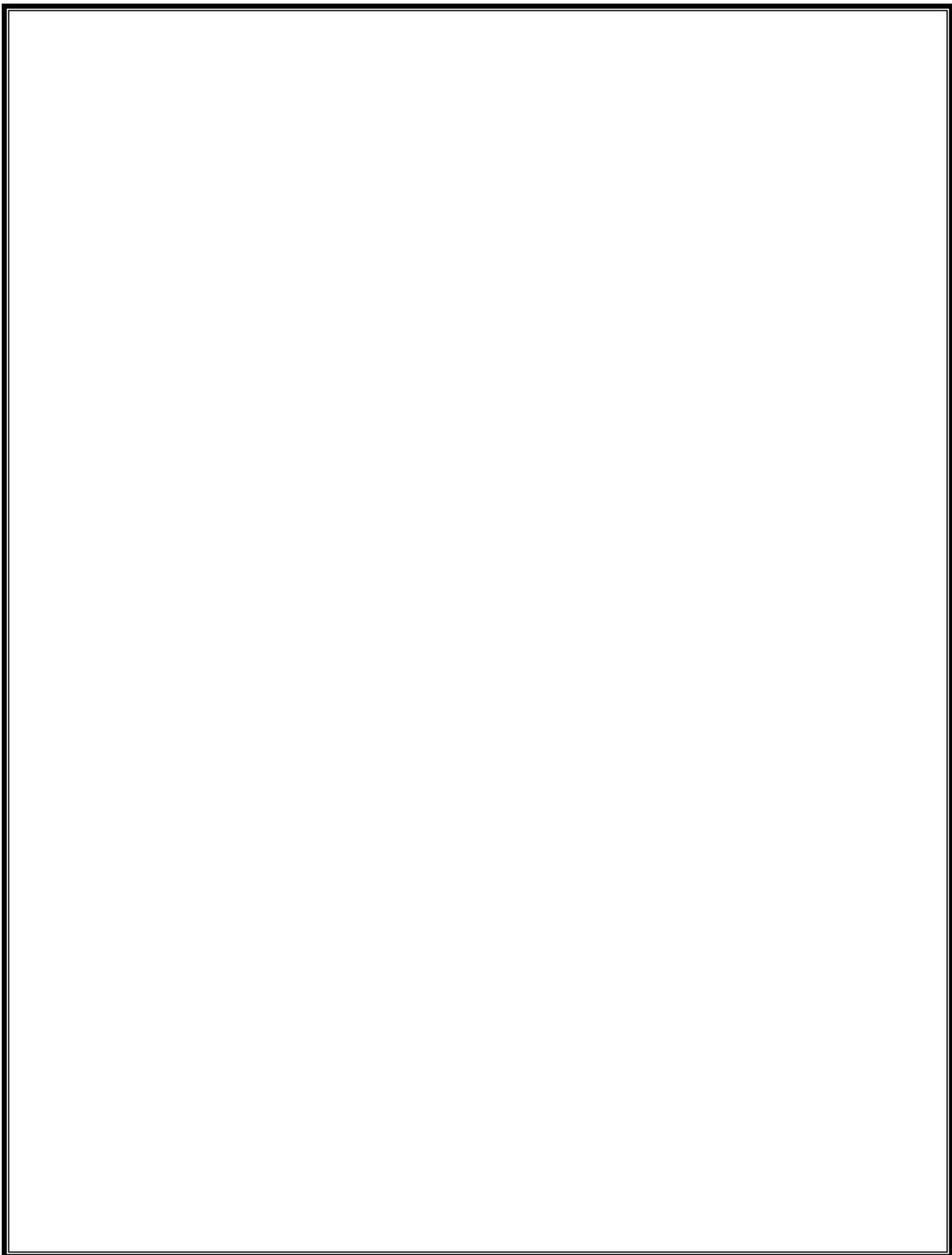




# **City of Lake Wales, Florida**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For Fiscal Year Ended  
September 30, 2010



**City of Lake Wales, Florida**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For The Fiscal Year Ended September 30, 2010

**Prepared By:**  
Department of Finance



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**City of Lake Wales, Florida**

**Comprehensive Annual Financial Report  
For Fiscal Year Ended September 30, 2010**

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**City of  
Lake Wales**

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

March 3, 2011

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, 2010, 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, 2010. 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 19.6 square miles and serves a population of 13,076.

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

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

### ***Local Economy***

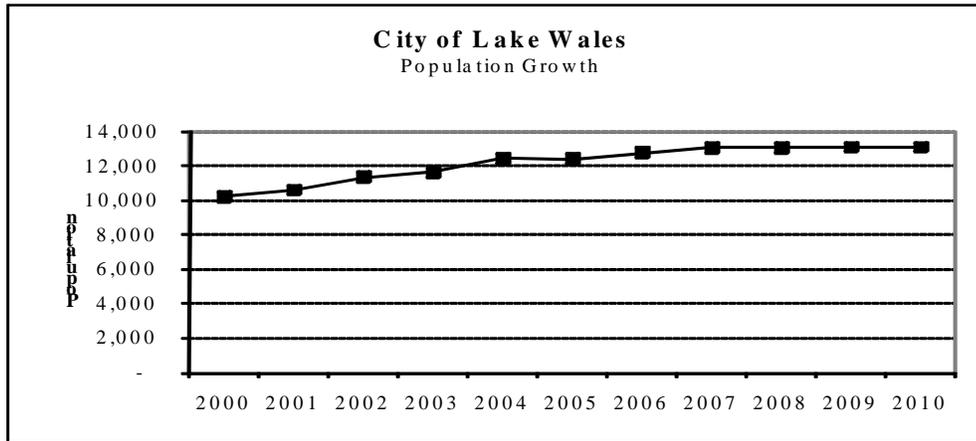
Each fiscal year provides the City an opportunity to identify, address and resolve issues facing our community and citizens. While residents enjoy the quiet suburban lifestyle of this community and public sentiment is to maintain and preserve its residential character, the City's large residential make-up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

The City's major challenges are to provide the infrastructure and services needed to maintain the quality of life, which attracted considerable growth in our community of 28.27% increase from 2000 through 2007. 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 28.27% 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 2009 and 2010 the trend has been less than 1% population growth.



**POPULATION 2000-2010**

<b>(April 1,)</b>			
<b>YEAR</b>	<b>POPULATION*</b>	<b>% INCR.</b>	<b>NOTES</b>
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%	
2010	13,076	<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 2010 were reported at 13.3% and 12.1%, respectively, while the national unemployment rate was 9.6%. The National Bureau of Economic Research has not yet determined an end point for the recession that began in December of 2007. The nation, as of September 2010, is now in its 34<sup>th</sup> 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 was worse than the national averages on both measures until July 2010 when Florida experienced its first over-the-year increase in jobs since June 2007. However, Florida is still 831,600 jobs below its peak during the boom. This tells us that rehiring, while necessary, will not be enough. At the current pace, a full recovery to the previous peak will not occur until 2014. According to the latest nationwide data, Florida (an annual job growth rate of +0.04% in July 2010) is matching and slightly bettering the national jobs picture (a job growth rate of -0.04% in July 2010). Overall employment is projected to gain 1.1 percent in fiscal year 2010'11 and then increase by 2.1% in 2011'12, 2.9% in 2012'13 and 2.4% in 2013'14, 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 2011'12.

Residential housing, with the meltdown of the subprime mortgage market, foreclosures, and excess supply of homes, is not expected to rebound until the end of calendar year 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.

These economic projections have been provided within the Fall of 2010 State of Florida Long-Range Financial Outlook report.

### ***Long-term Financial Planning***

Unreserved fund balance in the general fund of \$3,156,347 (29.51% 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
- C street sewer improvement project
- Flexnet meter reading project
- Reuse line extension
- Asbestos pipe removal

The City, in January of 2011, obtained \$4,000,542 financing through the state revolving fund program for a sewer renovation construction project. Construction is expected to be completed in December of 2012.

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 Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakes Wales for its comprehensive annual financial report (CAFR) for the fiscal year ending September 30, 2009. This was the first year the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City has to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Judith H. Delmar,  
City Manager



Dorothy Pendergrass, CPA  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lake Wales  
Florida

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

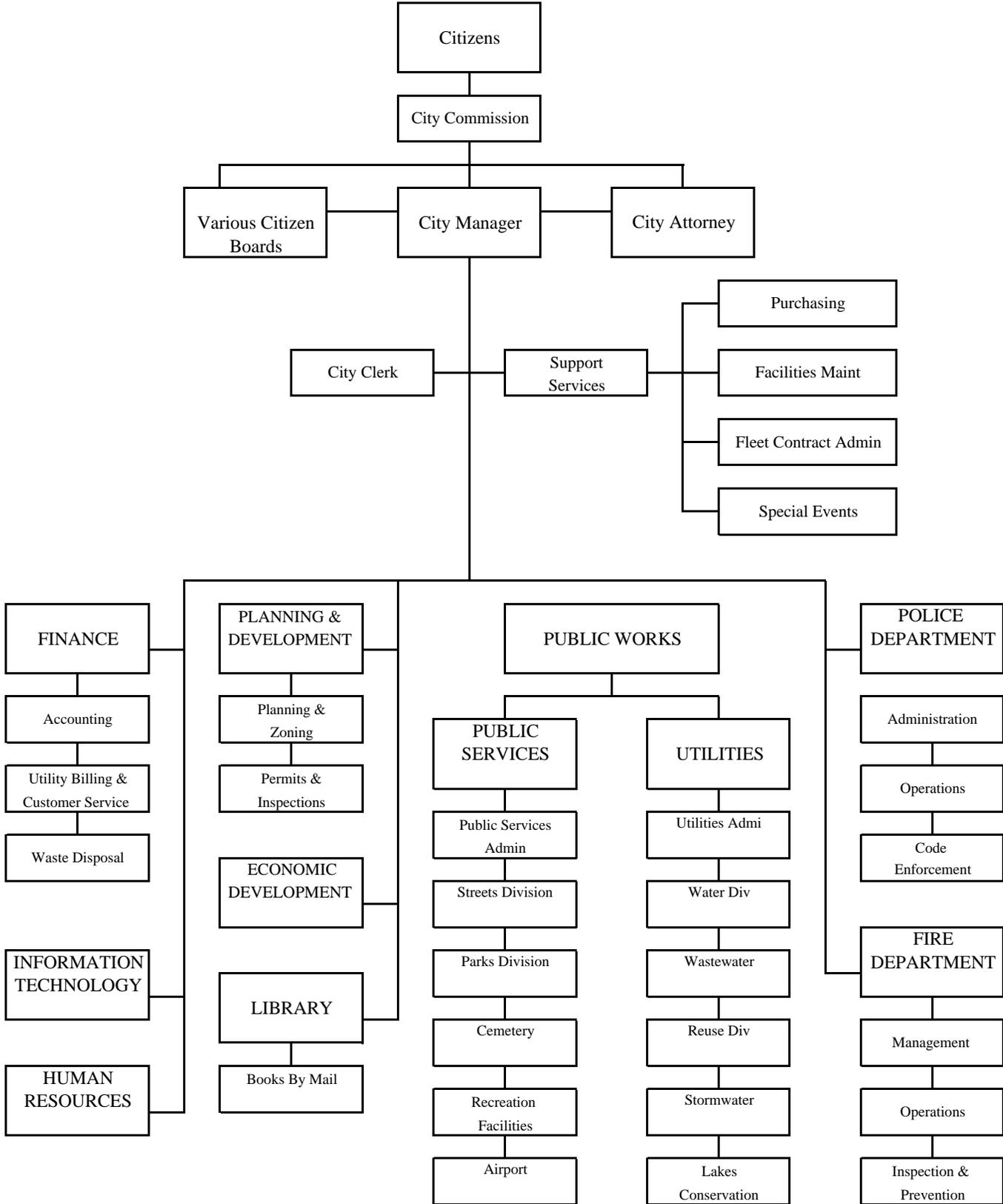
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive 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 ----- Michael Carter  
Commissioner ----- Terrye Y. Howell  
Commissioner ----- Jonathan Thornhill

**City Officials**

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

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners  
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, 2010, 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, 2010, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

### Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505  
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542  
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762  
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

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

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

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, supplemental information, statistical section, and schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
February 3, 2011  
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, 2010. 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 \$42,530,229 (*net assets*). Of this amount, \$3,398,752 (*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 \$1,555,788. The governmental activities increased by \$846,466 (3.92%), while business-type activities increased \$709,322 (3.66%).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,703,246; an increase of \$424,694 for the year. Approximately 32.48% 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 \$2,099,390 or 19.63% of total general fund expenditures.

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund 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 government-wide financial statements. The City uses an enterprise fund to account for its water and sewer distribution operation. The Lake Wales Airport Authority, a discretely presented component unit, uses an enterprise fund to account for the airport's operation.

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-65 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 78-86 of this report.

Lake Wales Airport Authority financial statements can be found on pages 87-89 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 \$42,530,229 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets \$32,554,390 (76.54%) 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 11,726,647	\$ 10,889,930	\$ 3,844,145	\$ 2,719,126	\$ 15,570,792	\$ 13,609,056
Capital assets, net of depreciation	29,750,813	30,615,339	28,802,071	29,593,316	58,552,884	60,208,655
<b>Total assets</b>	<b>41,477,460</b>	<b>41,505,269</b>	<b>32,646,216</b>	<b>32,312,442</b>	<b>74,123,676</b>	<b>73,817,711</b>
Current and other liabilities	3,022,128	2,730,553	2,165,121	2,078,718	5,187,249	4,809,271
Long-term liabilities	16,024,797	17,240,147	10,381,401	10,843,352	26,406,198	28,083,499
<b>Total liabilities</b>	<b>19,046,925</b>	<b>19,970,700</b>	<b>12,546,522</b>	<b>12,922,070</b>	<b>31,593,447</b>	<b>32,892,770</b>
Net Assets:						
Investment in capital assets net of related debt	15,123,821	14,626,172	17,430,569	17,897,798	32,554,390	32,523,970
Restricted	4,431,294	4,579,237	2,145,793	754,399	6,577,087	5,333,636
Unrestricted	2,875,420	2,329,160	523,332	738,175	3,398,752	3,067,335
<b>Total net assets</b>	<b>\$ 22,430,535</b>	<b>\$ 21,534,569</b>	<b>\$ 20,099,694</b>	<b>\$ 19,390,372</b>	<b>\$ 42,530,229</b>	<b>\$ 40,924,941</b>

An additional portion of the City's net assets \$6,577,087 (15.47%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,398,752 (7.99%) 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.

<b>City of Lake Wales Changes in Net Assets</b>						
	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 2,212,513	\$ 1,907,303	\$ 6,125,465	\$ 6,025,162	\$ 8,337,978	\$ 7,932,465
Operating grants and contributions	811,508	772,085	-	-	811,508	772,085
Capital grants and contributions	408,721	55,401	383,974	159,572	792,695	214,973
General Revenues:						
Property taxes	6,427,817	7,148,427	-	-	6,427,817	7,148,427
Other taxes	2,876,108	2,827,144	-	-	2,876,108	2,827,144
Franchise fees	1,368,738	1,247,248	-	-	1,368,738	1,247,248
Other	1,271,703	1,261,613	276,067	254,961	1,547,770	1,516,574
<b>Total Revenues</b>	<u>15,377,108</u>	<u>15,219,221</u>	<u>6,785,506</u>	<u>6,439,695</u>	<u>22,162,614</u>	<u>21,658,916</u>
<b>Expenses:</b>						
Governmental Activities:						
General government	1,354,698	1,444,336	-	-	1,354,698	1,444,336
Public safety	7,647,887	7,197,291	-	-	7,647,887	7,197,291
Physical environment	1,204,112	963,588	-	-	1,204,112	963,588
Transportation	1,548,696	1,515,164	-	-	1,548,696	1,515,164
Economic environment	532,987	580,616	-	-	532,987	580,616
Human services	20,634	20,636	-	-	20,634	20,636
Culture and recreation	2,337,296	2,291,706	-	-	2,337,296	2,291,706
Interest on long-term debt	675,004	767,787	-	-	675,004	767,787
Business-type Activities:						
Public utilities	-	-	5,285,512	5,024,906	5,285,512	5,024,906
<b>Total Expenses</b>	<u>15,321,314</u>	<u>14,781,124</u>	<u>5,285,512</u>	<u>5,024,906</u>	<u>20,606,826</u>	<u>19,806,030</u>
Increase (decrease) in net assets before special items and transfers	55,794	438,097	1,499,994	1,414,789	1,555,788	1,852,886
Special Items						-
Transfers	790,672	(2,030,282)	(790,672)	2,030,282	-	-
Change in net assets	846,466	(1,592,185)	709,322	3,445,071	1,555,788	1,852,886
Beginning net assets (restated)*	21,584,069	23,126,754	19,390,372	15,945,301	40,974,441	39,072,055
Ending net assets	<u>\$ 22,430,535</u>	<u>\$ 21,534,569</u>	<u>\$ 20,099,694</u>	<u>\$ 19,390,372</u>	<u>\$ 42,530,229</u>	<u>\$ 40,924,941</u>

\* Beginning net assets for governmental activities were restated by \$49,500 to reclassify an airport related obligation to the airport component unit.

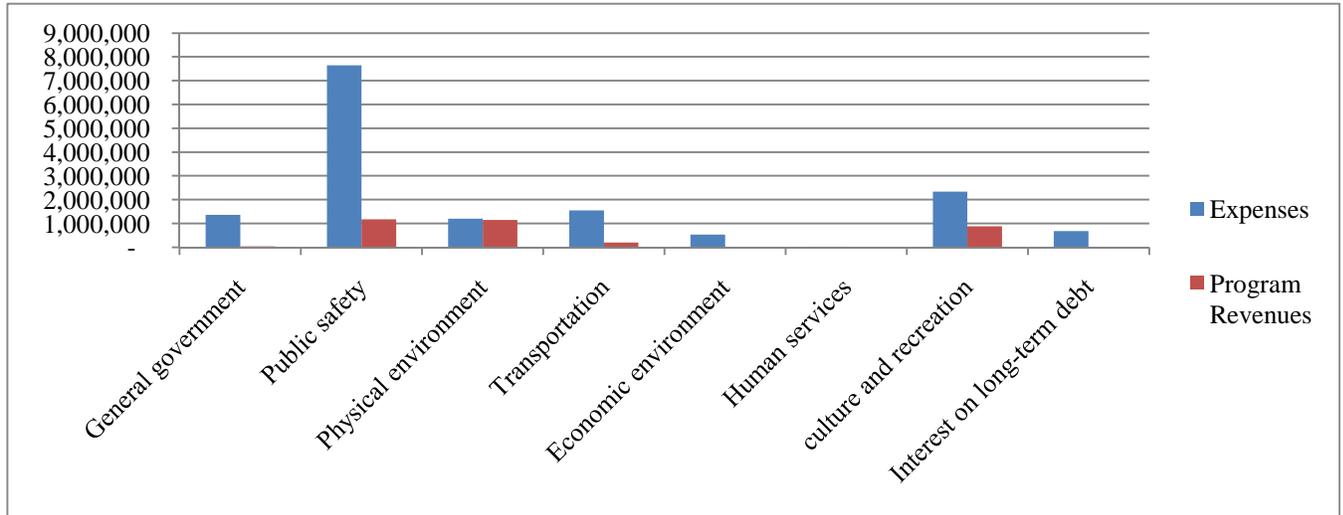
**Governmental activities.** Governmental activities increased the City’s net assets by \$846,466. Business-type activities net assets increased by \$709,322. Key elements of changes in net assets are as follows:

- Charges for services in 2010 increased by \$305,210 or 16.01% from 2009. Essentially, \$281,472 of this increase was due to increased building permits of \$144,031, impact fees of \$184,439, police service contract fees of \$27,768, with decreases in fines of (\$16,543), police forfeitures of (\$34,053), site development and inspection fees of (\$24,170)
- Operating grants and contributions received by the City increased in 2010 by \$39,423 or 5.11% from 2009. This increase was the result of a payment timing difference relating to a school resource officer contract.

