

**LAKE WALES POLICE OFFICERS' PENSION TRUST FUND**

**FINANCIAL STATEMENTS**

**and**

**AUDITOR'S REPORTS**

**For the Years Ended September 30, 2006 and 2005**

TABLE OF CONTENTS

|  | <u>PAGE</u> |
|--|-------------|
| Independent Auditor's Report.....  | 1-2         |
| Management's Discussion and Analysis.....  | 3-9         |
| <br>BASIC FINANCIAL STATEMENTS   |             |
| Statement of Plan Net Assets.....  | 10          |
| Statements of Changes in Plan Net Assets.....  | 11          |
| Notes to Financial Statements.....   | 12-20       |
| <br>REQUIRED SUPPLEMENTARY INFORMATION   |             |
| Schedule of Funding Progress and Schedule of<br>Contributions from the Employer and Other<br>Contributing Entities.....  | 21          |
| Development of Net Pension Obligation (NPO).....   | 22          |
| <br>OTHER SUPPLEMENTAL INFORMATION   |             |
| Independent Auditor's Report on Internal Control and on<br>Compliance and Other Matters over Financial Reporting<br>Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> ..... | 23-24       |
| Management Letter.....   | 25-26       |

\* \* \* \* \*



# The NCT Group CPA's, L.L.P.

Certified Public Accountants and Consultants

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Lake Wales Police Officers' Pension Trust Fund  
City of Lake Wales, Florida

We have audited the accompanying statement of plan net assets of the Lake Wales Police Officers' Pension Trust Fund of the City of Lake Wales, Florida, as of September 30, 2006 and 2005, and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of the fund trustees. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 principles used and significant estimates made by the trustees, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note A, the financial statements present only the Lake Wales Police Officers' Pension Trust Fund of the City of Lake Wales, Florida, and are not intended to present fairly the financial position and results of operation of the City of Lake Wales, Florida, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the fund's net assets held in trust for pension benefits as of September 30, 2006 and 2005 and changes therein for the years 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 our report dated November 3, 2006 on our consideration of the City of Lake Wales Police Officer's Pension Trust Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information on pages 20 through 21 and management's discussion and analysis on pages 3 through 8 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*The NCT Group CPA's LLP*

The NCT Group CPA's, L.L.P.  
Winter Haven, Florida  
November 3, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Lake Wales Police Officers' Pension Plan and Trust financial performance provides an overview of the financial activities and funding conditions for the fiscal years ended September 30, 2006 and 2005.

### FINANCIAL HIGHLIGHTS

The Plan's net result from activities was an increase of \$532,397.

Employer contributions to the Plan increased \$29,388 (or a 12.18% increase) compared to 2005. The actual employer contributions were \$270,637 for 2006 and \$241,249 for 2005. The increase is attributable to net unfavorable actuarial experience. The principal component of unfavorable experience was a 2.79% investment return (Actuarial Asset basis) for October 1, 2004, which was less than the annual 8.0% assumption. The increase was dampened by changing the actuarial cost method from the Frozen Entry Age Actuarial Cost Method to the Entry Age Normal Actuarial Cost Method.

Employee contributions to the Plan increased by \$2,853 (or a 2.97% increase) compared to 2005. The actual employee contributions were \$98,822 for 2006 and \$95,969 for 2005. The increase in employee contributions is attributable to the increase in related payroll.

State sources increased \$5,370 (or a 5.07% increase) compared to 2005. State sources were \$111,302 for 2006 and \$105,932 for 2005.

The net investment income decreased by \$157,811 compared to 2005. The actual results were a \$634,116 increase for 2006 and a \$791,927 increase for 2005.

Benefit payments and Refunds of Contributions increased by \$33,763 (or a 6.72% increase).

### PLAN HIGHLIGHTS

The Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years, but are limited to 120% of Market Value, if less.

For the October 1, 2006 Actuarial Valuation Report, the -6.20% negative return for fiscal year 2002 dropped off in calculating the actuarially smoothed positive return of 10.07% exceeding the 8.0% assumption

**TABLE 1**

| <b>Plan Year End</b> | <b>Rate of Return*</b> |
|----------------------|------------------------|
| 9/30/02              | -6.20%                 |
| 9/30/03              | 13.66%                 |
| 9/30/04              | 9.32%                  |
| 9/30/05              | 9.93%                  |
| 9/30/06              | 7.45%                  |

\*Market Value Basis, net of investment related expenses  
Annualized Rate of Return for prior four (4) years: 10.07%

The plan's funding level increased from 79.59% in 2005 to 89.22% in 2006. In addition to the plans return, the Entry Age Normal Actuarial Cost Method adopted on 10/1/2004 affects the funding level annually in lieu of the annual normal cost requirements.

**USING THE ANNUAL REPORT**

The annual report includes the independent auditors' report, Management's Discussion and Analysis, financial statements for the defined benefit plan and certain required supplementary information.

The financial statements reflect the activities of the Police Officers' Pension plan and are reported in the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. These statements are presented on a full accrual basis and reflect all trust activities as incurred. Notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Lake Wales progress in funding its obligation to provide pension benefits to its employees.

**PLAN NET ASSETS**

The following comparative summary of Plan Net Assets demonstrates that the defined benefit trust is primarily focused on the cash and investments and the restricted net assets.

