



# **City of Lake Wales, Florida**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For Fiscal Year Ended**

**September 30, 2018**

**City of Lake Wales, Florida**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended September 30, 2018

**Prepared By:**  
Department of Finance

# City of Lake Wales, Florida

## Comprehensive Annual Financial Report For Fiscal Year Ended September 30, 2018

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## **INTRODUCTORY SECTION**



**City of  
Lake Wales**

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P.O. Box 1320  
Lake Wales, FL 33859-1320  
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Fax (863) 678-4180

March 29, 2019

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, 2018, 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.

Cherry Bekaert LLP, Certified Public Accountants, have issued unmodified 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 for the year ended September 30, 2018. The Report of Independent Auditor is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the Report of Independent Auditor and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements 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 Road 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 20.20 square miles and serves a population of 15,791.

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. 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 environment 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. A Mayor elected city-wide and four City Commissioners elected by district serve two-year terms. The City is governed by the City Charter, City Ordinances and state laws and regulations. The Commission is responsible for the establishment and adoption of City policy and appointing a City Manager and the City

Attorney. The City Manager serves as the Chief Executive Officer of the City and is responsible for the execution of City policy and the oversight of all staff and 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, building and code enforcement, water, wastewater and storm water management services, the construction and maintenance of road and street facilities, planning and development services, recreational and cultural activities, solid waste management (via contract), and general administrative services. The financial statements of this report include the funds of all the activities under the jurisdiction of the City Commission. The financial reporting entity includes all the funds of the primary government (i.e., the City of Lake Wales, Florida as legally defined), as well as all of its component units. Component units are other governmental units over which the City (the City Commission, acting as a group) can exercise influence and/or may be obligated to provide financial subsidy. The discretely presented component unit (Lake Wales Airport Authority) is presented as a separate column in the government-wide statements. The blended component unit (Lake Wales Community Redevelopment Agency) is presented as part of the primary government activities.

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

### ***Local Economy***

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

The City's major challenges are to provide the infrastructure and services needed to maintain the quality of life, while continuing to realize growth within our community (21% increase in population from 2008 through 2018). History has proven that significant emphasis on support systems such as transportation, potable (drinking) water, wastewater, and storm water 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.

There have been three major developments in the recent past that have a significant impact on the City's future economic development and population growth. The opening of the CSX Inter-Modal facility just west of the City on State Route 60 is generating an increase in transportation and distribution activity in the area as evidenced by the ongoing construction of a Love's Truck Stop on US 27 in the southern part of the City. The expansion of the main runway at the municipally owned Lake Wales airport and the City's assumption of responsibility for its operations has already led to an increase in activity there, with future growth of ancillary businesses expected. Lastly, the City's sale of most of the remaining parcels in

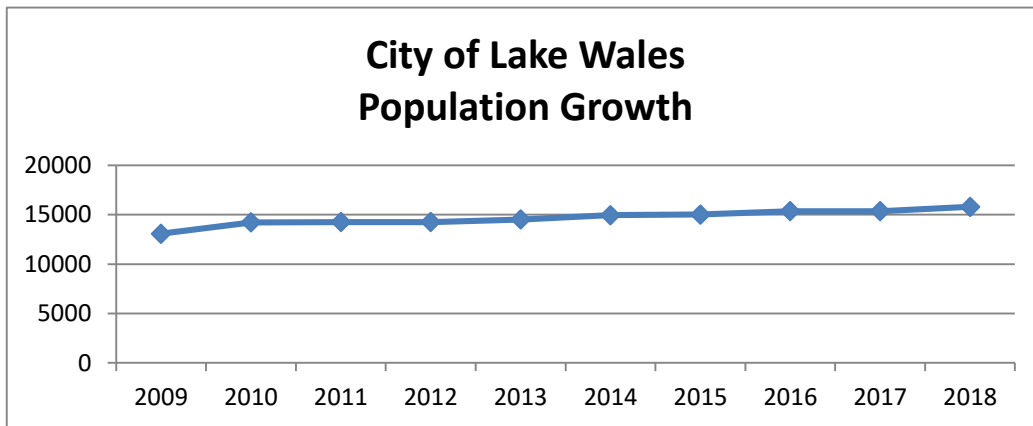


its industrial park to a private real estate developer is expected to lead to increased marketing and faster development of this attractive location, which was recently renamed the Lake Wales Park of Technology and Commerce.

In the past year the City also has invested in revitalizing its Downtown by entering into a partnership with Lake Wales Main Street and undertaking an update of its Community Redevelopment plan. It is expected that public infrastructure investment by the City and CRA will lead to significant private sector investment and additional redevelopment in the traditional downtown area, as well as additional projects throughout the CRA area. The increased emphasis on Downtown has already led to the renovation of existing structures and the opening of additional businesses.

***Growth***

The population in Lake Wales has increased approximately 54.90% since the U. S. Census of 2000 (population of 10,194). Over a ten-year period from 2009 to 2018, the City has experienced an average annual population growth rate of 2.09%. The City currently has several large residential developments which are expected to begin construction within the next eighteen months. Significant population growth is expected from these new development areas.



Year	Population*	% Increase
2009	13,067	-
2010	14,225	8.86%
2011	14,261	0.25%
2012	14,261	0.00%
2013	14,522	1.83%
2014	14,916	2.71%
2015	15,011	0.64%
2016	15,362	2.34%
2017	15,365	0.02%
2018	15,791	2.77%

\* 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 2018 were reported at 3.3% and 3.3 %, respectively, while the national unemployment rate was 5.0%.

In 2006, Florida voters adopted a constitutional amendment that requires the State of Florida to development a Long-Range Financial Outlook, setting out recommended fiscal strategies for the state and its departments in order to assist the legislature in making budget decisions. The Legislative Budget Commission is required to issue the Outlook by September 15<sup>th</sup> of each year. The 2018 Outlook provided the following economic projections:

Most measures of the Florida economy have returned to or surpassed their prior peaks by the close of the 2016-17 fiscal year. One year later, progress continues. In this regard, all of the personal income metrics, over one-half of the employment measures, and total tourism and domestic visitor counts have exceeded the peak levels seen during the housing boom. Still other measures are posting solid year-over-year improvements, even if they were not yet back to peak performance levels.

The key measures of employment are typically **job growth** and the **unemployment rate**. 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 August 2010 when Florida experienced its first over-the-year increase in jobs since July 2007. Eight years later (July 2018), Florida's annual job growth rate has been positive for the past 96 months – the only exception being September 2017, when Florida lost jobs due to Hurricane Irma. The state passed its prior employment peak in May 2015.

The state's unemployment rate in July was slightly lower than the nation as a whole at 3.7%, with 382,500 jobless persons. The rate had been as low as 3.1 percent from March through April 2006 (the lowest unemployment rate in more than thirty years), before peaking at 11.3 percent in January 2010.

Overall, the housing market continues to move slowly forward. Single-family building permit activity, an indicator of new construction, remains in positive territory, beginning with strong back-to-back growth in both the 2012 and 2013 calendar years (over 30 percent in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6 percent growth over the prior year. However, calendar year activity for the pass three years ran solidly above their individual periods a year prior; single-family data was higher than the prior year by 20.3 percent in 2015, by 11.1 percent in 2016 and 13.5 percent in 2017. Despite the strong percentage growth rates in five of the last six calendar years, the level is still low by historic standards—about half of the long-run per capita level. The slow but steady improvement continues today: recent data for the first six months of the 2018 calendar year indicates that single-family building permit activity increased by 11.4 percent over the prior year during this period. None of the key residential construction metrics indicate a return to their prior peaks until Fiscal Year 2023-24.

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

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:

- Implementation of the updated CRA plan to enhance redevelopment in the Downtown and other CRA areas of the City. A community based planning effort led by nationally recognized planning consultant Dover Kohl is part of this activity
- Continued expansion of the City's utilities to attract new development both residential and commercial and support annexation of additional tax base
- Expansion of recreational activities and facilities through partnerships with private sector organizations to minimize costs and expand quality of life options for residents
- Continue to invest in technology to increase municipal productivity and control operations and maintenance costs

### *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, 2017. This was the ninth 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,



Kenneth Fields,  
City Manager



Dorothy Abbott, CPA  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

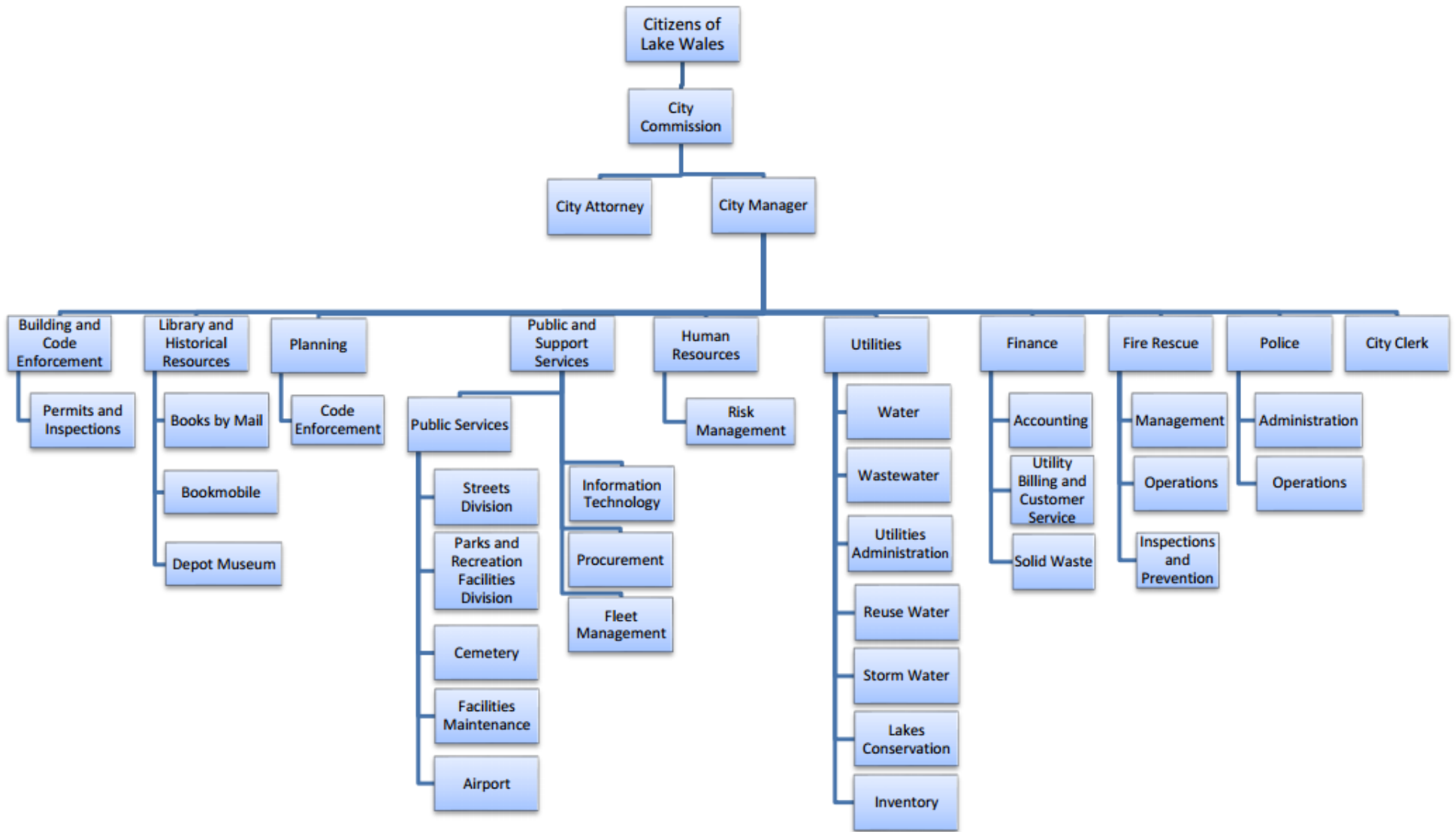
**City of Lake Wales  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



City of Lake Wales Organization Chart

**City of Lakes Wales, Florida**  
Principal Officials

**Elected Officials**

Mayor ----- Eugene Fultz  
Deputy Mayor ----- Robin Gibson  
Commissioner ----- Terrye Howell  
Commissioner ----- Curtis Gibson  
Commissioner ----- Flora “Tonya” Stewart

**City Officials**

City Manager ----- Kenneth Fields  
City Attorney ----- Albert C. Galloway, Jr.



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## **FINANCIAL SECTION**



## Report of Independent Auditor

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

### **Report on the Financial Statements**

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, effective October 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information, as provided in the table of contents, 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 inquiries 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, supplementary information, and statistical section, as provided in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cheryl Behrman CPA". The signature is written in a cursive style with a loop at the end of the last name.

Orlando, Florida  
March 29, 2019

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

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, 2018. 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-viii

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$53,746,525 (*net position*). As of September 30, 2018, the City reports an unrestricted net position of \$2,369,616, as compared to \$1,062,007 in the prior year.
- The City's total net position increased by \$2,462,952. The governmental activities and business-type activities increased their net position by 4% and 5%, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,974,320; an increase of \$582,180 for the year. Approximately 34% of total fund balance 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 position* presents information on all of the City's (1) assets and deferred outflows, (2) liabilities, and deferred inflows with the residual measure between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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*).

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

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 and the Lake Wales Memorial Garden (LWMG) cemetery.

The government-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 by referencing the table of contents of this report.

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

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

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the 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 nine 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 can be found by referencing the table of contents 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 maintains two enterprise funds to account for its water and sewer distribution operation and for cemetery management. The Lake Wales Airport Authority, a discretely presented component unit, uses an enterprise fund to account for the airport's operation.

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The public utility fund and the cemetery fund are considered a major fund of the City of Lake Wales. The basic proprietary fund financial statements can be found by referencing the table of contents 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 by referencing the table of contents 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 by referencing the table of contents 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 changes in net position and contributions to the City's pension and other postemployment benefit plans and budgetary schedules for the general and major special revenue funds. Required supplementary can be found by referencing the table of contents 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 by referencing the table of contents of this report.

Lake Wales Airport Authority financial statements can be found by referencing the table of contents of this report.

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,746,525 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net Position found on page 19 of this report.

	<b>City of Lake Wales</b>					
	<b>Net Position</b>					
	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 8,821,858	\$ 8,425,775	\$ 8,419,308	\$ 6,975,150	\$ 17,241,166	\$ 15,400,925
Capital assets, net of depreciation	24,610,459	24,331,410	44,860,188	44,541,527	69,470,647	68,872,937
<b>Total assets</b>	<u>33,432,317</u>	<u>32,757,185</u>	<u>53,279,496</u>	<u>51,516,677</u>	<u>86,711,813</u>	<u>84,273,862</u>
Deferred Outflows	<u>2,215,036</u>	<u>2,943,157</u>	<u>153,890</u>	<u>285,294</u>	<u>2,368,926</u>	<u>3,228,451</u>
Current and other liabilities	942,036	967,790	2,252,399	2,743,949	3,194,435	3,711,739
Long-term liabilities	15,048,446	16,087,856	16,358,307	16,016,561	31,406,753	32,104,417
<b>Total liabilities</b>	<u>15,990,482</u>	<u>17,055,646</u>	<u>18,610,706</u>	<u>18,760,510</u>	<u>34,601,188</u>	<u>35,816,156</u>
Deferred Inflows	<u>684,123</u>	<u>399,678</u>	<u>48,903</u>	<u>2,906</u>	<u>733,026</u>	<u>402,584</u>
Net Position:						
Net investment in capital assets	16,222,093	15,671,679	28,212,408	27,848,331	44,434,501	43,520,010
Restricted	3,651,569	3,813,419	3,290,839	2,888,137	6,942,408	6,701,556
Unrestricted	(900,914)	(1,240,080)	3,270,530	2,302,087	2,369,616	1,062,007
<b>Total net position</b>	<u>\$ 18,972,748</u>	<u>\$ 18,245,018</u>	<u>\$ 34,773,777</u>	<u>\$ 33,038,555</u>	<u>\$ 53,746,525</u>	<u>\$ 51,283,573</u>

By far the largest portion of the City's net position, \$44,434,501 (83%), reflects 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.

An additional portion of the City's net position, \$6,942,408 (13%), represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City reported a negative unrestricted net position in the governmental activities of \$900,914 and positive balances in all other categories of net position for both governmental activities and business-type activities.

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

The following schedule is a summary of the Statement of Activities on page 20-21 of this report.

	City of Lake Wales					
	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 3,461,860	\$ 3,819,510	\$ 8,407,868	\$ 8,180,612	\$11,869,728	\$12,000,122
Operating grants and contributions	1,378,257	1,351,175	-	-	1,378,257	1,351,175
Capital grants and contributions	78,477	15,724	426,344	914,886	504,821	930,610
General Revenues:						
Property taxes	5,452,835	5,122,114	-	-	5,452,835	5,122,114
Other taxes	3,085,455	3,038,431	-	-	3,085,455	3,038,431
Franchise fees	1,270,749	1,202,764	-	-	1,270,749	1,202,764
Other	1,769,691	2,134,523	240,574	222,122	2,010,265	2,356,645
<b>Total Revenues</b>	<b>16,497,324</b>	<b>16,684,241</b>	<b>9,074,786</b>	<b>9,317,620</b>	<b>25,572,110</b>	<b>26,001,861</b>
<b>Expenses:</b>						
Governmental Activities:						
General government	1,372,964	1,399,216	-	-	1,372,964	1,399,216
Public safety	8,470,373	8,501,991	-	-	8,470,373	8,501,991
Physical environment	747,777	1,145,447	-	-	747,777	1,145,447
Transportation	2,261,161	1,807,487	-	-	2,261,161	1,807,487
Economic environment	945,327	441,868	-	-	945,327	441,868
Human services	10,174	10,174	-	-	10,174	10,174
Culture and recreation	2,809,125	2,648,493	-	-	2,809,125	2,648,493
Interest on long-term debt	304,789	288,519	-	-	304,789	288,519
Business-type Activities:						
Water and sewer utility	-	-	6,154,074	5,761,569	6,154,074	5,761,569
Cemetery	-	-	113,696	87,818	113,696	87,818
<b>Total Expenses</b>	<b>16,921,690</b>	<b>16,243,195</b>	<b>6,267,770</b>	<b>5,849,387</b>	<b>23,189,460</b>	<b>22,092,582</b>
Increase (decrease) in net position before transfers	(424,366)	441,046	2,807,016	3,468,233	2,382,650	3,909,279
Transfers	1,086,650	1,080,230	(1,086,650)	(1,080,230)	-	-
Change in net position	662,284	1,521,276	1,720,366	2,388,003	2,382,650	3,909,279
Beginning net position	18,245,018	16,723,742	33,038,555	30,650,552	51,283,573	47,374,294
Restatement	65,446	-	14,856	-	80,302	-
Ending net position	<b>\$18,972,748</b>	<b>\$18,245,018</b>	<b>\$34,773,777</b>	<b>\$33,038,555</b>	<b>\$53,746,525</b>	<b>\$51,283,573</b>



**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
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**Governmental activities:** Governmental activities increased the City's net position by \$662,284, as compared to an increase of \$1,521,276 in the prior year. Key elements of changes in results of activities are as follows:

- Charges for services decreased by \$357,650 (9%) from 2017. This change is mainly due to decreased impact fee revenue (\$121,000), decreased building permit fee revenue (\$36,000), increased garbage collection fees (\$54,700), and decreased fire assessment fee revenue (\$207,730).
- Operating grants and contributions increased by \$27,082 (2%) from 2017, mainly due to increased library bookmobile revenue of \$20,000.
- Capital grants and contributions increased by \$62,753 (399%) from 2017, mainly due to increased Florida Recreation Development Assistance Program (FRDAP) grant revenue related to City soccer field improvements in the amount of \$77,000.
- General revenues increased by \$80,898 (1%) from 2017 mainly due to increased property taxes (\$330,721), increased franchise fee revenue (\$67,985), increased public service tax revenue (\$30,400), increased fuel tax revenue (\$33,732), increased revenue sharing (\$89,080). General revenues also exhibited a year-over-year decrease due to a gain on the sale of land reported in the prior year (\$610,400) that did not, nor was it expected to, recur in the current year.
- General government expenses decreased in 2018 by \$26,252 (2%).
- Public safety expenses decreased in 2018 by \$31,618 (<1%).
- Physical environment expenses in 2018 decreased by \$397,670 (35%). This decrease is mainly due to Hurricane Irma related expenses reported in 2017 that did not recur in 2018.
- Economic environment expenses in 2018 increased by \$503,459 (114%). This increase is mainly due to increased expenditures on the City walking trail project phases I and II.
- Culture and Recreation expenses increased in 2018 by \$160,632 (6%). This increase is mainly due to increased payroll and walking trail expenditures. These increases were partially offset by reductions in a large variety of other expenditure accounts.
- Transportation expenses in 2018 increased by \$453,674 (25%). This increase is mainly due to an increased contribution to the Lake Wales Airport Authority (\$145,290) and increased salaries and wages (\$252,040).

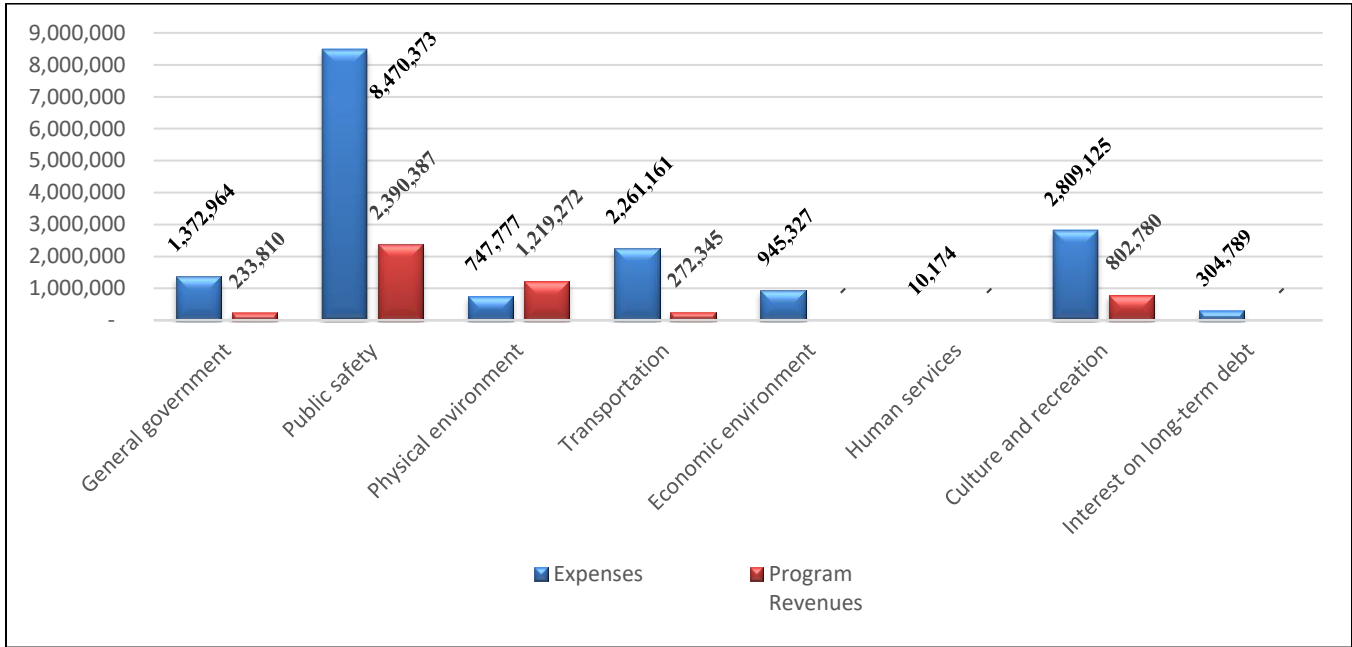
# City of Lake Wales, Florida

## Management's Discussion and Analysis

### September 30, 2018

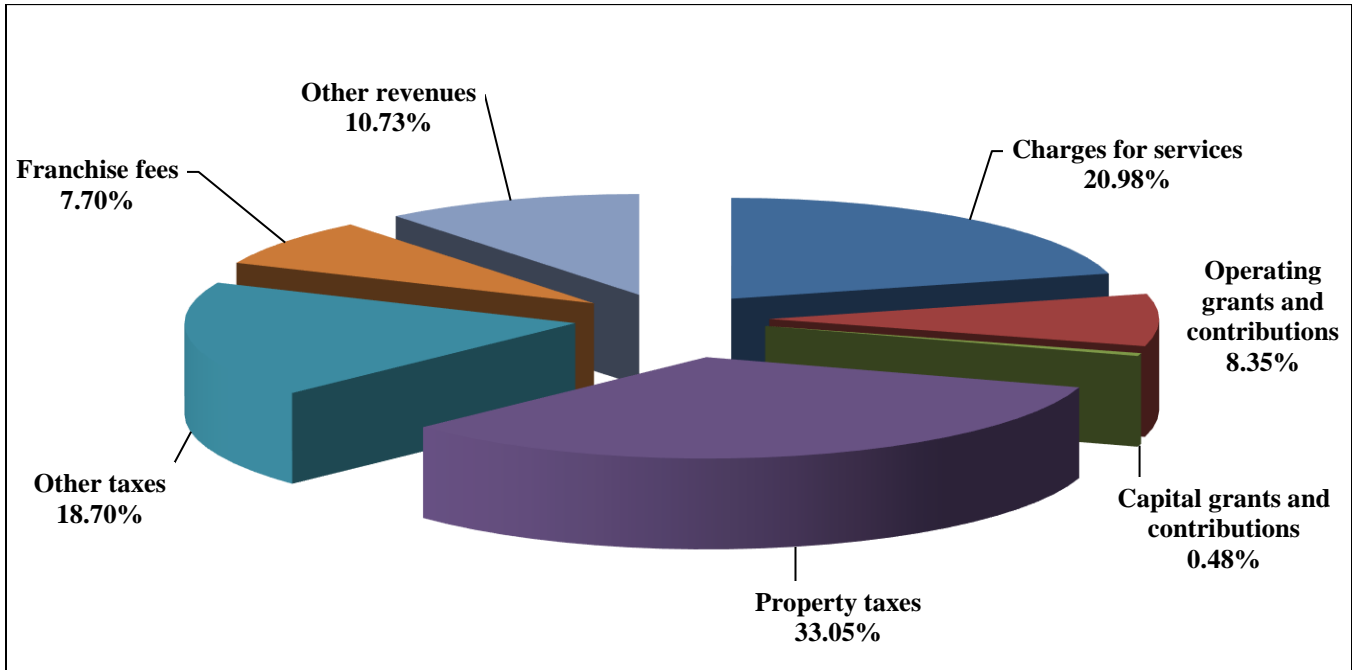
The following chart compares expenses with program revenues for the City's governmental activities:

#### 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



**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

**Business-type Activities**

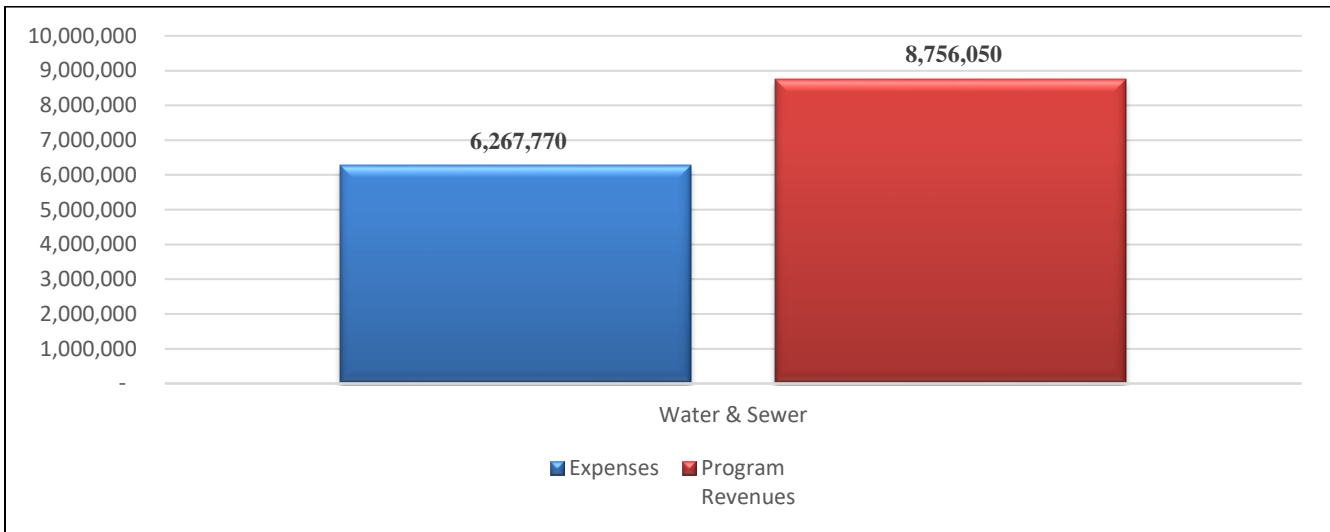
Business-type activities increased the City's net position by \$1,720,366, which is \$667,637 (28%) less than the prior year increase in net position. Key elements of this change are as follows:

- Charges for services in 2018 increased by \$227,256 (3%). This change is mainly due to an increase in water and sewer rates for FY 2018. Following a 'Water and Sewer Revenue Sufficiency Review', the City Commission adopted a new rate structure, which began in FY 2016.
- Capital grants and contributions decreased by \$488,542 (53%) due to decreased impact fee revenue (\$257,430) and decreased grants (\$231,100).
- Water and sewer expenses increased \$392,505 (7%).
- Lake Wales Memorial Gardens cemetery expenses increased by \$25,878 (29%).
- During 2017, \$1,086,650 was transferred out to the governmental activities, as compared to \$1,080,230 being transferred out in the prior year. This is a decrease of \$6,420 (1%).

