

**CITY OF LAKE ALFRED, FLORIDA**  
T.I.N. No. 59-6000350

**FINANCIAL STATEMENTS AND AUDITORS' REPORTS**

**September 30, 2010**

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## **MANAGEMENTS' DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **September 30, 2010**

As management of the City of Lake Alfred, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 2.

#### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$19,734,054 (net assets). Of this amount, \$4,579,025 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental fund (general fund) reported a combined ending fund balance of \$2,623,235 an increase of \$117,571 in comparison with the prior year. Of this total amount \$1,993,690 is available for spending at the government's discretion.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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 themselves which can be found on pages 35 and 36 of this report.

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported in a manner similar to the approach used by private-sector business in that revenue are recognized when earned or established criteria are satisfied and expenses reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the year, and expenses are reported even though they may not have used cash during the current fiscal year.

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 their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police department, streets and roads, maintenance, and culture and recreation. The business-type activities of the City include the water, sewer, and storm water and sanitation departments.

The government-wide financial statements can be found on pages 2 and 3 of this report.

## **Fund Financial Statements**

Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the City, rather than reporting on the City as a whole. 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 two categories: governmental funds and proprietary funds.

### **Governmental Fund**

Governmental fund is 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 appropriated resources, as well as on balances of appropriated resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains one individual governmental fund, the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The basic governmental fund financial statements can be found on pages 4 through 7 of this report.

### **Proprietary Fund**

The City utilizes one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, sewer, and storm water and sanitation departments. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer operations. The basic proprietary fund financial statements can be found on pages 8 to 10 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 to 34 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund Budgetary Comparison. Required supplementary information can be found on pages 35 and 36 of this report.

## **Government-Wide Financial Analysis**

A comparative analysis of government-wide data is presented below:

### **Statement of Net Assets (Summary) As of September 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Current and other assets	\$2,794,946	\$2,700,918	\$5,472,726	\$5,807,850	\$8,267,672	\$8,508,768
Capital assets	6,429,163	6,078,111	14,134,639	14,447,630	20,563,802	20,525,741
Total assets	\$9,224,109	\$8,779,029	\$19,607,365	\$20,255,480	\$28,831,474	\$29,034,509
Long-term liabilities outstanding	\$141,840	\$141,097	\$7,103,179	\$7,801,512	\$7,245,019	\$7,942,609
Other liabilities	171,711	115,429	1,680,690	1,679,184	1,852,401	1,794,613
Total liabilities	\$313,551	\$256,526	\$8,783,869	\$9,480,696	\$9,097,420	\$9,737,222
Net assets:						
Invested in Capital assets net of related debt	\$6,327,927	\$6,050,045	\$7,029,944	\$6,777,173	\$13,357,871	\$12,827,218
Restricted	629,545	724,154	1,167,613	1,352,857	1,797,158	2,077,011
Unrestricted	1,953,086	1,748,304	2,625,939	2,644,754	4,579,025	4,393,058
Total net assets	\$8,910,558	\$8,522,503	\$10,823,496	\$10,774,784	\$19,734,054	\$19,297,287

Sixty -eight percent (68%) of the City's net assets reflects its investment in capital assets (e.g., land, buildings, sewer and water system, machinery, 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 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 assets (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (23%) may be used to meet the government's ongoing obligations to citizens and creditors.

The following is a summary of the information presented in the Statement of Activities on page 3 of this report.