**TABLE 2  
PLAN NET ASSETS  
As of September 30**

|                              | <u>2006</u>         | <u>2005</u>         |
|------------------------------|---------------------|---------------------|
| Cash & Investments           | \$ 9,251,802        | \$ 8,714,302        |
| Accrued Investment Income    | 29,042              | 23,461              |
| Due From Others              | 3,764               | 3,774               |
| <b>Total Assets</b>          | <u>9,284,608</u>    | <u>8,741,537</u>    |
| Due To Others                | -                   | -                   |
| Due to DROP Participants     | 54,552              | 15,629              |
| Prepaid City Contributions   | 12,517              | 40,766              |
| <b>Total Liabilities</b>     | <u>67,069</u>       | <u>56,395</u>       |
| <b>Restricted Net Assets</b> | <u>\$ 9,217,539</u> | <u>\$ 8,685,142</u> |

The net change in net assets was an increase of \$532,397, which is largely attributable to net investment returns of \$634,116. Revenues essential to the sound funding of the plan are from contributions and net investment earnings. Contributions are made based on the actuarially determined rates in accordance with Florida Statutes (F.S.) Chapter 112. Active plan participants contribute 5% of their pensionable salary. The City of Lake Wales budgets and contributes the remaining required funding balance adjusted for State contributions. The State remits income received from the .85% excise tax on casualty insurance premiums per Florida Statutes 185.08.

## CHANGES IN PLAN NET ASSETS

The following table shows a comparative summary of the changes in net assets and reflects the activities of the trust.

**TABLE 3**  
**CHANGES IN PLAN NET ASSETS**  
**For the Years Ended September 30**

|                                | <u>2006</u>       | <u>2005</u>       |
|--------------------------------|-------------------|-------------------|
| <b>Additions:</b>              |                   |                   |
| Employer Contributions         | \$ 270,637        | \$ 241,249        |
| Employee Contributions         | 98,822            | 95,969            |
| State of Florida               | 111,302           | 105,932           |
| Investment Income (Net)        | 634,116           | 791,927           |
| <b>Total Additions</b>         | <u>1,114,877</u>  | <u>1,235,077</u>  |
| <b>Deductions:</b>             |                   |                   |
| Pension Benefits               | 519,118           | 499,717           |
| Refund of Contributions        | 17,032            | 2,669             |
| Administrative Expenses        | 46,330            | 32,528            |
| <b>Total Deductions</b>        | <u>582,480</u>    | <u>534,914</u>    |
| <b>Net Increase (Decrease)</b> | <u>\$ 532,397</u> | <u>\$ 700,163</u> |

The Plan's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation.

The benefit payments are a function of payments to retirees, their beneficiaries (if the retiree is deceased) and new retirements during the period. Refund of contribution is a refund of an employee's contributions distributed to terminated employees who are not vested or vested and elect to terminate plan benefits.

## PLAN MEMBERSHIP

The following tables (Table 4 and Table 5) reflect the Plan membership as of the beginning and ending of the year.

**TABLE 4**  
**CHANGES IN PLAN MEMBERSHIP SEPTEMBER 30**

|                      | <u>2006</u> | <u>2005</u> | <u>Change</u> |
|----------------------|-------------|-------------|---------------|
| Active Participants  | 36          | 39          | (3)           |
| Vested               | 13          | 13          | 0             |
| Non-Vested           | 23          | 26          | (3)           |
| Retirees/Benef/Disab | 18          | 18          | 0             |
| Terminated Vested    | 0           | 5           | 5             |
| DROP Participates    | 1           | 1           | 0             |

**TABLE 5**  
**CHANGES IN RETIREES & BENEFICIARIES**

|                                  | <u>10/1/2005</u> | <u>In</u> | <u>Out</u> | <u>9/30/2005</u> |
|----------------------------------|------------------|-----------|------------|------------------|
| Retirees Receiving Benefits      | 14               | -         | 1          | 13               |
| Beneficiaries Receiving Benefits | 1                | 1         | -          | 2                |
| Disability Benefits              | 3                | -         | -          | 3                |
| Vested Deferred                  | -                | 5         | -          | 5                |
| DROP                             | 1                | -         | -          | 1                |
| <b>TOTAL</b>                     | <u>19</u>        | <u>6</u>  | <u>1</u>   | <u>24</u>        |

Table 4 reflects changes in active participants. Table 5 demonstrates the changes in retirees and beneficiaries during the period.

### FUNDING STATUS

Of primary concern to most pension plan participants is the amount of money available to pay benefits. Historically, defined pension plans have been under funded when the employer failed to make annual actuarially required contributions to the Plan. The City's Defined Benefit Plan has been subject to the 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. Thus the NPO (Net Pension Obligation) on October 1, 1997, is 0. The NPO for the year ended September 30, 2006 is a negative (over funded) \$137,343.

For plan funding purposes, the Police Officers' Pension plan utilizes the Entry Age Normal Actuarial Cost Method. The use of this method involves the systematic funding of the Normal Cost and the Unfunded Actuarial Accrued (Past Service) Liability. The normal cost is the current year's cost for benefits yet to be funded. The Unfunded Actuarial Accrued Liability (UAAL) is a liability, which arises when a pension plan is initially established or improved, or actuarial assumptions or cost methods are changed and such establishment, improvement, or change is applicable to all years of past service. Under the Entry Age Normal Actuarial Cost Method, there is also a new UAAL created each year equal to the actuarial gain or loss for that year. (Prior funding method was the Frozen Entry Age Actuarial Cost Method).