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
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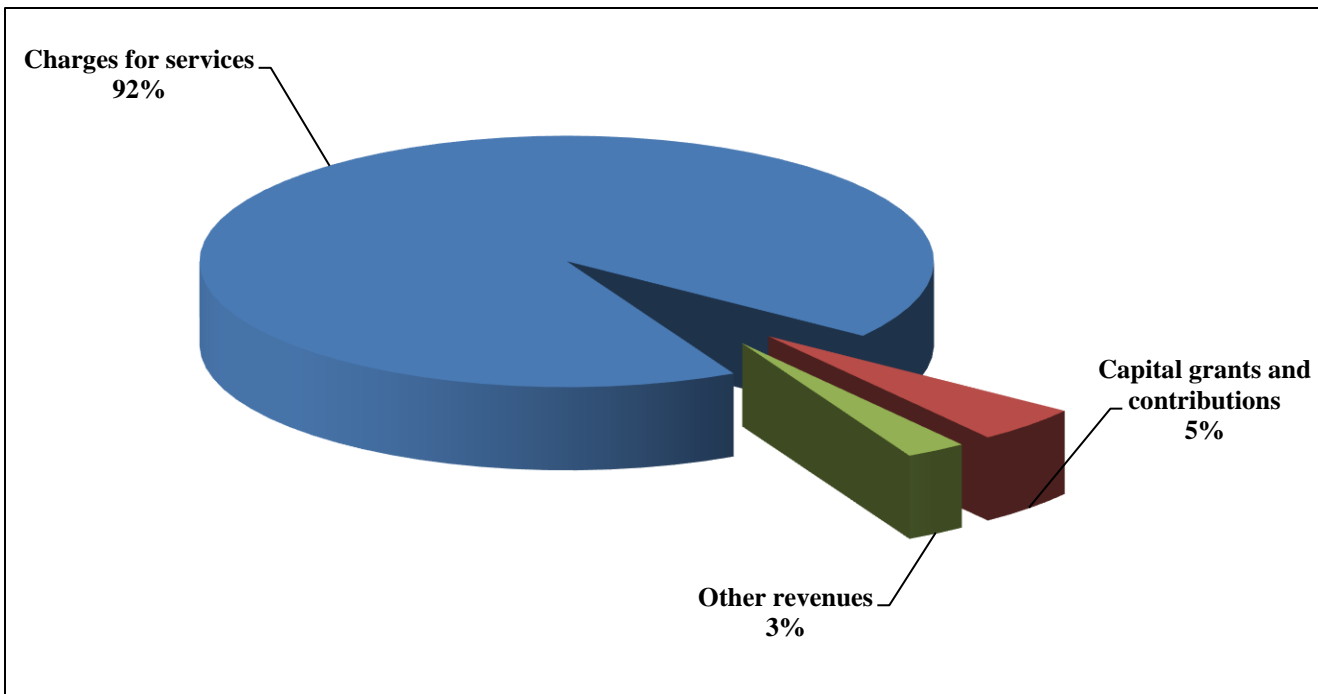
The following chart compares expenses with program revenues for the City's business-type activities:

**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**



**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

**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, *unassigned 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 \$7,974,320, an increase of \$582,180 for the year. Approximately 34% of this amount (\$2,712,511) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance (\$5,261,809) is classified as non-spendable (\$314,166), restricted (\$3,651,569) and assigned (\$1,296,074).

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 \$2,712,511 while total fund balance reached \$4,298,265. 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. In 2011, the City established a reserve policy for the general fund equal to 15% - 20% of total operating costs. As of September 30, 2018, the general fund's unassigned fund balance represents 20% of total general fund expenditures, while total fund balance represents 31% of the same amount.

The minimum fund balance policy has been established 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.

Fund balance of the City's community redevelopment fund increased by \$111,370 during the current fiscal year. Revenue sources within the CRA (\$1,625,690) exceeded debt service requirements (\$756,822) and operating costs (\$757,498).

Fund balance of the City's transportation fund decreased by \$106,586 during the current fiscal year as expenditures (\$1,410,742) exceeded revenues (\$1,129,277) and debt proceeds (\$174,879).

Fund balance of the City's debt service fund decreased by \$189,437 during the current fiscal year due to debt service requirements (\$1,210,308), in excess of revenues (\$346,700) and net transfer in (\$674,171).

**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 position of the Public Utilities Fund at the end of the year amounted to \$3,086,283. As of September 30, 2018, the utility system had \$2,642,353 appropriated for capital projects. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

**General Fund Budgetary Highlights**

During the year there was a \$181,399 increase in general fund expenditure appropriations between the original and final amended budget. This increase was mainly due to the following items:

- An increase of \$12,699 for City Manager related to increased payroll costs and operating supplies expenditures.
- An increase of \$21,000 for municipal building administration due to increased electricity expenditures and labor costs.
- An increase of \$10,000 for the police services department.
- An increase of \$20,000 for the waste disposal department.
- An increase of \$65,000 for the parks division related to increased payroll costs.
- An increase of \$15,200 for the depot museum related to increased electricity expenses and contracted services expenditures.

During the year there was a net \$320,500 increase in general fund revenues between the original and final amended budget. These increases/decreases were mainly due to the following item:

- An increase in licenses and permit revenue in the amount of \$75,000 due to greater than anticipated building permit fee revenue during the year.
- A decrease in intergovernmental revenue in the amount of \$20,000 due mainly to less than anticipated grant revenue during the year.
- An increase in charges for services in the amount of \$112,000 due mainly to greater than anticipated fire assessment fee revenue and garbage removal fees.
- An increase in fines and forfeiture revenue in the amount of \$73,500 due to greater than anticipated code enforcement and court fee revenue.

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

**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, 2018 is \$69,470,647 (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 net increase (additions less retirements and depreciation) in the City's investment in capital assets was \$597,710, an increase of 1%. This consisted of a 1% increase for governmental activities and a 1% increase for business-type activities.

Information on the City's capital assets is summarized in the following table.

**Capital Asset Activity, net of accumulated depreciation as of September 30,**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,768,631	\$ 4,768,631	\$ 850,497	\$ 826,730	\$ 5,619,128	\$ 5,595,361
Construction in progress	492,772	7,550	6,165,327	4,878,463	6,658,099	4,886,013
Buildings	14,594,700	14,478,098	1,140,625	1,140,625	15,735,325	15,618,723
Improvements other than buildings	7,687,788	7,420,296	53,456,813	53,135,047	61,144,601	60,555,343
Machinery & equipment	13,302,941	12,259,018	6,597,433	6,321,442	19,900,374	18,580,460
Infrastructure	19,941,274	19,763,811	-	-	19,941,274	19,763,811
<b>Total</b>	<b>60,788,106</b>	<b>58,697,404</b>	<b>68,210,695</b>	<b>66,302,307</b>	<b>128,998,801</b>	<b>124,999,711</b>
Less: accumulated depreciation	(36,177,647)	(34,365,994)	(23,350,507)	(21,760,780)	(59,528,154)	(56,126,774)
Capital assets, net	<u>\$ 24,610,459</u>	<u>\$ 24,331,410</u>	<u>\$ 44,860,188</u>	<u>\$ 44,541,527</u>	<u>\$ 69,470,647</u>	<u>\$ 68,872,937</u>

Additional information on the City's capital assets can be found in note C on pages 50-51 of this report.

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

**Governmental Activities:**

- Air conditioner - \$2,500
- Traffic enforcement laser - \$2,790
- Sign-bronze plaque - \$1,575
- Helmet communication system - \$1,822
- Sway bench - \$1,875
- Radar system - \$4,625
- Commercial freezer – JPA center - \$2,768
- Ductless air conditioner system - \$2,900
- Air conditioner unit – Austin Center - \$3,235
- (2) Air conditioner units – Police Department - \$8,550
- Office furniture – Cemetery - \$3,322
- APX6000 radios - \$9,880

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

Governmental Activities (concluded):

- (3) Air conditioner units – Administration building - \$23,200
- Recreation master plan - \$7,200
- Kiwanis Park fencing - \$7,400
- Bucket truck claw fixture - \$8,319
- (6) Batting cage nets - \$8,856
- Fencing improvements - \$9,017
- Kawasaki Mule tractor - \$9,293
- John Deere HPX615E Gator - \$9,456
- Park ground mat play system replacement - \$11,426
- Dumpster pad – LW Soccer Complex - \$11,450
- Dumpster pad – Kiwanis Park - \$11,450
- Grasshopper 325D mower - \$11,785
- Drinking fountain - \$12,183
- Sign – JPA Community Center - \$12,613
- Safety lighting improvements - \$12,820
- Fencing improvements – Lincoln Park - \$16,762
- John Deere Tractor Z997R - \$18,931
- Lake Wales Park boat ramp rehabilitation - \$23,538
- Hillside Avenue road resurfacing - \$23,578
- (5) APX6000XE radios - \$23,786
- (7) Ford F-150 trucks - \$181,320
- Harley Davidson motorcycle - \$25,625
- East wall improvements – Depot - \$26,092
- 2018 Ford Explorer - \$26,857
- Barracuda 690 backup apparatus - \$26,873
- Mobley Park – play system - \$27,245
- Police Department restroom - \$32,487
- (5) scoreboards - \$32,514
- (4) dugouts – NW Complex - \$41,950
- John Deere Tractor/Mower - \$42,677
- John Deere Tractor/Mower - \$49,744
- Library books - \$63,190
- Little league concession stand - \$74,652
- Soccer Complex lighting - \$91,250
- Fire department air packs and accessories - \$120,390
- Grapple truck - \$150,545
- John Deere Tractor front loader - \$176,085
- Central Avenue resurfacing - \$130,344
- CIP - Walking trail project - \$478,020
- CIP - Recreation master plan - \$7,200

Business-Type Activities

- CWIP – Galvanized pipe replacement - \$3,350
- CWIP – C Street Phase II - \$47,984
- CWIP – C Street Phase III - \$67,996
- CWIP – Ground tank - \$6,621



**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
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Business-Type Activities (concluded)

- CWIP – Hwy 60 expansion - \$1,160,912
- (2) Air conditioner units - \$5,500
- Lift station #1 - \$22,720
- Lift station #17 - \$9,780
- Lift station #21 - \$28,420
- Lift station #22 - \$13,500
- Lift station #25 - \$14,760
- (4) lift station pumps - \$27,300
- Land for additional ground storage tank - \$23,767
- (2) Ford F-150 trucks - \$53,518
- SCADA system - \$39,977
- Vactron trailer - \$50,281
- Sliplining improvements - \$56,730
- Sludge pump - \$77,500
- New service meters - \$148,557

**Debt.** At the end of the current fiscal year the City had total debt outstanding of \$24,307,310, including the addition of \$1,278,714 in notes payable during fiscal year 2018 to fund construction projects and \$900,132 of additions to lease obligations to purchase vehicles and equipment. 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 as of September 30,**

	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Notes payable	\$ 6,554,027	\$ 7,080,854	\$ 15,598,263	\$ 15,241,545	\$ 22,152,290	\$ 22,322,399
Lease obligations	<u>1,771,562</u>	<u>1,432,757</u>	<u>383,458</u>	<u>336,409</u>	<u>2,155,020</u>	<u>1,769,166</u>
Total debt obligations	<u>\$ 8,325,589</u>	<u>\$ 8,513,611</u>	<u>\$ 15,981,721</u>	<u>\$ 15,577,954</u>	<u>\$ 24,307,310</u>	<u>\$ 24,091,565</u>

Additional information on the City's long-term debt can be found in note G on pages 54-59 of this report.

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

**Economic Factors and Next Year's Budget and Rates**

The unemployment rate at the end of fiscal year 2018 for Lakeland/Winter Haven Metro Area was 3.3%. 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. 2018</u>	<u>Previous Year Sept. 2017</u>
Lakeland/Winter Haven Metro Area	3.3%	4.1%
State of Florida	3.3%	3.8%
United States	3.7%	4.1%

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

The tax base for the City is composed of real property, personal property and centrally assessed property. The taxable value of such property increased 6.1% from 2017 to 2018.

The City's population increased from 15,365 in 2017 to 15,791 in 2018.

All of these factors were considered in preparing the City of Lake Wales's budget for the 2018'19 fiscal year.

**Requests for Information**

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



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**City of Lake Wales, Florida**  
**Statement of Net Position**  
**September 30, 2018**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Airport Authority</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 5,337,959	\$ 2,299,938	\$ 7,637,897	\$ 30,356
Receivable (net of allowance for uncollectibles)	506,562	1,133,910	1,640,472	10,946
Internal balances	9,448	(9,448)	-	-
Due from component unit	1,150,245	-	1,150,245	-
Intergovernmental receivables	743,918	-	743,918	1,054,276
Restricted assets:				
Cash and cash equivalents	759,560	3,427,806	4,187,366	1,387,348
Investments	-	1,018,802	1,018,802	-
Inventories	132,591	544,381	676,972	35,129
Prepaid items	181,575	3,919	185,494	-
Capital assets:				
Nondepreciable	5,261,403	7,015,824	12,277,227	6,718,404
Depreciable, net	19,349,056	37,844,364	57,193,420	7,472,217
<b>Total assets</b>	<b>33,432,317</b>	<b>53,279,496</b>	<b>86,711,813</b>	<b>16,708,676</b>
<b>Deferred outflows of resources</b>				
Deferred outflows related to OPEB	17,098	3,881	20,979	-
Deferred outflows related to pensions	2,197,938	150,009	2,347,947	-
<b>Total deferred outflows of resources</b>	<b>2,215,036</b>	<b>153,890</b>	<b>2,368,926</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	517,091	191,814	708,905	1,038
Construction payable	62,777	666,059	728,836	824,544
Accrued liabilities	169,992	31,608	201,600	1,232
Accrued interest	140,676	129,993	270,669	13,250
Due to primary government	-	-	-	1,150,245
Deposits	324	1,033,010	1,033,334	5,600
Unearned revenues	51,176	199,915	251,091	-
Noncurrent liabilities:				
Due within one year	1,114,233	1,302,393	2,416,626	81,590
Due in more than one year	13,934,213	15,055,914	28,990,127	1,775,036
<b>Total liabilities</b>	<b>15,990,482</b>	<b>18,610,706</b>	<b>34,601,188</b>	<b>3,852,535</b>
<b>Deferred inflows of resources</b>				
Deferred inflows related to OPEB	16,636	3,776	20,412	-
Deferred inflows related to pensions	667,487	45,127	712,614	-
<b>Total deferred inflows of resources</b>	<b>684,123</b>	<b>48,903</b>	<b>733,026</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	16,222,093	28,212,408	44,434,501	12,830,542
Restricted for:				
Law enforcement	43,381	-	43,381	-
Library	130,708	-	130,708	-
Transportation	401,886	-	401,886	-
Community redevelopment	1,504,752	-	1,504,752	-
Street lighting	5,792	-	5,792	-
Debt service	964,916	648,486	1,613,402	54,750
Capital projects	600,134	2,642,353	3,242,487	-
Unrestricted (deficit)	(900,914)	3,270,530	2,369,616	(29,151)
<b>Total net position</b>	<b>\$ 18,972,748</b>	<b>\$ 34,773,777</b>	<b>\$ 53,746,525</b>	<b>\$ 12,856,141</b>

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

**City of Lake Wales, Florida**  
**Statement of Activities**  
**For the Year Ending September 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,372,964	\$ 28,779	\$ 205,031	\$ -
Public safety	8,470,373	1,963,802	425,767	818
Physical environment	747,777	1,219,272	-	-
Transportation	2,261,161	141,740	130,605	-
Economic environment	945,327	-	-	-
Human services	10,174	-	-	-
Culture and recreation	2,809,125	108,267	616,854	77,659
Interest on long-term debt	304,789	-	-	-
<b>Total governmental activities</b>	<b>16,921,690</b>	<b>3,461,860</b>	<b>1,378,257</b>	<b>78,477</b>
<b>Business-type activities:</b>				
Water and sewer utility	6,154,074	8,329,706	-	426,344
Cemetery	113,696	78,162	-	-
<b>Total business-type activities</b>	<b>6,267,770</b>	<b>8,407,868</b>	<b>-</b>	<b>426,344</b>
<b>Total primary government</b>	<b>23,189,460</b>	<b>11,869,728</b>	<b>1,378,257</b>	<b>504,821</b>
<b>Component unit:</b>				
Airport Authority	\$ 1,042,622	\$ 400,686	\$ -	\$ 3,412,443

**General revenues**

Taxes:  
Property taxes  
Franchise fees  
Public service taxes  
Communication service taxes  
Fuel taxes  
Local business tax  
State and county shared revenues  
Investment earnings  
Insurance recoveries  
Miscellaneous revenues

Transfers

**Total general revenues and transfers**

**Change in net position**

**Net position, beginning of year - as previously reported**

Restatement of beginning net position

**Net position, beginning of year - restated**

**Net position, end of year**

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

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

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Airport Authority</b>
\$ (1,139,154)	\$ -	\$ (1,139,154)	
(6,079,986)	-	(6,079,986)	
471,495	-	471,495	
(1,988,816)	-	(1,988,816)	
(945,327)	-	(945,327)	
(10,174)	-	(10,174)	
(2,006,345)	-	(2,006,345)	
(304,789)	-	(304,789)	
(12,003,096)	-	(12,003,096)	
-	2,601,976	2,601,976	
-	(35,534)	(35,534)	
-	2,566,442	2,566,442	
(12,003,096)	2,566,442	(9,436,654)	
			\$ 2,770,507
5,452,835	-	5,452,835	-
1,270,749	-	1,270,749	-
1,718,285	-	1,718,285	-
454,353	-	454,353	-
844,684	-	844,684	-
68,133	-	68,133	-
1,493,372	-	1,493,372	-
19,214	18,792	38,006	3,058
76,223	-	76,223	-
180,882	221,782	402,664	-
1,086,650	(1,086,650)	-	-
12,665,380	(846,076)	11,819,304	3,058
662,284	1,720,366	2,382,650	2,773,565
18,245,018	33,038,555	51,283,573	10,082,576
65,446	14,856	80,302	-
18,310,464	33,053,411	51,363,875	10,082,576
\$ 18,972,748	\$ 34,773,777	\$ 53,746,525	\$ 12,856,141

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

# City of Lake Wales, Florida

## Balance Sheet All Governmental Funds September 30, 2018

	General	Transportation	Debt Service	Community Redevelopment	Other Governmental Funds	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 2,461,902	\$ 315,083	\$ 964,916	\$ 1,501,921	\$ 94,137	\$ 5,337,959
Receivable (net of allowance for uncollectibles)	501,402	-	-	5,160	-	506,562
Due from other funds	42,325	-	-	-	-	42,325
Due from component unit	1,150,245	-	-	-	-	1,150,245
Inventories	132,591	-	-	-	-	132,591
Intergovernmental receivables	605,763	138,155	-	-	-	743,918
Restricted cash and cash equivalents:						
Impact fees	-	-	-	-	759,560	759,560
Prepaid items	157,089	-	-	-	24,486	181,575
<b>Total assets</b>	<u>\$ 5,051,317</u>	<u>\$ 453,238</u>	<u>\$ 964,916</u>	<u>\$ 1,507,081</u>	<u>\$ 878,183</u>	<u>\$ 8,854,735</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 444,221	\$ 44,944	\$ -	\$ 169	\$ 27,757	\$ 517,091
Accrued liabilities	148,376	6,408	-	2,160	13,048	169,992
Construction payable	62,777	-	-	-	-	62,777
Due to other funds	-	-	-	-	32,877	32,877
Deposits	324	-	-	-	-	324
Unearned revenues	51,176	-	-	-	-	51,176
<b>Total liabilities</b>	<u>706,874</u>	<u>51,352</u>	<u>-</u>	<u>2,329</u>	<u>73,682</u>	<u>834,237</u>
<b>Deferred inflows of resources</b>						
Unavailable revenue	46,178	-	-	-	-	46,178
<b>Total deferred inflows of resources</b>	<u>46,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,178</u>
<b>Fund balances</b>						
Nonspendable:						
Inventories and prepaid items	289,680	-	-	-	24,486	314,166
Restricted for:						
Law enforcement expenditures	-	-	-	-	43,381	43,381
Library expenditures	-	-	-	-	130,708	130,708
Transportation expenditures	-	401,886	-	-	-	401,886
Community redevelopment	-	-	-	1,504,752	-	1,504,752
Street lighting expenditures	-	-	-	-	5,792	5,792
Debt service	-	-	964,916	-	-	964,916
Capital projects	-	-	-	-	600,134	600,134
Assigned						
Subsequent years' expenditure	1,296,074	-	-	-	-	1,296,074
Unassigned:						
Total fund balance	<u>4,298,265</u>	<u>401,886</u>	<u>964,916</u>	<u>1,504,752</u>	<u>804,501</u>	<u>7,974,320</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 5,051,317</u>	<u>\$ 453,238</u>	<u>\$ 964,916</u>	<u>\$ 1,507,081</u>	<u>\$ 878,183</u>	<u>\$ 8,854,735</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 Position**  
**September 30, 2018**

<b>Total fund balances of governmental funds</b>	\$ 7,974,320
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	24,610,459
Revenues not received within the "availability" period are deferred at the fund level and recognized in the statement of activities.	46,178
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.	(140,676)
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.	(15,048,446)
Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds	2,215,036
Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds	(684,123)
<b>Net position of governmental activities</b>	\$ 18,972,748

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



**City of Lake Wales, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Governmental Funds**  
**For the Year Ended September 30, 2018**

	General	Transportation	Debt Service	Community Redevelopment	Other Governmental Funds	Total
<b>Revenues</b>						
Taxes	\$ 5,476,249	\$ 844,684	\$ 346,700	\$ 773,567	\$ 355,580	\$ 7,796,780
Special assessment	-	-	-	-	-	-
Licenses and permits	1,800,458	-	-	-	-	1,800,458
Intergovernmental	2,262,890	141,923	-	772,470	693,854	3,871,137
Charges for services	3,004,279	141,740	-	-	-	3,146,019
Fines and forfeits	145,037	-	-	-	6,334	151,371
Investment earnings	12,068	930	-	4,653	3,015	20,666
Impact fees	-	-	-	-	189,427	189,427
Miscellaneous	120,064	-	-	75,000	16,125	211,189
Total revenues	<u>12,821,045</u>	<u>1,129,277</u>	<u>346,700</u>	<u>1,625,690</u>	<u>1,264,335</u>	<u>17,187,047</u>
<b>Expenditures</b>						
Current:						
General government	1,870,430	-	-	-	-	1,870,430
Public safety	8,165,650	-	-	-	20,410	8,186,060
Physical environment	1,192,328	-	-	-	13,551	1,205,879
Transportation	214,448	1,410,742	-	-	-	1,625,190
Economic environment	166,000	-	-	757,498	-	923,498
Culture and recreation	2,214,063	-	-	-	1,003,477	3,217,540
Debt Service:						
Principal	-	-	910,259	-	-	910,259
Interest and fiscal charges	-	-	300,049	-	-	300,049
Capital outlay	-	-	-	-	276,156	276,156
Total expenditures	<u>13,822,919</u>	<u>1,410,742</u>	<u>1,210,308</u>	<u>757,498</u>	<u>1,313,594</u>	<u>18,515,061</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,001,874)</u>	<u>(281,465)</u>	<u>(863,608)</u>	<u>868,192</u>	<u>(49,259)</u>	<u>(1,328,014)</u>
<b>Other financing sources (uses)</b>						
Transfers in	1,195,000	-	756,822	-	82,651	2,034,473
Transfers out	(108,350)	-	(82,651)	(756,822)	-	(947,823)
Insurance recoveries	76,223	-	-	-	-	76,223
Issuance of debt	572,239	174,879	-	-	-	747,118
Sale of capital assets	203	-	-	-	-	203
Total other financing (uses) sources	<u>1,735,315</u>	<u>174,879</u>	<u>674,171</u>	<u>(756,822)</u>	<u>82,651</u>	<u>1,910,194</u>
Net change in fund balances	733,441	(106,586)	(189,437)	111,370	33,392	582,180
<b>Fund balances, beginning of year</b>	<u>3,564,824</u>	<u>508,472</u>	<u>1,154,353</u>	<u>1,393,382</u>	<u>771,109</u>	<u>7,392,140</u>
<b>Fund balances, end of year</b>	<u>\$ 4,298,265</u>	<u>\$ 401,886</u>	<u>\$ 964,916</u>	<u>\$ 1,504,752</u>	<u>\$ 804,501</u>	<u>\$ 7,974,320</u>

The notes to 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, 2018**

**Net change in fund balances of the governmental funds** \$ 582,180

**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 depreciated over their estimated useful lives.

Capital asset additions	\$ 2,116,767	
Capital asset transfer to business-type activities	(24,763)	
Depreciation	<u>(1,812,955)</u>	279,049

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.

(150,038)

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 the change in net position.

