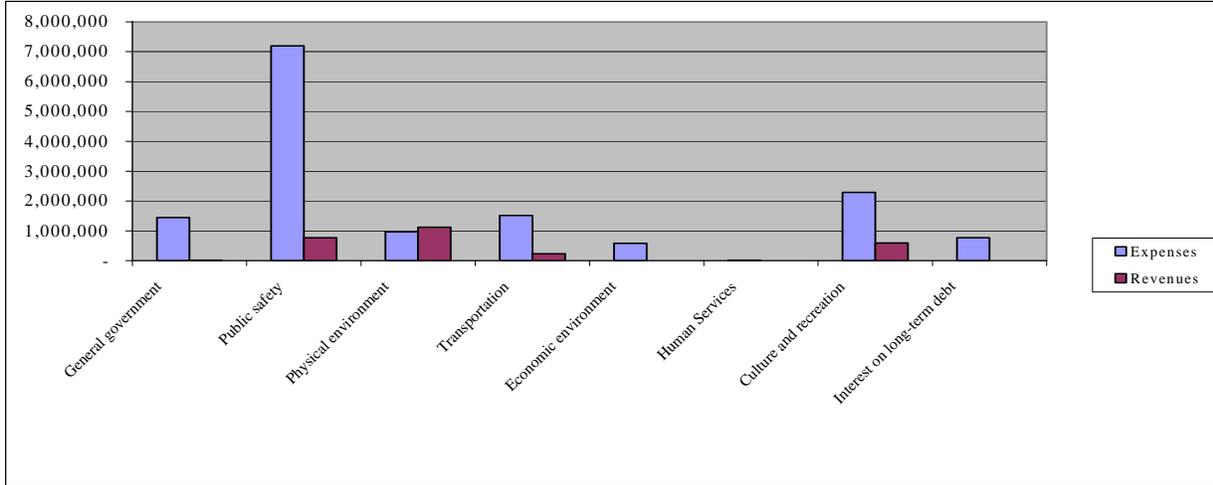
Governmental activities. Governmental activities decreased the City's net assets by \$1,592,185. Business-type activities net assets increased by \$3,445,071. Key elements of changes in net assets are as follows:

- Charges for services in 2009 decreased by \$649,487 or 25.40% from 2008. Essentially, \$519,196 (79.94%) of this decrease was the result of decreases in building permit fees of \$225,937, site development permits and inspection fees of \$58,274, court fines of \$77,042 and impact fees of \$157,943. A reclassification of local business tax from charges for services to taxes has resulted in a decrease of \$80,915 in the charges for services comparison of 2009 to 2008.
- Operating grants and contributions received by the City decreased in 2009 by \$103,471 or 11.82% from 2008. This decrease was the result of hurricane reimbursements received in the 2008.

- Capital grants and contributions decreased by \$1,684,799 or 96.82% from 2008.
- General revenues decreased during 2009 by \$244,094 or 1.90% from 2008. This change is a net result of a decrease in property taxes of \$158,063, increase in other taxes of \$186,786 (mainly from reclassification of local business tax of \$79,325 and an increase in public service tax of \$96,436), and increase in franchise fees of \$26,551. In addition, other revenue decreased by \$299,350 mainly due to a decrease in investment earning of \$258,036.
- General government expenses decreased in 2009 by \$110,827. This change is mainly a result of a decrease of \$113,111 in fleet maintenance repair/maintenance due to the completion of construction repairs to the fleet maintenance building during 2008.
- Public safety expenses increased in 2009 by \$147,741 or 2.10% from 2008.
- Physical environment expenses decreased in 2009 by \$617,482 mainly due to reclassification of the parks division during 2009 from the category of physical environment to culture and recreation. The reclassification resulted in a decrease of \$563,717 from classification as physical environment.
- Transportation expenses in 2009 increased by \$308,587. The net increase is the result of funding provided to the municipal airport of \$133,056 and increased depreciation expense.
- Culture and Recreation expenses increased in 2009 by \$665,495 mainly due to reclassification of the parks division during 2009 from the category of physical environment to culture and recreation. The reclassification resulted in an increase of \$563,717 from classification as culture and recreation.

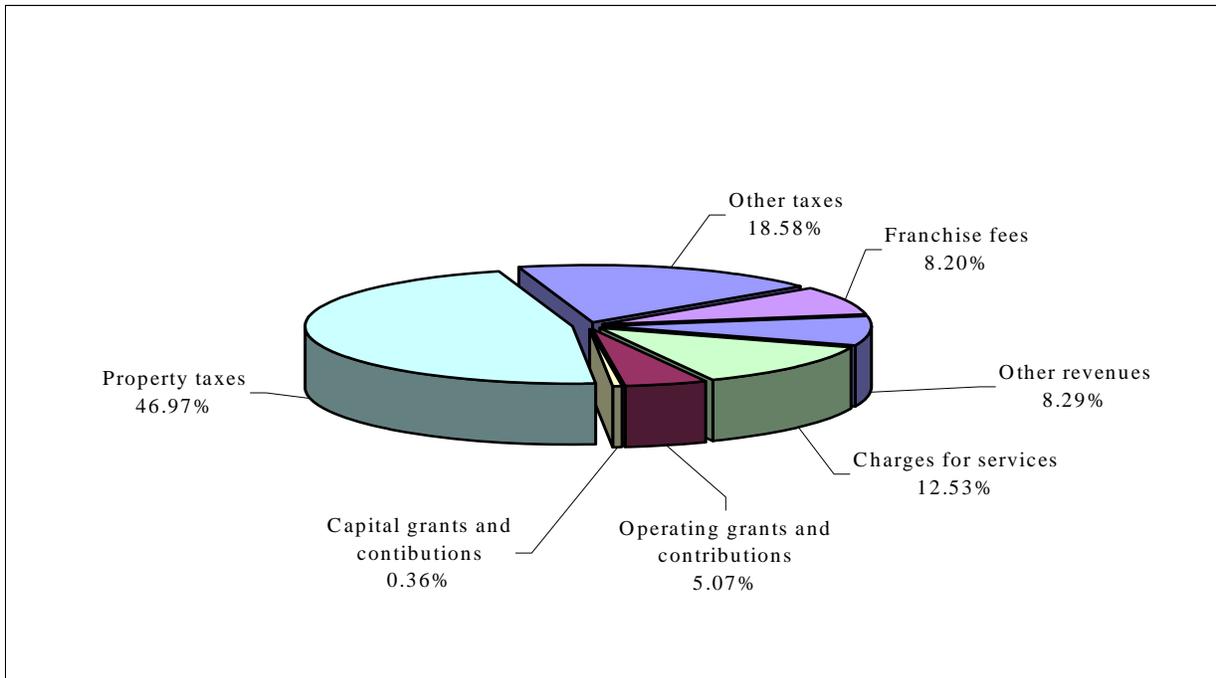
The following chart compares expenses with program revenues for the City's governmental activities:

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



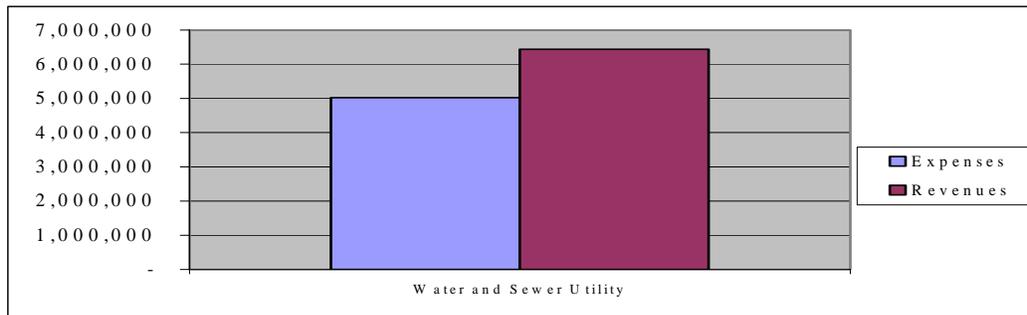
Business-type Activities

Business-type activities increased the City's net assets by \$3,445,071 accounting for 185.93% of the total growth in the City's net assets. Key elements of this increase are as follows:

- Capital grants and contributions decreased by \$1,007,078 as a result of a Southwest Florida Water management District reuse grant for \$632,681 received in 2008 and decrease of \$ 407,229 in water and sewer impact fees and contributed capital received during 2009.
- Charges for services from 2009 compared to 2008 have decreased by \$597,824. This decrease was related to two separate issues. The first issue was primarily a result of temporary water service provide to Polk County Board of County Commissioners from March 2006 through June 2008. The City provided water to Polk County for county customers but due to a dispute over the water rates to be charged, the County and the City did not reach a payment agreement until September of 2008. As the City was unsure of the actual payment to be received, revenue was not recognized until a settlement amount was reached. During 2008 a settlement was finalized, the City recognized \$336,063 in water revenue during 2008. The second issue was water revenues were down approximately \$270,000 due to the economy and also the new utility rate structure, which was enacted during fiscal year 2006-2007, which resulted in water conservation. In response to the new rate structure, residences have placed more private irrigation wells in service.
- Other revenues decreased by \$438,499 This change is primarily a result of decrease in settlement received in 2009 of \$373,071. During 2008, the City received an Oakley settlement for \$405,637 relating to excess commercial waste disposal within the City sewer system.
- Water and sewer expenditures decreased \$169,403 mainly as a result of decrease in engineering fees paid during 2009 compared to 2008.

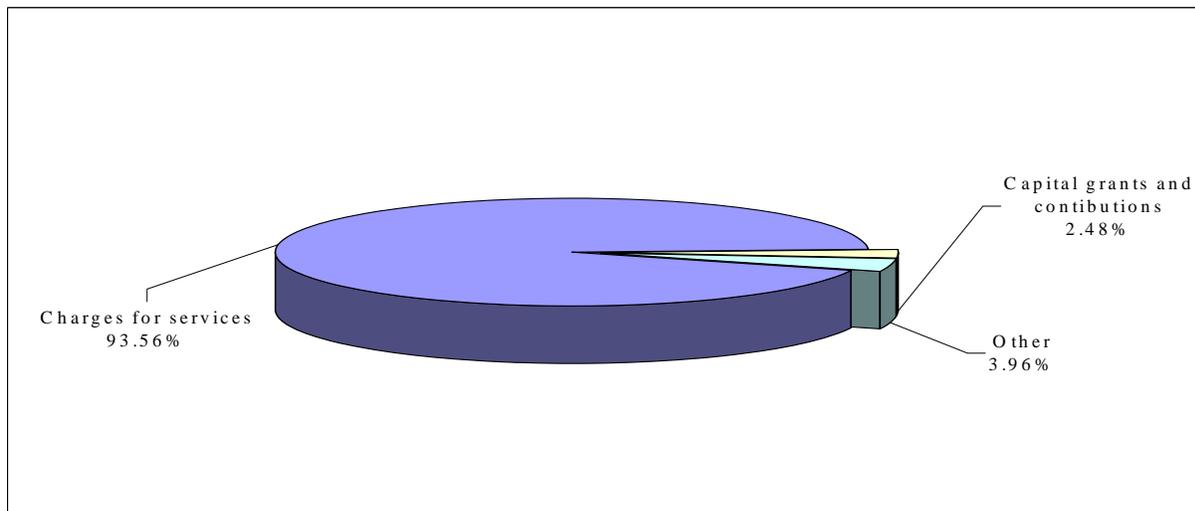
The following chart compares expenses with program revenues for the City’s business-type activities:

Expenses and Program Revenues – Business-type Activities



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

Revenues by Source – Business-type Activities



Financial Analysis of the Government’s Funds

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

Governmental funds. The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *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.

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$9,278,552 a decrease of \$2,999,673 for the year because of spending of prior year bond proceeds on capital improvements. Approximately 27.07% of this amount (\$2,511,060) constitutes *unreserved fund balance*, which is available for spending at the City’s discretion. Approximately 41.52% of unreserved balance (\$1,042,442) constitutes *unreserved/designated fund balance*, which has been designated by the City Commission to 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 (\$6,767,492) 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 \$484,161, debt service of \$1,559,054, redevelopment of \$4,013,529, road and street expenditures of \$17,376, capital projects of \$311,744 and other purposes of \$381,628.

The general fund is the chief operating fund for the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,511,060, while total fund balance reached \$2,983,010. 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 24.13% percent of total general fund expenditure, while total fund balance represents 28.66% percent of the same amount.

The fund balance of the City's general fund increased by \$386,464 during the current fiscal year. A key factor in this growth is the fact that while the City experienced a reduction in general fund revenues of \$475,892, the City was able to decrease its operating expenditures by \$674,762.

- General fund revenues decreased during 2009 by \$475,892. Significant revenues sources affected during 2009 were ad valorem taxes which increased by \$152,470, while there were decreases in building permits of \$225,937, site development/inspection fees of \$58,274, FEMA grants of \$104,931, half cent sales tax of \$62,007, court fines of \$77,042 and interest income of \$46,039.
- General fund expenditures decreased during 2009 by \$674,762. Decreases were realized through reduced fuel costs, a reduction in casualty and liability insurance costs, and significant decreases in public safety capital outlay. Public safety expenditures decreased by 773,961. The following schedule is a listing of significant decreases in public safety costs from 2008 to 2009.

	General Fund				Community Redevelopment
	Police	Fire	Permit & Insp.	Total	Community Policing *
Personal Services	\$ (78,557)	\$ 154,607	\$ (42,000)	\$ 34,050	\$ 229,527
Professional Service Fee		(52,925)		(52,925)	
Operating Supplies - Fuel	(68,553)	(17,231)	(1,838)	(87,622)	(5,691)
Casualty & Liability Insurance	(51,038)	(13,485)	(4,583)	(69,106)	
Capital Outlay	(249,597)	(336,614)	(119)	(586,330)	68,637
	<u>\$ (447,745)</u>	<u>\$ (265,648)</u>	<u>\$ (48,540)</u>	<u>\$ (761,933)</u>	<u>\$ 292,473</u>

* Community Policing was funded by the Community Redevelopment Fund during 2009.

In prior years, this service was funded through the General Fund.

The fund balance of the City's community redevelopment fund decreased by \$3,551,987 during the current fiscal year. Significant changes within the community redevelopment fund included:

- Reduction in tax revenue of \$187,613 compared to 2008.
- Reduction in county tax increment revenue of \$68,087 compared to 2008.
- Community policing fund of \$229,527. In prior years these expenditures had been funded through the general fund.
- Utility capital projects expenditures of \$2,895,353
- Transportation capital projects expenditures of \$1,109,046.

Expenditures within the transportation fund decreased by \$1,077,334 during the current fiscal year mainly due to a decrease in transportation capital projects of \$1,012,780.

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 \$738,175. 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 \$385,389 decrease in general fund appropriations between the original and final amended budget. Following are the main components of the decrease.

- Casualty/liability insurance was decreased from the original budget by \$121,186 due to a change in the billing cycle which resulted in a lower than expected annual cost than was original budgeted.
- Workers Compensation was reduced from the original budget amount by \$240,625 due to a change in the billing cycle which resulted in a lower than expected annual cost than was original budgeted.

General fund revenues were \$32,320 below budget.

Major revenue items that exceeded the amended budget were:

- | | |
|------------------------|-----------|
| • Taxes | \$ 73,557 |
| • Licenses and permits | 62,588 |
| • Miscellaneous | 32,010 |

Major revenue items that came in below budget were:

- | | |
|------------------------|-----------|
| • Intergovernmental | \$ 70,159 |
| • Charges for services | 56,837 |
| • Fines and forfeits | 61,858 |
| • Investment earnings | 11,621 |

General fund expenditures were \$120,921 below budget appropriation mainly due to lower than expected fuel costs. Actual general fund fuel costs were \$190,136 less than budget appropriation.

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, 2009 is \$60,208,655 (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 \$2,341,813; an increase of 4.05%. This consisted of a -0.01% decrease for governmental activities and a 8.60% increase for business-type activities.