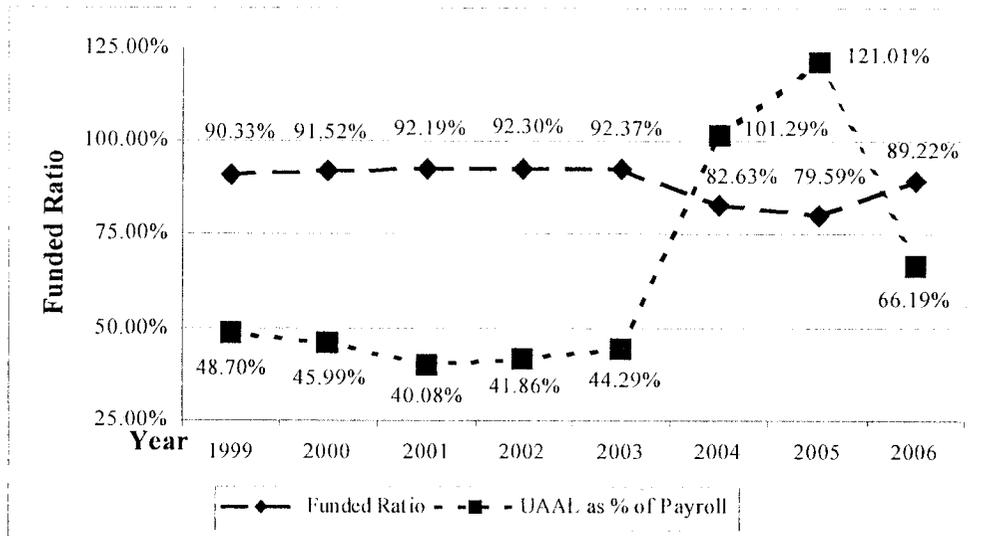
Under the Entry Age Normal Actuarial Cost Method adopted October 1, 2004 for September 30, 2006 contributions, the Actuarial Gains (Losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability (UAAL) instead of the Normal Cost. This method spreads the increase (decrease) over a longer time period and is designed to produce contribution amounts that are more stable and predictable.

The Governmental Accounting Standards Board (GASB) per GASB 25 requires the Total Unfunded Actuarial Liability to be presented. The schedule includes two ratios or indices: the funded ratio (assets expressed as a percentage of the actuarial accrued liability) and the unfunded actuarial liability expressed as a percentage of active covered payroll. The latter ratio is a measure of the significance of the unfunded actuarial liability relative to the capacity to pay it.

The trend in those two ratios provides information about whether the financial strength of the plan is improving or deteriorating over time. An improvement is indicated when the funded ratio is increasing and the ratio of the unfunded actuarial accrued liability to payroll is decreasing. However, a decrease in the funded ratio and an increase in UAAL to payroll will not necessarily indicate a plan is in financial decline. Changes in actuarial assumptions can significantly impact the Actuarial Accrued Liability. Performance in the stock and bond markets can have a material impact on the actuarial value of assets.

Table 6 presents the funding progress utilizing the Entry Age Normal Actuarial Cost Method.

**TABLE 6**  
**SCHEDULE OF FUNDING PROGRESS**  
As of October 1



**TABLE 7**  
**SCHEDULE OF FUNDING PROGRESS**  
In Accordance with the Requirements of Paragraph 37 of Statement No. 25  
Of the Governmental Accounting Standards Board

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) -Entry Age (b) | Unfunded AAL (UAAL) See Table 8 (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|--|---------------------------------------|--------------------|---------------------|--|
| 10/1/06                  | 9,049,308                     | 10,142,549                                       | 1,093,241                             | 89.22%             | 1,651,717           | 66.19%                                   |
| 10/1/05                  | 8,329,601                     | 10,465,863                                       | 2,136,263                             | 79.59%             | 1,765,347           | 121.01%                                  |
| 10/1/04                  | 7,915,414                     | 9,578,774  | 1,663,359                             | 82.63%             | 1,642,104           | 101.29%                                  |
| 10/1/03                  | 7,856,018                     | 8,504,828  | 648,810                               | 92.37%             | 1,464,901           | 44.29%                                   |
| 10/1/02                  | 7,758,257                     | 8,405,334  | 647,077                               | 92.30%             | 1,545,797           | 41.86%                                   |
| 10/01/01                 | 7,657,853                     | 8,306,429  | 648,576                               | 92.19%             | 1,618,255           | 40.08%                                   |
| 10/01/00                 | 7,334,393                     | 8,014,285  | 679,892                               | 91.52%             | 1,478,384           | 45.99%                                   |
| 10/01/99                 | 6,509,422                     | 7,206,369  | 696,947                               | 90.33%             | 1,430,993           | 48.70%                                   |

For funding purposes, the Actuary uses a 4-year market smoothing method to establish the actuarial value of the assets (used to determine the funded ratio).

**TABLE 8**  
**UNFUNDED ACTUARIAL ACCRUED LIABILITIES**  
**As of October 1, 2006**

|                   | Date<br>Established | Years<br>Remaining | Initial<br>UAAL    | 10/1/2006<br>Amount | Amortization<br>Amount |
|-------------------|---------------------|--------------------|--------------------|---------------------|------------------------|
| A                 | 10/1/1998           | 22                 | \$ 743,940         | \$ 700,254          | \$ 47,883              |
| B                 | 10/1/2004           | 28                 | 1,011,425          | 1,105,289           | 65,953                 |
| C                 | 10/1/2005           | 29                 | 389,611            | 404,611             | 23,710                 |
| D                 | 10/1/2006           | 30                 | (1,116,913)        | (1,116,913)         | (64,346)               |
| <b>TOTAL UAAL</b> |                     |                    | <u>\$1,028,063</u> | <u>\$ 1,093,241</u> | <u>\$ 73,200</u>       |

A – Plan improvements and actuarial cost method change. Plan enhancements included increasing the credited service multiplier from 2.5 to 3.0 and dropping the minimum normal retirement age from 52 with 25 years of service to age 50 with 25 years of service. The actuarial cost method was changed from the Aggregate Actuarial Cost Method to the Frozen Entry Age Actuarial Cost Method.

