



# **City of Lake Wales, Florida**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For Fiscal Year Ended**

**September 30, 2019**

**City of Lake Wales, Florida**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended September 30, 2019

**Prepared By:**  
Department of Finance

# City of Lake Wales, Florida

## Comprehensive Annual Financial Report For Fiscal Year Ended September 30, 2019

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## **INTRODUCTORY SECTION**



**City of  
Lake Wales**

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

March 17, 2020

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, 2019, 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, 2019. 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 16,062.

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 (23% increase in population from 2009 through 2019). 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 major developments in the past year that will 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 opening 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. Significant residential growth is occurring in the northern end of the City as one new multi-family development is currently under construction, and another multi-family and one single-family development have applied for initial development permits, totaling over one thousand new housing units expected in the next few years. This residential expansion should also lead to new commercial development in this area. A new mixed-use development on the largest undeveloped parcel within the City (1800 acres) has begun the process of obtaining the necessary approvals for a signature project that will add additional residential and commercial properties.

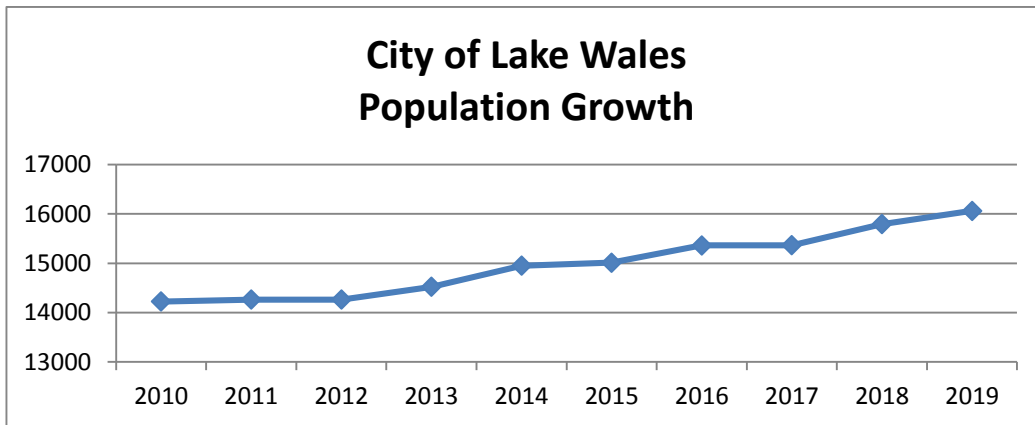


Finally, the city continues to expand its utility system service area leading to future annexation and tax base expansion and supporting new economic development.

In the past few years 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 57.56% since the U. S. Census of 2000 (population of 10,194). Over a ten-year period from 2010 to 2019, the City has experienced an average annual population growth rate of 1.29%. 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
2010	14,225	-
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%
2019	16,062	1.72%

\* 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 2019 were reported at 3.5% and 2.9 %, 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 2019 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. Two years later, progress continues. In this regard, all of the personal income metrics, nearly 60 percent 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. Nine years later (July 2019), Florida's annual job growth rate has been positive for the past 108 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 and is now approaching one million jobs beyond that level.

The state's unemployment rate in July was lower than the nation as a whole at 3.3%, with 343,900 jobless persons. The rate had been as low as 3.1 percent in March 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 past four years ran well 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, and 13.8 percent in 2018. Despite the strong percentage growth rates in six of the last seven calendar years, the level is still low by historic standards – just over 63 percent of the long-run per capita level. Of note in an economy expected to slow, the year-to-date data for the 2019 calendar year is running only slightly positive.

### ***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, 2018. This was the tenth 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

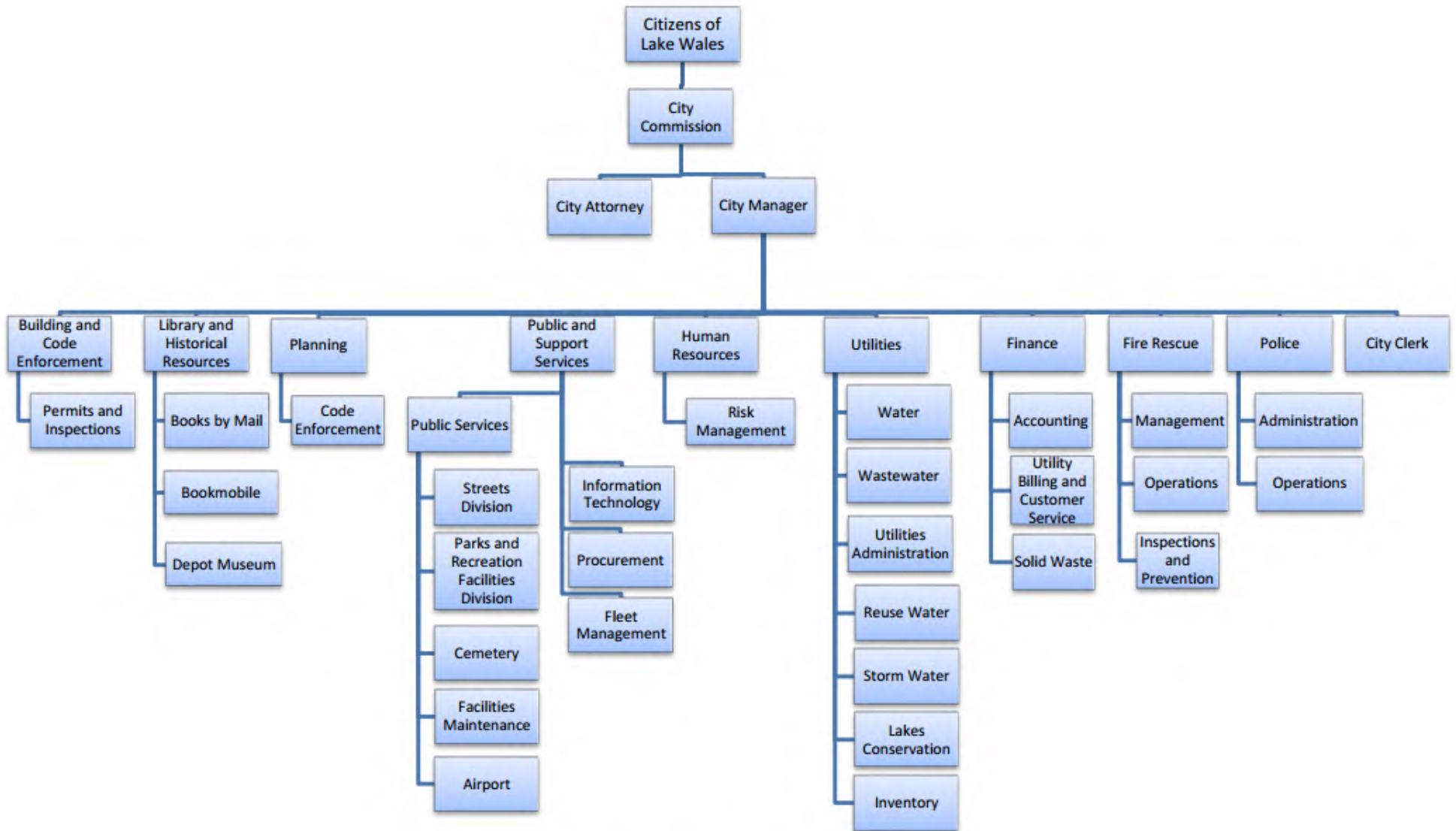
**City of Lake Wales  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2018**

*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 ----- Al Goldstein

**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, 2019, 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, 2019, 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.

## **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 17, 2020 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 LLP". The signature is written in a cursive, flowing style.

Orlando, Florida  
March 17, 2020

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v.

**Financial Highlights**

- The assets 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 \$56,830,455 (*net position*). As of September 30, 2019, the City reports an unrestricted net position of \$2,920,779, as compared to \$2,369,616 in the prior year.
- The City's total net position increased by \$3,083,930. The governmental activities and business-type activities increased their net position by 3% and 7%, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,168,273; an increase of \$193,953 for the year. Approximately 40% of total fund balance is *available for spending* at the government's discretion (unassigned) compared to 34% in the prior year.

**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, 2019**

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

The City maintains 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 three enterprise funds to account for its water and sewer distribution operation, its stormwater management system 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, 2019**

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, 2019**

**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 \$56,830,455 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.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
	Current and other assets	\$ 9,248,525	\$ 8,821,858	\$ 10,992,854	\$ 8,419,308	\$ 20,241,379
Capital assets, net of depreciation	26,059,608	24,610,459	46,139,837	44,860,188	72,199,445	69,470,647
<b>Total assets</b>	<u>35,308,133</u>	<u>33,432,317</u>	<u>57,132,691</u>	<u>53,279,496</u>	<u>92,440,824</u>	<u>86,711,813</u>
Deferred Outflows	<u>2,526,451</u>	<u>2,215,036</u>	<u>253,564</u>	<u>153,890</u>	<u>2,780,015</u>	<u>2,368,926</u>
Current and other liabilities	1,227,370	942,036	2,699,112	2,252,399	3,926,482	3,194,435
Long-term liabilities	<u>16,077,877</u>	<u>15,048,446</u>	<u>17,310,495</u>	<u>16,358,307</u>	<u>33,388,372</u>	<u>31,406,753</u>
<b>Total liabilities</b>	<u>17,305,247</u>	<u>15,990,482</u>	<u>20,009,607</u>	<u>18,610,706</u>	<u>37,314,854</u>	<u>34,601,188</u>
Deferred Inflows	<u>1,040,717</u>	<u>684,123</u>	<u>34,813</u>	<u>48,903</u>	<u>1,075,530</u>	<u>733,026</u>
Net Position:						
Net investment in capital assets	17,043,260	16,222,093	29,012,942	28,212,408	46,056,202	44,434,501
Restricted	3,858,230	3,651,569	3,995,244	3,290,839	7,853,474	6,942,408
Unrestricted	<u>(1,412,870)</u>	<u>(900,914)</u>	<u>4,333,649</u>	<u>3,270,530</u>	<u>2,920,779</u>	<u>2,369,616</u>
<b>Total net position</b>	<u>\$ 19,488,620</u>	<u>\$ 18,972,748</u>	<u>\$ 37,341,835</u>	<u>\$ 34,773,777</u>	<u>\$ 56,830,455</u>	<u>\$ 53,746,525</u>

By far the largest portion of the City's net position, \$46,056,202 (81%), 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, \$7,853,474 (14%), 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 \$1,412,870 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, 2019**

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

<b>City of Lake Wales</b>						
<b>Changes in Net Position</b>						
	Governmental Activities		Business-type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 4,146,574	\$ 3,461,860	\$ 8,821,500	\$ 8,407,868	\$ 12,968,074	\$ 11,869,728
Operating grants and contributions	1,283,712	1,378,257	-	-	1,283,712	1,378,257
Capital grants and contributions	18,112	78,477	1,247,275	426,344	1,265,387	504,821
General Revenues:						
Property taxes	5,849,860	5,452,835	-	-	5,849,860	5,452,835
Other taxes	3,223,388	3,085,455	-	-	3,223,388	3,085,455
Franchise fees	1,372,549	1,270,749	-	-	1,372,549	1,270,749
Other	1,744,610	1,769,691	244,919	240,574	1,989,529	2,010,265
<b>Total Revenues</b>	<b>17,638,805</b>	<b>16,497,324</b>	<b>10,313,694</b>	<b>9,074,786</b>	<b>27,952,499</b>	<b>25,572,110</b>
<b>Expenses:</b>						
Governmental Activities:						
General government	1,643,677	1,372,964	-	-	1,643,677	1,372,964
Public safety	9,085,841	8,470,373	-	-	9,085,841	8,470,373
Physical environment	1,251,218	747,777	-	-	1,251,218	747,777
Transportation	2,019,958	2,261,161	-	-	2,019,958	2,261,161
Economic environment	672,429	945,327	-	-	672,429	945,327
Human services	10,173	10,174	-	-	10,173	10,174
Culture and recreation	3,186,011	2,809,125	-	-	3,186,011	2,809,125
Interest on long-term debt	368,926	304,789	-	-	368,926	304,789
Business-type Activities:						
Water and sewer utility	-	-	6,257,083	6,154,074	6,257,083	6,154,074
Cemetery	-	-	124,703	113,696	124,703	113,696
Stormwater	-	-	248,550	-	248,550	-
<b>Total Expenses</b>	<b>18,238,233</b>	<b>16,921,690</b>	<b>6,630,336</b>	<b>6,267,770</b>	<b>24,868,569</b>	<b>23,189,460</b>
Increase (decrease) in net position						
before transfers	(599,428)	(424,366)	3,683,358	2,807,016	3,083,930	2,382,650
Transfers	1,115,300	1,086,650	(1,115,300)	(1,086,650)	-	-
Change in net position	515,872	662,284	2,568,058	1,720,366	3,083,930	2,382,650
Beginning net position	18,972,748	18,245,018	34,773,777	33,038,555	53,746,525	51,283,573
Restatement	-	65,446	-	14,856	-	80,302
Ending net position	<b>\$ 19,488,620</b>	<b>\$ 18,972,748</b>	<b>\$ 37,341,835</b>	<b>\$ 34,773,777</b>	<b>\$ 56,830,455</b>	<b>\$ 53,746,525</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 \$515,872, as compared to an increase of \$662,284 in the prior year. Key elements of changes in results of activities are as follows:

- Charges for services decreased by \$684,714 (20%) from 2018. This change is mainly due to increased impact fee revenue (\$275,000), increased building permit fee revenue (\$226,600), increased code enforcement fines (\$51,000) and increased garbage collection fees (\$108,000).
- Operating grants and contributions decreased by \$94,545 (7%) from 2018, mainly due to decreased FEMA grant revenue partially offset by increases in other operating grants and contributions.
- Capital grants and contributions decreased by \$60,365 (77%) from 2018, mainly due to Florida Recreation Development Assistance Program (FRDAP) grant revenue related to City soccer field improvements in the amount of \$77,000 that was recognized in 2018 but did not recur in 2019.
- General revenues increased by \$611,677 (5%) from 2018 mainly due to increased property taxes (\$397,000), increased franchise fee revenue (\$101,800), increased public service tax revenue (\$128,300), increased fuel tax revenue (\$16,122), increased revenue sharing (\$59,370). These increases were partially offset by declines in miscellaneous general revenue (\$42,400) and insurance recoveries (\$75,400).
- General government expenses increased in 2019 by \$270,713 (20%) mainly due to general cost increases as well as increases in personnel costs of \$103,000 which includes wages, payroll taxes and pension expenses.
- Public safety expenses increased in 2019 by \$615,468 (7%) mainly due to increased depreciation expense (\$146,000) and increased personnel costs of \$393,425 which includes wages, payroll taxes and pension expenses.
- Transportation expenses in 2019 decreased by \$241,203 (11%). Mainly due to expense sharing with the new stormwater enterprise fund (\$82,134) and decreased depreciation expense (\$64,000).
- Culture and Recreation expenses increased in 2019 by \$376,886 (13%) mainly due to a net increase in a diverse variety of expense accounts as well as increased personnel costs of \$72,000 which includes wages, payroll taxes and pension expenses.
- Physical environment expenses in 2019 increased by \$503,441 (67%) mainly to an overall net increase in a diverse variety of expense accounts.
- Economic environment expenses in 2019 decreased by \$272,898 (29%) mainly to an overall net increase in a diverse variety of expense accounts.

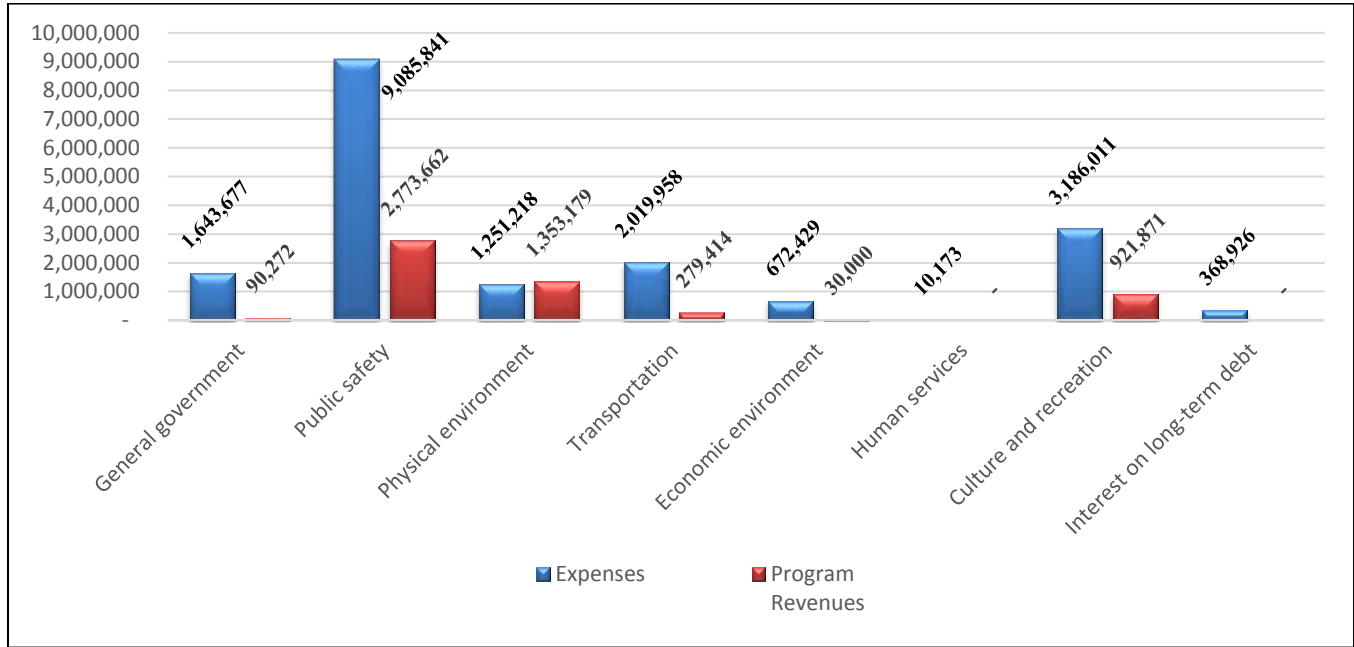
# City of Lake Wales, Florida

## Management's Discussion and Analysis

### September 30, 2019

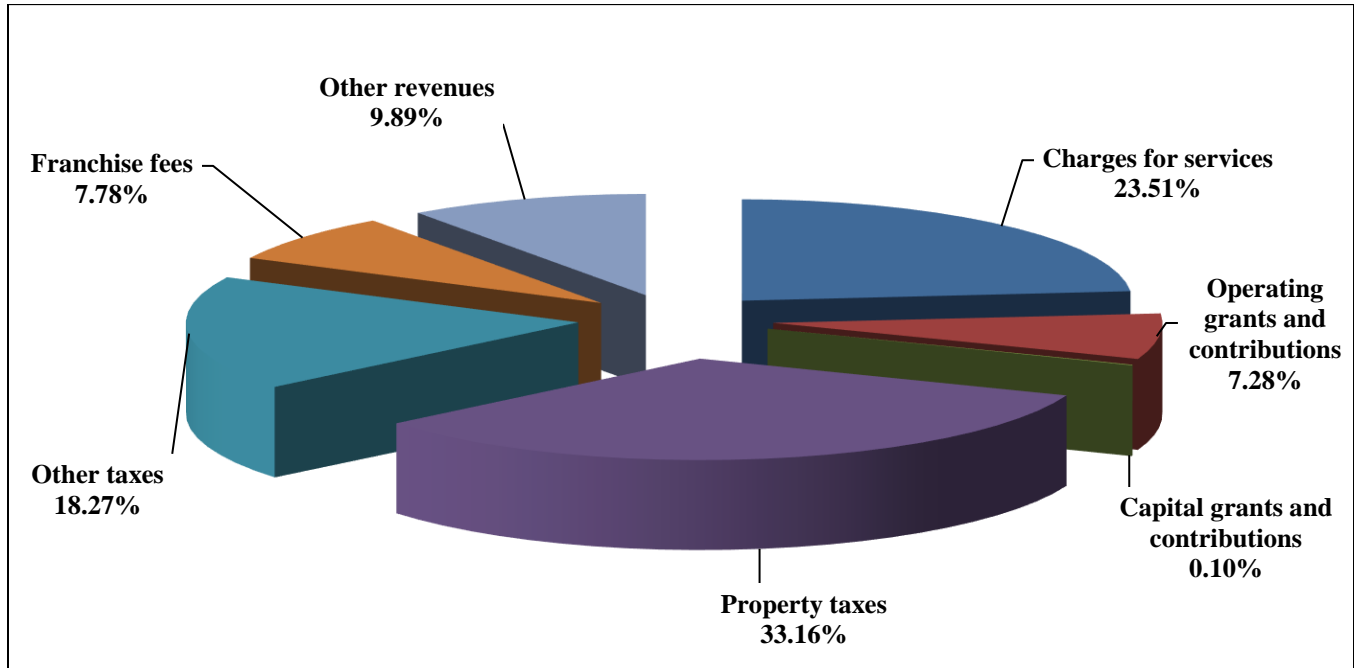
The following chart compares expenses with program revenues for the City's governmental activities:

#### 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, 2019**

**Business-type Activities**

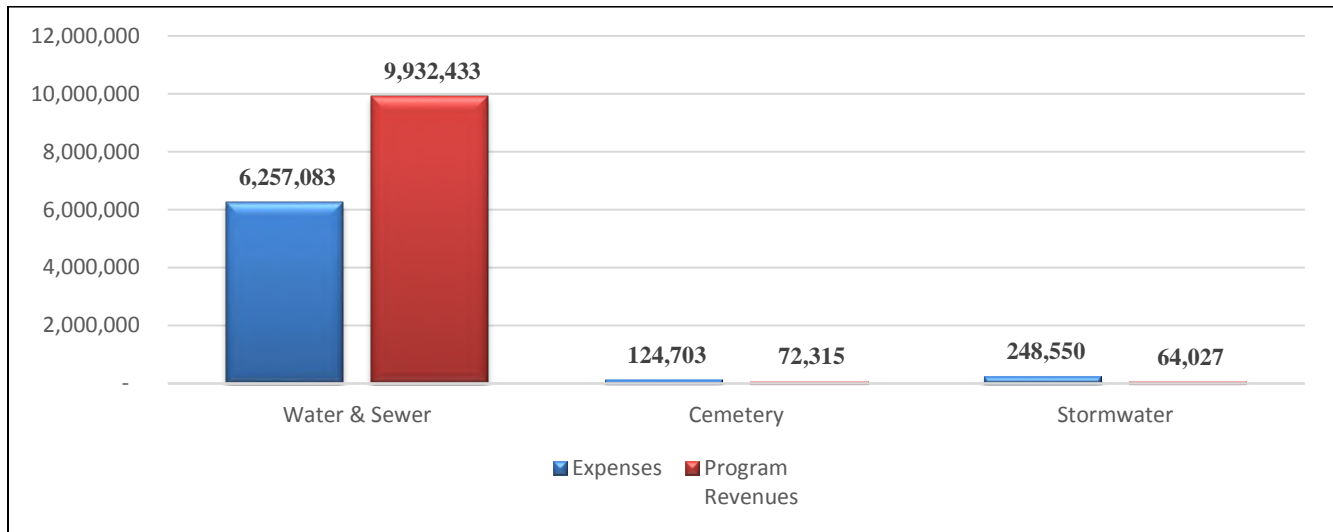
Business-type activities increased the City's net position by \$2,568,058, which is \$847,692 (49%) better than the prior year increase in net position. Key elements of this change are as follows:

- Charges for services increased in 2019 by \$413,632 (5%). This change is mainly due to an increase in water and sewer rates for FY 2019. 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 increased by \$820,931 (193%) due to decreased impact fee revenue (\$275,000) and increased grants (\$546,000).
- Water and sewer expenses increased \$103,009 (2%).
- Lake Wales Memorial Gardens cemetery expenses increased by \$11,077 (10%).
- During 2019, \$1,115,300 was transferred out to the governmental activities, as compared to \$1,086,650 being transferred out in the prior year. This is a increase of \$28,650 (3%).

