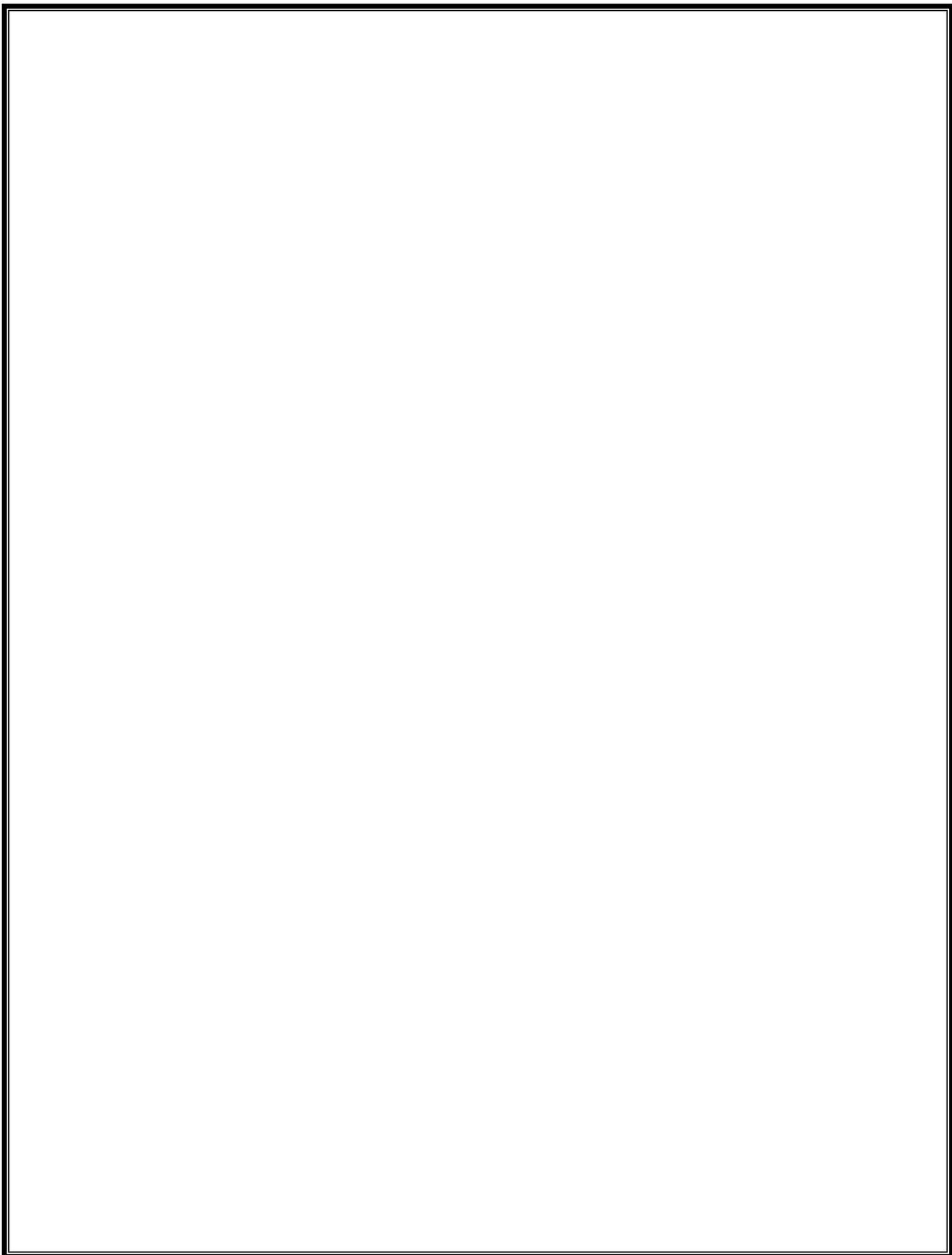




City of Lake Wales, Florida

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
September 30, 2011



City of Lake Wales, Florida
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended September 30, 2011

Prepared By:
Department of Finance



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City of Lake Wales, Florida

**Comprehensive Annual Financial Report
For Fiscal Year Ended September 30, 2011**

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**City of
Lake Wales**

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

March 3, 2012

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, 2011, 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, 2011. 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 14,261.

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 30th; the close of the City of Lake Wales's fiscal year. The appropriated budget is prepared by fund and department. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level for the general fund, and the fund level for all other funds. Budget-to-actual comparisons are provided in this report for each major governmental fund for which an appropriated annual budget has been adopted.

Local Economy

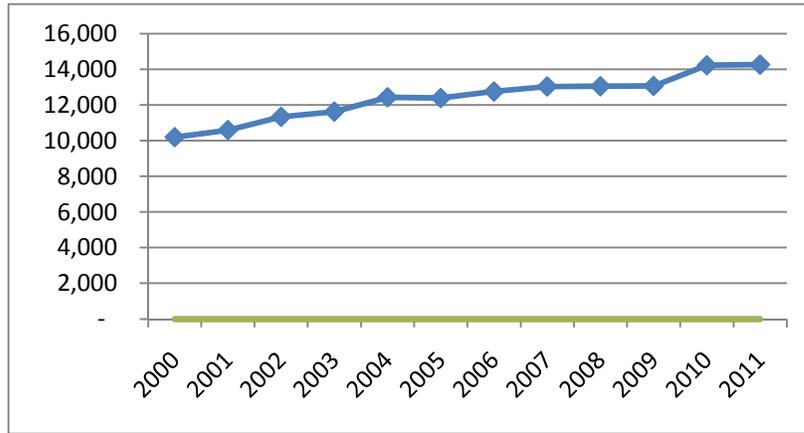
Each fiscal year provides the City an opportunity to identify, address and resolve issues facing our community and citizens. While residents enjoy the quiet suburban lifestyle of this community and public sentiment is to maintain and preserve its residential character, the City's large residential make-up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

The City's major challenges are to provide the infrastructure and services needed to maintain the quality of life, which attracted considerable growth in our community (39.54% increase in population from 2000 through 2010). History has proven that significant emphasis on support systems such as transportation, potable (drinking) water, wastewater, and 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 39.89% 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. The 2010 Census results revealed an actual population count greater than had previously been annually estimated.

City of Lake Wales
Population Growth



Population 2000 - 2011

(April 1,) Year	Population*	% Incr.	Notes
2000	10,194	-	
2001	10,593	3.91%	U.S. Census
2002	11,336	7.01%	
2003	11,626	2.56%	
2004	12,433	6.94%	
2005	12,390	-0.35%	Hurricanes/Zoning in Progress
2006	12,755	2.95%	
2007	13,039	2.23%	
2008	13,052	0.10%	
2009	13,067	0.11%	
2010	14,225	8.86%	U.S. Census
2011	14,261	0.25%	

*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 2011 were reported at 12.0% and 10.6%, respectively, while the national unemployment rate was 9.1%.

The Florida Economic Estimating Conference met in February of 2011 to revise the forecast for the state's economy. As further updated by the Legislative Office of Economic and Demographic Research, the latest baseline forecast is cautiously optimistic that the recovery will continue, albeit at a slower pace. Underlying the forecast is the assumption that the extreme financial and economic stress experienced over the last few years reached its bottom sometime during the spring of 2010.

With the exception of employment-related statistics, most measures of the Florida economy were beginning to show signs of life by the beginning of the 2010 calendar year. However, the state's highest unemployment rate on record actually came later that year – reaching 12 percent in December of 2010.

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 October 2010 when Florida experienced its first over-the-year increase in jobs since June 2007. By June 2011, Florida has seen nine consecutive months of positive over-the-year job growth. However, Florida is still 824,200 jobs below its peak during the boom. This tells us that simple rehiring, while necessary, will not be sufficient to trigger a robust recovery. At the current pace, a full recovery to the previous peak will not occur until the end of Fiscal Year 2015'16. Since population has continued to grow, the reality is actually worse than it appears – it would take the creation of about 1.0 million jobs for the same percentage of the total population to be working as was the case in the peak.

The state's unemployment rate in June was 10.6 percent, persistently staying higher than the national rate of 9.2 percent. At the time, Florida had 982,000 unemployed people and was ranked 4th in the country for its unemployment rate.

However, there are signs of improvement. Preliminary data suggest that one-half of the state's twelve major job sectors showed year-over-year growth in Fiscal Year 2010'11 compared to only one sector in Fiscal Year 2009'10.

The pace of Florida's recovery will be driven in large measure by the time it takes for the construction industry to revive. The state will need significant time to work off the current excess supply of homes. Because the state is so diverse, some areas will reach recovery much faster than other areas. However, the overall Florida economy is unlikely to significantly improve until new construction comes back to life, and that won't happen until the existing inventory is reduced.

These economic projections have been provided within the Fall of 2011 State of Florida Long-Range Financial Outlook report.

Long-term Financial Planning

Unassigned fund balance in the general fund totaling \$2,405,383 (21.96% percent of the total general fund expenditures) lies 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:

- Entryway improvements
- North side fire sub-station
- Sewer treatment plant renovation project
- C street sewer improvement project
- Reuse line extension
- Various utility system relocation projects

The City has obtained \$4,287,342 in financing through the state revolving fund program for the sewer treatment plant renovation project. Construction is expected to be completed in December of 2012.

Recreation programs continue to be important to the residents of the City.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakes Wales for its comprehensive annual financial report (CAFR) for the fiscal year ending September 30, 2010. This was the second 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,



Therese Leary,
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, 2010

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.



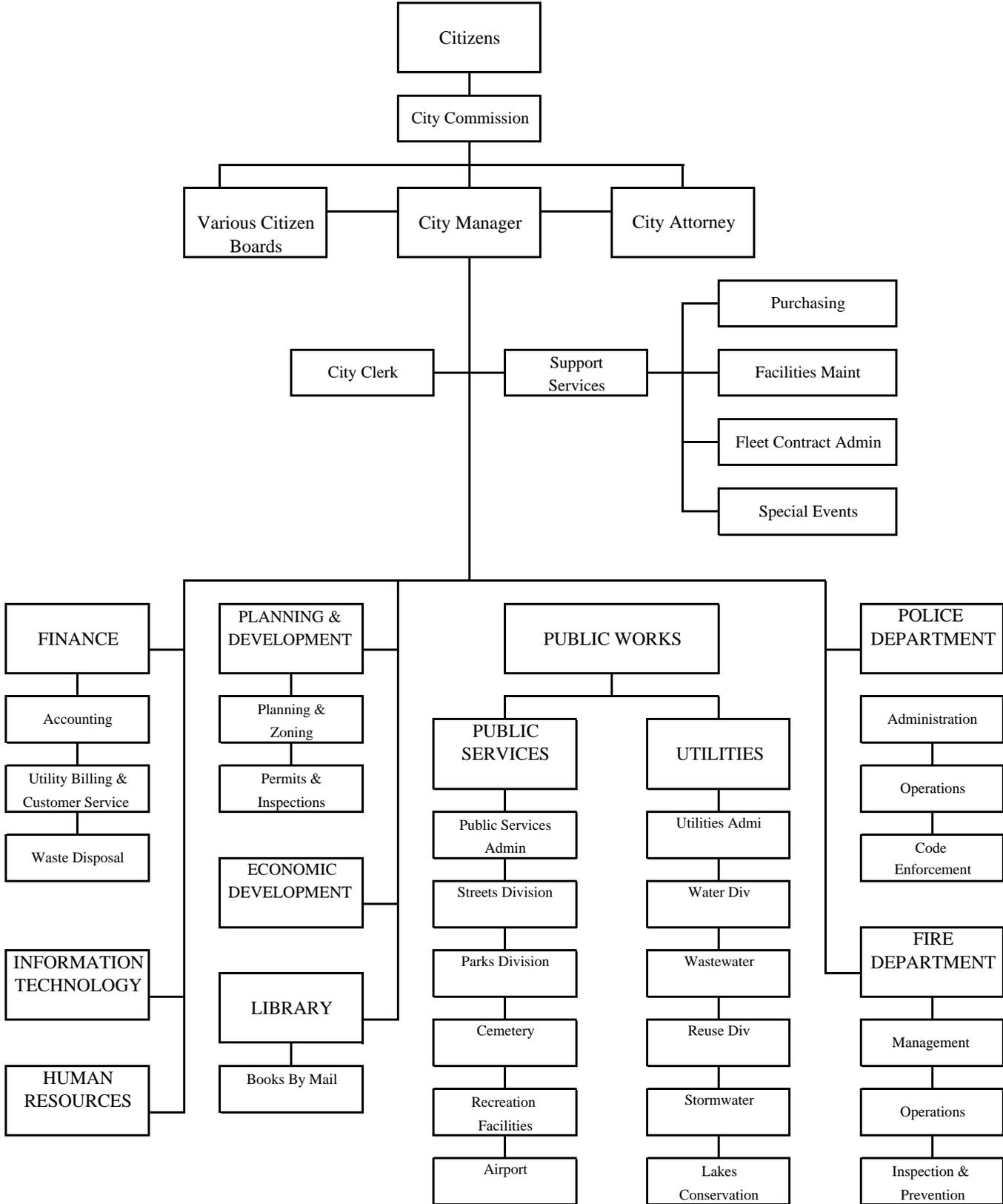
Linda C. Davison

President

Jeffrey R. Emer

Executive Director

City of Lake Wales, Florida Organizational Chart



City of Lakes Wales, Florida
Principal Officials

Elected Officials

Mayor----- Michael Carter
Vice Mayor/Commissioner ----- Terrye Y. Howell
Commissioner ----- Betty Wojcik
Commissioner ----- John Paul Rogers
Commissioner ----- Jonathan Thornhill

City Officials

City Manager ----- Therese Leary
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, 2011, 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 the 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, 2011, 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 March 27, 2012, 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

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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

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, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General* of the State of Florida, and are also not a required part of the financial statements. The supplemental information and the schedules 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 as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Purvis, Gray and Company, LLP

March 27, 2012
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, 2011. 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 \$44,044,984 (*net assets*). Of this amount, \$3,797,383 (*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 \$1,514,755. The governmental activities decreased by \$1,945,583 (8.67%), while business-type activities increased \$3,460,338 (17.22%).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,849,589; a decrease of \$2,853,657 for the year. Approximately 35.12% is *available for spending* at the government's discretion (unassigned).

Overview of the Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-66 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 \$44,044,984 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets \$34,214,733 (77.68%) 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 8,628,009	\$ 11,726,647	\$ 5,927,848	\$ 3,844,145	\$ 14,555,857	\$ 15,570,792
Capital assets, net of depreciation	29,028,932	29,750,813	29,100,121	28,802,071	58,129,053	58,552,884
Total assets	37,656,941	41,477,460	35,027,969	32,646,216	72,684,910	74,123,676
Current and other liabilities	2,859,664	3,022,128	2,112,832	2,165,121	4,972,496	5,187,249
Long-term liabilities	14,312,325	16,024,797	9,355,105	10,381,401	23,667,430	26,406,198
Total liabilities	17,171,989	19,046,925	11,467,937	12,546,522	28,639,926	31,593,447
Net Assets:						
Investment in capital assets net of related debt	14,412,716	15,123,821	19,802,017	17,430,569	34,214,733	32,554,390
Restricted	3,606,811	4,431,294	2,426,057	2,145,793	6,032,868	6,577,087
Unrestricted	2,465,425	2,875,420	1,331,958	523,332	3,797,383	3,398,752
Total net assets	\$ 20,484,952	\$ 22,430,535	\$ 23,560,032	\$ 20,099,694	\$ 44,044,984	\$ 42,530,229

An additional portion of the City's net assets \$6,032,868 (13.70%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,797,383 (8.62%) unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

City of Lake Wales Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 2,173,703	\$ 2,212,513	\$ 6,303,592	\$ 6,125,465	\$ 8,477,295	\$ 8,337,978
Operating grants and contributions	785,447	811,508	-	-	785,447	811,508
Capital grants and contributions	888,272	408,721	512,411	383,974	1,400,683	792,695
General Revenues:						
Property taxes	5,239,552	6,427,817	-	-	5,239,552	6,427,817
Other taxes	2,765,619	2,876,108	-	-	2,765,619	2,876,108
Franchise fees	1,273,566	1,368,738	-	-	1,273,566	1,368,738
Other	1,059,826	1,271,703	316,279	276,067	1,376,105	1,547,770
Total Revenues	14,185,985	15,377,108	7,132,282	6,785,506	21,318,267	22,162,614
Expenses:						
Governmental Activities:						
General government	1,461,907	1,354,698	-	-	1,461,907	1,354,698
Public safety	7,340,512	7,647,887	-	-	7,340,512	7,647,887
Physical environment	1,211,193	1,204,112	-	-	1,211,193	1,204,112
Transportation	1,570,751	1,548,696	-	-	1,570,751	1,548,696
Economic environment	506,936	532,987	-	-	506,936	532,987
Human services	20,635	20,634	-	-	20,635	20,634
Culture and recreation	2,354,841	2,337,296	-	-	2,354,841	2,337,296
Interest on long-term debt	605,706	675,004	-	-	605,706	675,004
Business-type Activities:						
Public utilities	-	-	4,731,031	5,285,512	4,731,031	5,285,512
Total Expenses	15,072,481	15,321,314	4,731,031	5,285,512	19,803,512	20,606,826
Increase (decrease) in net assets before transfers						
	(886,496)	55,794	2,401,251	1,499,994	1,514,755	1,555,788
Transfers	(1,059,087)	790,672	1,059,087	(790,672)	-	-
Change in net assets	(1,945,583)	846,466	3,460,338	709,322	1,514,755	1,555,788
Beginning net assets	22,430,535	21,584,069	20,099,694	19,390,372	42,530,229	40,974,441
Ending net assets	\$ 20,484,952	\$ 22,430,535	\$ 23,560,032	\$ 20,099,694	\$ 44,044,984	\$ 42,530,229