B – The actuarial cost method was changed from the Frozen Entry Age Actuarial Cost Method to the Entry Age Normal Actuarial Cost Method. In addition, the payroll growth assumption was increased from 3.0% to 5.0%.

C – Change in UAAL due to Actuarial Loss.

D – Change in UAAL due to Actuarial Gain.

#### **ASSET ALLOCATION**

The table below indicates the asset allocation for September 30, 2006 and 2005.

**TABLE 9**  
**MARKET VALUE ASSET ALLOCATION BY %**

|                             | 2006           | 2005           |
|-----------------------------|----------------|----------------|
| Cash & Equivalent           | 8.87%          | 18.94%         |
| U.S. Treasury Notes & Bonds | 21.08%         | 12.08%         |
| Corporate Bonds             | 9.51%          | 10.68%         |
| Stocks                      | 60.54%         | 58.30%         |
| <b>Total</b>                | <u>100.00%</u> | <u>100.00%</u> |

The Board has established the following target asset allocation for the total pension fund:

|  |     |
|--|-----|
| Domestic & International Equity Securities | 50% |
| International Equity Securities            | 10% |
| Fixed-income Securities                    | 40% |

Actual cost and market fluctuations affect asset allocation percentages.

## **INVESTMENT ACTIVITIES**

Investment income is vital to the Plan's current and continued financial stability. Therefore, Trustees have a fiduciary responsibility to act prudently and discretely when making Plan investment decisions. To assist the Board in this area, a formal investment policy has been adopted and is included with each Manager's Investment Advisory Agreement.

The plan's investment advisor makes investment decisions. The investment advisor provides quarterly reports of the investment portfolio and its performance to the Board of Trustees. Performance is assessed quarterly by A.G. Edwards.

## **ECONOMIC FACTORS**

The primary function of the pension trust is to (a) appropriately award and pay benefits and (b) manage investments. The opportunity available considering various investment choices is invaluable in the asset allocation and money manager oversight.

## **CONTACTING THE PLAN'S FINANCIAL MANAGEMENT**

The financial report is designed to provide citizens, taxpayers, plan participants, and marketplace's credit analysis with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or need additional financial information, please contact the City's Finance Director, 201 Central Avenue West, P. O. Box 1320, Lake Wales, Florida 33859-1320.

**LAKE WALES POLICE OFFICERS' PENSION TRUST FUND**

**STATEMENT OF PLAN NET ASSETS**

September 30, 2006 and 2005

|  | <u>2006</u>         | <u>2005</u>         |
|--|---------------------|---------------------|
| <b>Assets:</b>   |                     |                     |
| Cash   | \$ 73,565           | \$ 116,086          |
| Investments:   |                     |                     |
| Money market funds   | 746,841             | 1,632,349           |
| Corporate bonds and government obligations   | 2,830,380           | 1,940,994           |
| Equity funds   | <u>5,601,016</u>    | <u>5,024,873</u>    |
| Total investments  | <u>9,178,237</u>    | <u>8,598,216</u>    |
| Receivables:   |                     |                     |
| Accrued interest and dividends   | 29,042              | 23,461              |
| Due from the City of Lake Wales  | -                   | 10                  |
| Accounts receivable - Retirees   | <u>3,764</u>        | <u>3,764</u>        |
| Total receivables  | <u>32,806</u>       | <u>27,235</u>       |
| Total assets   | <u>9,284,608</u>    | <u>8,741,537</u>    |
| <b>Liabilities:</b>  |                     |                     |
| Due to DROP Participants   | 54,552              | 15,629              |
| Prepaid contributions from City  | <u>12,517</u>       | <u>40,766</u>       |
| Total liabilities  | <u>67,069</u>       | <u>56,395</u>       |
| <b>Net assets:</b>   |                     |                     |
| Net assets held in trust for pension<br>benefits (A schedule of funding progress is presented on<br>page 20) | <u>\$ 9,217,539</u> | <u>\$ 8,685,142</u> |

See accompanying notes to the financial statements.

**LAKE WALES POLICE OFFICERS' PENSION TRUST FUND**

**STATEMENT OF CHANGES IN PLAN NET ASSETS**

September 30, 2006 and 2005

|   | <u>2006</u>         | <u>2005</u>         |
|---|---------------------|---------------------|
| <b>Additions:</b>                                     |                     |                     |
| Contributions:  |                     |                     |
| State of Florida                                      | \$ 111,302          | \$ 105,932          |
| Employer (City of Lake Wales)                         | 270,637             | 241,249             |
| Employees   | 98,822              | 95,969              |
|   | <u>480,761</u>      | <u>443,150</u>      |
| Investment income:                                    |                     |                     |
| Net change in investments                             | 699,978             | 864,265             |
| Less: Investment expense                              | <u>(65,861)</u>     | <u>(72,338)</u>     |
| Net investment income                                 | <u>634,117</u>      | <u>791,927</u>      |
| Total additions                                       | <u>1,114,878</u>    | <u>1,235,077</u>    |
| <b>Deductions:</b>                                    |                     |                     |
| Benefits paid directly to participants                | 519,118             | 499,717             |
| Refund of contributions to employees                  | <u>17,032</u>       | <u>2,669</u>        |
| Total benefits  | 536,150             | 502,386             |
| Administrative expenses                               | <u>46,331</u>       | <u>32,528</u>       |
| Total deductions                                      | <u>582,481</u>      | <u>534,914</u>      |
| Net increase/(decrease)                               | 532,397             | 700,163             |
| <b>Net assets held in trust for pension benefits:</b> |                     |                     |
| Beginning of year                                     | <u>8,685,142</u>    | <u>7,984,979</u>    |
| End of year   | <u>\$ 9,217,539</u> | <u>\$ 8,685,142</u> |

See accompanying notes to the financial statements.