- Capital grants and contributions increased by \$353,320 or 637.75% from 2009. Essentially, \$333,495 (94.39%) of this increase was due to increases in law enforcement grants of \$118,901 and historic preservation grants of \$245,294, with decreases relating to US 27 landscaping grant of (\$20,000) and sewer improvement grant of (\$10,700).
- General revenues decreased during 2010 by \$540,066 or 1.90% from 2009. This change is a net result of a decrease in property taxes of (\$720,610), increase in other taxes of \$48,964 (mainly from increase in public service taxes of \$150,482, with decreases in communication service tax of (\$96,509), gas taxes of (\$2,693) and local business taxes of (\$2,316)), and increase in franchise fees of \$121,490. In addition, other revenue increased by \$10,090.
- General government expenses decreased in 2010 by \$89,638. Essentially, \$66,433 (74.11%) of this decrease was due to decreases in personnel costs within the city manager office of (\$167,190) and increases in personnel costs of \$33,986 and operating costs of \$66,771 within planning and zoning department during 2010.
- Public safety expenses increased in 2010 by \$450,596 or 6.26% from 2009. Essentially, \$380,240 (84.39%) of this increase was due to increase in fire and police employer retirement contributions of \$250,551, police auto leases of \$25,825, police fuel of \$16,185, police software costs of \$3,114 and police fleet maintenance of \$84,565
- Physical environment expenses increased in 2010 by \$240,524. Essentially, \$203,682 (84.68%) of this increase was due to increases in solid waste contract of \$29,460 and allocations of indirect solid waste costs of \$174,222.
- Transportation expenses in 2010 increased by \$33,532 or 2.21%.
- Culture and Recreation expenses increased in 2010 by \$45,590 or 1.98%.

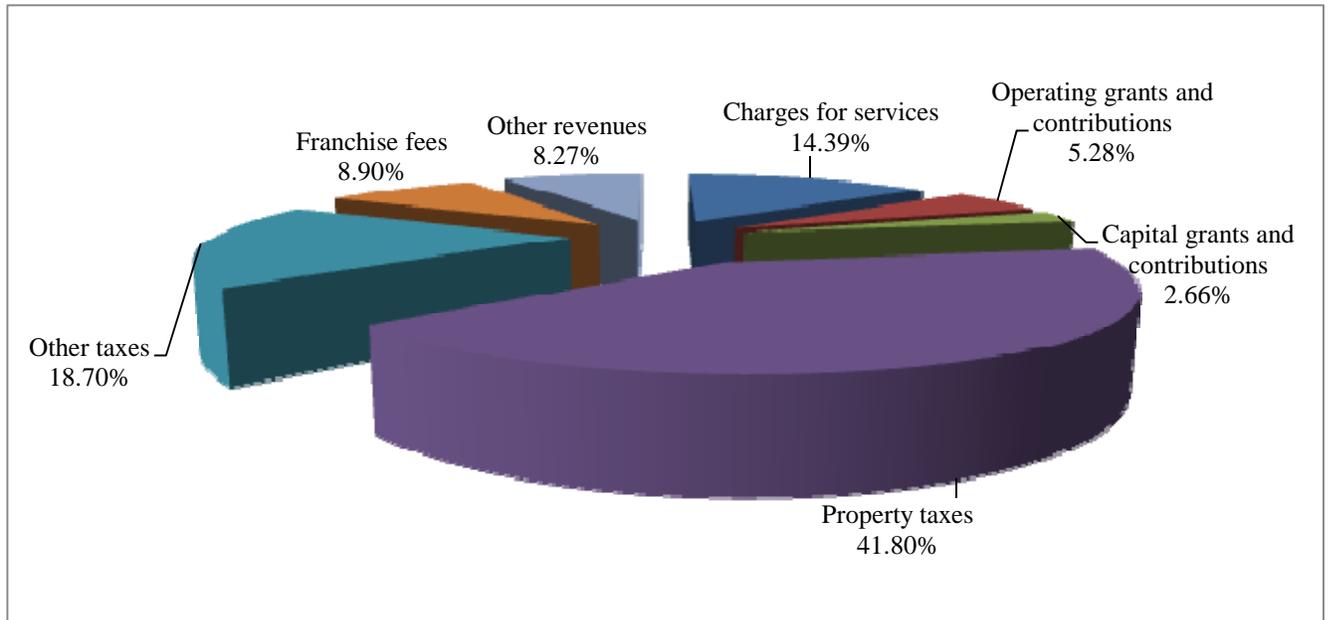
The following chart compares expenses with program revenues for the City’s governmental activities:

**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**



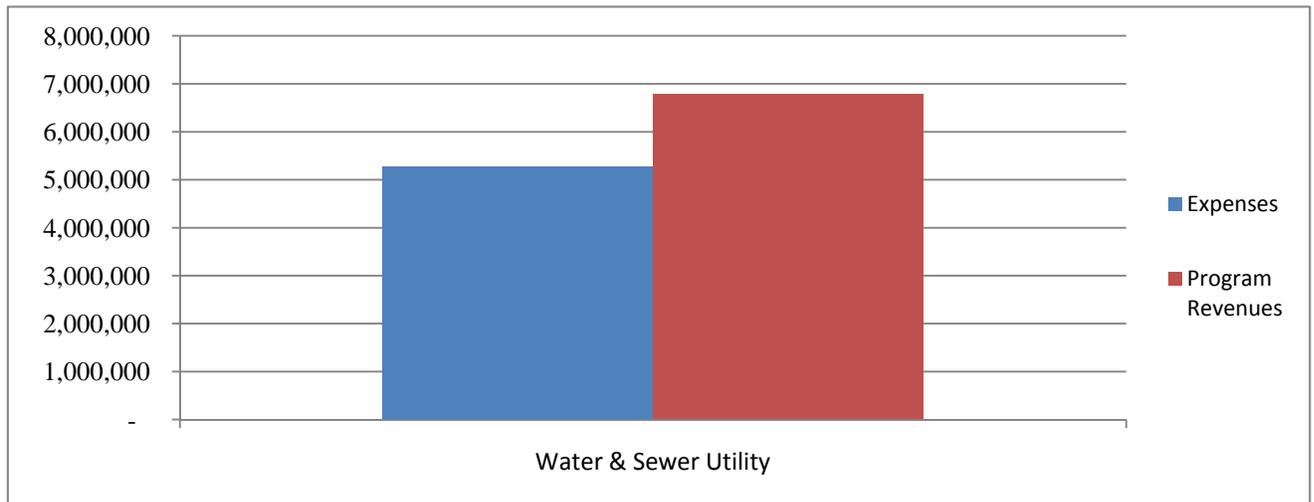
## **Business-type Activities**

Business-type activities increased the City's net assets by \$709,322 accounting for 45.59% of the total growth in the City's net assets. Key elements of this increase are as follows:

- Capital grants and contributions increased by \$224,402 due to a capital contribution from Whispering Ridge in 2009 of (\$32,832), and an increase in impact fees of \$257,234.
- Charges for services in 2010 increased by \$100,303 or 1.66%.
- Other revenues increased by \$21,106. Essentially, \$21,260 (100.7%) of this increase is due to increases in the sale of scrap metal of \$10,096 and bad debt recovery of \$11,164.
- Water and sewer expenditures increased \$260,606 or 5.19%. Essentially, \$250,000 (95.93%) of this increase was due to a non-operating expenditure relating to the Lake Belle drainage project. Lake Belle is located in an unincorporated portion of Polk County. The City of Lake Wales participated in a joint drainage project between Polk County and Southwest Florida Water Management District to alleviate flooding in the Lake Belle drainage basin.

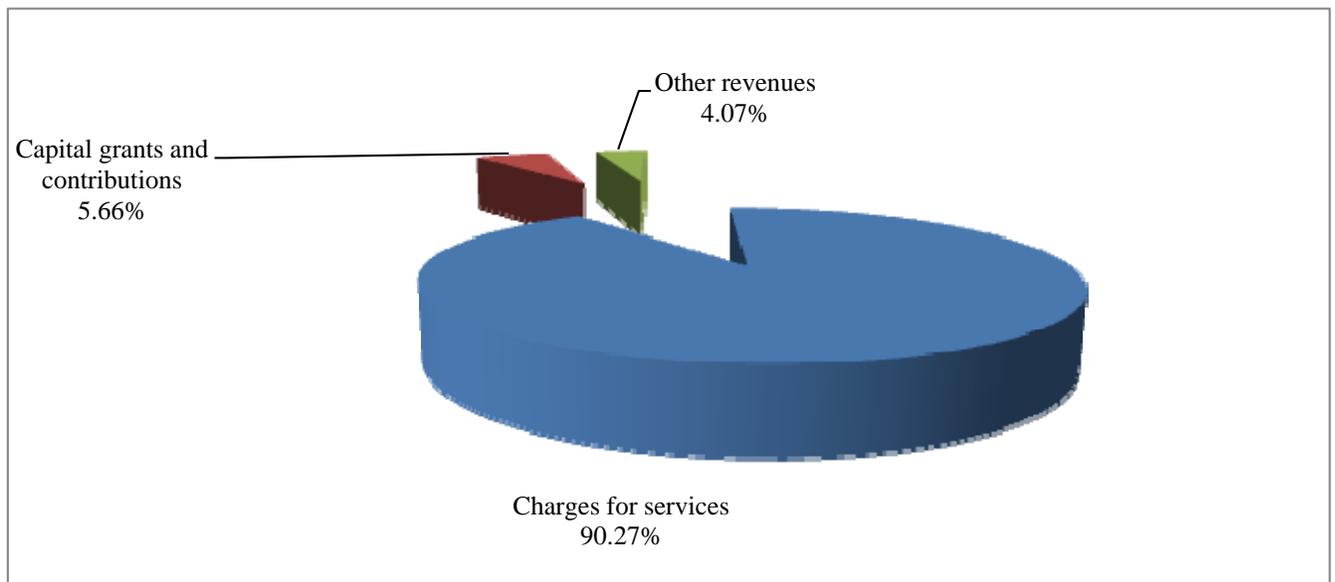
The following chart compares expenses with program revenues for the City's business-type activities:

### 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 \$9,703,246 an increase of \$424,694 for the year. Approximately 32.48% of this amount (\$3,151,564) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. Approximately 33.49% of unreserved balance (\$1,056,957) 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 30<sup>th</sup> 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 (\$6,551,592) 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 \$329,060, debt service of \$1,983,160, redevelopment of \$3,316,094, road and street expenditures of \$28,297, capital projects of \$480,456 and other purposes of \$414,525.

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 \$3,156,347, while total fund balance reached \$3,471,167. 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 29.51% percent of total general fund expenditure, while total fund balance represents 32.45% percent of the same amount.

The fund balance of the City's general fund increased by \$488,157 during the current fiscal year. Essentially, \$426,013 (87.27%) of this increase was due to transfer from the community redevelopment fund to the general fund of \$316,230, which represented the escrow money released for the cooperative fruit property, sale of capital assets of \$38,320, and insurance recoveries of \$71,463.

The fund balance of the City's community redevelopment fund decreased by \$697,090 during the current fiscal year. Significant changes totaling \$706,693 within the community redevelopment fund included:

- Reduction in tax revenue of (\$81,421) compared to 2009.
- Reduction in county tax increment revenue of (\$151,757) compared to 2009.
- Reductions in investment earnings of (\$32,163) compared to 2009.
- Increase in community policing costs of (\$173,253) compared to 2009.
- Reduction in development/redevelopment costs of \$48,131 compared to 2009.
- The community redevelopment fund transferred (\$316,230) which represented the escrow money released for the cooperative fruit property to the general fund during 2010.

Expenditures within the transportation fund decreased by \$1,045,928 during the current fiscal year mainly due to a decrease in transportation capital projects of \$1,100,535.

***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 \$523,332. 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 \$567,671 increase in general fund expenditure appropriations between the original and final amended budget. Essentially, \$543,591 (95.8%) of the changes were related to the following items:

- Cemetery improvements were increased by \$300,000. To be funded solely from revenues over expenditures from fiscal year 09/30/09.
- A 1% lump sum cost of living “bonus” granted to employees was appropriated in the general fund for \$58,354. To be funded through excess revenues over expenditures.
- Planning and Zoning expenditures increased by \$26,000 in professional fees relating to GAI billing.
- Police expenditures increased by \$32,900 due to operating cost \$28,741 and capital outlay \$3,159 for in-car cameras and \$1,000 SWAT obstacle course.
- Fire expenditures increased by \$80,137 due to operating supplies \$67,206 and capital outlay \$12,931 for radios increases.
- Solid waste expenditures increased by \$46,200 in solid waste fees due to larger customer bases than originally budgeted.

During the year there was a \$111,737 increase in general fund revenue appropriations between the original and final amended budget. Following are the main components of the increase:

- Increase of \$63,800 in building permits,
- Decrease of (\$50,463) in fire department grants,
- Increase of \$51,200 in fire department donations from the County for radios,
- Increase of \$36,600 in garbage fees,
- Increase of \$9,600 interest income, and
- Increase of \$1,000 donation to the police for a SWAT obstacle course.

General fund revenues were \$374,961 above budget due to the following increases and decrease:

Major revenue items that exceeded the amended budget were:

• Taxes	\$ 135,101
• Licenses and permits	254,638
• Intergovernmental	959
• Investment earnings	8,481
• Miscellaneous	91,075

Major revenue items that came in below budget were:

• Charges for services	\$ 49,643
• Fines and forfeits	65,650

General fund expenditures were \$413,078 below budget appropriation mainly due to a spending freeze implemented by the City Manager in June of 2010. The freeze was implemented in anticipation of a continued reduction in ad valorem and state revenue sharing funds projected for fiscal year 2010'11. The projections, provided by various Florida agencies, continued to provided early indicators of continued decline in revenues sources available to municipalities due to the economic decline. Essentially, \$370,172 (89.7%) of the changes were related to the following differences between actual and budget appropriation:

- Cemetery expenditures were below budget mainly due to postponement of road repair and maintenance costs of \$33,935 and capital outlay projects of \$134,200.
- Fleet maintenance expenditures were below budget by \$59,629 mainly due to cost allocation of itemized expenditures to the departments which received the direct benefits.
- Transportation expenditures were below budget by \$38,736 mainly due to the Airport Authority reduction in operating expenditures and timing of capital outlay projects.
- Parks division expenditures were below budget by \$74,960 mainly due to postponement of capital outlay purchases relating to a tractor, stump grinder and mower.
- Special events expenditures were below budget by \$28,712 due to reductions in contribution of City labor costs to community events during 2009'10.

### **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, 2010 is \$58,552,884 (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 decrease (additions less retirements and depreciation) in the City's investment in capital assets was \$1,655,771; a decrease of 2.75%. This consisted of a -2.83% decrease for governmental activities and a -2.67% decrease for business-type activities.

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

#### Governmental:

- Overhead projector - \$1,235
- Police in-car cameras (12) - \$42,513
- Police canine - \$6,550
- Police firearms - \$8,680
- Police workstation - \$9,988
- Security system motomesh - \$47,635
- Polaris ranger - \$11,887
- Fire radios (16) - \$51,200
- Fire washer/dryer - \$840
- Library books - \$92,955
- Cemetery building - \$11,650
- Cemetery fence - \$8,771
- Cemetery irrigation - \$9,900
- Cemetery potable waterline - \$3,517
- Cemetery security system - \$24,754
- Cemetery signs (2) - \$4,170
- Rails to trail bike rakes w/ trash cans (2) - \$2,386
- Rails to trail signs (2) - \$3,219
- Fuel master equipment - \$8,218

- KUB mowers w/61” rear discharge (2) - \$21,472
- Trailers 7x12 (2) - \$2,304
- Bucket truck - \$28,500
- Pump station - Twin Lakes - \$26,115
- Performing arts building - \$541,499
- Land (donated) - \$14,394

Utilities:

- Southside system upgrades - \$10,092
- Reuse booster - \$99,691
- C street - sewer project - \$37,966
- Preconstruction WWTP - \$35,625
- Interconnect - N US 27 line relocation - \$11,370
- New services - \$46,301
- Reuse monitoring wells - \$13,007
- John Deer tractors (2) - \$6,558
- Backup pumps - \$67,890

### City of Lake Wales’s Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 5,019,334	\$ 5,004,940	\$ 633,115	\$ 633,115	\$ 5,652,449	\$ 5,638,055
Construction in progress	55,032	2,418,076	1,439,869	1,256,495	1,494,901	3,674,571
Buildings	13,093,971	10,177,778	707,342	707,342	13,801,313	10,885,120
Improvements other than buildings	6,631,710	6,866,189	34,396,233	34,325,556	41,027,943	41,191,745
Machinery & equipment	9,604,360	9,474,373	5,194,649	5,186,356	14,799,009	14,660,729
Infrastructure	18,699,144	18,414,909	-	-	18,699,144	18,414,909
<b>Total</b>	<u>53,103,551</u>	<u>52,356,265</u>	<u>42,371,208</u>	<u>42,108,864</u>	<u>95,474,759</u>	<u>94,465,129</u>
Less: accumulated depreciation	<u>(23,352,738)</u>	<u>(21,740,926)</u>	<u>(13,569,137)</u>	<u>(12,515,548)</u>	<u>(36,921,875)</u>	<u>(34,256,474)</u>
Capital assets, net	<u>\$ 29,750,813</u>	<u>\$ 30,615,339</u>	<u>\$ 28,802,071</u>	<u>\$ 29,593,316</u>	<u>\$ 58,552,884</u>	<u>\$ 60,208,655</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 \$28,247,904. This amount represents \$28,065,983 note payables, and \$181,921 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Note payables	\$ 16,372,461	\$ 17,538,054	\$ 11,693,522	\$ 12,068,920	\$ 28,065,983	\$ 29,606,974
Lease obligations	181,921	330,666	-	-	181,921	330,666
Total debt obligations	<u>\$ 16,554,382</u>	<u>\$ 17,868,720</u>	<u>\$ 11,693,522</u>	<u>\$ 12,068,920</u>	<u>\$ 28,247,904</u>	<u>\$ 29,937,640</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 2010 for Lakeland/Winter Haven Metro Area was 13.3%. 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. 2010</u>	<u>Previous Year Sept. 2009</u>
Lakeland/Winter Haven Metro Area	13.3%	12.7%
State of Florida	12.1%	11.4%
United States	9.6%	9.8%

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

The tax base for the City is composed of real property, personal property and centrally assessed property. The taxable value of such property decreased 15.48% from 2009 to 2010.

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 13,067 in 2009 to 13,076 in 2010.