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

Governmental:

- Computer equipment - \$6,837
- Police vehicles - \$132,840
- Police in-car cameras – \$9,833
- Library Books - \$97,652
- Sidewalks – \$132,571
- Road resurfacing - \$482,814
- Road entrance soccer field - \$10,000
- PCC parking lot - \$291,873
- Twin Lake pump station engineering- \$23,196
- Drainage projects - \$161,103
- Fencing - \$19,797
- Motomesh system - \$77,067
- Canine, plus equipment - \$13,715
- Electric upgrades - \$2,900
- Firearms/tazers - \$13,563
- CDBG design work – \$55,032
- Trailer - \$1,150
- 97 Chevy Van - \$1,400
- 02 F350 Truck - \$9,950
- Chainsaw - \$1,657
- US 27 Landscaping - \$25,000
- Slip lining - \$9,750
- Hardman Hall - \$15,000
- (3) Lamp posts - \$6,702
- Barney’s playground equipment - \$165,500

Utilities:

- Southside system upgrades - \$18,745
- Reuse system – \$85,886
- Generator upgrades - \$145,799
- Elevated storage tank - \$1,058,908
- Downtown water main - \$1,191,083
- US 27 utility line relocation - \$12,339
- New services - \$22,161
- Lake Ashton interconnect - \$39,421
- Life Station #1 improvements - \$84,478
- Lift Station #2 improvements - \$16,881
- Slip lining - \$326,073
- Canon scanner – \$1,100
- (2) Drives for irrigation pump station - \$18,690
- 2hp grinder pump - \$1,337
- Oxygen meter - \$751
- Wastewater treatment plant expansion engineering - \$65,510

City of Lake Wales's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 5,004,940	\$ 5,004,940	\$ 633,115	\$ 633,115	\$ 5,638,055	\$ 5,638,055
Construction in progress	2,418,076	2,324,848	1,256,495	3,503,620	3,674,571	5,828,468
Buildings	10,177,778	10,177,778	707,342	707,342	10,885,120	10,885,120
Improvements other than buildings	6,866,189	9,951,423	34,325,556	29,156,945	41,191,745	39,108,368
Machinery & equipment	9,474,373	9,113,339	5,186,356	5,018,680	14,660,729	14,132,019
Infrastructure	18,414,909	14,017,035	-	-	18,414,909	14,017,035
Total	<u>52,356,265</u>	<u>50,589,363</u>	<u>42,108,864</u>	<u>39,019,702</u>	<u>94,465,129</u>	<u>89,609,065</u>
Less: accumulated depreciation	(21,740,926)	(19,971,462)	(12,515,548)	(11,770,761)	(34,256,474)	(31,742,223)
Capital assets, net	<u>\$ 30,615,339</u>	<u>\$ 30,617,901</u>	<u>\$ 29,593,316</u>	<u>\$ 27,248,941</u>	<u>\$ 60,208,655</u>	<u>\$ 57,866,842</u>

Additional information on the City's capital assets can be found in note C on pages 44-45 of this report.

Debt. At the end of the current fiscal year the City had total debt outstanding of \$29,937,640. This amount represents \$29,606,974 note payables, and \$330,666 lease obligations. The debt obligations are secured by the equipment acquired, a covenant to budget, or a pledge of revenue sources.

City of Lake Wales Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Note payables	\$ 17,538,054	\$ 16,467,201	\$12,068,920	\$12,846,282	\$ 29,606,974	\$ 29,313,483
Revenue bonds		2,270,000	-	-	-	2,270,000
Lease obligations	330,666	653,013	-	-	330,666	653,013
Total debt obligations	<u>\$ 17,868,720</u>	<u>\$ 19,390,214</u>	<u>\$12,068,920</u>	<u>\$12,846,282</u>	<u>\$ 29,937,640</u>	<u>\$ 32,236,496</u>

Additional information on the City's long-term debt can be found in note F on pages 48-54 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate at the end of fiscal year 2009 for Lakeland/Winter Haven Metro Area was 12.8%. The following is a summary of the applicable unemployment rates for Lakeland/Winter Haven Metro Area, the State of Florida, and United States:

<u>Region Name</u>	<u>Current Year Sept. 2009</u>	<u>Previous Year Sept. 2008</u>
Lakeland/Winter Haven Metro Area	12.8%	7.9%
State of Florida	11.1%	6.7%
United States	9.8%	6.2%

The tax base for the City is composed of real property, personal property and centrally assessed property. The taxable value of such property decreased 9.50% from 2008 to 2009.

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 13,052 in 2008 to 13,067 in 2009.

All of these factors were considered in preparing the City of Lake Wales's budget for the 2009-2010 fiscal year.

Requests for Information

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

City of Lake Wales, Florida
Statement of Net Assets
September 30, 2009

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Airport
				Authority
Assets				
Cash and cash equivalents	\$ 6,683,267	\$ 111,867	\$ 6,795,134	\$ -
Receivable (net of allowance for uncollectibles)	428,338	656,499	1,084,837	-
Due from component unit	354,978		354,978	
Intergovernmental receivables	566,352	160,191	726,543	369,931
Restricted cash and cash equivalents:				
Debt construction account	1,557,310		1,557,310	-
Debt reserve accounts		293,063	293,063	
Impact fees	351,034	737,482	1,088,516	-
Customer deposits	-	508,125	508,125	-
Capacity reserve	-	16,917	16,917	-
Inventories	60,297	166,504	226,801	-
Prepays	423,864	-	423,864	-
Net pension assets	327,103	-	327,103	-
Capital Assets:				
Nondepreciable	7,423,016	1,889,610	9,312,626	2,244,820
Depreciable, net	23,192,323	27,703,706	50,896,029	5,567,478
Unamortized bond issue costs	137,387	68,478	205,865	-
Total assets	41,505,269	32,312,442	73,817,711	8,182,229
Liabilities				
Accounts payable	377,168	393,182	770,350	12,857
Accrued liabilities	311,170	30,269	341,439	-
Accrued interest	304,813	39,664	344,477	-
Contracts/retainage payable	-	94,498	94,498	2,239
Due to primary government				354,978
Deposits	103,864	503,094	606,958	-
Unearned revenues	204,668	16,402	221,070	188
Noncurrent Liabilities:				
Due within one year	1,428,870	1,001,609	2,430,479	-
Due in more than one year	17,240,147	10,843,352	28,083,499	-
Total liabilities	19,970,700	12,922,070	32,892,770	370,262
Net assets				
Invested in capital assets, net of related debt	14,626,172	17,897,798	32,523,970	7,812,298
Restricted for:				
Redevelopment	2,282,995	-	2,282,995	-
Debt service	1,559,054	-	1,559,054	-
Other Purposes	737,188	754,399	1,491,587	-
Unrestricted	2,329,160	738,175	3,067,335	(331)
Total net assets	\$ 21,534,569	\$ 19,390,372	\$ 40,924,941	\$ 7,811,967

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, 2009

Functions/Programs	Program Revenues			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,444,334	\$ 17,429	\$ -	\$ -
Public safety	7,197,292	624,776	136,817	8,262
Physical environment	963,588	1,120,801	-	-
Transportation	1,515,164	97,247	102,973	30,700
Economic environment	580,616	-	-	-
Human services	20,636	-	-	-
Culture and recreation	2,291,706	47,050	532,295	16,439
Interest on long-term debt	767,787	-	-	-
Total governmental activities	14,781,123	1,907,303	772,085	55,401
Business-type activities:				
Water and Sewer Utility	5,024,906	6,025,162	-	159,572
Total primary government	19,806,029	7,932,465	772,085	214,973
Component unit:				
Airport Authority	\$ 341,826	\$ 62,798	\$ -	\$ 528,256

General revenues

Taxes:

- Property taxes
- Franchise fees
- Public service taxes
- Communication service taxes
- Gas taxes
- Local business tax
- 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
\$ (1,426,905)	\$ -	\$ (1,426,905)	
(6,427,437)	-	(6,427,437)	
157,213	-	157,213	
(1,284,244)	-	(1,284,244)	
(580,616)	-	(580,616)	
(20,636)	-	(20,636)	
(1,695,922)	-	(1,695,922)	
(767,787)	-	(767,787)	
(12,046,334)	-	(12,046,334)	
-	1,159,828	1,159,828	
(12,046,334)	1,159,828	(10,886,506)	
			\$ 249,228
7,148,427	-	7,148,427	-
1,247,248	-	1,247,248	-
1,429,708	-	1,429,708	-
684,620	-	684,620	-
633,491	-	633,491	-
79,325	-	79,325	-
943,024	-	943,024	-
75,140	9,844	84,984	245
12,304	-	12,304	-
-	-	-	-
231,144	245,117	476,261	-
(2,030,282)	2,030,282	0	-
10,454,149	2,285,243	12,739,392	245
(1,592,185)	3,445,071	1,852,886	249,473
23,126,754	15,945,301	39,072,055	7,562,494
\$ 21,534,569	\$ 19,390,372	\$ 40,924,941	\$ 7,811,967

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, 2009

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 2,123,820	\$ 26,555	\$ 1,559,054	\$ 2,647,051	\$ 326,787	\$ 6,683,267
Cash with fiscal agent	-	-	-	-	-	-
Receivable (net of allowance for uncollectibles)	425,879	-	-	2,459	-	428,338
Due from other funds	64,417	-	-	44,090	135	108,642
Due from component unit	354,978	-	-	-	-	354,978
Inventories	60,297	-	-	-	-	60,297
Intergovernmental receivables	267,957	136,671	-	-	161,724	566,352
Restricted cash and cash equivalents:						
Debt construction account	-	-	-	1,557,310	-	1,557,310
Impact fees	-	-	-	-	351,034	351,034
Prepays	411,653	-	-	-	12,211	423,864
Total assets	<u><u>3,709,001</u></u>	<u><u>163,226</u></u>	<u><u>1,559,054</u></u>	<u><u>4,250,910</u></u>	<u><u>851,891</u></u>	<u><u>10,534,082</u></u>
Liabilities and fund balances						
Liabilities						
Accounts payable	217,438	5,569	-	128,608	25,553	377,168
Accrued liabilities	295,609	4,425	-	8,773	2,363	311,170
Due to other funds	135	64,417	-	-	44,090	108,642
Deposits	3,864	-	-	100,000	-	103,864
Deferred revenues	208,945	71,439	-	-	74,302	354,686
Total liabilities	<u><u>725,991</u></u>	<u><u>145,850</u></u>	<u><u>-</u></u>	<u><u>237,381</u></u>	<u><u>146,308</u></u>	<u><u>1,255,530</u></u>
Fund balances						
Reserved for:						
Inventory and prepaids	471,950	-	-	-	12,211	484,161
Debt Service	-	-	1,559,054	-	-	1,559,054
Redevelopment	-	-	-	4,013,529	-	4,013,529
Road and street expenditures	-	17,376	-	-	-	17,376
Capital projects	-	-	-	-	311,744	311,744
Other Purposes	-	-	-	-	381,628	381,628
Unreserved, designated for:						
Tax anticipation/municipal pool	1,042,442	-	-	-	-	1,042,442
Unreserved, undesignated	1,468,618	-	-	-	-	1,468,618
Total fund balances	<u><u>2,983,010</u></u>	<u><u>17,376</u></u>	<u><u>1,559,054</u></u>	<u><u>4,013,529</u></u>	<u><u>705,583</u></u>	<u><u>9,278,552</u></u>
Total liabilities and fund balances	<u><u>\$ 3,709,001</u></u>	<u><u>\$ 163,226</u></u>	<u><u>\$ 1,559,054</u></u>	<u><u>\$ 4,250,910</u></u>	<u><u>\$ 851,891</u></u>	<u><u>\$ 10,534,082</u></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, 2009

Total Fund balances of governmental funds

Amounts reported for governmental activities in the statement of net assets are different because:		\$ 9,278,552
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		30,615,339
Interest payable on long-term debt does not require current financial resources and, therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(304,813)
Revenues that are not received by year-end, or within the "availability" period are deferred in the governmental funds balance sheet, but recognized in the statement of activities.		150,018
Long-term liabilities (including certain accounts payable, compensated absences and OPEB liabilities) are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		(18,669,017)
Net pension assets resulting from the overfunding of general, police, and fire pension plans are not reported in the applicable funds.		327,103
Unamortized debt issuance costs are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		137,387
Net assets of governmental activities		<u><u>\$ 21,534,569</u></u>

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

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Funds
Year Ended September 30, 2009

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 5,936,020	\$ 641,416	\$ 632,445	\$ 1,157,948	\$ 439,070	\$ 8,806,899
Licenses and permits	1,223,088	-	255,282	-	-	1,478,370
Intergovernmental	1,066,579	136,235	-	1,176,517	565,859	2,945,190
Charges for services	1,814,743	97,247	-	-	-	1,911,990
Fines and forfeits	59,842	-	-	-	41,704	101,546
Investment earnings	8,379	642	5,041	58,897	4,019	76,978
Impact fees	-	-	2,279	-	29,487	31,766
Miscellaneous	73,189	1,620	18,000	735	162,308	255,852
Total revenues	<u>10,181,840</u>	<u>877,160</u>	<u>913,047</u>	<u>2,394,097</u>	<u>1,242,447</u>	<u>15,608,591</u>
Expenditures						
Current:						
General government	1,783,503	-	-	-	56	1,783,559
Public safety	6,329,456	-	-	448,173	51,321	6,828,950
Physical environment	949,610	-	-	-	10,700	960,310
Transportation	148,836	1,757,040	-	-	-	1,905,876
Economic environment	48,001	-	-	505,993	-	553,994
Human services	6,000	-	-	-	-	6,000
Culture and recreation	1,144,223	-	-	-	929,672	2,073,895
Debt Service:						
Principal	-	-	1,281,267	-	-	1,281,267
Interest and fiscal charges	-	-	609,246	-	-	609,246
Capital outlay	-	-	-	-	275,949	275,949
Total expenditures	<u>(10,409,629)</u>	<u>(1,757,040)</u>	<u>(1,890,513)</u>	<u>(954,166)</u>	<u>(1,267,698)</u>	<u>(16,279,046)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(227,789)</u>	<u>(879,880)</u>	<u>(977,466)</u>	<u>1,439,931</u>	<u>(25,251)</u>	<u>(670,455)</u>
Other financing sources (uses)						
Transfers in	828,000	1,117,248	1,457,766	-	22,507	3,425,521
Transfers out	(221,627)	(242,258)	-	(4,991,918)	-	(5,455,803)
Insurance recoveries	7,880	4,424	-	-	-	12,304
Note proceeds	-	-	1,870,300	-	-	1,870,300
Principal - current refunding	-	-	(138,526)	-	-	(138,526)
Transfer to refunding bond escrow	-	-	(2,043,014)	-	-	(2,043,014)
Total other financing (uses) sources	<u>614,253</u>	<u>879,414</u>	<u>1,146,526</u>	<u>(4,991,918)</u>	<u>22,507</u>	<u>(2,329,218)</u>
Net change in fund balances	386,464	(466)	169,060	(3,551,987)	(2,744)	(2,999,673)
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 2,983,010</u>	<u>\$ 17,376</u>	<u>\$ 1,559,054</u>	<u>\$ 4,013,529</u>	<u>\$ 705,583</u>	<u>\$ 9,278,552</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, 2009

Net change in fund balances of the governmental funds \$ (2,999,673)

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	1,766,902	
Depreciation	<u>(1,769,464)</u>	(2,562)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but are instead deferred. This item represents the change caused by the "available" revenue recognition criteria. (5,709)

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 Proceeds	(1,870,300)	
Debt Issuance Cost	32,950	
Principal Paid	1,419,794	
Transfer to Refunding Bond Escrow	<u>2,043,014</u>	1,625,458

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

Decrease in Compensated Absences Liability	3,528	
(Increase) in Other Post Employment Benefits	(19,844)	
Amortization of Debt Issue Costs	(10,800)	
Amortization of Refunding Losses	(33,479)	
(Decrease) in Net Pension Asset	(1,896)	
(Increase) in Interest Accrued on Bonds	<u>(147,208)</u>	<u>(209,699)</u>

Change in Net Assets of Governmental Activities \$ (1,592,185)