## LAKE WALES POLICE OFFICERS' PENSION TRUST FUND

### NOTES TO FINANCIAL STATEMENTS

September 30, 2006 and 2005

#### A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity - These financial statements present only the financial status of the Lake Wales Police Officers' Pension Trust Fund of the City of Lake Wales, Florida, and not of the City as a whole.

Basis of Accounting - The accounts of the Lake Wales Police Officers' Pension Trust Fund 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 plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Cash and Investments - During 2006, if available, quoted market prices were 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.

All investments are held by A. G. Edwards in street name on behalf of the pension trust fund.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

#### B - CASH AND CASH EQUIVALENTS

From time to time small amounts of cash are recorded by the Lake Wales Police Officers' Pension Trust Fund 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.

#### C - INVESTMENTS

Investments are held with a registered securities dealer, and the Lake Wales Police Officers' Pension Trust Fund is authorized by Florida Statutes to invest in certain securities. The Trust Fund's investment policies limit investments made or held in its portfolio to the following:

1. Time, savings, and money market deposits of a national bank, a state bank or a savings and loan institution, insured by the Federal Deposit Insurance Corporation, provided the amount deposited does not exceed the insured amount.
2. Obligations issued by the United States Government, or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.

## LAKE WALES POLICE OFFICERS' PENSION TRUST FUND

### NOTES TO FINANCIAL STATEMENTS - (Continued)

September 30, 2006 and 2005

#### C - INVESTMENTS - (Continued)

3. Stocks, commingle funds administered by national or state banks, mutual funds and bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, provided:
  - a. Domestic equity securities must hold a ranking within the top three quality ratings of a recognized rating service, except that fifteen percent of the portfolio may be invested in lower rated (or non-rated) securities provided such issues are actively traded on a major exchange or NASDAQ. To insure proper diversification, no more than 5% (at cost) of the total portfolio may be invested in any single corporation, and exposure to any one industry sector shall not exceed 150% of the exposure represented by that industry in the S&P 500 Stock Index or 5% (at cost), whichever is greater. Up to 10% of the Fund assets may be invested in non-U.S. equities in the form of American Depository Receipts.
  - b. Fixed-income securities must, as a minimum, be rated AAA, AA, or A by Standard and Poor's or hold a Moody's rating of Aaa, Aa, or A and no more than 10% (at cost) of the fixed-income portfolio may be invested in the securities of a single corporate issuer. There is no limit on investments in fixed-income securities issued directly by the United States Government or any agency or instrumentality thereof. The average duration of the fixed-income portfolio is not expected to exceed 150% of the duration of the Lehman Brothers Government / Credit Bond Index.
  - c. Cash equivalent securities must be rated either A1 by Standard and Poor's or P1 by Moody's. Investment in a short-term investment fund (STIF) account sponsored by the fund's custodian or in Bankers Acceptances issued by the largest fifty banks in the United States shall be considered as meeting this quality restriction.

The Board of Trustees of the Plan (Board) has established the following target asset allocation for the total pension fund:

|                                 |     |
|---------------------------------|-----|
| Domestic Equity Securities      | 50% |
| Fixed Income Securities         | 40% |
| International Equity Securities | 10% |

The allocation target is intended as a maximum exposure to each security class based on the cost value of the assets and is consistent with the nature and size of the fund. The use of cash equivalent securities, including short-term fixed-income instruments and custodial STIF funds is not restricted and may be used within both the equity or fixed-income portfolio.

Investment decisions are made by the investment advisor. The investment advisor provides quarterly reports of the investment portfolio and its performance to the Board of Trustees. Performance is assessed quarterly by A.G. Edwards & Sons, Inc.

There were no violations of legal provisions for investments throughout the year.

**LAKE WALES POLICE OFFICERS' PENSION TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS - (Continued)**

September 30, 2006 and 2005

**C - INVESTMENTS - (Continued)**

The following table presents the fair value of the investments in this Plan. Single investments representing more than 5% of the Plan's net assets as of September 30, 2006 and 2005 are separately identified:

|                               | <u>Interest</u> | <u>2006</u>         | <u>2005</u>         |
|-------------------------------|-----------------|---------------------|---------------------|
| Centennial money market trust |                 | \$ 746,841          | \$ 1,632,349        |
| U.S. Treasury notes and bonds | 3.25% - 7.5%    | 1,950,064           | 1,036,173           |
| Corporate bonds               | 4.5% - 8.8%     | 880,316             | 904,821             |
| Stocks                        | N/A             | <u>5,601,016</u>    | <u>5,024,873</u>    |
|                               |                 | <u>\$ 9,178,237</u> | <u>\$ 8,598,216</u> |