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

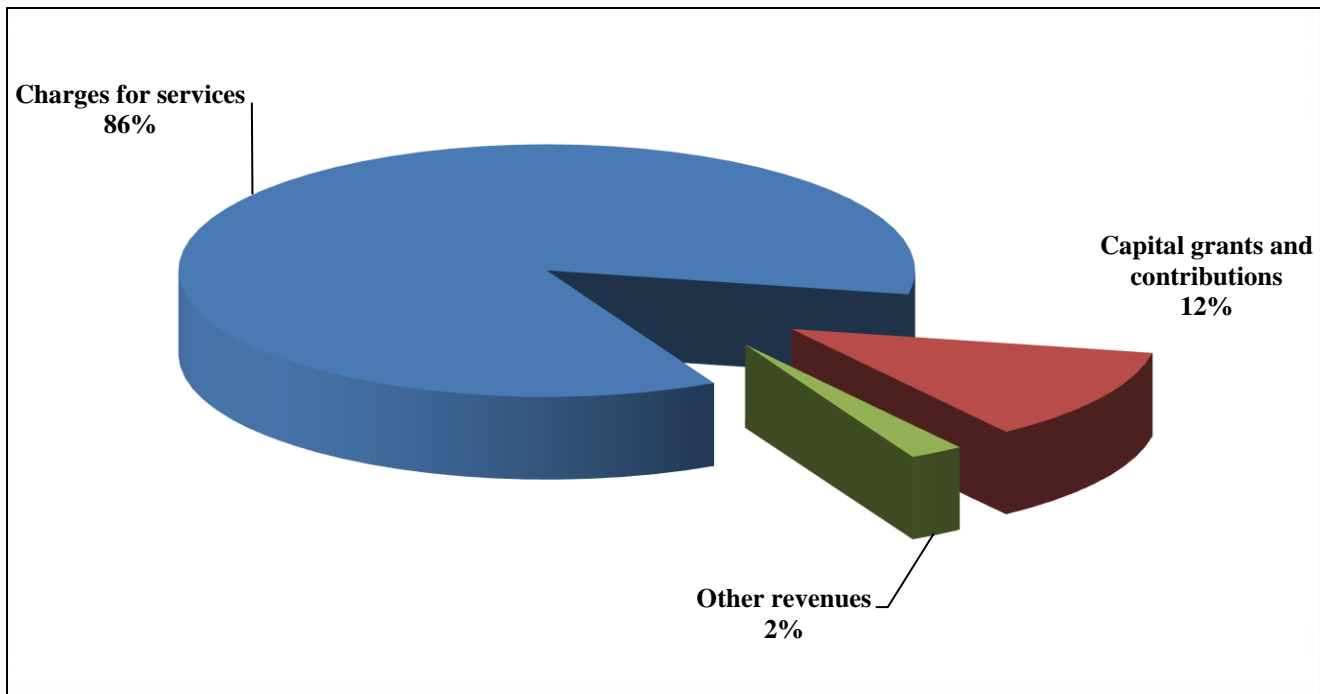
The following chart compares expenses with program revenues for the City's business-type activities:

**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, 2019**

**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 \$8,168,273, an increase of \$193,953 for the year. Approximately 40% of this amount (\$3,253,113) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance (\$4,915,160) is classified as non-spendable (\$206,807), restricted (\$3,858,230) and assigned (\$850,123).

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 \$3,253,113 while total fund balance reached \$4,281,310. 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, 2019, the general fund's unassigned fund balance represents 21% of total general fund expenditures, while total fund balance represents 20% 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 general fund decreased by \$16,955 during the current fiscal year. Expenditures (\$15,850,328) exceeded revenue (\$13,260,062) which was offset by a net transfer (\$1,061,778), debt proceeds (\$1,501,259), insurance recoveries (\$789) and proceeds from capital asset sales (\$9,485).

Fund balance of the City's community redevelopment fund increased by \$603,491 during the current fiscal year. Revenue sources within the CRA (\$1,800,162) exceeded debt service requirements (\$708,054) and operating costs (\$488,617).

Fund balance of the City's transportation fund decreased by \$290,857 during the current fiscal year as expenditures (\$1,743,395) exceeded revenues (\$1,154,845) and other financing sources (\$297,693).

Fund balance of the City's debt service fund decreased by \$278,180 during the current fiscal year due to debt service requirements (\$1,502,534) in excess of revenues (\$516,300) and net transfer in (\$708,054).

**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 \$4,369,316. As of September 30, 2019, the utility system had \$3,335,393 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, 2019**

**General Fund Budgetary Highlights**

During the year there was a \$891,901 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 \$44,000 for City Commission related to increased travel, training and software expenditures.
- An increase of \$25,000 for City Manager related to increased payroll costs and operating supplies expenditures.
- An increase of \$39,000 for municipal building administration due to increased maintenance and repair expenditures.
- An increase of \$519,500 for the police services department mainly due to increased capital equipment and facility costs.
- An increase of \$135,000 for the fire services department mainly due to increased capital equipment and facility costs.
- An increase of \$50,000 for the waste disposal department due to increased solid waste service expenditures.
- An increase of \$30,000 for the lake conservation department.
- An increase of \$34,000 for the parks division mainly due to increased capital equipment and facility costs.

During the year there was a net \$1,327,900 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 tax revenue in the amount of \$140,000 due to greater than anticipated revenue during the year.
- An increase in licenses and permit revenue in the amount of \$495,000 due to greater than anticipated building permit and impact fee revenue during the year.
- An increase in intergovernmental revenue in the amount of \$431,900 due mainly to more than anticipated grant revenue during the year.
- An increase in charges for services in the amount of \$116,000 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 \$84,000 due to greater than anticipated code enforcement and court fee revenue.
- An increase in miscellaneous revenue in the amount of \$61,000.

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

**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, 2019 is \$72,199,455 (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 \$2,728,798, an increase of 4%. This consisted of a 6% increase for governmental activities and a 3% 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,768,631	\$ 4,768,631	\$ 850,497	\$ 850,497	\$ 5,619,128	\$ 5,619,128
Construction in progress	656,765	492,772	8,162,962	6,165,327	8,819,727	6,658,099
Buildings	15,052,431	14,594,700	1,178,422	1,140,625	16,230,853	15,735,325
Improvements other than buildings	7,857,032	7,687,788	54,204,039	53,456,813	62,061,071	61,144,601
Machinery & equipment	15,383,705	13,302,941	6,721,854	6,597,433	22,105,559	19,900,374
Infrastructure	20,499,030	19,941,274	-	-	20,499,030	19,941,274
<b>Total</b>	<b>64,217,594</b>	<b>60,788,106</b>	<b>71,117,774</b>	<b>68,210,695</b>	<b>135,335,368</b>	<b>128,998,801</b>
Less: accumulated depreciation	(38,157,986)	(36,177,647)	(24,977,937)	(23,350,507)	(63,135,923)	(59,528,154)
Capital assets, net	<u>\$ 26,059,608</u>	<u>\$ 24,610,459</u>	<u>\$ 46,139,837</u>	<u>\$ 44,860,188</u>	<u>\$ 72,199,445</u>	<u>\$ 69,470,647</u>

Additional information on the City's capital assets can be found in note C on pages 51-52 of this report.

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

**Governmental Activities:**

- Utility trailer - \$1,700
- Utility trailer - \$15,171
- Gooseneck trailer - \$10,549
- (2) John Deere tractors - \$20,140
- (2) Grasshopper mower - \$33,280
- 34' extension ladder - \$1,117
- (2) Air conditioner units – Administration building \$15,000
- Refrigerator - \$2,360
- Ice machine - \$3,259
- (1) Air conditioner unit – JPA Center - \$3,600
- (1) Air conditioner unit – Depot Museum - \$4,000
- (94) Motorola radios - \$388,423
- (2) Wifi access points - \$11,702

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

Governmental Activities (concluded):

- Information technology servers - \$16,140
- (3) Air conditioner unit – Downtown Library - \$16,750
- Air conditioner unit - \$6,500
- Air conditioner unit - \$4,500
- Library books - \$64,377
- GT Grandstands - \$4,542
- Gates - \$3,759
- Safety lighting – school zones - \$14,500
- Shuffleboard shade structures - \$51,421
- Dog park fencing improvements - \$16,809
- (2) Dumpster enclosures - \$22,900
- Lake Wailes Park electrical upgrades - \$23,370
- Little league grandstands - \$34,745
- Restrooms – Stuart Park - \$12,250
- Restrooms – Depot Museum - \$19,910
- Roof replacement – Kiwanis Park restroom - \$19,980
- Building improvements – soffit and fascia - \$35,000
- (2) Dugouts – NW Complex - \$41,950
- Little league concessions - \$71,189
- Roof replacement - \$112,235
- Police department building improvements - \$145,217
- Road resurfacing - \$557,756
- 2019 Boom/Bucket truck - \$116,956
- 2018 Pierce Saber fire truck - \$581,875
- John Deere 310 loader - \$94,850
- Kubota backhoe loader - \$42,299
- John Deere 5055 utility tractor - \$38,994
- (3) 2019 Ford F-150 trucks - \$75,657
- 2019 Harley Davidson motorcycle - \$26,048
- (11) Ford Interceptor police cars - \$431,003
- Ford Explorer - \$29,374
- 2019 Ford Transit van - \$22,343
- CIP - Library addition – next to Fire Station - \$47,560
- CIP - Recreation master plan - \$24,650
- CIP - CRA master plan - \$91,785

Business-Type Activities

- CWIP – Galvanized pipe replacement - \$436,176
- CWIP – C Street Phase III - \$1,626,766
- CWIP – Southside elevated storage tank - \$26,056
- CWIP – Cashier area remodel - \$21,000
- CWIP – Reuse upgrades - \$137,629
- CWIP – Hwy 60 expansion - \$180
- CWIP – SCADA interconnect - \$15,000



**City of Lake Wales, Florida**  
**Management’s Discussion and Analysis**  
**September 30, 2019**

Business-Type Activities (concluded)

- Flexnet system upgrade - \$35,291
- Pump repairs and replacements - \$15,690
- New service meters - \$87,794
- Water master plan - \$176,710
- Filter replacement - \$68,200
- Sliplining - \$82,938
- Infiltration and intrusion mitigation - \$75,970
- Toyota lift truck - \$24,262
- 2019 Ford F-350 truck - \$49,178
- Stormwater system improvements - \$92,281
- Water plant kitchen improvements - \$37,795
- C Street – Phase II - \$163,335

**Debt.** At the end of the current fiscal year the City had total debt outstanding of \$25,523,666, including the addition of \$1,526,842 in notes payable during fiscal year 2019 to fund construction projects and \$1,848,712 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Notes payable	\$ 6,007,966	\$ 6,554,027	\$ 16,238,880	\$ 15,598,263	\$ 22,246,846	\$ 22,152,290
Lease obligations	2,952,843	1,771,562	323,977	383,458	3,276,820	2,155,020
Total debt obligations	<u>\$ 8,960,809</u>	<u>\$ 8,325,589</u>	<u>\$ 16,562,857</u>	<u>\$ 15,981,721</u>	<u>\$ 25,523,666</u>	<u>\$ 24,307,310</u>

Additional information on the City’s long-term debt can be found in note G on pages 55-62 of this report.

**City of Lake Wales, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

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

The unemployment rate at the end of fiscal year 2019 for Lakeland/Winter Haven Metro Area was 3.0%. 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. 2019</u>	<u>Previous Year Sept. 2018</u>
Lakeland/Winter Haven Metro Area	3.0%	3.3%
State of Florida	2.9%	3.3%
United States	3.5%	3.7%

\*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 5.65% from 2018 to 2019.

The City's population increased from 15,791 in 2018 to 16,062 in 2019.

All of these factors were considered in preparing the City of Lake Wales's budget for the 2019'20 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, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport Authority
<b>Assets</b>				
Cash and cash equivalents	\$ 5,379,631	\$ 3,815,142	\$ 9,194,773	\$ 98,769
Receivable (net of allowance for uncollectibles)	549,562	1,432,582	1,982,144	11,541
Due from component unit	1,547,362	-	1,547,362	-
Intergovernmental receivables	647,228	-	647,228	552,135
Restricted assets:				
Cash and cash equivalents	917,935	4,175,746	5,093,681	714,243
Investments	-	1,030,065	1,030,065	-
Inventories	160,960	535,400	696,360	28,692
Prepaid items	45,847	3,919	49,766	-
Capital assets:				
Nondepreciable	5,425,396	9,013,459	14,438,855	6,524,187
Depreciable, net	20,634,212	37,126,378	57,760,590	11,976,472
<b>Total assets</b>	<b>35,308,133</b>	<b>57,132,691</b>	<b>92,440,824</b>	<b>19,906,039</b>
<b>Deferred outflows of resources</b>				
Deferred outflows related to OPEB	20,639	4,623	25,262	-
Deferred outflows related to pensions	2,505,812	248,941	2,754,753	-
Total deferred outflows of resources	2,526,451	253,564	2,780,015	-
<b>Liabilities</b>				
Accounts payable	764,658	683,491	1,448,149	61,793
Construction payable	55,539	564,038	619,577	1,079,400
Accrued liabilities	206,661	37,343	244,004	2,226
Accrued interest	147,118	125,177	272,295	13,250
Due to primary government	-	-	-	1,547,362
Deposits	900	1,092,056	1,092,956	5,785
Unearned revenues	52,494	197,007	249,501	-
Noncurrent liabilities:				
Due within one year	1,467,919	1,354,062	2,821,981	84,529
Due in more than one year	14,609,958	15,956,433	30,566,391	1,696,756
<b>Total liabilities</b>	<b>17,305,247</b>	<b>20,009,607</b>	<b>37,314,854</b>	<b>4,491,101</b>
<b>Deferred inflows of resources</b>				
Deferred inflows related to OPEB	28,544	6,393	34,937	-
Deferred inflows related to pensions	1,012,173	28,420	1,040,593	-
Total deferred inflows of resources	1,040,717	34,813	1,075,530	-
<b>Net position</b>				
Net investment in capital assets	17,043,260	29,012,942	46,056,202	16,261,963
Restricted for:				
Law enforcement	36,536	-	36,536	-
Library	190,140	-	190,140	-
Transportation	111,029	-	111,029	-
Community redevelopment	2,108,243	-	2,108,243	-
Street lighting	6,426	-	6,426	-
Debt service	686,736	659,851	1,346,587	86,822
Capital projects	719,120	3,335,393	4,054,513	-
Unrestricted (deficit)	(1,412,870)	4,333,649	2,920,779	(933,847)
<b>Total net position</b>	<b>\$ 19,488,620</b>	<b>\$ 37,341,835</b>	<b>\$ 56,830,455</b>	<b>\$ 15,414,938</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, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,643,677	\$ 60,405	\$ 29,867	\$ -
Public safety	9,085,841	2,308,752	447,372	17,538
Physical environment	1,251,218	1,353,179	-	-
Transportation	2,019,958	145,617	133,797	-
Economic environment	672,429	-	30,000	-
Human services	10,173	-	-	-
Culture and recreation	3,186,011	278,621	642,676	574
Interest on long-term debt	368,926	-	-	-
<b>Total governmental activities</b>	<b>18,238,233</b>	<b>4,146,574</b>	<b>1,283,712</b>	<b>18,112</b>
<b>Business-type activities:</b>				
Water and sewer utility	6,257,083	8,685,158	-	1,247,275
Cemetery	124,703	72,315	-	-
Stormwater	248,550	64,027	-	-
<b>Total business-type activities</b>	<b>6,630,336</b>	<b>8,821,500</b>	<b>-</b>	<b>1,247,275</b>
<b>Total primary government</b>	<b>24,868,569</b>	<b>12,968,074</b>	<b>1,283,712</b>	<b>1,265,387</b>
<b>Component unit:</b>				
Airport Authority	\$ 1,304,783	\$ 322,302	\$ -	\$ 3,537,657

**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
Gain on disposal of capital assets
Contribution
Miscellaneous revenues
Transfers
<b>Total general revenues and transfers</b>
<b>Change in net position</b>
<b>Net position, beginning of year</b>
<b>Net position, end of year</b>

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

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

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Airport Authority
\$ (1,553,405)	\$ -	\$ (1,553,405)	
(6,312,179)	-	(6,312,179)	
101,961	-	101,961	
(1,740,544)	-	(1,740,544)	
(642,429)	-	(642,429)	
(10,173)	-	(10,173)	
(2,264,140)	-	(2,264,140)	
(368,926)	-	(368,926)	
(12,789,835)	-	(12,789,835)	
-	3,675,350	3,675,350	
-	(52,388)	(52,388)	
-	(184,523)	(184,523)	
-	3,438,439	3,438,439	
(12,789,835)	3,438,439	(9,351,396)	
			\$ 2,555,176
5,849,860	-	5,849,860	-
1,372,549	-	1,372,549	-
1,846,617	-	1,846,617	-
448,685	-	448,685	-
860,806	-	860,806	-
67,280	-	67,280	-
1,552,745	-	1,552,745	-
21,757	21,670	43,427	3,621
789	-	789	-
30,873	200	31,073	-
-	-	-	-
138,446	223,049	361,495	-
1,115,300	(1,115,300)	-	-
13,305,707	(870,381)	12,435,326	3,621
515,872	2,568,058	3,083,930	2,558,797
18,972,748	34,773,777	53,746,525	12,856,141
\$ 19,488,620	\$ 37,341,835	\$ 56,830,455	\$ 15,414,938

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

# City of Lake Wales, Florida

## Balance Sheet All Governmental Funds September 30, 2019

	General	Transportation	Debt Service	Community Redevelopment	Other Governmental Funds	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 2,516,006	\$ 3,704	\$ 686,736	\$ 2,117,395	\$ 55,790	\$ 5,379,631
Receivable (net of allowance for uncollectibles)	541,822	-	-	7,740	-	549,562
Due from other funds	2,205	-	-	-	-	2,205
Due from component unit	1,547,362	-	-	-	-	1,547,362
Inventories	160,960	-	-	-	-	160,960
Intergovernmental receivables	496,196	151,032	-	-	-	647,228
Restricted cash and cash equivalents:						
Impact fees	-	-	-	-	917,935	917,935
Prepaid items	17,114	-	-	-	28,733	45,847
<b>Total assets</b>	<b>\$ 5,281,665</b>	<b>\$ 154,736</b>	<b>\$ 686,736</b>	<b>\$ 2,125,135</b>	<b>\$ 1,002,458</b>	<b>\$ 9,250,730</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 711,538	\$ 33,116	\$ -	\$ 14,375	\$ 5,629	\$ 764,658
Accrued liabilities	180,302	7,968	-	2,517	15,874	206,661
Construction payable	55,121	418	-	-	-	55,539
Due to other funds	-	2,205	-	-	-	2,205
Deposits	900	-	-	-	-	900
Unearned revenues	52,494	-	-	-	-	52,494
<b>Total liabilities</b>	<b>1,000,355</b>	<b>43,707</b>	<b>-</b>	<b>16,892</b>	<b>21,503</b>	<b>1,082,457</b>
<b>Fund balances</b>						
Nonspendable:						
Inventories and prepaid items	178,074	-	-	-	28,733	206,807
Restricted for:						
Law enforcement expenditures	-	-	-	-	36,536	36,536
Library expenditures	-	-	-	-	190,140	190,140
Transportation expenditures	-	111,029	-	-	-	111,029
Community redevelopment	-	-	-	2,108,243	-	2,108,243
Street lighting expenditures	-	-	-	-	6,426	6,426
Debt service	-	-	686,736	-	-	686,736
Capital projects	-	-	-	-	719,120	719,120
Assigned						
Subsequent years' expenditure	850,123	-	-	-	-	850,123
Unassigned:						
Total fund balance	3,253,113	-	-	-	-	3,253,113
<b>Total fund balance</b>	<b>4,281,310</b>	<b>111,029</b>	<b>686,736</b>	<b>2,108,243</b>	<b>980,955</b>	<b>8,168,273</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,281,665</b>	<b>\$ 154,736</b>	<b>\$ 686,736</b>	<b>\$ 2,125,135</b>	<b>\$ 1,002,458</b>	<b>\$ 9,250,730</b>

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, 2019**

<b>Total fund balances of governmental funds</b>	\$ 8,168,273
 <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.	26,059,608
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.	(147,118)
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.	(16,077,877)
Deferred outflows of resources represent a consumption of net position or fund balance that applies to future periods and, therefore, are not reported in the governmental funds	2,526,451
Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and, therefore, are not reported in the governmental funds	(1,040,717)
<b>Net position of governmental activities</b>	\$ 19,488,620

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, 2019**

	General	Transportation	Debt Service	Community Redevelopment	Other Governmental Funds	Total
<b>Revenues</b>						
Taxes	\$ 5,585,853	\$ 860,806	\$ 516,300	\$ 857,994	\$ 371,203	\$ 8,192,156
Special assessment	-	-	-	-	12,782	12,782
Licenses and permits	2,131,820	-	-	-	-	2,131,820
Intergovernmental	2,061,605	148,353	-	912,051	659,653	3,781,662
Charges for services	3,166,261	145,617	-	-	-	3,311,878
Fines and forfeits	155,116	-	-	-	7,641	162,757
Investment earnings	20,953	-	-	-	1,940	22,893
Impact fees	-	-	-	-	464,084	464,084
Miscellaneous	138,454	69	-	30,117	13,862	182,502
<b>Total revenues</b>	<b>13,260,062</b>	<b>1,154,845</b>	<b>516,300</b>	<b>1,800,162</b>	<b>1,531,165</b>	<b>18,262,534</b>
<b>Expenditures</b>						
Current:						
General government	2,102,409	-	-	-	-	2,102,409
Public safety	9,865,814	-	-	-	32,954	9,898,768
Physical environment	1,240,168	-	-	-	12,148	1,252,316
Transportation	394,066	1,743,395	-	-	-	2,137,461
Economic environment	132,000	-	-	488,617	-	620,617
Human services	30,000	-	-	-	-	30,000
Culture and recreation	2,085,871	-	-	-	1,100,743	3,186,614
Debt Service:						
Principal	-	-	1,140,052	-	-	1,140,052
Interest and fiscal charges	-	-	362,482	-	-	362,482
Capital outlay	-	-	-	-	263,776	263,776
<b>Total expenditures</b>	<b>15,850,328</b>	<b>1,743,395</b>	<b>1,502,534</b>	<b>488,617</b>	<b>1,409,621</b>	<b>20,994,495</b>
Excess (deficiency) of revenues over (under) expenditures	(2,590,266)	(588,550)	(986,234)	1,311,545	121,544	(2,731,961)
<b>Other financing sources (uses)</b>						
Transfers in	1,225,000	-	708,054	-	53,522	1,986,576
Transfers out	(163,222)	-	-	(708,054)	-	(871,276)
Insurance recoveries	789	3,680	-	-	-	4,469
Issuance of debt	1,501,259	274,013	-	-	-	1,775,272
Sale of capital assets	9,485	20,000	-	-	1,388	30,873
<b>Total other financing (uses) sources</b>	<b>2,573,311</b>	<b>297,693</b>	<b>708,054</b>	<b>(708,054)</b>	<b>54,910</b>	<b>2,925,914</b>
Net change in fund balances	(16,955)	(290,857)	(278,180)	603,491	176,454	193,953
<b>Fund balances, beginning of year</b>	<b>4,298,265</b>	<b>401,886</b>	<b>964,916</b>	<b>1,504,752</b>	<b>804,501</b>	<b>7,974,320</b>
<b>Fund balances, end of year</b>	<b>\$ 4,281,310</b>	<b>\$ 111,029</b>	<b>\$ 686,736</b>	<b>\$ 2,108,243</b>	<b>\$ 980,955</b>	<b>\$ 8,168,273</b>

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, 2019**

**Net change in fund balances of the governmental funds** \$ 193,953

**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	\$ 3,429,488	
Depreciation	<u>(1,980,339)</u>	1,449,149

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.