New debt	(747,118)	
Capital lease transfer to business-type activities	24,881	
Principal paid	<u>910,259</u>	188,022

Other long-term obligations are reported in the government-wide statement of net position as liabilities, but not at the fund level as they do not require the use of current financial resources and therefore are reported as revenues when received and expenditures when paid:

(Increase) in Compensated Absences Liability	(53,350)	
(Increase) in interest accrued on bonds	<u>(10,305)</u>	(63,655)

Pension expense is reported in the statement of activities which differs from pension expenditures as reported in governmental funds:

(Decrease) in deferred outflows related to pensions	(745,219)	
(Increase) in deferred inflows related to pensions	(267,809)	
Decrease in the net pension liability	<u>858,811</u>	(154,217)

Other postemployment benefit (OPEB) expense is reported in the statement of activities which differs from OPEB expenditures as reported in governmental funds:

(Decrease) in deferred outflows related to OPEB	(5,144)	
(Increase) in deferred inflows related to OPEB	(16,636)	
Decrease in the total OPEB liability	<u>2,723</u>	<u>(19,057)</u>

**Change in net position of governmental activities** \$ 662,284

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

**City of Lake Wales, Florida**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2018**

	<b>Business-type Activities</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor: LWMG Cemetery Fund</b>	<b>Total Enterprise Funds</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 2,099,857	\$ 200,081	\$ 2,299,938
Receivables (net of allowance for uncollectibles)	1,133,062	848	1,133,910
Restricted cash, cash equivalents and investments:			
Debt reserve accounts	164,733	-	164,733
Unspent bond proceeds	-	-	-
Escrow - C street project	2,880	-	2,880
Impact fees	2,227,183	-	2,227,183
Customer deposits	1,033,010	-	1,033,010
Debt reserve accounts - investment	606,512	-	606,512
Impact fees - investment	412,290	-	412,290
Inventories	544,381	-	544,381
Prepaid items	3,919	-	3,919
<b>Total current assets</b>	<b>8,227,827</b>	<b>200,929</b>	<b>8,428,756</b>
<b>Noncurrent assets</b>			
Capital assets:			
Nondepreciable	6,811,255	204,569	7,015,824
Depreciable, net	37,372,148	472,216	37,844,364
<b>Total noncurrent assets</b>	<b>44,183,403</b>	<b>676,785</b>	<b>44,860,188</b>
<b>Total assets</b>	<b>52,411,230</b>	<b>877,714</b>	<b>53,288,944</b>
<b>Deferred outflows of resources</b>			
Deferred outflows related to OPEB	3,881	-	3,881
Deferred outflows related to pensions	150,009	-	150,009
<b>Total deferred outflows of resources</b>	<b>153,890</b>	<b>-</b>	<b>153,890</b>

continued...

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

**City of Lake Wales, Florida**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2018**  
*(Concluded)*

	<b>Business-type Activities</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor: LWMG Cemetery Fund</b>	<b>Total Enterprise Funds</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	191,814	-	191,814
Construction payable	666,059	-	666,059
Accrued liabilities	31,608	-	31,608
Accrued interest	122,759	7,234	129,993
Due to general fund	-	9,448	9,448
Customer deposits	1,033,010	-	1,033,010
Unearned revenues	199,915	-	199,915
Accrued compensated absences	14,215	-	14,215
Current portion of long-term debt	1,245,271	42,907	1,288,178
Total current liabilities	<u>3,504,651</u>	<u>59,589</u>	<u>3,564,240</u>
Noncurrent liabilities			
Notes and lease obligations payable - noncurrent	14,282,575	410,968	14,693,543
Accrued compensated absences	127,931	-	127,931
Accrued OPEB	71,114	-	71,114
Net pension liability	163,326	-	163,326
Total noncurrent liabilities	<u>14,644,946</u>	<u>410,968</u>	<u>15,055,914</u>
Total liabilities	<u>18,149,597</u>	<u>470,557</u>	<u>18,620,154</u>
<b>Deferred inflows of resources</b>			
Deferred inflows related to OPEB	3,776	-	3,776
Deferred inflows related to pensions	45,127	-	45,127
Total deferred inflows of resources	<u>48,903</u>	<u>-</u>	<u>48,903</u>
<b>Net position</b>			
Net investment in capital assets	27,989,498	222,910	28,212,408
Restricted for capital projects	2,642,353	-	2,642,353
Restricted for debt service	648,486	-	648,486
Unrestricted	3,086,283	184,247	3,270,530
<b>Total net position</b>	<u>\$ 34,366,620</u>	<u>\$ 407,157</u>	<u>\$ 34,773,777</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 Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2018**

	<b>Business-type Activities</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor: LWMG Cemetery Fund</b>	<b>Total Enterprise Funds</b>
<b>Operating revenues:</b>			
Charges for services	\$ 8,329,706	\$ 78,162	8,407,868
Other income	221,782	-	221,782
<b>Total operating revenues</b>	<b>8,551,488</b>	<b>78,162</b>	<b>8,629,650</b>
<b>Operating expenses:</b>			
Personnel services	1,952,959	-	1,952,959
Contractual services	219,555	-	219,555
Repairs and maintenance	866,273	-	866,273
Materials and supplies	184,414	-	184,414
General and administrative	1,251,730	64,701	1,316,431
Depreciation	1,554,976	34,751	1,589,727
<b>Total operating expenses</b>	<b>6,029,907</b>	<b>99,452</b>	<b>6,129,359</b>
<b>Operating income (loss)</b>	<b>2,521,581</b>	<b>(21,290)</b>	<b>2,500,291</b>
<b>Nonoperating revenues (expenses)</b>			
Interest income	18,514	278	18,792
Interest expense and fiscal charges	(124,167)	(14,244)	(138,411)
<b>Total nonoperating revenues (expenses)</b>	<b>(105,653)</b>	<b>(13,966)</b>	<b>(119,619)</b>
Income (loss) before contributions and transfers	2,415,928	(35,256)	2,380,672
<b>Capital contributions</b>			
Grants	18,900	-	18,900
Impact fees	407,444	-	407,444
<b>Total capital contributions</b>	<b>426,344</b>	<b>-</b>	<b>426,344</b>
<b>Transfers</b>			
Transfers in	-	108,350	108,350
Transfers out	(1,195,000)	-	(1,195,000)
<b>Total transfers</b>	<b>(1,195,000)</b>	<b>108,350</b>	<b>(1,086,650)</b>
Change in net position	1,647,272	73,094	1,720,366
<b>Net position, beginning of year - as previously reported</b>	<b>32,704,492</b>	<b>334,063</b>	<b>33,038,555</b>
Restatement of beginning net position	14,856	-	14,856
<b>Net position, beginning of year - as restated</b>	<b>32,719,348</b>	<b>334,063</b>	<b>33,053,411</b>
<b>Net position, end of year</b>	<b>\$ 34,366,620</b>	<b>\$ 407,157</b>	<b>\$ 34,773,777</b>

The notes to 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, 2018**

	<b>Business-type Activities</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor: LWMG Cemetery Fund</b>	<b>Total Enterprise Funds</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 8,613,618	\$ 81,158	\$ 8,694,776
Cash payments to suppliers for goods and services	(2,729,096)	(55,253)	(2,784,349)
Cash payments for employee services	(1,818,598)	-	(1,818,598)
Net cash provided by operating activities	<u>4,065,924</u>	<u>25,905</u>	<u>4,091,829</u>
<b>Cash flows from noncapital financing activities</b>			
Transfer to (from) other funds	(1,195,000)	108,350	(1,086,650)
Net cash provided by (used in) noncapital financing activities	<u>(1,195,000)</u>	<u>108,350</u>	<u>(1,086,650)</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(2,308,356)	-	(2,308,356)
Impact fees	407,444	-	407,444
Capital grant	18,900	-	18,900
Debt issuance proceeds	1,382,512	-	1,382,512
Principal payments on long-term debt	(991,925)	(36,035)	(1,027,960)
Interest paid	(106,979)	(13,487)	(120,466)
Net cash used in capital and related financing activities	<u>(1,598,404)</u>	<u>(49,522)</u>	<u>(1,647,926)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments	(6,985)	-	(6,985)
Investment income	18,514	278	18,792
Net cash provided by investing activities	<u>11,529</u>	<u>278</u>	<u>11,807</u>
<b>Net increase in cash and cash equivalents</b>	1,284,049	85,011	1,369,060
<b>Cash and cash equivalents, beginning of year</b>	<u>4,243,614</u>	<u>115,070</u>	<u>4,358,684</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 5,527,663</u>	<u>\$ 200,081</u>	<u>\$ 5,727,744</u>

continued...

The notes to 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, 2018**  
*(Concluded)*

	<b>Business-type Activities</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor: LWMG Cemetery Fund</b>	<b>Total Enterprise Funds</b>
<b>Reconciliation of cash and cash equivalents to statement of net position</b>			
Cash and cash equivalents	\$ 2,099,857	\$ 200,081	\$ 2,299,938
Restricted cash and cash equivalents	3,427,806	-	3,427,806
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,527,663</b>	<b>\$ 200,081</b>	<b>\$ 5,727,744</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 2,521,581	\$ (21,290)	\$ 2,500,291
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:			
Depreciation	1,554,976	34,751	1,589,727
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	(4,129)	2,996	(1,133)
Inventories	(76,428)	-	(76,428)
Deferred outflows related to pensions	135,285	-	135,285
Deferred outflows related to OPEB	1,168	-	1,168
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	(130,696)	-	(130,696)
Accrued liabilities	4,125	-	4,125
Due to general fund	-	9,448	9,448
Customer deposits	78,175	-	78,175
Unearned revenue	(11,916)	-	(11,916)
Compensated absences	6,131	-	6,131
Total OPEB liability	(914)	-	(914)
Net pension liability	(57,431)	-	(57,431)
Deferred inflows related to OPEB	3,776	-	3,776
Deferred inflows related to pensions	42,221	-	42,221
<b>Net cash provided by operating activities</b>	<b>\$ 4,065,924</b>	<b>\$ 25,905</b>	<b>\$ 4,091,829</b>
<b>Schedule of non-cash capital and related financing activities</b>			
Transfer of capital assets from the governmental activities	\$ -	\$ 24,881	\$ 24,881
Transfer of long term debt from the governmental activities	-	24,881	24,881

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

**City of Lake Wales, Florida**  
**Statement of Net Position**  
**Fiduciary Funds**  
**September 30, 2018**

	<b>Pension Trust Funds</b>
<b>Assets</b>	
Cash and cash equivalent	\$ 506,277
Investments, at fair value:	
Money market funds	1,207,206
Government bonds	2,242,916
Government assets backed/CMO securities	3,171,896
Taxable municipal bonds	925,905
Foreign bonds	1,067,827
Corporate bonds and notes	4,300,685
Common and preferred stock	22,259,015
Total investments	35,175,450
Prepays	
Prepaid fiduciary liability insurance	5,865
Total Prepays	5,865
Receivable (net):	
Interest and dividends	76,953
Total receivable	76,953
Total assets	35,764,545
<b>Liabilities</b>	
Accounts payable	50,256
Total liabilities	50,256
<b>Net position</b>	
Net position restricted for pension benefits	\$ 35,714,289

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



**City of Lake Wales, Florida**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended September 30, 2018**

	<u><b>Pension Trust Funds</b></u>
<b>Additions</b>	
Contributions:	
Employer	\$ 1,129,603
State of Florida	237,359
Employee	388,826
Total contributions	<u>1,755,788</u>
Interest and dividends	901,171
Net increase in the fair value of investments	<u>1,469,029</u>
Investment gain	2,370,200
Investment expense	<u>(230,941)</u>
Investment gain, less investment expense	<u>2,139,259</u>
Total additions	<u>3,895,047</u>
<b>Deductions</b>	
Benefit payments, including refunds of employee contributions	2,310,615
Administration	183,431
Total deductions	<u>2,494,046</u>
Change in net position	1,401,001
<b>Total net position - beginning</b>	<u>34,313,288</u>
<b>Total net position - end of year</b>	<u><u>\$ 35,714,289</u></u>

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

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2018

#### 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 and culture and recreation. Additionally, the City has a business-type operation that offers services associated with water and sewer utilities and Lake Wales Memorial Garden (LWMG) cemetery operations and management. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. 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 addition, the City and CRA have the same management team. 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, 2018.

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2018

**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 position and the statement of activities) 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, 2018

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual. Property taxes are accounted for when measurable and available. Voluntary non-exchange transactions are recorded as revenues when all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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 ninth-cent fuel tax and the six-cent and five-cent local option tax on fuel. The ninth-cent fuel tax and six-cent local option fuel tax can be used for general road improvement and maintenance. However, the five-cent local option gas tax 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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

Additionally, the City reports the following fund types:

- **Special Revenue Funds** - account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).
- **Capital Projects Funds** - account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.
- **Pension Trust Funds** - account for the activities of the employee retirement systems, which accumulate resources for pension benefit payments to qualified public safety or general employees.
- **Lake Wales Memorial Garden (LWMG) Cemetery Fund** – accounts for the operation and maintenance of the City’s LWMG cemetery.

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 and the LWMG Cemetery 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.

**D. Assets, liabilities, and net position or equity**

*1. Deposits and investments*

**Cash and Cash Equivalents and Investments**

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

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

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2018

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 or amortized cost, which approximates 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.

#### *3. Inventories and prepaid items*

Inventories consist of expendable supplies held for consumption during 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. Prepaid items are recorded using the consumption method of accounting. Under the consumption method, services paid for in advance are reported as an asset until the period in which the services are consumed.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

*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 statement of net position 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 position that is not subject solely to the government's own discretion. This category includes resources subject to externally imposed restrictions.

*5. Capital assets*

Capital assets, which include property, plant, equipment, 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.

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 City presents these assets at the acquisition value of the item at the date of donation.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

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. Interest costs totaling \$72,970 were capitalized during the year ended September 30, 2018. Property, plant and equipment of the primary government, as well as the component unit, are 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. Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues that are deferred and recognized as an inflow of resources in the period that the amounts become available.

*7. 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.



**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

*8. 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 position. Bond premiums and discounts, as well as refunding losses, are amortized over the life of the bonds using the bonds outstanding method or the straight-line method, which both approximate the effective interest method. Bonds payable are reported net of the applicable bond premium, discount or refunding loss. Bond issuance costs are expensed as incurred.

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.

*9. Fund Balances*

In accordance with GASB Cod. Sec 1800, the governmental fund balances based on 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, to the extent applicable, 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 ordinance 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 (ordinance) 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.
- **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.

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2018

**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 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 sinking expenditures, excluding capital outlay, calculated based on the original adopted fiscal year budget. The purpose of this policy 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 an 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.

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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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.

*10. 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 unearned revenues are recorded for consistency. Included in accounts receivable at September 30, 2018, are unbilled amounts totaling \$561,159 (\$442,175 enterprise funds and \$118,984 general fund).

*11. 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 2018 fiscal year was 7.0438 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.

*12. Pension Plans*

The City accounts for its fiduciary pension trust funds under GASB Cod. Sec Po5. The pension plans cover substantially all of the City's full-time employees.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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**E. Change in Accounting Principles**

For the fiscal year ended September 30, 2018, the City implemented the provisions of GASB statement No 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, beginning net position was restated to reflect the recording of the total OPEB liability and related deferred outflows of resources as follows:

	Government Wide		Fund Level
	Governmental	Business-type	Public
	Activities	Activities	Utilities Fund
Net position, as previously reported	\$ 18,245,018	\$ 33,038,555	\$ 32,704,492
Adjustments:			
OPEB liability as previously reported under GASB Statement 45	359,215	81,835	81,835
OPEB liability as reported under GASB Statement 75	(316,011)	(72,028)	(72,028)
Deferred outflow of resources - OPEB	22,242	5,049	5,049
Net position, as restated	<u>\$ 18,310,464</u>	<u>\$ 33,053,411</u>	<u>\$ 32,719,348</u>

**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 position 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.

**City of Lake Wales, Florida**  
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- Supplemental appropriations are to be made by the City Commission by ordinance when the City Manager certifies that there are revenues in excess of those estimated in the budget available for appropriation. At any time during the fiscal year, the City Manager may transfer part or all of any unencumbered appropriation balance among programs within a department, office, or agency. Upon written request by the City Manager, the City Commission may, by ordinance, transfer part or all of any unencumbered appropriation balance from one department, office, or agency to another.
- Appropriations, except those for capital expenditures, lapse at year-end to the extent that they have not been expended or encumbered. Appropriations for capital expenditures continue in force until the purposes for which they were made have been accomplished or abandoned.
- Appropriations are controlled at the object level within each department or function. Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued.

**III. Detailed notes on all funds**

**A. Deposits and investments**

**Deposits**

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

At September 30, 2018, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$11,825,263, and the related bank balance was \$13,629,845.

**Investments – City**

At September 30, 2018, the carrying amount of investments was \$1,018,802. The investments consisted of nonparticipating certificates of deposit and are presented at amortized cost. The City seeks to optimize return on investments within the constraints of safety and liquidity.

**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.

At September 30, 2018, pension trust funds' investments are valued at fair value, with the exception of certificates of deposit and money market mutual funds, which are presented at amortized cost, which approximates fair value.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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**Investments – Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's pension trust funds have the following carrying values as of September 30, 2018, based on measurement criteria as specified:

**General Employees' Pension Trust Fund:**

	September 30, 2018	Level 1	Level 2	Amortized Cost
<b>Investments at fair value</b>				
Money market mutual funds	\$ 269,781	\$ -	\$ -	\$ 269,781
Government bonds	608,871	-	608,871	-
Government asset-backed/ CMO securities	1,004,822	-	1,004,822	-
Taxable municipal bonds	292,583	-	292,583	-
Foreign bonds	344,296	-	344,296	-
Corporate bonds and notes	1,363,194	-	1,363,194	-
Common and preferred stock	7,179,020	7,179,020	-	-
<b>Total investments measured at fair value</b>	<b>\$ 11,062,567</b>	<b>\$7,179,020</b>	<b>\$3,613,766</b>	<b>\$ 269,781</b>

**Firefighters' Pension Trust Fund:**

	September 30, 2018	Level 1	Level 2	Amortized Cost
<b>Investments at fair value</b>				
Money market mutual funds	\$ 359,836	\$ -	\$ -	\$ 359,836
Government bonds	563,525	-	563,525	-
Government asset-backed/ CMO securities	821,124	-	821,124	-
Taxable municipal bonds	249,396	-	249,396	-
Foreign bonds	261,316	-	261,316	-
Corporate bonds and notes	1,095,146	-	1,095,146	-
Common and preferred stock	5,421,221	5,421,221	-	-
<b>Total investments measured at fair value</b>	<b>\$ 8,771,564</b>	<b>\$5,421,221</b>	<b>\$2,990,507</b>	<b>\$ 359,836</b>

**City of Lake Wales, Florida**  
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**Police Officers' Pension Trust Fund:**

	September 30, 2018	Level 1	Level 2	Amortized Cost
<b>Investments at fair value</b>				
Money market mutual funds	\$ 577,589	\$ -	\$ -	\$ 577,589
Government bonds	1,070,520	-	1,070,520	-
Government asset-backed/ CMO securities	1,345,950	-	1,345,950	-
Taxable municipal bonds	383,926	-	383,926	-
Foreign bonds	462,215	-	462,215	-
Corporate bonds and notes	1,842,345	-	1,842,345	-
Common and preferred stock	9,658,774	9,658,774	-	-
<b>Total investments measured at fair value</b>	<b>\$ 15,341,319</b>	<b>\$9,658,774</b>	<b>\$5,104,956</b>	<b>\$ 577,589</b>

Common and preferred stock of the fair value hierarchy are valued using prices quoted in active markets for those securities. Government bonds, government asset-backed securities, taxable municipal bonds and corporate bonds and notes in Level 2 of the fair value hierarchy are valued by surveying various market makers and dealers, as well as data from the new issue market. Foreign bonds in Level 2 of the fair value hierarchy are valued using a discounted cash-flow model using a benchmark yield plus a maturity spread to discount coupon and principal cash flows.

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

	<b>General Employees</b>	<b>Fire Fighters</b>	<b>Police Officers</b>
Domestic and Equity Securities	50%	50%	50%
Fixed Income Securities	35%	35%	35%
International Equity	15%	15%	15%

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 and fixed income portfolios.

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Credit ratings and maturities of investments in pension trust funds at September 30, 2018, are presented below:

**General Employees' Pension Trust Fund:**

<b>Investment Type</b>	<b>Credit Rating (S&amp;P's)</b>	<b>Fair Value/ Amortized Cost</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>
Money Market Funds	N/R	\$ 269,781	\$ 269,781	\$ -	\$ -	\$ -
Corporate Bonds	*	1,363,194	-	-	308,056	1,055,138
Government Bonds	Aaa	608,871	-	-	112,509	496,362
Government asset-backed/CMO Sec.	Aaa	1,004,822	-	-	5,412	999,410
Foreign Bonds	*	344,296	-	24,744	66,913	252,639
Taxable Municipal Bonds	*	292,583	15,152	-	-	277,431
Equities	N/R	7,179,020	N/A	N/A	N/A	N/A
<b>Total Fair Value</b>		<b>\$ 11,062,567</b>	<b>\$ 284,933</b>	<b>\$ 24,744</b>	<b>\$ 492,890</b>	<b>\$ 3,080,980</b>

**Firefighters' Pension Trust Fund:**

<b>Investment Type</b>	<b>Credit Rating (Moody)</b>	<b>Fair Value/ Amortized Cost</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>
Money Market Funds	N/R	\$ 359,836	\$ 359,836	\$ -	\$ -	\$ -
Corporate Bonds	*	1,095,146	-	-	258,865	836,281
Government Bonds	Aaa	563,525	-	20,200	63,679	479,646
Government asset-backed/CMO Sec.	Aaa	821,124	-	-	5,526	815,598
Foreign Bonds	*	261,316	-	14,846	57,354	189,116
Taxable Municipal Bonds	*	249,396	10,102	-	-	239,294
Equities	N/R	5,421,221	N/A	N/A	N/A	N/A
<b>Total Fair Value</b>		<b>\$ 8,771,564</b>	<b>\$ 369,938</b>	<b>\$ 35,046</b>	<b>\$ 385,424</b>	<b>\$ 2,559,935</b>

**Police Officers' Pension Trust Fund:**

<b>Investment Type</b>	<b>Credit Rating (S&amp;P's)</b>	<b>Fair Value/ Amortized Cost</b>	<b>Less Than 6 Months</b>	<b>6-12 Months</b>	<b>1-3 Years</b>	<b>Over 3 Years</b>
Money Market Funds	N/R	\$ 577,589	\$ 577,589	\$ -	\$ -	\$ -
Corporate Bonds	*	1,842,345	-	-	422,834	1,419,511
Government Bonds	Aaa	1,070,520	-	40,400	161,285	868,835
Government asset-backed/CMO Sec.	Aaa	1,345,950	-	-	7,846	1,338,104
Foreign Bonds	*	462,215	-	35,631	100,344	326,240
Municipal Bonds	*	383,926	20,203	-	-	363,723
Equities	N/R	9,658,774	N/A	N/A	N/A	N/A
<b>Total Fair Value</b>		<b>\$ 15,341,319</b>	<b>\$ 597,792</b>	<b>\$ 76,031</b>	<b>\$ 692,309</b>	<b>\$ 4,316,413</b>

\*Credit rating on the above bonds varied from Aaa to Baa2  
N/R = Not rated



**City of Lake Wales, Florida**  
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The pension funds owned cash at September 30, 2018, totaling \$146,566, \$110,305 and \$249,406 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, 2018, the City's cash deposits were entirely covered by federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans and limit local government deposits to "qualified public depositories."

**Custodial credit risk - investments**

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

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

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

	General	Transportation	Community Redevelopment	Total Governmental Funds	Enterprise - Business Type	Total
Receivable:						
Taxes	\$ 144,579	\$ -	\$ -	\$ 144,579	\$ -	\$ 144,579
Franchise fees	155,851	-	-	155,851	-	155,851
Accounts	113,390	-	5,160	118,550	869,839	988,389
Unbilled amounts	118,984	-	-	118,984	442,175	561,159
Gross receivables	<u>532,804</u>	<u>-</u>	<u>5,160</u>	<u>537,964</u>	<u>1,312,014</u>	<u>1,849,978</u>
Less: allowance for uncollectibles	<u>(31,402)</u>	<u>-</u>	<u>-</u>	<u>(31,402)</u>	<u>(178,104)</u>	<u>(209,506)</u>
Net total receivable	<u>\$ 501,402</u>	<u>\$ -</u>	<u>\$ 5,160</u>	<u>\$ 506,562</u>	<u>\$ 1,133,910</u>	<u>\$ 1,640,472</u>
Intergovernmental Receivables	<u>\$ 605,763</u>	<u>\$ 138,155</u>	<u>\$ -</u>	<u>\$ 743,918</u>	<u>\$ -</u>	<u>\$ 743,918</u>

Governmental funds delay 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 *unearned revenue* reported in the governmental funds consisted of \$51,176 of prepaid local business tax.

Governmental funds defer revenue recognition in connection with resources that have not been received during the period of availability as a deferred inflow of resources. At the end of the current fiscal year, the general fund reported a deferred inflow of resources related to unavailable revenue in the amount of \$46,178, which consisted of unavailable grant revenue.