Corporate and U.S. Government notes and bonds owned at September 30, 2006 are as follows:

| <u>Quantity</u>       | <u>Security</u>          | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Market Value</u> |
|-----------------------|--------------------------|----------------------|----------------------|---------------------|
| Corporate Bonds:      |                          |                      |                      |                     |
| \$ 90,000             | Citicorp                 | 7.200%               | 06-15-07             | 91,022              |
| 40,000                | Merrill Lynch            | 6.000%               | 02-17-09             | 40,664              |
| 120,000               | Lehman Bros Hldg         | 4.500%               | 07-26-10             | 116,711             |
| 105,000               | Goldman Sachs            | 6.875%               | 01-15-11             | 111,286             |
| 135,000               | Int'l. Lease Fin. Corp.  | 5.875%               | 05-01-13             | 138,557             |
| 105,000               | Morgan Stanley           | 4.750%               | 04-01-14             | 99,853              |
| 25,000                | NationsBank Corp.        | 7.800%               | 09-15-16             | 29,115              |
| 50,000                | Hershey Foods Corp.      | 8.800%               | 02-15-21             | 65,174              |
| 65,000                | Phillips Pete Co.        | 7.000%               | 03-30-29             | 72,881              |
| 105,000               | Kohls Corp.              | 7.250%               | 06-01-29             | <u>115,053</u>      |
| Total Corporate Bonds |                          |                      |                      | <u>\$ 880,316</u>   |
| Government Bonds:     |                          |                      |                      |                     |
| 470,000               | United States Treasury   | 3.250%               | 01-15-09             | \$ 455,806          |
| 270,000               | United States Treasury   | 3.500%               | 02-15-10             | 260,712             |
| 10,000                | United States Treasury   | 7.500%               | 11-15-16             | 12,250              |
| 60,000                | United States Treasury   | 6.875%               | 08-15-25             | 74,964              |
| Mortgage Pools:       |                          |                      |                      |                     |
| 74,376                | Fed'l. Nat'l. Mtg. Assn. | 4.000%               | 11-01-19             | 60,946              |
| 321,225               | Fed'l. Home Loan Mtg.    | 4.000%               | 01-01-20             | 243,331             |
| 244,000               | Fed'l. Nat'l. Mtg. Assn. | 4.000%               | 02-01-20             | 191,321             |
| 174,000               | Fed'l. Home Mtg. Assn.   | 4.500%               | 08-01-20             | 151,392             |
| 40,000                | Fed'l. Nat'l. Mtg. Assn. | 4.000%               | 10-01-20             | 34,491              |
| 103,000               | Fed'l. Home Mtg. Assn.   | 4.000%               | 02-01-21             | 92,406              |
| 215,000               | Gov't. Nat'l Mtg. Assn.  | 5.500%               | 12-20-31             | 61,222              |

**LAKE WALES POLICE OFFICERS' PENSION TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS** - (Continued)

September 30, 2006 and 2005

**C - INVESTMENTS** - (Continued)

Government-

Sponsored Bonds:

|         |                          |        |          |               |
|---------|--------------------------|--------|----------|---------------|
| 105,000 | Fed'l. Nat'l. Mtg. Assn. | 4.250% | 05-15-09 | 102,959       |
| 155,000 | Fed'l. Nat'l. Mtg. Assn. | 4.125% | 04-15-14 | 147,230       |
| 15,000  | Fed'l. Nat'l. Mtg. Assn. | 6.625% | 11-15-30 | 18,110        |
| 35,000  | Fed'l. Home Mtg. Assn.   | 6.750% | 03-15-31 | <u>42,924</u> |

Total Government Bonds, Mortgage Pools, and

Government-Sponsored Bonds

\$ 1,950,064

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses arising from rising interest rates, the plan's investment policy expects the average duration of the fixed-income portfolio to not exceed 150% of the duration of the Lehman Brothers Government / Credit Bond Index.

*Credit Risk* Fixed-income securities must, as a minimum, be rated AAA, AA, or A by Standard and Poor's or hold a Moody's rating of Aaa, Aa, or A.

The average credit rating of the entire portfolio is AAA. The credit ratings for the Plan's fixed income securities at September 30, 2006 are as follows:

|           |                          | <u>S&amp;P</u> | <u>Moody</u> |
|-----------|--------------------------|----------------|--------------|
| \$ 90,000 | Citicorp                 | A+             | AA2          |
| 40,000    | Merrill Lynch            | A+             | AA3          |
| 120,000   | Lehman Bros Hldg Inc     | A+             | A1           |
| 105,000   | Goldman Sachs            | A+             | AA3          |
| 135,000   | Int'l. Lease Fin. Corp.  | AA-            | A1           |
| 105,000   | Morgan Stanley           | A              | A1           |
| 25,000    | NationsBank Corp.        | A+             | AA3          |
| 50,000    | Hershey Food Corp.       | A+             | A1           |
| 65,000    | Phillips Pete Co.        | A-             | A1           |
| 105,000   | Kohls Corp.              | BBB+           | A3           |
| 470,000   | United States Treasury   | AAA            | AAA          |
| 270,000   | United States Treasury   | AAA            | AAA          |
| 10,000    | United States Treasury   | AAA            | AAA          |
| 60,000    | United States Treasury   | AAA            | AAA          |
| 105,000   | Fed'l. Nat'l. Mtg. Assn. | AAA            | AAA          |
| 74,376    | Fed'l. Nat'l. Mtg. Assn. | AAA            | AAA          |
| 321,225   | Fed'l. Home Loan Mg.     | AAA            | AAA          |
| 244,000   | Fed'l. Nat'l. Mtg. Assn. | AAA            | AAA          |
| 174,000   | Fed'l. Home Loan Mg.     | AAA            | AAA          |
| 40,000    | Fed'l. Nat'l. Mtg. Assn. | AAA            | AAA          |
| 103,000   | Fed'l. Home Loan Mg.     | AAA            | AAA          |

**LAKE WALES POLICE OFFICERS' PENSION TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS - (Continued)**

September 30, 2006 and 2005

**C - INVESTMENTS - (Concluded)**

|         |                          |     |     |
|---------|--------------------------|-----|-----|
| 215,000 | Gov't, Nat'l. Mtg. Assn. | AAA | AAA |
| 155,000 | Fed'l. Nat'l. Mtg. Assn. | AAA | AAA |
| 15,000  | Fed'l. Nat'l. Mtg. Assn. | AAA | AAA |
| 35,000  | Fed'l. Home Loan Mtg.    | AAA | AAA |

*Concentration of Credit Risk:* No more than 5% (at cost) of the total portfolio may be invested in any single corporation, and exposure to any one industry sector shall not exceed 150% of the exposure represented by that industry in the S&P 500 Stock Index or 5% (at cost), whichever is greater. At September 30, 2006 6.9% of the Plan's investments were in bonds and mortgage pools of the Federal National Mortgage Association.