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

City of Lake Wales, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2009

	Public Utilities Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 111,867
Receivables (net of allowance for uncollectibles)	656,499
Intergovernmental receivable	160,191
Restricted cash and cash equivalents:	
Debt reserve accounts	293,063
Impact fees	737,482
Customer deposits	508,125
Capacity reserve	16,917
Inventories	166,504
Total current assets	2,650,648
Noncurrent assets	
Capital assets:	
Nondepreciable	1,889,610
Depreciable, net	27,703,706
Unamortized bond issue costs	68,478
Total noncurrent assets	29,661,794
Total assets	32,312,442
Liabilities	
Current liabilities	
Accounts payable	393,182
Accrued liabilities	30,269
Accrued interest	39,664
Retainage payable	94,498
Due to other funds	-
Customer deposits	503,094
Deferred revenues	16,402
Accrued compensated absences	7,671
Current portion of long-term debt	993,938
Total current liabilities	2,078,718
Noncurrent liabilities	
Notes payable - noncurrent	10,770,058
Accrued compensated absences	69,035
Accrued OPEB	4,259
Total noncurrent liabilities	10,843,352
Total liabilities	12,922,070
Net assets	
Invested in capital assets, net of related debt	17,897,798
Restricted for capital projects	754,399
Unrestricted	738,175
Total net assets	\$ 19,390,372

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, 2009

	Public Utilities Fund
Operating revenues:	
Charges for Services	\$ 6,025,162
Other income	245,117
Total operating revenues	6,270,279
Operating expenses:	
Personal services	1,471,008
Contractual services	324,492
Repairs and maintenance	764,393
Materials and supplies	216,862
General and administrative	1,061,217
Depreciation	744,787
(Total operating expenses)	(4,582,759)
Operating income	1,687,520
Nonoperating revenues (expenses)	
Interest income	9,844
Interest expense and fiscal charges	(434,324)
Amortization of bond issue costs	(7,823)
Total nonoperating (expenses)	(432,303)
Income before contributions and transfers	1,255,217
Capital contributions	
Impact fees	126,740
Capital Grants and contributions	32,832
Total capital contributions	159,572
Operating transfers	
Operating transfers in	2,895,352
Operating transfers out	(865,070)
Total operating transfers	2,030,282
Change in net assets	3,445,071
Total net assets, beginning of year	15,945,301
Total net assets, end of year	\$ 19,390,372

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, 2009

	Business-Type Activities
	Public Utilities Fund
Cash flows from operating activities	
Cash received from customers	\$ 6,413,596
Cash payments to suppliers for goods and services	(2,912,402)
Cash payments for employee services	(1,474,516)
Net cash provided by operating activities	2,026,678
 Cash flows from noncapital financing activities	
Transfer from other funds	2,895,352
Transfer to other funds	(865,070)
Loan from other funds	(300,000)
Net cash provided by noncapital financing activities	1,730,282
 Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(2,705,427)
Note proceeds	180,000
Impact fees	126,740
Capital contributions	32,832
Principal payments on long-term debt	(957,362)
Interest paid	(434,894)
Net cash used in capital and related financing activities	(3,758,111)
 Cash flows from investing activities	
Investment income	9,844
Net cash provided by investing activities	9,844
 Net increase in cash and cash equivalents	8,693
Cash and cash equivalents, beginning of year	1,658,761
Cash and cash equivalents, end of year	\$ 1,667,454

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, 2009
(Concluded)

	Business-Type Activities
	Public Utilities Fund
Reconciliation of cash and cash equivalents to balance sheet	
Cash and cash equivalents	\$ 111,867
Restricted cash and cash equivalents	1,555,587
Cash and cash equivalents, end of year	1,667,454
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 1,687,520
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	744,787
(Increase) decrease in assets:	
Accounts receivable	135,823
Inventories	12,061
Increase (decrease) in liabilities:	
Accounts payable	(561,808)
Accrued liabilities	4,309
Utility deposits	48,294
Deferred revenue	(40,800)
Compensated absences	(3,508)
Net cash provided by operating activities	\$ 2,026,678

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, 2009

	Pension Trust Funds
Assets	
Cash and cash equivalent	\$ 409,692
Investments, at fair value:	
Money market funds	1,061,101
Government Bonds	2,731,209
Government Assets backed/CMO Securities	1,347,877
Taxable Municipal Bonds	677,622
Corporate bonds and notes	2,505,966
Common and preferred stock	12,862,800
Total investments	21,186,575
Prepays	
Prepaid Fiduciary Liability Insurance	5,480
Total Prepays	5,480
Receivable (net):	
Interest and dividends	65,237
Due from State	3,276
Other	36
Total receivable	68,549
Total assets	21,670,296
Liabilities	
Accounts payable	13,123
Due to DROP participants	666,208
Prepaid contributions from City	111,375
Total liabilities	790,706
Net assets	
Held in trust for pension benefits and other purposes	\$ 20,879,590

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, 2009

	Pension Trust Funds
Additions	
Contributions:	
Employer	\$ 759,212
State of Florida	232,982
Employee	318,558
Total contributions	1,310,752
Interest and dividends	641,703
Net increase (decrease) in the fair value of investments	(403,506)
Total investments income (loss)	238,197
Less investment expense	(145,672)
Net investment income (loss)	92,525
Total additions	1,403,277
Deductions	
Benefit payments	1,368,386
Refunds of contributions	125,345
Administration	132,374
Total deductions	1,626,105
Change in net assets	(222,828)
Total net assets - beginning	21,102,418
Total net assets - ending	\$ 20,879,590

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



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City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2009

I. Summary of significant accounting policies

A. Reporting entity

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

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

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

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

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

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

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2009

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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2009

- **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. The City has not elected this option.

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

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

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

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.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

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

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

Investments – City

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

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

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.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

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.

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.

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

5. Capital assets

Capital assets, which include property, plant, equipment 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.

City of Lake Wales, Florida
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September 30, 2009

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 \$752,066 and \$434,894 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

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

City of Lake Wales, Florida
Notes to the Financial Statements
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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, 2009, are unbilled amounts totaling \$405,943 (\$305,669 enterprise funds and \$100,274 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 property taxes at a rate of up to 10.00 mills. The City's millage rate for the 2009 fiscal year was 7.3277 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.

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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, expenditures for principal payments and 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.

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.

City of Lake Wales, Florida
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- 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.

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, 2009, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$10,259,064 (including the Authority), and the related bank balance was \$10,540,343. The carrying amount of deposits for the Authority, a discretely presented component unit, at September 30, 2009, was \$0.00. During 2009, 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 2009 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, 2009

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, 2009, are presented below (at market value):

General Employee Pension		Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type	(S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years	Over 3 Years
Money Market Funds	N/R	\$ 430,801	\$ 430,801	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	*	773,625	-	-	84,644	688,981	688,981
Government Bonds	AAA	898,946	293,579	-	-	605,368	605,368
Government Asset Backed/CMO Sec.	AAA	370,996	-	-	-	370,996	370,996
Taxable Municipal Bonds	*	215,181	-	-	-	215,181	215,181
Equity	N/R	4,435,517	4,435,517	-	-	-	-
Total Fair Market Value		\$ 7,125,066	\$ 5,159,897	\$ -	\$ 84,644	\$ 1,880,525	\$ 1,880,525

Firefighters' Pension		Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type	(S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years	Over 3 Years
Money Market Funds	N/R	\$ 246,309	\$ 246,309	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	*	698,942	-	-	68,773	630,169	630,169
Government Bonds	AAA	638,533	151,851	-	49,935	436,747	436,747
Government Asset Backed/CMO Sec.	AAA	399,701	-	-	-	399,701	399,701
Taxable Municipal Bonds	*	182,798	-	-	-	182,798	182,798
Equity	N/R	3,122,185	3,122,185	-	-	-	-
Total Fair Market Value		\$ 5,288,468	\$ 3,520,345	\$ -	\$ 118,708	\$ 1,649,415	\$ 1,649,415

Police Officers' Pension		Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type	(S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years	Over 3 Years
Money Market Funds	N/R	\$ 383,991	\$ 383,991	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	*	1,033,399	-	-	111,095	922,304	922,304
Government Bonds	AAA	1,193,730	273,332	-	-	920,398	920,398
Government Asset Backed/CMO Sec.	AAA	577,180	-	-	-	577,180	577,180
Taxable Municipal Bonds	*	279,643	-	-	-	279,643	279,643
Equity	N/R	5,305,098	5,305,098	-	-	-	-
Total Fair Market Value		\$ 8,773,041	\$ 5,962,420	\$ -	\$ 111,095	\$ 2,699,526	\$ 2,699,526

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

City of Lake Wales, Florida
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The pension funds owned cash at September 30, 2009, totaling \$93,847, \$126,058 and \$189,788 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.

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, 2009, 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, 2009

B. Receivables

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

	General	Community Revelopment	Total Governmental Fund	Enterprise - Business Type	Total
Receivable:				\$ -	
Taxes	\$ 117,709	\$ -	\$ 117,709	-	\$ 117,709
Franchise fees	123,738	-	123,738	-	123,738
Accounts	176,121	2,459	178,580	398,859	577,439
Unbilled amounts	15,547	-	15,547	305,669	321,216
Gross receivables	<u>\$ 433,115</u>	<u>\$ 2,459</u>	<u>435,574</u>	<u>\$ 704,528</u>	<u>\$ 1,140,102</u>
Less: allowance for uncollectibles	(7,236)	-	(7,236)	(48,029)	(55,265)
Net total receivable	<u><u>\$ 425,879</u></u>	<u><u>\$ 2,459</u></u>	<u><u>\$ 428,338</u></u>	<u><u>\$ 656,499</u></u>	<u><u>\$ 1,084,837</u></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:

	Unavailable	Unearned	Total
Prepaid local business tax	\$ -	\$ 60,191	\$ 60,191
Local option gas tax	46,500	-	46,500
Half-cent sales tax	53,500	-	53,500
Communications services tax	48,500	-	48,500
Permit fees collected prior to meeting all eligibility requirements	-	136,693	136,693
Grant funds collected prior to meeting all eligibility requirements	-	7,784	7,784
Donations received prior to meeting all eligibility requirements	<u>1,518</u>	<u>-</u>	<u>1,518</u>
Total deferred /unearned revenue for governmental funds	<u><u>\$ 150,018</u></u>	<u><u>\$ 204,668</u></u>	<u><u>\$ 354,686</u></u>

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

Capital asset activity for the year ended September 30, 2009 was as follows:

Governmental activities:	Beginning Balance	Reclassify	Additions	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	\$ 5,004,940	\$ -	\$ -	\$ -	\$ 5,004,940
Construction in progress	2,324,848	-	93,228	-	2,418,076
Total capital assets, not being depreciated	<u>7,329,788</u>	<u>-</u>	<u>93,228</u>	<u>-</u>	<u>7,423,016</u>
Capital assets being depreciated:					
Buildings	10,177,778	-	-	-	10,177,778
Improvements other than buildings	9,951,423	(3,697,875)	612,641	-	6,866,189
Machinery and equipment	9,113,339	-	361,034	-	9,474,373
Infrastructure	14,017,035	3,697,875	699,999	-	18,414,909
Total depreciable capital assets	<u>43,259,575</u>	<u>-</u>	<u>1,673,674</u>	<u>-</u>	<u>44,933,249</u>
Total all capital assets	<u>50,589,363</u>	<u>-</u>	<u>1,766,902</u>	<u>-</u>	<u>52,356,265</u>
Less accumulated depreciation for:					
Buildings	(2,427,924)	-	(189,439)	-	(2,617,363)
Improvements other than buildings	(6,563,090)	3,128,621	(275,747)	-	(3,710,216)
Machinery and equipment	(6,079,091)	-	(617,739)	-	(6,696,830)
Infrastructure	(4,901,357)	(3,128,621)	(686,539)	-	(8,716,517)
Total accumulated depreciation	<u>(19,971,462)</u>	<u>-</u>	<u>(1,769,464)</u>	<u>-</u>	<u>(21,740,926)</u>
Depreciable capital assets, net	<u>23,288,113</u>	<u>-</u>	<u>(95,790)</u>	<u>-</u>	<u>23,192,323</u>
Total Governmental capital assets, net	<u>\$ 30,617,901</u>	<u>\$ -</u>	<u>\$ (2,562)</u>	<u>\$ -</u>	<u>\$ 30,615,339</u>

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

Governmental activities:	
General government	99,748
Public safety	471,473
Physical environment	20,147
Transportation	744,356
Economic environment	88,410
Human services	14,636
Culture and recreation	330,694
Total governmental activities depreciation expense	<u>1,769,464</u>

Beginning balances relating to roads were reclassified from improvements other than buildings to infrastructure in the amount of \$3,697,875.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 633,115	\$ -	\$ -	\$ 633,115
Construction in progress	3,503,620	2,331,275	(4,578,400)	1,256,495
Total capital assets, not being depreciated	<u>4,136,735</u>	<u>2,331,275</u>	<u>(4,578,400)</u>	<u>1,889,610</u>
Capital assets being depreciated:				
Buildings	707,342	-	-	707,342
Improvements other than buildings	29,156,945	5,168,611	-	34,325,556
Machinery and equipment	5,018,680	167,676	-	5,186,356
Total depreciable capital assets	<u>34,882,967</u>	<u>5,336,287</u>	<u>-</u>	<u>40,219,254</u>
Total all capital assets	<u>39,019,702</u>	<u>7,667,562</u>	<u>(4,578,400)</u>	<u>42,108,864</u>
Less accumulated depreciation for:				
Buildings	(373,489)	(15,231)	-	(388,720)
Improvements other than buildings	(8,253,775)	(509,786)	-	(8,763,561)
Machinery and equipment	(3,143,497)	(219,770)	-	(3,363,267)
Total accumulated depreciation	<u>(11,770,761)</u>	<u>(744,787)</u>	<u>-</u>	<u>(12,515,548)</u>
Depreciable capital assets, net	<u>23,112,206</u>	<u>4,591,500</u>	<u>-</u>	<u>27,703,706</u>
Total business-type capital assets, net	<u>\$ 27,248,941</u>	<u>\$ 6,922,775</u>	<u>\$ (4,578,400)</u>	<u>\$ 29,593,316</u>

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

Business-type activities:	
Water	\$ 299,264
Sewer	445,523
Total depreciation expense - business-type activities	<u>\$ 744,787</u>

Discretely presented component unit

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Lake Wales Airport Authority:				
Capital assets not being depreciated:				
Land	\$ 1,625,274	\$ -	\$ -	\$ 1,625,274
Construction in progress	1,573,416	739,883	(1,693,753)	619,546
Total capital assets, not being depreciated	<u>3,198,690</u>	<u>739,883</u>	<u>(1,693,753)</u>	<u>2,244,820</u>
Capital assets being depreciated:				
Buildings	1,187,137	1,347,479	-	2,534,616
Improvements other than buildings	4,670,990	216,500	-	4,887,490
Machinery and equipment	17,915	129,775	-	147,690
Total depreciable capital assets	<u>5,876,042</u>	<u>1,693,754</u>	<u>-</u>	<u>7,569,796</u>
Total all capital assets	<u>9,074,732</u>	<u>2,433,637</u>	<u>(1,693,753)</u>	<u>9,814,616</u>
Less accumulated depreciation for:				
Buildings	(24,139)	(37,218)	-	(61,357)
Improvements other than buildings	(1,742,377)	(182,091)	-	(1,924,468)
Machinery and equipment	(8,128)	(8,365)	-	(16,493)
Total accumulated depreciation	<u>(1,774,644)</u>	<u>(227,674)</u>	<u>-</u>	<u>(2,002,318)</u>
Depreciable capital assets, net	<u>4,101,398</u>	<u>1,466,080</u>	<u>-</u>	<u>5,567,478</u>
Lake Wales Airport Authority capital assets, net	<u>\$ 7,300,088</u>	<u>\$ 2,205,963</u>	<u>\$ (1,693,753)</u>	<u>\$ 7,812,298</u>

City of Lake Wales, Florida
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Construction commitments

The City has active construction projects as of September 30, 2009. 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

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Road resurfacing	\$ 1,456,917	\$ 277,247
	<u>\$ 1,456,917</u>	<u>\$ 277,247</u>

Lake Wales Airport Authority - Component Unit

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Runway extension project	\$ 521,866	\$ 75,000
	<u>\$ 521,866</u>	<u>\$ 75,000</u>

Other Commitments

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

D. Leases

Operating Leases

The City leases postage equipment. The future minimum lease payment for this leases is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2010	\$ 3,317
2011	3,317
2012	3,317
2013	1,106
Total	<u>\$ 11,057</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