Governmental activities. Governmental activities decreased the City’s net assets by \$1,945,583. Business-type activities net assets increased by \$3,460,338. Key elements of changes in net assets are as follows:

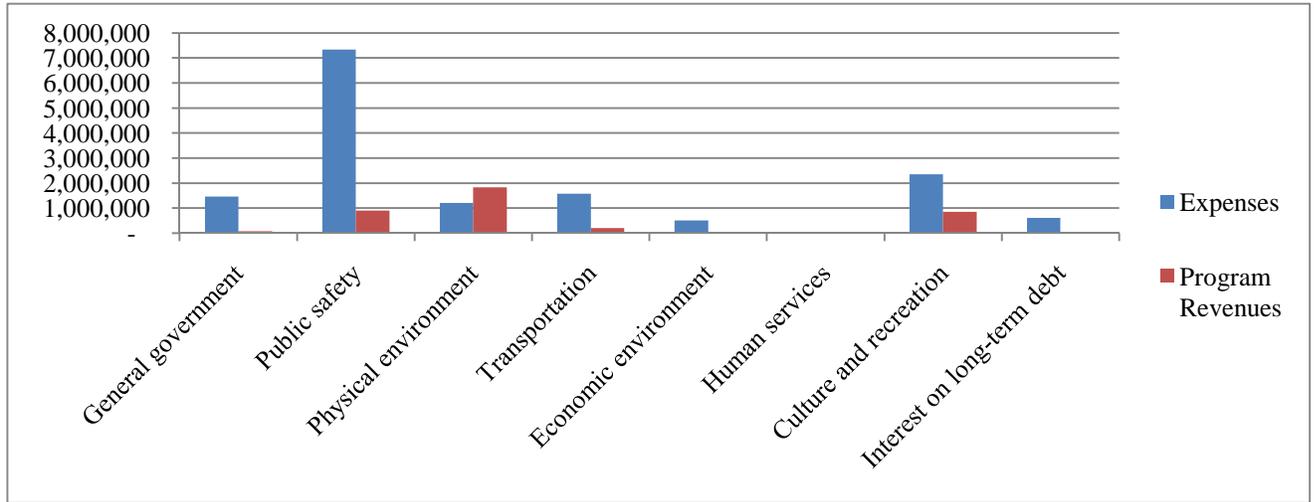
- Capital grants and contributions increased by \$479,551 (117.33%) from 2010. This change is a net result of increases in 2011 of \$657,270 received relating to a community development grant and \$198,327 for a Florida Energy grant relating to ball field lights. In 2010 the City had received \$259,208 for a historical preservation grant relating to Hardman Hall and \$126,802 in public safety grants for police equipment.
- General revenues decreased during 2011 by \$1,605,803 (13.44%) from 2010. This change is a net result of a decrease in property taxes of \$1,188,265, decreases in other taxes of \$110,489, and decreases in franchise fees of \$95,172. In addition, other revenue decreased by \$211,877.
- General government expenses increased in 2011 by \$107,209. Essentially, \$100,165 (93.42%) of this increase was due to a law suit settlement for \$55,000, increases in personnel costs within the

finance department of \$26,262 due to an additional full-time staff position, and an increase in IT operational expenditures of \$18,903.

- Public safety expenses decreased in 2011 by \$307,375 (4.01%) from 2010. Essentially, \$293,579 (95.51%) of this decrease was due to reduction in personal service costs for community policing of \$156,411, reduction in personal service costs for police services of \$58,104, reduction in accrued compensated absences of \$28,777, and reduction in annual depreciation of \$50,287.
- Physical environment expenses in 2011 increased by \$7,081 or 0.58%.
- Transportation expenses in 2011 increased by \$22,055 or 1.42%.
- Economic environment expenses in 2011 decreased by 26,051 or 4.88%
- Culture and Recreation expenses increased in 2011 by \$17,545 or 0.75%.

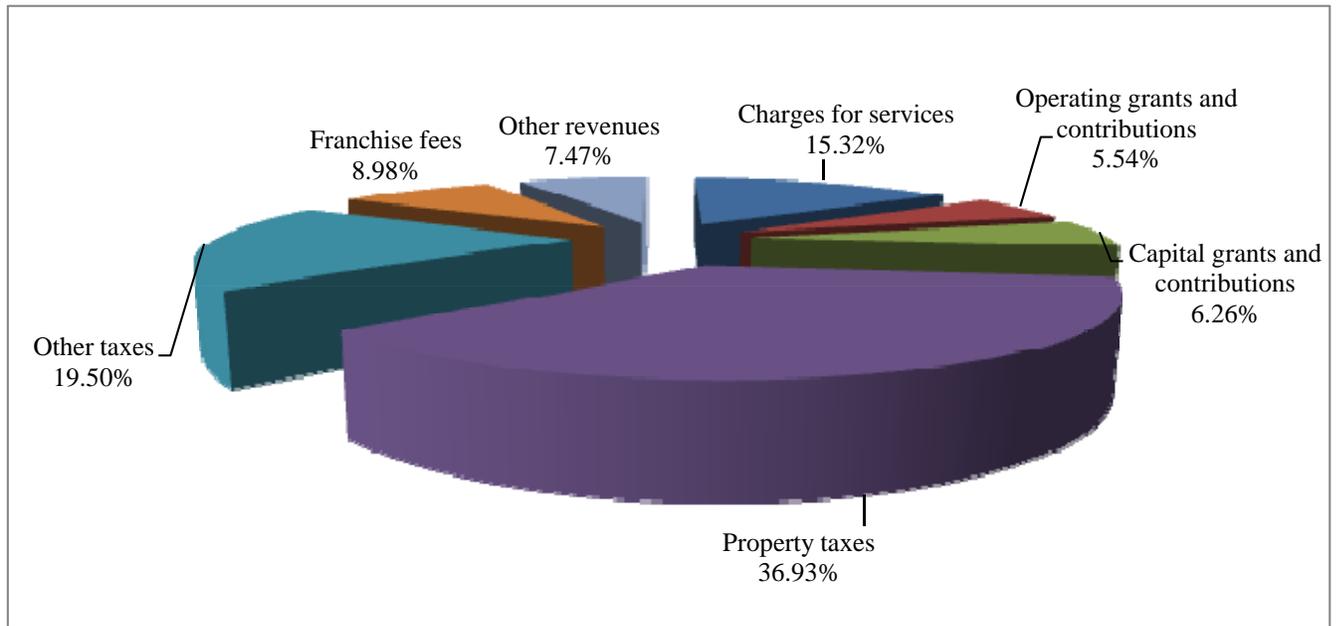
The following chart compares expenses with program revenues for the City's governmental activities:

Expenses and Program Revenues – Governmental Activities



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

Revenues by Source – Governmental Activities



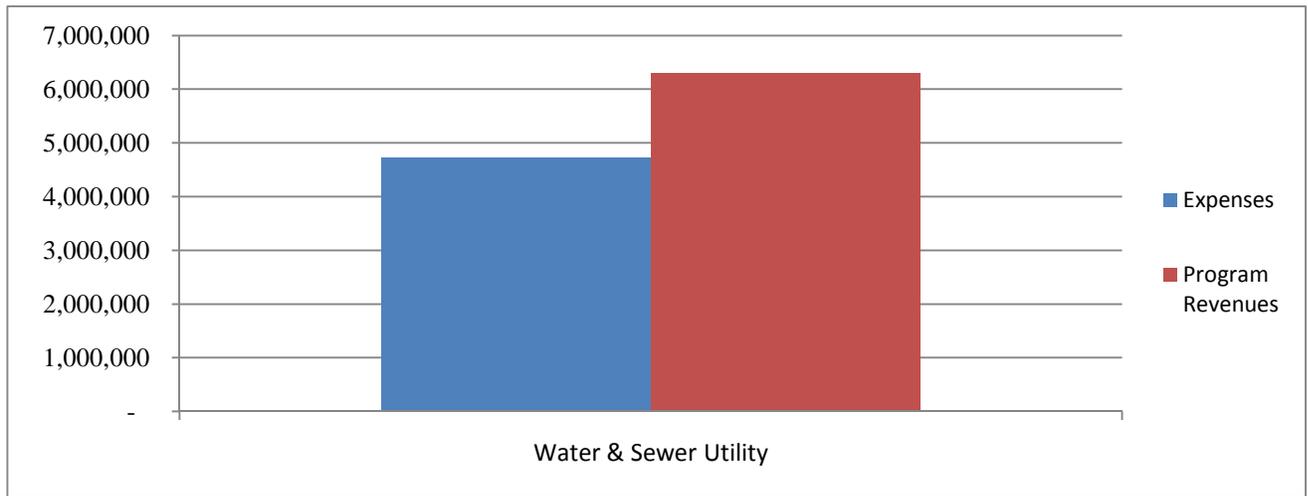
Business-type Activities

Business-type activities increased the City's net assets by \$3,460,338 accounting for 228.44% of the total growth in the City's net assets. Key elements of this increase are as follows:

- Capital grants and contributions increased by \$128,437 due to increases in impact fees received.
- Charges for services in 2011 increased by \$178,127 or 2.90%.
- Other revenues increased by \$40,212. Essentially, \$21,680 (53.91%) of this increase is due to increases in tower site leases of \$13,678 and gains realized on sale of assets of \$8,002.
- Water and sewer expenditures decreased \$554,481 or 10.49%. Essentially, \$250,000 (45.09%) of this decrease was due to a 2010 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 with Polk County and Southwest Florida Water Management District to alleviate flooding in the Lake Belle drainage basin.
- During 2011, community redevelopment funding totaling \$1,887,087 was transferred into the Utility System to be appropriated for the elevated storage tank - \$168,000, C Street Project - \$1,152,232, asbestos/cement pipe removal - \$566,855. In addition, \$828,000 was transferred out to the general fund.

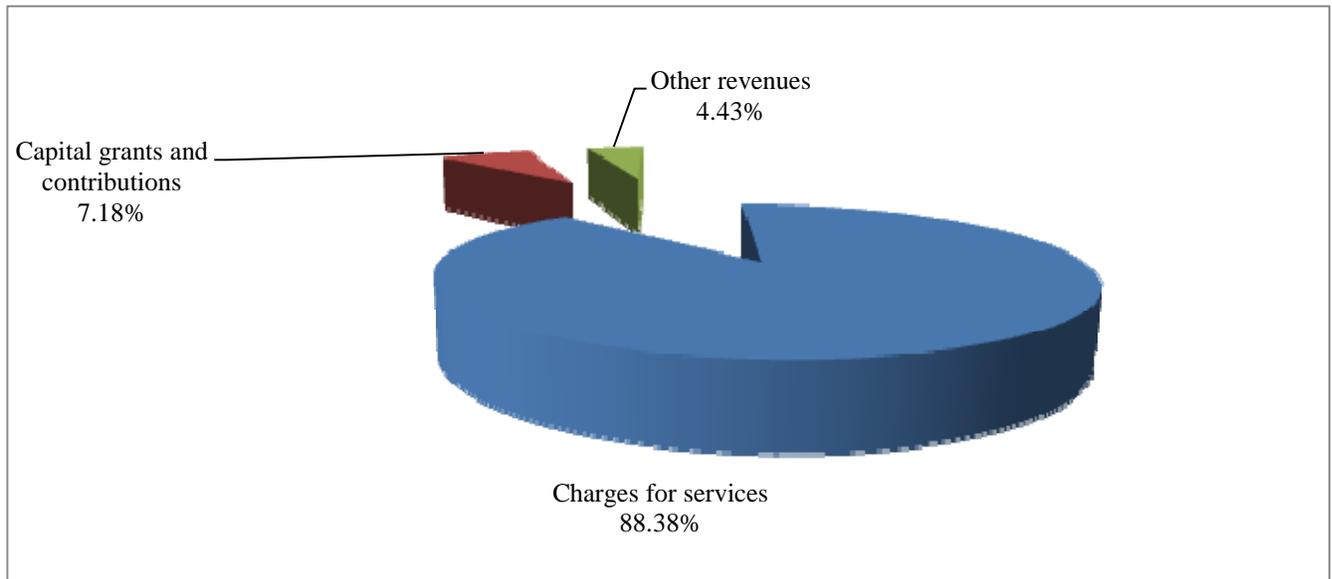
The following chart compares expenses with program revenues for the City's business-type activities:

Expenses and Program Revenues – Business-type Activities



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

Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,849,589 a decrease of \$2,853,657 for the year. Approximately 35.12% of this amount (\$2,405,383) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. Approximately 26.86% of fund balance (\$1,840,374) constitutes a *minimum fund balance*, which has been designated by the City Commission to providing funding necessary for sufficient working capital at the beginning of the fiscal year until the time the City begins receiving ad valorem taxes, to advance funds necessary to pay for construction of grant-funded projects until reimbursement is received from federal or state agencies, to advance financial resources necessary for responding to emergencies that will be reimbursed by insurance proceeds or grants from FEMA or other federal or state agencies, and to mitigate current and future revenue shortfalls, unanticipated expenditures, and to ensure stable taxes rates. The remainder of the fund balance (\$4,444,206), under GASB 54 standards is classified as nonspendable (\$52,500), restricted (\$3,419,816), and assigned (\$971,890).

The general fund is the chief operating fund for the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,405,383, while total fund balance reached \$2,938,541. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balances represents 21.97% percent of total general fund expenditure, while total fund balance represents 26.83% percent of the same amount.

The fund balance of the City's general fund decreased by \$532,626 during the current fiscal year. During the budget process, the City Commission approved a reduction in general fund balance of \$443,816 from prior years' "savings" to supplement estimated FY 2010'11 revenues in funding 2010'11 expenditures. In addition to expected expenditures, City Commission, through budget amendments approved a lawsuit settlement for \$55,000, land lease substation for \$21,000, (2) police cars for \$28,748, hurricane reimbursement for \$18,092, generator transfer switch for \$10,000 and sidewalk repair/replacement for \$23,897.

The fund balance of the City's community redevelopment fund decreased by \$2,332,756 during the current fiscal year. Significant changes totaling \$1,962,086 within the community redevelopment fund included:

- Transfer of the reserve bond proceeds (Series 2007) to the utility system for funding purposes relating to the elevated storage tank (\$168,000), C Street project (\$819,247), asbestos/cement pipe removal (\$566,855).
- Transfer of fund balance to the utility system for funding purposes relating to the C Street project (\$332,984).
- Transfers of the reserved bond proceeds (Series 2007) to the transportation fund for funding purposes relating to parking lot improvements at Orange & Market (\$75,000).

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 \$1,331,958. As of 09/30/11, the utility system had \$1,082,961 appropriated for the C Street Sewer Project. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$401,098 increase in general fund expenditure appropriations between the original and final amended budget. Essentially, \$394,966 (99.50%) of the changes were related to the following items:

- \$150,000 for improvements at the Lake Wales Cemetery that were not completed in FY 2009'10.
- \$22,860 for the conversion of a part-time accounting clerk position to a full-time position.
- \$20,000 for improvements at the Lake Wales Cemetery.
- \$26,000 for professional fees relating to GAI billing.
- \$32,900 for various costs within the Police Department.
- \$67,206 for various costs within the Fire Department.
- \$55,000 for a lawsuit settlement.
- \$21,000 for land lease for the fire substation.

During the year there was a \$29,405 increase in general fund revenue appropriations between the original and final amended budget. General fund revenues were \$14,800 above budget.

General fund expenditures were \$132,142 below budget appropriation mainly due to a spending freeze implemented by the City Manager in June of 2011. The freeze was implemented in anticipation of a continued reduction in ad valorem and state revenue sharing funds projected for fiscal year 2011'12. The projections, provided by various Florida agencies, continued to provide early indicators of declining revenue sources available to municipalities due to the current economic environment.

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, 2011 is \$58,129,052 (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 \$423,832; a decrease of 0.72%. This consisted of a 1.23% decrease for governmental activities and a 0.51% increase for business-type activities.

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

Governmental:

- Air Compressor - \$2,072
- Overland Tape Library - \$3,184
- Generator Switch - \$9,998
- Irrigation (Cemetery) - \$161,235
- Sign (Cemetery) - \$1,004
- Security Light (Cemetery) - \$10,371
- Fencing (Cemetery) - \$4,567
- Irrigation Well (US 27 Medians) - \$9,533
- Irrigation Well (Little League Field) - \$17,626
- Ball Field Lighting (Little League) - \$198,327
- Resurfacing Tennis Courts - \$24,412
- Police 2010 Ford Focus - \$10,575
- Police 2009 Ford Truck F-150 - \$18,175
- Police in-car cameras (5) - \$17,600
- AED Powerheart Pkg (Cardiac) (7) - \$9,055

- Orange & Market – Parking Improvements - \$26,386
- Lincoln Ave. – Parking Area - \$106,839
- Lincoln Ave. – Lighting - \$80,722
- Downtown Streets & Sidewalks - \$406,651
- Soccer Complex – Crush Tile in Parking Lot - \$10,000
- Library Books - \$71,582

Utilities:

- Elevated Storage Tank - \$94,773
- Asbestos/Cement Pipe Removal - \$566,000
- New services - \$39,649
- Fixnet/Auto Meter Reading - \$115,110
- Reuse Monitoring Wells - \$6,995
- Reuse Booster Station - \$110,584
- Wastewater Treatment Plant - \$283,369
- C Street Sewer Project - \$168,146
- Reuse Transmission Lines - \$52,000
- Rotor Nozzel, Grand Slam Nozzel - \$5,614
- Turbo Chain Cutter - \$4,335

City of Lake Wales's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 4,910,455	\$ 5,019,334	\$ 633,115	\$ 633,115	\$ 5,543,570	\$ 5,652,449
Construction in progress	26,386	55,032	1,768,541	1,439,869	1,794,927	1,494,901
Buildings	13,093,971	13,093,971	707,342	707,342	13,801,313	13,801,313
Improvements other than buildings	7,067,781	6,631,710	35,409,690	34,396,233	42,477,471	41,027,943
Machinery & equipment	9,609,086	9,604,360	5,172,571	5,194,649	14,781,657	14,799,009
Infrastructure	19,348,388	18,699,144	-	-	19,348,388	18,699,144
Total	<u>54,056,067</u>	<u>53,103,551</u>	<u>43,691,259</u>	<u>42,371,208</u>	<u>97,747,326</u>	<u>95,474,759</u>
Less: accumulated depreciation	<u>(25,027,135)</u>	<u>(23,352,738)</u>	<u>(14,591,138)</u>	<u>(13,569,137)</u>	<u>(39,618,273)</u>	<u>(36,921,875)</u>
Capital assets, net	<u>\$ 29,028,932</u>	<u>\$ 29,750,813</u>	<u>\$ 29,100,121</u>	<u>\$ 28,802,071</u>	<u>\$ 58,129,053</u>	<u>\$ 58,552,884</u>

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

Debt. At the end of the current fiscal year the City had total debt outstanding of \$25,538,920. This amount represents \$25,446,086 note payables, and \$92,866 capital 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

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Note payables	\$ 14,793,353	\$ 16,372,461	\$ 10,652,701	\$ 11,693,522	\$ 25,446,054	\$ 28,065,983
Lease obligations	92,866	181,921	-	-	92,866	181,921
Total debt obligations	<u>\$ 14,886,219</u>	<u>\$ 16,554,382</u>	<u>\$ 10,652,701</u>	<u>\$ 11,693,522</u>	<u>\$ 25,538,920</u>	<u>\$ 28,247,904</u>

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

Economic Factors and Next Year’s Budget and Rates

The unemployment rate at the end of fiscal year 2011 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. 2011</u>	<u>Previous Year Sept. 2010</u>
Lakeland/Winter Haven Metro Area	12.0%	13.1%
State of Florida	10.6%	11.8%
United States	9.1%	9.6%

*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 6.94% from 2010 to 2011.