**D - DESCRIPTION OF PLAN**

The following brief description of the Lake Wales Police Officers' Pension Trust Fund Plan is provided for general information purposes only. Participants should refer to City of Lake Wales Ordinance No. 2000-13 for more complete information. The Plan is administered by the Lake Wales Police Officers' Pension Trust Fund Board. The Board may propose amendments to the Plan, but any such amendments must be ordinances approved by the City of Lake Wales City Commission.

1. Plan Membership:

The plan is a single-employer, defined benefit pension plan that covers substantially all full-time police officers of the City of Lake Wales, Florida. Government plans are not subject to the provisions of the Employee Pension Income Security Act of 1974 (ERISA). Based on an actuarial report as of October 1, 2005, employee membership data related to the plan is as follows:

|   |             |
|---|-------------|
|   | <u>2005</u> |
| City of Lake Wales police officer<br>retirees and beneficiaries currently<br>receiving benefits | <u>19</u>   |
| Vested terminated employees   | <u>0</u>    |
| Active plan participants:   |             |
| Vested  | 13          |
| Nonvested   | <u>26</u>   |
| Total active plan participants  | <u>39</u>   |

## LAKE WALES POLICE OFFICERS' PENSION TRUST FUND

### NOTES TO FINANCIAL STATEMENTS - (Continued)

September 30, 2006 and 2005

#### D - DESCRIPTION OF PLAN - (Continued)

2. Plan Benefits:

Eligibility - Effective October 1, 1986, Chapter 185, Florida Statutes was amended to provide that a member police officer may retire and receive normal retirement benefits after completing 10 years of creditable service and attaining the age of 55 or completing 25 years of creditable service and attaining the age of 50. Previously a police officer was required to complete 10 years of creditable service and attain the age of 60.

Pension Benefits - The amount of the monthly retirement income payable to a police officer who retires on or after his normal retirement date will equal 2-1/2% of his average final compensation multiplied by the number of years of credited service for members separating from service prior to October 1, 1998, or 3% of average final compensation for each year of credited service for members separating from service on or after October 1, 1998. The average final compensation is based on annual compensation of the 3 highest paid years of the last 10 years of creditable service. Prior to October 1, 1986, average final compensation was based on compensation during the last 10 years of service. However, if city and state contributions are not adequate to provide the benefits currently provided in Chapter 185, only increment increases shall be provided as state moneys become available.

Members 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. At the members' election, earnings are calculated either at the same rate of return earned by the total trust fund, or the rate of return of the trust fund's money market account. This accumulated amount is paid in a lump sum when the member leaves active service at the end of the DROP period.

Benefits generally terminate upon the police officer's death. If the police officer dies after retirement but prior to receiving benefits for a period of ten years, the same monthly payment will be paid to the beneficiary designated by the police officer for the balance of the ten-year period.

A police officer may elect a reduced early retirement benefit after completing ten years credited service and attaining age 50.

Disability Benefits - An officer with ten years credited service who becomes totally and permanently disabled may retire from service, with benefits computed and payable in the same manner as normal retirement benefits. If the officer recovers prior to his normal retirement date, the disability retirement benefit will be discontinued.

**LAKE WALES POLICE OFFICERS' PENSION TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS** - (Continued)

September 30, 2006 and 2005

**D - DESCRIPTION OF PLAN** - (Continued)

2. Plan Benefits: - (Continued)

Termination Benefits - An officer separating from municipal employment before attaining early retirement age but after completing ten years of credited service, becomes eligible for a deferred benefit, computed and paid in the same manner as normal retirement upon attaining the normal retirement age. Officers separating from a municipal employment prior to attaining ten years of service, receive no benefits but are entitled to a refund of 100%, without interest, of the contributions made to the retirement trust fund.

Death Benefits - If an officer dies after completing ten years credited service but prior to retirement, the officer's beneficiary is entitled to the benefits otherwise payable to the officer at early or normal retirement age. If an officer dies before being eligible to retire, the officer's beneficiary will be entitled to a refund of 100%, without interest, of the contributions made to the retirement trust fund by the deceased officer.

3. Funding Policy:

Member Contributions - 5.0% of the salary of each officer shall be deducted from the officers' salary by the City and paid over to the Board of Trustees of the pension trust fund.

City Contributions - The City shall make an annual contribution to the fund in an amount which is actuarially determined after adjustment for State contributions, which together with member contributions equals the sum of the normal cost and payments for the amortization of the unfunded actuarial accrued liability over 30 years beginning with the fiscal year in which the liability is first recognized.

State Contributions - The State remits income received from the .85% excise tax on casualty insurance premiums, per Florida Statutes 185.08, to the Lake Wales Police Officers' Pension Trust Fund.