**Statement of Activities (Summary)**  
**For the year ended September 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Revenues</b>						
Charges for Services	\$305,079	\$312,890	\$2,511,380	\$2,494,194	\$2,816,459	\$2,807,084
Operating grants and contributions	127,434	125,952	-	-	127,434	125,952
Capital grants and contributions	202,364	163,536	149,116	912,381	351,480	1,075,917
<b>General revenues:</b>						
Property taxes	1,196,681	1,462,058	-	-	1,196,681	1,462,058
Other Taxes	1,080,523	1,053,921	-	-	1,080,523	1,053,921
Other	478,448	555,594	57,429	109,822	535,877	665,416
Total revenues	\$3,390,529	\$3,673,951	\$2,717,925	\$3,516,397	\$6,108,454	\$7,190,348
<b>Expenses</b>						
<b>Governmental Activities:</b>						
General Government	\$783,251	\$929,709	-	-	\$783,251	\$929,709
Police	807,869	806,590	-	-	804,869	806,590
Fire	493,600	492,389	-	-	493,600	492,389
Building and Zoning	109,644	125,831	-	-	109,644	125,831
Streets	443,834	606,197	-	-	443,834	606,197
Parks and recreation	401,027	408,397	-	-	401,027	408,397
Interest on long-term debt	1,249	-	-	-	1,249	-
<b>Business-Type Activities:</b>						
Water	-	-	885,029	946,531	885,029	946,531
Sewer	-	-	1,303,420	1,392,262	1,303,420	1,392,260
Sanitation	-	-	439,759	505,112	439,759	505,112
Stormwater	-	-	56,369	42,413	56,369	42,413
Total expenses	\$3,037,474	\$3,369,113	\$2,684,577	\$2,886,316	\$5,722,051	\$6,255,429
Increase (decrease) in net assets before transfers	353,055	304,838	33,348	630,081	386,403	934,919
Transfers	35,000	-	(35,000)	-	-	-
Increase (decrease) in net assets	388,055	304,838	(1,652)	630,081	386,403	934,919
Adjustments	-	-	50,364	-	50,364	-
Net assets - October 1	8,522,503	8,217,665	10,825,148	10,144,703	19,347,651	18,362,368
Net assets - September 30	\$8,910,558	\$8,522,503	\$10,823,496	\$10,774,484	\$19,734,054	\$19,297,287

Governmental activities increased the City's net assets by \$388,055 compared to \$304,838 for 2009 increase of \$83,217 which is related to interfund transfer and reduction in spending.

Business-type activities decreased the City's net assets by \$1,652, compared to an increase of \$630,081 in 2009, the decrease was due to paying off two loans totaling \$310,261.

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

As of the close of the current year, the City's general fund had unrestricted cash and cash equivalents of \$2,026,499 compared to \$1,724,539 at the close of the prior year. The general fund's revenues and other sources exceeded its expenditures and other uses by \$117,571 as compared to \$415,844 for the prior year.

The enterprise fund's unrestricted cash and cash equivalents were reduced to \$2,464,533 compared to \$2,495,556 at the close of the prior year.

### **Budgetary Highlights**

The General Fund's budget was amended during the year. Budgeted revenues were \$3,426,028 and budgeted expenditures were \$3,426,028.

Actual revenues on the budgetary basis were less than budgeted by \$500, and actual expenditures on the budgetary basis were less than budgeted by \$118,071 resulting in an overall actual surplus of \$117,571.

Additional information can be found on page 35 of this report.

### **Capital Assets and Debt Administration**

The city's investment in capital assets for its governmental and business type activities as of September 30, 2010, amounts to \$20,400,449 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, sewer and water systems, machinery and equipment, and construction in progress.

Major capital asset events during the current fiscal year included:

- Two new Patrol Cars
- New building (115 E Pomelo)
- New Radios for Public Safety
- Dump Truck
- Ford Escape for Parks & Recreation

**Capital Assets Activity**  
(net of depreciation)  
As of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$2,383,729	\$2,330,354	\$701,132	\$701,132	\$3,084,861	\$3,031,486
Construction in Progress	7,680	15,726	106,679	-	114,359	15,726
Buildings and improvements	2,660,452	2,468,890	20,196,019	20,007,860	22,856,471	22,476,750
Vehicles and equipment	2,342,246	2,158,776	1,368,273	1,338,403	3,710,519	3,497,179
Road Network	1,688,601	1,542,079	-	-	1,688,601	1,542,079
Sidewalk Network	146,658	146,658	-	-	146,658	146,658
Less: Accumulated Depreciation	(2,882,325)	(2,584,372)	(8,318,695)	(7,599,765)	(11,201,020)	(10,184,137)
<b>Total</b>	<b>\$6,347,041</b>	<b>\$6,078,111</b>	<b>\$14,053,408</b>	<b>\$14,447,630</b>	<b>\$20,400,449</b>	<b>\$20,525,741</b>

Additional information on the City's capital assets can be found in note 6 on page 24 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the City had total long-term debt outstanding of \$7,800,403 all of which represents revenue notes.