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 14,225 in 2010 to 14,261 in 2011.

All of these factors were considered in preparing the City of Lake Wales’s budget for the 2011’12 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



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City of Lake Wales, Florida
Statement of Net Assets
September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
Assets				
Cash and cash equivalents	\$ 5,788,925	\$ 738,619	\$ 6,527,544	\$ -
Receivable (net of allowance for uncollectibles)	492,250	795,246	1,287,496	720
Due from component unit	158,719	-	158,719	-
Intergovernmental receivables	559,225	-	559,225	96,954
Restricted assets:				
Cash and cash equivalents	354,668	2,911,033	3,265,701	-
Investments	442,559	1,267,879	1,710,438	-
Inventories	44,140	157,239	201,379	-
Prepays	8,360	5,000	13,360	-
Net pension assets	303,061	-	303,061	-
Capital Assets:				
Nondepreciable	4,936,841	2,401,656	7,338,497	1,625,274
Depreciable, net	24,092,091	26,698,465	50,790,556	6,881,636
Unamortized bond issue costs	102,603	52,832	155,435	-
Deferred outflows - interest rate swap	373,499	-	373,499	-
Total assets	37,656,941	35,027,969	72,684,910	8,604,584
Liabilities				
Accounts payable	332,810	185,782	518,592	66
Accrued liabilities	243,448	46,921	290,369	-
Accrued interest	270,805	135,951	406,756	-
Due to primary government	-	-	-	158,719
Deposits	104,958	544,209	649,167	-
Unearned revenues	183,123	9,585	192,708	-
Noncurrent Liabilities:				
Due within one year	1,817,386	1,190,384	3,007,770	18,000
Due in more than one year	14,219,459	9,355,105	23,574,564	115,629
Total liabilities	17,171,989	11,467,937	28,639,926	292,414
Net assets				
Invested in capital assets, net of related debt	14,412,716	19,802,017	34,214,733	8,214,562
Restricted for:				
Redevelopment	812,949	-	812,949	-
Debt service	1,838,883	1,002,223	2,841,106	-
Other Purposes	954,979	1,423,834	2,378,813	-
Unrestricted	2,465,425	1,331,958	3,797,383	97,608
Total net assets	\$ 20,484,952	\$ 23,560,032	\$ 44,044,984	\$ 8,312,170

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, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,461,908	\$ 69,395	\$ -	\$ -
Public safety	7,340,512	700,165	171,654	27,829
Physical environment	1,211,193	1,152,546	18,000	657,270
Transportation	1,570,751	105,543	99,664	-
Economic environment	506,936	-	-	-
Human services	20,635	-	-	-
Culture and recreation	2,354,841	146,054	496,129	203,173
Interest on long-term debt	605,706	-	-	-
Total governmental activities	15,072,482	2,173,703	785,447	888,272
Business-type activities:				
Water and Sewer Utility	4,731,031	6,303,592	-	512,411
Total primary government	19,803,513	8,477,295	785,447	1,400,683
Component unit:				
Airport Authority	\$ 403,447	\$ 90,111	\$ -	\$ 864,955

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 (loss) 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**

Primary Governments			Component Unit
Governmental Activities	Business-Type Activities	Total	Airport Authority
\$ (1,392,513)	\$ -	\$ (1,392,513)	
(6,440,864)	-	(6,440,864)	
616,623	-	616,623	
(1,365,544)	-	(1,365,544)	
(506,936)	-	(506,936)	
(20,635)	-	(20,635)	
(1,509,485)	-	(1,509,485)	
(605,706)	-	(605,706)	
(11,225,060)	-	(11,225,060)	
-	2,084,972	2,084,972	
(11,225,060)	2,084,972	(9,140,088)	
			\$ 551,619
5,239,552	-	5,239,552	-
1,273,566	-	1,273,566	-
1,531,338	-	1,531,338	-
556,166	-	556,166	-
603,823	-	603,823	-
74,292	-	74,292	-
934,042	-	934,042	-
54,322	32,293	86,615	-
42,151	-	42,151	-
	15,393	15,393	-
29,312	268,593	297,905	-
(1,059,087)	1,059,087	-	-
9,279,477	1,375,366	10,654,843	-
(1,945,583)	3,460,338	1,514,755	551,619
22,430,535	20,099,694	42,530,229	7,760,551
\$ 20,484,952	\$ 23,560,032	\$ 44,044,984	\$ 8,312,170

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, 2011

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$ 2,537,675	\$ 10,874	\$ 1,937,250	\$ 1,087,964	\$ 215,162	\$ 5,788,925
Receivable (net of allowance for uncollectibles)	483,383	-	-	8,867	-	492,250
Due from other funds	26,161	-	-	-	-	26,161
Due from component unit	158,719	-	-	-	-	158,719
Inventories	44,140	-	-	-	-	44,140
Intergovernmental receivables	455,155	104,070	-	-	-	559,225
Restricted cash, cash equivalents and investments:						
Debt construction account	-	62,415	-	-	-	62,415
Impact fees	-	-	14,313	-	277,940	292,253
Impact fees - investments	-	-	-	-	442,559	442,559
Prepays	8,360	-	-	-	-	8,360
Total assets	<u>3,713,593</u>	<u>177,359</u>	<u>1,951,563</u>	<u>1,096,831</u>	<u>935,661</u>	<u>7,875,007</u>
Liabilities and fund balances						
Liabilities						
Accounts payable	272,987	47,011	-	3,606	9,206	332,810
Accrued liabilities	231,505	-	-	9,542	2,401	243,448
Due to other funds	-	26,161	-	-	-	26,161
Deposits	4,958	-	-	100,000	-	104,958
Deferred revenues	265,602	52,439	-	-	-	318,041
Total liabilities	<u>775,052</u>	<u>125,611</u>	<u>-</u>	<u>113,148</u>	<u>11,607</u>	<u>1,025,418</u>
Fund balances						
Nonspendable						-
Inventory and Prepaid	52,500	-	-	-	-	52,500
Restricted for:						
Library expenditures	-	-	-	-	429,949	429,949
Law enforcement expenditures	-	-	-	-	746	746
Transportation expenditures	-	51,748	-	-	-	51,748
Community redevelopment expenditures	-	-	-	983,683	-	983,683
Street lighting expenditures	-	-	-	-	2,127	2,127
Debt Service	-	-	1,951,563	-	-	1,951,563
Capital projects	-	-	-	-	483,013	483,013
Assigned						
Capital projects	-	-	-	-	8,219	8,219
Subsequent years' expenditure	480,658	-	-	-	-	480,658
Unassigned	2,405,383	-	-	-	-	2,405,383
Total Fund balance	<u>2,938,541</u>	<u>51,748</u>	<u>1,951,563</u>	<u>983,683</u>	<u>924,054</u>	<u>6,849,589</u>
Total liabilities and fund balances	<u>\$ 3,713,593</u>	<u>\$ 177,359</u>	<u>\$ 1,951,563</u>	<u>\$ 1,096,831</u>	<u>\$ 935,661</u>	<u>\$ 7,875,007</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, 2011

Total Fund balances of governmental funds

Amounts reported for governmental activities in the statement of net assets are different because:	\$ 6,849,589
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	29,028,932
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.	(270,805)
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.	134,918
Long-term liabilities (including certain accounts payable, compensated absences and OPEB liabilities) are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(15,663,346)
Net pension assets resulting from the overfunding of general, police, and fire pension plans are not reported in the applicable funds.	303,061
Unamortized debt issuance costs are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	102,603
Net assets of governmental activities	<u><u>\$ 20,484,952</u></u>

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

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Funds
Year Ended September 30, 2011

	<u>General</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Community Redevelopment</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 5,036,621	\$ 609,823	\$ 650,110	\$ 714,940	\$ 353,468	\$ 7,364,962
Special Assessment	-	-	-	-	12,387	12,387
Licenses and permits	1,114,860	-	427,891	-	-	1,542,751
Intergovernmental	1,349,524	109,691	-	680,942	1,180,054	3,320,211
Charges for services	1,791,534	105,543	-	660	-	1,897,737
Fines and forfeits	51,586	-	-	-	7,106	58,692
Investment earnings	27,309	488	10,492	12,810	9,243	60,342
Impact fees	-	-	18,958	-	172,085	191,043
Miscellaneous	79,395	20,500	-	419	17,138	117,452
Total revenues	<u>9,450,829</u>	<u>846,045</u>	<u>1,107,451</u>	<u>1,409,771</u>	<u>1,751,481</u>	<u>14,565,577</u>
Expenditures						
Current:						
General government	1,676,351	-	-	-	18,779	1,695,130
Public safety	6,575,832	-	-	374,553	32,648	6,983,033
Physical environment	1,287,013	-	-	-	668,809	1,955,822
Transportation	26,611	756,509	-	-	-	783,120
Economic environment	47,298	-	-	433,518	-	480,816
Human services	6,000	-	-	-	-	6,000
Culture and recreation	1,330,679	-	-	-	943,852	2,274,531
Debt Service:						
Principal	-	-	1,668,163	-	-	1,668,163
Interest and fiscal charges	-	-	594,010	-	-	594,010
Capital outlay	-	-	-	-	10,000	10,000
Total expenditures	<u>(10,949,784)</u>	<u>(756,509)</u>	<u>(2,262,173)</u>	<u>(808,071)</u>	<u>(1,674,088)</u>	<u>(16,450,625)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,498,955)</u>	<u>89,536</u>	<u>(1,154,722)</u>	<u>601,700</u>	<u>77,393</u>	<u>(1,885,048)</u>
Other financing sources (uses)						
Transfers in	927,475	75,000	1,123,125	-	3,424	2,129,024
Transfers out	(12,614)	(141,085)	-	(2,934,456)	(99,956)	(3,188,111)
Insurance recoveries	6,964	-	-	-	35,186	42,150
Sale of capital assets	44,504	-	-	-	3,824	48,328
Total other financing (uses) sources	<u>966,329</u>	<u>(66,085)</u>	<u>1,123,125</u>	<u>(2,934,456)</u>	<u>(57,522)</u>	<u>(968,609)</u>
Net change in fund balances	(532,626)	23,451	(31,597)	(2,332,756)	19,871	(2,853,657)
Fund balances, beginning of year	<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>
Fund balances, end of year	<u>\$ 2,938,541</u>	<u>\$ 51,748</u>	<u>\$ 1,951,563</u>	<u>\$ 983,683</u>	<u>\$ 924,054</u>	<u>\$ 6,849,589</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, 2011

Net change in fund balances of the governmental funds \$ (2,853,657)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital Expenditures	1,199,913	
Depreciation	(1,810,495)	
Capital Disposals and Other Adjustments	<u>(111,299)</u>	(721,881)

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.

(15,100)

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		1,668,163
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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	24,646	
(Increase) in Other Post Employment Benefits	(22,686)	
Amortization of Debt Issue Costs	(17,392)	
Amortization of Refunding Losses	(33,477)	
(Decrease) in Net Pension Asset	(13,374)	
(Increase) in Interest Accrued on Bonds	<u>39,175</u>	<u>(23,108)</u>

Change in net assets of governmental activities \$ (1,945,583)

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, 2011

	<u>Public Utilities Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 738,619
Receivables (net of allowance for uncollectibles)	795,246
Restricted cash, cash equivalents and investments:	
Debt reserve accounts	914,137
Impact fees	357,397
Customer deposits	544,209
Debt construction funding	1,084,961
Capacity reserve	10,329
Debt reserve accounts - investment	211,771
Impact fees - investment	1,056,108
Inventories	157,239
Prepaid	5,000
Total current assets	<u>5,875,016</u>
Noncurrent assets	
Capital assets:	
Nondepreciable	2,401,656
Depreciable, net	26,698,465
Unamortized bond issue costs	52,832
Total noncurrent assets	<u>29,152,953</u>
Total assets	<u>35,027,969</u>
Liabilities	
Current liabilities	
Accounts payable	185,782
Accrued liabilities	46,921
Accrued interest	135,951
Customer deposits	544,209
Deferred revenues	9,585
Accrued compensated absences	9,609
Current portion of long-term debt	1,180,775
Total current liabilities	<u>2,112,832</u>
Noncurrent liabilities	
Notes payable - noncurrent	9,255,122
Accrued compensated absences	86,485
Accrued OPEB	13,498
Total noncurrent liabilities	<u>9,355,105</u>
Total liabilities	<u>11,467,937</u>
Net assets	
Invested in capital assets, net of related debt	19,802,017
Restricted for capital projects	1,423,834
Restricted for debt service	1,002,223
Unrestricted	1,331,958
Total net assets	<u><u>\$ 23,560,032</u></u>

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

City of Lake Wales, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Asset
Proprietary Funds
For the Year Ended September 30, 2011

	Public Utilities Fund
Operating revenues:	
Charges for Services	\$ 6,303,592
Other income	268,593
Total operating revenues	6,572,185
Operating expenses:	
Personal services	1,420,429
Contractual services	246,452
Repairs and maintenance	466,410
Materials and supplies	254,456
General and administrative	908,645
Depreciation	1,060,540
(Total operating expenses)	(4,356,932)
Operating income	2,215,253
Nonoperating revenues (expenses)	
Interest income	32,293
Interest expense and fiscal charges	(366,276)
Amortization of bond issue costs	(7,823)
Gain on sale of capital assets	15,393
Total nonoperating (expenses)	(326,413)
Income before contributions and transfers	1,888,840
Capital contributions	
Impact fees	512,411
Total capital contributions	512,411
Operating transfers	
Operating transfers in	1,887,087
Operating transfers out	(828,000)
Total operating transfers	1,059,087
Change in net assets	3,460,338
Total net assets, beginning of year	20,099,694
Total net assets, end of year	\$ 23,560,032

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, 2011

	Business-Type Activities
	Public Utilities Fund
Cash flows from operating activities	
Cash received from customers	\$ 6,505,561
Cash payments to suppliers for goods and services	(1,976,049)
Cash payments for employee services	(1,411,847)
Net cash provided by operating activities	3,117,665
 Cash flows from noncapital financing activities	
Transfer from other funds	1,887,087
Transfer to other funds	(828,000)
Net cash provided by noncapital financing activities	1,059,087
 Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(1,358,589)
Impact fees	512,411
New debt	102,710
Principal payments on long-term debt	(1,142,531)
Interest paid	(325,639)
Proceeds from sale of capital assets	15,393
Net cash used in capital and related financing activities	(2,196,245)
 Cash flows from investing activities	
Purchase of investments	(516,936)
Investment income	32,293
Net cash provided by investing activities	(484,643)
 Net increase in cash and cash equivalents	1,495,864
Cash and cash equivalents, beginning of year	2,153,788
Cash and cash equivalents, end of year	\$ 3,649,652

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, 2011
(Concluded)

	Business-Type Activities
	Public Utilities Fund
Reconciliation of cash and cash equivalents to balance sheet	
Cash and cash equivalents	\$ 738,619
Restricted cash and cash equivalents	2,911,033
Cash and cash equivalents, end of year	3,649,652
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	2,215,253
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	1,060,540
(Increase) decrease in assets:	
Accounts receivable	(75,190)
Inventories	(1,036)
Prepaid	(2,500)
Increase (decrease) in liabilities:	
Accounts payable	(101,148)
Accrued liabilities	4,598
Utility deposits	15,383
Deferred revenue	(6,817)
Compensated absences	3,740
Accrued OPEB	4,842
Net cash provided by operating activities	\$ 3,117,665

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, 2011

	<u>Pension</u> <u>Trust Funds</u>
Assets	
Cash and cash equivalent	\$ 242,299
Investments, at fair value:	
Money market funds	1,877,669
Government Bonds	1,170,090
Government Assets backed/CMO Securities	1,733,021
Taxable Municipal Bonds	531,273
Corporate bonds and notes	5,086,304
Common and preferred stock	11,290,903
Total investments	<u>21,689,260</u>
Prepays	
Prepaid Fiduciary Liability Insurance	5,449
Total Prepays	<u>5,449</u>
Receivable (net):	
Interest and dividends	77,649
Due from State	5,399
Total receivable	<u>83,048</u>
Total assets	<u>22,020,056</u>
Liabilities	
Accounts payable	50,833
Due to DROP participants	799,598
Total liabilities	<u>850,431</u>
Net assets	
Held in trust for pension benefits and other purposes	<u>\$ 21,169,625</u>

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

City of Lake Wales, Florida
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2011

	<u>Pension Trust Funds</u>
Additions	
Contributions:	
Employer	\$ 975,354
State of Florida	228,242
Employee	<u>311,482</u>
Total contributions	<u>1,515,078</u>
Interest and dividends	611,709
Net increase (decrease) in the fair value of investments	<u>(1,044,060)</u>
Total investments income (loss)	(432,351)
Less investment expense	<u>(177,188)</u>
Net investment income (loss)	<u>(609,539)</u>
Total additions	<u>905,539</u>
Deductions	
Benefit payments	1,598,319
Refunds of contributions	155,836
Administration	<u>127,405</u>
Total deductions	<u>1,881,560</u>
Change in net assets	(976,021)
Total net assets - beginning	<u>22,145,646</u>
Total net assets - ending	<u><u>\$ 21,169,625</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, 2011

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, 2011.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2011

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, 2011

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

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

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2011

- **Pension Trust Funds** - account for the activities of the employee retirement systems, which accumulate resources for pension benefit payments to qualified public safety or general employees.