(46,178)

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	(1,775,272)	
Principal paid	<u>1,140,052</u>	(635,220)

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	(184,788)	
(Increase) in interest accrued on bonds	<u>(6,442)</u>	(191,230)

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

Increase in deferred outflows related to pensions	307,874	
(Increase) in deferred inflows related to pensions	(344,686)	
(Increase) in the net pension liability	<u>(211,526)</u>	(248,338)

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	3,541	
(Increase) in deferred inflows related to OPEB	(11,908)	
Decrease in the total OPEB liability	<u>2,103</u>	<u>(6,264)</u>

**Change in net position of governmental activities** **\$ 515,872**

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, 2019**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Public Utilities Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 3,571,497	\$ 243,645	\$ 3,815,142
Receivables (net of allowance for uncollectibles)	1,391,724	40,858	1,432,582
Restricted cash, cash equivalents and investments:			
Debt reserve accounts	165,145	-	165,145
Unspent bond proceeds	-	-	-
Escrow - C street project	2,880	-	2,880
Impact fees	2,915,665	-	2,915,665
Customer deposits	1,092,056	-	1,092,056
Debt reserve accounts - investment	613,217	-	613,217
Impact fees - investment	416,848	-	416,848
Inventories	535,400	-	535,400
Due from other funds	313,504	-	313,504
Prepaid items	3,919	-	3,919
Total current assets	<u>11,021,855</u>	<u>284,503</u>	<u>11,306,358</u>
Noncurrent assets			
Capital assets:			
Nondepreciable	8,808,890	204,569	9,013,459
Depreciable, net	36,602,591	523,787	37,126,378
Total noncurrent assets	<u>45,411,481</u>	<u>728,356</u>	<u>46,139,837</u>
Total assets	<u>56,433,336</u>	<u>1,012,859</u>	<u>57,446,195</u>
<b>Deferred outflows of resources</b>			
Deferred outflows related to OPEB	4,623	-	4,623
Deferred outflows related to pensions	248,941	-	248,941
Total deferred outflows of resources	<u>253,564</u>	<u>-</u>	<u>253,564</u>

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, 2019

*(Concluded)*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	683,491	-	683,491
Construction payable	564,038	-	564,038
Accrued liabilities	37,343	-	37,343
Accrued interest	118,511	6,666	125,177
Due to other funds	-	313,504	313,504
Customer deposits	1,092,056	-	1,092,056
Unearned revenues	197,007	-	197,007
Accrued compensated absences	15,736	-	15,736
Current portion of long-term debt	1,294,420	43,906	1,338,326
Total current liabilities	4,002,602	364,076	4,366,678
Noncurrent liabilities			
Notes and lease obligations payable - noncurrent	14,856,195	368,336	15,224,531
Accrued compensated absences	141,623	-	141,623
Accrued OPEB	70,643	-	70,643
Net pension liability	355,458	-	355,458
Joint venture loan guarantee	164,178	-	164,178
Total noncurrent liabilities	15,588,097	368,336	15,956,433
Total liabilities	19,590,699	732,412	20,323,111
<b>Deferred inflows of resources</b>			
Deferred inflows related to OPEB	6,393	-	6,393
Deferred inflows related to pensions	28,420	-	28,420
Total deferred inflows of resources	34,813	-	34,813
<b>Net position</b>			
Net investment in capital assets	28,696,828	316,114	29,012,942
Restricted for capital projects	3,335,393	-	3,335,393
Restricted for debt service	659,851	-	659,851
Unrestricted	4,369,316	(35,667)	4,333,649
<b>Total net position</b>	<b>\$ 37,061,388</b>	<b>\$ 280,447</b>	<b>\$ 37,341,835</b>

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

**City of Lake Wales, Florida**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Public Utilities Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Operating revenues:</b>			
Charges for services	\$ 8,685,158	\$ 136,342	8,821,500
Other income	223,049	-	223,049
Total operating revenues	<u>8,908,207</u>	<u>136,342</u>	<u>9,044,549</u>
<b>Operating expenses:</b>			
Personnel services	1,964,584	-	1,964,584
Contractual services	217,849	11,339	229,188
Repairs and maintenance	766,008	12,318	778,326
Materials and supplies	190,276	-	190,276
General and administrative	1,149,105	288,501	1,437,606
Depreciation	1,586,719	40,711	1,627,430
Total operating expenses	<u>5,874,541</u>	<u>352,869</u>	<u>6,227,410</u>
<b>Operating income (loss)</b>	<u>3,033,666</u>	<u>(216,527)</u>	<u>2,817,139</u>
<b>Nonoperating revenues (expenses)</b>			
Interest income	21,169	501	21,670
Interest expense and fiscal charges	(218,364)	(20,384)	(238,748)
Other nonoperating expense	(164,178)	-	(164,178)
Gain on sale of capital assets	200	-	200
Total nonoperating revenues (expenses)	<u>(361,173)</u>	<u>(19,883)</u>	<u>(381,056)</u>
Income (loss) before contributions and transfers	<u>2,672,493</u>	<u>(236,410)</u>	<u>2,436,083</u>
<b>Capital contributions</b>			
Grants	565,246	-	565,246
Impact fees	682,029	-	682,029
Total capital contributions	<u>1,247,275</u>	<u>-</u>	<u>1,247,275</u>
<b>Transfers</b>			
Transfers in	-	109,700	109,700
Transfers out	(1,225,000)	-	(1,225,000)
Total transfers	<u>(1,225,000)</u>	<u>109,700</u>	<u>(1,115,300)</u>
Change in net position	<u>2,694,768</u>	<u>(126,710)</u>	<u>2,568,058</u>
<b>Net position, beginning of year</b>	<u>34,366,620</u>	<u>407,157</u>	<u>34,773,777</u>
<b>Net position, end of year</b>	<u>\$ 37,061,388</u>	<u>\$ 280,447</u>	<u>\$ 37,341,835</u>

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, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Public Utilities Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 8,705,683	\$ 96,332	\$ 8,802,015
Cash payments to suppliers for goods and services	(1,822,580)	(321,606)	(2,144,186)
Cash payments for employee services	(1,865,739)	-	(1,865,739)
Net cash provided by (used in) operating activities	<u>5,017,364</u>	<u>(225,274)</u>	<u>4,792,090</u>
<b>Cash flows from noncapital financing activities</b>			
Loans (to) from other funds	(313,504)	313,504	-
Transfer to (from) other funds	(1,225,000)	109,700	(1,115,300)
Net cash provided by (used in) noncapital financing activities	<u>(1,538,504)</u>	<u>423,204</u>	<u>(1,115,300)</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(2,916,818)	(92,282)	(3,009,100)
Impact fees	682,029	-	682,029
Capital grants	565,246	-	565,246
Debt issuance proceeds	1,600,282	-	1,600,282
Principal payments on long-term debt	(977,513)	(41,633)	(1,019,146)
Interest paid	(222,612)	(20,952)	(243,564)
Proceeds from sale of equipment	200	-	200
Net cash used in capital and related financing activities	<u>(1,269,186)</u>	<u>(154,867)</u>	<u>(1,424,053)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments	(11,263)	-	(11,263)
Investment income	21,169	501	21,670
Net cash provided by investing activities	<u>9,906</u>	<u>501</u>	<u>10,407</u>
<b>Net increase in cash and cash equivalents</b>	2,219,580	43,564	2,263,144
<b>Cash and cash equivalents, beginning of year</b>	<u>5,527,663</u>	<u>200,081</u>	<u>5,727,744</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 7,747,243</u>	<u>\$ 243,645</u>	<u>\$ 7,990,888</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, 2019**  
*(Concluded)*

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Public Utilities Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Reconciliation of cash and cash equivalents to statement of net position</b>			
Cash and cash equivalents	\$ 3,571,497	\$ 243,645	\$ 3,815,142
Restricted cash and cash equivalents	4,175,746	-	4,175,746
<b>Cash and cash equivalents, end of year</b>	<u>\$ 7,747,243</u>	<u>\$ 243,645</u>	<u>\$ 7,990,888</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ 3,033,666	\$ (216,527)	\$ 2,817,139
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:			
Depreciation	1,586,719	40,711	1,627,430
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	(258,662)	(40,010)	(298,672)
Inventories	8,981	-	8,981
Deferred outflows related to pensions	(98,932)	-	(98,932)
Deferred outflows related to OPEB	(742)	-	(742)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	491,677	-	491,677
Accrued liabilities	5,735	-	5,735
Due to general fund	-	(9,448)	(9,448)
Customer deposits	59,046	-	59,046
Unearned revenue	(2,908)	-	(2,908)
Compensated absences	15,213	-	15,213
Total OPEB liability	(471)	-	(471)
Net pension liability	192,132	-	192,132
Deferred inflows related to OPEB	2,617	-	2,617
Deferred inflows related to pensions	(16,707)	-	(16,707)
<b>Net cash provided by operating activities</b>	<u>\$ 5,017,364</u>	<u>\$ (225,274)</u>	<u>\$ 4,792,090</u>
<b>Schedule of non-cash capital and related financing activities</b>			
None	\$ -	\$ -	\$ -

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, 2019**

	<b>Pension Trust Funds</b>
<b>Assets</b>	
Cash and cash equivalent	\$ 38,491
Investments, at fair value:	
Money market funds	1,608,740
Government bonds	858,444
Government assets backed/CMO securities	5,897,148
Taxable municipal bonds	536,264
Foreign bonds	304,008
Corporate bonds and notes	2,802,668
Common and preferred stock	21,832,243
Real estate investment fund	2,253,286
Total investments	<u>36,092,801</u>
Prepays	
Prepaid fiduciary liability insurance	3,723
Total Prepays	<u>3,723</u>
Receivable (net):	
Interest and dividends	73,243
Due from State of Florida	252,577
Due from City	49,857
Total receivable	<u>375,677</u>
Total assets	<u>36,510,692</u>
<b>Net position</b>	
Net position restricted for pension benefits	<u>\$ 36,510,692</u>

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, 2019**

	<u><b>Pension Trust Funds</b></u>
<b>Additions</b>	
Contributions:	
Employer	\$ 1,159,704
State of Florida	252,577
Employee	411,650
Total contributions	<u>1,823,931</u>
Interest and dividends	921,854
Net increase in the fair value of investments	<u>605,204</u>
Investment gain	1,527,058
Investment expense	<u>(174,554)</u>
Investment gain, less investment expense	<u>1,352,504</u>
Total additions	<u>3,176,435</u>
<b>Deductions</b>	
Benefit payments, including refunds of employee contributions	2,212,923
Administration	<u>167,109</u>
Total deductions	<u>2,380,032</u>
Change in net position	796,403
<b>Total net position - beginning of year</b>	<u>35,714,289</u>
<b>Total net position - end of year</b>	<u><u>\$ 36,510,692</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, 2019

#### 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 following component units were determined to be blended component units of the primary government for financial reporting:

- 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.
- The Lake Wales Library Board (Library Board) was created pursuant to Chapter 57-1488, Laws of Florida, and is governed by Section 2-116 of the Code of Ordinances. The City Commission appoints the Board of Directors. Chapter 57-1488, Laws of Florida, authorizes the City Commission to levy up to one mil in property taxes to establish, maintain, and operate a public municipal library. The City Commission approves the Library Board's budget, levies the ad valorem property tax for the library operations, and appoints the Library Board of Directors. Since the Library Board cannot transact business in its own name, it is not considered a separate legal entity. Accordingly, the Library Board's operations are reported in a non-major special revenue fund and its capital assets are included under governmental activities in the statement of net position.

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2019

**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, 2019.

**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*.

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2019

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.

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.

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2019

Major governmental funds (cont...)

- **Debt Service Fund** – accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.
- **Community Redevelopment Fund** – accounts for revenues derived from the tax increment funds collected in the City-wide community redevelopment area.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

- **Special Revenue Funds** - account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).
- **Capital Projects Funds** - account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.
- **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.
- **Stormwater Fund** – accounts for the operation and maintenance of the City’s stormwater system.

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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

**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.

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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

*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.

*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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

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.

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 \$25,462 were capitalized during the year ended September 30, 2019. 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



**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

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.

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.

# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2019

#### 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.

**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 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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

**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.

**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.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

*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, 2019, are unbilled amounts totaling \$677,357 (\$546,361 enterprise funds and \$130,996 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 2019 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**  
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**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, 2019, the carrying amount of cash on hand and on deposit with banks, including interest-bearing deposits was \$14,288,454, and the related bank balance was \$15,293,424.

**Investments – City**

At September 30, 2019, the carrying amount of investments was \$1,030,065. 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, 2019, 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**  
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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, 2019, based on measurement criteria as specified:

**General Employees' Pension Trust Fund:**

	September 30, 2019	Level 1	Level 2	Amortized Cost
<b>Investments at fair value</b>				
Money market mutual funds	\$ 649,228	\$ -	\$ -	\$ 649,228
Government bonds	375,704	-	375,704	-
Government asset-backed/ CMO securities	1,684,012	-	1,684,012	-
Taxable municipal bonds	178,911	-	178,911	-
Foreign bonds	223,024	-	223,024	-
Corporate bonds and notes	1,375,980	-	1,375,980	-
Common and preferred stock	6,894,537	6,894,537	-	-
<b>Total investments measured at fair value</b>	<b>\$ 11,381,396</b>	<b>\$ 6,894,537</b>	<b>\$ 3,837,631</b>	<b>\$ 649,228</b>

**Firefighters' Pension Trust Fund:**

	September 30, 2019	Level 1	Level 2	Amortized Cost
<b>Investments at fair value</b>				
Money market mutual funds	\$ 355,288	\$ -	\$ -	\$ 355,288
Government bonds	175,670	-	175,670	-
Government asset-backed/ CMO securities	1,574,272	-	1,574,272	-
Taxable municipal bonds	148,366	-	148,366	-
Foreign bonds	30,369	-	30,369	-
Corporate bonds and notes	506,864	-	506,864	-
Common and preferred stock	5,391,026	5,391,026	-	-
<b>Total investments measured at fair value</b>	<b>8,181,855</b>	<b>\$ 5,391,026</b>	<b>\$ 2,435,541</b>	<b>\$ 355,288</b>
<b>Investments measured at net asset value (NAV)</b>				
Real estate investment fund	819,377			
<b>Total investments</b>	<b>\$ 9,001,232</b>			

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

	September 30, 2019	Level 1	Level 2	Amortized Cost
<b>Investments at fair value</b>				
Money market mutual funds	\$ 604,224	\$ -	\$ -	\$ 604,224
Government bonds	307,070	-	307,070	-
Government asset-backed/ CMO securities	2,638,864	-	2,638,864	-
Taxable municipal bonds	208,987	-	208,987	-
Foreign bonds	50,615	-	50,615	-
Corporate bonds and notes	919,824	-	919,824	-
Common and preferred stock	9,546,680	9,546,680	-	-
<b>Total investments measured at fair value</b>	<u>14,276,264</u>	<u>\$9,546,680</u>	<u>\$4,125,360</u>	<u>\$ 604,224</u>
<b>Investments measured at net asset value (NAV)</b>				
Real estate investment fund	1,433,909			
<b>Total investments</b>	<u>\$ 15,710,173</u>			

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 Firefighters' and Police Officers' pension plans own shares in a real estate investment fund which is a pooled investment fund that is a broadly diversified core real estate fund that reports its value at net asset value (NAV) per share. Redemption requests of units in the real estate investment fund may be made at any time and are effective at the end of the calendar quarter in which the request is received by the investment fund. The units that are subject to a redemption notice may be redeemed in installments as funds become available for such purpose and the redemption price will be the value per unit at such time the payment is made. The real estate investment fund is not required to liquidate or encumber assets or defer investments in order to make redemptions.

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%	45%	45%
Fixed Income Securities	35%	30%	30%
International Equity	15%	15%	15%
Private Real Estate	0%	10%	10%

This allocation target is intended as a maximum exposure to each security class based on the cost value of the assets. The use of cash equivalent securities is not restricted and may be used within both equity and fixed income portfolios.



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Credit ratings and maturities of investments in pension trust funds at September 30, 2019, are presented below:

**General Employees' Pension Trust Fund:**

Investment Type	Credit Rating (S&P's)	Fair Value/ Amortized Cost	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Money Market Funds	N/R	\$ 649,228	\$ 649,228	\$ -	\$ -	\$ -
Corporate Bonds	*	1,375,980	95,322	35,158	450,779	794,721
Government Bonds	Aaa	375,704	-	-	129,635	246,069
Government asset-backed/CMO Sec.	Aaa	1,684,012	385	290	407	1,682,930
Foreign Bonds	*	223,024	-	-	95,898	127,126
Taxable Municipal Bonds	*	178,911	-	-	37,844	141,067
Equities	N/R	6,894,537	N/A	N/A	N/A	N/A
<b>Total Fair Value</b>		<u>\$ 11,381,396</u>	<u>\$ 744,935</u>	<u>\$ 35,448</u>	<u>\$ 714,563</u>	<u>\$ 2,991,913</u>

**Firefighters' Pension Trust Fund:**

Investment Type	Credit Rating (Moody)	Fair Value/ Amortized Cost	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Money Market Funds	N/R	\$ 355,288	\$ 355,288	\$ -	\$ -	\$ -
Corporate Bonds	*	506,864	-	-	44,132	462,732
Government Bonds	Aaa	175,670	-	-	-	175,670
Government asset-backed/CMO Sec.	Aaa	1,574,272	330	-	729	1,573,213
Foreign Bonds	*	30,369	-	-	-	30,369
Taxable Municipal Bonds	*	148,366	-	-	27,032	121,334
Real estate investment fund	N/R	819,377	N/A	N/A	N/A	N/A
Equities	N/R	5,391,026	N/A	N/A	N/A	N/A
<b>Total Fair Value</b>		<u>\$ 9,001,232</u>	<u>\$ 355,618</u>	<u>\$ -</u>	<u>\$ 71,893</u>	<u>\$ 2,363,318</u>

**Police Officers' Pension Trust Fund:**

Investment Type	Credit Rating (S&P's)	Fair Value/ Amortized Cost	Less Than 6 Months	6-12 Months	1-3 Years	Over 3 Years
Money Market Funds	N/R	\$ 604,224	\$ 604,224	\$ -	\$ -	\$ -
Corporate Bonds	*	919,824	-	30,136	74,563	815,125
Government Bonds	Aaa	307,070	-	-	-	307,070
Government asset-backed/CMO Sec.	Aaa	2,638,864	485	500	794	2,637,085
Foreign Bonds	*	50,615	-	-	-	50,615
Municipal Bonds	*	208,987	-	-	48,657	160,330
Real estate investment fund	N/R	1,433,909	N/A	N/A	N/A	N/A
Equities	N/R	9,546,680	N/A	N/A	N/A	N/A
<b>Total Fair Value</b>		<u>\$ 15,710,173</u>	<u>\$ 604,709</u>	<u>\$ 30,636</u>	<u>\$ 124,014</u>	<u>\$ 3,970,225</u>

\*Credit rating on the above bonds varied from AAA to BBB+

N/R = Not rated

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.

**City of Lake Wales, Florida**  
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**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, 2019, 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	\$ 147,110	\$ -	\$ -	\$ 147,110	\$ -	\$ 147,110
Franchise fees	166,582	-	-	166,582	-	166,582
Accounts	139,878	-	7,740	147,618	1,148,038	1,295,656
Unbilled amounts	130,996	-	-	130,996	546,361	677,357
Gross receivables	584,566	-	7,740	592,306	1,694,399	2,286,705
Less: allowance for uncollectibles	(42,744)	-	-	(42,744)	(261,817)	(304,561)
Net total receivable	<u>\$ 541,822</u>	<u>\$ -</u>	<u>\$ 7,740</u>	<u>\$ 549,562</u>	<u>\$ 1,432,582</u>	<u>\$ 1,982,144</u>
Intergovernmental Receivables	<u>\$ 496,196</u>	<u>\$ 151,032</u>	<u>\$ -</u>	<u>\$ 647,228</u>	<u>\$ -</u>	<u>\$ 647,228</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 \$52,494 of prepaid local business tax.