All of these factors were considered in preparing the City of Lake Wales’s budget for the 2010’11 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](http://www.cityoflakewales.com)

**City of Lake Wales, Florida**  
**Statement of Net Assets**  
**September 30, 2010**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Airport Authority</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 7,138,816	\$ 110,446	\$ 7,249,262	\$ -
Receivable (net of allowance for uncollectibles)	457,780	720,056	1,177,836	-
Due from component unit	133,580		133,580	
Intergovernmental receivables	571,424		571,424	91,053
Restricted cash, cash equivalents and investments:				
Debt construction account	1,606,516		1,606,516	-
Debt reserve accounts		822,528	822,528	
Impact fees	317,105	669,911	987,016	-
Customer deposits	-	533,857	533,857	-
Capacity reserve	-	17,046	17,046	-
Investments	252,391	750,943	1,003,334	-
Inventories	45,618	156,203	201,821	-
Prepays	283,442	2,500	285,942	-
Net pension assets	316,435	-	316,435	-
Capital Assets:				
Nondepreciable	5,074,366	2,072,983	7,147,349	2,202,195
Depreciable, net	24,676,447	26,729,088	51,405,535	5,757,718
Unamortized bond issue costs	119,995	60,655	180,650	-
Deferred outflows - interest rate swap	483,545	-	483,545	-
<b>Total assets</b>	<b>41,477,460</b>	<b>32,646,216</b>	<b>74,123,676</b>	<b>8,050,966</b>
<b>Liabilities</b>				
Accounts payable	421,537	187,032	608,569	2,560
Accrued liabilities	230,375	42,323	272,698	-
Accrued interest	309,980	138,874	448,854	-
Contracts/retainage payable	-	99,898	99,898	2,239
Due to primary government				133,580
Deposits	104,617	528,826	633,443	-
Unearned revenues	196,879	16,402	213,281	407
Noncurrent Liabilities:				
Due within one year	1,758,740	1,151,766	2,910,506	18,000
Due in more than one year	16,024,797	10,381,401	26,406,198	133,629
<b>Total liabilities</b>	<b>19,046,925</b>	<b>12,546,522</b>	<b>31,593,447</b>	<b>290,415</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	15,123,821	17,430,569	32,554,390	7,674,704
Restricted for:				
Redevelopment	1,520,812	-	1,520,812	-
Debt service	1,983,160	1,004,532	2,987,692	-
Other Purposes	927,322	1,141,261	2,068,583	-
Unrestricted	2,875,420	523,332	3,398,752	85,847
<b>Total net assets</b>	<b>\$ 22,430,535</b>	<b>\$ 20,099,694</b>	<b>\$ 42,530,229</b>	<b>\$ 7,760,551</b>

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, 2010**

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges For Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,354,698	\$ 30,704	\$ -	\$ -
Public safety	7,647,887	872,049	170,597	129,949
Physical environment	1,204,112	1,125,826	10,049	14,250
Transportation	1,548,696	97,750	98,887	-
Economic environment	532,987	-	-	-
Human services	20,634	-	-	-
Culture and recreation	2,337,296	86,184	531,975	264,522
Interest on long-term debt	675,004	-	-	-
<b>Total governmental activities</b>	<b>15,321,314</b>	<b>2,212,513</b>	<b>811,508</b>	<b>408,721</b>
<b>Business-type activities:</b>				
Water and Sewer Utility	5,285,512	6,125,465	-	383,974
<b>Total primary government</b>	<b>20,606,826</b>	<b>8,337,978</b>	<b>811,508</b>	<b>792,695</b>
<b>Component unit:</b>				
Airport Authority	\$ 325,900	\$ 86,632	\$ -	\$ 357,481

**General revenues**

Taxes:  
Property taxes  
Franchise fees  
Public service taxes  
Communication service taxes  
Gas taxes  
Local business tax  
State and county shared revenues  
Investment earnings  
Insurance recoveries  
Gain on disposal of capital assets  
Miscellaneous revenues  
Transfers  
**Total general revenues and transfers**  
**Change in net 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**

<b>Primary Governments</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Airport Authority</b>
\$ (1,323,994)	\$ -	\$ (1,323,994)	
(6,475,292)	-	(6,475,292)	
(53,987)	-	(53,987)	
(1,352,059)	-	(1,352,059)	
(532,987)	-	(532,987)	
(20,634)	-	(20,634)	
(1,454,615)	-	(1,454,615)	
(675,004)	-	(675,004)	
<u>(11,888,572)</u>	<u>-</u>	<u>(11,888,572)</u>	
-	1,223,927	1,223,927	
<u>(11,888,572)</u>	<u>1,223,927</u>	<u>(10,664,645)</u>	
			<u>\$ 118,213</u>
6,427,817	-	6,427,817	-
1,368,738	-	1,368,738	-
1,580,190	-	1,580,190	-
588,111	-	588,111	-
630,798	-	630,798	-
77,009	-	77,009	-
904,179	-	904,179	-
94,987	24,662	119,649	-
71,463	-	71,463	-
42,409	7,390	49,799	-
158,665	244,015	402,680	-
790,672	(790,672)	-	-
<u>12,735,038</u>	<u>(514,605)</u>	<u>12,220,433</u>	<u>-</u>
846,466	709,322	1,555,788	118,213
<u>21,584,069</u>	<u>19,390,372</u>	<u>40,974,441</u>	<u>7,642,338</u>
<u>\$ 22,430,535</u>	<u>\$ 20,099,694</u>	<u>\$ 42,530,229</u>	<u>\$ 7,760,551</u>

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

**City of Lake Wales, Florida**  
**Balance Sheet**  
**All Governmental Funds**  
**September 30, 2010**

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 3,126,578	\$ 54,810	\$ 1,972,877	\$ 1,569,779	\$ 414,772	\$ 7,138,816
Receivable (net of allowance for uncollectibles)	455,321	-	-	2,459	-	457,780
Due from other funds	5,702	-	-	261,957	-	267,659
Due from component unit	133,580	-	-	-	-	133,580
Inventories	45,618	-	-	-	-	45,618
Intergovernmental receivables	202,041	107,426	-	-	261,957	571,424
Restricted cash, cash equivalents and investments:						
Debt construction account	-	-	-	1,606,516	-	1,606,516
Impact fees	-	-	10,283	-	306,822	317,105
Impact fees - investments	-	-	-	-	252,391	252,391
Prepays	269,202	-	-	345	13,895	283,442
<b>Total assets</b>	<u>4,238,042</u>	<u>162,236</u>	<u>1,983,160</u>	<u>3,441,056</u>	<u>1,249,837</u>	<u>11,074,331</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	354,388	55,000	-	10,994	1,155	421,537
Accrued liabilities	213,795	-	-	13,623	2,957	230,375
Due to other funds	-	-	-	-	267,659	267,659
Deposits	4,617	-	-	100,000	-	104,617
Deferred revenues	194,075	78,939	-	-	73,883	346,897
<b>Total liabilities</b>	<u>766,875</u>	<u>133,939</u>	<u>-</u>	<u>124,617</u>	<u>345,654</u>	<u>1,371,085</u>
<b>Fund balances</b>						
Reserved for:						
Inventory and prepaids	314,820	-	-	345	13,895	329,060
Debt Service	-	-	1,983,160	-	-	1,983,160
Redevelopment	-	-	-	3,316,094	-	3,316,094
Road and street expenditures	-	28,297	-	-	-	28,297
Capital projects	-	-	-	-	480,456	480,456
Other Purposes	-	-	-	-	414,525	414,525
Unreserved, designated for:						
Tax anticipation/municipal pool	1,056,957	-	-	-	-	1,056,957
Unreserved, undesignated	2,099,390	-	-	-	(4,693)	2,094,697
<b>Total fund balances</b>	<u>3,471,167</u>	<u>28,297</u>	<u>1,983,160</u>	<u>3,316,439</u>	<u>904,183</u>	<u>9,703,246</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,238,042</u>	<u>\$ 162,236</u>	<u>\$ 1,983,160</u>	<u>\$ 3,441,056</u>	<u>\$ 1,249,837</u>	<u>\$ 11,074,331</u>

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

**City of Lake Wales, Florida**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**As of September 30, 2010**

**Total Fund balances of governmental funds**

<b>Amounts reported for governmental activities in the statement of net assets</b>	<b>\$ 9,703,246</b>
<b>are different because:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	29,750,813
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.	(309,980)
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.	(17,299,992)
Net pension assets resulting from the overfunding of general, police, and fire pension plans are not reported in the applicable funds.	316,435
Unamortized debt issuance costs are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	119,995
<b>Net assets of governmental activities</b>	<b><u><u>\$ 22,430,535</u></u></b>

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, 2010**

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>						
Taxes	\$ 5,571,323	\$ 630,797	\$ 632,445	\$ 1,076,536	\$ 397,969	\$ 8,309,070
Licenses and permits	1,464,438	-	255,282	-	-	1,719,720
Intergovernmental	1,061,066	112,599	-	1,024,760	945,523	3,143,948
Charges for services	1,787,933	97,750	-	51	-	1,885,734
Fines and forfeits	43,300	-	-	-	7,651	50,951
Investment earnings	52,081	294	10,822	26,734	10,277	100,208
Impact fees	-	-	9,866	-	206,339	216,205
Miscellaneous	166,975	704	-	800	14,702	183,181
Total revenues	<u>10,147,116</u>	<u>842,144</u>	<u>908,415</u>	<u>2,128,881</u>	<u>1,582,461</u>	<u>15,609,017</u>
<b>Expenditures</b>						
Current:						
General government	1,570,033	-	-	-	20	1,570,053
Public safety	6,627,571	-	-	621,426	149,708	7,398,705
Physical environment	1,280,853	-	-	-	10,049	1,290,902
Transportation	17,934	711,112	-	-	-	729,046
Economic environment	47,015	-	-	457,862	-	504,877
Human services	6,000	-	-	-	-	6,000
Culture and recreation	1,147,466	-	-	-	1,470,584	2,618,050
Debt Service:	-	-	-	-	-	-
Principal	-	-	1,314,339	-	-	1,314,339
Interest and fiscal charges	-	-	618,964	-	-	618,964
Capital outlay	-	-	-	-	37,931	37,931
Total expenditures	<u>(10,696,872)</u>	<u>(711,112)</u>	<u>(1,933,303)</u>	<u>(1,079,288)</u>	<u>(1,668,292)</u>	<u>(16,088,867)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(549,756)</u>	<u>131,032</u>	<u>(1,024,888)</u>	<u>1,049,593</u>	<u>(85,831)</u>	<u>(479,850)</u>
<b>Other financing sources (uses)</b>						
Transfers in	1,144,230	26,114	1,448,994	-	283,491	2,902,829
Transfers out	(216,100)	(149,374)	-	(1,746,683)	-	(2,112,157)
Insurance recoveries	71,463	-	-	-	-	71,463
Sale of capital assets	38,320	3,149	-	-	940	42,409
Total other financing (uses) sources	<u>1,037,913</u>	<u>(120,111)</u>	<u>1,448,994</u>	<u>(1,746,683)</u>	<u>284,431</u>	<u>904,544</u>
Net change in fund balances	488,157	10,921	424,106	(697,090)	198,600	424,694
<b>Fund balances, beginning of year</b>	<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>
<b>Fund balances, end of year</b>	<u>\$ 3,471,167</u>	<u>\$ 28,297</u>	<u>\$ 1,983,160</u>	<u>\$ 3,316,439</u>	<u>\$ 904,183</u>	<u>\$ 9,703,246</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, 2010**

**Net change in fund balances of the governmental funds** \$ 424,694

**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	984,352	
Depreciation	<u>(1,848,878)</u>	(864,526)

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.

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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.

Principal Paid		1,314,338
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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	59,541	
(Increase) in Other Post Employment Benefits	(20,875)	
Amortization of Debt Issue Costs	(17,392)	
Amortization of Refunding Losses	(33,479)	
(Decrease) in Net Pension Asset	(10,668)	
(Increase) in Interest Accrued on Bonds	<u>(5,167)</u>	<u>(28,040)</u>

**Change in net assets of governmental activities** **\$ 846,466**

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, 2010**

	<b>Public Utilities Fund</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 110,446
Receivables (net of allowance for uncollectibles)	720,056
Restricted cash, cash equivalents and investments:	
Debt reserve accounts	822,528
Impact fees	669,911
Customer deposits	533,857
Capacity reserve	17,046
Debt reserve accounts - investment	296,639
Impact fees - investment	454,304
Inventories	156,203
Prepaid	2,500
Total current assets	3,783,490
Noncurrent assets	
Capital assets:	
Nondepreciable	2,072,983
Depreciable, net	26,729,088
Unamortized bond issue costs	60,655
Total noncurrent assets	28,862,726
Total assets	32,646,216
<b>Liabilities</b>	
Current liabilities	
Accounts payable	187,032
Accrued liabilities	42,323
Accrued interest	138,874
Retainage payable	99,898
Customer deposits	528,826
Deferred revenues	16,402
Accrued compensated absences	9,235
Current portion of long-term debt	1,142,531
Total current liabilities	2,165,121
Noncurrent liabilities	
Notes payable - noncurrent	10,289,626
Accrued compensated absences	83,119
Accrued OPEB	8,656
Total noncurrent liabilities	10,381,401
Total liabilities	12,546,522
<b>Net assets</b>	
Invested in capital assets, net of related debt	17,430,569
Restricted for capital projects	1,141,261
Restricted for debt service	1,004,532
Unrestricted	523,332
<b>Total net assets</b>	<b>\$ 20,099,694</b>

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**  
**Proprietary Funds**  
**For the Year Ended September 30, 2010**

	<b>Public Utilities Fund</b>
<b>Operating revenues:</b>	
Charges for Services	\$ 6,125,465
Other income	244,015
Total operating revenues	<u>6,369,480</u>
<b>Operating expenses:</b>	
Personal services	1,524,055
Contractual services	313,031
Repairs and maintenance	576,300
Materials and supplies	222,606
General and administrative	888,748
Depreciation	1,119,745
<b>(Total operating expenses)</b>	<u>(4,644,485)</u>
<b>Operating income</b>	<u>1,724,995</u>
<b>Nonoperating revenues (expenses)</b>	
Interest income	24,662
Interest expense and fiscal charges	(383,204)
Amortization of bond issue costs	(7,823)
Capital contribution to Polk County	(250,000)
Gain on sale of capital assets	7,390
Total nonoperating (expenses)	<u>(608,975)</u>
Income before contributions and transfers	<u>1,116,020</u>
<b>Capital contributions</b>	
Impact fees	383,974
Total capital contributions	<u>383,974</u>
<b>Operating transfers</b>	
Operating transfers in	73,731
Operating transfers out	(864,403)
Total operating transfers	<u>(790,672)</u>
Change in net assets	709,322
Total net assets, beginning of year	<u>19,390,372</u>
<b>Total net assets, end of year</b>	<u>\$ 20,099,694</u>

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

**City of Lake Wales, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2010**

	<b>Business-Type Activities</b>
	<b>Public Utilities Fund</b>
<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 6,331,655
Cash payments to suppliers for goods and services	(2,186,980)
Cash payments for employee services	(1,504,010)
Net cash provided by operating activities	2,640,665
 <b>Cash flows from noncapital financing activities</b>	
Transfer from other funds	73,731
Transfer to other funds	(864,403)
Net cash provided by noncapital financing activities	(790,672)
 <b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(323,100)
Impact fees	383,974
Capital contribution to Polk County	(250,000)
Capital grants	160,191
Principal payments on long-term debt	(375,398)
Interest paid	(240,434)
Proceeds from sale of capital assets	7,390
Net cash used in capital and related financing activities	(637,377)
 <b>Cash flows from investing activities</b>	
Purchase of investments	(750,943)
Investment income	24,662
Net cash provided by investing activities	(726,281)
 <b>Net increase in cash and cash equivalents</b>	486,335
<b>Cash and cash equivalents, beginning of year</b>	1,667,453
<b>Cash and cash equivalents, end of year</b>	\$ 2,153,788

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, 2010**  
*(Concluded)*

	<b>Business-Type Activities</b>
	<b>Public Utilities Fund</b>
<b>Reconciliation of cash and cash equivalents to balance sheet</b>	
Cash and cash equivalents	\$ 110,446
Restricted cash and cash equivalents	2,043,342
<b>Cash and cash equivalents, end of year</b>	<b>2,153,788</b>
 <b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 1,724,995
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	1,119,745
(Increase) decrease in assets:	
Accounts receivable	(63,557)
Inventories	10,299
Prepaid	(2,500)
Increase (decrease) in liabilities:	
Accounts payable	(206,148)
Accrued liabilities	12,054
Utility deposits	25,732
Deferred revenue	0
Compensated absences	20,045
<b>Net cash provided by operating activities</b>	<b>\$ 2,640,665</b>

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

**City of Lake Wales**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2010**

	<b>Pension Trust Funds</b>
<b>Assets</b>	
Cash and cash equivalent	\$ 348,571
Investments, at fair value:	
Money market funds	1,354,416
Government Bonds	2,134,048
Government Assets backed/CMO Securities	1,862,396
Taxable Municipal Bonds	619,181
Corporate bonds and notes	3,308,448
Common and preferred stock	12,931,002
Total investments	22,209,491
Prepays	
Prepaid Fiduciary Liability Insurance	5,434
Total Prepays	5,434
Receivable (net):	
Interest and dividends	71,061
Due from State	1,665
Total receivable	72,726
Total assets	22,636,222
<b>Liabilities</b>	
Accounts payable	43,751
Due to DROP participants	443,633
Prepaid contributions from City	3,192
Total liabilities	490,576
<b>Net assets</b>	
Held in trust for pension benefits and other purposes	\$ 22,145,646

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

**City of Lake Wales, Florida**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended September 30, 2010**

	<u><b>Pension Trust Funds</b></u>
<b>Additions</b>	
Contributions:	
Employer	\$ 899,773
State of Florida	225,272
Employee	<u>321,329</u>
Total contributions	<u>1,446,374</u>
Interest and dividends	629,836
Net increase (decrease) in the fair value of investments	<u>1,054,865</u>
Total investments income (loss)	1,684,701
Less investment expense	<u>(162,733)</u>
Net investment income (loss)	<u>1,521,968</u>
Total additions	<u>2,968,342</u>
<b>Deductions</b>	
Benefit payments	1,536,137
Refunds of contributions	57,369
Administration	<u>108,780</u>
Total deductions	<u>1,702,286</u>
Change in net assets	1,266,056
<b>Total net assets - beginning</b>	<u>20,879,590</u>
<b>Total net assets - ending</b>	<u><u>\$ 22,145,646</u></u>

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



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# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2010

#### 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. The Lake Wales Airport Authority did not issue separate audited financial statements for fiscal year ending September 30, 2010.

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2010

**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, 2010

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

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

**Investments – City**

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

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

*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**  
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*3. Inventories and prepaid items*

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

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

*4. Restricted assets*

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

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

Debt service asset use is 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 \$1,000 and estimated useful life in excess of one year. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amount spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

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In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the city chose to include all such items regardless of their acquisition date or amount. The city was able to determine the historical cost of the initial reporting of these assets through research and estimating techniques. As the city constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at 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 \$618,964 and \$383,204 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.

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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, 2010, are unbilled amounts totaling \$405,680 (\$305,669 enterprise funds and \$100,011 general fund).

*10. Property Taxes*

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Polk County Property Appraiser and the Polk County Tax Collector. The laws of the state regulating tax assessments are also designed to assure a consistent property valuation method state-wide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10.00 mills. The City's millage rate for the 2010 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.

# **City of Lake Wales, Florida**

## **Notes to the Financial Statements**

### **September 30, 2010**

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.

**Deficit Fund Balance**

For fiscal year ending September 30, 2010, the Forfeiture Special Revenue Fund had a negative fund balance of \$4,693 due to actual revenues being less than expected. During fiscal year 2010'11, the City shall budget appropriations to insure this fund is returned to a positive fund balance by year end.

**III. Detailed notes on all funds**

**A. Deposits and investments**

**Deposits**

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

At September 30, 2010, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$11,216,225 (including the Authority), and the related bank balance was \$11,327,947. The carrying amount of deposits for the Authority, a discretely presented component unit, at September 30, 2010, was \$0.00. During 2010, 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**

At September 30, 2010, the carrying amount of investments was \$1,003,334 (\$750,943 enterprise fund, \$100,956 capital projects fund and \$151,435 library fund). The City seeks to optimize return on investments within the constraints of safety and liquidity held twelve month certificates of deposits.