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

Cash and Cash Equivalents and Investments

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

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2011

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

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

Investments – City

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

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

2. Receivables

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

3. Inventories and prepaid items

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

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

4. Restricted assets

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

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

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

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

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

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

5. Capital assets

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

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the governmental funds and enterprise fund during the current fiscal year was \$594,010 and \$366,276 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. Compensated absences are recorded as paid in the governmental fund in which the employee generally provides services and the compensated absence liability – governmental activities is reduced at that time.

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

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

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

Interest rate swaps considered effective hedges are recorded at fair value as assets and liabilities on the Statement of Net Assets.

8. *Fund Balances*

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

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

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

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

Minimum Fund Balance Policy - Pursuant to a fund balance policy adopted, July 19, 2011, under the City Commission's Ordinance 2011-11, the City established an emergency sinking account in the general fund. In the general fund, there shall be created an emergency sinking account with a lower limit of 15% and an upper limit of 20% of General Fund operating expenditures calculated based on the original adopted fiscal year budget. The purpose of the stabilization account is to provide sufficient working capital at the beginning of the fiscal year until the time the City begins receiving ad valorem taxes, to advance funds necessary to pay for construction of grant-funded projects until reimbursement is received from federal or state agencies, to advance financial resources necessary for responding to emergencies that will be reimbursed by insurance proceeds or grants from FEMA or other federal or state agencies, and to mitigate current and future revenue shortfalls, unanticipated expenditures, and to ensure stable taxes rates.

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

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

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

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

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

9. Revenue Recognition

Utility revenues are recognized when customers are billed unless there has been a significant change in meter reading dates. In that event, unbilled or deferred revenues are recorded for consistency. Included in accounts receivable at September 30, 2011, are unbilled amounts totaling \$423,738 (\$322,079 enterprise funds and \$101,659 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 2011 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.

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

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11. Pension Plans

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

II. Stewardship, compliance, and accountability

A. Budgetary information

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

- Depreciation expense is not budgeted; however, expenditures for principal payments and capital outlays are budgeted. These outlays have been capitalized on the statements of net 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.
- 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

City of Lake Wales, Florida
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are encumbered when purchase orders are issued. Budgets are prepared for governmental funds using the same modified accrual basis of accounting as is used to account for actual transactions.

III. Detailed notes on all funds

A. Deposits and investments

Deposits

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

At September 30, 2011, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$9,793,245 (including the Authority), and the related bank balance was \$10,037,782. The carrying amount of deposits for the Authority, a discretely presented component unit, at September 30, 2011, was \$0.00. During 2011, 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, 2011, the carrying amount of investments was \$1,710,438 (\$1,267,879 enterprise fund, \$241,396 capital projects fund and \$201,163 library fund). The City seeks to optimize return on investments within the constraints of safety and liquidity held twelve month certificates of deposits.

Investments – Pension Funds

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

City of Lake Wales, Florida

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

	General Employees	Fire Fighters	Police Officers
Domestic and International Equity Securities	65%	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, 2011, are presented below (at market value):

General Employee Pension	Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type						
Money Market Funds	N/R	\$ 461,422	\$ 461,422	\$ -	\$ -	\$ -
Corporate Bonds	*	1,524,740	-	-	160,136	1,364,604
Government Bonds	AAA	245,324	-	-	95,429	149,895
Government Asset Backed/CMO Sec.	AAA	544,608	-	-	-	544,608
Taxable Municipal Bonds	*	164,919	-	-	-	164,919
Equity	N/R	4,036,747	4,036,747	-	-	-
Total Fair Market Value		\$ 6,977,760	\$ 4,498,169	\$ -	\$ 255,565	\$ 2,224,026

Firefighters' Pension	Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type						
Money Market Funds	N/R	\$ 555,208	\$ 555,208	\$ -	\$ -	\$ -
Corporate Bonds	*	1,371,459	-	-	154,446	1,217,013
Government Bonds	AAA	263,451	-	46,207	76,142	141,102
Government Asset Backed/CMO Sec.	AAA	419,727	-	-	-	419,727
Taxable Municipal Bonds	*	147,895	-	-	-	147,895
Equity	N/R	2,682,414	2,682,414	-	-	-
Total Fair Market Value		\$ 5,440,154	\$ 3,237,622	\$ 46,207	\$ 230,588	\$ 1,925,737

Police Officers' Pension	Credit Rating (S&P's)	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Investment Type						
Money Market Funds	N/R	861,039	\$ 861,039	\$ -	\$ -	\$ -
Corporate Bonds	*	2,190,105	-	-	245,645	1,944,460
Government Bonds	AAA	661,315	-	-	321,083	340,232
Government Asset Backed/CMO Sec.	AAA	768,686	-	-	-	768,686
Taxable Municipal Bonds	*	218,459	-	-	-	218,459
Equity	N/R	4,571,742	4,571,742	-	-	-
Total Fair Market Value		\$ 9,271,346	\$ 5,432,781	\$ -	\$ 566,728	\$ 3,271,837

*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, 2011, totaling \$48,761, \$111,751 and \$81,787 for the General Employee Pension, Firefighters' Pension and Police Officers' Pension, respectively. Pension fund investment policies specify that the quality minimum of all fixed income securities purchased for the fund shall be Standard & Poor's and Moody's rated A or its equivalent.

Interest rate risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The City and Pension Board limit their exposure to fair value losses arising from rising interest rates by varying investment maturities.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The City and Pension Board investment policies require that assets be diversified to control the risk of loss resulting from over concentration in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2011, the City's cash deposits were entirely covered by federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans and limit local government deposits to "qualified public depositories."

Custodial credit risk - investments

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

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B. Receivables

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

	General	Community Redevelopment	Other Governmental Fund	Total Governmental Fund	Enterprise - Business Type	Total
Receivable:						
Taxes	\$ 132,049	\$ -	\$ -	\$ 132,049	\$ -	\$ 132,049
Franchise fees	148,709	-	-	148,709	-	148,709
Accounts	123,153	8,867	-	132,020	590,086	722,106
Unbilled amounts	101,659	-	-	101,659	322,079	423,738
Gross receivables	<u>\$ 505,570</u>	<u>\$ 8,867</u>	<u>\$ -</u>	<u>\$ 514,437</u>	<u>\$ 912,165</u>	<u>\$ 1,426,602</u>
Less: allowance for uncollectibles	(22,187)	-	-	(22,187)	(116,919)	(139,106)
Net total receivable	<u>\$ 483,383</u>	<u>\$ 8,867</u>	<u>\$ -</u>	<u>\$ 492,250</u>	<u>\$ 795,246</u>	<u>\$ 1,287,496</u>
Intergovernmental Receivables	<u>\$ 455,155</u>	<u>\$ -</u>	<u>\$ 104,070</u>	<u>\$ 559,225</u>	<u>\$ -</u>	<u>\$ 559,225</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	\$ -	\$ 64,365	\$ 64,365
Local option gas tax	40,500	-	40,500
Half-cent sales tax	48,950	-	48,950
Communications services tax	43,950	-	43,950
Permit fees collected prior to meeting all eligibility requirements	-	92,342	92,342
Cemetery funds collected prior to meeting all eligibility requirements	-	26,416	26,416
Donations received prior to meeting all eligibility requirements	1,518	-	1,518
Total deferred /unearned revenue for governmental funds	<u>\$ 134,918</u>	<u>\$ 183,123</u>	<u>\$ 318,041</u>

City of Lake Wales, Florida
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C. Capital assets

Capital asset activity for the year ended September 30, 2011 was as follows:

Governmental activities:	Beginning Balance	Adjustments	Additions	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	\$ 5,019,334	\$ -	\$ -	\$ (108,879)	\$ 4,910,455
Construction in progress	55,032	-	620,598	(649,244)	26,386
Total capital assets, not being depreciated	<u>5,074,366</u>	<u>-</u>	<u>620,598</u>	<u>(758,123)</u>	<u>4,936,841</u>
Capital assets being depreciated:					
Buildings	13,093,971	-	-	-	13,093,971
Improvements other than buildings	6,631,710	-	436,071	-	7,067,781
Machinery and equipment	9,604,360	-	143,244	(138,518)	9,609,086
Infrastructure	18,699,144	-	649,244	-	19,348,388
Total depreciable capital assets	<u>48,029,185</u>	<u>-</u>	<u>1,228,559</u>	<u>(138,518)</u>	<u>49,119,226</u>
Total all capital assets	<u>53,103,551</u>	<u>-</u>	<u>1,849,157</u>	<u>(896,641)</u>	<u>54,056,067</u>
Less accumulated depreciation for:					
Buildings	(2,838,077)	3,938	(266,260)	-	(3,100,399)
Improvements other than buildings	(3,844,724)	-	(296,206)	-	(4,140,930)
Machinery and equipment	(7,081,275)	-	(562,916)	132,160	(7,512,031)
Infrastructure	(9,588,662)	-	(685,113)	-	(10,273,775)
Total accumulated depreciation	<u>(23,352,738)</u>	<u>3,938</u>	<u>(1,810,495)</u>	<u>132,160</u>	<u>(25,027,135)</u>
Depreciable capital assets, net	<u>24,676,447</u>	<u>3,938</u>	<u>(581,936)</u>	<u>(6,358)</u>	<u>24,092,091</u>
Total Governmental capital assets, net	<u>\$ 29,750,813</u>	<u>\$ 3,938</u>	<u>\$ 38,662</u>	<u>\$ (764,481)</u>	<u>\$ 29,028,932</u>

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

Governmental activities:	
General government	92,680
Public safety	433,856
Physical environment	29,482
Transportation	822,618
Economic environment	25,578
Human services	14,635
Culture and recreation	391,646
Total governmental activities depreciation expense	<u>1,810,495</u>

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	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 633,115	\$ -	\$ -	\$ -	\$ 633,115
Construction in progress	1,439,869	-	656,871	(328,199)	1,768,541
Total capital assets, not being depreciated	<u>2,072,984</u>	<u>-</u>	<u>656,871</u>	<u>(328,199)</u>	<u>2,401,656</u>
Capital assets being depreciated:					
Buildings	707,342	-	-	-	707,342
Improvements other than buildings	34,396,233	(94,498)	1,107,955	-	35,409,690
Machinery and equipment	5,194,649	-	9,948	(32,026)	5,172,571
Total depreciable capital assets	<u>40,298,224</u>	<u>(94,498)</u>	<u>1,117,903</u>	<u>(32,026)</u>	<u>41,289,603</u>
Total all capital assets	<u>42,371,208</u>	<u>(94,498)</u>	<u>1,774,774</u>	<u>(360,225)</u>	<u>43,691,259</u>
Less accumulated depreciation for:					
Buildings	(409,357)	-	(20,637)	-	(429,994)
Improvements other than buildings	(9,634,296)	-	(804,708)	-	(10,439,004)
Machinery and equipment	(3,525,484)	6,513	(235,195)	32,026	(3,722,140)
Total accumulated depreciation	<u>(13,569,137)</u>	<u>6,513</u>	<u>(1,060,540)</u>	<u>32,026</u>	<u>(14,591,138)</u>
Depreciable capital assets, net	<u>26,729,087</u>	<u>(87,985)</u>	<u>57,363</u>	<u>-</u>	<u>26,698,465</u>
Total business-type capital assets, net	<u>\$ 28,802,071</u>	<u>\$ (87,985)</u>	<u>\$ 714,234</u>	<u>\$ (328,199)</u>	<u>\$ 29,100,121</u>

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

Business-type activities:	
Water	\$ 472,813
Sewer	587,727
Total depreciation expense - business-type activities	<u>\$ 1,060,540</u>

Discretely presented component unit

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Lake Wales Airport Authority:					
Capital assets not being depreciated:					
Land	\$ 1,625,274	\$ -	\$ -	\$ -	\$ 1,625,274
Construction in progress	576,921	-	772,893	(1,349,814)	-
Total capital assets, not being depreciated	<u>2,202,195</u>	<u>-</u>	<u>772,893</u>	<u>(1,349,814)</u>	<u>1,625,274</u>
Capital assets being depreciated:					
Buildings	2,534,616	-	-	-	2,534,616
Improvements other than buildings	4,887,490	-	1,421,402	-	6,308,892
Machinery and equipment	608,797	(2,239)	-	-	606,558
Total depreciable capital assets	<u>8,030,903</u>	<u>(2,239)</u>	<u>1,421,402</u>	<u>-</u>	<u>9,450,066</u>
Total all capital assets	<u>10,233,098</u>	<u>(2,239)</u>	<u>2,194,295</u>	<u>(1,349,814)</u>	<u>11,075,340</u>
Less accumulated depreciation for:					
Buildings	(113,012)	-	(51,655)	-	(164,667)
Improvements other than buildings	(2,077,578)	-	(206,960)	-	(2,284,538)
Machinery and equipment	(82,595)	-	(36,630)	-	(119,225)
Total accumulated depreciation	<u>(2,273,185)</u>	<u>-</u>	<u>(295,245)</u>	<u>-</u>	<u>(2,568,430)</u>
Depreciable capital assets, net	<u>5,757,718</u>	<u>(2,239)</u>	<u>1,126,157</u>	<u>-</u>	<u>6,881,636</u>
Lake Wales Airport Authority capital assets, net	<u>\$ 7,959,913</u>	<u>\$ (2,239)</u>	<u>\$ 1,899,050</u>	<u>\$ (1,349,814)</u>	<u>\$ 8,506,910</u>

Reclassify - Reduction in capital assets due to double posting of retainage from a prior period.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

D. Construction commitments

The City has active construction projects as of September 30, 2011. 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	\$ 125,337	\$ 121,057
WWTP rehab/expension - engineering	17,898	181,127
Reuse design/permit transmission lines	29,000	52,000
Downtown Street & Sidewalk Improvements	28,532	142,076
Lincoln façade improvements	7,100	65,440
Lincoln communicate area parking	3,688	40,699
Kirkland gym	107,490	32,449
	<u>\$ 319,045</u>	<u>\$ 634,848</u>

Lake Wales Airport Authority - Component Unit

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Runway extension project	\$ 388,825	\$ 11,500
	<u>\$ 388,825</u>	<u>\$ 11,500</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:

	Postage Equipment	Vehicles	Back Hoe	Land	Total
2012	\$ 3,317	\$ 81,464	\$ 13,876	\$ 36,000	\$ 134,657
2013	1,106	81,464	13,876	27,000	123,446
2014		81,464	13,876		95,340
2015		81,215	13,876		95,091
2016		40,772			40,772
2017-2021		41,881	-	-	41,881
Total	<u>\$ 4,423</u>	<u>\$ 408,260</u>	<u>\$ 55,504</u>	<u>\$ 63,000</u>	<u>\$ 531,187</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

F. Interfund receivable, payables and transfers

The composition of interfund balances as of September 30, 2011, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Transportation	<u>\$ 26,161</u>

Due to/from component unit:

General	Airport Authority	<u>\$ 158,719</u>
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The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Source	Transfer To	Amount	Purpose
General	Debt Service	\$ 12,614	Debt Subsidy
Community Redevelopment	Transportation	75,000	Transportation Project in CRA District
Community Redevelopment	CDBG	2,943	CDBG Project in CRA District
Community Redevelopment	Debt Service	969,426	Debt Subsidy
Community Redevelopment	Public Utilities	1,887,087	Utility Projects in CRA District
Law Enforcement Block Grant	Police Forfeiture	481	Operating Transfer
Capital Projects	General	99,475	Capital Project Reimbursement
Public Utilities	General	828,000	Operating Transfer
Transportation	Debt Service	141,085	Debt Subsidy
		<u>\$ 4,016,111</u>	
<i>Transfer to component unit:</i>			
General	Airport Authority	<u>\$ 21,177</u>	Operating Transfer