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**C. Capital assets**

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 4,768,631	\$ -	\$ -	\$ 4,768,631
Construction in progress	492,772	163,993	-	656,765
Total capital assets, not being depreciated	<u>5,261,403</u>	<u>163,993</u>	<u>-</u>	<u>5,425,396</u>
Capital assets being depreciated:				
Buildings	14,594,700	457,731	-	15,052,431
Improvements other than buildings	7,687,788	169,244	-	7,857,032
Machinery and equipment	13,302,941	2,080,764	-	15,383,705
Infrastructure	19,941,274	557,756	-	20,499,030
Total depreciable capital assets	<u>55,526,703</u>	<u>3,265,495</u>	<u>-</u>	<u>58,792,198</u>
Total all capital assets	<u>60,788,106</u>	<u>3,429,488</u>	<u>-</u>	<u>64,217,594</u>
Less accumulated depreciation for:				
Buildings	(5,137,222)	(316,672)	-	(5,453,894)
Improvements other than buildings	(5,553,942)	(247,712)	-	(5,801,654)
Machinery and equipment	(10,127,556)	(726,387)	-	(10,853,943)
Infrastructure	(15,358,927)	(689,568)	-	(16,048,495)
Total accumulated depreciation	<u>(36,177,647)</u>	<u>(1,980,339)</u>	<u>-</u>	<u>(38,157,986)</u>
Depreciable capital assets, net	<u>19,349,056</u>	<u>1,285,156</u>	<u>-</u>	<u>20,634,212</u>
Total governmental activities capital assets, net	<u>\$ 24,610,459</u>	<u>\$ 1,449,149</u>	<u>\$ -</u>	<u>\$ 26,059,608</u>

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

Governmental activities:	
General government	\$ 169,771
Public safety	508,344
Physical environment	81,373
Transportation	737,554
Economic environment	17,101
Human services	10,173
Culture and recreation	456,023
Total governmental activities depreciation expense	<u>\$ 1,980,339</u>

**City of Lake Wales, Florida**  
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 850,497	\$ -	\$ -	\$ 850,497
Construction in progress	6,165,327	2,262,807	(265,172)	8,162,962
Total capital assets, not being depreciated	<u>7,015,824</u>	<u>2,262,807</u>	<u>(265,172)</u>	<u>9,013,459</u>
Capital assets being depreciated:				
Buildings	1,140,625	37,797	-	1,178,422
Improvements other than buildings	53,456,813	747,226	-	54,204,039
Machinery and equipment	6,597,433	124,421	-	6,721,854
Total depreciable capital assets	<u>61,194,871</u>	<u>909,444</u>	<u>-</u>	<u>62,104,315</u>
Total all capital assets	<u>68,210,695</u>	<u>3,172,251</u>	<u>(265,172)</u>	<u>71,117,774</u>
Less accumulated depreciation for:				
Buildings	(613,646)	(33,318)	-	(646,964)
Improvements other than buildings	(17,596,456)	(1,360,938)	-	(18,957,394)
Machinery and equipment	(5,140,405)	(233,174)	-	(5,373,579)
Total accumulated depreciation	<u>(23,350,507)</u>	<u>(1,627,430)</u>	<u>-</u>	<u>(24,977,937)</u>
Depreciable capital assets, net	37,844,364	(717,986)	-	37,126,378
Total business-type activities capital assets, net	<u>\$ 44,860,188</u>	<u>\$ 1,544,821</u>	<u>\$ (265,172)</u>	<u>\$ 46,139,837</u>

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

Business-type activities:	
Water	\$ 823,727
Sewer	762,992
Cemetery	39,619
Stormwater	1,092
Total business-type activities depreciation expense	<u>\$ 1,627,430</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	5,093,130	4,936,787	(5,131,004)	4,898,913
Total capital assets, not being depreciated	<u>6,718,404</u>	<u>4,936,787</u>	<u>(5,131,004)</u>	<u>6,524,187</u>
Capital assets being depreciated:				
Buildings	2,571,883	25,408	-	2,597,291
Improvements other than buildings	9,621,927	5,131,004	-	14,752,931
Machinery and equipment	733,468	36,081	-	769,549
Total depreciable capital assets	<u>12,927,278</u>	<u>5,192,493</u>	<u>-</u>	<u>18,119,771</u>
Total all capital assets	<u>19,645,682</u>	<u>10,129,280</u>	<u>(5,131,004)</u>	<u>24,643,958</u>
Less accumulated depreciation for:				
Buildings	(526,528)	(54,083)	-	(580,611)
Improvements other than buildings	(4,543,768)	(595,343)	-	(5,139,111)
Machinery and equipment	(384,765)	(38,812)	-	(423,577)
Total accumulated depreciation	<u>(5,455,061)</u>	<u>(688,238)</u>	<u>-</u>	<u>(6,143,299)</u>
Depreciable capital assets, net	7,472,217	4,504,255	-	11,976,472
Total governmental activities capital assets, net	<u>\$ 14,190,621</u>	<u>\$ 9,441,042</u>	<u>\$ (5,131,004)</u>	<u>\$ 18,500,659</u>

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

The City has active construction projects as of September 30, 2019. The projects include asbestos pipe removal, runway extension, water and wastewater facilities expansion and renovation. 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 3	\$ 1,379,681	\$ 214,805
Ground storage tank	106,081	1,350,643
Reuse upgrades	137,629	971,036
S.R. 60 Western Expansion	5,738,328	1,811,871
Galvanized pipe replacement	439,525	1,248,782
Total primary government	\$ 7,801,244	\$ 5,597,137

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

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Airport projects	\$ 4,880,738	\$ 222,585
Total Lake Wales Airport Authority	\$ 4,880,738	\$ 222,585

**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 copiers and postage equipment. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending</u>	<u>Copier Equipment</u>	<u>Postage Equipment</u>	<u>Total</u>
September 30,			
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	\$ 64,487	\$ 15,765	\$ 80,252

Capital Leases

The City leases equipment with a historical cost and accumulated depreciation of \$4,907,084 and \$1,062,745, respectively, under capital lease arrangements. Future minimum lease payments as of September 30, 2019 can be found at Note G.

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

The composition of interfund balances as of September 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
General	Transportation	\$ 2,205
Public Utilities	Stormwater	\$ 313,504
<u>Due to/from component unit:</u>		
General	Airport Authority	<u>\$ 1,547,362</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, 2019 is as follows:

	Transfer In:				Total
	General	Debt Service	Library	LWMG Cemetery	
Transfer Out:					
General	\$ -	\$ -	\$ 53,522	\$ 109,700	\$ 163,222
CRA	-	708,054	-	-	708,054
Public Utilities	1,225,000	-	-	-	1,225,000
Total	<u>\$ 1,225,000</u>	<u>\$ 708,054</u>	<u>\$ 53,522</u>	<u>\$ 109,700</u>	<u>\$ 2,096,276</u>

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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</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Notes and lease obligations payable:					
Notes payable	\$ 6,554,027	\$ -	\$ (546,061)	\$ 6,007,966	\$ 566,022
Lease obligations	1,771,562	1,775,272	(593,991)	2,952,843	781,390
Total notes and lease obligations payable	<u>8,325,589</u>	<u>1,775,272</u>	<u>(1,140,052)</u>	<u>8,960,809</u>	<u>1,347,412</u>
Other liabilities:					
Net pension liabilities	5,389,283	211,526	-	5,600,809	-
OPEB liability	313,288	-	(2,103)	311,185	-
Compensated absences	1,020,286	834,685	(649,897)	1,205,074	120,507
Total other liabilities	<u>6,722,857</u>	<u>1,046,211</u>	<u>(652,000)</u>	<u>7,117,068</u>	<u>120,507</u>
<b>Governmental long-term liabilities</b>	<u>\$ 15,048,446</u>	<u>\$ 2,821,483</u>	<u>\$ (1,792,052)</u>	<u>\$ 16,077,877</u>	<u>\$ 1,467,919</u>
<b>Business-type activities:</b>					
Notes and lease obligations payable:					
Notes payable	\$ 15,598,263	\$ 1,526,842	\$ (886,225)	\$ 16,238,880	\$ 1,202,046
Lease obligations	383,458	73,440	(132,921)	323,977	136,280
Total notes and lease obligations payable	<u>15,981,721</u>	<u>1,600,282</u>	<u>(1,019,146)</u>	<u>16,562,857</u>	<u>1,338,326</u>
Other liabilities:					
Net pension liabilities	163,326	192,132	-	355,458	-
OPEB liability	71,114	-	(471)	70,643	-
Compensated absences	142,146	78,718	(63,505)	157,359	15,736
Joint venture loan guarantee	-	164,178	-	164,178	-
Total other liabilities	<u>376,586</u>	<u>435,028</u>	<u>(63,976)</u>	<u>747,638</u>	<u>15,736</u>
<b>Business-type long-term liabilities</b>	<u>\$ 16,358,307</u>	<u>\$ 2,035,310</u>	<u>\$ (1,083,122)</u>	<u>\$ 17,310,495</u>	<u>\$ 1,354,062</u>
<b>Discretely presented component unit:</b>					
Notes and lease obligations payable:					
Notes payable	\$ 1,815,000	\$ -	\$ (73,000)	\$ 1,742,000	\$ 75,000
Lease obligations	39,883	-	(8,416)	31,467	8,747
Total notes and lease obligations payable	<u>1,854,883</u>	<u>-</u>	<u>(81,416)</u>	<u>1,773,467</u>	<u>83,747</u>
Other liabilities:					
Compensated absences	1,743	9,692	(3,617)	7,818	782
Total other liabilities	<u>1,743</u>	<u>9,692</u>	<u>(3,617)</u>	<u>7,818</u>	<u>782</u>
<b>Discretely presented component unit</b>					
<b>Total long-term liabilities</b>	<u>\$ 1,856,626</u>	<u>\$ 9,692</u>	<u>\$ (85,033)</u>	<u>\$ 1,781,285</u>	<u>\$ 84,529</u>



# City of Lake Wales, Florida

## Notes to the Financial Statements

### September 30, 2019

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. In regards to the governmental funds, other long-term liabilities as mentioned above have historically been liquidated by the general fund.

Listed below are the individual debt issues and the outstanding principal balance at September 30, 2019:

	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	\$ 5,103,624	4.34%
Ascending Lien Capital Improvement, Revenue Note, Series 2013	7	S	2028	1,200,000	904,342	3.54%
Lease obligations						
Mears Motor Leasing - FY 2014'15	8	M	2020	436,957	37,488	1.93%
Mears Motor Leasing - FY 2015'16	9	M	2021	693,512	287,858	1.93%
Mears Motor Leasing - FY 2016'17	11	M	2022	646,803	344,557	3.90%
Mears Motor Leasing - FY 2017'18	14	M	2023	627,229	497,116	3.90%
Mears Motor Leasing - FY 2018'19	17	M	2024	804,974	731,550	4.35%
Generator Lease - 2016'17	12	M	2021	89,529	35,756	1.80%
Fire Department Equipment Lease - 2017'18	15	M	2025	119,889	104,383	2.45%
Fire Department Fire Truck Lease - 2018'19	18	S	2024	581,875	525,712	3.26%
Motorola Radio Lease/Purchase	19	A	2024	388,423	388,423	2.90%
<b>Total governmental activities</b>					<u>\$ 8,960,809</u>	
<b>Business-type activities</b>						
Note payable:						
State Revolving Fund Loan - 59110	1	S	2022	1,171,882	144,858	3.05%
State Revolving Fund Loan - 5912S	2	S	2024	1,429,755	371,979	2.14%
State Revolving Fund Loan - 5913P	3	S	2028	1,025,345	482,963	1.88%
State Revolving Fund Loan - 59140	6	S	2033	368,589	271,880	2.30%
State Revolving Fund Loan - 530300	6	S	2033	4,163,664	3,027,030	1.91%
State Revolving Fund Loan - 530310	10	S	2036	5,380,510	5,016,402	1.82%
State Revolving Fund Loan - 530320	13	S	2039	1,796,858	1,738,751	0.72%
State Revolving Fund Loan - 530330	13	S	2039	2,706,327	2,706,327	0.00%
State Revolving Fund Loan - 530380	10	S	2029	838,371	838,371	0.00%
Ascending Lien Capital Improvement, Revenue Note, Series 2013	7	S	2028	500,000	377,426	3.54%
Utility System Refunding Note, Series 2006B	4	S	2027	2,550,000	1,262,892	1.14%
Lease obligations						
Mears Motor Leasing - FY 2014'15	9	M	2020	134,397	18,106	1.93%
Mears Motor Leasing - FY 2015'16	10	M	2021	363,016	118,743	1.93%
Mears Motor Leasing - FY 2017'18	14	M	2023	153,014	117,037	3.90%
Mears Motor Leasing - FY 2018'19	17	M	2024	73,440	70,092	
<b>Total business-type activities</b>					<u>\$ 16,562,857</u>	
<b>Discretely presented component unit</b>						
Notes payable:						
Subordinate Lien Capital Improvement Revenue Note (Airport Project), Series 2017	16	S	2037	\$ 1,825,000	\$ 1,742,000	2.92%
Lease obligations:						
Mears Motor Leasing - FY 2016'17	11	M	2022	19,316	11,633	3.90%
Mears Motor Leasing - FY 2017'18	14	M	2023	24,334	19,834	3.90%
<b>Total discretely presented component unit</b>					<u>\$ 1,773,467</u>	

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

(2) Purpose:

1. Construction of reclaimed water reuse facilities. (SRF – 59110).
2. Construction of sludge dewatering facilities. (SRF – 5912S).

**City of Lake Wales, Florida**  
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3. Planning and design of wastewater treatment plant expansion. (SRF – 5913P).
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 twelve police vehicles and six utility vehicles. (Lease FY 2014'15).
9. Capital lease for 18 vehicles including 9 police vehicles and one pumper truck for the fire department. (Lease FY 2015'16).
10. Construction of major sewer system rehabilitation/replacement project (SRF – 530310 & SRF - 530380).
11. Capital lease for 15 vehicles including 6 police vehicles and one dump truck for the transportation fund (Lease FY 2016'17).
12. Capital lease for two generators (Generator Lease - 2016'17).
13. Construction of the State Road 60 utilities extensions (SRF – 530320 & SRF - 530330).
14. Capital lease for 11 passenger vehicles, grapple truck, two tractors and an excavator (Lease FY 2017'18).
15. Capital lease for fire department equipment (Fire Department Equipment Lease – 2017'2018).
16. 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).
17. Capital lease for 5 passenger vehicles, 12 police vehicles, 2 backhoes, one utility tractor and one boom truck (Lease FY 2018'19).
18. Capital lease for a new Fire Truck and related fire equipment.
19. Capital lease/purchase of 93 Motorola radios for the police and fire departments.

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;

**City of Lake Wales, Florida**  
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- 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.

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<sup>th</sup> per month of all interest and 1/12<sup>th</sup> per month of the annual principal amount coming due. As of September 30, 2019, the sinking fund balance for Series 2006B was \$165,111.
- The Subordinate Lien Capital Improvement Revenue Note (Airport Project), Series 2017 requires annual debt service reserves equal to 1/6<sup>th</sup> per month of all interest and 1/12<sup>th</sup> per month of the annual principal amount coming due. As of September 30, 2019, the sinking fund balance for Series 2017 was \$100,051.
- 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 \$523,486.
- Two of the existing State Revolving Fund loans require a “Loan Replacement Reserve Account”. The Replacement Reserve Account for the existing loans is \$89,159 (Loan #5911O - \$44,490 and 5912S - \$44,669).

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The debt obligations all allow for the obligors to take whatever legal actions necessary to collect the amounts due in the event of default. The following debt obligations have additional remedies in the event of defaults as follows:

- Redevelopment Revenue Note, Series 2007 – The note holder may declare the entire remaining liability balance due and payable and the City would be obligated to pay all costs of collection and enforcement of the provisions of the note.
- Capital Improvement Revenue Note, Series 2013 – The note holder may, upon written notice, declare the outstanding principal on the note due and payable immediately. The City would also be obligated to pay all costs of collection and enforcement of the note, including such reasonable attorneys' fees as may be incurred during the process by the note holder.
- Utility System Refunding Note, Series 2006B - Any amounts due under this note that are not paid when due shall bear interest equal to the current rate of 1.14% plus 2.00% for a total interest rate from and after the date due of 3.14%.
- Capital lease/purchase agreements – The lessor/lender typically has the right to declare the unpaid principal components of the remaining payment to be due and payable upon default and in some cases, can forcibly repossess the asset securing the lease/purchase.
- State Revolving Funds (SRF) Loans – The lender, subject to the rights of superior liens on the pledged revenues, may request a court to appoint a receiver to manage the water and sewer systems, intercept the delinquent amount from any unobligated funds due to the City under any revenue or tax sharing fund established by the State of Florida, impose a penalty in the amount not to exceed a rate of 18 percent per annum on the amount due, notify financial market credit rating agencies and potential creditors and may accelerate the repayment schedule or increase the interest rate on the unpaid principal of the loan to as much as three times the loan interest rate.

**City of Lake Wales, Florida**  
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All City notes and capital lease/purchase obligations arose through direct borrowings or direct placements.

Annual debt service requirements of the City's notes and capital lease/purchase obligations as of September 30, 2019, are as follows:

Fiscal Year	Governmental Activities					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 566,022	\$ 243,290	\$ 781,390	\$ 83,888	\$ 1,347,412	\$ 327,178
2021	586,656	218,743	729,962	60,525	1,316,618	279,268
2022	608,110	193,295	629,425	38,198	1,237,535	231,493
2023	630,332	166,913	542,830	19,435	1,173,162	186,348
2024	653,371	139,605	250,774	5,760	904,145	145,365
2025-2029	2,963,475	265,904	18,462	450	2,981,937	266,354
<b>Total</b>	<b>\$ 6,007,966</b>	<b>\$ 1,227,750</b>	<b>\$ 2,952,843</b>	<b>\$ 208,256</b>	<b>\$ 8,960,809</b>	<b>\$ 1,436,006</b>

Fiscal Year	Business-type Activities					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,202,046	\$ 184,397	\$ 136,280	\$ 8,424	\$ 1,338,326	\$ 192,821
2021	1,191,222	194,987	89,491	5,240	1,280,713	200,227
2022	1,207,646	178,321	45,780	3,096	1,253,426	181,417
2023	1,173,162	161,649	40,389	1,354	1,213,551	163,003
2024	1,145,119	145,403	12,037	257	1,157,156	145,660
2025-2029	4,398,132	438,543	-	-	4,398,132	438,543
2030-2034	4,116,402	262,051	-	-	4,116,402	262,051
2035-2039	1,805,151	51,029	-	-	1,805,151	51,029
<b>Total</b>	<b>\$ 16,238,880</b>	<b>\$ 1,616,380</b>	<b>\$ 323,977</b>	<b>\$ 18,371</b>	<b>\$16,562,857</b>	<b>\$ 1,634,751</b>

Fiscal Year	Discretely Presented Component Unit					
	Notes		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	82,000	42,924	5,248	110	87,248	43,034
2024	84,000	40,500	-	-	84,000	40,500
2025-2029	459,000	163,593	-	-	459,000	163,593
2030-2034	530,000	91,542	-	-	530,000	91,542
2035-2039	356,000	15,797	-	-	356,000	15,797
<b>Total</b>	<b>\$ 1,742,000</b>	<b>\$ 496,954</b>	<b>\$ 31,467</b>	<b>\$ 2,257</b>	<b>\$ 1,773,467</b>	<b>\$ 499,211</b>

On July 15, 2014 and March 29, 2018, the City accepted two State Revolving Funds loans from the State of Florida Department of Environmental Protection in the aggregate amount of \$7,384,254, as amended, for use in completing Phase II & III of the "C Street project" by the Public Utilities. There were \$6,218,022 of borrowings on these loans as of September 30, 2019.

**City of Lake Wales, Florida**  
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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 \$4,419,616 of borrowing on these loans as of September 30, 2019.

**Joint Venture Loan Guarantee** – The City has entered into an agreement with the Florida Department of Environmental Protection to guarantee to pay the principal and interest of their proportional share of SRF loan funds borrowed by the Polk Regional Water Cooperative to fund the projects of the combined projects implementation agreement. 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, 2019, the Polk Regional Water Cooperative has borrowed \$3,481,602 through this SRF funding of which, \$164,178 has been guaranteed by the City and has been recorded as a liability in the City’s public utilities enterprise fund. See Note IV.G for more information on the Polk Regional Water Cooperative and the relationship with the City.

Annual debt service requirements of the City’s joint venture loan guarantee are as follows:

<b>Fiscal Year</b>	<b>Business-type Activities</b>	
	<b>Joint Venture Loan</b>	
	<b>Principal</b>	<b>Interest</b>
2020	\$ -	\$ -
2021	-	-
2022	-	-
2023	-	-
2024	1,193	18,592
2025-2029	87,118	11,808
2030-2034	75,867	3,275
<b>Total</b>	<b>\$ 164,178</b>	<b>\$ 33,675</b>

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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.

	Debt Obligation Reference	Total Principal and Interest Outstanding	Current Year Principal and Interest	Current Year Revenue	% of Revenue to Principal and Interest Paid
CRA Tax Increment Revenues	Series 2007	\$ 6,163,659	\$ 153,832	\$ 448,685	292%
Communican Service Taxes	Series 2013	1,519,364	690,899	1,739,085	252%
Water and Sewer Net Revenue	SRF and Series 2006B	17,407,946	1,052,068	4,620,385	439%
		<u>\$ 25,090,969</u>	<u>\$ 1,896,799</u>	<u>\$ 6,808,155</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, 2019, the outstanding balance on these bonds is \$14,935,000.

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**IV. Other Information**

**A. Related party transactions**

During 2019, 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 \$43,581 were charged to the Authority for the year ended September 30, 2019.

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 \$1,547,362 at September 30, 2019.

**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.



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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 \$20,979 for OPEB costs during fiscal year 2019.