**Revenue Notes and Notes Payable**

as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenue notes	\$ -	\$ -	\$7,020,841	\$7,695,293	\$7,020,841	\$7,695,293
Notes payable	19,115	28,066	52,472	77,044	71,587	105,110
<b>Total</b>	<b>\$ 19,115</b>	<b>\$ 28,066</b>	<b>\$7,073,313</b>	<b>\$7,772,337</b>	<b>\$7,092,428</b>	<b>\$7,800,403</b>

During the year, the City paid off two notes in the enterprise fund, and added no new debt. Additional information on the City's long-term debt can be found in note 7 on pages 26 to 28 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

All of these were significant factors considered in preparing the City's budget for the 2011 fiscal year, and are expected to influence the City's fiscal year 2012 financial results.

- Continued lack of new construction and related building fee income
- Reduction of assessed values on homes
- Foreclosures
- Benefit costs increases
- Reduction in water revenues

### **Requests for Information**

The financial report is designed to provide an overview of the City of Lake Alfred's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Lake Alfred, 120 E Pomelo Street, Lake Alfred, Florida, 33850.

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission  
**City of Lake Alfred, Florida**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of **City of Lake Alfred, Florida** as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **City of Lake Alfred, Florida's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, and each major fund, and the aggregate remaining fund information of the **City of Lake Alfred, Florida** as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011 on our consideration of **City of Lake Alfred, Florida's** internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information, as listed in the accompanying table of contents, consisting of management's discussion and analysis, the budgetary comparison schedule and the schedule of funding progress, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Brynjulfson CPA, P.A.*

Brynjulfson CPA, P.A.  
Lakeland, Florida  
March 16, 2011

**CITY OF LAKE ALFRED, FLORIDA**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
as of **September 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,026,499	\$ 2,464,533	\$ 4,491,032
Receivables, current:			
Customer accounts, net		308,034	308,034
Intergovernmental	82,376		82,376
Franchise and public service taxes	56,526		56,526
Restricted assets:			
Cash and cash equivalents	629,545	2,700,159	3,329,704
Capital assets:			
Non-depreciable	2,391,409	807,811	3,199,220
Depreciable, net	3,955,632	13,245,597	17,201,229
Net pension asset	82,122		82,122
Unamortized bond costs		81,231	81,231
<b>TOTAL ASSETS</b>	<b>9,224,109</b>	<b>19,607,365</b>	<b>28,831,474</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	93,345	95,880	189,225
Accrued payroll	78,366	24,125	102,491
Deferred revenue		1,196,600	1,196,600
Liabilities payable from restricted assets:			
Accrued interest payable		48,076	48,076
Customer deposits		316,009	316,009
Long-term obligations:			
Due within one year	9,349	400,968	410,317
Due in more than one year	132,491	6,702,211	6,834,702
<b>TOTAL LIABILITIES</b>	<b>313,551</b>	<b>8,783,869</b>	<b>9,097,420</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,327,927	7,029,944	13,357,871
Restricted (expendable) for:			
Law enforcement training	29,703		29,703
Law enforcement forfeitures	25,573		25,573
Building and permitting	85,767		85,767
Public safety improvements	269,833		269,833
Recreation improvements	87,068		87,068
General government improvements	130,681		130,681
Parks	920		920
Debt service		45,823	45,823
Sanitation equipment		377,182	377,182
Sewer system improvements		348,107	348,107
Stormwater system improvements		192,570	192,570
Water system improvements		203,931	203,931
Unrestricted	1,953,086	2,625,939	4,579,025
<b>TOTAL NET ASSETS</b>	<b>\$ 8,910,558</b>	<b>\$ 10,823,496</b>	<b>\$ 19,734,054</b>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
for the year ended September 30, 2010