4. Termination of Plan:

Should the plan terminate at some future time, its net assets generally will not be available on a pro rata basis to provide participants' benefits. Some benefits may be fully or partially provided for by the then existing plan assets while others may not be provided for at all, depending upon the priority of those benefits and the availability of plan assets.

5. Contributions Required and Contributions Made:

The funding policy is to provide for periodic contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, when combined with employee and state contributions are designed to accumulate sufficient assets to pay benefits when due.

**LAKE WALES POLICE OFFICERS' PENSION TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS - (Continued)**

September 30, 2006 and 2005

**D - DESCRIPTION OF PLAN - (Concluded)**

5. Contributions Required and Contributions Made - (Concluded)

Information related to contributions for the year ended September 30, 2005 is as follows:

Contribution rates as of September 30, 2005:

|  |                                 |
|--|---------------------------------|
| City                                       | 13.2%                           |
| Plan members                               | 5.0%                            |
| Annual pension cost                        | \$ 252,658                      |
| Contributions made                         | \$ 252,658                      |
| Actuarial valuation date                   | 10/1/03                         |
| Actuarial cost method                      | Frozen entry age                |
| Amortization method                        | Level percentage of Pay, closed |
| Remaining amortization period              | 25 years                        |
| Asset valuation period                     | 4-Year Smoothing                |
| Actuarial assumptions:                     |                                 |
| Investment rate return                     | 8.0%                            |
| Projected salary increases*                | 6.0%                            |
| *Includes inflation at                     | 3.0%                            |
| Post retirement cost-of-living adjustments | 0.0%                            |

**Three-Year Trend Information**

| <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|----------------------------------|--------------------------------------|-------------------------------|
| 9/30/05            | \$252,658                        | 100%                                 | \$(138,868)                   |
| 9/30/04            | 174,138                          | 100%                                 | (140,409)                     |
| 9/30/03            | 133,762                          | 100%                                 | (141,968)                     |

**LAKE WALES POLICE OFFICERS' PENSION TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS - (Concluded)**

September 30, 2006 and 2005

**E - TAX STATUS**

The fund is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code.

**F - STATE OF FLORIDA CONTRIBUTION**

The 2006 state contribution totaled \$111,302.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LAKE WALES POLICE OFFICERS' PENSION TRUST FUND**

**DEVELOPMENT OF NET PENSION OBLIGATION (NPO)**

September 30, 2006

This municipal Defined Benefit Plan has been subject to the 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 sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is -0-.

The development of the Net Pension Obligation is as follows:

|   | <u>9/30/04</u>      | <u>9/30/05</u>      |
|---|---------------------|---------------------|
| Actuarially determined contribution (A) | \$ 174,138          | \$ 252,658          |
| Interest on NPO                         | ( 11,357)           | ( 11,233)           |
| Adjustment to (A)                       | <u>12,916</u>       | <u>12,774</u>       |
| Annual pension cost                     | 175,697             | 254,199             |
| Contributions made                      | <u>174,138</u>      | <u>252,658</u>      |
| Increase in NPO                         | 1,559               | 1,541               |
| NPO beginning of year                   | <u>(141,968)</u>    | <u>(140,409)</u>    |
| NPO end of year                         | <u>\$ (140,409)</u> | <u>\$ (138,868)</u> |



# The NCT Group CPA's, L.L.P.

Certified Public Accountants and Consultants

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

Board of Trustees  
Lake Wales Police Officers' Pension Trust Fund  
City of Lake Wales, Florida

We have audited the financial statements of the Lake Wales Police Officers' Pension Trust Fund, Lake Wales, Florida, as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Lake Wales Police Officers' Pension Trust Fund, Lake Wales, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lake Wales Police Officers' Pension Trust Fund, Lake Wales, Florida'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*.

Board of Trustees  
Lake Wales Police Officers' Pension Trust Fund  
Page Two

This report is intended solely for the information and use of management of the City of Lake Wales, Florida and the Auditor General, State of Florida and is not intended to be and should not be used by anyone other than those specified parties.

*The NCT Group CPA's LLP*

The NCT Group CPA's, L.L.P.  
Winter Haven, Florida  
November 3, 2006



# The NCT Group CPA's, L.L.P.

Certified Public Accountants and Consultants

## MANAGEMENT LETTER

Board of Trustees  
Lake Wales Police Officers' Pension Trust Fund  
City of Lake Wales, FL

We have audited the financial statements of the Lake Wales Police Officers' Pension Trust Fund, Lake Wales, Florida, as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated November 3, 2006.

We have issued our Independent Auditor's Report on Internal Control and on Compliance and Other Matters over Financial Reporting dated November 3, 2006. Disclosures in those reports, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554 (1) (h) 1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554 (1) (h) 2.) we determined that the entity complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

The Rules of the Auditor General (Sections 10.554 (1) (h) 3., 4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on the internal control structure or compliance: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, regulations, and contractual provisions or abuses that may have occurred, or were likely to have occurred, and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. Our audit disclosed no matters required to be disclosed by Rules of the Auditor General (Sections 10.554 (1) (h) 3., 4.).

Board of Trustees  
Lake Wales Police Officers' Pension Trust Fund

The Rules of the Auditor General (Section 10.554 (1) (h) 5.) also require 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 Lake Wales Police Officers' Pension Trust Fund included no component units.

**Status of Prior Year Findings**

There were no prior year findings.

**Current Year Findings**

There are no current year findings.

This management letter is intended solely for the information of the Lake Wales, Florida management, and the State of Florida Office of the Auditor General. However, this report is a matter of public record and its distribution is not limited.

*The NCT Group CPA's LLP*

The NCT Group CPA's, L.L.P.  
Winter Haven, Florida  
November 3, 2006