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

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Total OPEB Liability

The City's total OPEB liability as of September 30, 2019 was determined by an actuarial valuation as of September 30, 2017 updated to September 30, 2018 (measurement date). The actuarial assumptions used in this valuation were as follows:

Inflation rate	2.50%
Discount Rate	4.18%
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 4.18%. 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**  
**Notes to the Financial Statements**  
**September 30, 2019**

Changes in the Total OPEB Liability:

	<b>Total OPEB Liability</b>
<b>Reporting period ending September 30, 2018</b>	\$ 384,402
<b>Changes for the year:</b>	
Service cost	26,168
Interest	14,567
Changes of assumptions	(22,330)
Benefit payments	(20,979)
<b>Net changes</b>	<b>(2,574)</b>
<b>Reporting period ending September 30, 2019</b>	<b>\$ 381,828</b>

Changes in assumptions reflect a change in discount rate from 3.64% for the reporting period ending September 30, 2018 to 4.18% for the reporting period ending September 30, 2019.

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 (3.18%) or 1-percentage point higher (5.18%) than the current discount rate:

	<b>1% Decrease (3.18%)</b>	<b>Discount Rate (4.18%)</b>	<b>1% Increase (5.18%)</b>
Total other postemployment benefits liability	\$ 424,627	\$ 381,828	\$ 344,802

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	\$ 338,362	\$ 381,828	\$ 433,651

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$32,930. At September 30, 2019, 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	\$ -	\$ 34,937
City contributions subsequent to the measurement date	25,262	-
Total	<u>\$ 25,262</u>	<u>\$ 34,937</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>
2020	\$ (7,805)
2021	(7,805)
2022	(7,805)
2023	(7,801)
2024	(3,721)
	<u>\$ (34,937)</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

**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, 2019, the money-weighted rate of return on plan investments, net of investment expense, was as follows:

	General	Fire	Police
Money-weighted rate of return	3.90%	3.73%	3.56%

**City of Lake Wales, Florida**  
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*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, 2019, are \$367,336 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**  
**September 30, 2019**

**Participant Data:** Plan membership detail is as follows:

	As of October 1, 2018		
	General Employees' Pension Fund	Fire Fighters' Pension Fund	Police Officers' Pension Fund
Inactive Plan members or beneficiaries currently receiving benefits:	48	13	28
Inactive Plan members entitled to but not yet receiving benefits	14	5	2
Active Plan members	99	30	45
Total	161	48	75

**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	\$ 272,717	\$ 563,794	\$ 575,770
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 2019 fiscal year was determined as part of the October 1, 2017 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, 2018 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, 2019.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

**General Employees' Pension Plan:**

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
<b>Reporting period ending 9/30/2018</b>	\$ 11,274,640	\$ 10,763,019	\$ 511,621
<b>Changes for the year:</b>			
Service cost	353,788	-	353,788
Interest	880,101	-	880,101
Differences between expected and actual experience	252,769	-	252,769
Changes of assumptions	136,898	-	136,898
Contributions - employer	-	184,179	(184,179)
Contributions - employee	-	187,939	(187,939)
Net investment income	-	666,953	(666,953)
Benefit payments, including refunds of employee contributions	(544,582)	(545,412)	830
Administrative expenses	-	(44,284)	44,284
<b>Net changes</b>	<u>1,078,974</u>	<u>449,375</u>	<u>629,599</u>
<b>Reporting period ending 9/30/2019</b>	<u>\$ 12,353,614</u>	<u>\$ 11,212,394</u>	<u>\$ 1,141,220</u>

**Firefighters' Pension Plan:**

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a)-(b)
<b>Reporting period ending 9/30/2018</b>	\$ 12,103,601	\$ 8,669,606	\$ 3,433,995
<b>Changes for the year:</b>			
Service cost	266,073	-	266,073
Interest	923,589	-	923,589
Differences between expected and actual experience	81,645	-	81,645
Changes of assumptions	(26,560)	-	(26,560)
Contributions - employer	-	455,648	(455,648)
Contributions - State of Florida	-	114,965	(114,965)
Contributions - employee	-	81,013	(81,013)
Net investment income	-	540,534	(540,534)
Benefit payments, including refunds of employee contributions	(904,790)	(904,790)	-
Administrative expenses	-	(63,958)	63,958
<b>Net changes</b>	<u>339,957</u>	<u>223,412</u>	<u>116,545</u>
<b>Reporting period ending 9/30/2019</b>	<u>\$ 12,443,558</u>	<u>\$ 8,893,018</u>	<u>\$ 3,550,540</u>



**City of Lake Wales, Florida**  
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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 9/30/2018</b>	\$ 16,487,656	\$ 14,880,663	\$ 1,606,993
<b>Changes for the year:</b>			
Service cost	484,141	-	484,141
Interest	1,281,973	-	1,281,973
Share plan allocation	13,118	-	13,118
Differences between expected and actual experience	(595,515)	-	(595,515)
Changes of assumptions	62,423	-	62,423
Contributions - employer	-	489,776	(489,776)
Contributions - State of Florida	-	122,394	(122,394)
Contributions - employee	-	119,874	(119,874)
Net investment income	-	931,772	(931,772)
Benefit payments, including refunds of employee contributions	(860,412)	(860,412)	-
Administrative expenses	-	(75,190)	75,190
<b>Net changes</b>	<u>385,728</u>	<u>728,214</u>	<u>(342,486)</u>
<b>Reporting period ending 9/30/2019</b>	<u>\$ 16,873,384</u>	<u>\$ 15,608,877</u>	<u>\$ 1,264,507</u>

The net pension liability of each Plan was measured as of September 30, 2018 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, 2017, updated to September 30, 2018. 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	7.50%	7.75%	7.70%
Projected salary increase*	Service based	Service based	Service based
*Includes inflation at	2.50%	2.50%	2.50%
Post retirement COLA	0.00%	0.00%	0.00%
Experience study used	July 25, 2019	September 24, 2018	September 24, 2018

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**  
**Notes to the Financial Statements**  
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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, 2019 are summarized below:

**General Employees' Pension Plan:**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	50%	6.95%
International Equity	15%	7.30%
Fixed Income	35%	0.40%
	<u>100%</u>	

**Firefighters' and Police Officers' Pension Plans:**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	45%	7.30%
International Equity	15%	2.70%
Bonds	30%	3.60%
Private Real Estate	10%	4.90%
	<u>100%</u>	

**Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions**

For the year ended September 30, 2019, the City recognized total pension expense of \$1,693,754 comprised of pension expense of \$503,045, \$600,140 and \$590,569 for the General Employees' Pension Fund, Firefighters' Pension Fund and Police Officers' Pension Fund, respectively. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**General Employees' Pension Fund:**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 208,079	\$ 91,243
City contributions made subsequent to the measurement date of September 30, 2018	272,717	-
Change in assumptions	184,801	-
Net difference between projected and actual earnings on pension plan investments	133,642	-
<b>Total</b>	<u>\$ 799,239</u>	<u>\$ 91,243</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
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**Firefighters' Pension Fund:**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 69,984	\$ 165,420
City contributions made subsequent to the measurement date of September 30, 2018	563,794	-
Change in assumptions	194,772	22,764
Net difference between projected and actual earnings on pension plan investments	108,153	-
<b>Total</b>	<b>\$ 936,703</b>	<b>\$ 188,184</b>

**Police Officers' Pension Fund:**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 761,166
City contributions made subsequent to the measurement date of September 30, 2018	575,772	-
Change in assumptions	243,674	-
Net difference between projected and actual earnings on pension plan investments	199,365	-
<b>Total</b>	<b>\$ 1,018,811</b>	<b>\$ 761,166</b>

Amounts reported as deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2018 will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. 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>	<b>General</b>			<b>Total</b>
	<b>Employees' Pension Fund</b>	<b>Firefighters' Pension Fund</b>	<b>Police Officers' Pension Fund</b>	
2020	\$ 346,612	\$ 124,670	\$ 66,889	\$ 538,171
2021	47,211	(8,213)	(165,565)	(126,567)
2022	1,046	20,259	(118,851)	(97,546)
2023	40,410	42,361	(100,600)	(17,829)
2024	-	(2,222)	-	(2,222)
Thereafter	-	7,870	-	7,870
	<b>\$ 435,279</b>	<b>\$ 184,725</b>	<b>\$ (318,127)</b>	<b>\$ 301,877</b>

**City of Lake Wales, Florida**  
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*Discount Rate:* The discount rate used to measure the total pension liability for each plan was as follows:

- General Employees' Pension Plan – 7.50%
- Firefighters' Pension Plan – 7.75%
- Police Officers' Pension Plan – 7.70%

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.

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, 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>

Sensitivity of the Net Pension Liabilities as of the Plans' current fiscal year of September 30, 2019:

	Current		Current	
	Discount Rate	1% Decrease	Discount	1% Increase
City's Net Pension General Employees Liability (Asset)	7.50%	\$ 2,995,032	\$ 1,480,182	\$ 222,572
City's Net Pension Firefighters Liability	7.75%	\$ 5,175,871	\$ 3,653,096	\$ 2,380,239
City's Net Pension Police Officers Liability (Asset)	7.65%	\$ 3,823,148	\$ 1,767,903	\$ 51,277
Total		<u>\$ 11,994,051</u>	<u>\$ 6,901,181</u>	<u>\$ 2,654,088</u>

The net effect of significant changes between the City's measurement date of September 30, 2018 and the Plans' reporting date of September 30, 2019 can be seen in the tables above.

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

**Statement of Fiduciary Net Position as of September 30, 2019**

	<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	\$ 38,491	\$ -	\$ -	\$ 38,491
Investments, at fair value:				
Money market funds	649,228	355,288	604,224	1,608,740
Government Bonds	375,704	175,670	307,070	858,444
Government Assets backed/CMO Securities	1,684,012	1,574,272	2,638,864	5,897,148
Taxable Municipal Bonds	178,911	148,366	208,987	536,264
Foreign Bonds	223,024	30,369	50,615	304,008
Corporate bonds and notes	1,375,980	506,864	919,824	2,802,668
Common and preferred stock	6,894,537	5,391,026	9,546,680	21,832,243
Real estate investment fund	-	819,377	1,433,909	2,253,286
Total investments	<u>11,381,396</u>	<u>9,001,232</u>	<u>15,710,173</u>	<u>36,092,801</u>
Prepays				
Prepaid insurance	-	1,727	1,996	3,723
Total Prepays	<u>-</u>	<u>1,727</u>	<u>1,996</u>	<u>3,723</u>
Receivable (net):				
Interest and dividends	24,876	17,490	30,877	73,243
Due from State of Florida	-	120,801	131,776	252,577
Due from City	18,781	21,087	9,989	49,857
Total receivable	<u>43,657</u>	<u>159,378</u>	<u>172,642</u>	<u>375,677</u>
Total assets	<u>11,463,544</u>	<u>9,162,337</u>	<u>15,884,811</u>	<u>36,510,692</u>
<b>Net position</b>				
Held in trust for pension benefits and other purposes	<u>\$ 11,463,544</u>	<u>\$ 9,162,337</u>	<u>\$ 15,884,811</u>	<u>\$ 36,510,692</u>

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

**Schedule of Changes in Fiduciary Net Position for the year ended September 30, 2019**

	<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	\$ 272,717	\$ 442,993	\$ 443,994	\$ 1,159,704
State of Florida	-	120,801	131,776	252,577
Employee	200,147	85,520	125,983	411,650
Total contributions	<u>472,864</u>	<u>649,314</u>	<u>701,753</u>	<u>1,823,931</u>
Interest and dividends	238,689	247,108	436,057	921,854
Net increase (decrease) in the fair value of investments	258,661	138,351	208,192	605,204
Total investments income	<u>497,350</u>	<u>385,459</u>	<u>644,249</u>	<u>1,527,058</u>
Less investment expense	(48,915)	(47,025)	(78,614)	(174,554)
Net investment income	<u>448,435</u>	<u>338,434</u>	<u>565,635</u>	<u>1,352,504</u>
Total additions	<u>921,299</u>	<u>987,748</u>	<u>1,267,388</u>	<u>3,176,435</u>
<b>Deductions</b>				
Benefit payments	480,151	620,927	881,156	1,982,234
Refunds of contributions	145,218	36,033	49,438	230,689
Administration	44,780	61,469	60,860	167,109
Total deductions	<u>670,149</u>	<u>718,429</u>	<u>991,454</u>	<u>2,380,032</u>
Change in net assets	251,150	269,319	275,934	796,403
<b>Total net assets - beginning</b>	<u>11,212,394</u>	<u>8,893,018</u>	<u>15,608,877</u>	<u>35,714,289</u>
<b>Total net assets - ending</b>	<u>\$ 11,463,544</u>	<u>\$ 9,162,337</u>	<u>\$ 15,884,811</u>	<u>\$ 36,510,692</u>

**Net Pension Liability:**

The components of the net pension liabilities to be reported by the City in fiscal year 2020, measured as of the Plans' most recent fiscal year-end, September 30, 2019, were as follows:

	General	Firefighters'	Police	Total
	Employees' Pension Fund		Officers' Pension Fund	
Total pension liability	\$ 12,943,726	\$ 12,815,433	\$ 17,652,714	\$ 43,411,873
Plan fiduciary net position	11,463,544	9,162,337	15,884,811	36,510,692
City's net pension liability	<u>\$ 1,480,182</u>	<u>\$ 3,653,096</u>	<u>\$ 1,767,903</u>	<u>\$ 6,901,181</u>
Plan fiduciary net position as a percentage of the total pension liability	88.56%	71.49%	89.99%	84.10%

**City of Lake Wales, Florida**  
**Notes to the Financial Statements**  
**September 30, 2019**

**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 6.8% and employee contribution of 5% for fiscal year ending September 30, 2019.

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, 2019 were approximately \$60,321 (City's contribution of \$48,395, employees' contributions of \$11,926) on covered payroll of \$238,520. No pension provision changes occurred during the year that affected the City's required contribution. The vesting schedule allows 100% vesting immediately. The plan held no securities of the City or other related parties as of and for the year ended September 30, 2019.

**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, 2019, 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, 2019**

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, 2019, the total annual working capital needs of the PRWC was \$198,000, of which the City's proportionate share was \$7,507.

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, 2019, \$3,481,602 of SRF funds have been drawn by the PRWC. The City's proportionate share of this liability totaled \$164,178 as of September 30, 2019 and has been recorded as a City liability in the business-type activities/enterprise fund. See Note III.G for more detail.

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.

#### **H. Subsequent Event**

Towards the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, stock market conditions deteriorated rapidly during early 2020, with a significant short-term effect on the City's pension trust fund common and preferred stock investments. However, all three pension funds use a rolling multi-year averaging technique to determine actuarial market gains and losses, thereby reducing the immediate impact on required city contributions and providing a longer time frame for asset value recovery.





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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, 2019**

	<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	\$ 5,431,434	\$ 5,571,434	\$ 5,585,853	\$ 14,419
Licenses and permits	1,585,000	2,080,000	2,131,820	51,820
Intergovernmental	1,918,052	2,349,952	2,061,605	(288,347)
Charges for services	3,005,092	3,121,092	3,166,261	45,169
Fines and forfeits	68,650	152,650	155,116	2,466
Investment earnings	13,000	13,000	20,953	7,953
Miscellaneous	74,028	135,028	138,454	3,426
<b>Total revenues</b>	<b>12,095,256</b>	<b>13,423,156</b>	<b>13,260,062</b>	<b>(163,094)</b>
<b>Expenditures</b>				
Current:				
General government:				
City commission	139,656	183,656	179,446	4,210
City manager	255,799	280,799	276,367	4,432
City clerk	86,216	86,216	81,688	4,528
Finance	374,621	379,621	360,103	19,518
Human resources	172,681	172,681	175,992	(3,311)
City attorney	65,325	65,325	55,256	10,069
Planning	336,145	336,145	256,789	79,356
Fleet maintenance	23,813	23,813	9,307	14,506
Facilities maintenance	309,031	309,031	259,293	49,738
Information services	210,191	210,191	196,013	14,178
Municipal building administration	79,166	118,166	107,260	10,906
Non-departmental	91,100	91,100	35,124	55,976
Support services	109,005	112,605	109,771	2,834
Public safety:				
Police	5,186,254	5,705,754	5,647,587	58,167
Fire	3,878,684	4,013,684	3,964,285	49,399
Building permits and inspections	132,596	132,596	91,410	41,186
Code Enforcement	165,689	165,689	162,532	3,157
Physical environment:				
Waste disposal	985,967	1,035,967	1,032,532	3,435
Lake conservation	-	30,000	26,000	4,000
Cemetery	204,102	204,102	181,636	22,466
Economic environment	138,037	138,037	132,000	6,037
Transportation	394,065	394,066	394,066	-
Human services	31,000	31,000	30,000	1,000
Culture and recreation:				
Parks division	829,699	863,699	837,916	25,783
Recreation facilities	1,648,119	1,648,119	910,989	737,130
Special events	75,456	82,256	78,243	4,013
Depot museum	278,843	278,843	258,723	20,120
<b>Total expenditures</b>	<b>\$ 16,201,260</b>	<b>\$ 17,093,161</b>	<b>\$ 15,850,328</b>	<b>\$ 1,242,833</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, 2019**  
*(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	\$ (4,106,004)	\$ (3,670,005)	\$ (2,590,266)	\$ 1,079,739
<b>Other financing sources (uses)</b>				
Note proceeds	1,746,152	1,501,152	1,501,259	107
Transfers in	1,225,000	1,225,000	1,225,000	-
Transfers out	(163,222)	(204,222)	(163,222)	41,000
Insurance recoveries	-	-	789	789
Sale of capital assets	2,000	2,000	9,485	7,485
Total other financing sources (uses)	<u>2,809,930</u>	<u>2,523,930</u>	<u>2,573,311</u>	<u>49,381</u>
<b>Net change in fund balance</b>	(1,296,074)	(1,146,075)	(16,955)	1,129,120
<b>Fund balances, beginning of year</b>	<u>4,298,265</u>	<u>4,298,265</u>	<u>4,298,265</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 3,002,191</u>	<u>\$ 3,152,190</u>	<u>\$ 4,281,310</u>	<u>\$ 1,129,120</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, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 846,800	\$ 846,800	\$ 860,806	\$ 14,006
Intergovernmental	144,400	144,400	148,353	3,953
Charges for services	685,066	144,566	145,617	1,051
Investment earnings	1,000	-	-	-
Miscellaneous	500	500	69	(431)
<b>Total revenues</b>	<u>1,677,766</u>	<u>1,136,266</u>	<u>1,154,845</u>	<u>18,579</u>
<b>Expenditures</b>				
Current:				
Transportation	1,814,172	1,783,505	1,743,395	40,110
<b>Total expenditures</b>	<u>1,814,172</u>	<u>1,783,505</u>	<u>1,743,395</u>	<u>40,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(136,406)</u>	<u>(647,239)</u>	<u>(588,550)</u>	<u>58,689</u>
<b>Other financing sources (uses)</b>				
Issuance of debt	297,000	249,000	274,013	25,013
Insurance recoveries	-	-	3,680	3,680
Sale of capital assets	-	-	20,000	20,000
<b>Total other financing sources (uses)</b>	<u>297,000</u>	<u>249,000</u>	<u>297,693</u>	<u>48,693</u>
<b>Net change in fund balance</b>	160,594	(398,239)	(290,857)	107,382
<b>Fund balances, beginning of year</b>	<u>401,886</u>	<u>401,886</u>	<u>401,886</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 562,480</u>	<u>\$ 3,647</u>	<u>\$ 111,029</u>	<u>\$ 107,382</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, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 902,736	\$ 857,994	\$ 857,994	\$ -
Intergovernmental	1,098,250	911,950	912,051	101
Investment earnings	4,700	4,700	-	(4,700)
Miscellaneous revenue	-	-	30,117	30,117
<b>Total revenues</b>	<u>2,005,686</u>	<u>1,774,644</u>	<u>1,800,162</u>	<u>25,518</u>
<b>Expenditures</b>				
Current:				
Economic environment	1,460,832	1,460,832	488,617	972,215
<b>Total expenditures</b>	<u>1,460,832</u>	<u>1,460,832</u>	<u>488,617</u>	<u>972,215</u>
Excess of revenues over expenditures	544,854	313,812	1,311,545	997,733
<b>Other financing uses</b>				
Transfers out	(708,054)	(708,054)	(708,054)	-
<b>Total other financing uses</b>	<u>(708,054)</u>	<u>(708,054)</u>	<u>(708,054)</u>	<u>-</u>
<b>Net change in fund balance</b>	(163,200)	(394,242)	603,491	997,733
<b>Fund balances, beginning of year</b>	<u>1,504,752</u>	<u>1,504,752</u>	<u>1,504,752</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,341,552</u>	<u>\$ 1,110,510</u>	<u>\$ 2,108,243</u>	<u>\$ 997,733</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	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Measurement date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
<b>Total Pension Liability</b>					
Service cost	\$ 335,691	\$ 353,788	\$ 348,439	\$ 321,612	\$ 312,998
Interest	928,247	880,101	844,363	760,064	698,894
Differences between expected and actual experience	(48,457)	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	(625,369)	(544,582)	(564,473)	(541,909)	(655,950)
Net change in total pension liability	590,112	1,078,974	445,841	1,072,174	723,655
<b>Total pension liability - beginning</b>	<u>12,353,614</u>	<u>11,274,640</u>	<u>10,828,799</u>	<u>9,756,625</u>	<u>9,032,970</u>
<b>Total pension liability - ending</b>	<u>\$ 12,943,726</u>	<u>\$ 12,353,614</u>	<u>\$ 11,274,640</u>	<u>\$ 10,828,799</u>	<u>\$ 9,756,625</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 272,717	\$ 184,179	\$ 169,482	\$ 238,987	\$ 267,808
Contributions - Employee	200,147	187,939	184,030	175,726	159,410
Contributions - Buy backs	-	-	-	-	385,692
Net investment income (loss)	448,435	666,953	950,065	918,298	(94,331)
Benefit payments, including refunds of employee contributions	(625,369)	(545,412)	(563,643)	(541,909)	(655,936)
Administrative expense	(44,780)	(44,284)	(36,851)	(41,934)	(22,009)
<b>Net change in plan fiduciary net position</b>	<u>251,150</u>	<u>449,375</u>	<u>703,083</u>	<u>749,168</u>	<u>40,634</u>
<b>Plan fiduciary net position - beginning, as reported</b>	<u>11,212,394</u>	<u>10,763,019</u>	<u>10,059,936</u>	<u>9,310,768</u>	<u>9,270,134</u>
<b>Plan fiduciary net position - ending</b>	<u>\$ 11,463,544</u>	<u>\$ 11,212,394</u>	<u>\$ 10,763,019</u>	<u>\$ 10,059,936</u>	<u>\$ 9,310,768</u>
<b>Net pension liability - ending</b>	<u>\$ 1,480,182</u>	<u>\$ 1,141,220</u>	<u>\$ 511,621</u>	<u>\$ 768,863</u>	<u>\$ 445,857</u>
Plan fiduciary net position as a percentage of the total pension liability	88.56%	90.76%	95.46%	92.90%	95.43%
Covered payroll	\$ 4,002,938	\$ 3,758,773	\$ 3,680,602	\$ 3,514,557	\$ 3,651,542
Net pension liability as a percentage of covered payroll	36.98%	30.36%	13.90%	21.88%	12.21%

**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.

Continued...