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental activities:</b>							
General government	\$ 783,251	\$ 16,692	\$ 1,250	\$ 70,773	\$ (694,536)	\$	\$ (694,536)
Building and zoning	109,644	31,987			(77,657)		(77,657)
Police	804,869	27,461	125,197	93,830	(558,381)		(558,381)
Fire	493,600	128,231			(365,369)		(365,369)
Roads and streets	443,834	36,283			(407,551)		(407,551)
Parks and recreation	401,027	64,425	987	37,761	(297,854)		(297,854)
Interest on debt	1,249				(1,249)		(1,249)
<b>Total governmental activities</b>	<u>3,037,474</u>	<u>305,079</u>	<u>127,434</u>	<u>202,364</u>	<u>(2,402,597)</u>		<u>(2,402,597)</u>
<b>Business-type activities:</b>							
Water utility	885,029	816,457		56,853		(11,719)	(11,719)
Sanitation	439,759	477,040		71,545		108,826	108,826
Sewer utility	1,303,420	1,162,391		20,718		(120,311)	(120,311)
Stormwater utility	56,369	55,492				(877)	(877)
<b>Total business-type activities</b>	<u>2,684,577</u>	<u>2,511,380</u>		<u>149,116</u>		<u>(24,081)</u>	<u>(24,081)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 5,722,051</u>	<u>\$ 2,816,459</u>	<u>\$ 127,434</u>	<u>\$ 351,480</u>	<u>(2,402,597)</u>	<u>(24,081)</u>	<u>(2,426,678)</u>
<b>GENERAL REVENUES:</b>							
Taxes:							
Property taxes, levied for general purposes					1,196,681		1,196,681
Franchise taxes					309,977		309,977
Public service taxes					528,408		528,408
Fuel taxes levied for transportation purposes					242,138		242,138
State shared revenue					314,667		314,667
Investment earnings					19,263	55,012	74,275
Miscellaneous					144,518	2,417	146,935
Interfund transfers					35,000	(35,000)	
<b>Total general revenues, special items, and transfers</b>					<u>2,790,652</u>	<u>22,429</u>	<u>2,813,081</u>
<b>CHANGE IN NET ASSETS</b>					388,055	(1,652)	386,403
<b>NET ASSETS - beginning of year, as previously reported</b>					8,522,503	10,774,784	19,297,287
Restatement of opening net assets (see Note 13)						50,364	50,364
<b>NET ASSETS - end of year</b>					<u>\$ 8,910,558</u>	<u>\$ 10,823,496</u>	<u>\$ 19,734,054</u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
as of September 30, 2010

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,026,499
Receivables, net:	
Intergovernmental	82,376
Franchise and public service taxes	56,526
Restricted assets:	
Cash and cash equivalents	<u>629,545</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,794,946</u></u>
<b>LIABILITIES AND FUND EQUITY</b>	
Accounts payable and accrued expenses	\$ 93,345
Accrued payroll	<u>78,366</u>
<b>TOTAL LIABILITIES</b>	<u>171,711</u>
<b>FUND BALANCE:</b>	
Reserved for:	
Law enforcement education and training	29,703
Law enforcement forfeitures	25,573
Building and permitting	85,767
Public safety improvements (impact fees)	269,833
Recreation improvements (impact fees)	87,068
General government improvements (impact fees)	130,681
Parks	920
Unreserved	<u>1,993,690</u>
<b>TOTAL FUND BALANCE</b>	<u>2,623,235</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 2,794,946</u></u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE**  
**STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS**  
as of September 30, 2010

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<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 2,623,235
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	6,347,041
Net pension assets are not current financial resources and therefore are not reported as assets in the governmental funds.	82,122
Long-term liabilities (including certain accounts payable and compensated absences) are not payable from current resources and therefore they are not reported in the governmental funds.	<u>(141,840)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 8,910,558</u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
for the year ended September 30, 2010