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

Capital asset activity for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 4,768,631	\$ -	\$ -	\$ 4,768,631
Construction in progress	7,550	485,222	-	492,772
Total capital assets, not being depreciated	<u>4,776,181</u>	<u>485,222</u>	<u>-</u>	<u>5,261,403</u>
Capital assets being depreciated:				
Buildings	14,478,098	116,602	-	14,594,700
Improvements other than buildings	7,420,296	267,492	-	7,687,788
Machinery and equipment	12,259,018	1,069,988	(26,065)	13,302,941
Infrastructure	19,763,811	177,463	-	19,941,274
Total depreciable capital assets	<u>53,921,223</u>	<u>1,631,545</u>	<u>(26,065)</u>	<u>55,526,703</u>
Total all capital assets	<u>58,697,404</u>	<u>2,116,767</u>	<u>(26,065)</u>	<u>60,788,106</u>
Less accumulated depreciation for:				
Buildings	(4,829,278)	(307,944)	-	(5,137,222)
Improvements other than buildings	(5,305,343)	(248,599)	-	(5,553,942)
Machinery and equipment	(9,626,386)	(502,472)	1,302	(10,127,556)
Infrastructure	(14,604,987)	(753,940)	-	(15,358,927)
Total accumulated depreciation	<u>(34,365,994)</u>	<u>(1,812,955)</u>	<u>1,302</u>	<u>(36,177,647)</u>
Depreciable capital assets, net	<u>19,555,229</u>	<u>(181,410)</u>	<u>(24,763)</u>	<u>19,349,056</u>
Total governmental activities capital assets, net	<u>\$ 24,331,410</u>	<u>\$ 303,812</u>	<u>\$ (24,763)</u>	<u>\$ 24,610,459</u>

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

Governmental activities:	
General government	\$ 144,503
Public safety	361,608
Physical environment	56,787
Transportation	801,093
Economic environment	17,326
Human services	10,174
Culture and recreation	421,464
Total governmental activities depreciation expense	<u>\$ 1,812,955</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 826,730	\$ 23,767	\$ -	\$ 850,497
Construction in progress	4,878,463	1,286,864	-	6,165,327
Total capital assets, not being depreciated	<u>5,705,193</u>	<u>1,310,631</u>	<u>-</u>	<u>7,015,824</u>
Capital assets being depreciated:				
Buildings	1,140,625	-	-	1,140,625
Improvements other than buildings	53,135,047	321,766	-	53,456,813
Machinery and equipment	6,321,442	275,991	-	6,597,433
Total depreciable capital assets	<u>60,597,114</u>	<u>597,757</u>	<u>-</u>	<u>61,194,871</u>
Total all capital assets	<u>66,302,307</u>	<u>1,908,388</u>	<u>-</u>	<u>68,210,695</u>
Less accumulated depreciation for:				
Buildings	(581,274)	(32,372)	-	(613,646)
Improvements other than buildings	(16,259,792)	(1,336,664)	-	(17,596,456)
Machinery and equipment	(4,919,714)	(220,691)	-	(5,140,405)
Total accumulated depreciation	<u>(21,760,780)</u>	<u>(1,589,727)</u>	<u>-</u>	<u>(23,350,507)</u>
Depreciable capital assets, net	<u>38,836,334</u>	<u>(991,970)</u>	<u>-</u>	<u>37,844,364</u>
Total business-type activities capital assets, net	<u>\$ 44,541,527</u>	<u>\$ 318,661</u>	<u>\$ -</u>	<u>\$ 44,860,188</u>

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

Business-type activities:

Water	\$ 541,133
Sewer	1,013,843
Cemetery	34,751
Total business-type activities depreciation expense	<u>\$ 1,589,727</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Discretely presented component unit</b>				
Capital assets not being depreciated				
Land	\$ 1,625,274	\$ -	\$ -	\$ 1,625,274
Construction in progress	866,889	4,226,241	-	5,093,130
Total capital assets, not being depreciated	<u>2,492,163</u>	<u>4,226,241</u>	<u>-</u>	<u>6,718,404</u>
Capital assets being depreciated:				
Buildings	2,539,386	32,497	-	2,571,883
Improvements other than buildings	9,610,500	11,427	-	9,621,927
Machinery and equipment	709,134	24,334	-	733,468
Total depreciable capital assets	<u>12,859,020</u>	<u>68,258</u>	<u>-</u>	<u>12,927,278</u>
Total all capital assets	<u>15,351,183</u>	<u>4,294,499</u>	<u>-</u>	<u>19,645,682</u>
Less accumulated depreciation for:				
Buildings	(474,635)	(51,893)	-	(526,528)
Improvements other than buildings	(4,121,429)	(422,339)	-	(4,543,768)
Machinery and equipment	(339,317)	(45,448)	-	(384,765)
Total accumulated depreciation	<u>(4,935,381)</u>	<u>(519,680)</u>	<u>-</u>	<u>(5,455,061)</u>
Depreciable capital assets, net	<u>7,923,639</u>	<u>(451,422)</u>	<u>-</u>	<u>7,472,217</u>
Total governmental activities capital assets, net	<u>\$ 10,415,802</u>	<u>\$ 3,774,819</u>	<u>\$ -</u>	<u>\$ 14,190,621</u>

**City of Lake Wales, Florida**  
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**D. Construction commitments**

The City has active construction projects as of September 30, 2018. The projects include asbestos pipe removal, runway extension, water and wastewater facilities. At year-end, the City's commitments with contractors are as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
C street sewer project - phase 2 engineering	\$ 249,000	\$ 2,070
C street sewer project - phase 3 engineering	58,750	189,650
C street sewer project - phase 3 construction	-	1,597,346
Ground storage tank	78,925	46,685
Reuse upgrades	114,050	2,700
S.R. 60 Western Expansion	4,864,193	710,035
Galvanized pipe replacement	61,525	5,115
Total primary government	\$ 5,426,443	\$ 2,553,601

**Lake Wales Airport Authority - discretely presented component unit:**

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Airport projects	\$ 4,195,284	\$ 103,325
Total Lake Wales Airport Authority	\$ 4,195,284	\$ 103,325

**Other Commitments:**

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

**E. Leases**

Operating Leases

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

<u>Fiscal Year Ending September 30,</u>	<u>Copier Equipment</u>	<u>Postage Equipment</u>	<u>Vehicles</u>	<u>Total</u>
2019	\$ 20,697	\$ 5,255	\$ 1,604	\$ 27,556
2020	20,697	5,255	-	25,952
2021	20,697	5,255	-	25,952
2022	20,697	5,255	-	25,952
2023	2,396	-	-	2,396
Total	\$ 85,184	\$ 21,020	\$ 1,604	\$ 107,808

**City of Lake Wales, Florida**  
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**F. Interfund receivable, payables and transfers**

The composition of interfund balances as of September 30, 2018, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 32,877
General	LWVG Cemetery Fund	9,448
		<u>\$ 42,325</u>
<u>Due to/from component unit:</u>		
General	Airport Authority	<u>\$1,150,245</u>

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

The composition of interfund transfers for the year ended September 30, 2018 is as follows:

	<u>Transfer In:</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>LWVG Cemetery</u>	
Transfer Out:					
General	\$ -	\$ -	\$ -	\$ 108,350	\$ 108,350
Debt Service	-	-	82,651	-	82,651
CRA	-	756,822	-	-	756,822
Public Utilities	1,195,000	-	-	-	1,195,000
Total	<u>\$1,195,000</u>	<u>\$756,822</u>	<u>\$82,651</u>	<u>\$108,350</u>	<u>\$2,142,823</u>

**City of Lake Wales, Florida**  
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**G. Long-term debt**

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

	<b>Beginning Balance (*)</b>	<b>Additions</b>	<b>Disposals/ Transfers</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities</b>					
Notes and lease obligations payable:					
Notes payable	\$ 7,080,854	\$ -	\$ (526,827)	\$ 6,554,027	\$ 546,061
Lease obligations	1,432,757	747,118	(408,313)	1,771,562	466,143
Total notes and lease obligations payable	<u>8,513,611</u>	<u>747,118</u>	<u>(935,140)</u>	<u>8,325,589</u>	<u>1,012,204</u>
Other liabilities:					
Net pension liabilities	6,248,094	-	(858,811)	5,389,283	-
OPEB liability	316,011	-	(2,723)	313,288	-
Compensated absences	966,936	524,713	(471,363)	1,020,286	102,029
Total other liabilities	<u>7,531,041</u>	<u>524,713</u>	<u>(1,332,897)</u>	<u>6,722,857</u>	<u>102,029</u>
<b>Governmental long-term liabilities</b>	<u>\$ 16,044,652</u>	<u>\$ 1,271,831</u>	<u>\$ (2,268,037)</u>	<u>\$ 15,048,446</u>	<u>\$ 1,114,233</u>
<b>Business-type activities</b>					
Notes and lease obligations payable:					
Notes payable	\$ 15,241,545	\$ 1,278,714	\$ (921,996)	\$ 15,598,263	\$ 1,158,606
Lease obligations	336,409	153,014	(105,965)	383,458	129,572
Total notes and lease obligations payable	<u>15,577,954</u>	<u>1,431,728</u>	<u>(1,027,961)</u>	<u>15,981,721</u>	<u>1,288,178</u>
Other liabilities:					
Net pension liabilities	220,757	-	(57,431)	163,326	-
OPEB liability	72,028	-	(914)	71,114	-
Compensated absences	136,015	83,880	(77,749)	142,146	14,215
Total other liabilities	<u>428,800</u>	<u>83,880</u>	<u>(136,094)</u>	<u>376,586</u>	<u>14,215</u>
<b>Business-type long-term liabilities</b>	<u>\$ 16,006,754</u>	<u>\$ 1,515,608</u>	<u>\$ (1,164,055)</u>	<u>\$ 16,358,307</u>	<u>\$ 1,302,393</u>
<b>Discretely presented component unit</b>					
Notes and lease obligations payable:					
Notes payable	\$ -	\$ 1,825,000	\$ (10,000)	\$ 1,815,000	\$ 73,000
Lease obligations	-	43,650	(3,767)	39,883	8,416
Total notes and lease obligations payable	<u>-</u>	<u>1,868,650</u>	<u>(13,767)</u>	<u>1,854,883</u>	<u>81,416</u>
Other liabilities:					
Compensated absences	-	1,743	-	1,743	174
Total other liabilities	<u>-</u>	<u>1,743</u>	<u>-</u>	<u>1,743</u>	<u>174</u>
<b>Discretely presented component unit</b>					
<b>Total long-term liabilities</b>	<u>\$ -</u>	<u>\$ 1,870,393</u>	<u>\$ (13,767)</u>	<u>\$ 1,856,626</u>	<u>\$ 81,590</u>

(\*) – The beginning balances of the OPEB liability were restated to reflect the beginning balance as calculated in accordance with GASB 75 by decreasing the OPEB liability of the governmental activities by \$43,204 and business-type activities by \$9,807. See Note I.E for more information.

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2018

Long-term liabilities, including accumulated compensated absences, OPEB liabilities and the City's net pension liabilities are typically liquidated by the individual fund to which the liability is directly associated.

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2018:

	Purpose (2)	Frequency of Payment (1)	Maturity	Originally Issued	Outstanding Amount	Interest Rate
<b>Governmental activities</b>						
Note payable:						
Redevelopment Revenue Note, Series 2007	5	S	2028	\$ 9,500,000	\$ 5,572,674	4.34%
Ascending Lien Capital Improvement, Revenue Note, Series 2013	7	S	2028	1,200,000	981,353	3.54%
Lease obligations						
Mears Motor Leasing - FY 2013'14	8	M	2019	86,457	8,328	1.49%
Mears Motor Leasing - FY 2014'15	9	M	2020	436,957	96,923	1.93%
Mears Motor Leasing - FY 2015'16	10	M	2021	693,512	414,033	1.93%
Mears Motor Leasing - FY 2016'17	12	M	2022	646,803	465,085	3.90%
Mears Motor Leasing - FY 2017'18	15	M	2023	627,229	613,630	3.90%
Generator Lease - 2016'17	13	M	2021	89,529	53,674	1.80%
Fire Department Equipment Lease - 2017'18	16	M	2025	119,889	119,889	2.45%
<b>Total governmental activities</b>					<u>\$ 8,325,589</u>	
<b>Business-type activities</b>						
Note payable:						
State Revolving Fund Loan - 5907P	1	S	2019	\$ 1,634,636	\$ 51,431	2.56%
State Revolving Fund Loan - 59110	1	S	2022	1,171,882	190,304	3.05%
State Revolving Fund Loan - 5912S	2	S	2024	1,429,755	449,913	2.14%
State Revolving Fund Loan - 5913P	3	S	2028	1,025,345	534,896	1.88%
State Revolving Fund Loan - 59140	6	S	2033	368,589	288,873	2.30%
State Revolving Fund Loan - 530300	6	S	2033	4,163,664	3,222,086	1.91%
State Revolving Fund Loan - 530310	11	S	2036	5,380,510	5,117,538	1.82%
State Revolving Fund Loan - 530320	14	S	2039	1,633,420	1,633,420	0.72%
State Revolving Fund Loan - 530330	14	S	2039	2,287,626	2,287,626	0.00%
Ascending Lien Capital Improvement, Revenue Note, Series 2013	7	S	2028	500,000	409,514	3.54%
Utility System Refunding Note, Series 2006B	4	S	2027	2,550,000	1,412,662	1.14%
Lease obligations						
Mears Motor Leasing - FY 2014'15	9	M	2020	134,397	45,681	1.93%
Mears Motor Leasing - FY 2015'16	10	M	2021	363,016	191,911	1.93%
Mears Motor Leasing - FY 2017'18	15	M	2023	153,014	145,866	3.90%
<b>Total business-type activities</b>					<u>\$ 15,981,721</u>	
<b>Discretely presented component unit</b>						
Notes payable:						
Subordinate Lien Capital Improvement Revenue Note (Airport Project), Series 2017	17	S	2037	\$ 1,825,000	\$ 1,815,000	2.92%
Lease obligations:						
Mears Motor Leasing - FY 2016'17	12	M	2022	19,316	15,549	3.90%
Mears Motor Leasing - FY 2017'18	15	M	2023	24,334	24,334	3.90%
<b>Total discretely presented component unit</b>					<u>\$ 1,854,883</u>	

(1) Frequency: S = Semiannual, M = Monthly

(2) Purpose:

1. Construction of reclaimed water reuse facilities. (SRF – 5907P & 59110).
2. Construction of sludge dewatering facilities. (SRF – 5912S).
3. Planning and design of wastewater treatment plant expansion. (SRF – 5913P).



**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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4. 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, 2006 but on October 1, 2009, the loan converted to a term loan. (Series 2006B).
5. Acquisition, construction and equipping of various capital improvements within the Community Redevelopment Area. (Series 2007).
6. Construction of wastewater plant rehabilitation and expansion. (SRF – 59140 & 530300).
7. Construction funding for fire substation \$1,200,000 and cemetery addition \$500,000. (Series 2013).
8. Capital lease for three fire vehicles. (Lease FY 2013'14).
9. Capital lease for twelve police vehicles and six utility vehicles. (Lease FY 2014'15).
10. Capital lease for 18 vehicles including 9 police vehicles and one pumper truck for the fire department. (Lease FY 2015'16).
11. Construction of major sewer system rehabilitation/replacement project (SRF – 530310).
12. Capital lease for 15 vehicles including 6 police vehicles and one dump truck for the transportation fund (Lease FY 2016'17).
13. Capital lease for two generators (Generator Lease - 2016'17).
14. Construction of the State Road 60 utilities extensions (SRF – 530320 & SRF - 530330).
15. Capital lease for 11 passenger vehicles, grapple truck, two tractors and an excavator (Lease FY 2017'18).
16. Capital lease for fire department equipment (Fire Department Equipment Lease – 2017'2018).
17. Lake Wales Municipal Airport capital improvement projects including design, construction and rehabilitation of taxiways, runways, construction of hangars, aircraft apron expansion, access road construction and parking improvements. (Series 2017).

The debt obligations are secured by the equipment acquired, a covenant to budget, and/or a pledge of the following revenue sources:

- Utility System Revenue and Refunding Revenue Notes, Series 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;
- State Revolving Fund Loans - junior lien on utility system net revenues;
- Ascending Lien Cap Imp Rev Note, Series 2013 – senior lien on communication service taxes and a junior lien on electric franchise fees and public service (utility) taxes.
- Subordinate Lien Capital Improvement Revenue Note (Airport Project), Series 2017 – junior lien of electric franchise fees.

**City of Lake Wales, Florida**  
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Most of the debt obligations may be prepaid in whole or in part without penalty, except as follows:

- 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 2006B requires annual debt service reserves equal to  $1/6^{\text{th}}$  per month of all interest and  $1/12^{\text{th}}$  per month of the annual principal amount coming due. As of September 30, 2018, the sinking fund balance for Series 2006B was \$164,732.
- The Subordinate Lien Capital Improvement Revenue Note (Airport Project), Series 2017 requires annual debt service reserves equal to  $1/6^{\text{th}}$  per month of all interest and  $1/12^{\text{th}}$  per month of the annual principal amount coming due. As of September 30, 2018, the sinking fund balance for Series 2017 was \$68,000.
- 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 \$606,512.
- 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).

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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Annual debt service requirements as of September 30, 2018, are as follows:

Fiscal Year	Governmental Activities					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 546,061	\$ 264,835	\$ 466,143	\$ 49,328	\$ 1,012,204	\$ 314,163
2020	566,002	241,348	447,092	35,856	1,013,094	277,204
2021	586,676	216,999	383,355	22,936	970,031	239,935
2022	608,110	191,757	270,105	11,454	878,215	203,211
2023	630,332	165,588	170,298	3,956	800,630	169,544
2024-2028	3,514,686	400,462	34,569	1,340	3,549,255	401,802
2029-2033	102,160	1,814	-	-	102,160	1,814
<b>Total</b>	<b>\$ 6,554,027</b>	<b>\$ 1,482,803</b>	<b>\$ 1,771,562</b>	<b>\$ 124,870</b>	<b>\$ 8,325,589</b>	<b>\$ 1,607,673</b>

Fiscal Year	Business-type Activities					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,158,606	\$ 224,960	\$ 129,572	\$ 8,829	\$ 1,288,178	\$ 233,789
2020	1,123,582	207,630	122,663	5,737	1,246,245	213,367
2021	1,140,303	190,631	75,293	3,133	1,215,596	193,764
2022	1,157,318	173,298	30,976	1,595	1,188,294	174,893
2023	1,123,433	156,015	24,954	485	1,148,387	156,500
2024-2028	5,260,767	545,383	-	-	5,260,767	545,383
2029-2033	4,054,588	205,730	-	-	4,054,588	205,730
2034-2038	579,666	11,568	-	-	579,666	11,568
<b>Total</b>	<b>\$15,598,263</b>	<b>\$ 1,715,215</b>	<b>\$ 383,458</b>	<b>\$ 19,779</b>	<b>\$15,981,721</b>	<b>\$ 1,734,994</b>

Fiscal Year	Discretely Presented Component Unit					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 73,000	\$ 51,932	\$ 8,416	\$ 1,396	\$ 81,416	\$ 53,328
2020	75,000	49,771	8,747	1,064	83,747	50,835
2021	77,000	47,552	9,092	719	86,092	48,271
2022	79,000	45,275	8,380	364	87,380	45,639
2023	434,000	189,654	5,248	110	439,248	189,764
2024-2028	500,000	121,618	-	-	500,000	121,618
2029-2033	577,000	43,085	-	-	577,000	43,085
<b>Total</b>	<b>\$ 1,815,000</b>	<b>\$ 548,887</b>	<b>\$ 39,883</b>	<b>\$ 3,653</b>	<b>\$ 1,854,883</b>	<b>\$ 552,540</b>

On July 15, 2014, the City accepted a State Revolving Funds loan from the State of Florida Department of Environmental Protection in the amount of \$5,703,811, as amended, for use in completing Phase II of the “C Street project” by the Public Utilities. There were \$5,117,538 of borrowings on this loan as of September 30, 2018.

On December 14, 2016, the City accepted two State Revolving funds loans from the State of Florida Department of Environmental Protection in the aggregate amount of \$5,380,349, for use in completing the State Road 60 utilities extension project. There were \$3,921,046 of borrowing on these loans as of September 30, 2018.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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**Future Revenues that are Pledged**

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

	<b>Debt Obligation Reference</b>	<b>Total Principal and Interest Outstanding</b>	<b>Current Year Principal and Interest</b>	<b>Current Year Revenue</b>	<b>% of Revenues to Principal and Interest Paid</b>
CRA Tax Increment Revenues	Series 2007	\$ 6,854,558	\$ 504,460	\$ 1,515,077	300%
Communication Service Taxes	Series 2013	1,673,196	99,900	454,353	455%
Water and Sewer Net Revenue	SRF, Series 2006A & 2006B	15,542,210	1,134,099	4,091,413	361%
		<u>\$ 24,069,964</u>	<u>\$ 1,738,459</u>	<u>\$ 6,060,843</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 facility 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, 2018, the outstanding balance on these bonds is \$15,170,000.

**City of Lake Wales, Florida**  
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**IV. Other Information**

**A. Related party transactions**

During 2016, 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 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 \$35,940 were charged to the Authority for the year ended September 30, 2018.

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 and renewed in October 2012. In this new agreement, both parties reaffirmed 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 were not to continue past five years, at which time it was expected that the Authority would 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 \$1,150,245 at September 30, 2018.

**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.

**City of Lake Wales, Florida**  
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**C. Other postemployment benefits (OPEB)**

The City follows GASB Cod. Sec. P50 for certain post-employment health care benefits provided by the City.

Plan Description

The Other Postemployment Benefits Plan (OPEB Plan) is a single employer defined benefit postemployment health care plan administered by the City. The OPEB Plan allows employees who retire and meet retirement eligibility requirements under one of the City’s retirement plans to purchase health insurance at the City’s group rate.

Benefits Provided

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 insurance coverage at the cost applicable to active employees.

The City does not offer any explicit subsidies for retiree coverage. The OPEB Plan does not issue a stand-alone financial report and is not included in the annual report of a public employee retirement system or another entity.

Funding Policy

Currently, the City’s OPEB benefits are unfunded. The City has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. The City paid \$27,291 for OPEB costs during fiscal year 2018.

Other postemployment benefits membership is comprised of the following at 9/30/2017, the date in the latest complete actuarial valuation:

Inactive Plan members, or beneficiaries currently receiving benefits	14
Inactive Plan members entitled to but not yet receiving benefits	-
Active Plan members	153
Total	167

**City of Lake Wales, Florida**  
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Total OPEB Liability

The City's total OPEB liability as of September 30, 2018 was determined by an actuarial valuation as of September 30, 2017. The actuarial assumptions used in this valuation were as follows:

Inflation rate	2.50%
Discount Rate	3.64%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Year to Ultimate Trend Rate	55

*Salary Rate Increases:* For general pension plan employees, the assumed salary increase is 10% for the first year and 4% each year thereafter. For police and fire pension plan employees, the assumed salary increase is 5.75% per year.

*Mortality Rates – Active Lives:* For female lives, 100% of the Combined Health White-Collar table was used. For male (non-special risk) lives, a 50% Combined Healthy-White Collar table, 50% Combined Healthy Blue-Collar table blend was used. For male special risk lives. A 10% Combined Health White-Collar table, 90% Combined Healthy Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

*Mortality Rates – Inactive Healthy Lives:* For female lives, 100% of the Annuitant White-Collar table was used. For male (non-special risk) lives, a 50% Annuitant White Collar table, 50% Annuitant Blue-Collar table blend was used. For male special risk lives. A 10% Annuitant White-Collar table, 90% Annuitant Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

*Mortality Rates – Disabled Lives:* For female (non-special risk) lives, 100% of the Disabled Female table was used, set forward two years. For female special risk lives, a 60% Disabled Female table, 40% Annuitant White Collar table with no setback blend was used. For male (non-special risk) lives, 100% of the Disabled Male table was used, set back four years. For Male special risk lives, a 60% Disabled Male table, 40% Annuitant White Collar table with no setback blend was used. Disabled mortality has not been adjusted for mortality improvements.

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2016 Florida Retirement System (FRS) valuation report.

*Discount rate* – Given the City's decision not to fund the OPEB Plan, all future benefit payments were discounted using a high-quality municipal bond rate of 3.64%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standards & Poor's AA

**City of Lake Wales, Florida**  
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Changes in the Total OPEB Liability:

	<b>Total OPEB Liability</b>
<b>Reporting period ending September 30, 2017</b>	\$ 388,039
<b>Changes for the year:</b>	
Service cost	27,720
Interest	12,429
Changes of assumptions	(24,495)
Benefit payments	(19,291)
<b>Net changes</b>	<b>(3,637)</b>
<b>Reporting period ending September 30, 2018</b>	<b>\$ 384,402</b>

Changes in assumptions reflect a change in discount rate from 3.06% for the reporting period ending September 30, 2017 to 3.64% for the reporting period ending September 30, 2018.

Sensitivity of the Total OPEB Liability to changes in the discount rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64%) or 1-percentage point higher (4.64%) than the current discount rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total other postemployment benefits liability	\$ 428,009	\$ 384,402	\$ 346,770

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.00% to 7.50%) or 1-percentage point higher (5.00% to 9.50%) than the current healthcare cost trend rates:

	<b>1% Decrease (3.00% to 7.50%)</b>	<b>Discount Rate (4.00% to 8.50%)</b>	<b>1% Increase (5.00% to 9.50%)</b>
Total other postemployment benefits liability	\$ 343,218	\$ 384,402	\$ 433,490



**City of Lake Wales, Florida**  
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OPEB expense and deferred outflows and inflows of resources related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$44,066. At September 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB were as follows:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ -	\$ 20,412
City contributions subsequent to the measurement date	<u>20,979</u>	<u>-</u>
Total	<u>\$ 20,979</u>	<u>\$ 20,412</u>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2017 will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2019	\$ (4,083)
2020	(4,083)
2021	(4,083)
2022	(4,083)
2023	<u>(4,080)</u>
	<u>\$ (20,412)</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

**D. Employee retirement systems and pension plans**

The City maintains three defined benefit single-employer pension plans:

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

**Summary of Significant Accounting Policies**

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 member contributions, employer contributions, and contributions from other entities are recognized in the period in which the contributions are due. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' net position have been determined on the same basis as they are reported to the plans. For this purpose, 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 three pension plans were established by City ordinance and can be amended or terminated by City ordinance.

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.

*Cash, Cash Equivalents, and Investments*

If available, quoted market prices of identical assets 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, certificates of deposit, corporate bonds and government obligations are valued by surveying various market makers and dealers, as well as data from the new issue market and yields currently available on comparable securities of issuers with similar credit ratings. Investments in equity funds are valued at the quoted market price of identical assets. Investments are held with a registered security dealer. Investment decisions are made by the investment advisor who provides quarterly reports of the investment portfolio and its performance to the Board of Trustees for each plan. Performance is assessed quarterly by A.G. Edwards. The Pension Plans did not hold investments in any one organization that represents 5% or more of each Plan's fiduciary net position.

The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the fiscal year ended September 30, 2018, the money-weighted rate of return on plan investments, net of investment expense, was as follows:

	<u>General</u>	<u>Fire</u>	<u>Police</u>
Money-weighted rate of return	5.86%	6.41%	6.28%

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2018

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

#### **General Information about the Pension Plans**

*Plan Description:*

Members of the police officers' and firefighters' pension plans consist of full-time police officers and firefighters and members of the general employees pension plan consists of all full-time employees classified as general employees.

The administration and responsibility for the proper operation of the retirement systems and trusts is vested each plan's Board of Trustees as set forth by City Ordinance. The General Pension Plan's Board consists of: the Mayor and/or Commissioner appointed by the City Commission, the Finance Director as a non-voting member of Board, two employee members to be elected by a majority of the actively employed members of the retirement system, and two members selected by the Board and appointed by the City Commission. The Police and Firefighter Pension Boards each consist of two Commission appointees, two members of the fund elected by membership, and a fifth member elected by the first four members and appointed by the City Commission.

*Benefits Provided:*

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 with a maximum annual benefit of \$75,000. The average final compensation is based on annual compensation of the 5 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. Members who have accrued the maximum annual benefit of \$75,000 no longer make contributions to the plan.

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 with a maximum annual benefit of \$75,000. 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. Members who have accrued the maximum annual benefit of \$75,000 no longer make contributions to the plan.

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. Amounts held in DROP accounts as of September 30, 2018, are \$236,251 for the General Pension Plan, \$-0- for the Police Officers' Pension Plan and \$-0- for the Firefighters' Pension Plan.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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**Participant Data:** Plan membership detail is as follows:

	As of October 1, 2017		
	General Employees' Pension Fund	Fire Fighters' Pension Fund	Police Officers' Pension Fund
Inactive Plan members or beneficiaries currently receiving benefits	45	13	25
Inactive Plan members entitled to but not yet receiving benefits	11	4	3
Active Plan members	98	29	43
Total	154	46	71

**Contributions Required and Contribution Made**

City contributions are based upon an actuarially determined rate recommended by an independent actuary and adopted by the respective Board of Trustees. The City contributes an amount equal to the difference between the total aggregate member contributions and the actuarial required annual contributions to the plans. The Police Officers' and the Firefighters' Pension Funds receive contributions from the State of Florida from a tax on casualty and property insurance premiums, which the City may use to offset the City contribution (subject to limits).

The City's annual contributions for the current year for each plan are as follows:

	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
Contribution rates/amounts:			
City and State contributions	\$ 184,179	\$ 570,613	\$ 612,170
Plan members	5.0%	5.0%	5.0%

The non-employee contributions above include City and State contributions paid to the Plans during the current fiscal year and from contributions recognized as a receivable by the individual Plans.

The annual required contribution for the 2018 fiscal year was determined as part of the October 1, 2016 actuarial valuations. The assumptions did not include post retirement cost of living adjustment.