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

City reporting period date	<b>9/30/2015</b>
Measurement date	<b>9/30/2014</b>
<b>Total Pension Liability</b>	
Service cost	\$ 313,558
Interest	667,476
Benefit payments, including refunds of employee contributions	(494,203)
Net change in total pension liability	486,831
<b>Total pension liability - beginning</b>	<b>8,546,139</b>
<b>Total pension liability - ending</b>	<b>\$9,032,970</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 294,882
Contributions - Employee	155,201
Net investment income (loss)	848,507
Benefit payments, including refunds of employee contributions	(495,954)
Administrative expense	(54,587)
<b>Net change in plan fiduciary net position</b>	<b>748,049</b>
<b>Plan fiduciary net position - beginning, as reported</b>	<b>8,339,975</b>
<b>Restatement of beginning net position (a)</b>	<b>182,110</b>
<b>Plan fiduciary net position - ending</b>	<b>\$9,270,134</b>
<b>Net pension liability - ending</b>	<b>\$ (237,164)</b>
Plan fiduciary net position as a percentage of the total pension liability	102.63%
Covered payroll	\$3,104,032
Net pension liability as a percentage of covered payroll	-7.64%

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

**Notes to Schedule:**

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	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Measurement date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
<b>Total Pension Liability</b>					
Service cost	\$ 255,833	\$ 266,073	\$ 237,240	\$ 213,696	\$ 214,792
Interest	958,633	923,589	896,271	849,239	825,592
Differences between expected and actual experience	(184,181)	81,645	(70,642)	(139,447)	(70,554)
Share plan allocation	-	-	-	724	-
Changes in Benefit Terms	(1,450)	-	-	-	-
Changes of assumptions	-	(26,560)	-	340,853	-
Benefit payments, including refunds of employee contributions	(656,960)	(904,790)	(573,619)	(789,877)	(537,358)
Net change in total pension liability	371,875	339,957	489,250	475,188	432,472
<b>Total pension liability - beginning</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>Total pension liability - ending</b>	<u>\$ 12,815,433</u>	<u>\$ 12,443,558</u>	<u>\$ 12,103,601</u>	<u>\$ 11,614,351</u>	<u>\$ 11,139,163</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 442,993	\$ 455,648	\$ 411,611	\$ 373,680	\$ 390,377
Contributions - State	120,801	114,965	125,811	134,242	134,243
Contributions - Employee	85,520	81,013	77,257	70,978	66,407
Net investment income (loss)	338,434	540,534	729,125	722,458	(70,904)
Benefit payments, including refunds of employee contributions	(656,960)	(904,790)	(573,619)	(789,877)	(537,358)
Administrative expense	(61,469)	(63,958)	(53,515)	(63,628)	(51,457)
<b>Net change in plan fiduciary net position</b>	269,319	223,412	716,670	447,853	(68,692)
<b>Plan fiduciary net position - beginning, as reported</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>Plan fiduciary net position - ending</b>	<u>\$ 9,162,337</u>	<u>\$ 8,893,018</u>	<u>\$ 8,669,606</u>	<u>\$ 7,952,936</u>	<u>\$ 7,505,083</u>
<b>Net pension liability - ending</b>	<u>\$ 3,653,096</u>	<u>\$ 3,550,540</u>	<u>\$ 3,433,995</u>	<u>\$ 3,661,415</u>	<u>\$ 3,634,080</u>
Plan fiduciary net position as a percentage of the total pension liability	71.49%	71.47%	71.63%	68.48%	67.38%
Covered payroll	\$ 1,710,404	\$ 1,620,269	\$ 1,545,143	\$ 1,419,567	\$ 1,372,085
Net pension liability as a percentage of covered payroll	213.58%	219.13%	222.24%	257.92%	264.86%

(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, 2019, amounts reported as changes of benefit terms resulted from the provisions of Chapter 112.1816 Florida Statutes which states that a death or disability (under the Plan's definition of total and permanent disability) for a firefighter due to the diagnosis of cancer or circumstances that arise out of cancer treatment will be treated as duty-related.

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.

Continued...

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

City reporting period date	<b>9/30/2015</b>
Measurement date	<u><b>9/30/2014</b></u>
<b>Total Pension Liability</b>	
Service cost	\$ 197,807
Interest	809,770
Benefit payments, including refunds of employee contributions	<u>(1,103,457)</u>
Net change in total pension liability	<u>(95,880)</u>
<b>Total pension liability - beginning</b>	<u>10,802,571</u>
<b>Total pension liability - ending</b>	<u><u>\$ 10,706,691</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 394,982
Contributions - State	132,572
Contributions - Employee	63,503
Net investment income (loss)	675,710
Benefit payments, including refunds of employee contributions	<u>(1,101,302)</u>
Administrative expense	<u>(45,836)</u>
<b>Net change in plan fiduciary net position</b>	<u>119,629</u>
<b>Plan fiduciary net position - beginning, as reported</b>	6,747,553
<b>Restatement of beginning net position (a)</b>	<u>706,593</u>
<b>Plan fiduciary net position - ending</b>	<u><u>\$ 7,573,775</u></u>
<b>Net pension liability - ending</b>	<u><u>\$ 3,132,916</u></u>
Plan fiduciary net position as a percentage of the total pension liability	70.74%
Covered payroll	\$ 1,270,068
Net pension liability as a percentage of covered payroll	246.67%

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

**Notes to Schedule:**

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	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Measurement date	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
<b>Total Pension Liability</b>					
Service cost	\$ 425,683	\$ 484,141	\$ 457,088	\$ 421,452	\$ 439,663
Interest	1,296,200	1,281,973	1,244,658	1,170,401	1,125,422
Share plan allocation	17,808	13,118	9,083	5,983	-
Differences between expected and actual experience	(122,778)	(595,515)	(228,096)	(109,886)	(181,415)
Changes of assumptions	93,011	62,423	-	387,470	-
Contributions - buy back	-	-	-	58,016	-
Benefit payments, including refunds of employee contributions	(930,594)	(860,412)	(1,196,188)	(825,635)	(744,552)
Net change in total pension liability	779,330	385,728	286,545	1,107,801	639,118
<b>Total pension liability - beginning</b>	16,873,384	16,487,656	16,201,111	15,093,310	14,454,192
<b>Total pension liability - ending</b>	\$ 17,652,714	\$ 16,873,384	\$ 16,487,656	\$ 16,201,111	\$ 15,093,310
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 443,994	\$ 489,776	\$ 471,415	\$ 429,834	\$ 419,527
Contributions - State	131,776	122,394	114,325	108,125	100,182
Contributions - Employee	125,983	119,874	118,654	172,173	106,063
Net investment income	565,635	931,772	1,274,464	1,256,859	(120,063)
Benefit payments, including refunds of employee contributions	(930,594)	(860,413)	(1,196,188)	(826,863)	(746,774)
Administrative expense	(60,860)	(75,189)	(64,545)	(67,326)	(66,726)
<b>Net change in plan fiduciary net position</b>	275,934	728,214	718,125	1,072,802	(307,791)
<b>Plan fiduciary net position - beginning, as reported</b>	15,608,877	14,880,663	14,162,538	13,089,736	13,397,527
<b>Restatement of beginning net position (a)</b>	-	-	-	-	-
<b>Plan fiduciary net position - ending</b>	\$ 15,884,811	\$ 15,608,877	\$ 14,880,663	\$ 14,162,538	\$ 13,089,736
<b>Net pension liability - ending</b>	\$ 1,767,903	\$ 1,264,507	\$ 1,606,993	\$ 2,038,573	\$ 2,003,574
Plan fiduciary net position as a percentage of the total pension liability	89.99%	92.51%	90.25%	87.42%	86.73%
Covered payroll	\$ 2,519,599	\$ 2,397,486	\$ 2,373,081	\$ 2,283,146	\$ 2,124,365
Net pension liability as a percentage of covered payroll	70.17%	52.74%	67.72%	89.29%	94.31%

**Notes to Schedule:**

For the year ended September 30, 2019, amounts reported as changes of assumptions resulted from lowering the investment return assumption from 7.70% to 7.65%.

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.

Continued...

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

City reporting period date	<b>9/30/2015</b>
Measurement date	<b>9/30/2014</b>
<b>Total Pension Liability</b>	
Service cost	\$ 417,622
Interest	1,064,424
Benefit payments, including refunds of employee contributions	<u>(689,470)</u>
Net change in total pension liability	<u>792,576</u>
<b>Total pension liability - beginning</b>	<u>13,661,616</u>
<b>Total pension liability - ending</b>	<u><u>\$ 14,454,192</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 490,676
Contributions - State	96,680
Contributions - Employee	108,368
Net investment income	1,153,544
Benefit payments, including refunds of employee contributions	<u>(679,118)</u>
Administrative expense	<u>(52,141)</u>
<b>Net change in plan fiduciary net position</b>	<u>1,118,009</u>
<b>Plan fiduciary net position - beginning, as reported</b>	12,187,247
<b>Restatement of beginning net position (a)</b>	<u>92,271</u>
<b>Plan fiduciary net position - ending</b>	<u><u>\$ 13,397,527</u></u>
<b>Net pension liability - ending</b>	<u><u>\$ 1,056,665</u></u>
Plan fiduciary net position as a percentage of the total pension liability	92.69%
Covered payroll	\$ 2,167,367
Net pension liability as a percentage of covered payroll	48.75%

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

**Notes to Schedule:**

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**

	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019
Actuarially Determined Contribution (A)	\$ 41,622	\$ 71,803	\$ 165,024	\$ 245,477	\$ 294,883	\$ 267,808	\$ 238,987	\$ 169,308	\$ 184,180	\$ 272,200
Interest on NPO	(8,303)	(7,414)	(6,623)	(5,926)	-	-	-	-	-	-
Adjustment to (A)	19,779	17,621	15,611	13,343	-	-	-	-	-	-
Annual Pension Cost	53,098	82,010	174,012	252,894	294,883	267,808	238,987	169,308	184,180	272,200
Contributions in Relation to the Actuarially Determined Contributions	41,622	71,803	165,024	245,477	294,883	238,987	238,987	169,482	184,179	272,717
Contribution Deficiency (Excess)	11,476	10,207	8,988	7,417	-	28,821	-	(174)	1	(517)
Covered Payroll	\$ 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	\$ 4,002,938
Contributions as a Percentage of Covered Payroll	1.43%	2.65%	5.64%	7.62%	9.50%	6.54%	6.80%	4.60%	4.90%	6.81%

**Notes to Schedule of Contributions**

Valuation Date 10/1/2017

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:	Frozen entry age
Amortization Method:	Level percentage of pay, closed
Remaining Amortization Period:	30 years (25 years as of 10-1-2017)
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**

	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	9/30/2019
Actuarially Determined Contribution (A)	\$ 461,317	\$ 484,508	\$ 529,707	\$ 473,635	\$ 532,159	\$ 524,620	\$ 505,366	\$ 539,255	\$ 568,714	\$ 562,723
Interest on NPO	(5,917)	(5,943)	(5,690)	(5,277)	-	-	-	-	-	-
Adjustment to (A)	5,591	9,111	8,722	4,062	-	-	-	-	-	-
Annual Pension Cost	460,991	487,676	532,739	472,420	532,159	524,620	505,366	539,255	568,714	562,723
Contributions in Relation to the										
Actuarially Determined Contributions	461,317	484,508	529,707	473,635	532,159	524,620	507,922	537,422	570,613	563,794
Contribution Deficiency (Excess)	(326)	3,168	3,032	(1,215)	-	-	(2,556)	1,833	(1,899)	(1,071)
Covered Payroll	\$ 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	\$ 1,710,404
Contributions as a Percentage of										
Covered Payroll	39.22%	41.75%	45.93%	39.01%	41.90%	38.24%	35.78%	34.78%	35.22%	32.96%

**Notes to Schedule of Contributions**

Valuation Date 10/1/2017

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 3.0% per year  
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	20	30	40	50
% 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**

	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019
Actuarially Determined Contribution (A)	\$ 623,601	\$ 541,275	\$ 699,733	\$ 508,870	\$ 587,357	\$ 519,709	\$ 531,976	\$ 576,659	\$ 592,179	\$ 564,390
Interest on NPO	(11,680)	(11,719)	(11,282)	(10,530)	-	-	-	-	-	-
Adjustment to (A)	11,198	17,182	16,435	8,318	-	-	-	-	-	-
Annual Pension Cost	623,119	546,738	704,886	506,658	587,357	519,709	531,976	576,659	592,179	564,390
Contributions in Relation to the Actuarially Determined Contributions	623,601	541,275	699,733	508,870	587,357	519,709	537,959	585,740	599,052	557,964
Contribution Deficiency (Excess)	(482)	5,463	5,153	(2,212)	-	-	(5,983)	(9,081)	(6,873)	6,426
Covered Payroll	\$ 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	\$ 2,519,599
Contributions as a Percentage of Covered Payroll	27.77%	25.54%	36.06%	23.36%	27.10%	24.46%	23.56%	24.68%	24.99%	22.14%

**Notes to Schedule of Contributions**

Valuation Date 10/1/2017

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 2.16% per year

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:

Age	20	30	40	50
% 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>9/30/2019</u>	<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	3.73%	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	3.90%	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	3.56%	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	9/30/2018	9/30/2017
Reporting period ending	<u>9/30/2019</u>	<u>9/30/2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 26,168	\$ 27,720
Interest	14,567	12,429
Change in assumptions	(22,330)	(24,495)
Benefit payments	<u>(20,979)</u>	<u>(19,291)</u>
Net change in total OPEB liability	(2,574)	(3,637)
Total OPEB liability, beginning	<u>384,402</u>	<u>388,039</u>
Total OPEB liability, ending	<u><u>\$ 381,828</u></u>	<u><u>\$ 384,402</u></u>
Covered-employee payroll	\$ 7,523,224	\$ 7,149,077
Total OPEB liability as a percentage of covered-employee payroll	5.08%	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:

<u>Measurement Date</u>	<u>Discount Rate</u>
September 30, 2016	3.06%
September 30, 2017	3.64%
September 30, 2018	4.18%

## **SUPPLEMENTARY INFORMATION**

**City of Lake Wales, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2019**

	<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	\$ 37,876	\$ 10,701	\$ -	\$ 6,426	\$ 787	\$ 55,790
Restricted cash and cash equivalents:						
Impact fee	-	199,602	-	-	718,333	917,935
Prepaid items	-	28,733	-	-	-	28,733
<b>Total assets</b>	<b>\$ 37,876</b>	<b>\$ 239,036</b>	<b>\$ -</b>	<b>\$ 6,426</b>	<b>\$ 719,120</b>	<b>\$ 1,002,458</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 1,340	\$ 4,289	\$ -	\$ -	\$ -	\$ 5,629
Accrued liabilities	-	15,874	-	-	-	15,874
<b>Total liabilities</b>	<b>1,340</b>	<b>20,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,503</b>
<b>Fund balances</b>						
Nonspendable:						
Inventory and prepaid	-	28,733	-	-	-	28,733
Restricted for:						
Law enforcement expenditures	36,536	-	-	-	-	36,536
Library expenditures	-	190,140	-	-	-	190,140
Street lighting expenditures	-	-	-	6,426	-	6,426
Capital projects	-	-	-	-	719,120	719,120
<b>Total fund balances</b>	<b>36,536</b>	<b>218,873</b>	<b>-</b>	<b>6,426</b>	<b>719,120</b>	<b>980,955</b>
<b>Total liabilities and fund balances</b>	<b>\$ 37,876</b>	<b>\$ 239,036</b>	<b>\$ -</b>	<b>\$ 6,426</b>	<b>\$ 719,120</b>	<b>\$ 1,002,458</b>

**City of Lake Wales, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2019**

	<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	\$ -	\$ 371,203	\$ -	\$ -	\$ -	\$ 371,203
Special assessment	-	-	-	12,782	-	12,782
Intergovernmental	-	642,676	16,977	-	-	659,653
Fines and forfeits	7,641	-	-	-	-	7,641
Investment earnings	103	363	-	-	1,474	1,940
Impact fees	-	82,796	-	-	381,288	464,084
Miscellaneous	-	13,862	-	-	-	13,862
<b>Total revenues</b>	<u>7,744</u>	<u>1,110,900</u>	<u>16,977</u>	<u>12,782</u>	<u>382,762</u>	<u>1,531,165</u>
<b>Expenditures</b>						
Current:						
Public safety	15,977	-	16,977	-	-	32,954
Physical environment	-	-	-	12,148	-	12,148
Culture and recreation	-	1,100,743	-	-	-	1,100,743
Capital outlay	-	-	-	-	263,776	263,776
<b>Total expenditures</b>	<u>15,977</u>	<u>1,100,743</u>	<u>16,977</u>	<u>12,148</u>	<u>263,776</u>	<u>1,409,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,233)</u>	<u>10,157</u>	<u>-</u>	<u>634</u>	<u>118,986</u>	<u>121,544</u>
<b>Other financing sources</b>						
Transfers in	-	53,522	-	-	-	53,522
Gain on sale of capital assets	1,388	-	-	-	-	1,388
<b>Total other financing sources</b>	<u>1,388</u>	<u>53,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,910</u>
Net change in fund balances	(6,845)	63,679	-	634	118,986	176,454
<b>Fund balances, beginning 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>
<b>Fund balances, end of year</b>	<u>\$ 36,536</u>	<u>\$ 218,873</u>	<u>\$ -</u>	<u>\$ 6,426</u>	<u>\$ 719,120</u>	<u>\$ 980,955</u>

**City of Lake Wales, Florida**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**September 30, 2019**

	<b>LWMG Cemetery Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 241,596	\$ 2,049	\$ 243,645
Receivables (net of allowance for uncollectibles)	5,116	35,742	40,858
Total current assets	<u>246,712</u>	<u>37,791</u>	<u>284,503</u>
Noncurrent assets			
Capital assets:			
Nondepreciable	204,569	-	204,569
Depreciable, net	432,597	91,190	523,787
Total noncurrent assets	<u>637,166</u>	<u>91,190</u>	<u>728,356</u>
Total assets	<u>883,878</u>	<u>128,981</u>	<u>1,012,859</u>
<b>Liabilities</b>			
Current liabilities			
Accrued interest	6,666	-	6,666
Due to general fund	-	313,504	313,504
Current portion of long-term debt	43,906	-	43,906
Total current liabilities	<u>50,572</u>	<u>313,504</u>	<u>364,076</u>
Noncurrent liabilities			
Notes and lease obligations payable - noncurrent	368,336	-	368,336
Total noncurrent liabilities	<u>368,336</u>	<u>-</u>	<u>368,336</u>
Total liabilities	<u>418,908</u>	<u>313,504</u>	<u>732,412</u>
<b>Net position</b>			
Net investment in capital assets	224,924	91,190	316,114
Unrestricted	240,046	(275,713)	(35,667)
<b>Total net position</b>	<u>\$ 464,970</u>	<u>\$ (184,523)</u>	<u>\$ 280,447</u>

**City of Lake Wales, Florida**  
**Combining Statement of Revenue, Expenses and**  
**Changes in Fund Net Position**  
**Nonmajor Enterprise Funds**  
**Year ended September 30, 2019**

	LWMG Cemetery Fund	Stormwater Fund	Total
<b>Operating revenues:</b>			
Charges for services	\$ 72,315	\$ 64,027	136,342
Total operating revenues	<u>72,315</u>	<u>64,027</u>	<u>136,342</u>
<b>Operating expenses:</b>			
Contractual services	-	11,339	11,339
Repairs and maintenance	-	12,318	12,318
General and administrative	64,700	223,801	288,501
Depreciation	39,619	1,092	40,711
<b>Total operating expenses</b>	<u>104,319</u>	<u>248,550</u>	<u>352,869</u>
<b>Operating income (loss)</b>	<u>(32,004)</u>	<u>(184,523)</u>	<u>(216,527)</u>
<b>Nonoperating revenues (expenses)</b>			
Interest income	501	-	501
Interest expense and fiscal charges	(20,384)	-	(20,384)
Total nonoperating revenues (expenses)	<u>(19,883)</u>	<u>-</u>	<u>(19,883)</u>
Income (loss) before contributions and transfers	<u>(51,887)</u>	<u>(184,523)</u>	<u>(236,410)</u>
<b>Transfers</b>			
Transfers in	109,700	-	109,700
Total transfers	<u>109,700</u>	<u>-</u>	<u>109,700</u>
Change in net position	57,813	(184,523)	(126,710)
<b>Net position, beginning of year</b>	<u>407,157</u>	<u>-</u>	<u>407,157</u>
<b>Net position, end of year</b>	<u>\$ 464,970</u>	<u>\$ (184,523)</u>	<u>\$ 280,447</u>

**City of Lake Wales, Florida**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**Year ended September 30, 2019**

	<b>LWMG</b>		
	<b>Cemetary</b>	<b>Stormwater</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 68,047	\$ 28,285	\$ 96,332
Cash payments to suppliers for goods and services	(74,148)	(247,458)	(321,606)
Net cash used by operating activities	<u>(6,101)</u>	<u>(219,173)</u>	<u>(225,274)</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers from other funds	109,700	-	109,700
Loan from other funds	-	313,504	313,504
Net cash provided by noncapital financing activities	<u>109,700</u>	<u>313,504</u>	<u>423,204</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	-	(92,282)	(92,282)
Principal payments on long-term debt	(41,633)	-	(41,633)
Interest paid	(20,952)	-	(20,952)
Net cash used in capital and related financing activities	<u>(62,585)</u>	<u>(92,282)</u>	<u>(154,867)</u>
<b>Cash flows from investing activities</b>			
Investment income	501	-	501
Net cash provided by investing activities	<u>501</u>	<u>-</u>	<u>501</u>
<b>Net increase in cash and cash equivalents</b>	41,515	2,049	43,564
<b>Cash and cash equivalents, beginning of year</b>	<u>200,081</u>	<u>-</u>	<u>200,081</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 241,596</u>	<u>\$ 2,049</u>	<u>\$ 243,645</u>

Continued...