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	<u>General Fund</u>
<b>REVENUES:</b>	
Taxes	\$ 2,244,792
Licenses and permits	60,967
Intergovernmental revenue	675,000
Charges for services	180,385
Fines and forfeitures	38,021
Other	<u>190,193</u>
Total revenues	<u>3,389,358</u>
<b>EXPENDITURES:</b>	
General government	850,833
Public safety	1,299,343
Physical environment	142,686
Transportation	228,576
Culture and recreation	311,853
Capital outlay	464,466
Debt service	<u>10,200</u>
Total expenditures	<u>3,307,957</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>81,401</u>
<b>OTHER FINANCING SOURCES (USES):</b>	
Impact fees	1,170
Interfund transfers	<u>35,000</u>
Total other financing sources	<u>36,170</u>
<b>NET CHANGE IN FUND BALANCE</b>	117,571
<b>FUND BALANCE, beginning of year</b>	<u>2,505,664</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$ 2,623,235</u></u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**  
for the year ended September 30, 2010

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**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 117,571

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

This is the amount of capital assets recorded in the current period. 596,203

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. (327,273)

This is the change in the net pension asset during the year. 2,297

Long-term compensated absences are reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. This is the net change in the liability. (9,694)

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets. 8,951

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 388,055

**CITY OF LAKE ALFRED, FLORIDA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
as of September 30, 2010

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,464,533
Accounts receivable:	
Customer receivable, net	<u>308,034</u>
Total current assets	<u>2,772,567</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	2,700,159
Capital assets, net:	
Non-depreciable	807,811
Depreciable, net	13,245,597
Unamortized bond issue costs	<u>81,231</u>
Total noncurrent assets	<u>16,834,798</u>
<b>TOTAL ASSETS</b>	<u>19,607,365</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	64,498
Accrued payroll	24,125
Construction costs payable	31,382
Bonds and notes payable, current portion	<u>400,968</u>
Total current liabilities	<u>520,973</u>
Noncurrent liabilities:	
Payable from restricted assets:	
Accrued interest payable	48,076
Customer deposits	316,009
Prepaid impact fees	1,196,600
Compensated absences	29,866
Bonds and notes payable, noncurrent portion	<u>6,672,345</u>
Total noncurrent liabilities	<u>8,262,896</u>
<b>TOTAL LIABILITIES</b>	<u>8,783,869</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	7,029,944
Restricted (expendable) for:	
Debt service	45,823
Sanitation equipment	377,182
Sewer system improvements	348,107
Stormwater system maintenance	192,570
Water system improvements	203,931
Unrestricted	<u>2,625,939</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 10,823,496</u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS**  
for the year ended September 30, 2010

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	<u>Enterprise Fund</u>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 2,511,380
Total operating revenues	<u>2,511,380</u>
<b>OPERATING EXPENSES:</b>	
Personal services	709,447
Operating expenses	1,010,671
Depreciation	718,930
Total operating expenses	<u>2,439,048</u>
<b>OPERATING INCOME</b>	<u>72,332</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>	
Interest revenue	55,012
Interest expense	(245,529)
Other nonoperating income	2,417
Total nonoperating revenues (expenses)	<u>(188,100)</u>
Income (loss) before contributions and transfers	(115,768)
<b>CAPITAL CONTRIBUTIONS</b>	
Capital contributions	70,497
Impact and equipment fees	78,619
Total capital contributions	<u>149,116</u>
<b>TRANSFERS OUT</b>	<u>(35,000)</u>
Change in net assets	(1,652)
<b>TOTAL NET ASSETS - beginning of year, as originally reported</b>	10,774,784
Restatement of opening net assets (see Note 13)	<u>50,364</u>
<b>TOTAL NET ASSETS - end of year</b>	<u>\$ 10,823,496</u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
for the year ended September 30, 2010

	<u>Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 2,487,068
Payments to suppliers	(1,015,432)
Payments for salaries and benefits	(691,027)
Net cash flows from operating activities	<u>780,609</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Increase (decrease) in customer deposits	12,125
Transfers to other funds	(35,000)
Net cash flows from noncapital financing activities	<u>(22,875)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets, net of related payables	(293,326)
Principal paid on notes, bonds and lease obligations	(699,024)
Interest paid on borrowings	(229,486)
Capital grants received, net of change in receivables	70,497
Impact and equipment fees received in cash	78,619
Other, net	2,417
Net cash flows from capital and related financing activities	<u>(1,070,303)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on invested funds	<u>55,012</u>
Net cash flows from investing activities	<u>55,012</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(257,557)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>5,422,249</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 5,164,692</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 72,332
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	718,930
(Increase) decrease in accounts receivable	(24,312)
Increase (decrease) in accounts payable and accrued expenses	(4,761)
Increase (decrease) in accrued wages and comp absences	18,420
Net cash flows from operating activities	<u><u>\$ 780,609</u></u>
<b>Noncash financing and investing activities:</b>	
None	<u><u>\$ na</u></u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**STATEMENT OF NET ASSETS- FIDUCIARY FUNDS**  
as of September 30, 2010