**Changes in the Net Pension Liability:** The following schedules represent the changes in the net pension liability as of the City's measurement date of September 30, 2017 for each of the pension plans in which the City participates. As a result, the individual Plan Fiduciary Net Position in the schedules below will not agree to the individual Plan Fiduciary Net Position as of September 30, 2018.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

**General Employees' Pension Plan:**

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
<b>Reporting period ending 9/30/2017</b>	<u>\$ 10,828,799</u>	<u>\$ 10,059,936</u>	<u>\$ 768,863</u>
<b>Changes for the year:</b>			
Service cost	348,439	-	348,439
Interest	844,363	-	844,363
Differences between expected and actual experience	(182,488)	-	(182,488)
Contributions - employer	-	169,482	(169,482)
Contributions - employee	-	184,030	(184,030)
Net investment income	-	950,065	(950,065)
Benefit payments, including refunds of employee contributions	(564,473)	(563,643)	(830)
Administrative expenses	-	(36,851)	36,851
<b>Net changes</b>	<u>445,841</u>	<u>703,083</u>	<u>(257,242)</u>
<b>Reporting period ending 9/30/2018</b>	<u>\$ 11,274,640</u>	<u>\$ 10,763,019</u>	<u>\$ 511,621</u>

**Firefighters' Pension Plan:**

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
<b>Reporting period ending 9/30/2017</b>	<u>\$ 11,614,351</u>	<u>\$ 7,952,936</u>	<u>\$ 3,661,415</u>
<b>Changes for the year:</b>			
Service cost	237,240	-	237,240
Interest	896,271	-	896,271
Differences between expected and actual experience	(70,642)	-	(70,642)
Contributions - employer	-	411,611	(411,611)
Contributions - State of Florida	-	125,811	(125,811)
Contributions - employee	-	77,257	(77,257)
Net investment income	-	729,125	(729,125)
Benefit payments, including refunds of employee contributions	(573,619)	(573,619)	-
Administrative expenses	-	(53,515)	53,515
<b>Net changes</b>	<u>489,250</u>	<u>716,670</u>	<u>(227,420)</u>
<b>Reporting period ending 9/30/2018</b>	<u>\$ 12,103,601</u>	<u>\$ 8,669,606</u>	<u>\$ 3,433,995</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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**Police Officers' Pension Plan:**

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
<b>Reporting period ending 9/30/2017</b>	<u>\$ 16,201,111</u>	<u>\$ 14,162,538</u>	<u>\$ 2,038,573</u>
<b>Changes for the year:</b>			
Service cost	457,088	-	457,088
Interest	1,244,658	-	1,244,658
Share plan allocation	9,083	-	9,083
Differences between expected and actual experience	(228,096)	-	(228,096)
Contributions - employer	-	471,415	(471,415)
Contributions - State of Florida	-	114,325	(114,325)
Contributions - employee	-	118,654	(118,654)
Net investment income	-	1,274,464	(1,274,464)
Benefit payments, including refunds of employee contributions	(1,196,188)	(1,196,188)	-
Administrative expenses	-	(64,545)	64,545
<b>Net changes</b>	<u>286,545</u>	<u>718,125</u>	<u>(431,580)</u>
<b>Reporting period ending 9/30/2018</b>	<u>\$ 16,487,656</u>	<u>\$ 14,880,663</u>	<u>\$ 1,606,993</u>

The net pension liability of each Plan was measured as of September 30, 2017 for financial reporting purposes and the total pension liability used to calculate the net pension liability for this purpose was determined by actuarial valuations as of October 1, 2016, updated to September 30, 2017. Significant actuarial assumptions used to measure the total pension liability are as follows:

	General Employees' Pension Fund	Firefighters' Pension Fund	Police Officers' Pension Fund
Significant assumptions:			
Investment rate of return	7.75%	7.75%	7.75%
Projected salary increase*	6.50%	5.75%	5.75%
*Includes inflation at	2.50%	2.50%	2.50%
Post retirement COLA	0.00%	0.00%	0.00%
Experience study used	October 15, 2008	August 20, 2008	August 20, 2008

Mortality rates were based on the RP-2000 mortality tables for active, inactive and disabled males or females, as appropriate, with adjustments for mortality improvements based on Scale BB.

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investments expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**City of Lake Wales, Florida**  
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Best estimates of arithmetic real rates of return for each major asset class included in each pension plan's target asset allocation as of September 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	50%	7.17%
International Equity	15%	7.30%
Fixed Income	35%	0.43%
	<u>100%</u>	

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions - General Employees' Pension Fund:**

For the year ended September 30, 2018, the City recognized pension expense of \$422,035 related to the General Employees' Pension Plan. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 79,134	\$ 141,360
City contributions made subsequent to the measurement date of September 30, 2017	184,179	-
Change in assumptions	187,070	-
Net difference between projected and actual earnings on pension plan investments	<u>19,523</u>	<u>-</u>
<b>Total</b>	<u>\$ 469,906</u>	<u>\$ 141,360</u>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2017 will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended September 30:</b>	
2019	\$ 130,502
2020	176,314
2021	(123,087)
2022	<u>(39,362)</u>
	<u>\$ 144,367</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions - Firefighters' Pension Fund:**

For the year ended September 30, 2018, the City recognized pension expense of \$509,675 related to Firefighters' Pension Plan. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ -	\$ 204,252
City contributions made subsequent to the measurement date of September 30, 2017	570,613	-
Change in assumptions	243,465	-
Net difference between projected and actual earnings on pension plan investments	<u>67,003</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 881,081</u></u>	<u><u>\$ 204,252</u></u>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2017 will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year ended September 30:</u></b>	
2019	\$ 67,231
2020	92,170
2021	(40,713)
2022	(12,241)
2023	9,861
Thereafter	<u>(10,092)</u>
	<u><u>\$ 106,216</u></u>



**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions - Police Officers' Pension Fund:**

For the year ended September 30, 2018, the City recognized pension expense of \$709,543 related to Police Officers' Pension Plan. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 367,001
City contributions made subsequent to the measurement date of September 30, 2017	612,170	-
Change in assumptions	258,312	-
Net difference between projected and actual earnings on pension plan investments	126,478	-
<b>Total</b>	<b>\$ 996,960</b>	<b>\$ 367,001</b>

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2017 will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year ended September 30:</u></b>	
2019	\$ 85,580
2020	129,473
2021	(102,981)
2022	(56,267)
2023	(38,016)
	<b>\$ 17,789</b>

*Discount Rate:* The discount rate used to measure the total pension liability for each plan was 7.75%. The projection of cash flow used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liabilities to Changes in the Discount Rate:* The following presents the net pension liabilities of the Plans, calculated using the applicable current discount rate as well as what the Plans' net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Sensitivity of the Net Pension Liabilities as of the City's measurement date of September 30, 2017:

	Current		Current	
	Discount Rate	1% Decrease	Discount	1% Increase
City's Net Pension General Employees Liability (Asset)	7.75%	\$ 1,795,777	\$ 511,621	\$ (649,837)
City's Net Pension Firefighters Liability	7.75%	\$ 4,858,605	\$ 3,433,995	\$ 2,225,185
City's Net Pension Police Officers Liability	7.75%	\$ 3,522,458	\$ 1,606,993	\$ (27,382)
Total		<u>\$ 10,176,840</u>	<u>\$ 5,552,609</u>	<u>\$ 1,547,966</u>

Sensitivity of the Net Pension Liabilities as of the Plans' current fiscal year of September 30, 2018:

	Current		Current	
	Discount Rate	1% Decrease	Discount	1% Increase
City's Net Pension General Employees Liability (Asset)	7.50%	\$ 2,575,599	\$ 1,141,220	\$ (85,669)
City's Net Pension Firefighters Liability	7.75%	\$ 5,055,703	\$ 3,550,540	\$ 2,275,507
City's Net Pension Police Officers Liability (Asset)	7.70%	\$ 3,249,952	\$ 1,264,507	\$ (427,008)
Total		<u>\$ 10,881,254</u>	<u>\$ 5,956,267</u>	<u>\$ 1,762,830</u>

The net effect of significant changes between the City's measurement date of September 30, 2017 and the Plans' reporting date of September 30, 2018 can be seen in the tables above.

**City of Lake Wales, Florida**  
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**Statement of Fiduciary Net Position as of September 30, 2018**

	<b>Pension Trust Fund</b>			<b>Total</b>
	<b>General Employees' Pension</b>	<b>Firefighters' Pension</b>	<b>Police Officers' Pension</b>	
<b>Assets</b>				
Cash and cash equivalent	\$ 146,566	\$ 110,305	\$ 249,406	\$ 506,277
Investments, at fair value:				
Money market funds	269,781	359,836	577,589	1,207,206
Government Bonds	608,871	563,525	1,070,520	2,242,916
Government Assets backed/CMO Securities	1,004,822	821,124	1,345,950	3,171,896
Taxable Municipal Bonds	292,583	249,396	383,926	925,905
Foreign Bonds	344,296	261,316	462,215	1,067,827
Corporate bonds and notes	1,363,194	1,095,146	1,842,345	4,300,685
Common and preferred stock	7,179,020	5,421,221	9,658,774	22,259,015
Total investments	<u>11,062,567</u>	<u>8,771,564</u>	<u>15,341,319</u>	<u>35,175,450</u>
Prepays				
Prepaid insurance	2,142	1,727	1,996	5,865
Total Prepays	<u>2,142</u>	<u>1,727</u>	<u>1,996</u>	<u>5,865</u>
Receivable (net):				
Interest and dividends	23,080	19,656	34,217	76,953
Total receivable	<u>23,080</u>	<u>19,656</u>	<u>34,217</u>	<u>76,953</u>
Total assets	<u>11,234,355</u>	<u>8,903,252</u>	<u>15,626,938</u>	<u>35,764,545</u>
<b>Liabilities</b>				
Accounts payable	21,961	10,234	18,061	50,256
Total liabilities	<u>21,961</u>	<u>10,234</u>	<u>18,061</u>	<u>50,256</u>
<b>Net position</b>				
Held in trust for pension benefits and other purposes	<u>\$ 11,212,394</u>	<u>\$ 8,893,018</u>	<u>\$ 15,608,877</u>	<u>\$ 35,714,289</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

**Schedule of Changes in Fiduciary Net Position for the year ended September 30, 2018**

	<b>Pension Trust Fund</b>			<b>Total</b>
	<b>General Employees' Pension</b>	<b>Firefighters' Pension</b>	<b>Police Officers' Pension</b>	
<b>Additions</b>				
Contributions:				
Employer	\$ 184,179	\$ 455,648	\$ 489,776	\$ 1,129,603
State of Florida	-	114,965	122,394	237,359
Employee	187,939	81,013	119,874	388,826
Total contributions	<u>372,118</u>	<u>651,626</u>	<u>732,044</u>	<u>1,755,788</u>
Interest and dividends	288,067	224,037	389,067	901,171
Net increase in the fair value of investments	455,272	375,516	638,241	1,469,029
Total investments income	<u>743,339</u>	<u>599,553</u>	<u>1,027,308</u>	<u>2,370,200</u>
Less investment expense	(76,386)	(59,019)	(95,536)	(230,941)
Net investment income	<u>666,953</u>	<u>540,534</u>	<u>931,772</u>	<u>2,139,259</u>
Total additions	<u>1,039,071</u>	<u>1,192,160</u>	<u>1,663,816</u>	<u>3,895,047</u>
<b>Deductions</b>				
Benefit payments	497,163	616,984	860,413	1,974,560
Refunds of contributions	48,249	287,806	-	336,055
Administration	44,284	63,958	75,189	183,431
Total deductions	<u>589,696</u>	<u>968,748</u>	<u>935,602</u>	<u>2,494,046</u>
Change in net assets	449,375	223,412	728,214	1,401,001
<b>Total net assets - beginning</b>	<u>10,763,019</u>	<u>8,669,606</u>	<u>14,880,663</u>	<u>34,313,288</u>
<b>Total net assets - ending</b>	<u>\$ 11,212,394</u>	<u>\$ 8,893,018</u>	<u>\$ 15,608,877</u>	<u>\$ 35,714,289</u>

**Net Pension Liability:**

The components of the net pension liabilities to be reported by the City in fiscal year 2019, measured as of the Plans' most recent fiscal year-end, September 30, 2018, were as follows:

	<b>General</b>		<b>Police</b>	<b>Total</b>
	<b>Employees' Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Officers' Pension Fund</b>	
Total pension liability	\$ 12,353,614	\$ 12,443,558	\$ 16,873,384	\$ 41,670,556
Plan fiduciary net position	<u>11,212,394</u>	<u>8,893,018</u>	<u>15,608,877</u>	<u>35,714,289</u>
City's net pension liability	<u>\$ 1,141,220</u>	<u>\$ 3,550,540</u>	<u>\$ 1,264,507</u>	<u>\$ 5,956,267</u>

Plan fiduciary net position as a percentage of the total pension liability	90.76%	71.47%	92.51%	85.71%
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**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

**E. Defined Contribution Plan**

The City of Lake Wales Money Purchase Plan, sponsored by the City, is a defined contribution plan available to upper level management of the City who elect not to participate in the defined benefit plan offered by the City. There are 3 active participants in the plan. The plan required City contributions of 4.9% and employee contribution of 5% for fiscal year ending September 30, 2018.

The funds are invested in life insurance, annuity contracts and a variable rate investment plan. The asset management charge is deducted from individual contracts, where applicable. Total pension contributions for the year ended September 30, 2018 were approximately \$43,438 (City's contribution of \$30,551, employees' contributions of \$12,887) on covered payroll of \$257,742. No pension provision changes occurred during the year that affected the City's required contribution. The vesting schedule allows 100% vesting immediately. At September 30, 2018 there were 8 participants vested in the plan with vested benefits of approximately \$366,130. The plan held no securities of the City or other related parties as of and for the year ended September 30, 2018.

**F. Risk Management**

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

The FMIT is governed by a board of elected officials and these officials approve an actuarially recommended premium structure based on loss experience. Losses, if any, in excess of FMIT's ability to assess its members would revert back to the member that incurred the loss. As of September 30, 2018, no additional assessments (premiums) 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.

**G. Joint Venture**

Background - The Polk Regional Water Cooperative (PRWC) was created on April 1, 2016 by a interlocal agreement between the City of Lake Wales, City of Auburndale, City of Bartow, City of Davenport, City of Eagle Lake, City of Fort Meade, City of Frostproof, City of Haines City, City of Lake Alfred, City of Lakeland, City of Mulberry, Polk City, City of Winter Haven, Town of Dundee, Town of Lake Hamilton and Polk County in accordance with Chapters 163 and 373 of the Florida Statutes. These local government units are collectively considered the Member Governments. The PRWC is a separate legal entity organized under the laws of the State of Florida, and the Member Governments have no equity ownership in the PRWC.

The PRWC is devoted to encouraging the development of fully integrated, robust public water supply systems comprised of diverse sources managed in a manner that take full advantage of Florida's intense climatic cycles to ensure reliable, sustainable and drought resistant systems which maximize the use of alternative water supplies to the greatest extent practicable. The PRWC will evaluate, plan and implement water projects and coordinate partnerships with other water users.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2018**

Membership fees - The terms of the interlocal agreement require each Member Government to contribute their proportionate share of the PRWC's annual working capital needs which are established annually by a resolution of the PRWC's Board of Directors. For the year ended September 30, 2018, the total annual working capital needs of the PRWC was \$195,000, of which the City's proportionate share was \$7,450.

Combined projects background - The Member Governments, except for the City of Frostproof, entered into a combined projects implementation agreement on March 16, 2017. This agreement established three combined projects to be pursued by the PRWC with a total estimated cost of \$23,000,000. The South West Florida Water Management District (SWFWMD) is funding 50% of the total estimated cost and the remainder is funded by the Member Governments based upon their average water use in comparison to the total average water use by all Member Governments.

Combined projects funding - The PRWC has entered into a state revolving fund (SRF) loan agreement with the State of Florida Department of Environmental Protection (FDEP) to borrow up to \$9,914,390 to assist Member Governments in meeting their local share of the total estimated combined project costs. Member Governments can elect to fund their local share of the project costs from their existing funds or participate in the SRF loan agreement. The City has elected to participate in the SRF loan agreement to fund their estimated local share (\$467,520) of the project costs and as a result have entered into an agreement with FDEP to guarantee the City's payment of their share of the SRF loan debt service requirements. The SRF loan bears interest at 1.89% and principal and interest are due semiannually beginning on December 15, 2024 for a ten-year term to maturity on December 15, 2033.

As of September 30, 2018, no SRF funds have been drawn by the PRWC. When funds are drawn by the PRWC, the proportionate share of the liabilities will be recorded as a City liability in the business-type activities/enterprise fund.

Litigation - The PRWC is involved with ongoing litigation with SWFWMD and the Peace Creek Manasota Regional Water Supply Authority. These litigation costs are being funded by the Member Governments based upon their pro-rata share of water use as compared to the water use of all Member Governments. The City's costs for this litigation for the year ended September 30, 2018 totaled \$6,112.

Contact - Complete financial statements of the PRWC may be obtained from the PRWC's Executive Director at 330 W. Church Street, P.O. Box 9005, Drawer CA01, Bartow, FL 33831-9005.



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**REQUIRED SUPPLEMENTARY INFORMATION**



**City of Lake Wales, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the year ended September 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,479,667	\$ 5,504,667	\$ 5,476,249	\$ (28,418)
Licenses and permits	1,490,500	1,565,500	1,800,458	234,958
Intergovernmental	1,924,601	1,904,601	2,262,890	358,289
Charges for services	2,860,562	2,972,562	3,004,279	31,717
Fines and forfeits	43,650	117,150	145,037	27,887
Investment earnings	10,000	10,000	12,068	2,068
Miscellaneous	33,988	88,988	120,064	31,076
<b>Total revenues</b>	<b>11,842,968</b>	<b>12,163,468</b>	<b>12,821,045</b>	<b>657,577</b>
<b>Expenditures</b>				
Current:				
General government:				
City commission	123,520	132,320	129,203	3,117
City manager	263,872	276,571	259,540	17,031
City clerk	96,413	96,413	72,427	23,986
Finance	346,898	348,898	331,033	17,865
Human resources	160,421	164,621	162,755	1,866
City attorney	65,125	65,125	44,787	20,338
Planning	272,356	272,356	228,923	43,433
Fleet maintenance	31,674	31,674	36,279	(4,605)
Facilities maintenance	206,674	206,674	183,734	22,940
Information services	217,625	217,625	214,615	3,010
Municipal building administration	64,202	85,202	75,695	9,507
Non-departmental	90,100	90,100	33,725	56,375
Support services	101,072	101,072	97,714	3,358
Public safety:				
Police	4,966,820	4,976,820	4,685,509	291,311
Fire	3,406,810	3,406,810	3,224,065	182,745
Building permits and inspections	94,818	94,818	123,472	(28,654)
Code Enforcement	134,380	136,080	132,604	3,476
Physical environment:				
Waste disposal	997,725	1,017,725	1,075,149	(57,424)
Lake conservation	8,000	8,000	-	8,000
Cemetery	153,328	153,628	117,179	36,449
Economic environment	135,537	135,537	130,000	5,537
Transportation	214,821	228,821	214,448	14,373
Human services	31,000	37,000	36,000	1,000
Culture and recreation:				
Parks division	1,169,783	1,234,783	1,199,785	34,998
Recreation facilities	640,839	641,339	745,644	(104,305)
Special events	56,716	56,716	49,773	6,943
Depot museum	211,001	226,201	218,861	7,340
<b>Total expenditures</b>	<b>\$ 14,261,530</b>	<b>\$ 14,442,929</b>	<b>\$ 13,822,919</b>	<b>\$ 620,010</b>

**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, 2018**  
*(Conclusion)*

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Deficiency of revenues under expenditures	\$ (2,418,562)	\$ (2,279,461)	\$ (1,001,874)	\$ 1,277,587
<b>Other financing sources (uses)</b>				
Note proceeds	810,308	810,308	572,239	(238,069)
Transfers in	1,195,000	1,195,000	1,195,000	-
Transfers out	(145,642)	(145,642)	(108,350)	37,292
Insurance recoveries	-	-	76,223	76,223
Sale of capital assets	2,000	2,000	203	(1,797)
Total other financing sources (uses)	<u>1,861,666</u>	<u>1,861,666</u>	<u>1,735,315</u>	<u>(126,351)</u>
<b>Net change in fund balance</b>	(556,896)	(417,795)	733,441	1,151,236
<b>Fund balances, beginning of year</b>	<u>3,564,824</u>	<u>3,564,824</u>	<u>3,564,824</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 3,007,928</u>	<u>\$ 3,147,029</u>	<u>\$ 4,298,265</u>	<u>\$ 1,151,236</u>

**City of Lake Wales, Florida**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Transportation Fund**  
**For the year ended September 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 811,726	\$ 811,726	\$ 844,684	\$ 32,958
Intergovernmental	142,703	142,703	141,923	(780)
Charges for services	133,066	133,066	141,740	8,674
Investment earnings	1,000	1,000	930	(70)
Miscellaneous	1,500	1,500	-	(1,500)
<b>Total revenues</b>	<u>1,089,995</u>	<u>1,089,995</u>	<u>1,129,277</u>	<u>39,282</u>
<b>Expenditures</b>				
Current:				
Transportation	<u>1,479,795</u>	<u>1,583,395</u>	<u>1,410,742</u>	<u>172,653</u>
<b>Total expenditures</b>	<u>1,479,795</u>	<u>1,583,395</u>	<u>1,410,742</u>	<u>172,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(389,800)</u>	<u>(493,400)</u>	<u>(281,465)</u>	<u>211,935</u>
<b>Other financing sources (uses)</b>				
Issuance of debt	<u>175,000</u>	<u>175,000</u>	<u>174,879</u>	<u>(121)</u>
<b>Total other financing sources (uses)</b>	<u>175,000</u>	<u>175,000</u>	<u>174,879</u>	<u>(121)</u>
<b>Net change in fund balance</b>	(214,800)	(318,400)	(106,586)	211,814
<b>Fund balances, beginning of year</b>	<u>508,472</u>	<u>508,472</u>	<u>508,472</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 293,672</u>	<u>\$ 190,072</u>	<u>\$ 401,886</u>	<u>\$ 211,814</u>

**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, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 770,433	\$ 770,433	\$ 773,567	\$ 3,134
Intergovernmental	769,530	769,530	772,470	2,940
Investment earnings	2,000	2,000	4,653	2,653
Miscellaneous revenue	-	75,000	75,000	-
<b>Total revenues</b>	<u>1,541,963</u>	<u>1,616,963</u>	<u>1,625,690</u>	<u>8,727</u>
<b>Expenditures</b>				
Current:				
Economic environment	<u>1,221,129</u>	<u>1,138,792</u>	<u>757,498</u>	<u>381,294</u>
<b>Total expenditures</b>	<u>1,221,129</u>	<u>1,138,792</u>	<u>757,498</u>	<u>381,294</u>
Excess of revenues over expenditures	<u>320,834</u>	<u>478,171</u>	<u>868,192</u>	<u>390,021</u>
<b>Other financing uses</b>				
Transfers out	<u>(670,485)</u>	<u>(756,822)</u>	<u>(756,822)</u>	<u>-</u>
<b>Total other financing uses</b>	<u>(670,485)</u>	<u>(756,822)</u>	<u>(756,822)</u>	<u>-</u>
<b>Net change in fund balance</b>	(349,651)	(278,651)	111,370	390,021
<b>Fund balances, beginning of year</b>	<u>1,393,382</u>	<u>1,393,382</u>	<u>1,393,382</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,043,731</u>	<u>\$ 1,114,731</u>	<u>\$ 1,504,752</u>	<u>\$ 390,021</u>

**City of Lake Wales, Florida**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**General Employees' Pension Plan**  
**Last 10 Fiscal Years**

City reporting period date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
<b>Total Pension Liability</b>					
Service cost	\$ 353,788	\$ 348,439	\$ 321,612	\$ 312,998	\$ 313,558
Interest	880,101	844,363	760,064	698,894	667,476
Differences between expected and actual experience	252,769	(182,488)	158,268	(17,979)	-
Changes of Assumptions	136,898	-	374,139	-	-
Contributions - Buy back	-	-	-	385,692	-
Benefit payments, including refunds of employee contributions	(544,582)	(564,473)	(541,909)	(655,950)	(494,203)
Net change in total pension liability	1,078,974	445,841	1,072,174	723,655	486,831
<b>Total pension liability - beginning</b>	<b>11,274,640</b>	<b>10,828,799</b>	<b>9,756,625</b>	<b>9,032,970</b>	<b>8,546,139</b>
<b>Total pension liability - ending</b>	<b>\$12,353,614</b>	<b>\$11,274,640</b>	<b>\$10,828,799</b>	<b>\$9,756,625</b>	<b>\$9,032,970</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 184,179	\$ 169,482	\$ 238,987	\$ 267,808	\$ 294,882
Contributions - Employee	187,939	184,030	175,726	159,410	155,201
Contributions - Buy backs	-	-	-	385,692	-
Net investment income (loss)	666,953	950,065	918,298	(94,331)	848,507
Benefit payments, including refunds of employee contributions	(545,412)	(563,643)	(541,909)	(655,936)	(495,954)
Administrative expense	(44,284)	(36,851)	(41,934)	(22,009)	(54,587)
<b>Net change in plan fiduciary net position</b>	<b>449,375</b>	<b>703,083</b>	<b>749,168</b>	<b>40,634</b>	<b>748,049</b>
<b>Plan fiduciary net position - beginning, as reported</b>	<b>10,763,019</b>	<b>10,059,936</b>	<b>9,310,768</b>	<b>9,270,134</b>	<b>8,339,975</b>
<b>Restatement of beginning net position (a)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>182,110</b>
<b>Plan fiduciary net position - ending</b>	<b>\$11,212,394</b>	<b>\$10,763,019</b>	<b>\$10,059,936</b>	<b>\$9,310,768</b>	<b>\$9,270,134</b>
<b>Net pension liability - ending</b>	<b>\$ 1,141,220</b>	<b>\$ 511,621</b>	<b>\$ 768,863</b>	<b>\$ 445,857</b>	<b>\$ (237,164)</b>
Plan fiduciary net position as a percentage of the total pension liability	90.76%	95.46%	92.90%	95.43%	102.63%
Covered payroll	\$ 3,758,773	\$ 3,680,602	\$ 3,514,557	\$3,651,542	\$3,104,032
Net pension liability as a percentage of covered payroll	30.36%	13.90%	21.88%	12.21%	-7.64%

(a) Removal of the obligation for DROP, which is separately disclosed but not recorded under GASB 67.

**Notes to Schedule:**

For the year ended September 30, 2018, amounts reported as changes of assumptions resulted from the following:

- The salary increase assumption was changed from 6.50% for all years of service to 10% for the first year of service and 4.5% for all other years.
- The investment return assumption was reduced from 7.75% to 7.50% per year.

For the year ended September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

For the year ended September 30, 2016, the inflation rate was lowered from 3.0% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**Note:** Information is not available for years preceding fiscal year 2014.