**City of Lake Wales, Florida**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds (concluded)**  
**Year ended September 30, 2019**

	<b>LWMG Cemetery Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Reconciliation of cash and cash equivalents to statement of net position</b>			
Cash and cash equivalents	\$ 241,596	\$ 2,049	\$ 243,645
Restricted cash and cash equivalents	-	-	-
<b>Cash and cash equivalents, end of year</b>	<u>\$ 241,596</u>	<u>\$ 2,049</u>	<u>\$ 243,645</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>			
Operating loss	\$ (32,004)	\$ (184,523)	\$ (216,527)
Adjustments to reconcile operating loss to cash used in operating activities:			
Depreciation	39,619	1,092	40,711
(Increase) decrease in assets:			
Accounts receivable	(4,268)	(35,742)	(40,010)
Increase (decrease) in liabilities:			
Due to general fund	(9,448)	-	(9,448)
<b>Net cash used in operating activities</b>	<u>\$ (6,101)</u>	<u>\$ (219,173)</u>	<u>\$ (225,274)</u>
<b>Schedule of non-cash capital and related financing activities</b>			
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 516,300	\$ 516,300	\$ 516,300	\$ -
Total revenues	<u>516,300</u>	<u>516,300</u>	<u>516,300</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Principal	1,032,633	1,122,236	1,140,052	(17,816)
Interest and fiscal charges	309,381	383,781	362,482	21,299
Total expenditures	<u>1,342,014</u>	<u>1,506,017</u>	<u>1,502,534</u>	<u>3,483</u>
Deficiency of revenues under expenditures	<u>(825,714)</u>	<u>(989,717)</u>	<u>(986,234)</u>	<u>3,483</u>
<b>Other financing sources</b>				
Transfers in	708,054	708,054	708,054	-
Total other financing sources	<u>708,054</u>	<u>708,054</u>	<u>708,054</u>	<u>-</u>
<b>Net change in fund balance</b>	(117,660)	(281,663)	(278,180)	3,483
<b>Fund balances, beginning of year</b>	<u>964,916</u>	<u>964,916</u>	<u>964,916</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 847,256</u>	<u>\$ 683,253</u>	<u>\$ 686,736</u>	<u>\$ 3,483</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, 2019**

	<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	\$ 7,600	\$ 7,641	\$ 41
Investment earnings	-	103	103	-
Total revenues	<u>20,000</u>	<u>7,703</u>	<u>7,744</u>	<u>41</u>
<b>Expenditures</b>				
Current:				
Public safety	<u>37,640</u>	<u>37,640</u>	<u>15,977</u>	<u>21,663</u>
Total expenditures	<u>37,640</u>	<u>37,640</u>	<u>15,977</u>	<u>21,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,640)</u>	<u>(29,937)</u>	<u>(8,233)</u>	<u>21,704</u>
<b>Other financing sources</b>				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>1,388</u>	<u>1,388</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,388</u>	<u>1,388</u>
<b>Net change in fund balance</b>	(17,640)	(29,937)	(6,845)	23,092
<b>Fund balances, beginning of year</b>	<u>43,381</u>	<u>43,381</u>	<u>43,381</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 25,741</u>	<u>\$ 13,444</u>	<u>\$ 36,536</u>	<u>\$ 23,092</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, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 372,315	\$ 371,215	\$ 371,203	\$ (12)
Intergovernmental	600,000	642,650	642,676	26
Investment earnings	1,350	425	363	(62)
Impact fees	25,000	82,800	82,796	(4)
Miscellaneous	17,825	12,925	13,862	937
<b>Total revenues</b>	<u>1,016,490</u>	<u>1,110,015</u>	<u>1,110,900</u>	<u>885</u>
<b>Expenditures</b>				
Current:				
Culture and recreation	1,132,770	1,139,770	1,100,743	39,027
<b>Total expenditures</b>	<u>1,132,770</u>	<u>1,139,770</u>	<u>1,100,743</u>	<u>39,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(116,280)</u>	<u>(29,755)</u>	<u>10,157</u>	<u>39,912</u>
<b>Other financing sources</b>				
Transfers in	53,522	53,522	53,522	-
<b>Total other financing sources</b>	<u>53,522</u>	<u>53,522</u>	<u>53,522</u>	<u>-</u>
<b>Net change in fund balance</b>	(62,758)	23,767	63,679	(38,142)
<b>Fund balances, beginning of year</b>	<u>155,194</u>	<u>155,194</u>	<u>155,194</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 92,436</u>	<u>\$ 178,961</u>	<u>\$ 218,873</u>	<u>\$ 39,912</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, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 35,000	\$ 17,000	\$ 16,977	\$ (23)
Investment earnings	-	-	-	-
Total revenues	<u>35,000</u>	<u>17,000</u>	<u>16,977</u>	<u>(23)</u>
<b>Expenditures</b>				
Current:				
Public safety	<u>35,000</u>	<u>17,000</u>	<u>16,977</u>	<u>23</u>
Total expenditures	<u>35,000</u>	<u>17,000</u>	<u>16,977</u>	<u>23</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balances, beginning of year</b>	-	-	-	-
<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, 2019**

	<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	\$ 13,485	\$ 12,780	\$ 12,782	\$ 2
Total revenues	<u>13,485</u>	<u>12,780</u>	<u>12,782</u>	<u>2</u>
<b>Expenditures</b>				
Current:				
Physical environment	13,555	15,555	12,148	3,407
Total expenditures	<u>13,555</u>	<u>15,555</u>	<u>12,148</u>	<u>3,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,040</u>	<u>28,335</u>	<u>24,930</u>	<u>(3,405)</u>
<b>Net change in fund balance</b>	(70)	(2,775)	634	3,409
<b>Fund balances, beginning of year</b>	<u>5,792</u>	<u>5,792</u>	<u>5,792</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 5,722</u>	<u>\$ 3,017</u>	<u>\$ 6,426</u>	<u>\$ 3,409</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, 2019**

	<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	\$ -	\$ -	\$ -
Investment earnings	-	-	1,474	1,474
Impact fees	125,000	381,100	381,288	188
<b>Total revenues</b>	<u>175,000</u>	<u>381,100</u>	<u>382,762</u>	<u>1,662</u>
<b>Expenditures</b>				
Capital outlay	50,000	292,000	263,776	28,224
<b>Total expenditures</b>	<u>50,000</u>	<u>292,000</u>	<u>263,776</u>	<u>28,224</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,000</u>	<u>89,100</u>	<u>118,986</u>	<u>29,886</u>
<b>Net change in fund balance</b>	125,000	89,100	118,986	29,886
<b>Fund balances, beginning of year</b>	<u>600,134</u>	<u>600,134</u>	<u>600,134</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 725,134</u>	<u>\$ 689,234</u>	<u>\$ 719,120</u>	<u>\$ 29,886</u>

**Lake Wales Airport Authority**  
**City of Lake Wales, Florida**  
**Statement of Net Position**  
**September 30, 2019**

	<u>2019</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 98,769
Receivables (net of allowance for uncollectibles)	11,541
Restricted cash and cash equivalents:	
Unspent bond proceeds	614,171
Debt service reserve account	100,072
Inventories	28,692
Due from other governments	<u>552,135</u>
<b>Total Current Assets</b>	<u>1,405,380</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Nondepreciable	6,524,187
Depreciable, net	<u>11,976,472</u>
<b>Total Noncurrent Assets</b>	<u>18,500,659</u>
<b>Total Assets</b>	<u>19,906,039</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	61,793
Construction payable	1,079,400
Accrued liabilities	2,226
Accrued interest	13,250
Accrued compensated absences	782
Deposits	5,785
Due to primary government	1,547,362
Current portion of long-term debt	<u>83,747</u>
<b>Total Current Liabilities</b>	<u>2,794,345</u>
<b>Noncurrent liabilities</b>	
Accrued compensated absences	7,036
Notes and lease obligations payable - noncurrent	<u>1,689,720</u>
Total noncurrent liabilities	<u>1,696,756</u>
<b>Total Liabilities</b>	<u>4,491,101</u>
<b>Net Position</b>	
Net investment in capital assets	16,261,963
Restricted for debt service	86,822
Unrestricted (deficit)	<u>(933,847)</u>
<b>Total Net Position</b>	<u>\$ 15,414,938</u>

**Lake Wales Airport Authority**  
**City of Lake Wales, Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended September 30, 2019**

	<b>2019</b>
<b>Operating Revenues</b>	
Charges for services	\$ 322,302
<b>Operating Expenses</b>	
Personnel services	143,340
Contractual services	57,822
Repairs and maintenance	28,657
Materials and supplies	184,585
General and administrative	148,813
Depreciation	688,238
Total operating expenses	1,251,455
<b>Operating Loss</b>	(929,153)
<b>Nonoperating revenues (expenses)</b>	
Interest expense and fiscal charges	(53,328)
Interest income	3,621
Total nonoperating expenses	(49,707)
Loss before contributions and transfers	(978,860)
<b>Capital Contributions</b>	
Grants	3,207,412
From City of Lake Wales	330,245
Total capital contributions	3,537,657
<b>Change in Net Position</b>	2,558,797
<b>Total Net Position, Beginning of Year</b>	12,856,141
<b>Total Net Position, End of Year</b>	\$ 15,414,938



**Lake Wales Airport Authority**  
**City of Lake Wales, Florida**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2019**

	<b>2019</b>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 321,892
Cash payments for employee services	(136,271)
Cash payments to suppliers	(352,685)
Net cash used in operating activities	(167,064)
<b>Cash flows from capital and related financing activities</b>	
Capital grants	3,709,553
Capital contributions from City of Lake Wales (net)	727,362
Acquisition and construction of capital assets	(4,743,420)
Payments of interest	(53,328)
Principal payment on long-term debt	(81,416)
Net cash used by capital and related financing activities	(441,249)
<b>Cash flows from investing activities</b>	
Investment income	3,621
Net cash provided by investing activities	3,621
<b>Net decrease in cash and cash equivalents</b>	(604,692)
<b>Cash and cash equivalents, beginning of year</b>	1,417,704
<b>Cash and cash equivalents, end of year</b>	\$ 813,012
<b>Reconciliation of cash and cash equivalents to statement of net position</b>	
Cash and cash equivalents	\$ 98,769
Restricted cash and cash equivalents	714,243
<b>Total cash and cash equivalents, end of year</b>	\$ 813,012
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (929,153)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	688,238
(Increase) decrease in assets:	
Accounts receivable	(595)
Inventories	6,437
Increase (decrease) in liabilities:	
Accounts payable	60,755
Accrued liabilities	994
Compensated absences	6,075
Deposits	185
Net cash used in operating activities	\$ (167,064)
<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.*

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

	Fiscal Year									
	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	9/30/2019
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 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	\$ 17,043,260
Restricted	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	3,858,230
Unrestricted	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)	(1,412,870)
Total governmental activities net position	22,430,535	20,484,952	19,590,421	19,252,407	18,655,636	15,604,516	16,723,742	18,245,018	18,972,748	19,488,620
<b>Business-type activities</b>										
Net investment in capital assets	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	29,012,942
Restricted	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	3,995,244
Unrestricted	523,332	1,331,958	993,441	1,365,077	169,003	738,546	1,072,128	2,302,087	3,270,530	4,333,649
Total business-type activities in net position	20,099,694	23,560,032	25,003,842	26,143,339	27,196,022	28,887,744	30,650,552	33,038,555	34,773,777	37,341,835
<b>Primary government</b>										
Net investment in capital assets	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	46,056,202
Restricted	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	7,853,474
Unrestricted	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	2,920,779
Total primary government net position	\$ 42,530,229	\$ 44,044,984	\$ 44,594,263	\$ 45,395,746	\$ 45,851,658	\$ 44,492,260	\$ 47,374,294	\$ 51,283,573	\$ 53,746,525	\$ 56,830,455

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

	Fiscal Year									
	9/30/2010 <sup>(1)</sup>	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015 <sup>(2)</sup>	9/30/2016 <sup>(3)</sup>	9/30/2017	9/30/2018 <sup>(4)</sup>	9/30/2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 1,643,677
Public safety	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	9,085,841
Physical environment	1,204,112	1,211,193	1,020,413	941,419	745,501	1,089,770	1,071,354	1,145,447	747,777	1,251,218
Transportation	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	2,019,958
Economic environment	532,987	506,936	483,785	456,091	344,886	320,428	414,110	441,868	945,327	672,429
Human services	20,634	20,635	64,633	16,704	15,634	10,174	10,174	10,174	10,174	10,173
Culture and recreation	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	3,186,011
Interest on long term debt	675,004	605,706	543,766	457,347	455,554	356,781	345,798	288,519	304,789	368,926
Total governmental activities expenses	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	18,238,233
Business-type activities:										
Water and wastewater	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	6,257,083
LWMG Cemetery	-	-	-	-	-	7,255	88,200	87,818	113,696	124,703
Stormwater	-	-	-	-	-	-	-	-	-	248,550
Total business-type activities	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	6,630,336
Total primary government expenses	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	24,868,569
<b>Program revenues</b>										
Governmental activities:										
Charges for services:										
General government	30,704	69,395	74,304	60,774	68,363	60,425	108,638	87,896	28,779	60,405
Public safety	872,049	700,165	594,963	720,995	862,226	1,001,802	1,761,549	2,240,193	1,963,802	2,308,752
Physical environment	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	1,353,179
Transportation	97,750	105,543	107,530	108,418	109,168	114,342	133,323	138,546	141,740	145,617
Culture and recreation	86,184	146,054	55,266	85,137	104,019	104,416	98,304	196,119	108,267	278,621
Operating grants and contributions	811,508	785,447	707,516	713,964	740,250	845,228	1,147,668	1,351,175	1,378,257	1,283,712
Capital grants and contributions	408,721	888,272	24,761	26,593	105,731	169,913	15,139	15,724	78,477	18,112
Total governmental activities program revenues	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	5,448,398
Business-type activities:										
Charges for services:										
Water and wastewater	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	8,685,158
LWMG Cemetery	-	-	-	-	-	6,079	61,181	46,351	78,162	72,315
Stormwater	-	-	-	-	-	-	-	-	-	64,027
Capital grants and contributions	383,974	512,411	398,506	399,621	981,217	307,801	345,382	914,886	426,344	1,247,275
Total business-type activities program revenues	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	10,068,775
Total primary government program revenues	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	15,517,173
<b>Net (expenditures) revenues</b>										
Governmental activities	(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)	(12,789,835)
Business-type activities	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	3,438,439
Total primary government net(expenses) revenues	(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)	(9,351,396)

	Fiscal Year									
	9/30/2010 <sup>(1)</sup>	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015 <sup>(2)</sup>	9/30/2016 <sup>(3)</sup>	9/30/2017	9/30/2018 <sup>(4)</sup>	9/30/2019
<b>General revenues and other changes in net assets</b>										
Governmental activities:										
Taxes:										
Property taxes	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	5,849,860
Franchise fees	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	1,372,549
Public service taxes	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	1,846,617
Communication service taxes	588,111	556,166	543,749	524,187	483,337	467,312	469,080	467,274	454,353	448,685
Gas taxes	630,798	603,823	603,415	615,111	703,120	739,144	786,555	810,953	844,684	860,806
Local business tax	77,009	74,292	75,154	76,561	70,763	72,034	70,015	72,316	68,133	67,280
State and county shared revenues	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	1,552,745
Investment earnings	94,987	54,322	31,156	16,366	8,986	6,695	8,998	14,816	19,214	21,757
Insurance recoveries	71,463	42,151	9,774	6,947	11,704	15,176	1,825	4,669	76,223	789
Gain/(loss) on disposal of capital assets	42,409	(62,971)	23,637	16,798	1,016	(17,721)	40,580	610,380	-	30,873
Contribution	-	-	-	31,107	100	-	-	-	-	-
Miscellaneous revenue	158,665	92,282	61,076	93,557	117,862	130,787	67,232	100,366	180,882	138,446
Transfers	790,672	(1,059,087)	828,000	828,000	503,000	798,128	1,046,718	1,080,230	1,086,650	1,115,300
Total governmental activities	12,735,038	9,279,476	11,013,468	11,030,270	11,034,730	11,498,592	11,640,759	12,578,062	12,665,380	13,305,707
Business-type activities:										
Investment earnings	24,662	32,293	26,480	8,678	7,496	6,783	12,071	11,209	18,792	21,670
Gain/(loss) on disposal of capital assets	7,390	15,393	-	3,261	-	(6,624)	420	-	-	200
Miscellaneous revenue	244,015	268,593	265,834	238,245	189,167	200,744	197,328	210,913	221,782	223,049
Transfers	(790,672)	1,059,087	(828,000)	(828,000)	(503,000)	(798,128)	(1,046,718)	(1,080,230)	(1,086,650)	(1,115,300)
Total business-type activities	(514,605)	1,375,366	(535,686)	(577,816)	(306,337)	(597,225)	(836,899)	(858,108)	(846,076)	(870,381)
Total primary government	12,220,433	10,654,842	10,477,782	10,452,454	10,728,393	10,901,367	10,803,860	11,719,954	11,819,304	12,435,326
<b>Change in net position</b>										
Governmental activities	846,466	(1,945,583)	(894,531)	(232,458)	(596,771)	874,633	919,334	1,521,276	662,284	515,872
Business-type activities	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	2,568,058
Total primary government	\$ 1,555,788	\$ 1,514,755	\$ 549,279	\$ 944,224	\$ 455,912	\$ 2,474,671	\$ 2,682,142	\$ 3,909,279	\$ 2,382,650	\$ 3,083,930

(1) - 2010 reported a prior period adjustment increase to governmental activities of \$49,500.

(2) - 2015 reported a prior period adjustment decrease to governmental activities of \$3,925,753 and a increase to business-type activities of \$91,684

(3) - 2016 reported a prior period adjustment increase in governmental activities of \$199,892

(4) - 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General fund</b>										
Reserved	\$ 314,820									
Unreserved, designated	1,056,957									
Unreserved, undesignated	<u>2,099,390</u>									
Total general fund	<u>3,471,167</u>									
<b>All other governmental funds</b>										
Reserved	6,236,772									
Unreserved reported in:										
Special revenue funds	(4,693)									
Capital projects funds	-									
Total all other governmental funds	<u>\$ 6,232,079</u>									
<b>General fund</b>		<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Nonspendable										
Inventory and Prepaid	\$ 52,500	\$ 177,812	\$ 161,490	\$ 133,694	\$ 91,834	\$ 97,256	\$ 260,083	\$ 289,680	\$ 178,074	
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	850,123	
Unassigned	<u>2,405,383</u>	<u>1,602,544</u>	<u>1,079,413</u>	<u>1,076,439</u>	<u>2,212,543</u>	<u>2,892,676</u>	<u>3,209,162</u>	<u>2,712,511</u>	<u>3,253,113</u>	
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>	<u>4,281,310</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	28,733	
Restricted for:										
Library expenditures	429,949	363,617	208,159	108,048	117,869	81,244	127,600	130,708	190,140	
Law enforcement expenditures	746	23,758	48,928	35,135	29,176	67,473	57,323	43,381	36,536	
Transportation expenditures	51,748	63,843	98,908	198,565	253,252	332,984	508,472	401,886	111,029	
Community redevelopment expenditures	983,683	726,787	353,867	169,341	149,586	210,468	1,393,382	1,504,752	2,108,243	
Street lighting expenditures	2,127	352	6,840	14,580	15,782	17,154	19,318	5,792	6,426	
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	686,736	
Capital projects	483,013	341,412	1,876,572	696,476	423,975	463,731	552,971	600,134	719,120	
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>	<u>\$ 3,886,963</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 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	\$ 8,192,156
Special assessment	-	12,387	11,212	19,050	21,218	14,830	14,823	15,624	-	12,782
Licenses and permits	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	2,131,820
Intergovernmental	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	3,781,662
Charges for services	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	3,311,878
Fines and forfeitures	50,951	58,692	40,588	63,156	58,592	96,583	108,072	136,491	151,371	162,757
Interest and miscellaneous	499,594	368,837	186,044	250,255	311,885	402,638	255,736	444,049	421,282	669,479
<b>Total revenues</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>18,262,534</b>
<b>Expenditures</b>										
Current:										
General government	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	2,102,409
Public safety	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	9,898,768
Physical environment	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	1,252,316
Transportation	729,046	783,120	816,012	723,580	783,519	1,024,348	1,091,184	1,129,684	1,625,190	2,137,461
Economic environment	504,877	480,816	455,627	456,935	341,333	306,478	413,478	498,908	923,498	620,617
Human services	6,000	6,000	50,000	2,070	1,000	-	-	-	-	30,000
Culture and recreation	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	3,186,614
Debt service:										
Principal	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	1,140,052
Interest and fiscal charges	618,964	594,010	523,840	466,078	430,585	377,209	333,629	305,613	300,049	362,482
Capital outlay	37,931	10,000	196,650	274,963	1,254,503	817,123	80,038	119,499	276,156	263,776
<b>Total expenditures</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>	<b>20,994,495</b>
Excess (deficiency) of revenues over (under) expenditures	(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)	(2,731,961)
<b>Other financing sources (uses)</b>										
Lease proceeds	-	-	-	1,819,184	86,457	-	-	-	-	-
Proceeds from issuance of debt	-	-	-	-	-	790,560	693,513	755,648	747,118	1,775,272
Principal - current refunding	-	-	-	-	-	-	-	-	-	-
Payments to refunding escrow	-	-	-	-	-	-	-	-	-	-
Insurance recoveries	71,463	42,150	9,774	6,947	11,704	15,176	1,825	4,669	76,223	4,469
Sale of capital assets	42,409	48,328	23,636	16,798	1,016	26,059	117,134	985,062	203	30,873
Transfers in	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	1,986,576
Transfers out	(2,112,156)	(3,188,111)	(280,876)	(1,140,812)	(1,586,038)	(1,296,638)	(954,310)	(774,076)	(947,823)	(871,276)
<b>Total other financing sources (uses)</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>2,925,914</b>
<b>Net change in fund balances</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>	<b>\$ 193,953</b>
Debt Service as a percentage of noncapital expenditures	13.50%	14.63%	16.06%	14.63%	13.29%	14.92%	12.15%	11.34%	7.38%	8.55%

**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>
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
2019	5,849,860	1,372,549	1,846,617	448,685	860,806	67,280	10,445,797



**City of Lake Wales, Florida**  
**Assessed Value 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>
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%
2019	967,869	116,636	573	304,154	780,924	7.0438	1,255,878	86.40%

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>	
2010	7.3277	6.8665	7.5860	0.1827	0.3866	22.3495
2011	7.3277	6.8665	7.7920	0.1827 *	0.3770	22.5459
2012	7.9998	6.8665	7.6700	N/A *	0.3928	22.9291
2013	8.5119	6.8665	7.4920	N/A *	0.3928	23.2632
2014	8.5866	6.8665	7.5470	N/A *	0.3818	23.3819
2015	8.3638	6.8665	7.2080	N/A *	0.3658	22.8041
2016	7.3638	6.7815	7.1490	N/A *	0.3488	21.6431
2017	7.3273	6.7815	6.7970	N/A *	0.3317	21.2375
2018	7.0438	6.7815	6.5140	N/A *	0.3131	20.6524
2019	7.0438	7.1565	6.2510	N/A *	0.2955	20.7468

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 FY2012 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, 2019**

Taxpayer	Rank	2019		Rank	2010	
		Total Assessed Valuation	Percentage of Total Taxable Assessed Value		Total Assessed Valuation	Percentage of Total Taxable Assessed Value
Publix Super Markets	1	\$ 20,495,585	2.62%	10	\$ 5,644,365	0.88%
Duke Energy	2	19,628,674	2.51%			
CRF II LTD	3	14,888,591	1.91%	4	9,513,979	1.48%
Lake Wales Hospital Corp	4	14,735,780	1.89%	3	12,414,640	1.93%
Lake Wales Retirement Center Inc	5	12,411,864	1.59%			
Preserve at Lake Wales Inc	6	11,250,096	1.44%	7	7,542,363	1.17%
Walmart	7	10,145,016	1.30%	8	7,032,534	1.09%
Lowes	8	6,891,382	0.88%	9	6,865,446	1.07%
Stockbridge Madison LLC	9	6,400,954	0.82%			
Kegal LLC	10	5,899,349	0.76%			
451 Eagle Ridge Drive Holdings, LLC				1	29,376,733	4.57%
Progress Energy				2	13,392,262	2.08%
Verizon Florida				5	8,924,646	1.39%
DDRM Shoppes on the Ridge LLC				6	7,715,937	1.20%
		<u>\$ 122,747,291</u>	<u>15.72%</u>		<u>\$ 108,422,905</u>	<u>16.86%</u>
Total Assessed Valuation		<u>\$ 780,923,931</u>			<u>\$643,195,776</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>
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%
2019	5,137,333	4,971,389	96.77%	3,119	4,974,508	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			
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
2019	-	6,007,966	2,952,843	8,960,809	16,238,880	323,977	16,562,857	25,523,666	16,062	1,589

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, 2019**

<u>Taxing Authority</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
City of Lake Wales	\$ 8,960,809	100.00%	\$ 8,960,809
Total Direct Debt	<u>8,960,809</u>		<u>8,960,809</u>
County of Polk (1)	185,951,647	2.11%	3,920,999
Polk County School Board (2)	230,026,050	2.11%	4,850,357
Total Overlapping Debt	<u>415,977,697</u>		<u>8,771,356</u>
Total Direct and Overlapping Debt	<u>\$ 424,938,506</u>		<u>\$ 17,732,165</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, 2018.