E. Interfund receivable, payables and transfers

The composition of interfund balances as of September 30, 2009, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Transportation	\$ 64,417
Community Redevelopment	Community Development Block Grant	10,700
Community Redevelopment	Capital Projects	33,390
Police Forfeiture	General	135
		<u>\$ 108,642</u>

Due to/from component unit:

General	Airport Authority	<u>\$ 354,978</u>
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The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Source	Transfer To	Amount	Purpose
Public Utilities	General	\$ 828,000	Budgeted Operating Transfer
General	Transportation	8,201	Budgeted Operating Transfer
Community Redevelopment	Transportation	1,109,046	Road Projects in CRA District
Community Redevelopment	Historic Preservation	19,607	Historic Preservation Projects in CRA District
General	Debt Service	213,426	Debt Subsidy
Transportation	Debt Service	242,258	Debt Subsidy
Community Redevelopment	Debt Service	965,012	Debt Subsidy
Public Utilities	Debt Service	37,070	Debt Subsidy
Community Redevelopment	Public Utilities	2,895,353	Utility Projects in CRA District
Community Redevelopment	Capital Projects	2,900	Capital Projects in CRA District
		<u>\$ 6,320,873</u>	

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

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	\$ 16,467,201	\$ 1,870,300	\$ 799,447	\$ 17,538,054	\$ 1,165,594
Revenue bonds	2,270,000	-	2,270,000	-	-
Lease obligations	653,013	-	322,347	330,666	148,745
Total bonds and notes payable - par	<u>19,390,214</u>	<u>1,870,300</u>	<u>3,391,794</u>	<u>17,868,720</u>	<u>1,314,339</u>
Less unamortized refunding loss	(267,835)	-	(33,479)	(234,356)	-
Total bonds and notes payable - net	<u>19,122,379</u>	<u>1,870,300</u>	<u>3,358,315</u>	<u>17,634,364</u>	<u>1,314,339</u>
Other liabilities					
FBO prepayment credit	67,500	-	18,000	49,500	18,000
OPEB liability	-	19,844	-	19,844	-
Compensated absences	968,841	471,584	475,116	965,309	96,531
Total other Liabilities	<u>1,036,341</u>	<u>491,428</u>	<u>493,116</u>	<u>1,034,653</u>	<u>114,531</u>
Governmental long-term liabilities	<u>\$ 20,158,720</u>	<u>\$ 2,361,728</u>	<u>\$ 3,851,431</u>	<u>\$ 18,669,017</u>	<u>\$ 1,428,870</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Notes payable:					
Notes payable	\$ 12,846,282	\$ 180,000	\$ 957,362	\$ 12,068,920	\$ 993,938
Less unamortized refunding loss	(348,484)	-	43,560	(304,924)	-
Total notes payable - net	<u>12,497,798</u>	<u>180,000</u>	<u>1,000,922</u>	<u>11,763,996</u>	<u>993,938</u>
Other liabilities					
OPEB liability	-	4,259	-	4,259	-
Compensated absences	84,473	47,907	55,674	76,706	7,671
Total other Liabilities	<u>84,473</u>	<u>52,166</u>	<u>55,674</u>	<u>80,965</u>	<u>7,671</u>
Business-type long-term liabilities	<u>\$ 12,582,271</u>	<u>\$ 232,166</u>	<u>\$ 1,056,596</u>	<u>\$ 11,844,961</u>	<u>\$ 1,001,609</u>

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2009

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2009:

	<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						
Note payable:						
Capital Improvement Revenue Note, Series 2003	2	S	2017	9,117,280	\$ 6,571,256	3.84%
Redevelopment Revenue Note, Series 2007	11	S	2028	9,500,000	9,096,498	3.77%
Refunding Revenue Note, Series 2009	12	S	2015	1,870,300	1,870,300	3.25%
Lease obligations						
Bank of America #1, 2004 Fire Truck	1	A	2010	399,861	63,345	3.70%
Bank of America #2, 2006 Fire Truck	3	A	2012	599,900	267,321	4.28%
Fixed Based Operator's Payment Credit	10	M	2012	300,000	49,500	0.00%
Total governmental activities					<u>\$ 17,918,220</u>	
Business-type activities						
Note payable:						
State Revolving Fund Loan - 5907P	5	S	2019	\$ 1,592,804	\$ 873,575	2.56%
State Revolving Fund Loan - 5911O	5	S	2022	1,171,882	542,979	3.05%
State Revolving Fund Loan - 5912S	6	S	2024	1,428,648	1,081,451	2.14%
State Revolving Fund Loan - 5913P	7	S	2028	1,025,345	961,181	1.88%
State Revolving Fund Loan - 5914O	13	S	2032	362,200	180,000	2.30%
Capital Improvement Revenue Note, Series 2003	2	S	2017	432,610	311,806	3.84%
Utility System Revenue Note, Series 2005	8	M	2015	1,110,000	673,059	4.20%
Utility System Refunding Note, Series 2006A	4	S	2017	6,272,220	4,894,869	4.09%
Utility System Refunding Note, Series 2006B	9	S	2027	3,100,000	2,550,000	1.14%
Total business-type activities					<u>\$ 12,068,920</u>	

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

**Purpose:

1. Fire truck acquisition.
2. 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).
3. Fire truck acquisition.
4. 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).
5. Construction of reclaimed water reuse facilities.
6. Construction of sludge dewatering facilities.
7. Planning and design of wastewater treatment plant expansion.
8. Construction of chlorine contact chamber and reuse system improvements.
9. Construction of water and wastewater system improvements, including rehabilitation of lift station #2, southside force main and water main extension, and southside reuse transmission lines. This note was initially issued as a non-revolving line of credit during May of 2006 but on October 1, 2009, the loan converted to a term loan.
10. 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).
11. Acquisition, construction and equipping of various capital improvements with the Community Redevelopment Area.
12. Refund of Public Improvement Revenue Bonds, Series 1997 (which refunded 1991 and 1989 bonds originally for various water/sewer, street, drainage and parking infrastructure improvement, plus the airport FBO lease and Police Department building). Also, refunded the 2008 Motorola lease which originally funded fire and police equipment.
13. Planning and design for wastewater plant rehabilitation and expansion.

City of Lake Wales, Florida
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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:

- Refunding Revenue Note, Series 2009 – electric 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.
- There is a "prepayment charge" on the Redevelopment Note, Series 2007 to compensate the Bank for all losses, costs and expenses incurring in connection with such prepayment.
- The Capital Improvement Revenue Note, Series 2003, has a related swap agreement (see the discussion later in this note).

There are no large "balloon payments" due in future years. Certain notes require the establishment of construction or reserve accounts. Only the Capital Improvement Refunding Revenue Note, Series 2003 requires the use of a sinking fund.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

Annual debt service requirements as of September 30, 2009 are as follows:

Fiscal Year	Governmental Activities					
	Notes		Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,165,595	\$ 603,343	\$ 148,745	\$ 13,785	\$ 1,314,340	\$ 617,128
2011	1,579,108	581,705	89,055	7,786	1,668,163	589,491
2012	1,636,408	522,628	92,866	3,975	1,729,274	526,603
2013	1,700,948	461,317	-	-	1,700,948	461,317
2014	1,711,539	398,502	-	-	1,711,539	398,502
2015-2019	4,640,832	1,279,405	-	-	4,640,832	1,279,405
2020-2024	2,624,488	722,674	-	-	2,624,488	722,674
2025-2029	2,479,136	191,429	-	-	2,479,136	191,429
Total	\$ 17,538,054	\$ 4,761,003	\$ 330,666	\$ 25,546	\$ 17,868,720	\$ 4,786,549

Fiscal Year	Business-type Activities			
	Notes		Total	
	Principal	Interest	Principal	Interest
2010	\$ 993,938	\$ 330,856	\$ 993,938	\$ 330,856
2011	1,167,303	307,622	1,167,303	307,622
2012	1,208,446	267,659	1,208,446	267,659
2013	1,268,399	230,171	1,268,399	230,171
2014	1,309,166	186,670	1,309,166	186,670
2015-2019	3,823,838	394,403	3,823,838	394,403
2020-2024	1,603,105	112,910	1,603,105	112,910
2025-2029	694,725	16,262	694,725	16,262
Total	\$ 12,068,920	\$ 1,846,553	\$ 12,068,920	\$ 1,846,553

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, 2009. The unamortized balance at September 30, 2009, is \$68,478.

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, 2009, and is included as a component of interest expense. The unamortized balance at September 30, 2009, is \$304,924.

Bond-Related Accounts - Governmental Activities

Debt issuance costs of \$52,415 incurred in conjunction with the issuance of the Redevelopment Revenue Note, Series 2007, are being amortized over the life of the obligation (20 years) using the straight-line method. Amortization of issuance costs on the Series 2007 Note was \$2,621 for the year ended September 30, 2009. The unamortized balance at September 30, 2009, is \$47,173.

City of Lake Wales, Florida
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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, 2009. The unamortized balance at September 30, 2009, is \$57,264.

Debt issuance costs totaling \$32,950 related to Refunding Revenue Note, Series 2009, will be amortized over the term of the relating obligation (5 years), using the straight -line method. Amortization of issuance costs of \$6,590 will begin in fiscal year 2010. The unamortized balance at September 30, 2009, is \$32,950.

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, 2009, and is included as a component of interest expense in the statement of activities. Unamortized refunding loss of \$234,356 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 in 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>Notional Amount</u>	<u>Effective Date</u>	<u>Fixed Rate</u>	<u>Fair Value 9/30/09</u>
Capital Improvement Revenue Note, Series 2003	\$6,883,117	12/8/2003	3.84%	(\$453,979)

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, 2009, 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, 2009). 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
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Fiscal Year Ending Sept. 30	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swap, Net	
2010	\$ 868,875	\$ 53,204	\$ 194,425	\$ 1,116,504
2011	905,465	45,885	167,677	1,119,027
2012	937,035	38,284	139,902	1,115,221
2013	973,467	30,403	111,102	1,114,972
2014	1,010,148	22,220	81,199	1,113,567
2015	1,052,088	13,713	50,111	1,115,912
2016	672,669	6,598	24,111	703,378
2017	463,370	1,911	6,985	472,266
	<u>\$ 6,883,117</u>	<u>\$ 212,218</u>	<u>\$ 775,512</u>	<u>\$ 7,870,847</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.

On September 17, 2009, pursuant to Resolution 09-12 adopted on September 15, 2009, the City issued the City of Lake Wales, Florida, Refunding Revenue Note, Series 2009 (the 2009 Refunding Note), in the principal amount of \$1,870,000. The proceeds of the 2009 Refunding Note, together with sinking funds of \$356,988 were used to current-refund the remaining outstanding balance due on a certain installment leases, advance-refund the remaining outstanding balance on the City's Public Improvement Refunding Revenue Bonds, Series 1997 (the Refunded Bonds), and pay issue costs (\$33,024).

The net proceeds related to the Refunded Bonds (\$1,698,750) and City cash (\$344,264) were deposited into an irrevocable escrow account to first make the payment due October 1, 2009, then fully retire the remaining Refunded Bonds, including accrued interest, without penalty, on October 17, 2009. The early payoff of the lease was accounted for as a current refunding in the principal amount of \$138,526. The early retirement of the Refunded Bonds was accounted for as an advance refunding. There was no gain or loss for accounting purposes. The amount transferred to the escrow agent (\$2,043,014) has been reported as an other financing use in the debt service fund, and the refunded debt has been treated as if it had in fact been redeemed as of the balance sheet date.

City of Lake Wales, Florida
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With the issuance of the 2009 Refunding Note, the City reduced its total debt service payment of the next five years by \$54,107, and obtained an economic gain of \$49,794.

Future Revenues that are Pledged

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

	Debt Obligation Reference	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Revenue	% of Revenues to Principal and Interest Paid
Public Service Taxes	Series 2003	\$ 7,857,931	\$ 1,117,769	\$ 1,429,708	128%
Electric Franchise Fees	Series 2009	2,051,222	-	541,994	-
Water and Sewer Net Revenue	Various	13,931,965	1,356,421	1,710,222	126%
		<u>\$ 23,841,118</u>	<u>\$ 2,474,190</u>	<u>\$ 3,681,924</u>	

IV Other Information

A. Related party transactions

During 2009, 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 \$24,088 were charged to the Authority for the year ended September 30, 2009.

In the Ordinance that recreated the Authority, the City retained approval rights over most of the major decisions of the Authority. The following Board actions are subject to the approval of the Lake Wales City Commission:

- Adopting bylaws.
- Adopting an official seal.
- Maintaining an office.
- Suing or being sued.

City of Lake Wales, Florida
Notes to the Financial Statements
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- Acquiring, leasing, constructing, reconstructing, improving, extending, enlarging, equipping, repairing, maintaining, or operating any airport which may be located on the property of the Authority.
- Issuing bonds, refunding bonds, and revenue certificates.
- Fixing and revising rates, fees, or other charges.
- Acquiring real or personal property.
- Entering into certain contracts or agreements, including those to operate other airports.
- Accepting grant money.
- Doing all things necessary or convenient to carry out the powers granted by the Ordinance

An interlocal agreement was approved and executed by the Airport Authority Board and the City Commission in October 2007. In this agreement, both parties agreed that the Authority did not have sufficient funds available to pay all of the costs of operating the Authority, and as a result thereof, it was in the mutual interest of the parties for the City to pay certain costs incurred by the Authority. However, payments by the City contemplated under the agreement will not continue past five years, at which time it is expected that the Authority will be capable of bearing these costs. In all events, the Authority agreed to comply with the policies and procedures of the City, including but not limited to the policies governing investments and the purchase and acquisition of goods and services. For fiscal year 2009, amounts totaling \$148,836 were transferred from the City relating to capital projects. The Airport Authority has a liability to the General Fund of \$354,978 at September 30, 2009. It is expected to be repaid from the proceeds of intergovernmental receivables.

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 (OPEB)

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

Current membership is comprised of the following as 9/30/09, the date of the latest actuarial valuation:

Active employees	<u>167</u>
Retires:	
Pre-Medicare	9
Post-Medicare	<u>6</u>
	<u>15</u>

City of Lake Wales, Florida
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Plan Description

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

Funding Policy

Currently, the City's OPEB benefits are unfunded. The City Commission has not determined if a separate trust fund or equivalent arrangement will be established into which the City would make contributions to advance-fund the obligation.

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

Year Ending	Annual Post - Employment Benefit Cost (APB)	Percentage of APB Contributed	Net OPEB Obligation
September 30, 2009	\$ 24,103	0.00%	\$ 24,103
September 30, 2008	N/A	N/A	N/A
September 30, 2007	N/A	N/A	N/A

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Rate (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/01/08	\$ -	\$ 408,699	\$ (408,669)	0.00%	\$ 6,825,394	5.99%

City of Lake Wales, Florida
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Actuarial Valuations and Net OPEB Obligation

The annual required contribution for the current year was determined as part of the October 1, 2008 actuarial valuation using the Entry Age Normal Actuarial Cost method. The assumptions included:

Funding Interest Rate:	4.50%
Health Care Inflation:	Pre-Medicare: 9% (grading down to 5% in 2013 Post- Medicare: 9% (grading down to 5% in 2013)
Vision Care Inflation:	4.00% (grading down to 3% in 2010)
Payroll Growth/Inflation Assumptions:	2.40%
Amortization of UAAL:	Level % of Payroll (closed Amortization over 30 years)

Net OPEB Obligation:	<u>09/30/09</u>
Annual Required Contributions	\$ 48,428
Estimated Net Contributions	<u>(24,325)</u>
Anticipated increase/(Decrease) in Net OPEB Obligations	24,103
Net OPEB Obligations - Beginning of Year	<u>-</u>
Estimated Net OPEB Obligations - End of Year	<u><u>\$ 24,103</u></u>

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

D. Employee retirement systems and pension plans

The City maintains three defined benefit single-employer:

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

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

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

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.

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.