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

G. Long-term debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and notes payable:					
Notes payable	\$ 16,372,461	\$ -	\$ 1,579,108	\$ 14,793,353	\$ 1,636,408
Lease obligations	181,921	-	89,055	92,866	92,866
Total bonds and notes payable - par	<u>16,554,382</u>	<u>-</u>	<u>1,668,163</u>	<u>14,886,219</u>	<u>1,729,274</u>
Less unamortized refunding loss	(200,877)	33,477	-	(167,400)	
Total bonds and notes payable - net	<u>16,353,505</u>	<u>33,477</u>	<u>1,668,163</u>	<u>14,718,819</u>	<u>1,729,274</u>
Other liabilities					
Interest rate swap	483,545	-	110,046	373,499	-
OPEB liability	40,719	22,686	-	63,405	-
Compensated absences	905,768	462,179	486,825	881,122	88,112
Total other Liabilities	<u>1,430,032</u>	<u>484,865</u>	<u>596,871</u>	<u>1,318,026</u>	<u>88,112</u>
Governmental long-term liabilities	<u>\$ 17,783,537</u>	<u>\$ 518,342</u>	<u>\$ 2,265,034</u>	<u>\$ 16,036,845</u>	<u>\$ 1,817,386</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Notes payable:					
Notes payable	\$ 11,693,522	\$ 102,710	\$ 1,142,531	\$ 10,653,701	\$ 1,180,775
Less unamortized refunding loss	(261,364)	43,560	-	(217,804)	
Total notes payable - net	<u>11,432,158</u>	<u>146,270</u>	<u>1,142,531</u>	<u>10,435,897</u>	<u>1,180,775</u>
Other liabilities					
OPEB liability	8,656	4,842	-	13,498	-
Compensated absences	92,353	58,162	54,421	96,094	9,609
Total other Liabilities	<u>101,009</u>	<u>63,004</u>	<u>54,421</u>	<u>109,592</u>	<u>9,609</u>
Business-type long-term liabilities	<u>\$ 11,533,167</u>	<u>\$ 209,274</u>	<u>\$ 1,196,952</u>	<u>\$ 10,545,489</u>	<u>\$ 1,190,384</u>

Discretely presented component unit

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lake Wales Airport Authority:					
FBO payment credit	\$ 151,629	\$ -	\$ 18,000	\$ 133,629	\$ 18,000
Airport Authority long-term liabilities	<u>\$ 151,629</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ 133,629</u>	<u>\$ 18,000</u>

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2011

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2011:

	<u>Purpose(2)</u>	<u>Frequency of Payment(1)</u>	<u>Maturity</u>	<u>Originally Issued</u>	<u>Outstanding Amount</u>	<u>Interest Rate</u>
Governmental activities						
Note payable:						
Capital Improvement Revenue Note, Series 2003	1	S	2017	9,117,280	\$ 4,877,296	3.84%
Redevelopment Revenue Note, Series 2007	10	S	2028	9,500,000	8,411,657	3.77%
Refunding Revenue Note, Series 2009	11	S	2015	1,870,300	1,504,400	3.25%
Lease obligations						
Bank of America #2, 2006 Fire Truck	2	A	2012	599,900	92,866	4.28%
Total governmental activities					<u>\$ 14,886,219</u>	
Business-type activities						
Note payable:						
State Revolving Fund Loan - 5907P	4	S	2019	\$ 1,592,804	\$ 705,785	2.56%
State Revolving Fund Loan - 5911O	4	S	2022	1,171,882	472,698	3.05%
State Revolving Fund Loan - 5912S	5	S	2024	1,428,648	951,374	2.14%
State Revolving Fund Loan - 5913P	6	S	2028	1,025,345	872,585	1.88%
State Revolving Fund Loan - 5914O	12	S	2032	362,200	282,710	2.30%
Capital Improvement Revenue Note, Series 2003	1	S	2017	432,610	231,481	3.84%
Utility System Revenue Note, Series 2005	7	M	2015	1,110,000	446,471	4.20%
Utility System Refunding Note, Series 2006A	3	S	2017	6,272,220	4,276,382	4.09%
Utility System Refunding Note, Series 2006B	8	S	2027	3,100,000	2,413,215	1.14%
Total business-type activities					<u>\$ 10,652,701</u>	
Lake Wales Airport Authority						
Discretely presented component unit						
Fixed Based Operator's Payment Credit	9	M	2012	340,000	133,629	0.00%
Total Lake Wales Airport Authority					<u>\$ 133,629</u>	

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

(2) Purpose:

1. Advance refund of Capital Improvement Revenue Bonds, Series 1996 (originally for municipal complex, streets, and other improvements) and refund 1999 Non-Ad Valorem Revenue Bonds.
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, 2011

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 2010 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 2010 – 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 1/6th per month of all interest and 1/12th per month of the annual principal amount coming due. As of September 30, 2011, sinking fund balance for Series 2006A and 2006B were, \$762,037 and \$152,100, respectively.

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

- 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 \$75,263.
- 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, 2011 are as follows:

Fiscal Year	Governmental Activities					
	Notes		Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,061,918	281,011	-	-	1,061,918	281,011
2017-2021	2,790,798	1,012,388	-	-	2,790,798	1,012,388
2022-2026	2,826,295	517,058	-	-	2,826,295	517,058
2027-2031	1,285,461	48,955	-	-	1,285,461	48,955
Total	\$ 14,793,353	\$ 3,575,955	\$ 92,866	\$ 3,975	\$ 14,886,219	\$ 3,579,930

Fiscal Year	Business-type Activities			
	Notes		Total	
	Principal	Interest	Principal	Interest
2012	\$ 1,180,775	\$ 280,814	\$ 1,180,775	\$ 280,814
2013	1,239,232	246,267	1,239,232	246,267
2014	1,280,860	203,369	1,280,860	203,369
2015	1,254,341	159,525	1,254,341	159,525
2016	1,206,285	118,844	1,206,285	118,844
2017-2021	2,781,094	243,927	2,781,094	243,927
2022-2026	1,446,302	71,658	1,446,302	71,658
2027-2031	264,812	2,760	264,812	2,760
Total	\$ 10,653,701	\$ 1,327,164	\$ 10,653,701	\$ 1,327,164

Fiscal Year	Discretely Presented Component Unit			
	Notes		Total	
	Principal	Interest	Principal	Interest
2012	\$ 18,000	\$ -	\$ 18,000	\$ -
2013	18,000	-	18,000	-
2014	18,000	-	18,000	-
2015	18,000	-	18,000	-
2016	18,000	-	18,000	-
2017-2021	43,629	-	43,629	-
2022-2026	133,629	-	133,629	-
2027-2031	-	-	-	-

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, 2011. The unamortized balance at September 30, 2011, is \$52,832.

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
September 30, 2011

Amortization of refunding loss was \$43,560 for the year ended September 30, 2011, and is included as a component of interest expense. The unamortized balance at September 30, 2011, is \$217,804.

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, 2011. The unamortized balance at September 30, 2011, is \$41,931.

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, 2011. The unamortized balance at September 30, 2011, is \$40,902.

Debt issuance costs totaling \$32,950 related to Refunding Revenue Note, Series 2011, 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, 2011. The unamortized balance at September 30, 2011, is \$19,770.

A refunding loss of \$426,861 incurred in conjunction with the issuance of the Capital Improvement Revenue Note, Series 2003, is being amortized over the life of the bonds using the straight-line method. Amortization of the refunding loss was \$33,477 for the year ended September 30, 2011, and is included as a component of interest expense in the statement of activities. Unamortized refunding loss of \$167,400 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:

Associated Bond Issue	Counter-party Credit Rating	Notional Amount	Fair Value 9/30/2010	Change in Fair Value	Fair Value 9/30/2011
Capital Improvement Revenue Note, Series 2003	BBB+ (S&P)	\$5,108,777	(483,545)	110,046	\$ (373,499)

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

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, 2011, 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, 2011). As rates vary, variable rate bond interest payments and net swap payments will vary, but the total should remain relatively constant):

Fiscal Year Ending Sept. 30	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swap, Net	
2012	\$ 937,035	\$ 37,048	\$ 141,138	\$ 1,115,221
2013	973,467	29,421	112,083	1,114,971
2014	1,010,148	21,503	81,916	1,113,567
2015	1,052,088	13,270	50,554	1,115,912
2016	672,669	6,385	24,324	703,378
2017	463,370	1,850	7,047	472,267
	<u>\$ 5,108,777</u>	<u>\$ 109,477</u>	<u>\$ 417,062</u>	<u>\$ 5,635,316</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, 2011 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
Notes to the Financial Statements
September 30, 2011

Future Revenues that are Pledged

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

	Debt Obligation Reference	Total Principal and Interest Outstanding	Current Year Principal and Interest	Current Year Revenue	% of Revenues to Principal and Interest Paid
Public Service Taxes	Series 2003	\$ 5,635,314	\$ 1,119,027	\$ 1,535,303	137%
CRA Tax Increment Revenues	Series 2007	11,389,992	676,355	1,370,250	203%
Electric Franchise Fees	Series 2009	1,599,344	419,726	1,233,833	294%
Water and Sewer Net Revenue	SRF, Series 2005, 2006A & 2006B	11,725,554	1,412,107	3,007,200	213%
		<u>\$ 30,350,204</u>	<u>\$ 3,627,215</u>	<u>\$ 7,146,586</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, 2011, the outstanding balance on these bonds is \$23,695,000.

IV Other Information

A. Related party transactions

During 2011, 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 \$29,369 were charged to the Authority for the year ended September 30, 2011.

City of Lake Wales, Florida

Notes to the Financial Statements

September 30, 2011

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 \$158,719 at September 30, 2011.

B. Contingent liabilities

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

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

C. Other postemployment benefits (OPEB)

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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

Membership is comprised of the following at 9/30/08, the date in the latest complete actuarial valuation:

Active employees	<u>167</u>
Retires:	
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 plan does not issue separate financial statements.

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

Year Ending	Annual Post - Employment Benefit Cost (APB)	Percentage of APB Contributed	Net OPEB Obligation
September 30, 2011	\$ 47,971	42.6%	\$ 76,903
September 30, 2010	45,584	44.6%	49,375
September 30, 2009	48,428	50.2%	24,103

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Rate (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2008	\$ -	\$ 408,669	\$ (408,669)	0.00%	\$ 6,825,394	6.0%
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

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

Actuarial Valuations and Net OPEB Obligation

Actuarial valuations are required every three years. The initial actuarial valuation was done as of October 1, 2008. An interim actuarial valuation was done as of October 1, 2010 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, 2010 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: 7% in 2011 (grading down to 5% in 2013) Post- Medicare: 7% in 2011 (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)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Net OPEB Obligation:	<u>9/30/2011</u>
Annual Required Contributions	\$ 47,924
Interest on Net OPEB Obligation	2,222
Adjustments	<u>(2,175)</u>
Annual OPEB cost	47,971
Estimated Net Contributions	<u>(20,443)</u>
Anticipated increase/(Decrease) in Net OPEB Obligations	27,528
Net OPEB Obligations - Beginning of Year	<u>49,375</u>
Estimated Net OPEB Obligations - End of Year	<u><u>\$ 76,903</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, 2011

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
Notes to the Financial Statements
September 30, 2011

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	2.5%	30.9%	24.9%
Plan members	5.0%	5.0%	5.0%
Actuarially determined contributions	71,803	362,277	541,275
Contributions made	71,803	362,277	541,275
Actuarial valuation date	10/1/2009	10/1/2009	10/1/2009
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	25 Years (as of 10/01/11)	30 Years (as of 10/01/10)	30 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%	7.75%	7.75%
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, 2011		
	General Employees' Fund	Fire Fighters' Fund	Police Officers' Fund
Retirees and Beneficiaries Currently:			
Receiving Benefits	23	12	20
Vested Terminated Employees	9	1	1
DROP Participant	10	2	-
Active Plan Participants:			
Vested	15	10	19
Nonvested	69	15	23
Total	126	40	63

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

Annual Pension Cost

The City's annual required contribution for the year ended September 30, 2011, was \$975,354 (\$71,802 General, \$541,275 Police, and \$362,277 Fire - City share). The annual required contribution for the 2011 fiscal year was determined as part of the October 1, 2010, actuarial valuations. The assumptions did not include post retirement cost of living adjustment. The City's total current year payroll for general employees was \$3,736,427, compared to \$2,704,493 for employees covered by the General Employees' Pension Plan. The City's total current year payroll for fire personnel was \$1,348,844, compared to \$1,160,475 for employees covered by the Firefighters' Pension Plan. The City's total current year payroll for police personnel was \$2,229,367, compared to \$2,119,040 for employees covered by the Police Officers' Pension Plan.

General Pension Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ending			
September 30, 2011	\$ 82,009	88.0%	\$ (85,453)
September 30, 2010	53,098	78.0%	(95,659)
September 30, 2009	201,527	97.0%	(107,135)

Firefighters' Pension Plan

Firefighters' Pension Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ending			
September 30, 2011	\$ 365,445	99.0%	\$ (71,124)
September 30, 2010	338,305	100.1%	(74,292)
September 30, 2009	224,755	100.6%	(73,966)

Police Officers' Pension Plan

Police Officers' Pension Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year Ending			
September 30, 2011	\$ 546,738	99.0%	\$ (141,021)
September 30, 2010	518,922	100.1%	(146,484)
September 30, 2009	334,944	100.7%	(146,002)

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

Schedule of Funding Progress - General Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Frozen (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2011	\$ 7,328,691	\$ 8,474,199	\$ (1,145,508)	86.48%	\$ 2,704,493	42.36%

Schedule of Funding Progress - Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2011	\$ 5,887,625	\$ 10,442,223	\$ (4,554,598)	56.38%	\$ 1,160,475	392.48%

Schedule of Funding Progress - Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2011	\$ 10,335,184	\$ 14,011,542	\$ (3,676,358)	73.76%	\$ 2,119,040	173.49%

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

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, 2011, and the change in the Net Pension Asset (NPA) for the year:

	General Employee Pension Plan			Firefighters' Pension Plan		
	<u>9/30/2011</u>	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2011</u>	<u>9/30/2010</u>	<u>9/30/2009</u>
Actuarially Determined:						
Contribution (A)	\$ 71,802	\$ 41,622	\$ 195,820	\$ 362,277	\$ 338,631	\$ 226,125
Interest on NPO	(7,414)	(8,303)	(9,027)	(5,943)	(5,917)	(5,808)
Adjustments to (A)	17,621	19,779	14,734	9,111	5,591	4,438
Annual Pension Cost (APC)*	<u>82,009</u>	<u>53,098</u>	<u>201,527</u>	<u>365,445</u>	<u>338,305</u>	<u>224,755</u>
Contributions Made	<u>(71,803)</u>	<u>(41,622)</u>	<u>(195,820)</u>	<u>(362,277)</u>	<u>(338,631)</u>	<u>(226,125)</u>
Increase in NPO	10,206	11,476	5,707	3,168	(326)	(1,370)
NPA, Beginning 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>
NPA, End of Year	<u>\$ (85,453)</u>	<u>\$ (95,659)</u>	<u>\$ (107,135)</u>	<u>\$ (71,124)</u>	<u>\$ (74,292)</u>	<u>\$ (73,966)</u>
Percentage of APC Contribution	<u>88%</u>	<u>78%</u>	<u>97%</u>	<u>99%</u>	<u>100%</u>	<u>101%</u>

	Police Officers' Pension Plan		
	<u>9/30/2011</u>	<u>9/30/2010</u>	<u>9/30/2009</u>
Actuarially Determined:			
Contribution (A)	\$ 541,275	\$ 519,405	\$ 337,385
Interest on NPO	(11,719)	(11,680)	(11,485)
Adjustments to (A)	17,182	11,197	9,044
Annual Pension Cost (APC)*	<u>546,738</u>	<u>518,922</u>	<u>334,944</u>
Contributions Made	<u>(541,275)</u>	<u>(519,404)</u>	<u>(337,385)</u>
Increase in NPO	5,463	(482)	(2,441)
NPA, Beginning of Year	<u>(146,484)</u>	<u>(146,002)</u>	<u>(143,561)</u>
NPA, End of Year	<u>\$ (141,021)</u>	<u>\$ (146,484)</u>	<u>\$ (146,002)</u>
Percentage of APC Contribution	<u>99%</u>	<u>100%</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, 2011

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, 2011

	Pension Trust Fund			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Assets				
Cash and cash equivalent	\$ 48,761	\$ 111,751	\$ 81,787	\$ 242,299
Investments, at fair value:				
Money market funds	461,422	555,208	861,039	1,877,669
Government Bonds	245,324	263,451	661,315	1,170,090
Government Assets backed/CMO Securities	544,608	419,727	768,686	1,733,021
Taxable Municipal Bonds	164,919	147,895	218,459	531,273
Corporate bonds and notes	1,524,740	1,371,459	2,190,105	5,086,304
Common and preferred stock	4,036,747	2,682,414	4,571,742	11,290,903
Total investments	<u>6,977,760</u>	<u>5,440,154</u>	<u>9,271,346</u>	<u>21,689,260</u>
Prepays				
Prepaid Fiduciary Liability Insurance	1,988	1,607	1,854	5,449
Total Prepays	<u>1,988</u>	<u>1,607</u>	<u>1,854</u>	<u>5,449</u>
Receivable (net):				
Interest and dividends	22,812	20,102	34,735	77,649
Due from State	-	5,399	-	5,399
Total receivable	<u>22,812</u>	<u>25,501</u>	<u>34,735</u>	<u>83,048</u>
Total assets	<u>7,051,321</u>	<u>5,579,013</u>	<u>9,389,722</u>	<u>22,020,056</u>
Liabilities				
Accounts payable	22,251	10,564	18,018	50,833
Due to DROP participants	527,665	271,933	-	799,598
Total liabilities	<u>549,916</u>	<u>282,497</u>	<u>18,018</u>	<u>850,431</u>
Net assets				
Held in trust for pension benefits and other purposes	<u>\$ 6,501,405</u>	<u>\$ 5,296,516</u>	<u>\$ 9,371,704</u>	<u>\$ 21,169,625</u>