**City of Lake Wales, Florida**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Firefighters' Pension Plan**  
**Last 10 Fiscal Years**

City reporting period date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
<b>Total Pension Liability</b>					
Service cost	\$ 266,073	\$ 237,240	\$ 213,696	\$ 214,792	\$ 197,807
Interest	923,589	896,271	849,239	825,592	809,770
Differences between expected and actual experience	81,645	(70,642)	(139,447)	(70,554)	-
Share plan allocation	-	-	724	-	-
Changes in Benefit Terms	-	-	-	-	-
Changes of assumptions	(26,560)	-	340,853	-	-
Benefit payments, including refunds of employee contributions	(904,790)	(573,619)	(789,877)	(537,358)	(1,103,457)
Net change in total pension liability	339,957	489,250	475,188	432,472	(95,880)
<b>Total pension liability - beginning</b>	12,103,601	11,614,351	11,139,163	10,706,691	10,802,571
<b>Total pension liability - ending</b>	<u>\$ 12,443,558</u>	<u>\$ 12,103,601</u>	<u>\$ 11,614,351</u>	<u>\$ 11,139,163</u>	<u>\$ 10,706,691</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 455,648	\$ 411,611	\$ 373,680	\$ 390,377	\$ 394,982
Contributions - State	114,965	125,811	134,242	134,243	132,572
Contributions - Employee	81,013	77,257	70,978	66,407	63,503
Net investment income (loss)	540,534	729,125	722,458	(70,904)	675,710
Benefit payments, including refunds of employee contributions	(904,790)	(573,619)	(789,877)	(537,358)	(1,101,302)
Administrative expense	(63,958)	(53,515)	(63,628)	(51,457)	(45,836)
<b>Net change in plan fiduciary net position</b>	223,412	716,670	447,853	(68,692)	119,629
<b>Plan fiduciary net position - beginning, as reported</b>	8,669,606	7,952,936	7,505,083	7,573,775	6,747,553
<b>Restatement of beginning net position (a)</b>	-	-	-	-	706,593
<b>Plan fiduciary net position - ending</b>	<u>\$ 8,893,018</u>	<u>\$ 8,669,606</u>	<u>\$ 7,952,936</u>	<u>\$ 7,505,083</u>	<u>\$ 7,573,775</u>
<b>Net pension liability - ending</b>	<u>\$ 3,550,540</u>	<u>\$ 3,433,995</u>	<u>\$ 3,661,415</u>	<u>\$ 3,634,080</u>	<u>\$ 3,132,916</u>
Plan fiduciary net position as a percentage of the total pension liability	71.47%	71.63%	68.48%	67.38%	70.74%
Covered payroll	\$ 1,620,269	\$ 1,545,143	\$ 1,419,567	\$ 1,372,085	\$ 1,270,068
Net pension liability as a percentage of covered payroll	219.13%	222.24%	257.92%	264.86%	246.67%

(a) Removal of the obligation for DROP, which is separately disclosed but not recorded under GASB 67.

**Notes to Schedule:**

For the year ended September 30, 2018, the assumed rates of salary increases were amended from a flat 5.75% per year to a service based table which assumes a 10.0% increase following the year of employment, 7.50% increases per year in the next four years, and 4.50% increases per year thereafter.

For the year ended September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

For the year ended September 30, 2016, the inflation rate was lowered from 3.0% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**Note:** Information is not available for years preceding fiscal year 2014.

**City of Lake Wales, Florida**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Police Officers' Pension Plan**  
**Last 10 Fiscal Years**

City reporting period date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Measurement date	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
<b>Total Pension Liability</b>					
Service cost	\$ 484,141	\$ 457,088	\$ 421,452	\$ 439,663	\$ 417,622
Interest	1,281,973	1,244,658	1,170,401	1,125,422	1,064,424
Share plan allocation	13,118	9,083	5,983	-	-
Differences between expected and actual experience	(595,515)	(228,096)	(109,886)	(181,415)	-
Changes in Benefit Terms	-	-	-	-	-
Timing differences	-	-	-	-	-
Changes of assumptions	62,423	-	387,470	-	-
Contributions - buy back	-	-	58,016	-	-
Benefit payments, including refunds of employee contributions	(860,412)	(1,196,188)	(825,635)	(744,552)	(689,470)
Net change in total pension liability	385,728	286,545	1,107,801	639,118	792,576
<b>Total pension liability - beginning</b>	16,487,656	16,201,111	15,093,310	14,454,192	13,661,616
<b>Total pension liability - ending</b>	<u>\$ 16,873,384</u>	<u>\$ 16,487,656</u>	<u>\$ 16,201,111</u>	<u>\$ 15,093,310</u>	<u>\$ 14,454,192</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 489,776	\$ 471,415	\$ 429,834	\$ 419,527	\$ 490,676
Contributions - State	122,394	114,325	108,125	100,182	96,680
Contributions - Employee	119,874	118,654	172,173	106,063	108,368
Net investment income	931,772	1,274,464	1,256,859	(120,063)	1,153,544
Benefit payments, including refunds of employee contributions	(860,413)	(1,196,188)	(826,863)	(746,774)	(679,118)
Administrative expense	(75,189)	(64,545)	(67,326)	(66,726)	(52,141)
<b>Net change in plan fiduciary net position</b>	728,214	718,125	1,072,802	(307,791)	1,118,009
<b>Plan fiduciary net position - beginning, as reported</b>	14,880,663	14,162,538	13,089,736	13,397,527	12,187,247
<b>Restatement of beginning net position (a)</b>	-	-	-	-	92,271
<b>Plan fiduciary net position - ending</b>	<u>\$ 15,608,877</u>	<u>\$ 14,880,663</u>	<u>\$ 14,162,538</u>	<u>\$ 13,089,736</u>	<u>\$ 13,397,527</u>
<b>Net pension liability - ending</b>	<u>\$ 1,264,507</u>	<u>\$ 1,606,993</u>	<u>\$ 2,038,573</u>	<u>\$ 2,003,574</u>	<u>\$ 1,056,665</u>
Plan fiduciary net position as a percentage of the total pension liability	92.51%	90.25%	87.42%	86.73%	92.69%
Covered payroll	\$ 2,397,486	\$ 2,373,081	\$ 2,283,146	\$ 2,124,365	\$ 2,167,367
Net pension liability as a percentage of covered payroll	52.74%	67.72%	89.29%	94.31%	48.75%

(a) Removal of the obligation for DROP, which is separately disclosed but not recorded under GASB 67.

**Notes to Schedule:**

For the year ended September 30, 2018, amounts reported as changes of assumptions resulted from the following:

- The salary increase assumption was changed from 5.75% for all years of service to 10% for the first year of service and 5.0% for all other years.
- The investment return assumption was reduced from 7.75% to 7.70% per year.
- The assumed rates of withdrawal were amended from an age-based assumption to a service-based assumption.

For the year ended September 30, 2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

For the year ended September 30, 2016, the inflation rate was lowered from 3.0% to 2.5%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**Note:** Information is not available for years preceding fiscal year 2014.

**City of Lake Wales, Florida**  
**Schedule of Contributions**  
**General Employees' Pension Plan**  
**Last 10 Fiscal Years**

	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018
Actuarially Determined Contribution (A)	\$ 195,820	\$ 41,622	\$ 71,803	\$ 165,024	\$ 245,477	\$ 294,883	\$ 267,808	\$ 238,987	\$ 169,308	\$ 184,180
Interest on NPO	(9,027)	(8,303)	(7,414)	(6,623)	(5,926)	-	-	-	-	-
Adjustment to (A)	14,734	19,779	17,621	15,611	13,343	-	-	-	-	-
Annual Pension Cost	201,527	53,098	82,010	174,012	252,894	294,883	267,808	238,987	169,308	184,180
Contributions in Relation to the										
Actuarially Determined Contributions	195,820	41,622	71,803	165,024	245,477	294,883	238,987	238,987	169,482	184,179
Contribution Deficiency (Excess)	5,707	11,476	10,207	8,988	7,417	-	28,821	-	(174)	1
Covered Payroll	\$ 2,848,785	\$ 2,907,120	\$ 2,704,493	\$ 2,926,546	\$ 3,219,722	\$ 3,104,032	\$ 3,651,542	\$ 3,514,557	\$ 3,680,602	\$ 3,758,773
Contributions as a Percentage of										
Covered Payroll	6.87%	1.43%	2.65%	5.64%	7.62%	9.50%	6.54%	6.80%	4.60%	4.90%

**Notes to Schedule of Contributions**

Valuation Date 10/1/2016

Actuarial determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal  
Amortization Method: Level percentage of pay, closed  
Remaining Amortization Period: 30 years  
Actuarial Asset Method: 4-year average market value return, net of fees  
Inflation 2.50%  
Payroll Growth 1.55%  
Salary Increases: 6.5% per year until the assumed retirement age. Projected earnings at retirement are assumed to include individual accrued leave balances to account for non-regular compensation.  
Interest Rate: 7.75% per year, compounded annually, net of investment related expenses.  
Retirement Age: Age 60 and 10 years of service  
Mortality: Mortality rates were based on the RP-2000 tables for active, inactive and disabled males or females, as appropriate, with adjustments for mortality improvements based on Scale BB.

Termination and Disability Rates:

Age	20	30	40	50	60
% becoming disabled during the year	0.05%	0.06%	0.12%	0.43%	1.61%
% terminating during the year	46.32%	23.28%	13.14%	10.44%	10.44%



**City of Lake Wales, Florida**  
**Schedule of Contributions**  
**Firefighters' Pension Plan**  
**Last 10 Fiscal Years**

	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2011</u>	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>	<u>9/30/2018</u>
Actuarially Determined Contribution (A)	\$ 366,303	\$ 461,317	\$ 484,508	\$ 529,707	\$ 473,635	\$ 532,159	\$ 524,620	\$ 505,366	\$ 539,255	\$ 568,714
Interest on NPO	(5,808)	(5,917)	(5,943)	(5,690)	(5,277)	-	-	-	-	-
Adjustment to (A)	4,438	5,591	9,111	8,722	4,062	-	-	-	-	-
Annual Pension Cost	364,933	460,991	487,676	532,739	472,420	532,159	524,620	505,366	539,255	568,714
Contributions in Relation to the Actuarially Determined Contributions	366,303	461,317	484,508	529,707	473,635	532,159	524,620	507,922	537,422	570,613
Contribution Deficiency (Excess)	(1,370)	(326)	3,168	3,032	(1,215)	-	-	(2,556)	1,833	(1,899)
Covered Payroll	\$ 1,194,794	\$ 1,176,080	\$ 1,160,475	\$ 1,153,396	\$ 1,214,019	\$ 1,270,068	\$ 1,372,085	\$ 1,419,567	\$ 1,545,143	\$ 1,620,269
Contributions as a Percentage of Covered Payroll	30.66%	39.22%	41.75%	45.93%	39.01%	41.90%	38.24%	35.78%	34.78%	35.22%

**Notes to Schedule of Contributions**

Valuation Date 10/1/2016

Actuarial determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of pay, closed
Remaining Amortization Period:	30 years
Actuarial Asset Method:	4-year average market value return, net of fees
Inflation	2.50%
Payroll Growth	Up to 3.0% per year (3.0% for the 10/1/2016 valuation)
Salary Increases:	5.75% per year until the assumed retirement age. Projected earnings at retirement are assumed to include individual accrued leave balances to account for non-regular compensation.
Interest Rate:	7.75% per year, compounded annually, net of investment related expenses.
Retirement Age:	Earlier of age 55 and 10 years of credited service, or age 50 and 25 years of credited service.
Mortality:	Mortality rates were based on the RP-2000 tables for active, inactive and disabled males or females, as appropriate, with adjustments for mortality improvements based on Scale BB.

The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 9/30/2015 measurement period which includes DROP payroll.

Termination and Disability Rates:

Age	<u>20</u>	<u>30</u>	<u>40</u>	<u>50</u>
% becoming disabled during the year	0.14%	0.18%	0.30%	1.00%
% terminating during the year	6.00%	5.00%	2.60%	0.80%

**City of Lake Wales, Florida**  
**Schedule of Contributions**  
**Police Officers' Pension Plan**  
**Last 10 Fiscal Years**

	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018
Actuarially Determined Contribution (A)	\$ 447,008	\$ 623,601	\$ 541,275	\$ 699,733	\$ 508,870	\$ 587,357	\$ 519,709	\$ 531,976	\$ 576,659	\$ 592,179
Interest on NPO	(11,485)	(11,680)	(11,719)	(11,282)	(10,530)	-	-	-	-	-
Adjustment to (A)	9,044	11,198	17,182	16,435	8,318	-	-	-	-	-
Annual Pension Cost	444,567	623,119	546,738	704,886	506,658	587,357	519,709	531,976	576,659	592,179
Contributions in Relation to the										
Actuarially Determined Contributions	447,008	623,601	541,275	699,733	508,870	587,357	519,709	537,959	570,613	599,052
Contribution Deficiency (Excess)	(2,441)	(482)	5,463	5,153	(2,212)	-	-	(5,983)	6,046	(6,873)
Covered Payroll	\$ 2,140,829	\$ 2,245,228	\$ 2,119,040	\$ 1,940,719	\$ 2,178,365	\$ 2,167,367	\$ 2,124,365	\$ 2,283,146	\$ 2,373,081	\$ 2,397,486
Contributions as a Percentage of										
Covered Payroll	20.88%	27.77%	25.54%	36.06%	23.36%	27.10%	24.46%	23.56%	24.05%	24.99%

**Notes to Schedule of Contributions**

Valuation Date 10/1/2016

Actuarial determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry age normal

Amortization Method: Level percentage of pay, closed

Remaining Amortization Period: 30 years

Actuarial Asset Method: 4-year average market value return, net of fees

Inflation 2.50%

Payroll Growth Up to 5.0% per year (2.16% for the 10/1/2016 valuation)

Salary Increases: 5.75% per year until the assumed retirement age. Projected earnings at retirement are assumed to include individual accrued leave balances to account for non-regular compensation.

Interest Rate: 7.75% per year, compounded annually, net of investment related expenses.

Retirement Age: Earlier of age 55 and 10 years of credited service, or age 50 and 25 years of credited service.

Early Retirement: Age 50 with 10 years of credited service

Mortality: Mortality rates were based on the RP-2000 tables for active, inactive and disabled males or females, as appropriate, with adjustments for mortality improvements based on Scale BB.

**Termination and Disability Rates**

Termination and Disability Rates:	20	30	40	50
Age				
% becoming disabled during the year	0.14%	0.18%	0.30%	1.00%
% terminating during the year	6.00%	5.00%	2.60%	0.80%

**City of Lake Wales, Florida**  
**Schedule of Investment Returns**  
**Last 10 Fiscal Years**

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
<b>Firefighters' Pension Plan</b>					
Annual Money-Weighted Rate of Return net of Investment Expense	6.41%	9.25%	9.75%	-1.01%	9.51%
<b>General Employees' Pension Plan</b>					
Annual Money-Weighted Rate of Return net of Investment Expense	5.86%	9.71%	9.83%	-1.14%	10.18%
<b>Police Officers' Pension Plan</b>					
Annual Money-Weighted Rate of Return net of Investment Expense	6.28%	9.20%	9.59%	-0.97%	9.59%

Note: Information is not available for years preceding fiscal year 2014.

**City of Lake Wales, Florida**  
**Schedule of Changes in the Total OPEB Liability and Related Ratios**  
**Last 10 Fiscal Years**

Measurement date	9/30/2017
Reporting period ending	9/30/2018
<b>Total OPEB Liability</b>	
Service cost	\$ 27,720
Interest	12,429
Change in assumptions	(24,495)
Benefit payments	(19,291)
Net change in total OPEB liability	(3,637)
Total OPEB liability, beginning	388,039
Total OPEB liability, ending	\$ 384,402
Covered-employee payroll	\$ 7,146,077
Total OPEB liability as a percentage of covered-employee payroll	5.38%

Notes to Schedule:

No assets are being accumulated in a trust to pay for plan benefits.

Additional information will be provided annually until ten years of data is presented.

*Changes of Assumptions:*

The following discount rates are those used for each measurement date:

Measurement Date	Discount Rate
September 30, 2016	3.06%
September 30, 2017	3.64%



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## **SUPPLEMENTARY INFORMATION**

**City of Lake Wales, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2018**

	<b>Special Revenue Funds</b>					<b>Total</b>
	<b>Forfeitures 106</b>	<b>Library 110</b>	<b>Law</b>		<b>Capital Projects 330</b>	
			<b>Enforcement Block Grant 116</b>	<b>Street Lighting District 103</b>		
<b>Assets</b>						
Cash and cash equivalents	\$ 43,381	\$ 33,090	\$ -	\$ 5,792	\$ 11,874	\$ 94,137
Restricted cash and cash equivalents:						
Impact fee	-	116,444	-	-	643,116	759,560
Prepaid items	-	24,486	-	-	-	24,486
<b>Total assets</b>	<b>\$ 43,381</b>	<b>\$ 174,020</b>	<b>\$ -</b>	<b>\$ 5,792</b>	<b>\$ 654,990</b>	<b>\$ 878,183</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 5,778	\$ -	\$ -	\$ 21,979	\$ 27,757
Accrued liabilities	-	13,048	-	-	-	13,048
Due to other funds	-	-	-	-	32,877	32,877
<b>Total liabilities</b>	<b>-</b>	<b>18,826</b>	<b>-</b>	<b>-</b>	<b>54,856</b>	<b>73,682</b>
<b>Fund balances</b>						
Nonspendable:						
Inventory and prepaid	-	24,486	-	-	-	24,486
Restricted for:						
Law enforcement expenditures	43,381	-	-	-	-	43,381
Library expenditures	-	130,708	-	-	-	130,708
Street lighting expenditures	-	-	-	5,792	-	5,792
Capital projects	-	-	-	-	600,134	600,134
<b>Total fund balances</b>	<b>43,381</b>	<b>155,194</b>	<b>-</b>	<b>5,792</b>	<b>600,134</b>	<b>804,501</b>
<b>Total liabilities and fund balances</b>	<b>\$ 43,381</b>	<b>\$ 174,020</b>	<b>\$ -</b>	<b>\$ 5,792</b>	<b>\$ 654,990</b>	<b>\$ 878,183</b>

**City of Lake Wales, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2018**

	<u>Special Revenue Funds</u>					<u>Total</u>
	<u>Forfeitures 106</u>	<u>Library 110</u>	<u>Law Enforcement Block Grant 116</u>	<u>Street Lighting District 103</u>	<u>Capital Projects 330</u>	
<b>Revenues</b>						
Taxes	\$ -	\$ 355,580	\$ -	\$ -	\$ -	\$ 355,580
Intergovernmental	-	616,854	-	-	77,000	693,854
Fines and forfeits	6,334	-	-	-	-	6,334
Investment earnings	134	1,169	-	-	1,712	3,015
Impact fees	-	27,471	-	-	161,956	189,427
Miscellaneous	-	16,100	-	25	-	16,125
Total revenues	<u>6,468</u>	<u>1,017,174</u>	<u>-</u>	<u>25</u>	<u>240,668</u>	<u>1,264,335</u>
<b>Expenditures</b>						
Current:						
Public safety	20,410	-	-	-	-	20,410
Physical environment	-	-	-	13,551	-	13,551
Culture and recreation	-	1,003,477	-	-	-	1,003,477
Capital outlay	-	-	-	-	276,156	276,156
Total expenditures	<u>20,410</u>	<u>1,003,477</u>	<u>-</u>	<u>13,551</u>	<u>276,156</u>	<u>1,313,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,942)</u>	<u>13,697</u>	<u>-</u>	<u>(13,526)</u>	<u>(35,488)</u>	<u>(49,259)</u>
<b>Other financing sources</b>						
Transfers in	-	-	-	-	82,651	82,651
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,651</u>	<u>82,651</u>
Net change in fund balances	(13,942)	13,697	-	(13,526)	47,163	33,392
<b>Fund balances, beginning of year</b>	<u>57,323</u>	<u>141,497</u>	<u>-</u>	<u>19,318</u>	<u>552,971</u>	<u>771,109</u>
<b>Fund balances, end of year</b>	<u>\$ 43,381</u>	<u>\$ 155,194</u>	<u>\$ -</u>	<u>\$ 5,792</u>	<u>\$ 600,134</u>	<u>\$ 804,501</u>



**City of Lake Wales, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Debt Service Fund**  
**For the Year Ended September 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 346,700	\$ 346,700	\$ 346,700	\$ -
Impact fees	10,000	-	-	-
Total revenues	<u>356,700</u>	<u>346,700</u>	<u>346,700</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Principal	786,594	994,245	910,259	83,986
Interest and fiscal charges	263,385	278,685	300,049	(21,364)
Total expenditures	<u>1,049,979</u>	<u>1,272,930</u>	<u>1,210,308</u>	<u>62,622</u>
Deficiency of revenues under expenditures	<u>(693,279)</u>	<u>(926,230)</u>	<u>(863,608)</u>	<u>62,622</u>
<b>Other financing sources</b>				
Transfers in	670,485	756,822	756,822	-
Transfers out	-	-	(82,651)	(82,651)
Total other financing sources	<u>670,485</u>	<u>756,822</u>	<u>674,171</u>	<u>(82,651)</u>
<b>Net change in fund balance</b>	(22,794)	(169,408)	(189,437)	(20,029)
<b>Fund balances, beginning of year</b>	<u>1,154,353</u>	<u>1,154,353</u>	<u>1,154,353</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,131,559</u>	<u>\$ 984,945</u>	<u>\$ 964,916</u>	<u>\$ (20,029)</u>

**City of Lake Wales, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Forfeitures Fund**  
**For the Year Ended September 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and forfeits	\$ 20,000	\$ 20,000	\$ 6,334	\$ (13,666)
Investment earnings	-	-	134	134
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>6,468</u>	<u>(13,532)</u>
<b>Expenditures</b>				
Current:				
Public safety	<u>35,140</u>	<u>38,140</u>	<u>20,410</u>	<u>17,730</u>
Total expenditures	<u>35,140</u>	<u>38,140</u>	<u>20,410</u>	<u>17,730</u>
<b>Net change in fund balance</b>	(15,140)	(18,140)	(13,942)	4,198
<b>Fund balances, beginning of year</b>	<u>57,323</u>	<u>57,323</u>	<u>57,323</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 42,183</u>	<u>\$ 39,183</u>	<u>\$ 43,381</u>	<u>\$ 4,198</u>

**City of Lake Wales, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Library Fund**  
**For the Year Ended September 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 357,682	\$ 357,682	\$ 355,580	\$ (2,102)
Intergovernmental	565,000	616,000	616,854	854
Investment earnings	1,000	1,000	1,169	169
Impact fees	25,000	25,000	27,471	2,471
Miscellaneous	19,325	19,325	16,100	(3,225)
<b>Total revenues</b>	<u>968,007</u>	<u>1,019,007</u>	<u>1,017,174</u>	<u>(1,833)</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	1,040,282	1,060,182	1,003,477	56,705
<b>Total expenditures</b>	<u>1,040,282</u>	<u>1,060,182</u>	<u>1,003,477</u>	<u>56,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,008,289</u>	<u>2,079,189</u>	<u>2,020,651</u>	<u>(58,538)</u>
<b>Other financing sources</b>				
Transfers in	37,292	37,292	-	(37,292)
<b>Total other financing sources</b>	<u>37,292</u>	<u>37,292</u>	<u>-</u>	<u>(37,292)</u>
<b>Net change in fund balance</b>	(34,983)	(3,883)	13,697	(95,830)
<b>Fund balances, beginning of year</b>	<u>141,497</u>	<u>141,497</u>	<u>141,497</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 106,514</u>	<u>\$ 137,614</u>	<u>\$ 155,194</u>	<u>\$ 17,580</u>

**City of Lake Wales, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Law Enforcement Block Grant Fund**  
**For the Year Ended September 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 14,000	\$ 14,000	\$ -	\$ (14,000)
Investment earnings	-	-	-	-
Total revenues	<u>14,000</u>	<u>14,000</u>	<u>-</u>	<u>(14,000)</u>
<b>Expenditures</b>				
Current:				
Public safety	<u>14,000</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total expenditures	<u>14,000</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balances, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Lake Wales, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Street Lighting District Fund**  
**For the Year Ended September 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special Assessment	\$ 13,050	\$ -	\$ -	\$ -
Miscellaneous	-	-	25	25
Total revenues	<u>13,050</u>	<u>-</u>	<u>25</u>	<u>25</u>
<b>Expenditures</b>				
Current:				
Physical environment	<u>13,555</u>	<u>13,555</u>	<u>13,551</u>	<u>4</u>
Total expenditures	<u>13,555</u>	<u>13,555</u>	<u>13,551</u>	<u>4</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,605</u>	<u>13,555</u>	<u>13,576</u>	<u>21</u>
<b>Net change in fund balance</b>	(505)	(13,555)	(13,526)	29
<b>Fund balances, beginning of year</b>	<u>19,318</u>	<u>19,318</u>	<u>19,318</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 18,813</u>	<u>\$ 5,763</u>	<u>\$ 5,792</u>	<u>\$ 29</u>

**City of Lake Wales, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Capital Projects Fund**  
**For the Year Ended September 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 77,000	\$ 27,000
Investment earnings	-	-	1,712	1,712
Impact fees	105,000	133,000	161,956	28,956
<b>Total revenues</b>	<u>155,000</u>	<u>183,000</u>	<u>240,668</u>	<u>57,668</u>
<b>Expenditures</b>				
Capital outlay	260,963	335,963	276,156	59,807
<b>Total expenditures</b>	<u>260,963</u>	<u>335,963</u>	<u>276,156</u>	<u>59,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(105,963)</u>	<u>(152,963)</u>	<u>(35,488)</u>	<u>117,475</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	82,651	82,651	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>82,651</u>	<u>82,651</u>	<u>-</u>
<b>Net change in fund balance</b>	(105,963)	(70,312)	47,163	117,475
<b>Fund balances, beginning of year</b>	<u>552,971</u>	<u>552,971</u>	<u>552,971</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 447,008</u>	<u>\$ 482,659</u>	<u>\$ 600,134</u>	<u>\$ 117,475</u>

**Lake Wales Airport Authority**  
**City of Lake Wales, Florida**  
**Statement of Net Position**  
**September 30, 2018**

	<b>2018</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 30,356
Receivables (net of allowance for uncollectibles)	10,946
Restricted cash and cash equivalents:	
Unspent bond proceeds	1,319,348
Debt service reserve account	68,000
Inventories	35,129
Due from other governments	1,054,276
<b>Total Current Assets</b>	<b>2,518,055</b>
<b>Noncurrent Assets</b>	
Capital assets:	
Nondepreciable	6,718,404
Depreciable, net	7,472,217
<b>Total Noncurrent Assets</b>	<b>14,190,621</b>
<b>Total Assets</b>	<b>16,708,676</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	1,038
Construction payable	824,544
Accrued liabilities	1,232
Accrued interest	13,250
Accrued compensated absences	174
Deposits	5,600
Due to primary government	1,150,245
Current portion of long-term debt	81,416
<b>Total Current Liabilities</b>	<b>2,077,499</b>
<b>Noncurrent liabilities</b>	
Accrued compensated absences	1,569
Notes and lease obligations payable - noncurrent	1,773,467
<b>Total noncurrent liabilities</b>	<b>1,775,036</b>
<b>Total Liabilities</b>	<b>3,852,535</b>
<b>Net Position</b>	
Net investment in capital assets	12,830,542
Restricted for debt service	54,750
Unrestricted (deficit)	(29,151)
<b>Total Net Position</b>	<b>\$ 12,856,141</b>

**Lake Wales Airport Authority**  
**City of Lake Wales, Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended September 30, 2018**

	<b>2018</b>
<b>Operating Revenues</b>	
Charges for services	\$ 400,686
<b>Operating Expenses</b>	
Personnel services	97,410
Contractual services	16,110
Repairs and maintenance	16,057
Materials and supplies	208,056
General and administrative	88,692
Depreciation	519,680
Total operating expenses	946,005
<b>Operating Loss</b>	(545,319)
<b>Nonoperating revenues (expenses)</b>	
Interest expense and fiscal charges	(96,617)
Interest income	3,058
Total nonoperating expenses	(93,559)
Loss before contributions and transfers	(638,878)
<b>Capital Contributions</b>	
Grants	3,232,622
From City of Lake Wales	179,821
Total capital contributions	3,412,443
<b>Change in Net Position</b>	2,773,565
<b>Total Net Position, Beginning of Year</b>	10,082,576
<b>Total Net Position, End of Year</b>	\$ 12,856,141