**Investments – Pension Funds**

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

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2010

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

	<b>General Employees</b>	<b>Fire Fighters</b>	<b>Police Officers</b>
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, 2010, are presented below (at market value):

<b>General Employee Pension</b>		<b>Credit Rating (S&amp;P's)</b>	<b>Fair Value</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>
<b>Investment Type</b>	<b>(S&amp;P's)</b>	<b>Fair Value</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>	<b>Over 3 Years</b>
Money Market Funds	N/R	\$ 436,076	\$ 436,076	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	*	1,064,905	81,380	-	26,636	956,889	956,889
Government B onds	AAA	555,061	-	-	25,012	530,049	530,049
Government Asset Backed/CMO Sec.	AAA	578,096	-	-	-	578,096	578,096
Taxable Municipal Bonds	*	193,610	-	-	-	193,610	193,610
Equity	N/R	4,498,159	4,498,159	-	-	-	-
<b>Total Fair Market Value</b>		<b>\$ 7,325,907</b>	<b>\$ 5,015,615</b>	<b>\$ -</b>	<b>\$ 51,648</b>	<b>\$ 2,258,644</b>	<b>\$ -</b>

<b>Firefighters' Pension</b>		<b>Credit Rating (S&amp;P's)</b>	<b>Fair Value</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>
<b>Investment Type</b>	<b>(S&amp;P's)</b>	<b>Fair Value</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>	<b>Over 3 Years</b>
Money Market Funds	N/R	\$ 335,589	\$ 335,589	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	*	897,848	66,121	-	31,963	799,764	799,764
Government B onds	AAA	501,887	-	-	217,243	284,644	284,644
Government Asset Backed/CMO Sec.	AAA	460,367	-	-	-	460,367	460,367
Taxable Municipal Bonds	*	172,330	-	-	-	172,330	172,330
Equity	N/R	3,130,703	3,130,703	-	-	-	-
<b>Total Fair Market Value</b>		<b>\$ 5,498,724</b>	<b>\$ 3,532,413</b>	<b>\$ -</b>	<b>\$ 249,206</b>	<b>\$ 1,717,105</b>	<b>\$ -</b>

<b>Police Officers' Pension</b>		<b>Credit Rating (S&amp;P's)</b>	<b>Fair Value</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>
<b>Investment Type</b>	<b>(S&amp;P's)</b>	<b>Fair Value</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>	<b>Over 3 Years</b>
Money Market Funds	N/R	582,751	\$ 582,751	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	*	1,345,695	106,812	-	37,290	1,201,593	1,201,593
Government B onds	AAA	1,077,100	-	-	199,393	877,707	877,707
Government Asset Backed/CMO Sec.	AAA	823,933	-	-	-	823,933	823,933
Taxable Municipal Bonds	*	253,241	-	-	-	253,241	253,241
Equity	N/R	5,302,140	5,302,140	-	-	-	-
<b>Total Fair Market Value</b>		<b>\$ 9,384,860</b>	<b>\$ 5,991,703</b>	<b>\$ -</b>	<b>\$ 236,683</b>	<b>\$ 3,156,474</b>	<b>\$ -</b>

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

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The pension funds owned cash at September 30, 2010, totaling \$86,867, \$125,293 and \$136,411 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.

**Custodial credit risk - deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2010, the City's cash deposits were entirely covered by federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans and limit local government deposits to "qualified public depositories."

**Custodial credit risk - investments**

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

**City of Lake Wales, Florida**  
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**B. Receivables**

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

	General	Community Redevelopment	Other Governmental Fund	Total Governmental Fund	Enterprise - Business Type	Total
Receivable:						
Taxes	\$ 121,640	\$ -	\$ -	\$ 121,640	\$ -	\$ 121,640
Franchise fees	149,062	-	-	149,062	-	149,062
Accounts	99,870	2,459	-	102,329	503,307	605,636
Unbilled amounts	100,011	-	-	100,011	305,669	405,680
Gross receivables	<u>\$ 470,583</u>	<u>\$ 2,459</u>	<u>\$ -</u>	<u>\$ 473,042</u>	<u>\$ 808,976</u>	<u>\$ 1,282,018</u>
Less: allowance for uncollectibles	(15,262)	-	-	(15,262)	(88,920)	(104,182)
Net total receivable	<u><u>\$ 455,321</u></u>	<u><u>\$ 2,459</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 457,780</u></u>	<u><u>\$ 720,056</u></u>	<u><u>\$ 1,177,836</u></u>
Intergovernmental Receivables	<u><u>\$ 202,041</u></u>	<u><u>\$ 107,426</u></u>	<u><u>\$ 261,957</u></u>	<u><u>\$ 571,424</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 571,424</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:	Unavailable	Unearned	Total
Prepaid local business tax	\$ -	\$ 61,842	\$ 61,842
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	-	117,007	117,007
Cemetery funds collected prior to meeting all eligibility requirements	-	18,030	18,030
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>\$ 196,879</u></u>	<u><u>\$ 346,897</u></u>

**City of Lake Wales, Florida**  
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**C. Capital assets**

Capital asset activity for the year ended September 30, 2010 was as follows:

<b>Governmental activities:</b>	<b>Beginning Balance</b>	<b>Reclassify</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Capital assets not being depreciated:					
Land	\$ 5,004,940	\$ -	\$ 14,394	\$ -	\$ 5,019,334
Construction in progress	2,418,076	-	-	(2,363,044)	55,032
Total capital assets, not being depreciated	<u>7,423,016</u>	<u>-</u>	<u>14,394</u>	<u>(2,363,044)</u>	<u>5,074,366</u>
Capital assets being depreciated:					
Buildings	10,177,778	-	2,916,193	-	13,093,971
Improvements other than buildings	6,866,189	(284,235)	49,756	-	6,631,710
Machinery and equipment	9,474,373	-	367,053	(237,066)	9,604,360
Infrastructure	18,414,909	284,235	-	-	18,699,144
Total depreciable capital assets	<u>44,933,249</u>	<u>-</u>	<u>3,333,002</u>	<u>(237,066)</u>	<u>48,029,185</u>
Total all capital assets	<u>52,356,265</u>	<u>-</u>	<u>3,347,396</u>	<u>(2,600,110)</u>	<u>53,103,551</u>
Less accumulated depreciation for:					
Buildings	(2,617,363)	-	(220,714)	-	(2,838,077)
Improvements other than buildings	(3,710,216)	156,329	(290,837)	-	(3,844,724)
Machinery and equipment	(6,696,830)	-	(621,511)	237,066	(7,081,275)
Infrastructure	(8,716,517)	(156,329)	(715,816)	-	(9,588,662)
Total accumulated depreciation	<u>(21,740,926)</u>	<u>-</u>	<u>(1,848,878)</u>	<u>237,066</u>	<u>(23,352,738)</u>
Depreciable capital assets, net	<u>23,192,323</u>	<u>-</u>	<u>1,484,124</u>	<u>-</u>	<u>24,676,447</u>
Total Governmental capital assets, net	<u>\$ 30,615,339</u>	<u>\$ -</u>	<u>\$ 1,498,518</u>	<u>\$ (2,363,044)</u>	<u>\$ 29,750,813</u>

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

Governmental activities:	
General government	92,501
Public safety	484,143
Physical environment	20,763
Transportation	853,896
Economic environment	25,577
Human services	14,634
Culture and recreation	357,364
Total governmental activities depreciation expense	<u>1,848,878</u>

Beginning balances relating to roads were reclassified from Improvements other than Buildings to Infrastructure relating to capital assets and accumulated depreciation for \$284,235 and \$156,329, respectively.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2010**

	<u>Beginning Balance</u>	<u>Reclassify</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Land	\$ 633,115	\$ -	\$ -	\$ -	\$ 633,115
Construction in progress	1,256,495	-	183,374	-	1,439,869
Total capital assets, not being depreciated	<u>1,889,610</u>	<u>-</u>	<u>183,374</u>	<u>-</u>	<u>2,072,984</u>
Capital assets being depreciated:					
Buildings	707,342	-	-	-	707,342
Improvements other than buildings	34,325,556	-	70,677	-	34,396,233
Machinery and equipment	5,186,356	-	74,449	(66,156)	5,194,649
Total depreciable capital assets	<u>40,219,254</u>	<u>-</u>	<u>145,126</u>	<u>(66,156)</u>	<u>40,298,224</u>
Total all capital assets	<u>42,108,864</u>	<u>-</u>	<u>328,500</u>	<u>(66,156)</u>	<u>42,371,208</u>
Less accumulated depreciation for:					
Buildings	(388,720)	-	(20,637)	-	(409,357)
Improvements other than buildings	(8,763,561)	-	(870,735)	-	(9,634,296)
Machinery and equipment	(3,363,267)	-	(228,373)	66,156	(3,525,484)
Total accumulated depreciation	<u>(12,515,548)</u>	<u>-</u>	<u>(1,119,745)</u>	<u>66,156</u>	<u>(13,569,137)</u>
Depreciable capital assets, net	<u>27,703,706</u>	<u>-</u>	<u>(974,619)</u>	<u>-</u>	<u>26,729,087</u>
Total business-type capital assets, net	<u>\$ 29,593,316</u>	<u>\$ -</u>	<u>\$ (791,245)</u>	<u>\$ -</u>	<u>\$ 28,802,071</u>

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

Business-type activities:	
Water	\$ 527,292
Sewer	592,453
Total depreciation expense - business-type activities	<u>\$ 1,119,745</u>

**Discretely presented component unit**

	<u>Beginning Balance</u>	<u>Reclassify</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Lake Wales Airport Authority:</b>					
Capital assets not being depreciated:					
Land	\$ 1,625,274	\$ -	\$ -	\$ -	\$ 1,625,274
Construction in progress	619,546	-	378,481	(421,106)	576,921
Total capital assets, not being depreciated	<u>2,244,820</u>	<u>-</u>	<u>378,481</u>	<u>(421,106)</u>	<u>2,202,195</u>
Capital assets being depreciated:					
Buildings	2,534,616	-	-	-	2,534,616
Improvements other than buildings	4,887,490	-	-	-	4,887,490
Machinery and equipment	147,690	40,000	421,107	-	608,797
Total depreciable capital assets	<u>7,569,796</u>	<u>40,000</u>	<u>421,107</u>	<u>-</u>	<u>8,030,903</u>
Total all capital assets	<u>9,814,616</u>	<u>40,000</u>	<u>799,588</u>	<u>(421,106)</u>	<u>10,233,098</u>
Less accumulated depreciation for:					
Buildings	(61,357)	-	(51,655)	-	(113,012)
Improvements other than buildings	(1,924,468)	-	(153,110)	-	(2,077,578)
Machinery and equipment	(16,493)	(40,000)	(26,102)	-	(82,595)
Total accumulated depreciation	<u>(2,002,318)</u>	<u>(40,000)</u>	<u>(230,867)</u>	<u>-</u>	<u>(2,273,185)</u>
Depreciable capital assets, net	<u>5,567,478</u>	<u>-</u>	<u>190,240</u>	<u>-</u>	<u>5,757,718</u>
Lake Wales Airport Authority capital assets, net	<u>\$ 7,812,298</u>	<u>\$ -</u>	<u>\$ 568,721</u>	<u>\$ (421,106)</u>	<u>\$ 7,959,913</u>

Reclassify - In 1995, a \$40,000 utility tractor provided by the FBO was acquired by the airport. During 2010, this asset was added to the capital asset listing and also the FBO payment credit obligation.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2010**

**D. Construction commitments**

The City has active construction projects as of September 30, 2010. The projects include asbestos pipe removal, runway extension, water and wastewater facilities. At year-end the city's commitments with contractors are as follows:

**City of Lake Wales - Primary Government**

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
C street sewer project - engineering	\$ 22,806	\$ 246,394
WWTP rehab/expension - engineering	7,425	199,025
Asbestos pipe removal	-	566,855
	<u>\$ 30,231</u>	<u>\$ 1,012,274</u>

**Lake Wales Airport Authority - Component Unit**

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Runway extension project	\$ 555,921	\$ 40,945
	<u>\$ 555,921</u>	<u>\$ 40,945</u>

**Other Commitments**

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

**E. Leases**

Operating Leases

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

	<u>Postage Equipment</u>	<u>Vehicles</u>	<u>Back Hoe</u>	<u>Total</u>
2011	\$ 3,317	\$ 71,685	\$ 13,876	\$ 88,878
2012	3,317	71,685	13,876	88,878
2013	1,106	71,685	13,876	86,667
2014		71,685	13,876	85,561
2015		71,685	13,876	85,561
2016-2020		37,521	-	37,521
Total	<u>\$ 7,740</u>	<u>\$ 395,946</u>	<u>\$ 69,380</u>	<u>\$ 473,066</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2010**

**F. Interfund receivable, payables and transfers**

The composition of interfund balances as of September 30, 2010, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Police Forfeiture	\$ 5,702
Community Redevelopment	Community Development Block Grant	2,749
Community Redevelopment	Historic Preservation	259,208
		<u>\$ 267,659</u>

Due to/from component unit:

General	Airport Authority	<u>\$ 133,580</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	Public Utilities	408	Operating Transfer
General	Law Enf Block Grant	2,266	Operating Transfer
Community Redevelopment	General	316,230	Operating Transfer
Community Redevelopment	Transportation	26,114	Drainage Improvement Projects in CRA District
Community Redevelopment	Historic Preservation	281,225	Historic Preservation Projects in CRA District
General	Debt Service	213,426	Debt Subsidy
Transportation	Debt Service	149,374	Debt Subsidy
Community Redevelopment	Debt Service	1,049,791	Debt Subsidy
Public Utilities	Debt Service	36,403	Debt Subsidy
Community Redevelopment	Public Utilities	73,323	Utility Projects in CRA District
		<u>\$ 2,976,560</u>	

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2010**

**G. Long-term debt**

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

	<b>Beginning Balance Restated*</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities</b>					
Bonds and notes payable:					
Notes payable	\$ 17,538,054	\$ -	\$ 1,165,593	\$ 16,372,461	\$ 1,579,108
Lease obligations	330,666	-	148,745	181,921	89,055
Total bonds and notes payable - par	17,868,720	-	1,314,338	16,554,382	1,668,163
Less unamortized refunding loss	(234,356)	-	(33,479)	(200,877)	-
Total bonds and notes payable - net	17,634,364	-	1,280,859	16,353,505	1,668,163
Other liabilities					
Interest rate swap	453,979	29,566	-	483,545	-
OPEB liability	19,844	20,875	-	40,719	-
Compensated absences	965,309	561,365	(620,906)	905,768	90,577
Total other Liabilities	1,439,132	611,806	(620,906)	1,430,032	90,577
<b>Governmental long-term liabilities</b>	<b>\$ 19,073,496</b>	<b>\$ 611,806</b>	<b>\$ 659,953</b>	<b>\$ 17,783,537</b>	<b>\$ 1,758,740</b>
<b>Business-type activities</b>					
Notes payable:					
Notes payable	\$ 12,068,920	\$ -	\$ 375,398	\$ 11,693,522	\$ 1,142,531
Less unamortized refunding loss	(304,924)	-	(43,560)	(261,364)	-
Total notes payable - net	11,763,996	-	331,838	11,432,158	1,142,531
Other liabilities					
OPEB liability	4,259	4,397	-	8,656	-
Compensated absences	76,706	69,741	(54,094)	92,353	9,235
Total other Liabilities	80,965	74,138	(54,094)	101,009	9,235
<b>Business-type long-term liabilities</b>	<b>\$ 11,844,961</b>	<b>\$ 74,138</b>	<b>\$ 277,744</b>	<b>\$ 11,533,167</b>	<b>\$ 1,151,766</b>
<b>Discretely presented component unit</b>					
<b>Lake Wals Airport Authority:</b>					
FBO payment credit	\$ 129,629	\$ 40,000	\$ 18,000	\$ 151,629	\$ 18,000
<b>Airport Authority long-term liabilities</b>	<b>\$ 129,629</b>	<b>\$ 40,000</b>	<b>\$ 18,000</b>	<b>\$ 151,629</b>	<b>\$ 18,000</b>

\* In 2010, FBO prepayment credit of \$49,500 was reclassified from the General Fund to the Lake Wales Airport Authority as this obligation is a debt obligation of the Lake Wakes Airport Authority, and the beginning balalnce was corrected to \$129,629.

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2010

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2010:

	<u>Purpose(3)</u>	<u>Frequency of Payment(2)</u>	<u>Maturity</u>	<u>Originally Issued</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>
<b>Governmental activities</b>						
Note payable:						
Capital Improvement Revenue Note, Series 2003	1	S	2017	9,117,280	\$ 5,741,743	3.84%
Redevelopment Revenue Note, Series 2007	10	S	2028	9,500,000	8,760,418	3.77%
Refunding Revenue Note, Series 2009	11	S	2015	1,870,300	1,870,300	3.25%
Lease obligations						
Bank of America #2, 2006 Fire Truck	2	A	2012	599,900	181,921	4.28%
<b>Total governmental activities</b>					<u>\$ 16,554,382</u>	
<b>Business-type activities</b>						
Note payable:						
State Revolving Fund Loan - 5907P	4	S	2019	\$ 1,592,804	\$ 791,241	2.56%
State Revolving Fund Loan - 5911O	4	S	2022	1,171,882	508,370	3.05%
State Revolving Fund Loan - 5912S	5	S	2024	1,428,648	1,017,105	2.14%
State Revolving Fund Loan - 5913P	6	S	2028	1,025,345	917,297	1.88%
State Revolving Fund Loan - 5914O	12	S	2032	362,200	180,000	2.30%
Capital Improvement Revenue Note, Series 2003	1	S	2017	432,610	272,500	3.84%
Utility System Revenue Note, Series 2005	7	M	2015	1,110,000	562,140	4.20%
Utility System Refunding Note, Series 2006A	3	S	2017	6,272,220	4,894,869	4.09%
Utility System Refunding Note, Series 2006B	8	S	2027	3,100,000	2,550,000	1.14%
<b>Total business-type activities</b>					<u>\$ 11,693,522</u>	
<b>Lake Wales Airport Authority</b>						
Discretely presented component unit						
Fixed Based Operator's Payment Credit	9	M	2012	340,000	151,629 (1)	0.00%
<b>Total Lake Wales Airport Authority</b>					<u>\$ 151,629</u>	

(1) In 2010, a 1995 \$40,000 tractor purchased by the FBO was added to the Fixed Based Operator's Payment Credit obligation.

This equipment was purchased in 1995 but was mistakenly omitted from the fixed assets and the FBO outstanding debt obligation.

In 2010, \$80,129 was reclassified to the Fixed Based Operator's Payment Credit for credit reductions taken during the period when FBO rental payments were waived. During the period of August 14, 2002 through January 31, 2009, FBO rent payments were waived by the City for structures destroyed by hurricane damage until such time as the structures were reconstructed and occupied by the FBO.