City of Lake Wales, Florida
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• **Cash and Cash Equivalents**

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

Contributions Required and Contribution Made

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

Contribution rates/amounts:	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
City	6.0%	23.7%	17.3%
Plan members	5.0%	5.0%	5.0%
Actuarially determined contributions	195,820	226,125	337,385
Contributions made	195,820	226,125	337,385
Actuarial valuation date	10/01/07	10/01/07	10/01/07
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	29 Years (as of 10/01/07)	25 Years (as of 10/01/09)	19 Years (as of 10/01/09)
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, 2009		
	General Employees' Fund	Fire Fighters' Fund	Police Officers' Fund
Retirees and Beneficiaries Currently:			
Receiving Benefits	20	11	20
Vested Terminated Employees	5	1	1
DROP Participant	7	2	1
Active Plan Participants:			
Vested	18	10	18
Nonvested	71	15	24
Total	121	39	64

Annual Pension Cost

The City's annual required contribution for the year ended September 30, 2009, was \$759,330 (\$195,820 General, \$337,385 Police, and \$226,125 Fire - City share). The annual required contribution for the 2009 fiscal year was determined as part of the October 1, 2008, actuarial valuations. The assumptions did not include post retirement cost of living adjustment. The City's total current year payroll for general employees was \$3,847,478, compared to \$3,028,243 for employees covered by the General Employees'

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

Pension Plan. The City's total current year payroll for fire personnel was \$1,267,175, compared to \$1,190,313 for employees covered by the Firefighters' Pension Plan. The City's total current year payroll for police personnel was \$2,235,120, compared to \$2,152,553 for employees covered by the Police Officers' Pension Plan.

General Pension Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ending			
September 30, 2009	\$ 201,527	97.2%	\$ (107,135)
September 30, 2008	240,595	97.5%	(112,842)
September 30, 2007	166,006	96.7%	(118,933)

Firefighters' Pension Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ending			
September 30, 2009	\$ 224,755	100.6%	\$ (73,966)
September 30, 2008	186,177	100.7%	(72,596)
September 30, 2007	250,424	100.5%	(71,252)

Police Officers' Pension Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ending			
September 30, 2009	\$ 334,944	100.7%	\$ (146,002)
September 30, 2008	267,653	101.2%	(143,561)
September 30, 2007	317,574	101.0%	(140,418)

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

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)
10/01/09	\$ 8,074,499	\$ 9,117,416	\$ (1,042,917)	88.56%	\$ 2,848,785	36.61%

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)
10/01/09	\$ 6,128,347	\$ 9,065,847	\$ (2,937,500)	67.60%	\$ 1,194,794	245.86%

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)
10/01/09	\$ 10,195,532	\$ 12,959,011	\$ (2,763,479)	78.68%	\$ 2,140,829	129.08%

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, 2009

October 1, 1997, was \$0). Following are the components of pension cost for the year ended September 30, 2009, and the change in the Net Pension Asset (NPA) for the year:

	General Employee Pension Plan			Firefighters' Pension Plan		
	<u>09/30/09</u>	<u>09/30/08</u>	<u>09/30/07</u>	<u>09/30/09</u>	<u>09/30/08</u>	<u>09/30/07</u>
Actuarially Determined:						
Contribution (A)	\$ 195,820	\$ 234,584	\$ 160,446	\$ 226,125	\$ 187,521	\$ 251,744
Interest on NPA	(9,027)	(9,508)	(9,959)	(5,808)	(5,700)	(5,595)
Adjustments to (A)	14,734	15,519	15,519	4,438	4,356	4,275
Annual Pension Cost (APC)*	<u>201,527</u>	<u>240,595</u>	<u>166,006</u>	<u>224,755</u>	<u>186,177</u>	<u>250,424</u>
Contributions Made	(195,820)	(234,584)	(160,446)	(226,125)	(187,521)	(251,744)
Increase in NPA	5,707	6,011	5,560	(1,370)	(1,344)	(1,320)
NPA Beginning of Year	(112,842)	(118,853)	(124,493)	(72,596)	(71,252)	(69,932)
NPA, End of Year	<u>\$ (107,135)</u>	<u>\$ (112,842)</u>	<u>\$ (118,933)</u>	<u>\$ (73,966)</u>	<u>\$ (72,596)</u>	<u>\$ (71,252)</u>
Percentage of APC Contribution	<u>97%</u>	<u>98%</u>	<u>97%</u>	<u>101%</u>	<u>101%</u>	<u>101%</u>

	Police Officers' Pension Plan		
	<u>09/30/09</u>	<u>09/30/08</u>	<u>09/30/07</u>
Actuarially Determined:			
Contribution (A)	\$ 337,385	\$ 270,796	\$ 320,649
Interest on NPA	(11,485)	(11,233)	(10,987)
Adjustments to (A)	9,044	8,090	7,912
Annual Pension Cost (APC)*	<u>334,944</u>	<u>267,653</u>	<u>317,574</u>
Contributions Made	(337,385)	(270,796)	(320,649)
Increase in NPA	(2,441)	(3,143)	(3,075)
NPA Beginning of Year	(143,561)	(140,418)	(137,343)
NPA, End of Year	<u>\$ (146,002)</u>	<u>\$ (143,561)</u>	<u>\$ (140,418)</u>
Percentage of APC Contribution	<u>101%</u>	<u>101%</u>	<u>101%</u>

* APC includes employer, but excludes state and members contributions.

Net Pension Asset

The net pension asset, which is the nature of a prepayment, represents the cumulative amount by which actual employer contributions exceed required contributions. The net pension assets as of September 30, 2008 were \$112,842 General Employee Pension Plan, \$72,596 Firefighters' Pension Plan and \$143,561 Police Officers' Pension Plan. During the current year the net pension assets decreased by \$5,707 for the General Employee Pension Plan, increased by \$1,370 Firefighters' Pension Plan and increased by \$2,441 Police Officers' Pension Plan. The net pension asset as of September 30, 2009 was \$107,135 General Employee Pension Plan, \$73,966 Firefighters' Pension Plan and \$146,002 Police Officers' Pension Plan.

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

Schedule of Pension Plan Net Assets as of September 30, 2009

	Pension Trust Fund			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Assets				
Cash and cash equivalent	\$ 93,846	\$ 126,058	\$ 189,788	\$ 409,692
Investments, at fair value:				
Money market funds	430,801	246,309	383,991	1,061,101
Government Bonds	898,946	638,533	1,193,730	2,731,209
Government Assets backed/CMO Securities	370,996	399,701	577,180	1,347,877
Taxable Municipal Bonds	215,181	182,798	279,643	677,622
Corporate bonds and notes	773,625	698,942	1,033,399	2,505,966
Common and preferred stock	4,435,517	3,122,185	5,305,098	12,862,800
Total investments	<u>7,125,066</u>	<u>5,288,468</u>	<u>8,773,041</u>	<u>21,186,575</u>
Prepays				
Prepaid Fiduciary Liability Insurance	1,991	1,620	1,869	5,480
Total Prepays	<u>1,991</u>	<u>1,620</u>	<u>1,869</u>	<u>5,480</u>
Receivable (net):				
Interest and dividends	20,466	16,579	28,192	65,237
Due from State	-	3,276	-	3,276
Other	36	-	-	36
Total receivable	<u>20,502</u>	<u>19,855</u>	<u>28,192</u>	<u>68,549</u>
Total assets	<u>7,241,405</u>	<u>5,436,001</u>	<u>8,992,890</u>	<u>21,670,296</u>
Liabilities				
Accounts payable	5,072	3,104	4,947	13,123
Due to DROP participants	377,973	113,604	174,631	666,208
Prepaid contributions from City	1,652	101,767	7,956	111,375
Total liabilities	<u>384,697</u>	<u>218,475</u>	<u>187,534</u>	<u>790,706</u>
Net assets				
Held in trust for pension benefits and other purposes	<u>\$ 6,856,708</u>	<u>\$ 5,217,526</u>	<u>\$ 8,805,356</u>	<u>\$ 20,879,590</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2009

Schedule of Change in Pension Plan Net Assets as of September 30, 2009

	Pension Trust Fund			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Additions				
Contributions:				
Employer	\$ 195,820	\$ 226,125	\$ 337,267	\$ 759,212
State of Florida	-	123,359	109,623	232,982
Employee	151,414	59,516	107,628	318,558
Total contributions	<u>347,234</u>	<u>409,000</u>	<u>554,518</u>	<u>1,310,752</u>
Interest and dividends	204,690	173,049	263,964	641,703
Net increase (decrease) in the fair value of investments	<u>(200,058)</u>	<u>(112,335)</u>	<u>(91,113)</u>	<u>(403,506)</u>
Total investments income (loss)	4,632	60,714	172,851	238,197
Less investment expense	<u>(48,252)</u>	<u>(37,505)</u>	<u>(59,915)</u>	<u>(145,672)</u>
Net investment income (loss)	(43,620)	23,209	112,936	92,525
Total additions	<u>303,614</u>	<u>432,209</u>	<u>667,454</u>	<u>1,403,277</u>
Deductions				
Benefit payments	316,726	454,038	597,622	1,368,386
Refunds of contributions	88,753	4,182	32,410	125,345
Administration	44,222	40,513	47,639	132,374
Total deductions	<u>449,701</u>	<u>498,733</u>	<u>677,671</u>	<u>1,626,105</u>
Change in net assets	(146,087)	(66,524)	(10,217)	(222,828)
Total net assets - beginning	<u>7,002,795</u>	<u>5,284,050</u>	<u>8,815,573</u>	<u>21,102,418</u>
Total net assets - ending	<u>\$ 6,856,708</u>	<u>\$ 5,217,526</u>	<u>\$ 8,805,356</u>	<u>\$ 20,879,590</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, 2009, 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, 2009

G. Prior Period Adjustments

A fire line water revenue credit of \$43,416, for prior years services, was adjusted during 2009.

<u>Beginning Net Assets</u> <u>October 1, 2008</u>	<u>Business-Type</u> <u>Activities</u>	<u>Proprietary</u> <u>Fund</u>
As originally reported	\$ 15,988,717	\$ 15,988,717
Adjustment	<u>(43,416)</u>	<u>(43,416)</u>
As adjusted	<u>\$ 15,945,301</u>	<u>\$ 15,945,301</u>



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REQUIRED SUPPLEMENTARY INFORMATION

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended September 30, 2009

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,712,848	\$ 5,862,463	\$ 5,936,020	73,557
Licenses and permits	1,412,000	1,160,500	1,223,088	62,588
Intergovernmental	1,204,489	1,136,738	1,066,579	(70,159)
Charges for services	1,886,530	1,871,580	1,814,743	(56,837)
Fines and forfeits	121,700	121,700	59,842	(61,858)
Investment earnings	20,000	20,000	8,379	(11,621)
Miscellaneous	39,379	41,179	73,189	32,010
Total revenues	<u>10,396,946</u>	<u>10,214,160</u>	<u>10,181,840</u>	<u>(32,320)</u>
Expenditures				
Current:				
General government:				
City commission	82,017	83,317	80,819	2,498
City manager	305,741	354,754	355,608	(854)
City clerk	87,309	87,574	86,411	1,163
Finance	314,202	274,625	276,204	(1,579)
Human resources	106,893	109,981	109,757	224
City attorney	57,500	57,500	56,383	1,117
Planning	164,762	137,696	137,503	193
Fleet maintenance	124,207	93,564	94,922	(1,358)
Facilities maintenance	135,440	121,915	118,646	3,269
Information services	125,155	131,314	128,080	3,234
Municipal building administration	72,146	83,610	80,988	2,622
Non-departmental	50,000	170,900	28,617	142,283
Support services	220,975	229,413	229,567	(154)
Public safety:				
Police	4,199,282	3,818,559	3,850,349	(31,790)
Fire	2,237,648	2,100,277	2,113,765	(13,488)
Building permits and inspections	373,629	363,572	365,342	(1,770)
Physical environment:				
Waste disposal	842,380	827,380	820,424	6,956
Cemetery	23,000	14,000	11,187	2,813
Parks	113,951	114,544	111,810	2,734
Public Service Administration	-	-	6,188	(6,188)
Transportation	138,477	148,836	148,836	-
Economic environment	48,001	48,001	48,001	-
Human services	6,000	6,000	6,000	-
Culture and recreation:				
Recreation facilities	897,194	968,630	966,461	2,169
Recreation services	64,786	78,778	76,284	2,494
Depot museum	77,654	83,220	81,181	2,039
Other culture and recreation	47,590	22,590	20,296	2,294
Total expenditures	<u>\$ (10,915,939)</u>	<u>\$ (10,530,550)</u>	<u>\$ (10,409,629)</u>	<u>\$ 120,921</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, 2009
(Conclusion)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	\$ (518,993)	\$ (316,390)	\$ (227,789)	\$ 88,601
Other financing sources (uses)				
Installment lease proceeds	-	-	-	-
Insurance recoveries	-	7,880	7,880	-
Sale of capital assets	2,000	2,000	-	(2,000)
Transfers in	828,000	828,000	828,000	-
Transfers out	(252,881)	(273,077)	(221,627)	51,450
Total other financing sources (uses)	<u>577,119</u>	<u>564,803</u>	<u>614,253</u>	<u>49,450</u>
Net change in fund balance	58,126	248,413	386,464	138,051
Fund balances, beginning of year	<u>1,874,189</u>	<u>2,596,546</u>	<u>2,596,546</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,932,315</u>	<u>\$ 2,844,959</u>	<u>\$ 2,983,010</u>	<u>\$ 138,051</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Transportation Fund
For the Year Ended September 30, 2009

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 688,385	\$ 659,103	\$ 641,416	\$ (17,687)
Intergovernmental	255,047	796,939	136,235	(660,704)
Charges for services	96,330	96,330	97,247	917
Investment earnings	-	-	642	642
Miscellaneous	500	500	1,620	1,120
Total revenues	1,040,262	1,552,872	877,160	(675,712)
Expenditures				
Current:				
Transportation	1,737,459	3,076,378	1,757,040	1,319,338
(Total expenditures)	(1,737,459)	(3,076,378)	(1,757,040)	1,319,338
Excess (deficiency) of revenues over (under) expenditures	(697,197)	(1,523,506)	(879,880)	643,626
Other financing sources (uses)				
Transfers in	939,455	1,783,633	1,117,248	(666,385)
Transfers out	(242,258)	(242,258)	(242,258)	-
Insurance recoveries	-	-	4,424	4,424
Total other financing sources (uses)	697,197	1,541,375	879,414	(661,961)
Net change in fund balance	-	17,869	(466)	(18,335)
Fund balances, beginning of year	-	17,842	17,842	-
Fund balances, end of year	\$ -	\$ 35,711	\$ 17,376	\$ (18,335)

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Community Redevelopment Fund
For the Year Ended September 30, 2009

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,279,882	\$ 1,279,881	\$ 1,157,948	\$ (121,933)
Intergovernmental	1,188,847	1,195,255	1,176,517	(18,738)
Investment earnings	150,000	150,000	58,897	(91,103)
Miscellaneous Revenue	-	-	735	735
Total revenues	<u>2,618,729</u>	<u>2,625,136</u>	<u>2,394,097</u>	<u>(231,039)</u>
Expenditures				
Current:				
Public safety	476,198	469,123	448,173	20,950
Economic environment	1,396,998	1,431,341	505,993	925,348
(Total expenditures)	<u>(1,873,196)</u>	<u>(1,900,464)</u>	<u>(954,166)</u>	<u>946,298</u>
Excess (deficiency) of revenues over (under) expenditures	<u>745,533</u>	<u>724,672</u>	<u>1,439,931</u>	<u>715,259</u>
Other financing sources (uses)				
Bond proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>(5,858,350)</u>	<u>(6,975,044)</u>	<u>(4,991,918)</u>	<u>1,983,126</u>
Total other financing sources (uses)	<u>(5,858,350)</u>	<u>(6,975,044)</u>	<u>(4,991,918)</u>	<u>1,983,126</u>
Net change in fund balance	(5,112,817)	(6,250,372)	(3,551,987)	2,698,385
Fund balances, beginning of year	<u>6,089,529</u>	<u>7,565,516</u>	<u>7,565,516</u>	<u>-</u>
Fund balances, end of year	<u>\$ 976,712</u>	<u>\$ 1,315,144</u>	<u>\$ 4,013,529</u>	<u>\$ 2,698,385</u>

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

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer
General Employees' Pension Plan
September 30, 2009