**Lake Wales Airport Authority**  
**City of Lake Wales, Florida**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2018**

	<b>2018</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 392,299
Cash payments for employee services	(96,001)
Cash payments to suppliers	(347,055)
Net cash used in operating activities	(50,757)
<b>Cash flows from capital and related financing activities</b>	
Capital grants	2,382,088
Capital contributions from City of Lake Wales (net)	915,891
Acquisition and construction of capital assets	(3,701,444)
Debt issuance proceeds	1,868,650
Payments of interest	(83,367)
Principal payment on long-term debt	(13,767)
Net cash provided by capital and related financing activities	1,368,051
<b>Cash flows from investing activities</b>	
Investment income	3,058
Net cash provided by investing activities	3,058
<b>Net increase in cash and cash equivalents</b>	1,320,352
<b>Cash and cash equivalents, beginning of year</b>	97,352
<b>Cash and cash equivalents, end of year</b>	\$ 1,417,704
<b>Reconciliation of cash and cash equivalents to statement of net position</b>	
Cash and cash equivalents	\$ 30,356
Restricted cash and cash equivalents	1,387,348
<b>Total cash and cash equivalents, end of year</b>	\$ 1,417,704
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (545,319)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	519,680
(Increase) decrease in assets:	
Accounts receivable	(8,123)
Inventories	(15,368)
Increase (decrease) in liabilities:	
Accounts payable	(2,772)
Accrued liabilities	(334)
Compensated absences	1,743
Deposits	1,917
Unearned revenues	(2,181)
<b>Net cash used in operating activities</b>	\$ (50,757)
<b><u>Supplemental Disclosure of Noncash Transactions</u></b>	
None	\$ -

**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.*



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**City of Lake Wales, Florida  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year									
	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 14,626,172	\$ 15,123,821	\$ 14,412,716	\$ 14,610,965	\$ 14,973,405	\$ 15,575,570	\$ 15,600,248	\$ 15,848,115	\$ 15,671,679	\$ 16,222,093
Restricted	4,579,237	4,431,294	3,606,811	3,221,380	2,768,005	2,874,458	2,242,316	2,495,170	3,813,419	3,651,569
Unrestricted	2,329,160	2,875,420	2,465,425	1,758,076	1,510,997	205,608	(2,238,048)	(1,619,543)	(1,240,080)	(900,914)
Total governmental activities net position	<u>21,534,569</u>	<u>22,430,535</u>	<u>20,484,952</u>	<u>19,590,421</u>	<u>19,252,407</u>	<u>18,655,636</u>	<u>15,604,516</u>	<u>16,723,742</u>	<u>18,245,018</u>	<u>18,972,748</u>
<b>Business-type activities</b>										
Net investment in capital assets	17,897,798	17,430,569	19,802,017	21,421,022	22,004,309	24,240,474	24,566,866	25,806,028	27,848,331	28,212,408
Restricted	754,399	2,145,793	2,426,057	2,589,379	2,773,953	2,786,545	3,582,332	3,772,396	2,888,137	3,290,839
Unrestricted	738,175	523,332	1,331,958	993,441	1,365,077	169,003	738,546	1,072,128	2,302,087	3,270,530
Total business-type activities in net position	<u>19,390,372</u>	<u>20,099,694</u>	<u>23,560,032</u>	<u>25,003,842</u>	<u>26,143,339</u>	<u>27,196,022</u>	<u>28,887,744</u>	<u>30,650,552</u>	<u>33,038,555</u>	<u>34,773,777</u>
<b>Primary government</b>										
Net investment in capital assets	32,523,970	32,554,390	34,214,733	36,031,987	36,977,714	39,816,044	40,167,114	41,654,143	43,520,010	44,434,501
Restricted	5,333,636	6,577,087	6,032,868	5,810,759	5,541,958	5,661,003	5,824,648	6,267,566	6,701,556	6,942,408
Unrestricted	3,067,335	3,398,752	3,797,383	2,751,517	2,876,074	374,611	(1,499,502)	(547,415)	1,062,007	2,369,616
Total primary government net position	<u>\$ 40,924,941</u>	<u>\$ 42,530,229</u>	<u>\$ 44,044,984</u>	<u>\$ 44,594,263</u>	<u>\$ 45,395,746</u>	<u>\$ 45,851,658</u>	<u>\$ 44,492,260</u>	<u>\$ 47,374,294</u>	<u>\$ 51,283,573</u>	<u>\$ 53,746,525</u>

**City of Lake Wales, Florida**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	9/30/2009 <sup>(1)</sup>	9/30/2010 <sup>(2)</sup>	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015 <sup>(3)</sup>	9/30/2016 <sup>(4)</sup>	9/30/2017	9/30/2018 <sup>(5)</sup>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,444,334	\$ 1,354,698	\$ 1,461,907	\$ 1,214,450	\$ 1,170,638	\$ 1,217,965	\$ 1,080,211	\$ 1,226,946	\$ 1,399,216	\$ 1,372,964
Public safety	7,197,292	7,647,887	7,340,512	7,309,111	7,134,069	7,548,733	7,005,129	7,816,386	8,501,991	8,470,373
Physical environment	963,588	1,204,112	1,211,193	1,020,413	941,419	745,501	1,089,770	1,071,354	1,145,447	747,777
Transportation	1,515,164	1,548,696	1,570,751	1,609,153	1,558,117	1,647,003	1,841,706	1,767,102	1,807,487	2,261,161
Economic environment	580,616	532,987	506,936	483,785	456,091	344,886	320,428	414,110	441,868	945,327
Human services	20,636	20,634	20,635	64,633	16,704	15,634	10,174	10,174	10,174	10,174
Culture and recreation	2,291,706	2,337,296	2,354,841	2,256,121	2,317,252	2,707,191	2,338,582	2,523,366	2,648,493	2,809,125
Interest on long term debt	767,787	675,004	605,706	543,766	457,347	455,554	356,781	345,798	288,519	304,789
Total governmental activities expenses	14,781,123	15,321,314	15,072,481	14,501,432	14,051,637	14,682,467	14,042,781	15,175,236	16,243,195	16,921,690
Business-type activities:										
Water and wastewater	5,024,906	5,285,512	4,731,031	4,933,817	5,195,033	6,271,228	5,111,658	5,579,359	5,761,569	6,154,074
LWMG Cemetery	-	-	-	-	-	-	7,255	88,200	87,818	113,696
Total business-type activities	5,024,906	5,285,512	4,731,031	4,933,817	5,195,033	6,271,228	5,118,913	5,667,559	5,849,387	6,267,770
Total primary government expenses	19,806,029	20,606,826	19,803,512	19,435,249	19,246,670	20,953,695	19,161,694	20,842,795	22,092,582	23,189,460
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
General government	17,429	30,704	69,395	74,304	60,774	68,363	60,425	108,638	87,896	28,779
Public safety	624,776	872,049	700,165	594,963	720,995	862,226	1,001,802	1,761,549	2,240,193	1,963,802
Physical environment	1,120,801	1,125,826	1,152,546	1,029,093	1,073,028	1,061,209	1,122,696	1,189,190	1,156,756	1,219,272
Transportation	97,247	97,750	105,543	107,530	108,418	109,168	114,342	133,323	138,546	141,740
Culture and recreation	47,050	86,184	146,054	55,266	85,137	104,019	104,416	98,304	196,119	108,267
Operating grants and contributions	772,085	811,508	785,447	707,516	713,964	740,250	845,228	1,147,668	1,351,175	1,378,257
Capital grants and contributions	55,401	408,721	888,272	24,761	26,593	105,731	169,913	15,139	15,724	78,477
Total governmental activities program revenues	2,734,789	3,432,742	3,847,422	2,593,433	2,788,909	3,050,966	3,418,822	4,453,811	5,186,409	4,918,594
Business -type activities:										
Charges for services:										
Water and wastewater	6,025,162	6,125,465	6,303,592	6,514,807	6,549,910	6,649,031	7,002,296	7,860,703	8,134,261	8,329,706
LWMG Cemetery	-	-	-	-	-	-	6,079	61,181	46,351	78,162
Capital grants and contributions	159,572	383,974	512,411	398,506	399,621	981,217	307,801	345,382	914,886	426,344
Total business-type activities program revenues	6,184,734	6,509,439	6,816,003	6,913,313	6,949,531	7,630,248	7,316,176	8,267,266	9,095,498	8,834,212
Total primary government program revenues	8,919,523	9,942,181	10,663,425	9,506,746	9,738,440	10,681,214	10,734,998	12,721,077	14,281,907	13,752,806
<b>Net (expenditures) revenues</b>										
Governmental activities	(12,046,334)	(11,888,572)	(11,225,059)	(11,907,999)	(11,262,728)	(11,631,501)	(10,623,959)	(10,721,425)	(11,056,786)	(12,003,096)
Business-type activities	1,159,828	1,223,927	2,084,972	1,979,496	1,754,498	1,359,020	2,197,263	2,599,707	3,246,111	2,566,442
Total primary government net(expenses) revenues	(10,886,506)	(10,664,645)	(9,140,087)	(9,928,503)	(9,508,230)	(10,272,481)	(8,426,696)	(8,121,718)	(7,810,675)	(9,436,654)

	Fiscal Year									
	9/30/2009 <sup>(1)</sup>	9/30/2010 <sup>(2)</sup>	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015 <sup>(3)</sup>	9/30/2016 <sup>(4)</sup>	9/30/2017	9/30/2018 <sup>(5)</sup>
<b>General revenues and other changes in net assets</b>										
Governmental activities:										
Taxes:										
Property taxes	7,148,427	6,427,817	5,239,552	5,123,146	5,101,801	5,130,461	5,159,264	4,900,523	5,122,114	5,452,835
Franchise fees	1,247,248	1,368,738	1,273,566	1,198,360	1,098,866	1,221,973	1,268,042	1,216,849	1,202,764	1,270,749
Public service taxes	1,429,708	1,580,190	1,531,338	1,465,024	1,523,497	1,612,772	1,603,537	1,672,772	1,687,888	1,718,285
Communication service taxes	684,620	588,111	556,166	543,749	524,187	483,337	467,312	469,080	467,274	454,353
Gas taxes	633,491	630,798	603,823	603,415	615,111	703,120	739,144	786,555	810,953	844,684
Local business tax	79,325	77,009	74,292	75,154	76,561	70,763	72,034	70,015	72,316	68,133
State and county shared revenues	943,024	904,179	934,042	1,050,977	1,097,472	1,169,636	1,256,194	1,359,612	1,404,292	1,493,372
Investment earnings	75,140	94,987	54,322	31,156	16,366	8,986	6,695	8,998	14,816	19,214
Insurance recoveries	12,304	71,463	42,151	9,774	6,947	11,704	15,176	1,825	4,669	76,223
Gain/(loss) on disposal of capital assets	-	42,409	(62,971)	23,637	16,798	1,016	(17,721)	40,580	610,380	-
Contribution	-	-	-	-	31,107	100	-	-	-	-
Miscellaneous revenue	231,145	158,665	92,282	61,076	93,557	117,862	130,787	67,232	100,366	180,882
Transfers	(2,030,282)	790,672	(1,059,087)	828,000	828,000	503,000	798,128	1,046,718	1,080,230	1,086,650
<b>Total governmental activities</b>	<b>10,454,150</b>	<b>12,735,038</b>	<b>9,279,476</b>	<b>11,013,468</b>	<b>11,030,270</b>	<b>11,034,730</b>	<b>11,498,592</b>	<b>11,640,759</b>	<b>12,578,062</b>	<b>12,665,380</b>
Business-type activities:										
Investment earnings	9,844	24,662	32,293	26,480	8,678	7,496	6,783	12,071	11,209	18,792
Gain/(loss) on disposal of capital assets	-	7,390	15,393	-	3,261	-	(6,624)	420	-	-
Miscellaneous revenue	245,117	244,015	268,593	265,834	238,245	189,167	200,744	197,328	210,913	221,782
Transfers	2,030,282	(790,672)	1,059,087	(828,000)	(828,000)	(503,000)	(798,128)	(1,046,718)	(1,080,230)	(1,086,650)
<b>Total business-type activities</b>	<b>2,285,243</b>	<b>(514,605)</b>	<b>1,375,366</b>	<b>(535,686)</b>	<b>(577,816)</b>	<b>(306,337)</b>	<b>(597,225)</b>	<b>(836,899)</b>	<b>(858,108)</b>	<b>(846,076)</b>
<b>Total primary government</b>	<b>12,739,393</b>	<b>12,220,433</b>	<b>10,654,842</b>	<b>10,477,782</b>	<b>10,452,454</b>	<b>10,728,393</b>	<b>10,901,367</b>	<b>10,803,860</b>	<b>11,719,954</b>	<b>11,819,304</b>
<b>Change in net position</b>										
Governmental activities	(1,592,184)	846,466	(1,945,583)	(894,531)	(232,458)	(596,771)	874,633	919,334	1,521,276	662,284
Business-type activities	3,445,071	709,322	3,460,338	1,443,810	1,176,682	1,052,683	1,600,038	1,762,808	2,388,003	1,720,366
<b>Total primary government</b>	<b>\$ 1,852,887</b>	<b>\$ 1,555,788</b>	<b>\$ 1,514,755</b>	<b>\$ 549,279</b>	<b>\$ 944,224</b>	<b>\$ 455,912</b>	<b>\$ 2,474,671</b>	<b>\$ 2,682,142</b>	<b>\$ 3,909,279</b>	<b>\$ 2,382,650</b>

(1) - 2009 reported a prior period adjustment decrease to business-type activities of \$43,416.

(2) - 2010 reported a prior period adjustment increase to governmental activities of \$49,500.

(3) - 2015 reported a prior period adjustment decrease to governmental activities of \$3,925,753 and a increase to business-type activities of \$91,684

(4) - 2016 reported a prior period adjustment increase in governmental activities of \$199,892

(5) - 2018 reported a prior period adjustment increase to governmental activities of \$65,446 and a increase to business-type activities of \$14,856.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General fund</b>										
Reserved	\$ 471,950	\$ 314,820								
Unreserved, designated	1,042,442	1,056,957								
Unreserved, undesignated	1,468,618	2,099,390								
Total general fund	<u>2,983,010</u>	<u>3,471,167</u>								
<b>All other governmental funds</b>										
Reserved	6,295,542	6,236,772								
Unreserved reported in:										
Special revenue funds	-	(4,693)								
Capital projects funds	-	-								
Total all other governmental funds	<u>\$ 6,295,542</u>	<u>\$ 6,232,079</u>								
			<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>General fund</b>										
Nonspendable										
Inventory and Prepaid			\$ 52,500	\$ 177,812	\$ 161,490	\$ 133,694	\$ 91,834	\$ 97,256	\$ 260,083	\$ 289,680
Committed										
Cemetery expenditures			-	-	-	-	-	28,086	28,086	-
Tree replacement expenditures			-	-	-	-	-	67,493	67,493	-
Assigned										
Subsequent years' expenditure			480,658	416,670	739,053	-	-	-	-	1,296,074
Unassigned			2,405,383	1,602,544	1,079,413	1,076,439	2,212,543	2,892,676	3,209,162	2,712,511
Total general fund			<u>2,938,541</u>	<u>2,197,026</u>	<u>1,979,956</u>	<u>1,210,133</u>	<u>2,304,377</u>	<u>3,085,511</u>	<u>3,564,824</u>	<u>4,298,265</u>
<b>All other governmental funds</b>										
Nonspendable										
Inventory and Prepaid			-	14,270	4,605	15,499	6,533	33,730	13,897	24,486
Restricted for:										
Library expenditures			429,949	363,617	208,159	108,048	117,869	81,244	127,600	130,708
Law enforcement expenditures			746	23,758	48,928	35,135	29,176	67,473	57,323	43,381
Transportation expenditures			51,748	63,843	98,908	198,565	253,252	332,984	508,472	401,886
Community redevelopment expenditures			983,683	726,787	353,867	169,341	149,586	210,468	1,393,382	1,504,752
Street lighting expenditures			2,127	352	6,840	14,580	15,782	17,154	19,318	5,792
Debt service			1,951,563	1,948,728	1,932,558	1,948,424	1,252,676	1,322,116	1,154,353	964,916
Capital projects			483,013	341,412	1,876,572	696,476	423,975	463,731	552,971	600,134
Assigned										
Capital projects			8,219	-	-	-	-	-	-	-
Total all other governmental funds			<u>\$ 3,911,048</u>	<u>\$ 3,482,767</u>	<u>\$ 4,530,437</u>	<u>\$ 3,186,068</u>	<u>\$ 2,248,849</u>	<u>\$ 2,528,900</u>	<u>\$ 3,827,316</u>	<u>\$ 3,676,055</u>

Note: In FY 2011, the City implemented GASB 54, under which governmental fund balances are reported as nonspendable, restricted, assigned, unassigned, and committed. Prior year numbers are not restated.

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Taxes	\$ 8,806,899	\$ 8,309,070	\$ 7,364,962	\$ 7,330,959	\$ 7,401,434	\$ 7,641,409	\$ 7,595,065	\$ 7,372,285	\$ 7,574,308	\$ 7,796,780
Special assessment	-	-	12,387	11,212	19,050	21,218	14,830	14,823	15,624	-
Licenses and permits	1,478,370	1,719,720	1,542,751	1,398,707	1,370,028	1,600,762	1,647,600	1,643,803	1,770,272	1,800,458
Intergovernmental	2,945,190	3,143,948	3,320,211	2,327,699	2,322,091	2,567,234	2,773,856	3,056,649	3,226,070	3,871,137
Charges for services	1,911,990	1,885,734	1,897,737	1,906,420	1,924,140	1,903,900	2,029,255	3,012,228	3,247,682	3,146,019
Fines and forfeitures	101,546	50,951	58,692	40,588	63,156	58,592	96,583	108,072	136,491	151,371
Interest and miscellaneous	364,596	499,594	368,837	186,044	250,255	311,885	402,638	255,736	444,049	421,282
<b>Total revenues</b>	<b>15,608,591</b>	<b>15,609,017</b>	<b>14,565,577</b>	<b>13,201,629</b>	<b>13,350,154</b>	<b>14,105,000</b>	<b>14,559,827</b>	<b>15,463,596</b>	<b>16,414,496</b>	<b>17,187,047</b>
<b>Expenditures</b>										
Current:										
General government	1,783,559	1,570,053	1,695,130	1,584,817	1,533,286	1,503,113	1,522,961	1,591,291	1,904,199	1,870,430
Public safety	6,828,950	7,398,705	6,983,033	6,989,426	6,923,945	7,314,126	7,158,859	7,778,626	8,390,048	8,186,060
Physical environment	960,310	1,290,902	1,955,822	977,589	998,144	1,032,401	1,083,605	1,046,112	1,110,708	1,205,879
Transportation	1,905,876	729,046	783,120	816,012	723,580	783,519	1,024,348	1,091,184	1,129,684	1,625,190
Economic environment	553,994	504,877	480,816	455,627	456,935	341,333	306,478	413,478	498,908	923,498
Human services	6,000	6,000	6,000	50,000	2,070	1,000	-	-	-	-
Culture and recreation	2,073,895	2,618,050	2,274,531	1,909,602	2,100,893	2,419,371	2,121,724	2,442,606	2,492,316	3,217,540
Debt service:										
Principal	1,281,267	1,314,339	1,668,163	1,729,272	1,710,589	1,741,418	1,842,290	1,484,637	1,511,401	910,259
Interest and fiscal charges	609,246	618,964	594,010	523,840	466,078	430,585	377,209	333,629	305,613	300,049
Capital outlay	275,949	37,931	10,000	196,650	274,963	1,254,503	817,123	80,038	119,499	276,156
<b>Total expenditures</b>	<b>16,279,046</b>	<b>16,088,867</b>	<b>16,450,625</b>	<b>15,232,835</b>	<b>15,190,483</b>	<b>16,821,369</b>	<b>16,254,597</b>	<b>16,261,601</b>	<b>17,462,376</b>	<b>18,515,061</b>
Excess (deficiency) of revenues over (under) expenditures	(670,455)	(479,850)	(1,885,048)	(2,031,206)	(1,840,329)	(2,716,369)	(1,694,770)	(798,005)	(1,047,880)	(1,328,014)
<b>Other financing sources (uses)</b>										
Lease proceeds	-	-	-	-	1,819,184	86,457	-	-	-	-
Proceeds from issuance of debt	1,870,300	-	-	-	-	-	790,560	693,513	755,648	747,118
Principal - current refunding	(138,526)	-	-	-	-	-	-	-	-	-
Payments to refunding escrow	(2,043,014)	-	-	-	-	-	-	-	-	-
Insurance recoveries	12,304	71,463	42,150	9,774	6,947	11,704	15,176	1,825	4,669	76,223
Sale of capital assets	-	42,409	48,328	23,636	16,798	1,016	26,059	117,134	985,062	203
Transfers in	3,425,521	2,902,828	2,129,024	1,108,876	1,968,812	2,089,038	2,316,638	2,001,028	1,854,306	2,034,473
Transfers out	(5,455,803)	(2,112,156)	(3,188,111)	(280,876)	(1,140,812)	(1,586,038)	(1,296,638)	(954,310)	(774,076)	(947,823)
<b>Total other financing sources (uses)</b>	<b>(2,329,218)</b>	<b>904,544</b>	<b>(968,609)</b>	<b>861,410</b>	<b>2,670,929</b>	<b>602,177</b>	<b>1,851,795</b>	<b>1,859,190</b>	<b>2,825,609</b>	<b>1,910,194</b>
<b>Net change in fund balances</b>	<b>\$ (2,999,673)</b>	<b>\$ 424,694</b>	<b>\$ (2,853,657)</b>	<b>\$ (1,169,796)</b>	<b>\$ 830,600</b>	<b>\$ (2,114,192)</b>	<b>\$ 157,025</b>	<b>\$ 1,061,185</b>	<b>\$ 1,777,729</b>	<b>\$ 582,180</b>
Debt Service as a percentage of noncapital expenditures	16.87%	13.50%	14.63%	16.06%	14.63%	13.29%	14.92%	12.15%	11.34%	7.38%



**City of Lake Wales, Florida**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Franchise Fees</b>	<b>Public Service Tax</b>	<b>Communication Service Tax</b>	<b>Fuel Taxes</b>	<b>Local Business Tax</b>	<b>Totals</b>
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
2012	5,123,146	1,198,360	1,465,024	543,749	603,415	75,154	9,008,848
2013	5,101,801	1,098,866	1,523,497	524,187	615,111	76,561	8,940,023
2014	5,130,461	1,221,973	1,612,772	483,337	703,120	70,763	9,222,426
2015	5,159,264	1,268,042	1,603,537	467,312	739,144	72,034	9,309,333
2016	4,900,523	1,216,849	1,672,772	469,080	786,555	70,015	9,115,794
2017	5,122,114	1,202,764	1,687,888	467,274	810,953	72,316	9,363,309
2018	5,452,835	1,270,748	1,718,285	454,353	844,684	68,133	9,809,038

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Centrally Assessed Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Assessed Valuation</b>	<b>Total Direct Rate</b>	<b>Estimated Actual Value</b>	<b>Assessed Value<sup>(1)</sup> as a Percentage of Actual Value</b>
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%
2012	758,970	81,092	517	276,571	564,008	8.5119	974,515	86.26%
2013	774,265	79,045	517	290,745	563,082	8.5866	990,462	86.20%
2014	797,750	80,803	496	296,599	582,450	8.3638	1,019,828	86.20%
2015	798,982	107,500	497	284,591	622,388	7.3638	1,047,976	86.55%
2016	838,628	101,096	552	300,401	639,875	7.3273	1,088,269	86.40%
2017	886,259	107,225	623	303,049	691,058	7.0438	1,150,506	86.41%
2018	914,102	108,906	708	291,847	731,869	7.0438	1,185,028	86.39%

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)**

<b>Fiscal Year</b>	<b>Direct Rate</b>	<b>Overlapping Rates</b>				<b>Total</b>
	<b>City of Lake Wales</b>	<b>County of Polk</b>	<b>Polk County School Board</b>	<b>Peace River Basin</b>	<b>South West Florida Water Management District</b>	
2009	7.3277	6.8665	7.5860	0.1827	0.3866	22.3495
2010	7.3277	6.8665	7.7920	0.1827	0.3770	22.5459
2011	7.9998	6.8665	7.6700	N/A *	0.3928	22.9291
2012	8.5119	6.8665	7.4920	N/A *	0.3928	23.2632
2013	8.5866	6.8665	7.5470	N/A *	0.3818	23.3819
2014	8.3638	6.8665	7.2080	N/A *	0.3658	22.8041
2015	7.3638	6.7815	7.1490	N/A *	0.3488	21.6431
2016	7.3273	6.7815	6.7970	N/A *	0.3317	21.2375
2017	7.0438	6.7815	6.5140	N/A *	0.3317	20.6710
2018	7.0438	6.7815	6.5140	N/A *	0.3131	20.6524

The overlapping rate represents agencies which have taxing authority within the area. These rates plus the City direct rate is the total millage 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](http://www.polktaxes.com), Property Taxes, Millage Rates & Fees

**City of Lake Wales, Florida  
Principal Property Taxpayers  
Fiscal Year Ended September 30, 2018**

Taxpayer	2018			2009		
	Rank	Total Assessed Valuation	Percentage of Total Taxable Assessed Value	Rank	Total Assessed Valuation	Percentage of Total Taxable Assessed Value
Publix Super Markets	1	\$ 20,495,585	2.80%	9	\$ 5,965,450	0.78%
Duke Energy	2	19,628,674	2.68%			
CRF II LTD	3	14,888,591	2.03%	7	8,137,821	1.07%
Lake Wales Hospital Corp	4	14,735,780	2.01%	2	15,841,878	2.08%
Preserve at Lake Wales Inc	5	14,383,290	1.97%			
Walmart	6	10,145,016	1.39%	4	11,893,342	1.56%
Lake Wales Retirement Center Inc	7	13,680,125	1.87%			
Lowes	8	6,891,382	0.94%			
Stockbridge Madison LLC	9	6,400,954	0.87%			
Kegal LLC	10	5,901,988	0.81%			
Eagle Ridge Mall LP				1	38,646,781	5.07%
Florida Power Corporation				3	15,353,181	2.01%
Verizon Florida				5	10,474,194	1.37%
DDRM Shoppes on the Ridge LLC				6	9,858,379	1.29%
Lake Ashton Development Group LLC				8	6,102,803	0.80%
Kegel LLC				10	5,893,188	0.77%
		<u>\$ 127,151,385</u>	<u>17.37%</u>		<u>\$ 128,167,017</u>	<u>16.80%</u>
Total Assessed Valuation		<u>\$ 731,869,645</u>			<u>\$ 763,015,264</u>	

Source: Polk County Property Appraiser

N/A - Not available

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

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Levy Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collection</b>	<b>Total Tax Collections</b>	<b>Percent Total Collections To Levy</b>
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%
2012	4,805,346	4,582,454	95.36%	59,962	4,642,416	96.61%
2013	4,834,971	4,597,660	95.09%	83,980	4,681,640	96.83%
2014	4,836,682	4,657,071	96.29%	40,553	4,697,624	97.12%
2015	4,843,338	4,689,790	96.83%	22,965	4,712,755	97.30%
2016	4,498,652	4,351,685	96.73%	17,700	4,369,385	97.13%
2017	4,676,205	4,520,948	96.68%	10,294	4,531,242	96.90%
2018	4,852,742	4,691,717	96.68%	7,264	4,698,981	96.83%

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 Ten Fiscal Years**

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Population	Per Capita
	Revenue Bonds	Notes Payable	Lease Obligations	Total	Notes Payable	Lease Obligations	Total			
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
2012	-	13,156,945	-	13,156,945	13,423,230	-	13,423,230	26,580,175	14,261	1,864
2013	-	13,155,997	109,543	13,265,540	12,390,108	-	12,390,108	25,655,648	14,522	1,767
2014	-	11,444,458	166,121	11,610,579	11,023,165	-	11,023,165	22,633,744	14,916	1,517
2015	-	9,664,472	394,377	10,058,849	11,711,767	120,783	11,832,550	21,891,399	15,011	1,458
2016	-	8,312,131	955,994	9,268,125	11,162,574	433,341	11,595,915	20,864,040	15,362	1,358
2017	-	7,080,854	1,432,757	8,513,611	15,241,545	336,409	15,577,954	24,091,565	15,365	1,568
2018	-	6,554,027	1,771,562	8,325,589	15,598,263	383,458	15,981,721	24,307,310	15,791	1,539

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**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2018**

<u>Taxing Authority</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Lake Wales	\$ 8,325,589	100.00%	\$ 8,325,589
Total Direct Debt	<u>8,325,589</u>		<u>8,325,589</u>
County of Polk (1)	196,323,435	2.15%	4,225,593
Polk County School Board (2)	230,026,050	2.15%	4,950,995
Total Overlapping Debt	<u>426,349,485</u>		<u>9,176,588</u>
Total Direct and Overlapping Debt	<u>\$ 434,675,074</u>		<u>\$ 17,502,177</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. The schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lake Wales. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

Source:

(1) Debt outstanding data provided from information with Polk County, Florida CAFR statistical section disclosure as of their most recent audited financial statements ending September 30, 2017.