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

(3) Purpose:

1. Advance refund of Capital Improvement Revenue Bonds, Series 1996 (originally for municipal complex, streets, and other improvements) and refund 1999 Non-Ad Valorem Revenue Bonds.
2. Fire truck acquisition.
3. 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).
4. Construction of reclaimed water reuse facilities.
5. Construction of sludge dewatering facilities.
6. Planning and design of wastewater treatment plant expansion.
7. Construction of chlorine contact chamber and reuse system improvements.
8. 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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2010**

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

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

- Capital Improvement Revenue Note, Series 2003 - public service (utility) taxes;
- Lease Obligations, Bank of America (2006) - purchased equipment;
- Utility System Revenue and Refunding Revenue Notes, Series 2005, 2006A and 2006B - senior lien on utility system net revenues;
- Redevelopment Revenue Note, Series 2007 – shall not constitute a general obligation of the City or the Community Redevelopment Area but shall be payable solely from the tax increment revenues and the non-ad valorem revenues as budgeted and appropriated;
- Refunding Revenue Note, Series 2009 – electric franchise fees; 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:

- The Capital Improvement Revenue Note, Series 2003, has a related swap agreement (see the discussion later in this note).
- There is an interest rate differential required on prepayment of the Utility System Revenue Note, Series 2005, during the entire term of the Note, if interest rates have generally decreased.
- There is a "breakage fee" on the Utility System Refunding Revenue Note, Series 2006A, if interest rates have generally decreased.
- There is a "breakage fee" on the Utility System Revenue Note, Series 2006B, if interest rates have generally decreased.
- There is a "prepayment charge" on the Redevelopment Revenue Note, Series 2007 to compensate the Bank for all losses, costs and expenses incurring in connection with such prepayment.

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

- The Utility System Refunding Revenue Note, Series 2006A and Series 2006B both require annual debt service reserves equal to 1/6<sup>th</sup> per month of all interest and 1/12<sup>th</sup> per month of the annual principal amount coming due. As of September 30, 2010, sinking fund balance for Series 2006A and 2006B were, \$756,377 and \$151,320, respectively.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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- State Revolving Fund loans require a “Loan Debt Service Account”. Beginning six months prior to each semiannual loan payment, the City shall make five monthly loan deposits into the Loan Debt Service Account. The Loan Debt Service Account for the existing State Revolving Fund loans is \$74,962.
- Three of the existing State Revolving Fund loans require a “Loan Replacement Reserve Account”. The Replacement Reserve Account for the existing loans is \$136,508 (Loan #5907P - \$47,349, 5911O - \$44,490 and 5912S - \$44,669).

Annual debt service requirements as of September 30, 2010 are as follows:

Fiscal Year	Governmental Activities					
	Notes		Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,779,986	334,096	-	-	1,779,986	334,096
2016-2020	3,347,598	1,128,711	-	-	3,347,598	1,128,711
2021-2025	2,723,523	621,770	-	-	2,723,523	621,770
2026-2030	1,893,351	108,931	-	-	1,893,351	108,931
<b>Total</b>	<b>\$ 16,372,461</b>	<b>\$ 4,157,660</b>	<b>\$ 181,921</b>	<b>\$ 11,761</b>	<b>\$ 16,554,382</b>	<b>\$ 4,169,421</b>

Fiscal Year	Business-type Activities			
	Notes		Total	
	Principal	Interest	Principal	Interest
2011	\$ 1,142,531	\$ 320,270	\$ 1,142,531	\$ 320,270
2012	1,180,775	280,813	1,180,775	280,813
2013	1,241,608	243,891	1,241,608	243,891
2014	1,283,291	200,938	1,283,291	200,938
2015	1,256,796	157,038	1,256,796	157,038
2016-2020	3,643,900	318,336	3,643,900	318,336
2021-2025	1,468,254	86,522	1,468,254	86,522
2026-2030	476,367	7,987	476,367	7,987
<b>Total</b>	<b>\$ 11,693,522</b>	<b>\$ 1,615,795</b>	<b>\$ 11,693,522</b>	<b>\$ 1,615,795</b>

Fiscal Year	Discretely Presented Component Unit			
	Notes		Total	
	Principal	Interest	Principal	Interest
2011	\$ 18,000	\$ -	\$ 18,000	\$ -
2012	18,000	-	18,000	-
2013	18,000	-	18,000	-
2014	18,000	-	18,000	-
2015	18,000	-	18,000	-
2016-2020	61,629	-	61,629	-
<b>Total</b>	<b>\$ 151,629</b>	<b>\$ -</b>	<b>\$ 151,629</b>	<b>\$ -</b>

**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, 2010. The unamortized balance at September 30, 2010, is \$60,655.

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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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Amortization of refunding loss was \$43,560 for the year ended September 30, 2010, and is included as a component of interest expense. The unamortized balance at September 30, 2010, is \$261,364.

**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, 2010. The unamortized balance at September 30, 2010, is \$44,552.

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, 2010. The unamortized balance at September 30, 2010, is \$49,083.

Debt issuance costs totaling \$32,950 related to Refunding Revenue Note, Series 2010, will be amortized over the term of the relating obligation (5 years), using the straight -line method. Amortization of issuance costs was \$6,590 for the year ended September 30, 1010. The unamortized balance at September 30, 2010, is \$26,360.

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, 2010, and is included as a component of interest expense in the statement of activities. Unamortized refunding loss of \$200,877 is netted against bonds payable on the government-wide statement of net assets.

**Interest Rate Swap**

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

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:

<b>Associated Bond Issue</b>	<b>Counter-party Credit Rating</b>	<b>Notional Amount</b>	<b>Fair Value 9/30/2009</b>	<b>Change in Fair Value</b>	<b>Fair Value 9/30/2010</b>
Capital Improvement Revenue Note, Series 2003	BBB+ (S&P)	\$6,014,242	(453,979)	(29,566)	\$ (483,545)

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

Using rates as of September 30, 2010, 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, 2010). As rates vary, variable rate bond interest payments and net swap payments will vary, but the total should remain relatively constant):

<b>Fiscal Year Ending Sept. 30</b>	<b>Variable-Rate Bond</b>		<b>Interest Rate</b>	<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Swap, Net</b>	
2011	\$ 905,465	\$ 45,815	\$ 167,747	\$ 1,119,027
2012	937,035	38,226	139,960	1,115,221
2013	973,467	30,356	111,148	1,114,971
2014	1,010,148	22,186	81,233	1,113,567
2015	1,052,088	13,692	50,132	1,115,912
2016	672,669	6,588	24,121	703,378
2017	463,370	1,909	6,988	472,267
	<u>\$ 6,014,242</u>	<u>\$ 158,772</u>	<u>\$ 581,329</u>	<u>\$ 6,754,343</u>

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

- Liquidity and Remarketing Risk - There is no public market for swaps and there is no exchange-type market that can be used to sell, cancel or reverse an outstanding swap.
- Termination Risk - The swap may be subject to either optional or mandatory termination without the City's consent in accordance with the terms of the swap agreement. In addition, the swap agreement automatically terminates if the bonds are prepaid, in whole or in part, before their scheduled maturity dates. If the swap is "in-the-money" to the counterparty upon early termination, there is an obligation to make a termination payment representing the market value of the swap.
- Credit Risk - The City entered into the transaction with SunTrust Bank. There is a risk that SunTrust Bank could run into financial difficulty and be unable to meet its obligations during the swap term, thereby eliminating the potential cash-flow benefit to the City. If SunTrust Bank defaulted, the maximum risk of loss at September 30, 2010 was \$-0- because the swap was a liability at that date.
- Basis Risk - This risk is present when a floating to fixed interest rate swap is executed and the floating rate in the swap agreement does not perfectly match the floating rate paid by the Borrower to the bondholders. The City is paying SunTrust VRDB rate to the bondholders, which is a tax-exempt rate, while the floating rate on the swap is 67% of 1-Month LIBOR, which is a taxable rate. However, under this swap agreement, both rates are the same: 67% of 1-month LIBOR plus 65 basis points.

**City of Lake Wales, Florida**  
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**September 30, 2010**

**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.

<b>Debt Obligation Reference</b>	<b>Total Principal and Interest Outstanding</b>	<b>Current Year Principal and Interest</b>	<b>Current Year Revenue</b>	<b>% of Revenues to Principal and Interest Paid</b>
Public Service Taxes	Series 2003 \$ 6,754,341	\$ 1,115,753	\$ 1,535,578	138%
CRA Tax Increment Revenues	Series 2007 12,062,747	677,691	2,073,826	306%
Electric Franchise Fees	Series 2009 2,019,070	32,152	978,551	3044%
Water and Sewer Net Revenue	SRF, Series 2005, 2006A & 2006B 13,003,280	584,135	2,600,725	445%
	<u>\$ 33,839,438</u>	<u>\$ 2,409,731</u>	<u>\$ 7,188,680</u>	

**Conduit Debt**

The City has issued bonds to provide financing assistance to a private sector entity for acquisition, construction and equipping a senior care facilities deemed to be in the public interest. These bonds are payable solely from the revenues of the private sector entity.

The Retirement Facility Revenue Bonds, Series 2008 (Series 2008) and interest thereon do not constitute an indebtedness or pledge of the general credit of the City, Polk County, the State of Florida or any political subdivision or agency thereof. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Series 2008 was initially issued for \$26,885,000. As of September 30, 2010, the outstanding balance on these bonds is \$24,580,000.

**IV Other Information**

**A. Related party transactions**

During 2010, 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 \$23,549 were charged to the Authority for the year ended September 30, 2010.

# **City of Lake Wales, Florida**

## **Notes to the Financial Statements**

### **September 30, 2010**

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

- Adopting bylaws.
- Adopting an official seal.
- Maintaining an office.
- Suing or being sued.
- Acquiring, leasing, constructing, reconstructing, improving, extending, enlarging, equipping, repairing, maintaining, or operating any airport which may be located on the property of the Authority.
- Issuing bonds, refunding bonds, and revenue certificates.
- Fixing and revising rates, fees, or other charges.
- Acquiring real or personal property.
- Entering into certain contracts or agreements, including those to operate other airports.
- Accepting grant money.
- Doing all things necessary or convenient to carry out the powers granted by the Ordinance

An interlocal agreement was approved and executed by the Airport Authority Board and the City Commission in October 2007. 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. The Airport Authority has a liability to the General Fund of \$133,580 at September 30, 2010.

#### **B. Contingent liabilities**

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

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

#### **C. Other postemployment benefits (OPEB)**

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

**City of Lake Wales, Florida**  
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Current membership is comprised of the following as 9/30/08, the date in the latest actuarial valuation:

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

Plan Description

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

Funding Policy

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

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

<u>Year Ending</u>	<u>Annual Post - Employment Benefit Cost (APB)</u>	<u>Percentage of APB Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2010	\$ 45,584	44.6%	\$ 49,375
September 30, 2009	48,428	50.2%	24,103
September 30, 2008	N/A	N/A	N/A

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)- Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Rate (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll ((b-a)/c)</u>
10/01/08	\$ -	\$ 408,669	\$ (408,669)	0.00%	\$ 6,825,394	6.0%
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

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

Actuarial valuations are required every two years. The initial actuarial valuation was done as of October 1, 2008. An interim actuarial valuation was done as of October 1, 2009 for the purpose of determining the annual OPEB costs. The annual required contribution for the current year was determined as part of the October 1, 2009 interim actuarial valuation using the Entry Age Normal Actuarial Cost method. The assumptions included:

Actuarial Value of Assets:	Market Rate:
Funding Interest Rate:	4.50%
Health Care Inflation:	Pre-Medicare: 8% (grading down to 5% in 2013) Post- Medicare: 8% (grading down to 5% in 2013)
Vision Care Inflation:	3.00%
Payroll Growth/Inflation Assumptions:	2.40%
Amortization of UAAL:	Level % of Payroll (closed Amortization over 30 years)

<b>Net OPEB Obligation:</b>	<u>9/30/2010</u>
Annual Required Contributions	\$ 45,561
Interest on Net OPEB Obligation	1,085
Adjustments	<u>(1,062)</u>
Annual OPEB cost	45,584
Estimated Net Contributions	<u>(20,312)</u>
Anticipated increase/(Decrease) in Net OPEB Obligations	25,272
Net OPEB Obligations - Beginning of Year	<u>24,103</u>
Estimated Net OPEB Obligations - End of Year	<u><u>\$ 49,375</u></u>

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

# **City of Lake Wales, Florida**

## **Notes to the Financial Statements**

### **September 30, 2010**

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

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

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

**City of Lake Wales, Florida**  
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investment portfolio and its performance to the Board of Trustees for each plan. Performance is assessed quarterly by A.G. Edwards.

• **Cash and Cash Equivalents**

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

**Contributions Required and Contribution Made**

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

Contribution rates/amounts:	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
City	1.4%	27.8%	21.9%
Plan members	5.0%	5.0%	5.0%
Actuarially determined contributions	41,622	338,631	519,405
Contributions made	41,622	338,631	519,405
Actuarial valuation date	10/01/08	10/01/08	10/01/08
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	28 Years (as of 10/01/08)	24 Years (as of 10/01/10)	18 Years (as of 10/01/10)
Asset valuation method	4 Year Smoothed Market	4 Year Smoothed Market	4 Year Smoothed Market
Asset assumptions:			
Investment rate of return	7.75%	8.00%	8.00%
Projected salary increase*	7.00%	6.00%	6.25%
*Includes inflation at	3.00%	3.00%	3.00%
Post retirement COLA	0.00%	0.00%	0.00%

**Tax Status**

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

**Participant Data**

	As of October 1, 2010		
	General Employees' Fund	Fire Fighters' Fund	Police Officers' Fund
Retirees and Beneficiaries Currently:			
Receiving Benefits	22	12	21
Vested Terminated Employees	7	1	-
DROP Participant	7	2	-
Active Plan Participants:			
Vested	19	9	18
Nonvested	73	16	26
Total	128	40	65

**City of Lake Wales, Florida**  
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**Annual Pension Cost**

The City's annual required contribution for the year ended September 30, 2010, was \$899,658 (\$41,622 General, \$519,405 Police, and \$338,631 Fire - City share). The annual required contribution for the 2010 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 \$3,772,465, compared to \$2,972,991 for employees covered by the General Employees' Pension Plan. The City's total current year payroll for fire personnel was \$1,408,396, compared to \$1,185,900 for employees covered by the Firefighters' Pension Plan. The City's total current year payroll for police personnel was \$2,379,299, compared to \$2,267,634 for employees covered by the Police Officers' Pension Plan.

<b>General Pension Plan</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
<b>Year Ending</b>			
September 30, 2010	\$ 53,098	78.4%	\$ (95,659)
September 30, 2009	201,527	97.2%	(107,135)
September 30, 2008	240,595	97.5%	(112,842)

<b>Firefighters' Pension Plan</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
<b>Year Ending</b>			
September 30, 2010	\$ 338,305	100.1%	\$ (74,292)
September 30, 2009	224,755	100.6%	(73,966)
September 30, 2008	186,177	100.7%	(72,596)

<b>Police Officers' Pension Plan</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
<b>Year Ending</b>			
September 30, 2010	\$ 518,922	100.1%	\$ (146,484)
September 30, 2009	334,944	100.7%	(146,002)
September 30, 2008	267,653	101.2%	(143,561)

**City of Lake Wales, Florida**  
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**Schedule of Funding Progress - General Employees' Pension Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent of Covered Payroll ((b-a)/c)</b>
10/1/2010	\$ 7,907,212	\$ 8,970,892	\$ (1,063,680)	88.14%	\$ 2,907,120	36.59%

**Schedule of Funding Progress - Firefighters' Pension Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent of Covered Payroll ((b-a)/c)</b>
10/1/2010	\$ 6,129,964	\$ 9,851,137	\$ (3,721,173)	62.23%	\$ 1,176,080	316.40%

**Schedule of Funding Progress - Police Officers' Pension Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent of Covered Payroll ((b-a)/c)</b>
10/1/2010	\$ 10,474,805	\$ 13,656,242	\$ (3,181,437)	76.70%	\$ 2,245,228	141.70%

**City of Lake Wales, Florida**  
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**Net Pension Obligation**

The pension plans have been subjected to minimum funding standards since the adoption of the *Florida Protection of Public Employee Retirement Benefits Act* (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the City has funded the actuarially determined required contribution for all years from October 1, 1987, through the transition date, October 1, 1997 (the Net Pension Obligation (NPO) for each plan at October 1, 1997, was \$0). Following are the components of pension cost for the year ended September 30, 2010, and the change in the Net Pension Asset (NPA) for the year:

	<b>General Employee Pension Plan</b>			<b>Firefighters' Pension Plan</b>		
	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2008</u>	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2008</u>
Actuarially Determined:						
Contribution (A)	\$ 41,622	\$ 195,820	\$ 234,584	\$ 338,631	\$ 226,125	\$ 187,521
Interest on NPO	(8,303)	(9,027)	(9,508)	(5,917)	(5,808)	(5,700)
Adjustments to (A)	19,779	14,734	15,519	5,591	4,438	4,356
Annual Pension Cost (APC)*	<u>53,098</u>	<u>201,527</u>	<u>240,595</u>	<u>338,305</u>	<u>224,755</u>	<u>186,177</u>
Contributions Made	<u>(41,622)</u>	<u>(195,820)</u>	<u>(234,584)</u>	<u>(338,631)</u>	<u>(226,125)</u>	<u>(187,521)</u>
Increase in NPO	11,476	5,707	6,011	(326)	(1,370)	(1,344)
NPA, Beginning of Year	<u>(107,135)</u>	<u>(112,842)</u>	<u>(118,853)</u>	<u>(73,966)</u>	<u>(72,596)</u>	<u>(71,252)</u>
NPA, End of Year	<u>\$ (95,659)</u>	<u>\$ (107,135)</u>	<u>\$ (112,842)</u>	<u>\$ (74,292)</u>	<u>\$ (73,966)</u>	<u>\$ (72,596)</u>
Percentage of APC Contribution	<u>78%</u>	<u>97%</u>	<u>98%</u>	<u>100%</u>	<u>101%</u>	<u>101%</u>

	<b>Police Officers' Pension Plan</b>		
	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2008</u>
Actuarially Determined:			
Contribution (A)	\$ 519,405	\$ 337,385	\$ 270,796
Interest on NPO	(11,680)	(11,485)	(11,233)
Adjustments to (A)	11,197	9,044	8,090
Annual Pension Cost (APC)*	<u>518,922</u>	<u>334,944</u>	<u>267,653</u>
Contributions Made	<u>(519,404)</u>	<u>(337,385)</u>	<u>(270,796)</u>
Increase in NPO	(482)	(2,441)	(3,143)
NPA, Beginning of Year	<u>(146,002)</u>	<u>(143,561)</u>	<u>(140,418)</u>
NPA, End of Year	<u>\$ (146,484)</u>	<u>\$ (146,002)</u>	<u>\$ (143,561)</u>
Percentage of APC Contribution	<u>100%</u>	<u>101%</u>	<u>101%</u>

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

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2010**

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

**Schedule of Pension Plan Net Assets as of September 30, 2010**

	<b>Pension Trust Fund</b>			<b>Total</b>
	<b>General Employees' Pension</b>	<b>Firefighters' Pension</b>	<b>Police Officers' Pension</b>	
<b>Assets</b>				
Cash and cash equivalent	\$ 86,867	\$ 125,293	\$ 136,411	\$ 348,571
Investments, at fair value:				
Money market funds	436,076	335,589	582,751	1,354,416
Government Bonds	555,061	501,887	1,077,100	2,134,048
Government Assets backed/CMO Securities	578,096	460,367	823,933	1,862,396
Taxable Municipal Bonds	193,610	172,330	253,241	619,181
Corporate bonds and notes	1,064,905	897,848	1,345,695	3,308,448
Common and preferred stock	4,498,159	3,130,703	5,302,140	12,931,002
Total investments	<u>7,325,907</u>	<u>5,498,724</u>	<u>9,384,860</u>	<u>22,209,491</u>
Prepays				
Prepaid Fiduciary Liability Insurance	1,983	1,602	1,849	5,434
Total Prepays	<u>1,983</u>	<u>1,602</u>	<u>1,849</u>	<u>5,434</u>
Receivable (net):				
Interest and dividends	22,237	17,988	30,836	71,061
Due from State	-	1,665	-	1,665
Total receivable	<u>22,237</u>	<u>19,653</u>	<u>30,836</u>	<u>72,726</u>
Total assets	<u>7,436,994</u>	<u>5,645,272</u>	<u>9,553,956</u>	<u>22,636,222</u>
<b>Liabilities</b>				
Accounts payable	14,775	10,909	18,067	43,751
Due to DROP participants	325,997	117,636	-	443,633
Prepaid contributions from City	1,652	1,540	-	3,192
Total liabilities	<u>342,424</u>	<u>130,085</u>	<u>18,067</u>	<u>490,576</u>
<b>Net assets</b>				
Held in trust for pension benefits and other purposes	<u>\$ 7,094,570</u>	<u>\$ 5,515,187</u>	<u>\$ 9,535,889</u>	<u>\$ 22,145,646</u>