City of Lake Wales, Florida
Notes to the Financial Statements
September 30, 2011

Schedule of Change in Pension Plan Net Assets as of September 30, 2011

	Pension Trust Fund			Total
	General Employees' Pension	Firefighters' Pension	Police Officers' Pension	
Additions				
Contributions:				
Employer	\$ 71,802	\$ 362,277	\$ 541,275	\$ 975,354
State of Florida	-	125,965	102,277	228,242
Employee	142,541	58,800	110,141	311,482
Total contributions	<u>214,343</u>	<u>547,042</u>	<u>753,693</u>	<u>1,515,078</u>
Interest and dividends	198,150	153,232	260,327	611,709
Net increase (decrease) in the fair value of investments	<u>(392,676)</u>	<u>(240,757)</u>	<u>(410,627)</u>	<u>(1,044,060)</u>
Total investments income (loss)	<u>(194,526)</u>	<u>(87,525)</u>	<u>(150,300)</u>	<u>(432,351)</u>
Less investment expense	<u>(58,224)</u>	<u>(43,907)</u>	<u>(75,057)</u>	<u>(177,188)</u>
Net investment income (loss)	<u>(252,750)</u>	<u>(131,432)</u>	<u>(225,357)</u>	<u>(609,539)</u>
Total additions	<u>(38,407)</u>	<u>415,610</u>	<u>528,336</u>	<u>905,539</u>
Deductions				
Benefit payments	427,323	585,312	585,684	1,598,319
Refunds of contributions	90,324	2,603	62,909	155,836
Administration	<u>37,111</u>	<u>46,366</u>	<u>43,928</u>	<u>127,405</u>
Total deductions	<u>554,758</u>	<u>634,281</u>	<u>692,521</u>	<u>1,881,560</u>
Change in net assets	(593,165)	(218,671)	(164,185)	(976,021)
Total net assets - beginning	<u>7,094,570</u>	<u>5,515,187</u>	<u>9,535,889</u>	<u>22,145,646</u>
Total net assets - ending	<u>\$ 6,501,405</u>	<u>\$ 5,296,516</u>	<u>\$ 9,371,704</u>	<u>\$ 21,169,625</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, 2011, no additional assessments could be required from the City to fund prior year costs of the risk pool. Settlements have not exceeded coverages for each of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended September 30, 2011

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,074,170	\$ 5,111,670	\$ 5,036,621	\$ (75,049)
Licenses and permits	1,160,500	1,059,500	1,114,860	55,360
Intergovernmental	1,120,230	1,160,114	1,349,524	189,410
Charges for services	1,889,621	1,917,392	1,791,534	(125,858)
Fines and forfeits	45,950	45,950	51,586	5,636
Investment earnings	65,000	65,000	27,309	(37,691)
Miscellaneous	51,154	76,404	79,395	2,991
Total revenues	9,406,625	9,436,030	9,450,829	14,799
Expenditures				
Current:				
General government:				
City commission	75,948	82,748	76,118	6,630
City manager	169,015	173,015	169,970	3,045
City clerk	90,152	92,152	89,132	3,020
Finance	262,846	280,706	277,266	3,440
Human resources	169,017	172,017	168,904	3,113
City attorney	57,460	63,121	63,121	-
Planning	240,114	231,114	228,584	2,530
Fleet maintenance	23,939	24,301	20,057	4,244
Facilities maintenance	105,812	74,012	71,172	2,840
Information services	168,237	173,237	169,773	3,464
Municipal building administration	88,681	109,681	106,551	3,130
Non-departmental	34,223	97,315	93,836	3,479
Support services	141,155	144,955	141,867	3,088
Public safety:				
Police	3,992,860	4,092,619	4,084,278	8,341
Fire	2,234,173	2,262,543	2,258,468	4,075
Building permits and inspections	233,155	236,655	233,086	3,569
Code Enforcement	-	3,149	-	3,149
Physical environment:				
Waste disposal	1,069,339	983,310	979,392	3,918
Lake conservation	13,594	3,594	-	3,594
Cemetery	146,407	311,382	307,621	3,761
Economic environment	47,298	47,298	47,298	-
Transportation	65,934	66,159	26,611	39,548
Human services	6,000	6,000	6,000	-
Culture and recreation:				
Parks division	509,826	487,326	482,601	4,725
Recreation facilities	637,071	790,788	784,794	5,994
Special events	68,566	38,566	34,619	3,947
Depot museum	30,000	30,000	28,664	1,336
Other culture and recreation	5	4,162	-	4,162
Total expenditures	\$ (10,680,827)	\$ (11,081,925)	\$ (10,949,783)	\$ 132,142

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, 2011
(Conclusion)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	\$ (1,274,202)	\$ (1,645,895)	\$ (1,498,954)	\$ 146,941
Other financing sources (uses)				
Transfers in	828,000	927,475	927,475	-
Transfers out	(12,614)	(12,614)	(12,614)	-
Insurance recoveries	15,000	15,000	6,964	(8,036)
Sale of capital assets	-	26,000	44,504	18,504
Total other financing sources (uses)	<u>830,386</u>	<u>955,861</u>	<u>966,329</u>	<u>10,468</u>
Net change in fund balance	(443,816)	(690,034)	(532,625)	157,409
Fund balances, beginning of year	<u>3,283,686</u>	<u>3,471,167</u>	<u>3,471,167</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,839,870</u>	<u>\$ 2,781,133</u>	<u>\$ 2,938,542</u>	<u>\$ 157,409</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, 2011

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 638,986	\$ 638,986	\$ 609,823	\$ (29,163)
Intergovernmental	113,491	113,491	109,691	(3,800)
Charges for services	105,542	105,542	105,543	1
Investment earnings	-	-	488	488
Miscellaneous	500	20,500	20,500	-
Total revenues	858,519	878,519	846,045	(32,474)
Expenditures				
Current:				
Transportation	717,434	819,982	756,509	63,473
(Total expenditures)	(717,434)	(819,982)	(756,509)	63,473
Excess (deficiency) of revenues over (under) expenditures	141,085	58,537	89,536	30,999
Other financing sources (uses)				
Transfers in	-	75,000	75,000	-
Transfers out	(141,085)	(141,085)	(141,085)	-
Insurance recoveries	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(141,085)	(66,085)	(66,085)	-
Net change in fund balance	-	(7,548)	23,451	30,999
Fund balances, beginning of year	-	28,297	28,297	-
Fund balances, end of year	\$ -	\$ 20,749	\$ 51,748	\$ 30,999

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, 2011

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 718,799	\$ 714,940	\$ 714,940	\$ -
Intergovernmental	700,263	681,733	680,942	(791)
Charges for services	-	-	660	660
Investment earnings	9,500	9,500	12,810	3,310
Miscellaneous revenue	-	-	419	419
Total revenues	1,428,562	1,406,173	1,409,771	3,598
Expenditures				
Current:				
Public safety	429,837	419,193	374,553	44,640
Economic environment	1,344,972	1,354,922	433,518	921,404
(Total expenditures)	(1,774,809)	(1,774,115)	(808,071)	966,044
Excess (deficiency) of revenues over (under) expenditures	(346,247)	(367,942)	601,700	969,642
Other financing sources (uses)				
Sale of land	75,000	75,000	-	(75,000)
Transfer in	-	-	-	-
Transfers out	(2,199,953)	(2,934,456)	(2,934,456)	-
Total other financing sources (uses)	(2,124,953)	(2,859,456)	(2,934,456)	(75,000)
Net change in fund balance	(2,471,200)	(3,227,398)	(2,332,756)	894,642
Fund balances, beginning of year	2,471,200	3,316,439	3,316,439	-
Fund balances, end of year	\$ -	\$ 89,041	\$ 983,683	\$ 894,642

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, 2011

Schedule of Funding Progress - General Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Frozen (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2011	\$ 7,328,691	\$ 8,474,199	\$ (1,145,508)	86.48%	\$ 2,704,493	42.36%
10/1/2010	7,907,212	8,970,892	(1,063,680)	88.14%	2,907,120	36.59%
10/1/2009	8,074,499	9,117,416	(1,042,917)	88.56%	2,848,785	36.61%
10/1/2008	8,078,208	9,299,162	(1,220,955)	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%

Schedule of Contributions from the Employer

Year Ended	Annual Required Contribution	City Contribution	Percentage Contribution
9/30/2011	\$ 71,802	\$ 71,803	100.00%
9/30/2010	41,622	41,622	100.00%
9/30/2009	195,820	195,820	100.00%
9/30/2008	234,584	234,584	100.00%
9/30/2007	160,446	160,446	100.00%
9/30/2006	112,500	112,500	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer and Others
Firefighters' Pension Plan
September 30, 2011

Schedule of Funding Progress - Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2011	\$ 5,887,625	\$ 10,442,223	\$ (4,554,598)	56.38%	\$ 1,160,475	392.48%
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%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
9/30/2011	\$ 484,508	\$ 362,277	\$ 122,231	100.00%
9/30/2010	461,317	338,631	122,686	100.00%
9/30/2009	366,303	226,125	140,178	100.00%
9/30/2008	339,187	187,521	151,666	100.00%
9/30/2007	340,107	251,744	88,363	100.00%
9/30/2006	294,486	216,510	77,976	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Contributions
From Employer and Others
Municipal Police Officers' Pension Plan
September 30, 2011

Schedule of Funding Progress - Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2011	\$ 10,335,184	\$ 14,011,542	\$ (3,676,358)	73.76%	\$ 2,119,040	173.49%
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%

Schedule of Contributions from the Employer and Other Contributing Entities

Year Ended	Annual Required Contribution	City Contribution	State Contribution	Percentage Contribution
9/30/2011	\$ 643,552	\$ 541,275	\$ 102,277	100.00%
9/30/2010	623,601	519,405	104,196	100.00%
9/30/2009	447,008	337,385	109,623	100.00%
9/30/2008	380,537	270,796	109,741	100.00%
9/30/2007	430,249	320,649	109,600	100.00%
9/30/2006	381,939	270,637	111,302	100.00%

City of Lake Wales, Florida
Schedules of Funding Progress and Employer Contributions
Other Post Employment Benefit Plan
September 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
10/1/2008	\$ -	\$ 408,669	\$ (408,669)	0.00%	\$ 6,825,394	6.00%
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

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
9/30/2011	\$ 47,971	42.60%	\$ 76,903
9/30/2010	45,561	44.60%	49,375
9/30/2009	48,428	50.23%	24,103



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SUPPLEMENTAL INFORMATION

**City of Lake Wales, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011**

Special Revenue Funds							
	Forfeitures 106	Library 110	Law Enforcement Block Grant 116	Community Development Block Grant 131	Street Lighting District 103	Capital Projects 330	Total
Assets							
Cash and cash equivalents	\$ 6,685	\$ 198,131	\$ -	\$ -	\$ 2,127	\$ 8,219	\$ 215,162
Restricted cash, cash equivalents and investments:							
Impact fee	-	36,323	-	-	-	241,617	277,940
Impact fees - investments	-	201,163	-	-	-	241,396	442,559
Total assets	<u>6,685</u>	<u>435,617</u>	<u>-</u>	<u>-</u>	<u>2,127</u>	<u>491,232</u>	<u>935,661</u>
Liabilities and fund balances							
Liabilities							
Accounts payable	5,939	3,267	-	-	-	-	9,206
Accrued liabilities	-	2,401	-	-	-	-	2,401
Total liabilities	<u>5,939</u>	<u>5,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,607</u>
Fund balances							
Restricted for:							
Law enforcement expenditures	746	-	-	-	-	-	746
Library expenditures	-	429,949	-	-	-	-	429,949
Street lighting expenditures	-	-	-	-	2,127	-	2,127
Capital projects	-	-	-	-	-	483,013	483,013
Assigned for:							
Capital projects	-	-	-	-	-	8,219	8,219
Total fund balances	<u>746</u>	<u>429,949</u>	<u>-</u>	<u>-</u>	<u>2,127</u>	<u>491,232</u>	<u>924,054</u>
Total liabilities and fund balances	<u>\$ 6,685</u>	<u>\$ 435,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,127</u>	<u>\$ 491,232</u>	<u>\$ 935,661</u>

City of Lake Wales, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NonMajor Governmental Funds
Year Ended September 30, 2011

	Special Revenue Funds						Total
	Forfeitures 106	Library 110	Law Enforcement Block Grant 116	Community Development Block Grant 131	Street Lighting District 103	Capital Projects 330	
Revenues							
Taxes	\$ -	\$ 353,468	\$ -	\$ -	\$ -	\$ -	\$ 353,468
Special Assessment	-	-	-	-	12,387	-	12,387
Intergovernmental	-	496,129	26,655	657,270	-	-	1,180,054
Fines and forfeits	7,106	-	-	-	-	-	7,106
Investment earnings	21	4,829	1	-	4	4,388	9,243
Impact fees	-	39,111	-	-	-	132,974	172,085
Miscellaneous	-	17,138	-	-	-	-	17,138
Total revenues	7,127	910,675	26,656	657,270	12,391	137,362	1,751,481
Expenditures							
Current:							
General government	-	-	-	1,668	-	17,111	18,779
Public safety	5,993	-	26,655	-	-	-	32,648
Physical environment	-	-	-	658,545	10,264	-	668,809
Culture and recreation	-	943,852	-	-	-	-	943,852
Capital outlay:	-	-	-	-	-	10,000	10,000
Total expenditures	(5,993)	(943,852)	(26,655)	(660,213)	(10,264)	(27,111)	(1,674,088)
Excess (deficiency) of revenues over (under) expenditures	1,134	(33,177)	1	(2,943)	2,127	110,251	77,393
Other financing sources (uses)							
Transfers in	481	-	-	2,943	-	-	3,424
Transfers out	-	-	(481)	-	-	(99,475)	(99,956)
Insurance Recoveries	-	35,186	-	-	-	-	35,186
Gain on sale of capital assets	3,824	-	-	-	-	-	3,824
Total other financing (uses) sources	4,305	35,186	(481)	2,943	-	(99,475)	(57,522)
Net change in fund balances	5,439	2,009	(480)	-	2,127	10,776	19,871
Fund balances(deficit), beginning of year	(4,693)	427,940	480	-	-	480,456	904,183
Fund balances, end of year	\$ 746	\$ 429,949	\$ -	\$ -	\$ 2,127	\$ 491,232	\$ 924,054

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, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 23,550	\$ 23,550	\$ 7,106	\$ (16,444)
Investment earnings	-	-	21	21
Total revenues	<u>23,550</u>	<u>23,550</u>	<u>7,127</u>	<u>(16,423)</u>
Expenditures				
Current:				
Public safety	19,500	19,500	5,993	13,507
(Total expenditures)	<u>(19,500)</u>	<u>(19,500)</u>	<u>(5,993)</u>	<u>13,507</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,050</u>	<u>4,050</u>	<u>1,134</u>	<u>(2,916)</u>
Other financing sources				
Transfer in	-	-	481	481
Sale of capital assets	-	-	3,824	3,824
Total other financing sources	<u>-</u>	<u>-</u>	<u>4,305</u>	<u>4,305</u>
Net change in fund balance	4,050	4,050	5,439	1,389
Fund balances, beginning of year	<u>-</u>	<u>(4,050)</u>	<u>(4,693)</u>	<u>(643)</u>
Fund balances, end of year	<u>\$ 4,050</u>	<u>\$ -</u>	<u>\$ 746</u>	<u>\$ 746</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, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 357,955	\$ 353,468	\$ 353,468	\$ -
Intergovernmental	505,000	496,129	496,129	-
Investment earnings	5,000	4,828	4,829	1
Impact fees	10,000	39,111	39,111	-
Miscellaneous	16,700	17,138	17,138	-
Total revenues	<u>894,655</u>	<u>910,674</u>	<u>910,675</u>	<u>1</u>
Expenditures				
Current:				
Culture and recreation	887,123	939,689	943,852	4,163
(Total expenditures)	<u>(887,123)</u>	<u>(939,689)</u>	<u>(943,852)</u>	<u>(4,163)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,532</u>	<u>(29,015)</u>	<u>(33,177)</u>	<u>(4,162)</u>
Other financing sources				
Loss recoveries	-	35,186	35,186	-
Total other financing sources	<u>-</u>	<u>35,186</u>	<u>35,186</u>	<u>-</u>
Net change in fund balance	7,532	6,171	2,009	(4,162)
Fund balances, beginning of year	<u>375,565</u>	<u>427,940</u>	<u>427,940</u>	<u>-</u>
Fund balances, end of year	<u>\$ 383,097</u>	<u>\$ 434,111</u>	<u>\$ 429,949</u>	<u>\$ (4,162)</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, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 25,000	\$ 26,655	\$ 26,655	\$ -
Investment earnings	-	1	1	-
Total revenues	<u>25,000</u>	<u>26,656</u>	<u>26,656</u>	<u>-</u>
Expenditures				
Current:				
Public safety	25,000	26,655	26,655	-
(Total expenditures)	<u>(25,000)</u>	<u>(26,655)</u>	<u>(26,655)</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	1	1	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	(481)	(481)	-
Total other financing sources (uses)	<u>-</u>	<u>(481)</u>	<u>(481)</u>	<u>-</u>
Net change in fund balance	-	(480)	(480)	-
Fund balances, beginning of year	<u>-</u>	<u>480</u>	<u>480</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Community Development Block Grant Fund
For the Year Ended September 30, 2011

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 741,000	\$ 741,000	\$ 657,270	\$ (83,730)
Total revenues	<u>741,000</u>	<u>741,000</u>	<u>657,270</u>	<u>(83,730)</u>
Expenditures				
Current:				
General government	-	-	1,668	(1,668)
Physical environment	741,000	741,000	658,545	82,455
(Total expenditures)	<u>(741,000)</u>	<u>(741,000)</u>	<u>(660,213)</u>	<u>80,787</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(2,943)</u>	<u>(2,943)</u>
Other financing sources (uses)				
Transfers in	-	-	2,943	2,943
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,943</u>	<u>2,943</u>
Net change in fund balance	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

City of Lake Wales, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Street Lighting Assessment Fund
For the Year Ended September 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special Assessment	\$ -	\$ 14,180	\$ 12,387	\$ (1,793)
Investment earnings	-	-	4	4
Total revenues	<u>-</u>	<u>14,180</u>	<u>12,391</u>	<u>(1,789)</u>
Expenditures				
Current:				
Physical environment	-	13,498	10,264	3,234
(Total expenditures)	<u>-</u>	<u>(13,498)</u>	<u>(10,264)</u>	<u>3,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>682</u>	<u>2,127</u>	<u>1,445</u>
Net change in fund balance	-	682	2,127	1,445
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 682.00</u>	<u>\$ 2,127</u>	<u>\$ 1,445.00</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, 2011