Schedule of Funding Progress - General Employees' 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)
10/01/09	\$ 8,074,499	\$ 9,117,416	\$ (1,042,917)	88.56%	\$ 2,848,785	36.61%
10/01/08	8,078,208	9,299,162	(1,220,955)	86.87%	2,986,894	40.88%
10/01/07	7,761,324	8,966,325	(1,205,001)	86.56%	3,133,820	38.45%
10/01/06	6,762,740	7,891,683	(1,128,943)	85.69%	3,091,143	36.52%
10/01/05	6,092,211	6,391,916	(299,705)	95.31%	2,532,944	11.83%
10/01/04	5,760,618	6,196,381	(435,764)	92.97%	2,201,601	19.79%

Schedule of Contributions from the Employer

Year Ended	Annual Required Contribution	City Contribution	Percentage Contribution
09/30/09	\$ 195,820	\$ 195,820	100.00%
09/30/08	234,584	234,584	100.00%
09/30/07	160,446	160,446	100.00%
09/30/06	112,500	112,500	100.00%
09/30/05	81,363	81,363	100.00%
09/30/04	69,328	69,328	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer and Others
Firefighters' Pension Plan
September 30, 2009

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)
10/01/09	\$ 6,128,347	\$ 9,065,847	\$ (2,937,500)	67.60%	\$ 1,194,794	245.86%
10/01/08	6,118,404	8,673,633	(2,555,229)	70.54%	1,111,770	229.83%
10/01/07	5,679,086	8,033,286	(2,354,200)	70.69%	947,177	248.55%
10/01/06	5,276,297	7,623,452	(2,347,155)	69.21%	906,142	259.03%
10/01/05	4,953,540	7,409,118	(2,455,578)	66.86%	843,618	291.08%
10/01/04	4,794,974	6,996,003	(2,201,029)	68.54%	714,282	308.15%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
09/30/09	\$ 366,303	\$ 226,125	\$ 140,178	100.00%
09/30/08	339,187	187,521	151,666	100.00%
09/30/07	340,107	251,744	88,363	100.00%
09/30/06	294,486	216,510	77,976	100.00%
09/30/05	314,374	235,629	78,745	100.00%
09/30/04	275,583	207,675	67,908	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer and Others
Municipal Police Officers' Pension Plan
September 30, 2009

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)
10/01/09	\$ 10,195,532	\$ 12,959,011	\$ (2,763,479)	78.68%	\$ 2,140,829	129.08%
10/01/08	10,125,825	12,308,290	(2,182,465)	82.27%	1,968,564	110.87%
10/01/07	9,822,219	11,285,608	(1,463,389)	87.03%	1,877,296	77.95%
10/01/06	9,049,308	10,142,549	(1,093,241)	89.22%	1,651,717	66.19%
10/01/05	8,329,601	10,465,863	(2,136,263)	79.59%	1,765,347	121.01%
10/01/04	7,915,414	9,578,774	(1,663,359)	82.63%	1,642,104	101.29%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
09/30/09	\$ 447,008	\$ 337,385	\$ 109,623	100.00%
09/30/08	380,537	270,796	109,741	100.00%
09/30/07	430,249	320,649	109,600	100.00%
09/30/06	381,939	270,637	111,302	100.00%
09/30/05	358,590	252,658	105,932	100.00%
09/30/04	277,944	174,138	103,806	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Employer Contributions
Other Post Employment Benefit Plan
September 30, 2009

Schedule of Funding Progress

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)
10/01/08	\$ -	\$ 408,669	\$ (408,669)	0.00%	\$ 6,825,394	5.99%
10/01/07	N/A	N/A	N/A	N/A	N/A	N/A
10/01/06	N/A	N/A	N/A	N/A	N/A	N/A

Three Year Trend Information

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
09/30/09	\$ 48,428	50.2%	\$ 24,103
09/30/08	N/A	N/A	N/A
09/30/07	N/A	N/A	N/A



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SUPPLEMENTAL INFORMATION

City of Lake Wales, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009

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	\$ 15,001	\$ 198,995	\$ 479	\$ -	\$ 25,135	\$ 87,177	\$ 326,787
Due from other funds	135	-	-	-	-	-	135
Intergovernmental receivables	-	-	-	10,700	-	151,024	161,724
Restricted cash and cash equivalent:							
Capital projects - impact fee	-	176,783	-	-	-	174,251	351,034
Prepays	-	12,211	-	-	-	-	12,211
Total assets	15,136	387,989	479	10,700	25,135	412,452	851,891
Liabilities and fund balances							
Liabilities							
Accounts payable	7,314	88	-	-	17,351	800	25,553
Accrued liabilities	-	2,363	-	-	-	-	2,363
Due to other funds	-	-	-	10,700	-	33,390	44,090
Deferred revenues	-	-	-	-	7,784	66,518	74,302
Total liabilities	7,314	2,451	-	10,700	25,135	100,708	146,308
Fund balances							
Reserved for:							
Prepays	-	12,211	-	-	-	-	12,211
Capital projects	-	-	-	-	-	311,744	311,744
Other Purposes	7,822	373,327	479	-	-	-	381,628
Unreserved/Undesignated	-	-	-	-	-	-	-
Total fund balances	7,822	385,538	479	-	-	311,744	705,583
Total liabilities and fund balances	\$ 15,136	\$ 387,989	\$ 479	\$ 10,700	\$ 25,135	\$ 412,452	\$ 851,891

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NonMajor Governmental Funds
Year Ended September 30, 2009

	Special Revenue Funds						Total
	Forfeitures 106	Library 110	Law Enforcement Block Grant 116	Community Development Block Grant 131	Historic Preservation 151	Capital Projects 330	
Revenues							
Taxes	\$ -	\$ 439,070	\$ -	\$ -	\$ -	\$ -	\$ 439,070
Intergovernmental	-	532,295	7,384	10,700	15,000	480	565,859
Fines and forfeits	41,704	-	-	-	-	-	41,704
Investment earnings	98	2,300	6	-	37	1,578	4,019
Impact fees	-	6,722	-	-	-	22,765	29,487
Miscellaneous	86	17,684	-	-	(20,962)	165,500	162,308
Total revenues	41,888	998,071	7,390	10,700	(5,925)	190,323	1,242,447
Expenditures							
Current:							
General government	-	-	-	-	56	-	56
Public safety	43,934	-	7,387	-	-	-	51,321
Physical environment	-	-	-	10,700	-	-	10,700
Culture and recreation	-	914,672	-	-	15,000	-	929,672
Capital outlay:	-	-	-	-	-	275,949	275,949
Total expenditures	(43,934)	(914,672)	(7,387)	(10,700)	(15,056)	(275,949)	(1,267,698)
Excess (deficiency) of revenues over (under) expenditures	(2,046)	83,399	3	-	(20,981)	(85,626)	(25,251)
Other financing sources (uses)							
Transfers in	-	-	-	-	19,607	2,900	22,507
Transfers out	-	-	-	-	-	-	-
Total other financing (uses) sources	-	-	-	-	19,607	2,900	22,507
Net change in fund balances	(2,046)	83,399	3	-	(1,374)	(82,726)	(2,744)
Fund balances, beginning of year	9,868	302,139	476	-	1,374	394,470	708,327
Fund balances, end of year	\$ 7,822	\$ 385,538	\$ 479	\$ -	\$ -	\$ 311,744	\$ 705,583

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, 2009

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 15,000	\$ 41,704	\$ 41,704	\$ -
Investment earnings	-	35	98	63
Miscellaneous Revenue	-	-	86	86
Total revenues	<u>15,000</u>	<u>41,739</u>	<u>41,888</u>	<u>149</u>
Expenditures				
Current:				
Public safety	15,000	43,934	43,934	-
(Total expenditures)	<u>(15,000)</u>	<u>(43,934)</u>	<u>(43,934)</u>	<u>-</u>
Net change in fund balance	-	(2,195)	(2,046)	149
Fund balances, beginning of year	<u>-</u>	<u>9,868</u>	<u>9,868</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 7,673</u>	<u>\$ 7,822</u>	<u>\$ 149</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Library Fund
For the Year Ended September 30, 2009

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 427,597	\$ 427,597	\$ 439,070	\$ 11,473
Intergovernmental	439,950	532,295	532,295	-
Investment earnings	15,000	15,000	2,300	(12,700)
Impact fees	35,000	35,000	6,722	(28,278)
Miscellaneous	17,500	17,500	17,684	184
Total revenues	<u>935,047</u>	<u>1,027,392</u>	<u>998,071</u>	<u>(29,321)</u>
Expenditures				
Current:				
Culture and recreation	<u>887,745</u>	<u>970,602</u>	<u>914,672</u>	<u>55,930</u>
(Total expenditures)	<u>(887,745)</u>	<u>(970,602)</u>	<u>(914,672)</u>	<u>55,930</u>
Net change in fund balance	47,302	56,790	83,399	26,609
Fund balances, beginning of year	<u>199,265</u>	<u>302,139</u>	<u>302,139</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 246,567</u></u>	<u><u>\$ 358,929</u></u>	<u><u>\$ 385,538</u></u>	<u><u>\$ 26,609</u></u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Law Enforcement Block Grant Fund
For the Year Ended September 30, 2009

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 16,000	\$ 16,000	\$ 7,384	\$ (8,616)
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>7,384</u>	<u>(8,616)</u>
Expenditures				
Current:				
Public safety	16,000	15,111	7,387	7,724
(Total expenditures)	<u>(16,000)</u>	<u>(15,111)</u>	<u>(7,387)</u>	<u>7,724</u>
Net change in fund balance	-	889	(3)	(892)
Fund balances, beginning of year	<u>-</u>	<u>476</u>	<u>476</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 1,365</u>	<u>\$ 473</u>	<u>\$ (892)</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Community Development Block Grant Fund
For the Year Ended September 30, 2009

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 100,000	\$ 90,886	\$ 10,700	\$ (80,186)
Total revenues	<u>100,000</u>	<u>90,886</u>	<u>10,700</u>	<u>(80,186)</u>
Expenditures				
Current:				
Physical environment	100,000	90,886	10,700	80,186
(Total expenditures)	<u>(100,000)</u>	<u>(90,886)</u>	<u>(10,700)</u>	<u>80,186</u>
Net change in fund balance	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Historic Preservation Fund
For the Year Ended September 30, 2009

	<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	\$ 350,000	\$ 350,000	\$ 15,000	\$ (335,000)
Investment earnings	-	-	37	37
Miscellaneous	-	-	(20,962)	(20,962)
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>(5,925)</u>	<u>(355,925)</u>
Expenditures				
Current:				
General government	-	-	56	(56)
Culture and recreation	<u>650,000</u>	<u>650,000</u>	<u>15,000</u>	<u>635,000</u>
(Total expenditures)	<u>(650,000)</u>	<u>(650,000)</u>	<u>(15,056)</u>	<u>634,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(300,000)</u>	<u>(300,000)</u>	<u>(20,981)</u>	<u>279,019</u>
Other financing sources				
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>19,607</u>	<u>(280,393)</u>
Total other financing sources	<u>300,000</u>	<u>300,000</u>	<u>19,607</u>	<u>(280,393)</u>
Net change in fund balance	-	-	(1,374)	(1,374)
Fund balances, beginning of year	<u>-</u>	<u>1,374</u>	<u>1,374</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 1,374</u>	<u>\$ 0</u>	<u>\$ (1,374)</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2009

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 632,446	\$ 632,445	\$ 632,445	\$ -
Licenses and permits	255,282	255,282	255,282	-
Intergovernmental	-	-	-	-
Impact fees	14,000	14,000	5,041	(8,959)
Investment earnings	15,000	15,000	2,279	(12,721)
Miscellaneous	18,000	18,000	18,000	-
Total revenues	<u>934,728</u>	<u>934,727</u>	<u>913,047</u>	<u>(21,680)</u>
Expenditures				
Current:				
Principal	1,684,156	1,684,156	1,281,267	402,889
Interest and fiscal charges	752,321	752,322	609,246	143,076
(Total expenditures)	<u>(2,436,477)</u>	<u>(2,436,478)</u>	<u>(1,890,513)</u>	<u>545,965</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,501,749)</u>	<u>(1,501,751)</u>	<u>(977,466)</u>	<u>524,285</u>
Other financing sources (uses)				
Transfers in	1,457,766	1,457,766	1,457,766	-
Proceeds of Refunding bond	-	-	1,870,300	1,870,300
Principal - current refunding	-	-	(138,526)	(138,526)
Transfer to refunding bond escrow	-	-	(2,043,014)	(2,043,014)
Total other financing sources (uses)	<u>1,457,766</u>	<u>1,457,766</u>	<u>1,146,526</u>	<u>(311,240)</u>
Net change in fund balance	(43,983)	(43,985)	169,060	213,045
Fund balances, beginning of year	<u>1,812,175</u>	<u>1,389,994</u>	<u>1,389,994</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,768,192</u>	<u>\$ 1,346,009</u>	<u>\$ 1,559,054</u>	<u>\$ 213,045</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Capital Projects Fund
For the Year Ended September 30, 2009

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 480	\$ (199,520)
Investment earnings	-	-	1,578	1,578
Impact fees	360,000	360,000	22,765	(337,235)
Miscellaneous	-	165,500	165,500	-
Total revenues	<u>560,000</u>	<u>725,500</u>	<u>190,323</u>	<u>(535,177)</u>
Expenditures				
Capital outlay	<u>690,000</u>	<u>875,002</u>	<u>275,949</u>	<u>599,053</u>
(Total expenditures)	<u>(690,000)</u>	<u>(875,002)</u>	<u>(275,949)</u>	<u>599,053</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,000)</u>	<u>(149,502)</u>	<u>(85,626)</u>	<u>63,876</u>
Other financing sources (uses)				
Transfers in	<u>415,000</u>	<u>415,000</u>	<u>2,900</u>	<u>(412,100)</u>
Total other financing sources (uses)	<u>415,000</u>	<u>415,000</u>	<u>2,900</u>	<u>(412,100)</u>
Net change in fund balance	285,000	265,498	(82,726)	(348,224)
Fund balances, beginning of year	<u>714,435</u>	<u>394,470</u>	<u>394,470</u>	<u>-</u>
Fund balances, end of year	<u>\$ 999,435</u>	<u>\$ 659,968</u>	<u>\$ 311,744</u>	<u>\$ (348,224)</u>

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

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Net Assets
September 30, 2009**

Assets

	2009
Current Assets	
Cash and Cash Equivalents	\$ -
Due from Other Governments	369,931
Total Current Assets	369,931
Noncurrent Assets	
Capital Assets:	
Nondepreciable	2,244,820
Depreciable, Net	5,567,478
Total Noncurrent Assets	7,812,298
Total Assets	8,182,229

Liabilities

Current Liabilities	
Accounts Payable	12,857
Contracts/retainage payable	2,239
Unearned revenues	188
Due to primary government	354,978
Total Current Liabilities	370,262

Net Assets

Invested in Capital Assets, Net of Related Debt	7,812,298
Unrestricted	(331)
Total Net Assets	\$ 7,811,967

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended September 30, 2009**

	2009
Operating Revenues	
Charges for Services	\$ 62,798
Operating Expenses	
Contractual Services	32,562
Repairs and Maintenance	12,565
Materials and Supplies	631
General and Administrative	68,395
Depreciation	227,673
(Total Operating Expenses)	(341,826)
Operating (Loss)	(279,028)
Nonoperating Revenues	
Interest Income	245
(Loss) Before Contributions	(278,783)
Capital Contributions	
Grants	379,420
From City of Lake Wales	148,836
Change in Net Assets	249,473
Total Net Assets, Beginning of Year	7,562,494
Total Net Assets, End of Year	\$ 7,811,967

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Cash Flows
For the Year Ended September 30, 2009**