**City of Lake Wales, Florida**  
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**September 30, 2010**

**Schedule of Change in Pension Plan Net Assets as of September 30, 2010**

	<b>Pension Trust Fund</b>			<b>Total</b>
	<b>General Employees' Pension</b>	<b>Firefighters' Pension</b>	<b>Police Officers' Pension</b>	
<b>Additions</b>				
Contributions:				
Employer	\$ 41,622	\$ 338,629	\$ 519,522	\$ 899,773
State of Florida	-	121,076	104,196	225,272
Employee	148,652	59,295	113,382	321,329
Total contributions	<u>190,274</u>	<u>519,000</u>	<u>737,100</u>	<u>1,446,374</u>
Interest and dividends	205,858	159,237	264,741	629,836
Net increase (decrease) in the fair value of investments	<u>334,897</u>	<u>265,280</u>	<u>454,688</u>	<u>1,054,865</u>
Total investments income (loss)	540,755	424,517	719,429	1,684,701
Less investment expense	<u>(54,041)</u>	<u>(40,376)</u>	<u>(68,316)</u>	<u>(162,733)</u>
Net investment income (loss)	486,714	384,141	651,113	1,521,968
Total additions	<u>676,988</u>	<u>903,141</u>	<u>1,388,213</u>	<u>2,968,342</u>
<b>Deductions</b>				
Benefit payments	386,993	562,364	586,780	1,536,137
Refunds of contributions	34,147	-	23,222	57,369
Administration	17,986	43,116	47,678	108,780
Total deductions	<u>439,126</u>	<u>605,480</u>	<u>657,680</u>	<u>1,702,286</u>
Change in net assets	237,862	297,661	730,533	1,266,056
<b>Total net assets - beginning</b>	<u>6,856,708</u>	<u>5,217,526</u>	<u>8,805,356</u>	<u>20,879,590</u>
<b>Total net assets - ending</b>	<u>\$ 7,094,570</u>	<u>\$ 5,515,187</u>	<u>\$ 9,535,889</u>	<u>\$ 22,145,646</u>

**E. Risk Management**

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

PRM assesses each member its pro rata share of the estimated amount required to meet current year losses and operating expenses. If total member assessments (premiums) do not produce sufficient funds to meet its obligations, PRM can make additional limited assessments. Losses, if any, in excess of PRM's ability to assess its members would revert back to the member that incurred the loss. As of September 30, 2010, 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, 2010**

**F. Prior Period Adjustments**

In 2010, it was determined that a \$49,500 liability reported in Governmental Activities was really an obligation of the Airport Authority, the discretely presented component unit.

In 1995, the Fixed Based Operator (FBO) purchased a tractor for \$40,000. This equipment was donated to the Lake Wales Airport. Per the Fixed Base Operator's Franchise Agreement, the cost of this equipment, not to exceed \$40,000 was to have been added to the FBO Payment Credit due to the FBO. During 2010, it was discovered the equipment and the credit were mistakenly omitted in prior financial statements. A prior period adjustment was added during 2010 to increase capital assets, accumulated depreciation, and FBO Payment Credit by \$40,000.

In 2010, \$80,129 was reclassified to the Fixed Based Operator's Payment Credit for credit reductions taken during the period when FBO rental payments were waived. The Fixed Based Operators Payments' Credit, per the FBO agreement, relate directly to repayment/credit from the City up to \$1,500 per month credit toward the FBO base rent. During the period when the FBO rent was suspended, the FBO payment credits should also have been suspended. During the period of August 14, 2002 through January 31, 2009, FBO rent payments were waived by the City for structures destroyed by hurricane damage until such time as the structures were reconstructed and occupied by the FBO. FBO rental payments were reinstated, effective February 1, 2009.

Net Assets	Lake Wales Airport Authority	Governmental Activities
As originally reported	\$ 7,811,967	\$ 21,534,569
Adjustment	(169,629)	49,500
As adjusted	<u>\$ 7,642,338</u>	<u>\$ 21,584,069</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, 2010**

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,436,222	\$ 5,436,222	\$ 5,571,323	135,101
Licenses and permits	1,146,000	1,209,800	1,464,438	254,638
Intergovernmental	1,110,570	1,060,107	1,061,066	959
Charges for services	1,800,976	1,837,576	1,787,933	(49,643)
Fines and forfeits	108,950	108,950	43,300	(65,650)
Investment earnings	34,000	43,600	52,081	8,481
Miscellaneous	23,700	75,900	166,975	91,075
Total revenues	<u>9,660,418</u>	<u>9,772,155</u>	<u>10,147,116</u>	<u>374,961</u>
<b>Expenditures</b>				
Current:				
General government:				
City commission	72,373	71,750	69,855	1,895
City manager	174,942	182,859	181,402	1,457
City clerk	95,774	94,728	92,966	1,762
Finance	241,508	244,156	242,954	1,202
Human resources	113,987	116,430	115,315	1,115
City attorney	58,275	54,275	53,477	798
Planning	215,980	240,157	238,260	1,897
Fleet maintenance	118,766	106,216	46,587	59,629
Facilities maintenance	119,611	73,112	71,350	1,762
Information services	152,164	146,481	144,633	1,848
Municipal building administration	73,049	89,049	87,178	1,871
Non-departmental	54,000	54,000	50,835	3,165
Support services	153,461	177,009	175,220	1,789
Public safety:				
Police	4,064,070	4,112,019	4,088,718	23,301
Fire	2,189,767	2,307,478	2,305,939	1,539
Building permits and inspections	234,757	236,750	232,915	3,835
Physical environment:				
Waste disposal	967,197	1,027,397	1,024,469	2,928
Lake conservation	25,200	11,200	1,422	9,778
Cemetery	116,657	417,236	254,962	162,274
Economic environment	47,015	47,015	47,015	-
Transportation	50,670	56,670	17,934	38,736
Human services	6,000	6,000	6,000	-
Culture and recreation:				
Parks division	587,222	589,585	523,516	66,069
Recreation facilities	465,531	502,263	513,449	(11,186)
Special events	77,247	72,247	38,117	34,130
Depot museum	67,056	73,868	72,384	1,484
Other culture and recreation				
Total expenditures	<u>\$ (10,542,279)</u>	<u>\$ (11,109,950)</u>	<u>\$ (10,696,872)</u>	<u>\$ 413,078</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, 2010**  
*(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	\$ (881,861)	\$ (1,337,795)	\$ (549,756)	\$ 788,039
<b>Other financing sources (uses)</b>				
Insurance recoveries	35,000	60,850	71,463	10,613
Sale of capital assets	-	-	38,320	38,320
Transfers in	1,144,230	1,144,230	1,144,230	-
Transfers out	(243,415)	(245,681)	(216,100)	29,581
Total other financing sources (uses)	<u>935,815</u>	<u>959,399</u>	<u>1,037,913</u>	<u>78,514</u>
<b>Net change in fund balance</b>	53,954	(378,396)	488,157	866,553
<b>Fund balances, beginning of year</b>	<u>2,596,546</u>	<u>2,983,010</u>	<u>2,983,010</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 2,650,500</u>	<u>\$ 2,604,614</u>	<u>\$ 3,471,167</u>	<u>\$ 866,553</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, 2010**

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 622,015	\$ 630,422	\$ 630,797	\$ 375
Intergovernmental	408,282	112,193	112,599	406
Charges for services	96,330	96,330	97,750	1,420
Investment earnings	-	-	294	294
Miscellaneous	500	4,393	704	(3,689)
Total revenues	1,127,127	843,338	842,144	(1,194)
<b>Expenditures</b>				
Current:				
Transportation	1,448,455	828,549	711,112	117,437
(Total expenditures)	(1,448,455)	(828,549)	(711,112)	117,437
Excess (deficiency) of revenues over (under) expenditures	(321,328)	14,789	131,032	116,243
<b>Other financing sources (uses)</b>				
Transfers in	470,702	132,802	26,114	(106,688)
Transfers out	(149,374)	(149,374)	(149,374)	-
Insurance recoveries	-	-	-	-
Sale of capital assets	-	-	3,149	3,149
Total other financing sources (uses)	321,328	(16,572)	(120,111)	(103,539)
<b>Net change in fund balance</b>	-	(1,783)	10,921	12,704
<b>Fund balances, beginning of year</b>	-	17,376	17,376	-
<b>Fund balances, end of year</b>	\$ -	\$ 15,593	\$ 28,297	\$ 12,704

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, 2010**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,078,712	\$ 1,076,536	\$ 1,076,536	\$ -
Intergovernmental	1,038,038	1,021,560	1,024,760	3,200
Charges for services	-	-	51	51
Investment earnings	50,000	50,000	26,734	(23,266)
Miscellaneous revenue	-	-	800	800
<b>Total revenues</b>	<u>2,166,750</u>	<u>2,148,096</u>	<u>2,128,881</u>	<u>(19,215)</u>
<b>Expenditures</b>				
Current:				
Public safety	676,332	679,853	621,426	58,427
Economic environment	1,668,450	1,721,526	457,862	1,263,664
(Total expenditures)	<u>(2,344,782)</u>	<u>(2,401,379)</u>	<u>(1,079,288)</u>	<u>1,322,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(178,032)</u>	<u>(253,283)</u>	<u>1,049,593</u>	<u>1,302,876</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(2,822,241)</u>	<u>(3,634,417)</u>	<u>(1,746,683)</u>	<u>1,887,734</u>
Total other financing sources (uses)	<u>(2,822,241)</u>	<u>(3,634,417)</u>	<u>(1,746,683)</u>	<u>1,887,734</u>
<b>Net change in fund balance</b>	(3,000,273)	(3,887,700)	(697,090)	3,190,610
<b>Fund balances, beginning of year</b>	<u>3,588,982</u>	<u>4,013,529</u>	<u>4,013,529</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 588,709</u>	<u>\$ 125,829</u>	<u>\$ 3,316,439</u>	<u>\$ 3,190,610</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, 2010**

**Schedule of Funding Progress - General Employees' Pension Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent of Covered Payroll ((b-a)/c)</b>
10/1/2010	\$ 7,907,212	\$ 8,970,892	\$ (1,063,680)	88.14%	\$ 2,907,120	36.59%
10/1/2009	8,074,499	9,117,416	(1,042,917)	88.56%	2,848,785	36.61%
10/1/2008	8,078,208	9,299,162	(1,220,955)	86.87%	2,986,894	40.88%
10/1/2007	7,761,324	8,966,325	(1,205,001)	86.56%	3,133,820	38.45%
10/1/2006	6,762,740	7,891,683	(1,128,943)	85.69%	3,091,143	36.52%
10/1/2005	6,092,211	6,391,916	(299,705)	95.31%	2,532,944	11.83%

**Schedule of Contributions from the Employer**

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>Percentage Contribution</b>
9/30/2010	\$ 41,622	\$ 41,622	100.00%
9/30/2009	195,820	195,820	100.00%
9/30/2008	234,584	234,584	100.00%
9/30/2007	160,446	160,446	100.00%
9/30/2006	112,500	112,500	100.00%
9/30/2005	81,363	81,363	100.00%

**City of Lake Wales, Florida**  
**Schedules of Funding Progress and Contributions**  
**From Employer and Others**  
**Firefighters' Pension Plan**  
**September 30, 2010**

**Schedule of Funding Progress - Firefighters' Pension Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent of Covered Payroll ((b-a)/c)</b>
10/1/2010	\$ 6,129,964	\$ 9,851,137	\$ (3,721,173)	62.23%	\$ 1,176,080	316.40%
10/1/2009	6,128,347	9,065,847	(2,937,500)	67.60%	1,194,794	245.86%
10/1/2008	6,118,404	8,673,633	(2,555,229)	70.54%	1,111,770	229.83%
10/1/2007	5,679,086	8,033,286	(2,354,200)	70.69%	947,177	248.55%
10/1/2006	5,276,297	7,623,452	(2,347,155)	69.21%	906,142	259.03%
10/1/2005	4,953,540	7,409,118	(2,455,578)	66.86%	843,618	291.08%

**Schedule of Contributions from the Employer and Other Contributing Entities**

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>State Contribution</b>	<b>Percentage Contribution</b>
9/30/2010	\$ 461,317	\$ 338,631	\$ 122,686	100.00%
9/30/2009	366,303	226,125	140,178	100.00%
9/30/2008	339,187	187,521	151,666	100.00%
9/30/2007	340,107	251,744	88,363	100.00%
9/30/2006	294,486	216,510	77,976	100.00%
9/30/2005	314,374	235,629	78,745	100.00%

**City of Lake Wales, Florida**  
**Schedules of Funding Progress and Contributions**  
**From Employer and Others**  
**Municipal Police Officers' Pension Plan**  
**September 30, 2010**

**Schedule of Funding Progress - Police Officers' Pension Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent of Covered Payroll ((b-a)/c)</b>
10/1/2010	\$ 10,474,805	\$ 13,656,242	\$ (3,181,437)	76.70%	\$ 2,245,228	141.70%
10/1/2009	10,195,532	12,959,011	(2,763,479)	78.68%	2,140,829	129.08%
10/1/2008	10,125,825	12,308,290	(2,182,465)	82.27%	1,968,564	110.87%
10/1/2007	9,822,219	11,285,608	(1,463,389)	87.03%	1,877,296	77.95%
10/1/2006	9,049,308	10,142,549	(1,093,241)	89.22%	1,651,717	66.19%
10/1/2005	8,329,601	10,465,863	(2,136,263)	79.59%	1,765,347	121.01%

**Schedule of Contributions from the Employer and Other Contributing Entities**

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>State Contribution</b>	<b>Percentage Contribution</b>
9/30/2010	\$ 623,601	\$ 519,405	\$ 104,196	100.00%
9/30/2009	447,008	337,385	109,623	100.00%
9/30/2008	380,537	270,796	109,741	100.00%
9/30/2007	430,249	320,649	109,600	100.00%
9/30/2006	381,939	270,637	111,302	100.00%
9/30/2005	358,590	252,658	105,932	100.00%

**City of Lake Wales, Florida**  
**Schedules of Funding Progress and Employer Contributions**  
**Other Post Employment Benefit Plan**  
**September 30, 2010**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percent of Covered Payroll ((b-a)/c)</b>
10/1/2008	\$ -	\$ 408,669	\$ (408,669)	0.00%	\$ 6,825,394	5.99%
10/1/2007	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2006	N/A	N/A	N/A	N/A	N/A	N/A

**Three Year Trend Information**

<b>Year Ended</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2009	\$ 45,561	44.6%	\$ 49,375
9/30/2009	48,428	50.2%	24,103
9/30/2008	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, 2010**

**Special Revenue Funds**

	<b>Forfeitures 106</b>	<b>Library 110</b>	<b>Law Enforcement Block Grant 116</b>	<b>Community Development Block Grant 131</b>	<b>Historic Preservation 151</b>	<b>Capital Projects 330</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	\$ 1,608	\$ 217,443	\$ 480	\$ -	\$ -	\$ 195,241	\$ 414,772
Intergovernmental receivables	-	-	-	2,749	259,208	-	261,957
Restricted cash, cash equivalents and investments:							
Impact fee	-	48,680	-	-	-	258,142	306,822
Impact fees - investments	-	151,435	-	-	-	100,956	252,391
Prepays	-	13,895	-	-	-	-	13,895
<b>Total assets</b>	<b>1,608</b>	<b>431,453</b>	<b>480</b>	<b>2,749</b>	<b>259,208</b>	<b>554,339</b>	<b>1,249,837</b>
<b>Liabilities and fund balances</b>							
<b>Liabilities</b>							
Accounts payable	599	556	-	-	-	-	1,155
Accrued liabilities	-	2,957	-	-	-	-	2,957
Due to other funds	5,702	-	-	2,749	259,208	-	267,659
Deferred revenues	-	-	-	-	-	73,883	73,883
<b>Total liabilities</b>	<b>6,301</b>	<b>3,513</b>	<b>-</b>	<b>2,749</b>	<b>259,208</b>	<b>73,883</b>	<b>345,654</b>
<b>Fund balances</b>							
Reserved for:							
Prepays	-	13,895	-	-	-	-	13,895
Capital projects	-	-	-	-	-	480,456	480,456
Other Purposes	-	414,045	480	-	-	-	414,525
Unreserved/Undesignated	(4,693)	-	-	-	-	-	(4,693)
<b>Total fund balances</b>	<b>(4,693)</b>	<b>427,940</b>	<b>480</b>	<b>-</b>	<b>-</b>	<b>480,456</b>	<b>904,183</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,608</b>	<b>\$ 431,453</b>	<b>\$ 480</b>	<b>\$ 2,749</b>	<b>\$ 259,208</b>	<b>\$ 554,339</b>	<b>\$ 1,249,837</b>

**City of Lake Wales, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**NonMajor Governmental Funds**  
**Year Ended September 30, 2010**

	<b>Special Revenue Funds</b>						<b>Total</b>
	<b>Forfeitures 106</b>	<b>Library 110</b>	<b>Law Enforcement Block Grant 116</b>	<b>Community Development Block Grant 131</b>	<b>Historic Preservation 151</b>	<b>Capital Projects 330</b>	
<b>Revenues</b>							
Taxes	\$ -	\$ 397,969	\$ -	\$ -	\$ -	\$ -	\$ 397,969
Intergovernmental	-	531,975	126,288	10,049	260,294	16,917	945,523
Fines and forfeits	7,651	-	-	-	-	-	7,651
Investment earnings	48	5,889	1	-	-	4,339	10,277
Impact fees	-	20,952	-	-	-	185,387	206,339
Miscellaneous	-	14,702	-	-	-	-	14,702
<b>Total revenues</b>	<b>7,699</b>	<b>971,487</b>	<b>126,289</b>	<b>10,049</b>	<b>260,294</b>	<b>206,643</b>	<b>1,582,461</b>
<b>Expenditures</b>							
Current:							
General government	-	-	-	-	20	-	20
Public safety	21,154	-	128,554	-	-	-	149,708
Physical environment	-	-	-	10,049	-	-	10,049
Culture and recreation	-	929,085	-	-	541,499	-	1,470,584
Capital outlay:	-	-	-	-	-	37,931	37,931
<b>Total expenditures</b>	<b>(21,154)</b>	<b>(929,085)</b>	<b>(128,554)</b>	<b>(10,049)</b>	<b>(541,519)</b>	<b>(37,931)</b>	<b>(1,668,292)</b>
Excess (deficiency) of revenues over (under) expenditures	(13,455)	42,402	(2,265)	-	(281,225)	168,712	(85,831)
<b>Other financing sources (uses)</b>							
Transfers in	-	-	2,266	-	281,225	-	283,491
Proceeds on sale of capital assets	940	-	-	-	-	-	940
<b>Total other financing (uses) sources</b>	<b>940</b>	<b>-</b>	<b>2,266</b>	<b>-</b>	<b>281,225</b>	<b>-</b>	<b>284,431</b>
Net change in fund balances	(12,515)	42,402	1	-	-	168,712	198,600
<b>Fund balances, beginning of year</b>	<b>7,822</b>	<b>385,538</b>	<b>479</b>	<b>-</b>	<b>-</b>	<b>311,744</b>	<b>705,583</b>
<b>Fund balances, end of year</b>	<b>\$ (4,693)</b>	<b>\$ 427,940</b>	<b>\$ 480</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 480,456</b>	<b>\$ 904,183</b>