(2) Debt outstanding data provided from information with The School Board of Polk County, Florida CAFR statistical section disclosure as of their most recent audited financial statements ending June 30, 2018.

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

**Utility Fund Debt Obligations**

<b>Fiscal Year</b>	<b>(1) Charges for Service Revenues</b>	<b>(2) Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
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	1,142,531	325,639	2.05
2012	6,514,807	3,607,564	2,907,243	1,180,743	291,324	1.97
2013	6,549,910	3,832,634	2,717,276	1,332,188	325,079	1.64
2014	6,649,031	3,950,814	2,698,217	1,366,943	328,131	1.59
2015	7,002,296	3,676,952	3,325,344	1,445,795	238,758	1.97
2016	7,860,703	3,971,479	3,889,224	2,068,464	215,477	1.70
2017	8,134,261	4,155,338	3,978,923	2,362,967	160,623	1.58
2018	8,329,706	4,460,075	3,869,631	991,925	106,979	3.52

(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 Personal Income (1)						Median Household Income (2)					
	Florida	Polk	Hillsborough	Hardee	Osceola	Lake	Florida	Polk	Hillsborough	Hardee	Osceola	Lake
2009	37,382	30,953	36,210	23,222	25,243	31,871	44,755	41,913	47,129	33,728	42,626	42,479
2010	38,626	30,685	39,594	22,615	26,317	32,336	44,390	41,184	46,043	33,732	42,165	42,343
2011	40,494	32,379	42,698	23,375	27,864	33,411	44,250	40,258	46,592	33,058	40,933	44,965
2012	41,000	32,065	41,151	24,024	27,512	34,201	45,006	41,337	46,534	34,012	42,743	41,579
2013	40,797	32,043	40,317	23,644	27,761	34,721	46,021	42,447	49,510	34,884	41,592	44,244
2014	43,064	33,061	41,742	24,654	28,494	36,432	47,439	42,768	50,758	35,371	42,945	46,895
2015	45,441	34,028	43,472	26,122	30,200	37,743	49,416	44,024	51,710	35,850	45,127	49,711
2016	45,953	34,199	43,803	25,246	30,655	38,266	50,857	46,289	54,509	37,612	50,716	50,125
2017	47,684	34,213	44,709	27,559	32,096	40,541	50,883	45,988	53,742	39,063	47,343	49,734
2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Source Office of Economic & Demographic Research <http://edr.state.fl.us>, Population & Demographics, Area Profiles, County Profiles.

(2) Source U.S. Census Bureau, Median Household Income, Income, Median Household Income <http://www.census.gov/did/www/saipe/data/interactive/saipe.html>

N/A = Data not currently available.

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

Year	Florida Price Level Index (1)					Unemployment Rate (2)					
	Polk	Hillsborough	Hardee	Osceola	Lake	Florida	Polk	Hillsborough	Hardee	Osceola	Lake
2009	98.07	101.57	95.53	98.66	97.51	11.00	12.3	11.2	12.7	12.1	11.8
2010	98.98	101.55	95.70	98.64	97.49	11.30	12.6	10.8	13.9	12.5	11.7
2011	98.48	101.65	96.21	98.10	96.95	10.20	11.5	9.4	12.3	11.2	10.4
2012	97.87	101.37	96.05	97.95	96.43	8.50	9.6	7.7	11.4	9.2	8.6
2013	98.17	100.75	95.30	98.96	97.02	6.90	8.4	6.5	10.4	7.7	7.3
2014	96.26	100.89	96.69	97.47	96.33	6.10	7.3	5.8	9.4	6.6	6.3
2015	96.34	100.97	95.92	98.13	96.99	5.10	6.2	4.9	8.7	5.5	5.2
2016	96.50	101.14	95.12	98.38	97.23	4.70	5.9	4.6	7.2	5.0	4.8
2017	96.20	100.66	94.76	98.53	97.38	3.80	4.1	3.3	6.1	3.7	3.4
2018	N/A	N/A	N/A	N/A	N/A	3.30	3.5	2.9	4.8	3.0	2.9

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

(2) United States Department of Labor, Bureau of Labor Statistics, <http://data.bls.gov/map/MapToolServlet>

N/A = Data not currently available.

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

<b>(April 1st) Year</b>	<b>Population</b>		<b>% of City Compared to County</b>
	<b>Polk</b>	<b>City of Lake Wales</b>	
2009	584,343	13,067	2.24%
2010	602,095	14,225	2.36%
2011	604,792	14,261	2.36%
2012	606,888	14,261	2.35%
2013	613,950	14,522	2.37%
2014	623,174	14,916	2.39%
2015	634,555	15,011	2.37%
2016	646,989	15,362	2.37%
2017	661,645	15,365	2.32%
2018	673,028	15,791	2.35%

Source: Office of Economic & Demographic Research, Population & Demographics, <http://edr.state.fl.us>

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

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
City Manager	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50	2.50
City Clerk	1.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.00	1.00
Development Services	1.00	1.00	1.00	1.00	1.00	-	-	-	-	-
Finance	4.25	4.00	4.50	4.50	3.75	3.50	3.50	3.50	3.50	3.50
Support Services	3.75	3.75	3.00	3.00	2.50	2.00	1.30	1.30	1.30	1.30
Human Resource	2.00	2.50	3.50	3.00	2.50	2.00	2.00	2.00	2.00	2.00
Planning and Zoning	2.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Information Services	2.00	3.00	3.00	3.00	3.00	2.50	2.30	3.30	3.30	3.30
Public Services Administration	2.00	2.50	2.50	2.50	2.50	2.25	2.40	1.90	1.90	1.90
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Total general government	<u>21.00</u>	<u>23.25</u>	<u>24.00</u>	<u>23.50</u>	<u>21.75</u>	<u>18.75</u>	<u>18.00</u>	<u>18.50</u>	<u>18.50</u>	<u>18.50</u>
Airport Authority									2.00	2.00
Police Department	47.50	49.50	47.50	50.00	49.00	51.00	50.00	50.00	53.00	53.00
Fire & Rescue:	27.00	27.00	27.00	27.00	27.00	27.00	27.00	27.00	30.00	30.00
Building Permits and Inspection	4.75	3.00	3.00	3.00	2.00	2.00	2.50	2.50	3.00	3.00
Code Enforcement	2.50	2.50	1.50	1.00	1.75	1.50	1.00	2.00	2.00	3.00
Total public safety	<u>81.75</u>	<u>82.00</u>	<u>79.00</u>	<u>81.00</u>	<u>79.75</u>	<u>81.50</u>	<u>80.50</u>	<u>81.50</u>	<u>90.00</u>	<u>91.00</u>
Cemetery	1.00	-	-	-	-	-	-	-	-	2.00
Parks Division	7.00	-	-	-	-	-	-	-	-	8.00
Streets	6.25	-	-	-	-	-	-	-	-	7.00
Field Operations	-	17.75	18.00	18.00	19.00	19.00	19.00	18.00	18.00	-
Fleet Maintenance	3.00	-	-	-	-	-	-	-	-	-
Facilities Maintenance	4.00	5.00	4.50	4.00	4.00	3.00	3.00	3.00	2.00	3.00
Total maintenance	<u>21.25</u>	<u>22.75</u>	<u>22.50</u>	<u>22.00</u>	<u>23.00</u>	<u>22.00</u>	<u>22.00</u>	<u>21.00</u>	<u>20.00</u>	<u>20.00</u>
Recreation	1.00	-	-	-	-	-	-	-	-	3.00
Depot	-	-	-	-	-	-	-	1.10	1.60	2.10
Library	18.00	18.00	17.75	16.50	16.50	16.50	16.50	17.90	17.90	17.90
Total culture and recreation	<u>19.00</u>	<u>18.00</u>	<u>17.75</u>	<u>16.50</u>	<u>16.50</u>	<u>16.50</u>	<u>16.50</u>	<u>19.00</u>	<u>19.50</u>	<u>23.00</u>
Wastewater Division	9.00	-	-	-	-	-	-	-	-	-
Water Division	10.00	-	-	-	-	-	-	-	-	-
Reuse Division	1.00	-	-	-	-	-	-	-	-	-
Utilities Operations	-	22.00	22.00	23.00	23.50	23.00	23.00	23.00	23.00	23.00
Utilities Administration	5.00	5.50	5.50	5.50	5.50	6.75	6.50	6.00	6.00	6.00
Utility Billing/Customer Service	5.75	3.25	3.00	3.75	3.25	3.50	4.50	5.50	5.50	5.50
Total utilities	<u>30.75</u>	<u>30.75</u>	<u>30.50</u>	<u>32.25</u>	<u>32.25</u>	<u>33.25</u>	<u>34.00</u>	<u>34.50</u>	<u>34.50</u>	<u>34.50</u>
Total government employees	<u>173.75</u>	<u>176.75</u>	<u>173.75</u>	<u>175.25</u>	<u>173.25</u>	<u>172.00</u>	<u>171.00</u>	<u>174.50</u>	<u>182.50</u>	<u>187.00</u>

(1) In 2008 with the outsourcing of police dispatch, seven dispatch positions were removed from the police department.  
(2) In 2010 both Field Operations and Utilities Operations reorganized their personnel structures.

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

<b>Function/Program</b>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>General</b>										
Municipal boundaries (1)	19.58	19.60	19.60	20.12	20.12	20.12	20.14	20.14	20.14	20.20
<b>Police</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	1,304	1,233	1,206	1,263	1,173	1,158	1,071	1,125	1,182	1,195
Number of calls for service	15,792	23,746	25,758	26,876	n/a	20,904	22,047	21,522	22,888	22,912
Number of crashes	374	350	383	397	390	436	478	621	584	548
<b>Fire</b>										
Response volume (includes fire, rescue and medical calls)	2,618	2,576	2,480	2,580	2,514	2,660	2,991	2,410	2,769	2,939
Response time average (minutes)	5.14	5.11	5.21	6.37	5.72	5.66	5.02	4.83	4.60	4.60
Inspections/plans reviewed	1,031	1,422	1,489	1,712	1,837	1,877	2,067	2,031	2,031	1,544
Public education (persons)	1,645	2,627	534	2,263	1,652	1,148	3,860	3,892	3,152	2,548
<b>Permits and Inspections Division</b>										
Plan review residential	198	291	309	192	264	291	320	196	319	680
Plan review commercial	133	205	145	108	163	177	157	49	129	88
Permits issued	407	636	500	490	579	657	739	792	1,166	1,359
Inspections:										
Construction	2,176	2,287	1,389	1,628	1,918	2,332	2,557	2,467	5,348	4,085
Inspections per month (avg.)	181	191	116	136	174	194	213	205	445	340
Certificates of Occupancy issued	44	46	33	44	51	70	65	68	71	42
<b>Library</b>										
Number of libraries	1	1	1	1	1	1	1	1	1	1
<b>Public Works</b>										
Miles of streets	86.74	86.74	86.74	86.74	86.74	86.74	87.41	87.41	87.41	87.41
<b>Water</b>										
Average monthly customers:										
Water	7,899	7,892	7,437	7,595	7,673	7,890	7,889	8,159	8,210	8,396
Sewer	5,309	5,311	5,047	5,136	5,227	5,369	5,412	5,610	5,649	5,882
Irrigation	1,238	1,254	1,291	1,313	1,362	1,425	1,454	1,534	1,586	1,514
<b>Wastewater</b>										
Number of lift stations	39	39	39	39	39	39	39	39	39	40

(1) Square miles  
N/A - Not available

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

<b>Water Revenues</b>	<b>Fiscal Year</b>									
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Water Fees	\$2,963,174	\$2,959,160	\$3,083,609	\$3,071,890	\$3,109,898	\$3,069,206	\$3,270,884	\$3,687,443	\$3,777,279	\$3,837,000
Installation Fees	57,022	81,790.00	51,383	103,640	73,351	78,956	70,822	109,202	158,917	110,773
Backflow Inspection Fees	-	-	-	55,005	60,823	63,760	65,300	67,928	69,850	72,017
Fire Sprinkler Fees	28,478	-	-	-	-	-	-	-	-	-
Construction Meter Fees	6,777	3,397	4,222	5,187	3,510	4,924	3,850	3,651	5,601	6,852
Reuse Fees	36,380	24,559	12,373	20,858	23,185	24,804	19,533	31,109	32,331	34,169
Miscellaneous	35	101	36	185	281	293	195	315	490	1,048
Impact Fees	44,565	134,838	168,426	55,581	93,706	130,823	127,528	137,060	255,751	169,747
<b>Totals</b>	<b>\$3,136,431</b>	<b>\$3,203,845</b>	<b>\$3,320,049</b>	<b>\$3,312,346</b>	<b>\$3,364,754</b>	<b>\$3,372,766</b>	<b>\$3,558,112</b>	<b>\$4,036,708</b>	<b>\$4,300,219</b>	<b>\$4,231,606</b>
Penalties & Service Charges (Water & Sewer Combined)	\$ 61,169	\$ 73,817	\$ 65,990	\$ 100,893	\$ 114,905	\$ 117,560	\$ 110,973	\$ 124,854	\$ 124,854	\$ 123,632

**Water Rates(1)**

<b>% of Rate Increase (Decrease) - Base Rate</b>	N/A	2.50%	2.50%	3.60%	2.50%	2.60%	2.50%	14.40%	2.40%	2.50%
<b>Inside City Limits</b>										
Base Rate	\$ 5.20	\$ 5.33	\$ 5.46	\$ 5.66	\$ 5.80	\$ 5.95	\$ 6.10	\$ 6.98	\$ 7.15	\$ 7.33
0-5,000	2.06	2.11	2.16	2.24	2.30	2.35	2.41	2.76	2.83	2.90
5,001-10,000	2.78	2.85	2.92	3.03	3.11	3.18	3.26	3.73	3.82	3.92
10,001-25,000	4.32	4.43	4.54	4.70	4.82	4.94	5.06	5.79	5.93	6.08
> 25,000	7.11	7.29	7.47	7.74	7.93	8.13	8.33	9.54	9.78	10.02
<b>Outside City Limits</b>										
Base Rate	\$ 6.50	\$ 6.66	\$ 6.83	\$ 7.08	\$ 7.26	\$ 7.44	\$ 7.63	\$ 8.73	\$ 8.95	\$ 9.17
0-5,000	2.57	2.64	2.71	2.80	2.87	2.94	3.01	3.45	3.54	3.63
5,001-10,000	3.49	3.56	3.65	3.79	3.88	3.98	4.08	4.67	4.79	4.91
10,001-25,000	5.40	5.54	5.68	5.88	6.03	6.18	6.33	7.24	7.42	7.61
> 25,000	8.89	9.11	9.34	9.68	9.92	10.17	10.42	11.93	12.23	12.54

(1)Source-City of Lake Wales  
N/A - Not available

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

Sewer Revenues	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sewer Fees	\$2,871,209	\$2,982,641	\$3,085,977	\$3,156,505	\$3,163,404	\$3,279,080	\$3,448,974	\$3,832,287	\$3,939,531	\$4,142,876
Installation Fees	918	-	-	644	551	10,348	3,919	3,914	4,855	1,188
Miscellaneous	-	-	-	-	-	-	-	-	-	122
Impact Fees	82,175	249,136	343,985	89,172	153,243	214,505	180,273	208,322	409,135	237,697
Totals	<u>\$2,954,302</u>	<u>\$3,231,777</u>	<u>\$3,429,962</u>	<u>\$3,246,321</u>	<u>\$3,317,198</u>	<u>\$3,503,933</u>	<u>\$3,633,166</u>	<u>\$4,044,523</u>	<u>\$4,353,521</u>	<u>\$4,381,883</u>

**Sewer Rates (1)**

<b>% of Rate Increase (Decrease) - Base Rate</b>	N/A	2.50%	2.50%	3.60%	2.50%	2.50%	2.50%	14.50%	2.50%	2.50%
<b>Inside City Limits</b>										
Base Rate	\$ 18.47	\$ 18.93	\$ 19.40	\$ 20.10	\$ 20.60	\$ 21.12	\$ 21.65	\$ 24.79	\$ 25.41	\$ 26.04
0-5,000 Gallons	2.43	2.49	2.55	2.64	2.71	2.77	2.84	3.25	3.33	3.41
5,001 + Gallons	4.25	4.36	4.47	4.63	4.75	4.86	4.98	5.70	5.84	5.99
<b>Outside City Limits</b>										
Base Rate	\$ 23.09	\$ 23.66	\$ 24.25	\$ 25.13	\$ 25.76	\$ 26.40	\$ 27.06	\$ 30.98	\$ 31.75	\$ 32.55
0-5,000 Gallons	3.03	3.11	3.19	3.30	3.38	3.47	3.56	4.06	4.16	4.27
5,001 + Gallons	5.32	5.45	5.59	5.79	5.93	6.08	6.23	7.13	7.31	7.49

Residential Cap = 15,000 gallons

(1)Source-City of Lake Wales  
N/A - Not available

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

<u>Employer</u>	<u>2018</u>		<u>2009</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Florida's Natural	654	1		
Oakley	650	2		
Lake Wales Charter School System	571	3	365	3
Lake Wales Medical Center	520	4	471	2
Wal-Mart	323	5	330	4
Publix, Inc.	275	6	243	5
Polk County School Board	225	7	150	9
City of Lake Wales	191	8	170	7
Warner University	190	9	150	10
Hunt Brothers	125	10	160	8
Citrus World, Inc.			700	1
Citrosuco			235	6
	<u>3,724</u>		<u>2,974</u>	

Source: Lake Wales Area Chamber of Commerce

N/A - Not available





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**GOVERNMENT AUDITING SECTION**

**City of Lake Wales, Florida**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b>U.S. Department of Justice passed through</b>			
Florida Department of Law Enforcement			
Bulletproof Vest Program		16.607	\$ <u>1,809</u>
<b>U.S. Department of Housing and Urban Development passed through</b>			
Florida Department of Economic Opportunity			
Small Cities Community Development Block Grant - Neighborhood Revitalization	17DB-OL-07-63-02-N04	14.228	<u>5,000</u>
<b>U.S. Department of Homeland Security</b>			
Disaster Grants - Public Assistance	FEMA-4337-DR-FL	97.036	<u>347,476</u>
<b>U.S. Department of Transportation -</b>			
Federal Aviation Administration			
Rehab Runway 6/24	3-12-0040-018-2017	20.106	<u>1,055,655</u>
			<u>\$ 1,409,940</u>

- (1) SRF - 5907P Loan Balance at September 30, 2018 - \$51,431
- (2) SRF - 59110 Loan Balance at September 30, 2018 - \$190,304
- (3) SRF - 5912S Loan Balance at September 30, 2018 - \$449,913
- (4) SRF - 5913P Loan Balance at September 30, 2018- \$534,896
- (5) SRF - 59140 Loan Balance at September 30, 2018 - \$288,873

- (6) SRF - 530300 Loan Balance at September 30, 2018 - \$3,222,086
- (7) SRF - 530310 Loan Balance at September 30, 2018 - \$5,117,538
- (8) SRF - 530320 Loan Balance at September 30, 2018 - \$1,633,420
- (9) SRF - 530330 Loan Balance at September 30, 2018 - \$2,287,626

(\*) - In fiscal year 2018, FEMA approved \$347,476 of eligible expenditures for Hurricane Irma, an event that occurred in September 2017. Of this amount, \$224,714 was incurred during the fiscal year ending September 30, 2017 and the remaining \$122,762 was incurred during the fiscal year ending September 30, 2018.

**City of Lake Wales, Florida**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2018**

**Note 1 – General**

The accompanying schedule of expenditures of federal awards presents the activities of all federal award 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, 2018.

Federal awards received directly, as well as passed through to other government agencies, if any, are included in the schedule.

**Note 2 – Basis of Accounting**

The accompanying schedule of expenditures of federal awards are 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. The City's federal awards did not include indirect cost reimbursement and, therefore, the City did not elect to use the 10 percent de minimis cost rate as covered by 2 CFR 200.414.

**Note 3 – Contingencies**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

Grant monies received and disbursed by the City or discretely-presented component unit are for specific purposes and are subject to review by the grantor agencies. Such reviews potentially may result in disallowed expenditures.

**City of Lake Wales, Florida**  
**Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended September 30, 2018**

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>CSFA Number</u>	<u>Expenditures</u>
<b>State of Florida Department of Environmental Protection</b>			
Wastewater Construction - Loan: S.R. 60 Expansion	WW530330	37.077	\$ 957,212
Cleanwater Construction - Loan: S.R. 60 Expansion	WW530320	37.076	310,272
Small Community Wastewater Facility Grant	SG0200	37.075	<u>13,900</u>
Total State of Florida department of Environmental Protecion			<u>1,281,384</u>
<b>Florida Department of Transportation</b>			
Aviation Development Grant - Lake Wales Municipal Airport	4400357-1-94-01, G0G58	55.004	4,436
Aviation Development Grant - Lake Wales Municipal Airport	438921-1-94-01, 438921-1-94-02, G0B57	55.004	<u>2,172,531</u>
Total Florida Department of Transportation			<u>2,176,967</u>
			<u>\$ 3,458,351</u>

**City of Lake Wales, Florida**  
**Notes to the Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended September 30, 2018**

**Note 1 – General**

The accompanying schedule of state financial assistance presents the activities of all state financial assistance projects 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, 2018.

State financial assistance received directly, as well as those passed through to other government agencies, if any, are included in the schedule.

**Note 2 – Basis of Accounting**

The accompanying schedule of 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**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

Grant monies received and disbursed by the City or discretely-presented component unit are for specific purposes and are subject to review by the grantor agencies. Such reviews potentially may result in disallowed expenditures.

**Report of Independent Auditor on Compliance for Each Major Federal Program  
and State Financial Assistance Project and on Internal Control Over Compliance  
Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General**

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

**Report on Compliance for the Major Federal Program and State Financial Assistance Project**

We have audited the City of Lake Wales, Florida's (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the State of Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on the City's major federal programs and state financial assistance projects for the year ended September 30, 2018. The City's major federal program and state financial assistance project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs and the requirements of laws, regulations, contracts, and grants applicable to its state financial assistance project.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program and state financial assistance project based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, 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 financial assistance 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 on compliance for its major federal program and state financial assistance project. However, our audit does not provide a legal determination of the City's compliance with those requirements.

***Opinion on Each Major Federal Program and State Financial Assistance Project***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and state financial assistance project for the year ended September 30, 2018.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with the Uniform Guidance 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 state financial assistance project on a timely basis. *A material weakness in internal control 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 financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Orlando, Florida  
March 29, 2019



**CITY OF LAKE WALES, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED SEPTEMBER 30, 2018

**Part I - Summary of Auditor's Results**

Financial Statement Section

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>          </u> yes	<u>  x  </u> no	
Significant deficiency(ies) identified?	<u>          </u> yes	<u>  x  </u> none reported	
Noncompliance material to financial statements noted?	<u>          </u> yes	<u>  x  </u> no	

**Federal Award and State Financial Assistance Project Section**

Internal control over major programs:			
Material weakness(es) identified?	<u>          </u> yes	<u>  x  </u> no	
Significant deficiency(ies) identified?	<u>          </u> yes	<u>  x  </u> none reported	
Type of auditor's report on compliance for the major federal program and state project:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and/or Chapter 10.550?	<u>          </u> yes	<u>  x  </u> no	

**CITY OF LAKE WALES, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED SEPTEMBER 30, 2018

**Part I - Summary of Auditor's Results (continued)**

**Federal Award and State Financial Assistance Project Section (continued)**

Identification of major federal program and state project:

Federal Program:

Name of Program or Cluster	CFDA Number
Department of Transportation Airport Improvement Program	20.106

State Project:

Name of Project	CSFA Number
State of Florida Department of Transportation Aviation Development Grants	55.004

Dollar threshold used to determine Type A programs:

Federal	\$ 750,000
State	\$ 300,000

Auditee qualified as low-risk auditee for federal purposes?        yes   x   no

**Part II - Schedule of Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

**Part III - Federal Program and State Project Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of the major federal program and state financial assistance project, as required to be reported by Uniform Guidance or Chapter 10.550, Rules of the Auditor General.

There were no findings required to be reported by Uniform Guidance or Chapter 10.550, Rules of the Auditor General.

**Report of Independent Auditor 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***

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

We have audited, in accordance with the 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, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Behrman" followed by a stylized flourish.

Orlando, Florida  
March 29, 2019

## **Independent Auditor's Management Letter**

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

### **Report on the Financial Statements**

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 fiscal year ended September 30, 2018, and have issued our report thereon dated March 29, 2019.

### **Auditor's Responsibility**

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 Chapter 10.550, Rules of the Auditor General.

### **Other Reports and Schedule**

We have issued our Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Report of Independent Auditor on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control over Compliance Required by Uniform Guidance and Chapter 10.550, Rules of the Auditor General; Schedule of Findings and Questioned Costs; and Report of Independent Accountant on Compliance with Local Government Investment Policies. Disclosures in those reports and schedule, which are dated March 29, 2019, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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 financial audit report. There were no recommendations made in the preceding financial audit report.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., 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 this 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.

### **Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City 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 of the financial statements of the City, the results of our tests did not indicate the City met any of the specified conditions of a financial emergency contained in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. 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 review of financial information provided by the same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

### **Purpose of this Letter**

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, Rules of the Auditor General. Accordingly, this management letter is not suitable for any other purpose.



Orlando, Florida  
March 29, 2019

**Report of Independent Accountant on Compliance  
With Local Government Investment Policies**

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

We have examined the City of Lake Wales, Florida's (the "City's") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with the local investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2018.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and Rules of the Auditor General.



Orlando, Florida  
March 29, 2019