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 650,110	\$ 650,110	\$ 650,110	\$ -
Licenses and permits	427,891	427,891	427,891	-
Investment earnings	5,000	5,000	10,492	5,492
Impact fees	-	-	18,958	18,958
Total revenues	1,083,001	1,083,001	1,107,451	24,450
Expenditures				
Current:				
Principal	1,686,163	1,668,163	1,668,163	-
Interest and fiscal charges	593,559	593,559	594,010	(451)
(Total expenditures)	(2,279,722)	(2,261,722)	(2,262,173)	(451)
Excess (deficiency) of revenues over (under) expenditures	(1,196,721)	(1,178,721)	(1,154,722)	23,999
Other financing sources (uses)				
Transfers in	1,141,125	1,123,125	1,123,125	-
Total other financing sources (uses)	1,141,125	1,123,125	1,123,125	-
Net change in fund balance	(55,596)	(55,596)	(31,597)	23,999
Fund balances, beginning of year	1,978,742	1,983,160	1,983,160	-
Fund balances, end of year	\$ 1,923,146	\$ 1,927,564	\$ 1,951,563	\$ 23,999

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, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 1,000	\$ 1,000	\$ 4,388	\$ 3,388
Impact fees	13,200	13,200	132,974	119,774
Total revenues	<u>14,200</u>	<u>14,200</u>	<u>137,362</u>	<u>123,162</u>
Expenditures				
Current:				
General government	-	12,486	17,111	(4,625)
Capital outlay	-	10,000	10,000	-
(Total expenditures)	<u>-</u>	<u>(22,486)</u>	<u>(27,111)</u>	<u>(4,625)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,200</u>	<u>(8,286)</u>	<u>110,251</u>	<u>118,537</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	(99,475)	(99,475)	-
Total other financing sources (uses)	<u>-</u>	<u>(99,475)</u>	<u>(99,475)</u>	<u>-</u>
Net change in fund balance	14,200	(107,761)	10,776	118,537
Fund balances, beginning of year	<u>401,401</u>	<u>480,456</u>	<u>480,456</u>	<u>-</u>
Fund balances, end of year	<u>\$ 415,601</u>	<u>\$ 372,695</u>	<u>\$ 491,232</u>	<u>\$ 118,537</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, 2011**

Assets

	2011
Current Assets	
Cash and Cash Equivalents	\$ -
Receivables (net of allowance for uncollectibles)	720
Due from Other Governments	96,954
Total Current Assets	97,674
Noncurrent Assets	
Capital Assets:	
Nondepreciable	1,625,274
Depreciable, Net	6,881,636
Total Noncurrent Assets	8,506,910
Total Assets	8,604,584

Liabilities

Current Liabilities	
Accounts Payable	66
Due to primary government	158,719
Current portion of long-term debt	18,000
Total Current Liabilities	176,785
Noncurrent liabilities	
Note payable - noncurrent	115,629
	115,629
Total liabilities	292,414
Net Assets	
Invested in Capital Assets, Net of Related Debt	8,214,562
Unrestricted	97,608
Total Net Assets	\$ 8,312,170

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended September 30, 2011**

	2011
Operating Revenues	
Charges for Services	\$ 90,111
Operating Expenses	
Contractual Services	36,427
Repairs and Maintenance	2,844
Materials and Supplies	178
General and Administrative	68,753
Depreciation	295,245
(Total Operating Expenses)	(403,447)
Operating (Loss)	(313,336)
Capital Contributions	
Grants	843,778
From City of Lake Wales	21,177
Change in Net Assets	551,619
Total Net Assets, Beginning of Year	7,760,551
Total Net Assets, End of Year	\$ 8,312,170

**Lake Wales Airport Authority
City of Lake Wales, Florida
Statement of Cash Flows
For the Year Ended September 30, 2011**

	2011
Cash Flows from Operating Activities	
Receipts from Customers	\$ 88,984
Payments to Suppliers	85,557
Net Cash Provided by (Used in) Operating Activities	3,427
Cash Flows from Capital and Related Financing Activities	
Capital Grants	837,877
Capital Contributions from City of Lake Wales (Net)	21,177
Acquisition and Construction of Capital Assets	(844,481)
Principal payment on long-term debt	(18,000)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(3,427)
Net (Decrease) Increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	\$ -
 <u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</u>	
Operating (Loss)	\$ (313,336)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	295,245
Increase (Decrease) in Assets:	
Accounts Receivable	(720)
Increase (Decrease) in Liabilities:	
Accounts Payable	(2,494)
Unearned Revenues	(407)
Due to City of Lake Wales	25,139
Net Cash Provided by (Used in) Operating Activities	\$ 3,427
 <u>Supplemental Disclosure of Noncash Transactions</u>	
FBO Lease Credit	(6,000)
Contracted Services - Mowing by FBO	6,000
	\$ -



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**STATISTICAL SECTION
(UNAUDITED)**



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

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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 Nine 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	9/30/2011
Governmental activities:									
Invested in capital assets, net of related debt	\$ 7,646,370	\$ 7,626,251	\$ 7,908,681	\$ 9,349,135	\$ 16,349,902	\$ 11,543,258	\$ 14,626,172	\$ 15,123,821	\$ 14,412,716
Restricted	(76,971)	113,240	696,578	2,160,716	3,319,481	9,681,679	4,579,237	4,431,294	3,606,811
Unrestricted	632,862	2,865,182	3,788,358	765,358	487,205	1,901,817	2,329,160	2,875,420	2,465,425
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>	<u>20,484,952</u>
Business-type activities									
Invested in capital assets, net of related debt	7,118,492	6,895,415	6,197,002	10,143,995	11,516,914	14,827,444	17,897,798	17,430,569	19,802,017
Restricted	103,726	-	-	402,875	320,289	862,542	754,399	2,145,793	2,426,057
Unrestricted	1,252,796	2,011,118	3,864,639	633,057	330,857	298,731	738,175	523,332	1,331,958
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>	<u>23,560,032</u>
Primary government									
Invested in capital assets, net of related debt	14,764,862	14,521,666	14,105,683	19,493,130	27,866,816	26,370,702	32,523,970	32,554,390	34,214,733
Restricted	26,755	113,240	696,578	2,563,591	3,639,770	10,544,221	5,333,636	6,577,087	6,032,868
Unrestricted	1,885,658	4,876,300	7,652,997	1,398,415	818,062	2,200,548	3,067,335	3,398,752	3,797,383
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>	<u>\$ 44,044,984</u>

City of Lake Wales, Florida
Changes in Net Assets
Last Nine 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 ⁽¹⁾	9/30/2008	09/30/2009 ⁽²⁾	9/30/2010 ⁽³⁾	9/30/2011
Expenses									
Governmental activities:									
General government	\$ 976,327	\$ 1,150,513	\$ 5,010,709	\$ 2,318,393	\$ 1,666,102	\$ 1,555,163	\$ 1,444,334	\$ 1,354,698	\$ 1,461,907
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	7,340,512
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	1,211,193
Transportation	790,945	926,413	1,084,406	270,039	1,561,291	1,206,577	1,515,164	1,548,696	1,570,751
Economic Environment	306,618	289,743	497,095	400,010	1,007,452	599,756	580,616	532,987	506,936
Human services	20,423	32,963	32,963	24,402	35,333	14,634	20,636	20,634	20,635
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	2,354,841
Interest on long term debt	703,552	571,573	576,083	540,210	505,482	752,066	767,787	675,004	605,706
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>	<u>15,072,481</u>
Business-type activities:									
Water and wastewater	3,574,105	3,953,710	4,030,470	4,546,209	4,954,705	5,194,309	5,024,906	5,285,512	4,731,031
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>	<u>4,731,031</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>	<u>19,803,512</u>
Program revenues									
Governmental activities:									
Charges for services:									
General government	284,716	17,462	74,155	39,091	31,095	28,598	17,429	30,704	69,395
Public safety	928,326	1,053,866	1,614,914	1,248,470	1,116,037	1,240,923	624,776	872,049	700,165
Physical environment	699,656	678,657	799,508	970,539	996,493	1,093,013	1,120,801	1,125,826	1,152,546
Transportation	42,910	94,477	110,197	87,943	96,331	96,923	97,247	97,750	105,543
Economic Environment	-	-	-	-	-	-	-	-	-
Human services	-	-	-	-	-	-	-	-	-
Culture and recreation	76,441	78,984	260,555	246,795	90,379	97,333	47,050	86,184	146,054
Operating grants and contributions	65,225	822,220	670,774	745,463	691,710	875,556	772,085	811,508	785,447
Capital grants and contributions	182,286	356,340	360,913	1,172,735	2,044,202	1,740,200	55,401	408,721	888,272
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>	<u>3,847,422</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	6,303,592
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	512,411
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>	<u>6,816,003</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>	<u>10,663,425</u>
Net (expenditures) revenues									
Governmental activities	(8,240,654)	(8,406,594)	(12,184,129)	(10,178,832)	(10,957,184)	(9,212,481)	(12,046,334)	(11,888,572)	(11,225,059)
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	2,084,972
Total primary government net(expenses) revenues	<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>	<u>(9,140,087)</u>

	Fiscal Year								
	<u>9/30/2003</u>	<u>9/30/2004</u>	<u>9/30/2005</u>	<u>9/30/2006</u>	<u>9/30/2007⁽¹⁾</u>	<u>9/30/2008</u>	<u>09/30/2009⁽²⁾</u>	<u>9/30/2010⁽³⁾</u>	<u>9/30/2011</u>
General revenues and other changes in net assets									
Governmental activities:									
Taxes:									
Property taxes	3,321,225	4,208,282	4,723,412	5,473,219	6,999,147	7,306,490	7,148,427	6,427,817	5,239,552
Franchise fees	805,402	874,116	950,532	1,172,989	1,206,210	1,220,697	1,247,248	1,368,738	1,273,566
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	1,531,338
Communication service taxes	1,066,045	517,807	556,105	408,684	502,239	588,184	684,620	588,111	556,166
Gas taxes	637,714	732,734	695,867	702,476	714,051	665,367	633,491	630,798	603,823
Local business tax	-	-	-	-	-	-	79,325	77,009	74,292
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	934,042
Investment earnings	21,066	38,671	153,538	249,705	296,486	333,176	75,140	94,987	54,322
Insurance recoveries	-	-	3,374,250	2,189,227	335,412	25,919	12,304	71,463	42,151
Gain/(loss) on disposal of fixed assets	237,809	1,383,602	650,600	-	(93,173)	35,606	-	42,409	(62,971)
Miscellaneous revenue	97,705	45,442	349,228	(25,085)	226,493	103,296	231,145	158,665	92,282
Transfers	605,238	966,902	261,286	565,961	296,029	(545,879)	(2,030,282)	790,672	(1,059,087)
Special items	-	-	-	(3,177,154)	1,963,070	-	-	-	-
Total governmental activities	9,101,459	10,809,006	13,973,073	10,060,424	14,950,033	12,182,647	10,454,150	12,735,038	9,279,476
Business-type activities:									
Investment earnings	6,170	8,608	50,914	157,738	56,321	53,833	9,844	24,662	32,293
Gain/(loss) on disposal of fixed assets	-	164,200	(67,591)	-	-	-	-	7,390	15,393
Miscellaneous revenue	137,738	126,637	253,404	308,721	107,708	639,627	245,117	244,015	268,593
Transfers	(605,238)	(966,902)	(261,286)	(565,961)	(296,029)	530,099	2,030,282	(790,672)	1,059,087
Total business-type activities	(461,330)	(667,457)	(24,559)	(99,502)	(132,000)	1,223,559	2,285,243	(514,605)	1,375,366
Total primary government	8,640,129	10,141,549	13,948,514	9,960,922	14,818,033	13,406,206	12,739,393	12,220,433	10,654,842
Change in net assets									
Governmental activities	860,805	2,402,412	1,788,944	(118,408)	3,992,849	2,970,166	(1,592,185)	846,466	(1,945,583)
Business-type activities	397,042	431,519	1,155,108	1,118,286	988,133	3,820,658	3,445,071	709,322	3,460,338
Total primary government	\$ 1,257,847	\$ 2,833,931	\$ 2,944,052	\$ 999,878	\$ 4,980,982	\$ 6,790,824	\$ 1,852,886	\$ 1,555,788	\$ 1,514,755

(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									
	2002	2003	2004	2005	2006	2007	2008*	2009	2010	2011
General fund										
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	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>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>	
All other governmental funds										
Reserved	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>\$ 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>	
General fund										2011
Nonspendable										
Inventory and Prepaid										\$ 52,500
Assigned										
Subsequent years' expenditure										480,658
Unassigned										2,405,383
Total Fund balance										<u>2,938,541</u>
All other governmental funds										
Restricted for:										
Library expenditures										429,949
Law enforcement expenditures										746
Transportation expenditures										51,748
Community redevelopment expenditures										983,683
Street lighting expenditures										2,127
Debt Service										1,951,563
Capital projects										483,013
Assigned										
Capital Projects										8,219
Total Fund balance										<u>\$ 3,911,048</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 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	\$ 7,364,962
Special assessment	-	-	-	-	-	-	-	-	-	12,387
Licenses and permits	345,366	374,441	559,692	911,497	524,374	437,690	1,482,188	1,478,370	1,719,720	1,542,751
Intergovernmental	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	3,320,211
Charges for services	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	1,897,737
Fines and forfeitures	180,585	192,954	169,598	168,046	337,774	212,979	175,789	101,546	50,951	58,692
Interest and miscellaneous	330,459	417,936	380,293	1,475,521	929,890	868,858	724,406	364,596	499,594	368,837
Total revenues	12,227,460	10,913,332	11,919,837	14,271,681	15,603,450	17,636,736	18,226,451	15,608,591	15,609,017	14,565,577
Expenditures										
Current:										
General government	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	1,695,130
Public safety	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	6,983,033
Physical environment	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	1,955,822
Transportation	583,352	593,075	804,747	853,638	688,951	1,562,517	2,834,374	1,905,876	729,046	783,120
Economic environment	432,975	439,259	340,052	481,277	472,734	2,839,298	558,606	553,994	504,877	480,816
Human services	18,454	21,814	18,329	18,329	9,768	20,700	-	6,000	6,000	6,000
Culture and recreation	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	2,274,531
Debt service:										
Principal	726,340	771,202	592,251	502,261	1,333,193	1,209,274	1,313,097	1,281,267	1,314,339	1,668,163
Interest and fiscal charges	761,798	712,090	608,354	549,188	512,222	479,511	760,201	609,246	618,964	594,010
Capital outlay	1,716,555	453,407	455,598	225,156	175,477	829,339	701,924	275,949	37,931	10,000
(Total expenditures)	12,357,273	11,374,105	12,743,391	16,673,788	17,646,588	21,251,922	19,629,976	16,279,046	16,088,867	16,450,625
Excess (deficiency) of revenues over (under) expenditures	(129,813)	(460,773)	(823,554)	(2,402,107)	(2,043,138)	(3,615,186)	(1,403,525)	(670,455)	(479,850)	(1,885,048)
Other financing sources (uses)										
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	42,150
Sale of capital assets	-	-	-	-	-	-	35,607	-	42,409	48,328
Transfers in	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	2,129,024
Transfers out	(3,442,359)	(966,774)	(787,402)	(1,314,257)	(1,416,169)	(2,031,957)	(6,871,794)	(5,455,803)	(2,112,156)	(3,188,111)
Total other financing sources (uses)	485,147	605,238	1,404,347	4,687,858	4,125,310	631,441	9,233,449	(2,329,218)	904,544	(968,609)
Special item										
Proceeds from sale of land	-	-	-	-	-	3,500,000	-	-	-	-
Initial contribution to airport authority	-	-	-	-	(2,525,585)	-	-	-	-	-
Total special items	-	-	-	-	(2,525,585)	3,500,000	-	-	-	-
Net change in fund balances	\$ 355,334	\$ 144,465	\$ 580,793	\$ 2,285,751	\$ (443,413)	\$ 516,255	\$ 7,829,924	\$ (2,999,673)	\$ 424,694	\$ (2,853,657)
Debt Service as a percentage of noncapital expenditures	N/A	14.30%	10.50%	6.72%	12.24%	10.66%	14.24%	13.03%	12.80%	14.83%

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

Fiscal Year	Property Tax	Franchise Fees	Public Service Tax	Communication Service Tax	Gas Tax	Local Business Tax	Totals
2003	\$ 3,321,225	\$ 805,402	\$ 1,067,933	\$ 1,066,045	\$ 637,714	\$ -	\$ 6,898,319
2004	4,208,282	874,116	1,091,395	517,807	732,734	-	7,424,334
2005	4,723,412	950,532	1,139,125	556,105	695,867	-	8,065,041
2006	5,473,219	1,172,989	1,299,073	408,684	702,476	-	9,056,441
2007	6,999,147	1,206,210	1,347,754	502,239	714,051	-	10,769,401
2008	7,306,490	1,220,697	1,386,825	588,184	665,367	-	11,167,563
2009	7,148,427	1,247,248	1,429,708	684,620	633,491	79,325	11,222,819
2010	6,427,817	1,368,738	1,580,190	588,111	630,798	77,009	10,672,663
2011	5,239,552	1,273,566	1,531,338	556,166	603,823	74,292	9,278,737