	2009
Cash Flows from Operating Activities	
Receipts from Customers	\$ 62,303
Payments to Suppliers	110,947
Net Cash Provided by (Used in) Operating Activities	(48,644)
Cash Flows from Capital and Related Financing Activities	
Capital Grants	379,420
Capital Contributions from City of Lake Wales (Net)	148,836
Acquisition and Construction of Capital Assets	(855,013)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(326,757)
Cash Flows from Investing Activities	
Interest Income	245
Net (Decrease) Increase in Cash and Cash Equivalents	(375,156)
Cash and Cash Equivalents, Beginning of Year	375,156
Cash and Cash Equivalents, End of Year	\$ -
 <u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u>	
Operating (Loss)	\$ (279,028)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation of Plant	227,673
Change in Current Assets - Decrease (Increase):	
Accounts Receivable (Net of Bad Debt Provision)	2,575
Change in Current Liabilities - Increase (Decrease):	
Accounts Payable	3,206
Deferred Revenues	(3,070)
Net Cash Provided by (Used in) Operating Activities	\$ (48,644)
 <u>Supplemental Disclosure of Noncash Transactions</u>	
FBO Lease Credit	(6,000)
Contracted Services - Mowing by FBO	6,000
	\$ -



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**STATISTICAL SECTION
(UNAUDITED)**



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

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

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



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City of Lake Wales, Florida
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting - GASB 34 implemented fiscal year 2003)

	Fiscal Year						
	09/30/03	09/30/04	09/30/05	09/30/06	09/30/07	09/30/08	09/30/09
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	\$14,626,172
Restricted	(76,971)	113,240	696,578	2,160,716	3,319,481	9,681,679	4,579,237
Unrestricted	632,862	2,865,182	3,788,358	765,358	487,205	1,901,817	2,329,160
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>	<u>21,534,569</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	17,897,798
Restricted	103,726	-	-	402,875	320,289	862,542	754,399
Unrestricted	1,252,796	2,011,118	3,864,639	633,057	330,857	298,731	738,175
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>	<u>19,390,372</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	32,523,970
Restricted	26,755	113,240	696,578	2,563,591	3,639,770	10,544,221	5,333,636
Unrestricted	1,885,658	4,876,300	7,652,997	1,398,415	818,062	2,200,548	3,067,335
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>	<u>\$40,924,941</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						
	09/30/03	09/30/04	09/30/05	09/30/06	9/30/2007*	09/30/08	
Expenses							
Governmental activities:							
General government	\$ 976,327	\$ 1,150,513	\$ 5,010,709	\$ 2,318,393	\$ 1,666,102	\$ 1,555,163	\$ 1,444,334
Public safety	5,401,305	6,020,977	6,351,058	7,348,265	7,616,565	7,049,550	7,197,292
Physical environment	1,228,133	1,326,532	1,295,512	2,399,900	1,710,287	1,581,070	963,588
Transportation	790,945	926,413	1,084,406	270,039	1,561,291	1,206,577	1,515,164
Economic Environment	306,618	289,743	497,095	400,010	1,007,452	599,756	580,616
Human services	20,423	32,963	32,963	24,402	35,333	14,634	20,636
Culture and recreation	1,092,911	1,189,886	1,227,319	1,388,649	1,920,919	1,626,211	2,291,706
Interest on long term debt	703,552	571,573	576,083	540,210	505,482	752,066	767,787
Total governmental activities expenses	<u>10,520,214</u>	<u>11,508,600</u>	<u>16,075,145</u>	<u>14,689,868</u>	<u>16,023,431</u>	<u>14,385,027</u>	<u>14,781,123</u>
Business-type activities:							
Water and wastewater	<u>3,574,105</u>	<u>3,953,710</u>	<u>4,030,470</u>	<u>4,546,209</u>	<u>4,954,705</u>	<u>5,194,309</u>	<u>5,024,906</u>
Total business-type activities	<u>3,574,105</u>	<u>3,953,710</u>	<u>4,030,470</u>	<u>4,546,209</u>	<u>4,954,705</u>	<u>5,194,309</u>	<u>5,024,906</u>
Total primary government expenses	<u>14,094,319</u>	<u>15,462,310</u>	<u>20,105,615</u>	<u>19,236,077</u>	<u>20,978,136</u>	<u>19,579,336</u>	<u>19,806,029</u>
Program revenues							
Governmental activities:							
Charges for services:							
General government	284,716	17,462	74,155	39,091	31,095	28,598	17,429
Public safety	928,326	1,053,866	1,614,914	1,248,470	1,116,037	1,240,923	624,776
Physical environment	699,656	678,657	799,508	970,539	996,493	1,093,013	1,120,801
Transportation	42,910	94,477	110,197	87,943	96,331	96,923	97,247
Economic Environment	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-
Culture and recreation	76,441	78,984	260,555	246,795	90,379	97,333	47,050
Operating grants and contributions	65,225	822,220	670,774	745,463	691,710	875,556	772,085
Capital grants and contributions	182,286	356,340	360,913	1,172,735	2,044,202	1,740,200	55,401
Total governmental activities program revenues	<u>2,279,560</u>	<u>3,102,006</u>	<u>3,891,016</u>	<u>4,511,036</u>	<u>5,066,247</u>	<u>5,172,546</u>	<u>2,734,789</u>
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	6,025,162
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	159,572
Total business-type activities program revenues	<u>4,432,477</u>	<u>5,052,686</u>	<u>5,210,137</u>	<u>5,763,997</u>	<u>6,074,838</u>	<u>7,791,408</u>	<u>6,184,734</u>
Total primary government program revenues	<u>6,712,037</u>	<u>8,154,692</u>	<u>9,101,153</u>	<u>10,275,033</u>	<u>11,141,085</u>	<u>12,963,954</u>	<u>8,919,523</u>

Net (expenditures) revenues

Governmental activities	(8,240,654)	(8,406,594)	(12,184,129)	(10,178,832)	(10,957,184)	(9,212,481)	(12,046,334)
Business-type activities	858,372	1,098,976	1,179,667	1,217,788	1,120,133	2,597,099	1,159,828
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>	<u>(10,886,506)</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	7,148,427
Franchise fees	805,402	874,116	950,532	1,172,989	1,206,210	1,220,697	1,247,248
Public service taxes	1,067,933	1,091,395	1,139,125	1,299,073	1,347,754	1,386,825	1,429,708
Communication service taxes	1,066,045	517,807	556,105	408,684	502,239	588,184	684,620
Gas taxes	637,714	732,734	695,867	702,476	714,051	665,367	633,491
Local business tax	-	-	-	-	-	-	79,325
Intergovernmental revenue	1,241,322	950,055	1,119,130	1,201,329	1,156,315	1,062,966	943,024
Investment earnings	21,066	38,671	153,538	249,705	296,486	333,176	75,140
Insurance recoveries	-	-	3,374,250	2,189,227	335,412	25,919	12,304
Gain/(loss) on disposal of fixed assets	237,809	1,383,602	650,600	-	(93,173)	35,606	-
Miscellaneous revenue	97,705	45,442	349,228	(25,085)	226,493	103,296	231,145
Transfers	605,238	966,902	261,286	565,961	296,029	(545,879)	(2,030,282)
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>	<u>10,454,150</u>
Business-type activities:							
Investment earnings	6,170	8,608	50,914	157,738	56,321	53,833	9,844
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	245,117
Transfers	(605,238)	(966,902)	(261,286)	(565,961)	(296,029)	530,099	2,030,282
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>	<u>2,285,243</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>	<u>12,739,393</u>
Change in net assets							
Governmental activities	860,805	2,402,412	1,788,944	(118,408)	3,992,849	2,970,166	(1,592,185)
Business-type activities	397,042	431,519	1,155,108	1,118,286	988,133	3,820,658	3,445,071
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>	<u>\$ 1,852,886</u>

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

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

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	2009
General fund										
Reserved	\$ 599,943	\$ -	\$ 46,141	\$ 88,273	\$ 113,376	\$ 134,835	\$ 88,693	\$ 301,504	\$ 614,849	\$ 471,950
Unreserved, designated	-	-	-	-	-	-	-	-	1,037,852	1,042,442
Unreserved, undesignated	524,754	249,944	593,437	835,299	1,179,330	555,751	1,260,393	575,237	943,845	1,468,618
Total general fund	<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>	<u>2,983,010</u>
All other governmental funds										
Reserved	2,453,674	783,529	861,599	573,500	785,847	1,930,338	2,391,599	3,480,250	9,681,679 *	6,295,542
Unreserved reported in:										
Special revenue funds	14,194	-	-	-	-	-	-	(96,085)	-	-
Capital projects funds	-	-	(136,727)	11,843	11,155	1,754,535	191,361	187,395	-	-
Total all other governmental funds	<u>\$ 2,467,868</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>	<u>\$ 6,295,542</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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$4,997,524	\$ 5,256,327	\$6,871,376	\$ 6,998,083	\$7,380,929	\$8,065,624	\$9,077,838	\$10,750,506	\$ 9,037,131	\$ 8,806,899
Licenses and permits	225,956	214,191	345,366	374,441	559,692	911,497	524,374	437,690	1,482,188	1,478,370
Intergovernmental	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	2,945,190
Charges for services	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	1,911,990
Fines and forfeitures	146,987	158,823	180,585	192,954	169,598	168,046	337,774	212,979	175,789	101,546
Interest and miscellaneous	370,779	389,097	330,459	417,936	380,293	1,475,521	929,890	868,858	724,406	364,596
Total revenues	<u>9,418,026</u>	<u>10,306,126</u>	<u>12,227,460</u>	<u>10,913,332</u>	<u>11,919,837</u>	<u>14,271,681</u>	<u>15,603,450</u>	<u>17,636,736</u>	<u>18,226,451</u>	<u>15,608,591</u>
Expenditures										
Current:										
General government	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	1,783,559
Public safety	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	6,828,950
Physical environment	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	960,310
Transportation	508,977	478,641	583,352	593,075	804,747	853,638	688,951	1,562,517	2,834,374	1,905,876
Economic environment	1,108,682	1,094,516	432,975	439,259	340,052	481,277	472,734	2,839,298	558,606	553,994
Human services	12,000	12,110	18,454	21,814	18,329	18,329	9,768	20,700	-	6,000
Culture and recreation	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	2,073,895
Debt service:										
Principal	1,827,069	778,481	726,340	771,202	592,251	502,261	1,333,193	1,209,274	1,313,097	1,281,267
Interest and fiscal charges	767,558	711,837	761,798	712,090	608,354	549,188	512,222	479,511	760,201	609,246
Capital outlay	1,709,294	1,462,215	1,716,555	453,407	455,598	225,156	175,477	829,339	701,924	275,949
(Total expenditures)	<u>14,282,015</u>	<u>13,608,632</u>	<u>12,357,273</u>	<u>11,374,105</u>	<u>12,743,391</u>	<u>16,673,788</u>	<u>17,646,588</u>	<u>21,251,922</u>	<u>19,629,976</u>	<u>16,279,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,863,989)</u>	<u>(3,302,506)</u>	<u>(129,813)</u>	<u>(460,773)</u>	<u>(823,554)</u>	<u>(2,402,107)</u>	<u>(2,043,138)</u>	<u>(3,615,186)</u>	<u>(1,403,525)</u>	<u>(670,455)</u>
Other financing sources (uses)										
Lease proceeds	-	-	-	-	399,861	-	599,900	-	217,804	-
Proceeds from issuance of debt	5,285,619	-	-	-	9,117,226	-	-	-	9,500,000	1,870,300
Principal - current refunding	-	-	-	-	(4,332,781)	-	-	-	-	(138,526)
Payments to refunding escrow	-	-	-	-	(4,746,861)	-	-	-	-	(2,043,014)
Insurance recoveries	-	-	-	-	-	4,426,572	2,959,449	335,412	25,919	12,304
Sale of capital assets	-	-	-	-	-	-	-	-	35,607	-
Transfers in	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	3,425,521
Transfers out	(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)	(5,455,803)
Total other financing sources (uses)	<u>6,026,001</u>	<u>743,414</u>	<u>485,147</u>	<u>605,238</u>	<u>1,404,347</u>	<u>4,687,858</u>	<u>4,125,310</u>	<u>631,441</u>	<u>9,233,449</u>	<u>(2,329,218)</u>
Special item										
Proceeds form sale of land	-	-	-	-	-	-	-	3,500,000	-	-
Initial contribution to airport authority	-	-	-	-	-	-	(2,525,585)	-	-	-
Total special items	-	-	-	-	-	-	(2,525,585)	3,500,000	-	-
Net change in fund balances	<u>\$ 1,162,012</u>	<u>\$ (2,559,092)</u>	<u>\$ 355,334</u>	<u>\$ 144,465</u>	<u>\$ 580,793</u>	<u>\$ 2,285,751</u>	<u>\$ (443,413)</u>	<u>\$ 516,255</u>	<u>\$ 7,829,924</u>	<u>\$ (2,999,673)</u>
Debt Service as a percentage of noncapital expenditures	N/A	N/A	N/A	16.69%	11.73%	7.20%	13.94%	11.93%	16.60%	14.98%

City of Lake Wales, Florida
Governmental Activities Tax Revenues by Source
Last Seven 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	Local Business 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
2009	7,148,427	1,247,248	1,429,708	684,620	633,491	79,325	11,222,819

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

Fiscal Year	Real Property	Personal Property	Centrally Assessed Property	Less: Tax Exempt Property	Total Assessed Valuation	Total Direct Rate	Estimated Actual Taxable Value	Assessed Value⁽¹⁾ as a Percentage of Actual Value
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	89,167	304	340,112 ⁽²⁾	848,688	7.3521	1,382,799	85.97%
2008	1,126,601	93,040	320	382,733	837,228	7.3277	1,418,773	85.99%
2009	1,005,486	95,412	362	338,245	763,015	7.3277	1,278,699	86.12%

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	Overlapping Rates			
	City of Lake Wales	County of Polk	Polk County School Board	Peace River Basin	South West Florida Waster Management District
2000	7.6700	7.9770	9.0720	0.0195	0.0422
2001	7.6500	7.7270	8.8460	0.0195	0.0422
2002	8.1900	7.7270	8.7220	0.0195	0.0422
2003	8.9400	7.7270	8.5780	0.0195	0.0422
2004	9.4400	7.7270	8.3170	0.0195	0.0422
2005	9.4400	7.7270	8.2060	0.0195	0.0422
2006	8.9400	8.7270	8.0780	0.0195	0.0422
2007	8.4400	8.3330	7.7700	0.0195	0.0422
2008	7.3521	6.8665	7.5120	0.1827	0.3866
2009	7.3277	6.8665	7.5860	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
www.polktaxes.com, Property Taxes, Millage Rates & Fees

**City of Lake Wales, Florida
Principal Property Taxpayers
Fiscal Year Ended September 30, 2009**

<u>Taxpayer</u>	<u>Rank</u>	<u>2009</u>		<u>Rank</u>	<u>2000</u>	
		<u>Total Assessed Valuation</u>	<u>Percentage of Total Taxable Assessed Value</u>		<u>Total Assessed Valuation</u>	<u>Percentage of Total Taxable Assessed Value</u>
Eagle Ridge Mall LP	1	\$ 38,646,781	5.07%	N/A	N/A	
Lake Wales Hospital Corporation	2	15,841,878	2.08%	N/A	N/A	
Florida Power Corporation	3	15,353,181	2.01%	N/A	N/A	
Wal Mart	4	11,893,342	1.56%	N/A	N/A	
Verizon Florida	5	10,474,194	1.37%	N/A	N/A	
DDRM Shoppes on the Ridge LLC	6	9,858,379	1.29%	N/A	N/A	
CRF II LTD	7	8,137,821	1.07%	N/A	N/A	
Lake Ashton Development Group LLC	8	6,102,803	0.80%	N/A	N/A	
Publix Super Markets	9	5,965,450	0.78%	N/A	N/A	
Kegel LLC	10	5,893,188	0.77%	N/A	N/A	
		<u>\$ 128,167,017</u>	<u>16.80%</u>		<u>\$ -</u>	
Total Assessed Valuation		<u>\$ 763,015,264</u>			<u>\$ 314,774,861</u>	

Source: Polk County Property Appraiser

N/A - Not available

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

Fiscal Year	Total Tax Levy	Current Levy Collections	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collections	Percent Total Collections To Levy
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%
2009	6,134,955	5,886,159	95.94%	74,299	5,960,458	97.16%

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 Seven Fiscal Years
(GASB 34 implemented fiscal year 2003)

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Population	Per Capita
	Revenue Bonds	Notes Payable	Capital Leases	Total	Revenue Bonds	Notes Payable	Total			
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
2009	-	17,538,054	330,666	17,868,720	-	12,068,920	12,068,920	29,937,640	13,067	2,291

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, 2009

<u>Taxing Authority</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Lake Wales	\$ 17,868,720	100%	\$ 17,868,720
County of Polk (1)	367,085,774	N/A (2)	-
Polk County School Board (1)	<u>453,483,621</u>	N/A (2)	<u>-</u>
Total Direct and Overlapping Debt	<u><u>\$ 838,438,115</u></u>		<u><u>\$ 17,868,720</u></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 9/30/09.