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	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Receivables:	
Contributions	\$ 2,585
Accrued Income	19,179
Total receivables	<u>21,764</u>
Investments, at fair market value:	
Short-term money market investments	306,291
Common stocks and pooled equity funds	3,163,478
Bonds and pooled fixed income funds	1,503,450
Total investments	<u>4,973,219</u>
<b>Total assets</b>	<u>4,994,983</u>
 <b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	 <u>\$ 4,994,983</u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS**  
for the year ended September 30, 2010

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	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
City	\$ 200,107
Plan members	88,258
State of Florida	<u>30,804</u>
Total contributions	<u>319,169</u>
Investment income	<u>431,845</u>
Less investment expenses:	
Custodial fees	25,314
Investment related fees	<u>17,000</u>
Total investment expenses	<u>42,314</u>
Net investment income	<u>389,531</u>
Total additions	<u>708,700</u>
<b>DEDUCTIONS</b>	
Administrative expenses	38,824
Benefits and termination payments	<u>249,776</u>
Total deductions	<u>288,600</u>
<b>NET INCREASE</b>	<u>420,100</u>
<b>NET ASSETS</b>	
Balance, beginning of year	<u>4,574,883</u>
Balance, end of year	<u><u>\$ 4,994,983</u></u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. REPORTING ENTITY**

**THE FINANCIAL REPORTING ENTITY** - The City of Lake Alfred, Florida (the "City") is a municipal corporation governed by a board of five (5) elected commissioners and was created in 1915. In 1925 the City adopted its charter under Florida law and was re-created in Polk County in 1973 by Chapter 73-514, Laws of Florida. These financial statements include all of the funds, organizations, agencies, departments and account groups of the City (the "primary government") and any "legally separate entities ("component units") required by generally accepted accounting principles to be included in the reporting entity.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Certain component units, although legally separate, are presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds and account groups are combined with those of the primary government for financial reporting purposes. These entities include: the City of Lake Alfred Police Officers' Retirement System established pursuant to Florida Statute chapter 185 and Ordinance No. 778, and the City's General Employees Retirement System which was created by City Ordinance No. 911.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont...)

**B. BASIC FINANCIAL STATEMENTS**

The basic financial statements consist of the government-wide financial statements and fund financial statements.

**Government-wide financial statements** - The required government-wide financial statements are the Statement of Net Assets and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements. Fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The City does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *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*.

**Fund financial statements** - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. Due to the City's fund structure, there were no non-major funds. The various funds are reported by type within the financial statements. The following fund types and funds are used and reported by the City:

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont...)

**B. BASIC FINANCIAL STATEMENTS** (cont...)

a) **Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

b) **Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City has one *Enterprise Fund* which accounts for the activities associated with providing water, sewer, sanitation and stormwater services to area residents.

c) **Fiduciary Funds:**

- **Fiduciary funds** are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City has two *Pension Trust Funds* which accumulate resources to provide retirement benefits to City employees. The two pension trust funds are the Lake Alfred Police Officers' Retirement System and the General Employees' Retirement System.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont...)

**C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING**

The government-wide financial statements, the proprietary fund financial statements and the fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses recorded when a 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.

Operating revenues shown for proprietary operations generally result from producing or providing goods and services such as water and sewer. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services.

All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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 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 claims and judgments, are recorded only when payment is due.

Property taxes, franchise and public service taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e. revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont...)