**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, 2010**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and forfeits	\$ 57,550	\$ 57,550	\$ 7,651	\$ (49,899)
Investment earnings	-	-	48	48
Total revenues	<u>57,550</u>	<u>57,550</u>	<u>7,699</u>	<u>(49,851)</u>
<b>Expenditures</b>				
Current:				
Public safety	57,550	57,550	21,154	36,396
(Total expenditures)	<u>(57,550)</u>	<u>(57,550)</u>	<u>(21,154)</u>	<u>36,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(13,455)</u>	<u>(13,455)</u>
<b>Other financing sources</b>				
Sale of capital assets	-	-	940	940
Total other financing sources	<u>-</u>	<u>-</u>	<u>940</u>	<u>940</u>
<b>Net change in fund balance</b>	-	-	(12,515)	(12,515)
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>7,822</u>	<u>7,822</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 7,822</u>	<u>\$ (4,693)</u>	<u>\$ (12,515)</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, 2010**

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 398,495	\$ 398,495	\$ 397,969	\$ (526)
Intergovernmental	480,000	533,524	531,975	(1,549)
Investment earnings	5,000	5,000	5,889	889
Impact fees	3,500	3,500	20,952	17,452
Miscellaneous	15,500	15,500	14,702	(798)
Total revenues	<u>902,495</u>	<u>956,019</u>	<u>971,487</u>	<u>15,468</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	898,099	957,089	929,085	28,004
(Total expenditures)	<u>(898,099)</u>	<u>(957,089)</u>	<u>(929,085)</u>	<u>28,004</u>
<b>Net change in fund balance</b>	4,396	(1,070)	42,402	43,472
<b>Fund balances, beginning of year</b>	<u>344,287</u>	<u>385,538</u>	<u>385,538</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 348,683</u>	<u>\$ 384,468</u>	<u>\$ 427,940</u>	<u>\$ 43,472</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, 2010**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues</b>				
Intergovernmental	\$ 130,000	\$ 134,037	\$ 126,288	\$ (7,749)
Investment earnings	-	-	1	1
Total revenues	<u>130,000</u>	<u>134,037</u>	<u>126,289</u>	<u>(7,748)</u>
<b>Expenditures</b>				
Current:				
Public safety	130,000	136,303	128,554	7,749
(Total expenditures)	<u>(130,000)</u>	<u>(136,303)</u>	<u>(128,554)</u>	<u>7,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(2,266)</u>	<u>(2,265)</u>	<u>1</u>
<b>Other financing sources</b>				
Transfers in	-	2,266	2,266	-
Total other financing sources	<u>-</u>	<u>2,266</u>	<u>2,266</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	1	1
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>479</u>	<u>479</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ 479</u>	<u>\$ 480</u>	<u>\$ 1</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, 2010**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 750,000	\$ 750,000	\$ 10,049	\$ (739,951)
Total revenues	<u>750,000</u>	<u>750,000</u>	<u>10,049</u>	<u>(739,951)</u>
<b>Expenditures</b>				
Current:				
Physical environment	750,000	750,000	10,049	739,951
(Total expenditures)	<u>(750,000)</u>	<u>(750,000)</u>	<u>(10,049)</u>	<u>739,951</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<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, 2010**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues</b>				
Intergovernmental	\$ 350,000	\$ 350,000	\$ 260,294	\$ (89,706)
Total revenues	<u>350,000</u>	<u>350,000</u>	<u>260,294</u>	<u>(89,706)</u>
<b>Expenditures</b>				
Current:				
General government	-	-	20	(20)
Culture and recreation	650,000	650,000	541,499	108,501
(Total expenditures)	<u>(650,000)</u>	<u>(650,000)</u>	<u>(541,519)</u>	<u>108,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(300,000)</u>	<u>(300,000)</u>	<u>(281,225)</u>	<u>18,775</u>
<b>Other financing sources</b>				
Transfers in	-	-	281,225	281,225
Total other financing sources	<u>-</u>	<u>-</u>	<u>281,225</u>	<u>281,225</u>
<b>Net change in fund balance</b>	(300,000)	(300,000)	-	300,000
<b>Fund balances, beginning of year</b>	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2010**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 635,451	\$ 635,451	\$ 632,445	\$ (3,006)
Licenses and permits	250,686	250,686	255,282	4,596
Intergovernmental	-	-	-	-
Impact fees	-	-	10,822	10,822
Investment earnings	10,000	10,000	9,866	(134)
Miscellaneous	18,000	-	-	-
Total revenues	<u>914,137</u>	<u>896,137</u>	<u>908,415</u>	<u>12,278</u>
<b>Expenditures</b>				
Current:				
Principal	1,683,411	1,670,729	1,314,339	356,390
Interest and fiscal charges	680,239	692,921	618,964	73,957
(Total expenditures)	<u>(2,363,650)</u>	<u>(2,363,650)</u>	<u>(1,933,303)</u>	<u>430,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,449,513)</u>	<u>(1,467,513)</u>	<u>(1,024,888)</u>	<u>442,625</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,448,983	1,466,983	1,448,994	(17,989)
Total other financing sources (uses)	<u>1,448,983</u>	<u>1,466,983</u>	<u>1,448,994</u>	<u>(17,989)</u>
<b>Net change in fund balance</b>	(530)	(530)	424,106	424,636
<b>Fund balances, beginning of year</b>	<u>1,346,010</u>	<u>1,559,054</u>	<u>1,559,054</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,345,480</u>	<u>\$ 1,558,524</u>	<u>\$ 1,983,160</u>	<u>\$ 424,636</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, 2010**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 270,000	\$ 270,000	\$ 16,917	\$ (253,083)
Investment earnings	1,000	1,000	4,339	3,339
Impact fees	13,200	13,200	185,387	172,187
Total revenues	<u>284,200</u>	<u>284,200</u>	<u>206,643</u>	<u>(77,557)</u>
<b>Expenditures</b>				
Capital outlay	645,000	648,826	37,931	610,895
(Total expenditures)	<u>(645,000)</u>	<u>(648,826)</u>	<u>(37,931)</u>	<u>610,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(360,800)</u>	<u>(364,626)</u>	<u>168,712</u>	<u>533,338</u>
<b>Other financing sources (uses)</b>				
Transfers in	375,000	375,000	-	(375,000)
Total other financing sources (uses)	<u>375,000</u>	<u>375,000</u>	<u>-</u>	<u>(375,000)</u>
<b>Net change in fund balance</b>	14,200	10,374	168,712	158,338
<b>Fund balances, beginning of year</b>	<u>230,854</u>	<u>311,744</u>	<u>311,744</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 245,054</u>	<u>\$ 322,118</u>	<u>\$ 480,456</u>	<u>\$ 158,338</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, 2010**

**Assets**

	<b>2010</b>
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ -
Due from Other Governments	91,053
<b>Total Current Assets</b>	91,053
<b>Noncurrent Assets</b>	
Capital Assets:	
Nondepreciable	2,202,195
Depreciable, Net	5,757,718
<b>Total Noncurrent Assets</b>	7,959,913
<b>Total Assets</b>	8,050,966

**Liabilities**

<b>Current Liabilities</b>	
Accounts Payable	2,560
Contracts/retainage payable	2,239
Unearned revenues	407
Due to primary government	133,580
Current portion of long-term debt	18,000
<b>Total Current Liabilities</b>	156,786
Noncurrent liabilities	
Note payable - noncurrent	133,629
	133,629
<b>Total liabilities</b>	290,415
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	7,674,704
Unrestricted	85,847
<b>Total Net Assets</b>	\$ 7,760,551

**Lake Wales Airport Authority  
City of Lake Wales, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended September 30, 2010**

	<b>2010</b>
<b>Operating Revenues</b>	
Charges for Services	\$ 86,632
<b>Operating Expenses</b>	
Contractual Services	27,365
Repairs and Maintenance	4,406
Materials and Supplies	237
General and Administrative	63,025
Depreciation	230,867
<b>(Total Operating Expenses)</b>	<b>(325,900)</b>
<b>Operating (Loss)</b>	(239,268)
<b>Nonoperating Revenues</b>	
Interest Income	-
<b>(Loss) Before Contributions</b>	(239,268)
<b>Capital Contributions</b>	
Grants	344,980
From City of Lake Wales	12,501
<b>Change in Net Assets</b>	118,213
<b>Total Net Assets, Beginning of Year</b>	7,642,338
<b>Total Net Assets, End of Year</b>	\$ 7,760,551

**Lake Wales Airport Authority  
City of Lake Wales, Florida  
Statement of Cash Flows  
For the Year Ended September 30, 2010**

	<b>2010</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from Customers	\$ 86,851
Payments to Suppliers	95,818
<b>Net Cash Provided by (Used in) Operating Activities</b>	(8,967)
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Capital Grants	623,855
Capital Contributions from City of Lake Wales (Net)	12,501
Acquisition and Construction of Capital Assets	(387,991)
Principal payment on long-term debt	(18,000)
Repayment of loan from primary government	(221,398)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	8,967
 <b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	-
 <b>Cash and Cash Equivalents, Beginning of Year</b>	-
 <b>Cash and Cash Equivalents, End of Year</b>	\$ -
 <b><u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u></b>	
Operating (Loss)	\$ (239,268)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation of Plant	230,867
Change in Current Assets - Decrease (Increase):	
Accounts Receivable (Net of Bad Debt Provision)	-
Change in Current Liabilities - Increase (Decrease):	
Accounts Payable	(785)
Deferred Revenues	219
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$ (8,967)
 <b><u>Supplemental Disclosure of Noncash Transactions</u></b>	
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 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.*

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

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



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

	Fiscal Year							
	9/30/2003	9/30/2004	9/30/2005	9/30/2006	9/30/2007	9/30/2008	9/30/2009	9/30/2010
<b>Governmental activities:</b>								
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	\$ 15,123,821
Restricted	(76,971)	113,240	696,578	2,160,716	3,319,481	9,681,679	4,579,237	4,431,294
Unrestricted	632,862	2,865,182	3,788,358	765,358	487,205	1,901,817	2,329,160	2,875,420
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>	<u>22,430,535</u>
<b>Business-type activities</b>								
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	17,430,569
Restricted	103,726	-	-	402,875	320,289	862,542	754,399	2,145,793
Unrestricted	1,252,796	2,011,118	3,864,639	633,057	330,857	298,731	738,175	523,332
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>	<u>20,099,694</u>
<b>Primary government</b>								
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	32,554,390
Restricted	26,755	113,240	696,578	2,563,591	3,639,770	10,544,221	5,333,636	6,577,087
Unrestricted	1,885,658	4,876,300	7,652,997	1,398,415	818,062	2,200,548	3,067,335	3,398,752
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>	<u>\$ 42,530,229</u>

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

	Fiscal Year							
	9/30/2003	9/30/2004	9/30/2005	9/30/2006	9/30/2007 <sup>(1)</sup>	9/30/2008	09/30/2009 <sup>(2)</sup>	9/30/2010 <sup>(3)</sup>
<b>Expenses</b>								
Governmental activities:								
General government	\$ 976,327	\$ 1,150,513	\$ 5,010,709	\$ 2,318,393	\$ 1,666,102	\$ 1,555,163	\$ 1,444,334	\$ 1,354,698
Public safety	5,401,305	6,020,977	6,351,058	7,348,265	7,616,565	7,049,550	7,197,292	7,647,887
Physical environment	1,228,133	1,326,532	1,295,512	2,399,900	1,710,287	1,581,070	963,588	1,204,112
Transportation	790,945	926,413	1,084,406	270,039	1,561,291	1,206,577	1,515,164	1,548,696
Economic Environment	306,618	289,743	497,095	400,010	1,007,452	599,756	580,616	532,987
Human services	20,423	32,963	32,963	24,402	35,333	14,634	20,636	20,634
Culture and recreation	1,092,911	1,189,886	1,227,319	1,388,649	1,920,919	1,626,211	2,291,706	2,337,296
Interest on long term debt	703,552	571,573	576,083	540,210	505,482	752,066	767,787	675,004
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>	<u>15,321,314</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>	<u>5,285,512</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>	<u>5,285,512</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>	<u>20,606,826</u>
<b>Program revenues</b>								
Governmental activities:								
Charges for services:								
General government	284,716	17,462	74,155	39,091	31,095	28,598	17,429	30,704
Public safety	928,326	1,053,866	1,614,914	1,248,470	1,116,037	1,240,923	624,776	872,049
Physical environment	699,656	678,657	799,508	970,539	996,493	1,093,013	1,120,801	1,125,826
Transportation	42,910	94,477	110,197	87,943	96,331	96,923	97,247	97,750
Economic Environment	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-
Culture and recreation	76,441	78,984	260,555	246,795	90,379	97,333	47,050	86,184
Operating grants and contributions	65,225	822,220	670,774	745,463	691,710	875,556	772,085	811,508
Capital grants and contributions	182,286	356,340	360,913	1,172,735	2,044,202	1,740,200	55,401	408,721
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>	<u>3,432,742</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	6,125,465
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	383,974
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>	<u>6,509,439</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>	<u>9,942,181</u>

	Fiscal Year							
	9/30/2003	9/30/2004	9/30/2005	9/30/2006	9/30/2007 <sup>(1)</sup>	9/30/2008	09/30/2009 <sup>(2)</sup>	9/30/2010 <sup>(3)</sup>
<b>Net (expenditures) revenues</b>								
Governmental activities	(8,240,654)	(8,406,594)	(12,184,129)	(10,178,832)	(10,957,184)	(9,212,481)	(12,046,334)	(11,888,572)
Business-type activities	858,372	1,098,976	1,179,667	1,217,788	1,120,133	2,597,099	1,159,828	1,223,927
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>	<u>(10,664,645)</u>
<b>General revenues and other changes in net assets</b>								
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	6,427,817
Franchise fees	805,402	874,116	950,532	1,172,989	1,206,210	1,220,697	1,247,248	1,368,738
Public service taxes	1,067,933	1,091,395	1,139,125	1,299,073	1,347,754	1,386,825	1,429,708	1,580,190
Communication service taxes	1,066,045	517,807	556,105	408,684	502,239	588,184	684,620	588,111
Gas taxes	637,714	732,734	695,867	702,476	714,051	665,367	633,491	630,798
Local business tax	-	-	-	-	-	-	79,325	77,009
State and county shared revenues	1,241,322	950,055	1,119,130	1,201,329	1,156,315	1,062,966	943,024	904,179
Investment earnings	21,066	38,671	153,538	249,705	296,486	333,176	75,140	94,987
Insurance recoveries	-	-	3,374,250	2,189,227	335,412	25,919	12,304	71,463
Gain/(loss) on disposal of fixed assets	237,809	1,383,602	650,600	-	(93,173)	35,606	-	42,409
Miscellaneous revenue	97,705	45,442	349,228	(25,085)	226,493	103,296	231,145	158,665
Transfers	605,238	966,902	261,286	565,961	296,029	(545,879)	(2,030,282)	790,672
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>	<u>12,735,038</u>
Business-type activities:								
Investment earnings	6,170	8,608	50,914	157,738	56,321	53,833	9,844	24,662
Gain/(loss) on disposal of fixed assets	-	164,200	(67,591)	-	-	-	-	7,390
Miscellaneous revenue	137,738	126,637	253,404	308,721	107,708	639,627	245,117	244,015
Transfers	(605,238)	(966,902)	(261,286)	(565,961)	(296,029)	530,099	2,030,282	(790,672)
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>	<u>(514,605)</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>	<u>12,220,433</u>
<b>Change in net assets</b>								
Governmental activities	860,805	2,402,412	1,788,944	(118,408)	3,992,849	2,970,166	(1,592,185)	846,466
Business-type activities	397,042	431,519	1,155,108	1,118,286	988,133	3,820,658	3,445,071	709,322
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>	<u>\$ 1,555,788</u>

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

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

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General fund</b>										
Reserved	\$ -	\$ 46,141	\$ 88,273	\$ 113,376	\$ 134,835	\$ 88,693	\$ 301,504	\$ 614,849	\$ 471,950	\$ 314,820
Unreserved, designated	-	-	-	-	-	-	-	1,037,852	1,042,442	1,056,957
Unreserved, undesignated	249,944	593,437	835,299	1,179,330	555,751	1,260,393	575,237	943,845	1,468,618	2,099,390
Total general fund	<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>	<u>3,471,167</u>
<b>All other governmental funds</b>										
Reserved	783,529	861,599	573,500	785,847	1,930,338	2,391,599	3,480,250	9,681,679 *	6,295,542	6,236,772
Unreserved reported in:										
Special revenue funds	-	-	-	-	-	-	(96,085)	-	-	(4,693)
Capital projects funds	-	(136,727)	11,843	11,155	1,754,535	191,361	187,395	-	-	-
Total all other governmental funds	<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>	<u>\$ 6,232,079</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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ 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	\$ 8,309,070
Licenses and permits	214,191	345,366	374,441	559,692	911,497	524,374	437,690	1,482,188	1,478,370	1,719,720
Intergovernmental	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	3,143,948
Charges for services	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	1,885,734
Fines and forfeitures	158,823	180,585	192,954	169,598	168,046	337,774	212,979	175,789	101,546	50,951
Interest and miscellaneous	389,097	330,459	417,936	380,293	1,475,521	929,890	868,858	724,406	364,596	499,594
Total revenues	<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>	<u>15,609,017</u>
<b>Expenditures</b>										
Current:										
General government	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	1,570,053
Public safety	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	7,398,705
Physical environment	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	1,290,902
Transportation	478,641	583,352	593,075	804,747	853,638	688,951	1,562,517	2,834,374	1,905,876	729,046
Economic environment	1,094,516	432,975	439,259	340,052	481,277	472,734	2,839,298	558,606	553,994	504,877
Human services	12,110	18,454	21,814	18,329	18,329	9,768	20,700	-	6,000	6,000
Culture and recreation	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	2,618,050
Debt service:										
Principal	778,481	726,340	771,202	592,251	502,261	1,333,193	1,209,274	1,313,097	1,281,267	1,314,339
Interest and fiscal charges	711,837	761,798	712,090	608,354	549,188	512,222	479,511	760,201	609,246	618,964
Capital outlay	1,462,215	1,716,555	453,407	455,598	225,156	175,477	829,339	701,924	275,949	37,931
(Total expenditures)	<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>	<u>16,088,867</u>
Excess (deficiency) of revenues over (under) expenditures	<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>	<u>(479,850)</u>
<b>Other financing sources (uses)</b>										
Lease proceeds	-	-	-	399,861	-	599,900	-	217,804	-	-
Proceeds from issuance of debt	-	-	-	9,117,226	-	-	-	9,500,000	1,870,300	-
Principal - current refunding	-	-	-	(4,332,781)	-	-	-	-	(138,526)	-
Payments to refunding escrow	-	-	-	(4,746,861)	-	-	-	-	(2,043,014)	-
Insurance recoveries	-	-	-	-	4,426,572	2,959,449	335,412	25,919	12,304	71,463
Sale of capital assets	-	-	-	-	-	-	-	35,607	-	42,409
Transfers in	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	2,902,828
Transfers out	<u>(3,105,120)</u>	<u>(3,442,359)</u>	<u>(966,774)</u>	<u>(787,402)</u>	<u>(1,314,257)</u>	<u>(1,416,169)</u>	<u>(2,031,957)</u>	<u>(6,871,794)</u>	<u>(5,455,803)</u>	<u>(2,112,156)</u>
Total other financing sources (uses)	<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>	<u>904,544</u>
<b>Special item</b>										
Proceeds from sale of land	-	-	-	-	-	-	3,500,000	-	-	-
Initial contribution to airport authority	-	-	-	-	-	(2,525,585)	-	-	-	-
Total special items	-	-	-	-	-	<u>(2,525,585)</u>	<u>3,500,000</u>	-	-	-
Net change in fund balances	<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>	<u>\$ 424,694</u>
Debt Service as a percentage of noncapital expenditures	N/A	N/A	16.69%	11.73%	7.20%	13.94%	11.93%	16.60%	14.98%	14.68%