(2) Debt outstanding data provided from information with The School Board of Polk County, Florida as of their most recent available 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>	
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
2019	8,685,158	4,287,822	4,397,336	977,513	222,612	3.66

(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 (1)					
	Florida	Polk	Hillsborough	Hardee	Osceola	Lake	Florida	Polk	Hillsborough	Hardee	Osceola	Lake
2010	38,474	30,685	39,488	23,062	26,489	32,315	44,390	41,184	46,043	33,732	42,165	42,343
2011	40,047	32,379	42,244	24,008	27,899	33,145	44,250	40,258	46,592	33,058	40,933	44,965
2012	41,055	32,065	41,294	25,089	27,704	34,248	45,006	41,337	46,534	34,012	42,743	41,579
2013	40,659	32,043	40,470	24,998	27,941	34,701	46,021	42,447	49,510	34,884	41,592	44,244
2014	43,109	33,061	42,026	26,182	28,781	36,508	47,439	42,768	50,758	35,371	42,945	46,895
2015	45,287	34,028	43,591	27,814	30,363	37,817	49,416	44,024	51,710	35,850	45,127	49,711
2016	45,684	34,199	43,617	26,913	31,280	39,385	50,857	46,289	54,509	37,612	50,716	50,125
2017	47,869	34,213	45,129	28,844	32,315	40,613	50,883	45,988	53,742	39,063	47,343	49,734
2018	50,070	35,463	47,000	28,258	33,346	42,190	53,267	48,500	56,137	37,594	50,063	51,884
2019	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.

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
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	96.05	100.38	95.37	98.53	97.52	3.30	3.5	2.9	4.8	3.0	2.9
2019	N/A	N/A	N/A	N/A	N/A	3.10	3.5	2.9	5.6	3.1	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>	
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%
2019	690,606	16,062	2.33%

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>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>	<b>2019</b>
City Manager	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50	2.50	2.50
City Clerk	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.00	1.00	1.00
Special Progr/Eco Dev/CRA	1.00	1.00	1.00	1.00	-	-	-	-	2.00	2.50
Finance	4.00	4.50	4.50	3.75	3.50	3.50	3.50	3.50	3.50	3.50
Support Services	3.75	3.00	3.00	2.50	2.00	1.30	1.30	1.30	1.30	1.30
Human Resource	2.50	3.50	3.00	2.50	2.00	2.00	2.00	2.00	2.00	2.00
Planning and Zoning	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00
Information Services	3.00	3.00	3.00	3.00	2.50	2.30	3.30	3.30	3.30	3.30
Public Services Administration	2.50	2.50	2.50	2.50	2.25	2.40	1.90	1.90	1.90	1.90
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Total general government	<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>20.50</u>	<u>22.00</u>
Airport Authority								2.00	2.00	2.00
Police Department	49.50	47.50	50.00	49.00	51.00	50.00	50.00	53.00	53.00	53.00
Fire & Rescue:	27.00	27.00	27.00	27.00	27.00	27.00	27.00	30.00	30.00	30.00
Building Permits and Inspection	3.00	3.00	3.00	2.00	2.00	2.50	2.50	3.00	3.00	3.50
Code Enforcement	2.50	1.50	1.00	1.75	1.50	1.00	2.00	2.00	3.00	3.00
Total public safety	<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>	<u>91.50</u>
Cemetery	-	-	-	-	-	-	-	-	2.00	2.00
Parks Division	-	-	-	-	-	-	-	-	8.00	8.00
Streets	-	-	-	-	-	-	-	-	7.00	7.00
Field Operations	17.75	18.00	18.00	19.00	19.00	19.00	18.00	18.00	-	-
Fleet Maintenance	-	-	-	-	-	-	-	-	-	-
Facilities Maintenance	5.00	4.50	4.00	4.00	3.00	3.00	3.00	2.00	3.00	3.00
Total maintenance	<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>	<u>20.00</u>
Recreation	-	-	-	-	-	-	-	-	3.00	3.00
Depot	-	-	-	-	-	-	1.10	1.60	2.10	2.10
Library	18.00	17.75	16.50	16.50	16.50	16.50	17.90	17.90	17.90	17.90
Total culture and recreation	<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>	<u>23.00</u>
Wastewater Division	-	-	-	-	-	-	-	-	-	-
Water Division	-	-	-	-	-	-	-	-	-	-
Reuse Division	-	-	-	-	-	-	-	-	-	-
Utilities Operations	22.00	22.00	23.00	23.50	23.00	23.00	23.00	23.00	23.00	23.00
Utilities Administration	5.50	5.50	5.50	5.50	6.75	6.50	6.00	6.00	6.00	6.00
Utility Billing/Customer Service	3.25	3.00	3.75	3.25	3.50	4.50	5.50	5.50	5.50	5.50
Total utilities	<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>	<u>34.50</u>
Total government employees	<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>189.00</u>	<u>191.00</u>

(1) Source: City Finance 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>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>	<u>2019</u>
<b>General</b>										
Municipal boundaries (1)	19.60	19.60	20.12	20.12	20.12	20.14	20.14	20.14	20.20	20.20
<b>Police</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of arrests	1,233	1,206	1,263	1,173	1,158	1,071	1,125	1,182	1,195	958
Number of calls for service	23,746	25,758	26,876	n/a	20,904	22,047	21,522	22,888	22,912	21,837
Number of crashes	350	383	397	390	436	478	621	584	548	620
<b>Fire</b>										
Response volume (includes fire, rescue and medical calls)	2,576	2,480	2,580	2,514	2,660	2,991	2,410	2,769	2,939	3,040
Response time average (minutes)	5.11	5.21	6.37	5.72	5.66	5.02	4.83	4.60	4.60	4.82
Inspections/plans reviewed	1,422	1,489	1,712	1,837	1,877	2,067	2,031	2,031	1,544	1,310
Public education (persons)	2,627	534	2,263	1,652	1,148	3,860	3,892	3,152	2,548	2,250
<b>Permits and Inspections Division</b>										
Plan review residential	291	309	192	264	291	320	196	319	680	98
Plan review commercial	205	145	108	163	177	157	49	129	88	279
Permits issued	636	500	490	579	657	739	792	1,166	1,359	1,206
Inspections:										
Construction	2,287	1,389	1,628	1,918	2,332	2,557	2,467	5,348	4,085	4,332
Inspections per month (avg.)	191	116	136	174	194	213	205	445	340	361
Certificates of Occupancy issued	46	33	44	51	70	65	68	71	42	111
<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	87.41	87.41	87.41	87.41	87.41
<b>Water</b>										
Average monthly customers:										
Water	7,892	7,437	7,595	7,673	7,890	7,889	8,159	8,210	8,396	8,523
Sewer	5,311	5,047	5,136	5,227	5,369	5,412	5,610	5,649	5,882	5,998
Irrigation	1,254	1,291	1,313	1,362	1,425	1,454	1,534	1,586	1,514	1,570
<b>Wastewater</b>										
Number of lift stations	39	39	39	39	39	39	39	39	40	40

(1) Square miles

(2) Source: City Finance Department

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

<b>Water Revenues</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>	<b>2019</b>
Water Fees	\$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	\$4,017,001
Installation Fees	81,790.00	51,383	103,640	73,351	78,956	70,822	109,202	158,917	110,773	105,951
Backflow Inspection Fees	-	-	55,005	60,823	63,760	65,300	67,928	69,850	72,017	74,552
Construction Meter Fees	3,397	4,222	5,187	3,510	4,924	3,850	3,651	5,601	6,852	9,263
Reuse Fees	24,559	12,373	20,858	23,185	24,804	19,533	31,109	32,331	34,169	39,052
Miscellaneous	101	36	185	281	293	195	315	490	1,048	155
Impact Fees	134,838	168,426	55,581	93,706	130,823	127,528	137,060	255,751	169,747	264,978
<b>Totals</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>	<b>\$4,510,952</b>
 Penalties & Service Charges (Water & Sewer Combined)	 \$ 73,817	 \$ 65,990	 \$ 100,893	 \$ 114,905	 \$ 117,560	 \$ 110,973	 \$ 124,854	 \$ 124,854	 \$ 123,632	 \$ 124,593

**Water Rates(1)**

<b>% of Rate Increase (Decrease) - Base Rate</b>	2.50%	2.50%	3.60%	2.50%	2.60%	2.50%	14.40%	2.40%	2.50%	2.60%
<b>Inside City Limits</b>										
Base Rate	\$ 5.33	\$ 5.46	\$ 5.66	\$ 5.80	\$ 5.95	\$ 6.10	\$ 6.98	\$ 7.15	\$ 7.33	\$ 7.52
0-5,000	2.11	2.16	2.24	2.30	2.35	2.41	2.76	2.83	2.90	2.97
5,001-10,000	2.85	2.92	3.03	3.11	3.18	3.26	3.73	3.82	3.92	4.02
10,001-25,000	4.43	4.54	4.70	4.82	4.94	5.06	5.79	5.93	6.08	6.24
> 25,000	7.29	7.47	7.74	7.93	8.13	8.33	9.54	9.78	10.02	10.27
<b>Outside City Limits</b>										
Base Rate	\$ 6.66	\$ 6.83	\$ 7.08	\$ 7.26	\$ 7.44	\$ 7.63	\$ 8.73	\$ 8.95	\$ 9.17	\$ 9.40
0-5,000	2.64	2.71	2.80	2.87	2.94	3.01	3.45	3.54	3.63	3.72
5,001-10,000	3.56	3.65	3.79	3.88	3.98	4.08	4.67	4.79	4.91	5.03
10,001-25,000	5.54	5.68	5.88	6.03	6.18	6.33	7.24	7.42	7.61	7.80
> 25,000	9.11	9.34	9.68	9.92	10.17	10.42	11.93	12.23	12.54	12.85

(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**

<b>Sewer Revenues</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>	<b>2019</b>
Sewer Fees	\$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	\$4,298,524
Installation Fees	-	-	644	551	10,348	3,919	3,914	4,855	1,188	1,135
Miscellaneous	-	-	-	-	-	-	-	-	122	-
Impact Fees	249,136	343,985	89,172	153,243	214,505	180,273	208,322	409,135	237,697	417,051
Totals	<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>	<u>\$4,716,710</u>

**Sewer Rates (1)**

<b>% of Rate Increase (Decrease) - Base Rate</b>	2.50%	2.50%	3.60%	2.50%	2.50%	2.50%	14.50%	2.50%	2.50%	2.50%
<b>Inside City Limits</b>										
Base Rate	\$ 18.93	\$ 19.40	\$ 20.10	\$ 20.60	\$ 21.12	\$ 21.65	\$ 24.79	\$ 25.41	\$ 26.04	\$ 26.70
0-5,000 Gallons	2.49	2.55	2.64	2.71	2.77	2.84	3.25	3.33	3.41	3.50
5,001 + Gallons	4.36	4.47	4.63	4.75	4.86	4.98	5.70	5.84	5.99	6.14
<b>Outside City Limits</b>										
Base Rate	\$ 23.66	\$ 24.25	\$ 25.13	\$ 25.76	\$ 26.40	\$ 27.06	\$ 30.98	\$ 31.75	\$ 32.55	\$ 33.36
0-5,000 Gallons	3.11	3.19	3.30	3.38	3.47	3.56	4.06	4.16	4.27	4.37
5,001 + Gallons	5.45	5.59	5.79	5.93	6.08	6.23	7.13	7.31	7.49	7.68

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>2019</u>		<u>2010</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Florida's Natural	753	1		
Oakley	700	2		
Lake Wales Charter School System	576	3	392	3
AdventHealth Lake Wales (1)	494	4	497	2
Wal-Mart	350	5	350	4
Publix, Inc.	280	6	224	5
Polk County School Board	237	7	220	6
City of Lake Wales	193	8	177	9
Warner University	172	9	180	8
Hunt Brothers	150	10	160	10
Citrus World, Inc.			678	1
Citrusuco			210	7
	<u>3,905</u>		<u>3,088</u>	

Source: Lake Wales Area Chamber of Commerce

(1) - Formerly Lake Wales Medical Center priro to 2019

**City of Lake Wales, Florida**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2019**

<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			
Justice Assistant Grant:			
Lake Wales Safety Equipment Program	2019-JAGC-POLK-5-N2-020	16.738	\$ 13,170
Lake Wales Traffic Safety Program	2019-JAGD-POLK-5-N3-014	16.738	3,807
Total Program			<u>16,977</u>
Bulletproof Vest Program		16.607	<u>1,809</u>
<b>Total U.S. Department of Justice</b>			<u>18,786</u>
<b>U.S. Department of Community Affairs</b>			
Small Cities Community Development Block Grant:			
Commercial Revitalization	17DB-OL-07-63-02-N 04	14.228	586,469
<b>Total U.S. Department of Community Affairs</b>			
<b>U.S. Environmental Protection Agency passed through</b>			
Florida Department of Environmental Protection			
Drinking Water State Revolving Fund - Transmission	DW530320	66.468	105,331
<b>Total U.S. Environmental Protection Agency</b>			
<b>U.S. Department of Homeland Security</b>			
Disaster Grants - Public Assistance	FEMA-4337-DR-FL	97.036	54,495
<b>U.S. Department of Transportation -</b>			
Federal Aviation Administration			
Construct Taxiway Bravo North	3-12-0040-018-2018	20.106	700,829
Construct Taxiway East	3-12-0040-019-2018	20.106	1,187,328
<b>Total U.S. Department of Transportation</b>			<u>1,888,157</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 2,653,238</u></u>

- (1) SRF - 59110 Loan Balance at September 30, 2019 - \$144,858
- (2) SRF - 5912S Loan Balance at September 30, 2019 - \$371,979
- (3) SRF - 5913P Loan Balance at September 30, 2019- \$482,963

- (4) SRF - 59140 Loan Balance at September 30, 2019 - \$271,880
- (5) SRF - 530300 Loan Balance at September 30, 2019 - \$3,027,030
- (6) SRF - 530320 Loan Balance at September 30, 2019 - \$1,738,751

(\*) - In fiscal year 2019, FEMA approved \$54,495 of eligible expenditures for Hurricane Irma, an event that occurred in September 2017. Of this amount, \$17,765 was incurred during the fiscal year ending September 30, 2018 and the remaining \$36,731 was incurred during the fiscal year ending September 30, 2019.

In addition to the reimbursements received from FEMA, the City received a 12.5% funding match from the State of Florida Department of Emergency Management. The state match is not included in the Schedule of Expenditures of Federal Awards in accordance with guidance provided by the State of Florida Auditor General. For the fiscal year ending September 30, 2019, this state funding match totaled \$9,083.

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule



**City of Lake Wales, Florida**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2019**

**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, 2019.

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, 2019**

<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>			
Major Sewer Rehabilitation/Replacement	530310	37.077	\$ 164,438
Major Sewer Rehabilitation/Replacement	530380	37.077	\$ 838,372
Transmission Facilities	530330	37.077	418,701
Total State of Florida department of Environmental Protecion			<u>1,421,511</u>
<b>Florida Department of Transportation</b>			
Aviation Development grant - Lake Wales Municipal Airport	438921-1-94-01, 438921-1-94-02, GOB57	55.004	276,158
Joint Participation agreement - Taxiway North	443117-1-99994-01, GOU42	55.004	667,122
Joint Participation agreement - Taxiway South	443119-1-94-01, GOU45	55.004	1,183,300
Joint Participation agreement - Taxiway East	443118--1-94-01, GOU43	55.004	76,244
Total Florida Department of Transportation			<u>2,202,824</u>
			<u><u>\$ 3,624,335</u></u>

(1) SRF - 530310 Loan Balance at September 30, 2019 - \$5,016,402

(2) SRF - 530330 Loan Balance at September 30, 2019 - \$2,706,327

(3) SRF - 530380 Loan Balance at September 30, 2019 - \$2,706,327

The notes to the Schedule of Expenditures of State Financial Assistance are an integral part of this schedule

**City of Lake Wales, Florida**  
**Notes to the Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended September 30, 2019**

**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, 2019.

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.

**GOVERNMENT AUDITING SECTION**

**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, 2019. 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, 2019.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 17, 2020

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

YEAR ENDED SEPTEMBER 30, 2019

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

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?            yes   x   no

Significant deficiency(ies) identified?            yes   x   none reported

Noncompliance material to financial statements noted?            yes   x   no

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

Internal control over major programs:

Material weakness(es) identified?            yes   x   no

Significant deficiency(ies) identified?            yes   x   none reported

Type of auditor's report on compliance for the major federal program and state project: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and/or Chapter 10.550?   x   yes            no

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

YEAR ENDED SEPTEMBER 30, 2019

**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	\$ 750,000

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*.



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

YEAR ENDED SEPTEMBER 30, 2019

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**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.

**U.S. Department of Transportation - Federal Aviation Administration - 20.106 - Airport Improvement Program**

*Statement of Condition 2019-001:* Required Annual Federal Financial Report ("SF-425") was not filed with the Federal Aviation Administration ("FAA") for grants that were open as of fiscal year end.

*Criteria:* Per the grant agreement between the FAA and the City of Lakes Wales, there are certain reporting requirements including the annual submission of the SF-425 within 90 days after the fiscal year end for all open grants.

*Effect of Condition:* SF-425's not filed timely could result in the FAA not having an accurate status of the open project and expenditures made through the report date.

*Cause of Condition:* City staff stated that there was communication with prior FAA staff that indicated the SF-425 did not need to be filed due to the use of the Delphi Invoicing System. However, there was not any documentation to support this verbal communication between the City and the FAA.

*Recommendation:* The City should file the 2019 SF-425 and establish appropriate monitoring for timely submission of future filing requirements. Any future verbal communications that are contrary to written requirements should be substantiated in writing.

*Management's Views:* To enhance internal controls over FAA grant compliance requirements, the Public Works Department will assign a second person to review FAA grant compliance requirements on a quarterly basis. Also, the SF-425 will be filed for fiscal 2019, and will be filed timely in the future, as required. Should there be future verbal communications that are contrary to written requirements, such verbal communications will be substantiated in writing.

**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, 2019, 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 17, 2020.

**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 LLP". The signature is written in a cursive, flowing style.

Orlando, Florida  
March 17, 2020

## **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, 2019, and have issued our report thereon dated March 17, 2020.

### **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 17, 2020, 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.

A handwritten signature in cursive script that reads "Cheryl Behrman LLP".

Orlando, Florida  
March 17, 2020

**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, 2019. 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, 2019.

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 17, 2020



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## **OTHER INFORMATION**





**City of  
Lake Wales**

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

March 11, 2020

U.S. Department of Transportation  
Federal Aviation Administration  
20.106 – Airport Improvement Program

Finding 2019-001 relating to noncompliance with the SF-425 filing requirement for FAA grant.

**Corrective Action Plan:** To enhance internal controls over Federal Aviation Administration (FAA) grant compliance requirements, the Public Works Department will assign a second person to review FAA grant compliance requirements on a quarterly base. Also, the SF-425 will be filed for fiscal 2019 by March 31, 2020, and will be filed timely in the future, as required. Teresa Allen, Public/Support Services Director will be responsible for this corrective action plan.

Should there be future verbal communications that are contrary to written requirements, such verbal communications will be substantiated in writing.

Dorothy Abbott  
Director of Finance



**City of  
Lake Wales**

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

March 17, 2020

BEFORE ME, the undersigned authority, personally appeared Dorothy Abbott, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of the City of Lake Wales which is a local governmental entity of the State of Florida;
2. The City of Lake Wales adopted Ordinance No. 2012-03 implementing an impact fee; and
3. The City of Lake Wales has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

*D Abbott*

Chief Financial Officer of the City of Lake Wales

STATE OF FLORIDA  
COUNTY OF POLK

SWORN TO AND SUBSCRIBED before me this 17<sup>th</sup> day of March, 2020.

*Keroma Mills*

NOTARY PUBLIC

Print Name Keroma Mills

Personally known  or produced identification \_\_\_\_\_

Type of identification produced: \_\_\_\_\_

My Commission Expires: 05/28/2022