(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**

Utility Fund Debt Obligations

Fiscal Year	(1)	(2)	Net Available Revenue	Debt Service		Coverage
	Charges for Service Revenues	Less Operating Expenses		Principal	Interest	
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
2009	6,025,162	3,837,972	2,187,190	957,362	434,894	1.57

(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	Osceola	Lake	Florida	Polk	Hillsborough	Hardee	Osceola	Lake
1998	25,987	22,213	25,648	16,378	18,308	23,698	34,909	32,654	37,362	27,007	33,519	32,898
1999	26,894	23,140	26,889	17,293	19,360	24,610	35,831	25,216	28,477	22,065	27,260	23,395
2000	28,508	23,728	28,550	16,619	20,113	25,653	38,856	35,438	40,987	29,693	38,309	37,354
2001	29,277	24,850	29,186	18,091	19,888	26,074	36,421	34,442	40,922	28,525	37,342	36,585
2002	29,727	24,998	29,527	17,342	19,965	25,980	38,024	34,620	42,407	28,004	37,469	37,398
2003	30,330	25,679	30,274	17,694	20,295	26,628	38,972	35,125	43,304	27,851	38,966	39,040
2004	32,618	27,696	31,944	17,968	20,987	27,929	40,535	36,339	44,850	28,669	39,770	40,745
2005	34,798	2,925	33,677	18,908	22,107	28,601	42,437	39,114	45,084	27,989	40,978	40,059
2006	36,720	31,018	35,079	19,545	22,778	29,815	45,494	41,176	46,751	33,034	44,277	42,194
2007	38,417	31,329	36,616	20,388	23,797	30,460	47,804	44,216	50,485	36,590	46,599	46,557

(1) Source Us 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
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
2008	97.50	101.70	96.00	98.79	97.64	6.2	6.7	6.3	6.5	6.4	6.4

(1) <http://www.bibr.ufl.edu/>, 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**

(April 1st) Year	Population		% of City Compared to County
	Polk (1)	City of Lake Wales	
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%
2008	585,733	13,052	2.23%
2009	584,343	13,067	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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Manager	3.00	3.00	3.00	3.00	4.00	3.25	2.50	3.00	3.00	3.00
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Development Services	2.00	2.00	-	-	0.75	1.00	1.50	3.00	2.00	1.00
Finance	7.00	6.00	5.00	5.75	5.00	5.00	5.00	5.50	4.50	4.25
Support Services	2.00	2.90	2.00	1.00	2.00	2.00	2.00	2.00	3.00	3.75
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	2.00	1.00	1.00	1.00	1.50	2.00	2.00	2.00	2.00	2.00
Information Services	1.00	1.10	2.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Community Services Administration	2.00	2.00	-	-	-	-	-	-	-	-
Public Services Administration	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	2.00	2.00
Parks & Recreation	2.00	1.00	1.00	1.00	1.00	0.75	0.50	-	-	-
Total general government	<u>25.00</u>	<u>23.00</u>	<u>18.00</u>	<u>16.75</u>	<u>19.25</u>	<u>19.00</u>	<u>19.50</u>	<u>22.00</u>	<u>21.50</u>	<u>21.00</u>
Police Department	59.75	59.00	56.00	55.00	57.00	57.50	59.00	59.50	45.50	47.50
Fire & Rescue:	19.00	20.00	21.00	21.00	21.00	21.00	21.00	23.00	24.00	27.00
Building Permits and Inspection	3.75	4.00	4.00	4.00	5.00	7.00	7.25	8.00	6.00	4.75
Code Enforcement	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50	2.50	2.50
Total public safety	<u>84.50</u>	<u>85.00</u>	<u>83.00</u>	<u>82.00</u>	<u>85.00</u>	<u>87.50</u>	<u>89.25</u>	<u>93.00</u>	<u>78.00</u>	<u>81.75</u>
Cemetery	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	1.00	1.00
Parks Division	10.75	11.00	9.00	9.00	6.00	5.00	5.00	6.00	7.00	7.00
Streets	8.00	8.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.25
Fleet Maintenance	4.00	3.00	3.00	2.00	2.50	2.50	2.00	2.00	3.00	3.00
Facilities Maintenance	5.50	5.50	3.50	3.00	2.50	3.50	3.50	3.00	4.00	4.00
Total maintenance	<u>32.25</u>	<u>31.50</u>	<u>24.50</u>	<u>23.00</u>	<u>20.00</u>	<u>20.00</u>	<u>19.50</u>	<u>20.00</u>	<u>21.00</u>	<u>21.25</u>
Recreation	4.00	5.00	2.50	2.50	2.00	2.50	2.50	3.50	2.00	1.00
Depot	2.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	1.50	-
Library	8.50	10.50	10.50	10.50	11.00	12.00	12.00	14.00	16.00	18.00
Total culture and recreation	<u>14.50</u>	<u>18.50</u>	<u>15.00</u>	<u>15.00</u>	<u>15.00</u>	<u>16.50</u>	<u>16.50</u>	<u>19.50</u>	<u>19.50</u>	<u>19.00</u>
Wastewater Division	10.00	9.00	8.00	8.00	8.00	7.00	7.00	9.50	9.00	9.00
Water Division	12.00	12.00	9.00	9.00	9.00	11.00	10.00	10.50	10.00	10.00
Reuse Division									1.00	1.00
Utilities Administration	6.00	7.00	6.00	8.50	6.00	4.00	5.00	4.00	5.00	5.00
Utility Billing/Customer Service	5.00	5.00	6.00	4.00	4.00	6.00	6.00	5.50	5.50	5.75
Total utilities	<u>33.00</u>	<u>33.00</u>	<u>29.00</u>	<u>29.50</u>	<u>27.00</u>	<u>28.00</u>	<u>28.00</u>	<u>29.50</u>	<u>30.50</u>	<u>30.75</u>
Total government employees	<u>189.25</u>	<u>191.00</u>	<u>169.50</u>	<u>166.25</u>	<u>166.25</u>	<u>171.00</u>	<u>172.75</u>	<u>184.00</u>	<u>170.50</u>	<u>173.75</u>

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

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

Function/Program	<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>	<u>2009</u>
General										
Last charter amendment	March 2, 2007									
Number of Commissioners	The City Commission is a five member elected governing board.									
Form of government	Five member elected governing board, four-year term - Appointed City Manager									
Municipal boundaries	13.92	14.66	14.74	14.84	15.76	16.18	17.14	19.01	19.14	19.14
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	N/A	N/A	N/A	1,491	1,048	1,928	1,673	1,399	1,403	1,304
Number of calls for service	N/A	N/A	N/A	15,147	15,522	19,480	19,990	18,096	17,313	15,792
Number of crashes	N/A	N/A	N/A	613	640	548	410	446	363	374
Fire										
Response volume (includes fire, rescue and medical calls)	1,546	1,967	1,836	1,883	2,305	2,379	2,756	2,786	2,879	2,618
Response time average (minutes)	4.88	5.94	4.77	4.46	5.01	4.55	4.80	4.94	5.39	5.14
Inspections/plans reviewed	538	654	232	511	652	678	832	1,383	1,767	1,031
Public education (persons)	2,061	2,738	6,663	1,325	1,750	2,117	2,771	2,378	2,917	1,645
Permits and Inspections Division										
Plan review residential	142	310	124	244	562	551	106	253	411	198
Plan review commercial	151	140	31	25	238	96	25	114	189	133
Permits issued	409	674	717	591	1,756	1,622	256	768	797	407
Inspections:										
Construction	5,979	6,469	3,306	3,100	5,700	8,407	2,298	3,968	2,664	1,403
Inspections per month (avg.)	509	553	556	260	475	701	192	331	222	314
Certificates of Occupancy issued	82	45	82	61	54	347	117	99	72	44
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	73.40	74.70	77.10	79.60	80.10	80.10	84.40	86.04	92.34	92.34
Water										
Average monthly customers:										
Water	6,867	6,602	6,733	6,965	7,269	7,629	7,824	7,938	7,923	7,899
Sewer	4,132	3,950	4,036	4,267	4,528	4,859	5,205	5,316	5,325	5,309
Irrigation	439	459	486	535	658	789	1,052	1,116	1,167	1,238
Wastewater										
Number of lift stations	26	27	28	30	32	34	35	39	39	39

(1) Square miles
N/A - Not available

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

Water Revenues	Fiscal Year				
	2005	2006	2007	2008	2009
Water Fees	\$ 2,418,303	\$ 2,103,931	\$ 3,008,939	\$ 3,508,152	\$ 2,963,174
Installation Fees	154,320	117,528	72,268	74,965	57,022
Fire Sprinkler Fees	26,004	18,774	28,619	28,592	28,478
Construction Meter Fees	4,219	6,577	10,081	6,935	6,777
Reuse Fees	900	685	4,969	15,198	36,380
Miscellaneous	283	-	1	85	35
Impact Fees	186,500	133,085	130,443	169,836	44,565
Totals	\$ 2,790,529	\$ 2,380,580	\$ 3,255,320	\$ 3,803,763	\$ 3,136,431

Water Rates(1)

Inside City Limits

Base Rate	\$ 8.44	\$ 8.65	\$ 8.87	Base Rate	\$ 4.95	\$ 5.20
4,001-10,000	2.04	2.09	2.14	0-5,000	1.96	2.06
10,001-15,000	2.29	2.34	2.39	5,001-10,000	2.65	2.78
15,001-25,000	2.54	2.59	2.64	10,001-25,000	4.11	4.32
25,001-35,000	2.79	2.84	2.89	> 25,000	6.77	7.11
35,001-50,000	3.09	3.14	3.19			
50,001-65,000	3.39	3.44	3.49			
65,001-80,000	3.69	3.74	3.79			
80,001-100,000	4.04	4.09	4.14			
100,001 +	4.44	4.49	4.54			

Outside City Limits

Base Rate	\$ 12.66	\$ 12.98	\$ 13.31	Base Rate	\$ 6.19	\$ 6.50
4,001-10,000	3.06	3.14	3.21	0-5,000	2.45	2.57
10,001-15,000	3.44	3.51	3.59	5,001-10,000	3.32	3.49
15,001-25,000	3.81	3.89	3.96	10,001-25,000	5.14	5.40
25,001-35,000	4.19	4.26	4.34	> 25,000	8.47	8.89
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 Five Fiscal Years

Sewer Revenues	Fiscal Year				
	2005	2006	2007	2008	2009
Sewer Fees	\$ 1,917,412	\$ 1,598,155	\$ 2,481,658	\$ 2,881,191	\$ 2,871,207
Installation Fees	-	866	1,205	400	918
Miscellaneous	1,052	3,064	705	-	-
Impact Fees	304,462	225,473	188,646	364,133	82,175
Totals	<u>\$ 2,222,926</u>	<u>\$ 1,827,558</u>	<u>\$ 2,672,214</u>	<u>\$ 3,245,724</u>	<u>\$ 2,954,300</u>

Sewer Rates (1)

Inside City Limits			Inside City Limits			
Base Rate	\$ 19.28	\$ 19.76	\$ 23.25	Base Rate	\$ 17.59	\$ 18.47
0-7,000 Gallons	1.13	1.16	1.19	0-5,000 Gallons	2.31	2.43
7,001 + Gallons	1.17	1.74	1.77	5,001 + Gallons	4.05	4.25
Outside City Limits			Outside City Limits			
Base Rate	\$ 28.92	\$ 29.64	\$ 34.88	Base Rate	\$ 21.99	\$ 23.09
0-7,000 Gallons	1.70	1.74	1.79	0-5,000 Gallons	2.89	3.03
7,001 + Gallons	2.57	2.61	2.66	5,001 + Gallons	5.07	5.32

Residential Cap = 15,000 gallons

(1)Source-City of Lake Wales

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

<u>Employer</u>	<u>2009</u>		<u>2000</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
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
Citrosuco	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



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**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STARDARDS*,
ISSUED BY THE COMPTROLLE GENERAL OF THE
UNITED STATE 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, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing & Urban Development			
passed through Florida Department of Community Affairs			
Community Development Block Grant			
Lincoln/ Parking	09DB-4N-07-63-02-C28	14.228	\$ 10,700
			<u>10,700</u>
U.S. Department of Justice			
passed through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Grant	2009-JAGC-POLK-9-T7-037	16.738	5,308
Bureau of Justice Assistance	2009-JAGC-POLK 8-T8-184	16.738	2,078
Bulletproof Vest Program	-	16.607	1,029
			<u>8,415</u>
U.S. Environmental Protection Agency			
passed through Florida Department of Environmental Protection			
Treatment & Reclaimed Water Usage			
(Upgrade of Sewage Treatment Plant) (1)	WW759140	66.458	62,996
			<u>62,996</u>
U.S. Department of Transportation			
Federal Aviation Administration			
MIRLS	3-12-0040-009-2007	20.106	<u>87,912</u>
Federal Highway Administration			
passed through Florida Department of Environmental Protection			
Recreation Trails Program	T27019	20.219	<u>4,091</u>
			<u>\$ 174,114</u>

- (1) Loan Balance at September 30, 2009 - \$873,575
- (2) Loan Balance at September 30, 2009 - \$542,979
- (3) Loan Balance at September 30, 2009 - \$1,081,451
- (4) Loan Balance at September 30, 2009 - \$1,961,181
- (5) Loan Balance at September 30, 2009 - \$180,000

City of Lake Wales, Florida
Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2009

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Expenditures</u>
Florida Department of State			
Historical Preservation Grant Program:			
Historical Grant - Hardman Hall	SC621	45.032	\$ 15,000
			<u>15,000</u>
Executive Office of the Governor			
Office of Tourism and Economic Development	OT07-017	31.002	236,902
			<u>236,902</u>
Florida Department of Transportation			
Aviation Development Grant - MIRLS	AOE33	55.004	4,884
Aviation Development Grant - Auto Parking	ANW91	55.004	49,722
			<u>54,606</u>
			<u>\$ 306,508</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2009
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, 2009. 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.

**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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 3, 2010.

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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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.

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*.

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
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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*)**

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

March 3, 2010
Sarasota, Florida

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, 2009, and have issued our report thereon dated March 3, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our report on internal control over financial reporting and on compliance and other matters dated March 3, 2010. Disclosures in that report 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. This letter includes the following information, which is not included in the aforementioned report:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. We offer the following comments on prior year recommendations:
 - **08-2 Financial Statement Preparation**—Management improved their procedures in drafting the City’s 2009 financial statements and used the auditors in a review capacity. This process worked well and we anticipate continued improvement in the coming year.
 - **08-3 Capital Assets**—The City is in the process of implementing the majority of our recommendations.
 - **08-4 Information Technology**—The City is in the process of reviewing and/or implementing the majority of our recommendations.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Certified Public Accountants

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

Honorable Mayor and City 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 did not have any such recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the 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 have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse; and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- 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, 2009, 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, 2009. 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

March 3, 2010
Sarasota, Florida



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**City of
Lake Wales**

201 Central Avenue W.
P.O. Box 1320
Lake Wales, FL 33859-1320
Phone (863) 678-4182
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RESPONSE TO MANAGEMENT LETTER COMMENTS

March 4, 2010

On March 3, 2010, the City's Certified Public Accountants, Purvis, Gray & Company, delivered the management letter for the fiscal year ended September 30, 2009. 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.

PRIOR YEAR RECOMMENDATIONS

08-2 Financial Statement Preparation:

Management improved their procedures in drafting the City's 2009 financial statements and used the auditors in a review capacity. This process worked well and we anticipate continued improvement in the coming year.

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 City is in the process of implementing the majority of our recommendations.

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:

The City is in the process of reviewing and/or implementing the majority of our recommendations.

Management Response:

Management and staff are in the process of reviewing its IT policies and procedures based on auditor recommendations.

CURRENT YEAR RECOMMENDATIONS

No current year recommendations to improve financial management.