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Franchise Fees</b>	<b>Public Service Tax</b>	<b>Communication Service Tax</b>	<b>Gas Tax</b>	<b>Local Business Tax</b>	<b>Totals</b>
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
2010	6,427,817	1,368,738	1,580,190	588,111	630,798	77,009	10,672,663

**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)**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Centrally Assessed Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Assessed Valuation</b>	<b>Total Direct Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value<sup>(1)</sup> as a Percentage of Actual Value</b>
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 <sup>(2)</sup>	848,688	7.3521	1,382,799	85.97%
2008	1,126,601	93,040	320	382,733	837,228	7.3277	1,418,773	85.99%
2009	1,005,486	95,412	362	338,245	763,015	7.3277	1,278,699	86.12%
2010	866,769	87,604	278	306,577	648,074	7.3277	1,107,610	86.19%

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

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

Estimated actual value is calculated by dividing assessed value by those 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)**

<b>Fiscal Year</b>	<b>Direct Rate</b>	<b>Overlapping Rates</b>			
	<b>City of Lake Wales</b>	<b>County of Polk</b>	<b>Polk County School Board</b>	<b>Peace River Basin</b>	<b>South West Florida Waster Management District</b>
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
2010	7.3277	6.8665	7.7920	0.1827	0.3770

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](http://www.polktaxes.com), Property Taxes, Millage Rates & Fees

**City of Lake Wales, Florida  
Principal Property Taxpayers  
Fiscal Year Ended September 30, 2010**

<u>Taxpayer</u>	<u>Rank</u>	<u>2010</u>		<u>Rank</u>	<u>2001</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>
451 Eagle Ridge Drive Holdings LLC	1	\$ 29,376,733	4.57%	N/A	N/A	
Progress Energy	2	13,392,262	2.08%	N/A	N/A	
Lake Wales Hospital Corporation	3	12,414,640	1.93%	N/A	N/A	
CRF II LTD	4	9,513,979	1.48%	N/A	N/A	
Verizon	5	8,924,646	1.39%	N/A	N/A	
DDRM Shoppes of the Ridge LLC	6	7,715,937	1.20%	N/A	N/A	
Preserve at Lake Wales, Inc.	7	7,542,363	1.17%	N/A	N/A	
Walmart	8	7,032,534	1.09%	N/A	N/A	
Lowe's Home Center, Inc	9	6,865,446	1.07%	N/A	N/A	
Publix Super Markets	10	5,644,365	0.88%	N/A	N/A	
		<u>\$ 108,422,905</u>	<u>16.86%</u>		<u>\$ -</u>	
Total Assessed Valuation		<u>\$ 643,195,776</u>			<u>\$ 341,065,897</u>	

Source: Polk County Property Appraiser

N/A - Not available

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

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Levy Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collection</b>	<b>Total Tax Collections</b>	<b>Percent Total Collections To Levy</b>
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	6,114,563	5,886,159	96.26%	74,299	5,960,458	97.48%
2010	5,573,456	5,381,576	96.56%	50,228	5,431,804	97.46%

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 Eight 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	Lease Obligations	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
2010	-	16,372,461	181,921	16,554,382	-	11,693,522	11,693,522	28,247,904	13,076	2,160

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

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

**Utility Fund Debt Obligations**

<b>Fiscal Year</b>	(1)	(2)	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
	<b>Charges for Service Revenues</b>	<b>Less Operating Expenses</b>		<b>Principal</b>	<b>Interest</b>	
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
2010	6,125,465	3,524,740	2,600,725	375,398	240,434	4.22

(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
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
2008	39,064	32,572	37,778	21,723	24,950	31,520	44,857	44,350	49,762	34,385	45,766	45,517

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

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

\* Data for latest two years not yet available.

**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
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	97.59	101.71	96.00	98.79	97.64	6.3	6.7	6.3	6.6	6.2	6.3
2009	98.07	101.57	95.53	98.66	97.51	10.5	11.4	10.7	11.0	11.3	11.1

(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](http://www.labormarketinfo.com), Library, LAUS - Local Area Unemployment Statistics, Annual Averages.

\* Date for latest year not yet available.

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

<b>(April 1st) Year</b>	<b>Population</b>		<b>% of City Compared to County</b>
	<b>Polk (1)</b>	<b>City of Lake Wales</b>	
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.

\* Data for latest year not yet available

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

Function/Program	Full-Time Equivalent Employees									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City Manager	3.00	3.00	3.00	4.00	3.25	2.50	3.00	3.00	3.00	2.00
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50
Development Services	2.00	-	-	0.75	1.00	1.50	3.00	2.00	1.00	1.00
Finance	6.00	5.00	5.75	5.00	5.00	5.00	5.50	4.50	4.25	4.00
Support Services	2.90	2.00	1.00	2.00	2.00	2.00	2.00	3.00	3.75	3.75
Human Resource	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50
Planning and Zoning	1.00	1.00	1.00	1.50	2.00	2.00	2.00	2.00	2.00	3.00
Information Services	1.10	2.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	3.00
Community Services Administration	2.00	-	-	-	-	-	-	-	-	-
Public Services Administration	1.00	1.00	1.00	1.00	1.00	1.00	1.50	2.00	2.00	2.50
Parks & Recreation	1.00	1.00	1.00	1.00	0.75	0.50	-	-	-	-
Total general government	<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>	<u>23.25</u>
Police Department	59.00	56.00	55.00	57.00	57.50	59.00	59.50	45.50	47.50	49.50
Fire & Rescue:	20.00	21.00	21.00	21.00	21.00	21.00	23.00	24.00	27.00	27.00
Building Permits and Inspection	4.00	4.00	4.00	5.00	7.00	7.25	8.00	6.00	4.75	3.00
Code Enforcement	2.00	2.00	2.00	2.00	2.00	2.00	2.50	2.50	2.50	2.50
Total public safety	<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>	<u>82.00</u>
Cemetery	4.00	3.00	3.00	3.00	3.00	3.00	3.00	1.00	1.00	-
Parks Division	11.00	9.00	9.00	6.00	5.00	5.00	6.00	7.00	7.00	-
Streets	8.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.25	-
Field Operations	-	-	-	-	-	-	-	-	-	17.75
Fleet Maintenance	3.00	3.00	2.00	2.50	2.50	2.00	2.00	3.00	3.00	-
Facilities Maintenance	5.50	3.50	3.00	2.50	3.50	3.50	3.00	4.00	4.00	5.00
Total maintenance	<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>	<u>22.75</u>
Recreation	5.00	2.50	2.50	2.00	2.50	2.50	3.50	2.00	1.00	-
Depot	3.00	2.00	2.00	2.00	2.00	2.00	2.00	1.50	-	-
Library	10.50	10.50	10.50	11.00	12.00	12.00	14.00	16.00	18.00	18.00
Total culture and recreation	<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>	<u>18.00</u>
Wastewater Division	9.00	8.00	8.00	8.00	7.00	7.00	9.50	9.00	9.00	-
Water Division	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 Operations	-	-	-	-	-	-	-	-	-	22.00
Utilities Administration	7.00	6.00	8.50	6.00	4.00	5.00	4.00	5.00	5.00	5.50
Utility Billing/Customer Service	5.00	6.00	4.00	4.00	6.00	6.00	5.50	5.50	5.75	3.25
Total utilities	<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>	<u>30.75</u>
Total government employees	<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>	<u>176.75</u>

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

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

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

<b>Function/Program</b>	<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>	<u>2010</u>
<b>General</b>										
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 (1)	14.66	14.74	14.84	15.76	16.18	17.14	19.01	19.14	19.58	19.60
<b>Police</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	N/A	N/A	1,491	1,048	1,928	1,673	1,399	1,403	1,304	1,233
Number of calls for service	N/A	N/A	15,147	15,522	19,480	19,990	18,096	17,313	15,792	23,746
Number of crashes	N/A	N/A	613	640	548	410	446	363	374	350
<b>Fire</b>										
Response volume (includes fire, rescue and medical calls)	1,967	1,836	1,883	2,305	2,379	2,756	2,786	2,879	2,618	2,576
Response time average (minutes)	5.94	4.77	4.46	5.01	4.55	4.80	4.94	5.39	5.14	5.11
Inspections/plans reviewed	654	232	511	652	678	832	1,383	1,767	1,031	1,422
Public education (persons)	2,738	6,663	1,325	1,750	2,117	2,771	2,378	2,917	1,645	2,627
<b>Permits and Inspections Division</b>										
Plan review residential	310	124	244	562	551	106	253	411	198	291
Plan review commercial	140	31	25	238	96	25	114	189	133	205
Permits issued	674	717	591	1,756	1,622	256	768	797	407	636
Inspections:										
Construction	6,469	3,306	3,100	5,700	8,407	2,298	3,968	2,664	2,176	2,287
Inspections per month (avg.)	553	556	260	475	701	192	331	222	181	191
Certificates of Occupancy issued	45	82	61	54	347	117	99	72	44	46
<b>Library</b>										
Number of libraries	1	1	1	1	1	1	1	1	1	1
<b>Public Works</b>										
Miles of streets	74.70	77.10	79.60	80.10	80.10	84.40	86.04	86.74	86.74	86.74
<b>Water</b>										
Average monthly customers:										
Water	6,602	6,733	6,965	7,269	7,629	7,824	7,938	7,923	7,899	7,892
Sewer	3,950	4,036	4,267	4,528	4,859	5,205	5,316	5,325	5,309	5,311
Irrigation	459	486	535	658	789	1,052	1,116	1,167	1,238	1,254
<b>Wastewater</b>										
Number of lift stations	27	28	30	32	34	35	39	39	39	39

(1) Square miles

N/A - Not available

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

<b>Water Revenues</b>	<b>Fiscal Year</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Water Fees	\$ 2,418,303	\$ 2,854,380	\$ 3,008,939	\$ 3,508,152	\$ 2,963,174	\$ 2,959,160
Installation Fees	154,645	142,668	72,268	74,965	57,022	81,790.00
Fire Sprinkler Fees	32,292	35,246	38,151	39,989	28,478	-
Construction Meter Fees	4,219	8,695	10,081	6,935	6,777	3,397
Reuse Fees	900	953	4,969	15,198	36,380	24,559
Miscellaneous	283	-	1	85	35	101
Impact Fees	186,500	177,132	130,443	169,836	44,565	134,838
<b>Totals</b>	<b>\$ 2,797,142</b>	<b>\$ 3,219,074</b>	<b>\$ 3,264,852</b>	<b>\$ 3,815,160</b>	<b>\$ 3,136,431</b>	<b>\$ 3,203,845</b>
Penalties & Service Charges (Water & Sewer Combined)	\$ 69,291	\$ 90,491	\$ 97,661	\$ 96,071	\$ 61,169	\$ 73,817

**Water Rates(1)**

**Inside City Limits**

Base Rate	\$ 8.44	\$ 8.65	\$ 8.87	Base Rate	\$ 4.95	\$ 5.20	\$ 5.33
4,001-10,000	2.04	2.09	2.14	0-5,000	1.96	2.06	2.11
10,001-15,000	2.29	2.34	2.39	5,001-10,000	2.65	2.78	2.85
15,001-25,000	2.54	2.59	2.64	10,001-25,000	4.11	4.32	4.43
25,001-35,000	2.79	2.84	2.89	> 25,000	6.77	7.11	7.29
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	\$ 6.66
4,001-10,000	3.06	3.14	3.21	0-5,000	2.45	2.57	2.64
10,001-15,000	3.44	3.51	3.59	5,001-10,000	3.32	3.49	3.56
15,001-25,000	3.81	3.89	3.96	10,001-25,000	5.14	5.40	5.54
25,001-35,000	4.19	4.26	4.34	> 25,000	8.47	8.89	9.11
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 Six Fiscal Years**

<b>Sewer Revenues</b>	<b>Fiscal Year</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Sewer Fees	\$ 1,917,412	\$ 2,122,387	\$ 2,481,658	\$ 2,881,191	\$ 2,871,209	\$ 2,982,641
Installation Fees	-	916	1,205	400	918	-
Miscellaneous	1,052	3,064	705	-	-	-
Impact Fees	304,462	319,254	188,646	364,133	82,175	249,136
Totals	<u>\$ 2,222,926</u>	<u>\$ 2,445,621</u>	<u>\$ 2,672,214</u>	<u>\$ 3,245,724</u>	<u>\$ 2,954,302</u>	<u>\$ 3,231,777</u>

**Sewer Rates (1)**

<b>Inside City Limits</b>			<b>Inside City Limits</b>				
Base Rate	\$ 19.28	\$ 19.76	\$ 23.25	Base Rate	\$ 17.59	\$ 18.47	\$ 18.93
0-7,000 Gallons	1.13	1.16	1.19	0-5,000 Gallons	2.31	2.43	2.49
7,001 + Gallons	1.17	1.74	1.77	5,001 + Gallons	4.05	4.25	4.36
<b>Outside City Limits</b>			<b>Outside City Limits</b>				
Base Rate	\$ 28.92	\$ 29.64	\$ 34.88	Base Rate	\$ 21.99	\$ 23.09	\$ 23.66
0-7,000 Gallons	1.70	1.74	1.79	0-5,000 Gallons	2.89	3.03	3.11
7,001 + Gallons	2.57	2.61	2.66	5,001 + Gallons	5.07	5.32	5.45

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>2010</u>		<u>2001</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Citrus World, Inc.	678	1	N/A	1
Lake Wales Medical Center	497	2	N/A	2
Lake Wales Charter Schools	392	3	N/A	3
Wal-Mart	350	4	N/A	4
Publix, Inc.	224	5	N/A	5
Polk County School Board	220	6	N/A	9
Citrosuco	210	7	N/A	6
Warner University	180	8	N/A	10
City of Lake Wales	177	9	N/A	7
Hunt Brothers	160	10	N/A	8
	<u>3,088</u>		<u>N/A</u>	

Source: Lake Wales Area Chamber of Commerce

N/A - Not available

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING 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, 2010**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b>U.S. Department of Housing &amp; Urban Development</b>			
Community Development Block Grant:			
Lincoln/Parking	09DB-4N-07-63-02-C28	14.228	\$ 10,049
			<u>10,049</u>
<b>U.S. Department of Justice</b>			
Edward Byrne Memorial Justice Grant	2010-ARRC-Polk-15-W7-078	16.738	74,000
Bureau of Justice Assistance	2009-SB-B9-0673	16.738	23,251
Edward Byrne Memorial Justice Grant	2010-JAGC-POLK-4-4X-012	16.738	19,208
Edward Byrne Memorial Justice Grant	2010-JAGD-POLK-4-4Y-061	16.738	9,829
Bulletproof Vest Program		16.607	514
			<u>126,802</u>
<b>U.S. Environmental Protection Agency passed through Florida Department of Environmental Protection</b>			
Treatment & Reclaimed Water Usage			
(Upgrade of Sewage Treatment Plant) (1)	WW759140	66.458	<u>35,625</u>
<b>U.S. Department of Transportation Federal Aviation Administration</b>			
MITLS	3-12-0040-011-2009	20.106	<u>302,953</u>
<b>U.S. Department of Agriculture/U.S. Forest Service</b>			
Cooperative Forestry Assistance – Bucket Truck	15151	10.664	<u>14,250</u>
			<u>\$ 489,679</u>

- (1) Loan Balance at September 30, 2009 - \$791,241  
(2) Loan Balance at September 30, 2009 - \$508,370  
(3) Loan Balance at September 30, 2009 - \$1,017,105  
(4) Loan Balance at September 30, 2009 - \$917,297  
(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, 2010**

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Expenditures</u>
<b>Florida Department of State</b>			
Historic Preservation Grant Program:			
Historic Grant - Hardman Hall	SC621	45.032	\$ 8,220
Historic Grant - Hardman Hall	SC801	45.032	259,208
Florida Department of Environmental Protection Program:			
Recreation Trail Program	T27019	20.219	<u>2,667</u>
			<u>270,095</u>
<b>Executive Office of the Governor</b>			
Office of Tourism and Economic Development	OT07-017	31.002	<u>34,055</u>
<b>Florida Department of Transportation</b>			
Aviation Development Grant-MIRLS	AOE33	55.004	<u>7,972</u>
			<u>\$ 312,122</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2010  
CITY OF LAKE WALES, FLORIDA**

**Note 1 – General**

The accompanying schedule of expenditures of federal awards and state financial assistance presents the activities 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, 2010. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Government, 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 and state agencies, as well as federal awards and state financial assistance passed through other governmental agencies, are included in the schedules.

**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 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 Commissioners  
City of Lake Wales  
Lake Wales, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Wales, Florida (the City), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 3, 2011. 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A *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 over financial reporting 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.

**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 Commissioners  
City of Lake Wales  
Lake Wales, Florida

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

**Compliance and Other Matters**

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

We also noted other matters that we reported to management in a separate management letter dated February 3, 2011.

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

  
February 3, 2011  
Sarasota, Florida

## MANAGEMENT LETTER

Honorable Mayor and City Commissioners  
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, 2010 and have issued our report thereon dated February 3, 2011.

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. Disclosures in that report, which is dated February 3, 2011, 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 auditors' reports:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. All findings in the preceding annual financial report have been resolved to our satisfaction.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the City's 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 occurred, or are likely to have occurred, 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.

### Certified Public Accountants

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

**MANAGEMENT LETTER**  
*(Continued)*

- 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) deficiencies in internal controls that are not significant deficiencies. In connection with our audit, we did not have any such findings; however subsequent to year end the following event occurred:
  - **2010.1 Theft of Cash**—Subsequent to year-end (early December 2010), City management advised us that there had been several unauthorized electronic withdrawals from one of the City’s bank accounts during the Thanksgiving holiday that resulted in an outstanding fraudulent loss of \$405,181. An investigation is ongoing. The City has sufficient insurance coverage for this type of loss and expects a full reimbursement, excluding the deductible amount of \$1,000. Based on our discussions with management and review of the City’s internal controls, we did not identify any weakness in the design of the City’s internal controls that could have contributed to or enhanced the opportunity for the theft.
- 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, 2010, 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, 2010. 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 Commissioners  
City of Lake Wales  
Lake Wales, Florida

**MANAGEMENT LETTER**  
*(Concluded)*

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

*Purvis, Gray and Company, LLP*  
February 3, 2011  
Sarasota, Florida



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**City of  
Lake Wales**

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## **RESPONSE TO MANAGEMENT LETTER COMMENTS**

March 8, 2010

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

No prior year recommendations.

### **CURRENT YEAR RECOMMENDATIONS**

#### **2010.1 – Theft of Cash:**

In direct response to fraudulent online banking transactions, additional internal and external security measures have been implemented. The Finance Director and IT Director have created new internal control procedures relating to technology and personnel. The Finance Director, IT Director, and the bank's Treasury Management Officer have updated security levels relating to online banking transactions and internet access.