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

Fiscal Year	Real Property	Personal Property	Centrally Assessed Property	Less: Tax Exempt Property	Total Assessed Valuation	Total Direct Rate	Estimated Actual Taxable Value	Assessed Value⁽¹⁾ as a Percentage of Actual Value
2002	436,423	65,072	215	146,444	355,266	8.94	578,726	86.69%
2003	490,043	64,096	221	141,058	413,302	9.44	640,838	86.51%
2004	544,577	68,464	225	151,020	462,246	9.44	709,368	86.45%
2005	689,050	74,640	231	220,599	543,322	8.94	885,518	86.27%
2006	909,104	87,926	271	284,073	713,228	8.44	1,157,731	86.14%
2007	1,099,329	89,167	304	340,112 ⁽²⁾	848,688	7.3521	1,382,799	85.97%
2008	1,126,601	93,040	320	382,733	837,228	7.3277	1,418,773	85.99%
2009	1,005,486	95,412	362	338,245	763,015	7.3277	1,278,699	86.12%
2010	866,769	87,604	278	306,577	648,074	7.3277	1,107,610	86.19%
2011	795,640	87,741	308	261,975	621,714	7.9998	1,024,096	86.29%

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

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

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

(1) Includes tax-exempt property

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

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

Fiscal Year	Direct Rate	Overlapping Rates			
	City of Lake Wales	County of Polk	Polk County School Board	Peace River Basin	South West Florida Waster Management District
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
2011	7.9998	6.8665	7.6700	N/A *	0.3928

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

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

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

**City of Lake Wales, Florida
Principal Property Taxpayers
Fiscal Year Ended September 30, 2011**

Taxpayer	Rank	2011		Rank	2002	
		Total Assessed Valuation	Percentage of Total Taxable Assessed Value		Total Assessed Valuation	Percentage of Total Taxable Assessed Value
451 Eagle Ridge Drive Holdings LLC	1	\$ 29,211,162	4.87%	N/A	N/A	N/A
Progress Energy	2	15,092,009	2.51%	N/A	N/A	N/A
Lake Wales Hospital Corporation	3	12,410,163	2.07%	N/A	N/A	N/A
CRF II LTD	4	9,802,278	1.63%	N/A	N/A	N/A
Verizon	5	8,072,751	1.35%	N/A	N/A	N/A
Preserve at Lake Wales, Inc.	6	7,542,363	1.26%	N/A	N/A	N/A
DDRM Shoppes of the Ridge LLC	7	7,335,390	1.22%	N/A	N/A	N/A
Walmart	8	7,250,703	1.21%	N/A	N/A	N/A
Lowes Home Center, Inc	9	6,926,093	1.15%	N/A	N/A	N/A
Lake Wales Medical Center	10	6,506,054	1.08%	N/A	N/A	N/A
		<u>\$ 110,148,966</u>	<u>18.35%</u>		<u>\$ -</u>	
Total Assessed Valuation		<u>\$ 600,130,155</u>			<u>\$ 355,635,393</u>	

Source: Polk County Property Appraiser

N/A - Not available

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

Fiscal Year	Total Tax Levy	Current Levy Collections	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collections	Percent Total Collections To Levy
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%
2011	4,755,826	4,536,040	95.38%	47,623	4,583,663	96.38%

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 Nine 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	14,225	1,986
2011	-	14,793,353	92,866	14,886,219	-	10,653,701	10,653,701	25,539,920	14,261	1,791

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

Per Capita Income information is not available.

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

Utility Fund Debt Obligations

Fiscal Year	(1) Charges for Service Revenues	(2) Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2011	6,303,592	3,296,392	3,007,200	1,101,512	310,595	2.13

(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
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
2009	37,387	32,336	38,075	22,132	25,180	30,785	44,755	41,913	47,129	33,728	42,626	42,479

(1) Source Florida Research and Economic Database <http://fred.labormarketinfo.com>, Analysts and Researchers, Income, Per Capita Income.

(2) Source Florida Research and Economic Database <http://fred.labormarketinfo.com>, Analysts and Researchers, 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
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
2010	98.98	101.55	95.70	98.64	97.49	11.8	13.1	12.0	13.6	12.6	12.1

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

(2) Florida Dept. of Economic Opportunity, www.floridajobs.org, Labor Market Information, LAUS - Local Area Unemployment Statistics.

* Data for latest year not yet available.

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

(April 1st) Year	Population		% of City Compared to County
	Polk	City of Lake Wales	
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%
2010	602,095	14,225	2.36%
2011	604,792	14,261	2.36%

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

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City Manager	3.00	3.00	4.00	3.25	2.50	3.00	3.00	3.00	2.00	2.00
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50
Development Services	-	-	0.75	1.00	1.50	3.00	2.00	1.00	1.00	1.00
Finance	5.00	5.75	5.00	5.00	5.00	5.50	4.50	4.25	4.00	4.50
Support Services	2.00	1.00	2.00	2.00	2.00	2.00	3.00	3.75	3.75	3.00
Human Resource	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50	3.50
Planning and Zoning	1.00	1.00	1.50	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Information Services	2.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	3.00	3.00
Community Services Administration	-	-	-	-	-	-	-	-	-	-
Public Services Administration	1.00	1.00	1.00	1.00	1.00	1.50	2.00	2.00	2.50	2.50
Parks & Recreation	1.00	1.00	1.00	0.75	0.50	-	-	-	-	-
Total general government	<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>	<u>24.00</u>
Police Department	56.00	55.00	57.00	57.50	59.00	59.50	45.50	47.50	49.50	47.50
Fire & Rescue:	21.00	21.00	21.00	21.00	21.00	23.00	24.00	27.00	27.00	27.00
Building Permits and Inspection	4.00	4.00	5.00	7.00	7.25	8.00	6.00	4.75	3.00	3.00
Code Enforcement	2.00	2.00	2.00	2.00	2.00	2.50	2.50	2.50	2.50	1.50
Total public safety	<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>	<u>79.00</u>
Cemetery	3.00	3.00	3.00	3.00	3.00	3.00	1.00	1.00	-	-
Parks Division	9.00	9.00	6.00	5.00	5.00	6.00	7.00	7.00	-	-
Streets	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.25	-	-
Field Operations	-	-	-	-	-	-	-	-	17.75	18.00
Fleet Maintenance	3.00	2.00	2.50	2.50	2.00	2.00	3.00	3.00	-	-
Facilities Maintenance	3.50	3.00	2.50	3.50	3.50	3.00	4.00	4.00	5.00	4.50
Total maintenance	<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>	<u>22.50</u>
Recreation	2.50	2.50	2.00	2.50	2.50	3.50	2.00	1.00	-	-
Depot	2.00	2.00	2.00	2.00	2.00	2.00	1.50	-	-	-
Library	10.50	10.50	11.00	12.00	12.00	14.00	16.00	18.00	18.00	17.75
Total culture and recreation	<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>	<u>17.75</u>
Wastewater Division	8.00	8.00	8.00	7.00	7.00	9.50	9.00	9.00	-	-
Water Division	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	22.00
Utilities Administration	6.00	8.50	6.00	4.00	5.00	4.00	5.00	5.00	5.50	5.50
Utility Billing/Customer Service	6.00	4.00	4.00	6.00	6.00	5.50	5.50	5.75	3.25	3.00
Total utilities	<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>	<u>30.50</u>
Total government employees	<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>	<u>173.75</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

Function/Program	<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>	<u>2011</u>
General										
Last charter amendment	April 5, 2011									
Number of Commissioners	The City Commission is a five member elected governing board.									
Form of government	Five member elected governing board, four-year term - Appointed City Manager									
Municipal boundaries (1)	14.74	14.84	15.76	16.18	17.14	19.01	19.14	19.58	19.60	19.60
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	N/A	1,491	1,048	1,928	1,673	1,399	1,403	1,304	1,233	1,206
Number of calls for service	N/A	15,147	15,522	19,480	19,990	18,096	17,313	15,792	23,746	25,758
Number of crashes	N/A	613	640	548	410	446	363	374	350	383
Fire										
Response volume (includes fire, rescue and medical calls)	1,836	1,883	2,305	2,379	2,756	2,786	2,879	2,618	2,576	2,480
Response time average (minutes)	4.77	4.46	5.01	4.55	4.80	4.94	5.39	5.14	5.11	5.21
Inspections/plans reviewed	232	511	652	678	832	1,383	1,767	1,031	1,422	1,489
Public education (persons)	6,663	1,325	1,750	2,117	2,771	2,378	2,917	1,645	2,627	534
Permits and Inspections Division										
Plan review residential	124	244	562	551	106	253	411	198	291	309
Plan review commercial	31	25	238	96	25	114	189	133	205	145
Permits issued	717	591	1,756	1,622	256	768	797	407	636	500
Inspections:										
Construction	3,306	3,100	5,700	8,407	2,298	3,968	2,664	2,176	2,287	1,389
Inspections per month (avg.)	556	260	475	701	192	331	222	181	191	154
Certificates of Occupancy issued	82	61	54	347	117	99	72	44	46	16
Library										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Public Works										
Miles of streets	77.10	79.60	80.10	80.10	84.40	86.04	86.74	86.74	86.74	86.74
Water										
Average monthly customers:										
Water	6,733	6,965	7,269	7,629	7,824	7,938	7,923	7,899	7,892	7,437
Sewer	4,036	4,267	4,528	4,859	5,205	5,316	5,325	5,309	5,311	5,047
Irrigation	486	535	658	789	1,052	1,116	1,167	1,238	1,254	1,291
Wastewater										
Number of lift stations	28	30	32	34	35	39	39	39	39	39

(1) Square miles

N/A - Not available

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

Water Revenues	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Water Fees	\$ 2,418,303	\$ 2,854,380	\$ 3,008,939	\$ 3,508,152	\$ 2,963,174	\$ 2,959,160	\$ 3,083,609
Installation Fees	154,645	142,668	72,268	74,965	57,022	81,790.00	51,383
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	4,222
Reuse Fees	900	953	4,969	15,198	36,380	24,559	12,373
Miscellaneous	283	-	1	85	35	101	36
Impact Fees	186,500	177,132	130,443	169,836	44,565	134,838	168,426
Totals	\$ 2,797,142	\$ 3,219,074	\$ 3,264,852	\$ 3,815,160	\$ 3,136,431	\$ 3,203,845	\$ 3,320,049
Penalties & Service Charges (Water & Sewer Combined)	\$ 69,291	\$ 90,491	\$ 97,661	\$ 96,071	\$ 61,169	\$ 73,817	\$ 65,990

Water Rates(1)

Inside City Limits

Base Rate	\$ 8.44	\$ 8.65	\$ 8.87	\$ 4.95	Base Rate	\$ 5.20	\$ 5.33	\$ 5.46
4,001-10,000	2.04	2.09	2.14	1.96	0-5,000	2.06	2.11	2.16
10,001-15,000	2.29	2.34	2.39	2.65	5,001-10,000	2.78	2.85	2.92
15,001-25,000	2.54	2.59	2.64	4.11	10,001-25,000	4.32	4.43	4.54
25,001-35,000	2.79	2.84	2.89	6.77	> 25,000	7.11	7.29	7.47
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	\$ 6.19	Base Rate	\$ 6.50	\$ 6.66	\$ 6.83
4,001-10,000	3.06	3.14	3.21	2.45	0-5,000	2.57	2.64	2.71
10,001-15,000	3.44	3.51	3.59	3.32	5,001-10,000	3.49	3.56	3.65
15,001-25,000	3.81	3.89	3.96	5.14	10,001-25,000	5.40	5.54	5.68
25,001-35,000	4.19	4.26	4.34	8.47	> 25,000	8.89	9.11	9.34
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 Seven Fiscal Years

Sewer Revenues	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Sewer Fees	\$ 1,917,412	\$ 2,122,387	\$ 2,481,658	\$ 2,881,191	\$ 2,871,209	\$ 2,982,641	\$ 3,085,977
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	343,985
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>	<u>\$ 3,429,962</u>

Sewer Rates (1)

Inside City Limits				Inside City Limits				
Base Rate	\$ 19.28	\$ 19.76	\$ 23.25	\$ 17.59	Base Rate	\$ 18.47	\$ 18.93	\$ 19.40
0-7,000 Gallons	1.13	1.16	1.19	2.31	0-5,000 Gallons	2.43	2.49	2.55
7,001 + Gallons	1.17	1.74	1.77	4.05	5,001 + Gallons	4.25	4.36	4.47
Outside City Limits				Outside City Limits				
Base Rate	\$ 28.92	\$ 29.64	\$ 34.88	\$ 21.99	Base Rate	\$ 23.09	\$ 23.66	\$ 24.25
0-7,000 Gallons	1.70	1.74	1.79	2.89	0-5,000 Gallons	3.03	3.11	3.19
7,001 + Gallons	2.57	2.61	2.66	5.07	5,001 + Gallons	5.32	5.45	5.59

Residential Cap = 15,000 gallons

(1)Source-City of Lake Wales

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

<u>Employer</u>	<u>2011</u>		<u>2002</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Citrus World, Inc.	686	1	N/A	1
Lake Wales Medical Center	521	2	N/A	2
Lake Wales Charter Schools	400	3	N/A	3
Wal-Mart	350	4	N/A	4
Publix, Inc.	219	5	N/A	5
Polk County School Board	218	6	N/A	6
Warner University	190	7	N/A	7
City of Lake Wales	175	8	N/A	8
Citrosuco	170	9	N/A	9
Hunt Brothers	160	10	N/A	10
	<u>3,089</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, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U. S. Department of Agriculture passed through Florida Division of Forestry Urban and Community Forestry Grant Tree Maintenance Program	15991	10.668	\$ 18,000
U.S. Department of Housing and Urban Development passed through Florida Community Affairs Small Cities Community Development Block Grant Commercial Revitalization	09DB-4N-07-63-02-C 28	14.228	660,019
U. S. Department of Energy American Recovery and Reinvestment Act Little League Lights	ARS009	81.041	198,327
U.S. Department of Justice passed through Florida Department of Law Enforcement Edward Byrne Memorial Justice Grant Lake Wales Police Heartbeat Program Lake Wales Community Safety Program	2011-JAGD-POLK-4-B3-035 2011-JAGD-POLK-17-B2-025	16.738 16.738	9,055 17,600
U.S. Environmental Protection Agency passed through Florida Department of Environmental Protection Treatment & Reclaimed Water Usage (Upgrade of Sewage Treatment Plant) (1)	WW759140	66.458	283,369
U.S. Department of Transportation Federal Aviation Administration Install Apron Flood Lighting; Install Perimeter Fencing	3-12-0040-013-2010	20.106	<u>188,321</u>
			<u>\$ 1,374,691</u>

- (1) SRF - 5907P Loan Balance at September 30, 2011 - \$706,785
(2) SRF - 59110 Loan Balance at September 30, 2011 - \$472,698
(3) SRF - 5912S Loan Balance at September 30, 2011 - \$951,374
(4) SRF - 5913P Loan Balance at September 30, 2011 - \$872,585
(5) SRF - 59140 Loan Balance at September 30, 2011 - \$282,710

City of Lake Wales, Florida
Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2011

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Expenditures</u>
Executive Office of the Governor Office of Tourism Trade and Economic Development Economic Development Transportation Fund	OT07-017	31.002	\$ 572,795
Florida Department of Transportation Runway Safety Area Improve Runway 17-35 Safety Areas to Standards and Remark Pavement	APW76	55.004	57,269
Install Apron Flood Lighting; Install Perimeter Fencing	APW76	55.004	<u>5,002</u>
			<u>\$ 635,066</u>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2011
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, 2011. 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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.550,
*RULES OF THE AUDITOR GENERAL***

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

Compliance

We have audited the compliance of the City of Lake Wales, Florida (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2011. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, rules, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2011.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL
(Concluded)**

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the 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

March 27, 2012
Sarasota, Florida

CITY OF LAKE WALES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses unqualified opinions on 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 City of Lake Wales, Florida (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements.
2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the basic financial statements (see report on internal control over financial reporting and on compliance and other matters based on an audit performed in accordance with *Government Auditing Standards*).
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit (see the same report referenced in 2).
4. No material weaknesses or significant deficiencies in internal control over major federal award programs or major state financial assistance projects were disclosed (see independent auditors' report on compliance with requirements that could have a direct and material effect on each major federal program and state project and on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*).
5. An unqualified opinion was issued on compliance over major federal programs and major state projects (see the same report referenced in 4).
6. Audit findings relative to the major federal award programs for the City are reported in Part C of this schedule. Audit findings relative to the major state financial assistance projects are reported in Part D of this schedule.
7. The programs/projects tested as major programs/projects were the following:
 - **Major Federal Programs**
 - U.S. Department of Housing and Urban Development, Passed Through Florida Department of Community Affairs:
 - ▶ Community Development Block Grants Program, CFDA No. 14.228
 - **Major State Projects**
 - Executive Office of the Governor:
 - ▶ Economic Development Transportation Fund, CSFA No. 31.002
8. The threshold for distinguishing Type A and Type B programs/projects was \$300,000 for major federal award programs and \$300,000 for major state financial assistance projects.
9. The City did qualify as a low-risk auditee pursuant to OMB Circular A-133.

CITY OF LAKE WALES, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(Concluded)

PART B - FINDINGS - FINANCIAL STATEMENT AUDIT

None

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

PART D - FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS

None

PART E - OTHER ISSUES

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects.

No corrective action plan is required because there were no current year findings required to be reported under the Federal or Florida *Single Audit Acts*.

**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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2012. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

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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 noted certain matters that we reported to management in a separate management letter dated March 27, 2012.

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.

Purvis, Gray and Company, LLP

March 27, 2012
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, 2011, and have issued our report thereon dated March 27, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our report on internal control over financial reporting and on compliance and other matters, report on compliance with requirements that could have a direct and material effect on each major federal program and state project and on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are all dated March 27, 2012, should be considered in conjunction with this management letter.

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

- 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. Our comment 2010.1 required no further action on the City's part.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address 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.

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

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)5., *Rules of the Auditor General*, 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 control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The applicable disclosure can be found in Note I.A to the financial statements.
- Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2011, 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, 2011. 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.

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

March 27, 2012
Sarasota, Florida