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

**CASH AND CASH EQUIVALENTS** - The City maintains a single cash account that is available for use by all operating funds of the City which utilizes a sweep feature for overnight investment of funds. In addition, deposits and investments are separately held by several of the City's funds and the pension trust funds. Amounts, if any, reported as deficits in cash and cash equivalents do not represent actual overdrawn balances in any bank account, but merely report a negative cash balance in the particular fund. For purposes of the statement of cash flows, the enterprise fund considers all cash, certificates of deposit and highly liquid investments, including overnight repurchase agreements, both restricted and unrestricted, to be cash equivalents.

**INVESTMENTS** - Investment securities are reported at fair value based on quoted market prices as determined by the accounts' custodian. Purchases and sales of investments are reflected on trade dates. Net realized gains or losses on sales of investments are based on the cost of investments applied on a first-in, first-out basis and are reflected in current operating results.

**CUSTOMER ACCOUNTS RECEIVABLE** - The City accrues the unbilled service of its enterprise fund which represents the estimated value of service from the last billing date to year end which totaled \$35,633 at September 30, 2010. A reserve for doubtful accounts is maintained in the enterprise fund equal to the value of the receivables at year end that are not expected to be collected. As of [September 30, 2010](#), such reserves totaled \$1,236.

**INTERFUND RECEIVABLES AND PAYABLES** - To the extent any interfund balances exist, management anticipates they will be settled in cash as opposed to a permanent transfer.

**INVENTORIES** - Inventories in governmental and enterprise funds consist of expendable supplies held for consumption and are expensed when purchased.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont...)

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY** (cont...)

**CAPITAL ASSETS** - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, infrastructure and furniture and equipment. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting systems) acquired prior to October 1, 2003, have not been reported. Capital assets are defined by City resolution as tangible property or improvements with an individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Capital asset depreciation is recognized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Utility plant in service	25-40
Buildings and improvements	15-40
Machinery and equipment	3-20
Citrus trees	20
Infrastructure:	
Roads	20-75
Sidewalks	20

**RESTRICTED ASSETS** - Include cash and investments that are legally restricted to specific uses by external parties. The City generally uses unrestricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

**LONG-TERM OBLIGATIONS** - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the bonds outstanding method. Bond issuance costs are reported as assets, net of amortization. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont...)

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY** (cont...)

**INTEREST DURING CONSTRUCTION** - Interest costs are capitalized when incurred on debt whose proceeds were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. For the year ended [September 30, 2010](#), no interest cost incurred in the enterprise fund was capitalized.

**CONNECTION FEES AND IMPACT FEES** - Connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities, and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received which reserve capacity in the City's future water or wastewater facilities are deferred and reported as capital contributions when the requirements of the Developer agreements are met by the City.

**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 as long-term in the government-wide statements and in the proprietary fund financial statement because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is not payable from expendable available financial resources.

**INTERFUND TRANSFERS** - Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers.

**PENSION COSTS** - The provision for pension costs is recorded on an accrual basis equal to the actuarially determined annual pension cost. It is the City's policy is to fund pension costs as they accrue.

**ON-BEHALF PAYMENTS FOR FRINGE BENEFITS** - The City receives on-behalf payments from the State of Florida to be used for the Lake Alfred Police Officers' Retirement System which totaled \$30,804 for the year ended [September 30, 2010](#). Such payments are recorded as intergovernmental revenue and public safety expenses/expenditures in the government-wide and general fund financial statements.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont...)

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY** (cont...)

**EQUITY CLASSIFICATIONS -**

**Government-wide Statements** - Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$1,797,158 of restricted net assets, of which \$1,751,335 is restricted by enabling legislation.
- c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Fund Statements** - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance represents amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Proprietary fund equity is classified the same as in the government-wide statements.

**NOTE 2 - PROPERTY TAX CALENDAR**

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 County Property Appraiser and County Tax Collector. 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 millage into the total tax levy, which includes the municipalities, the County, independent districts and the County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2010 was 6.580.

All taxes are due and payable on November 1 (levy date) of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 3 - BUDGETARY LAW AND PRACTICE**

The budget is adopted by Ordinance on a City-wide basis for all City funds on or before October 1 of each year as required by State Statute. City Ordinance establishes the legal level of budgetary control at the individual fund level. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations up to \$5,000 to any account, however, transfers in excess of this must be approved by the City Commission. Budgets for all funds are adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes.

**NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A. Compliance With Finance Related Legal and Contractual Provisions - The City has no material violations of finance related legal and contractual provisions including with respect to investment of funds and long-term debt covenants.
- B. Deficit Fund Balance or Net Assets of Individual Funds - As of [September 30, 2010](#), no individual fund had a deficit fund balance or net assets deficit.
- C. Excess of Expenditures Over Budget Appropriations in Individual Funds - For the year ended [September 30, 2010](#), no budgetary fund had an excess of expenditures over appropriations.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

**DEPOSITS IN FINANCIAL INSTITUTIONS** - Cities in Florida are required by State Statute Chapter 280 - "Security for Public Deposits Act", to deposit operating funds only with financial institutions who are members of the State of Florida collateral pool ("qualified public depositories"). The State of Florida collateral pool is a multiple financial institution collateral pool with the ability to make additional assessments to satisfy the claims of governmental entities if any member financial institution fails. This ability provides protection which is similar to depository insurance.

The captions on the government-wide statement of net assets for "cash and cash equivalents", both restricted and unrestricted, were comprised of the following:

Cash and cash equivalents:	
Cash on hand	\$ 400
State Board of Administration-local government pool	493,267
Deposits in financial institutions:	
Insured or fully collateralized bank deposits	<u>7,327,069</u>
Total cash and cash equivalents	<u>\$ 7,820,736</u>

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (cont...)

**INVESTMENTS** - The types of investments in which the City may invest are governed by State Statutes and City policy. According to State Statutes, the City is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Inter-local Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury and federal agencies and instrumentalities or repurchase agreements fully collateralized by such securities; and, interests in an entity registered under the Investment Company Act of 1940 whose investments are limited to obligations of the U.S. Government or any agency or instrumentality thereof.

In addition, City policy allows for investments in debt issued by the State of Florida or any political subdivision; money market mutual funds having an average maturity of 90 days or less and an equivalent investment rating of Aam or Aam-G by Standard & Poors; commercial paper of U.S. Corporations having an equivalent investment rating of at least A-1 by Standard & Poors; and bankers acceptances with maturities of not more than 180 days and an equivalent investment rating of at least A-1 by Standard & Poors. The City may also invest funds with the Florida State Board of Administration or other investments which are collateralized by the Security for Public Deposits Act. The City pension trust funds are also authorized by City Ordinances to invest in corporate stocks and bonds subject to certain limitations. There were no violations of legal or contractual provisions for deposits and investments during the year.

In 2007, the State Board of Administration Local Government Investment Pool (SBA-LGIP) experienced liquidity problems forcing the administrators to freeze some of the participants withdrawal ability. They also transferred all of their sub par investments into a second restricted pool later renamed (Fund B). All participants automatically became investors in both pools with approximately 4% of their investment represented by Fund B. As funds are available in Fund B, they are transferred to Fund A, which has since been renamed Florida Prime, and are available for withdrawal. Fund B is not rated and the investment is not available for immediate withdrawal.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (cont...)

Information related to interest rate and credit risk for the City's fixed income investments is summarized below (information marked NA is not available):

<u>Issuer/Issue</u>	<u>S&amp;P Rating</u>	<u>Fair Value</u>	<u>Weighted Average Duration (WAD)/ Maturity (WAM)</u>
<b>City:</b>			
State Board of Administration			
Florida Prime	AAAm	\$ 472,600	WAM 52 days
Fund B	Not Rated	<u>20,667</u>	NA
		<u>\$ 493,267</u>	
<b>General Employees' Retirement System:</b>			
Short term money market funds	Not Rated	\$ 271,797	WAD 0.1
U. S. Government and agencies	AAA	54,072	WAD 7.4
Corporate and foreign bonds	AA to BBB-	<u>869,721</u>	WAD 2.9
		<u>\$ 1,195,590</u>	
<b>Police Officers' Retirement System:</b>			
Short term money market funds	Not Rated	\$ 34,494	WAD 0.1
Vanguard bond mutual fund	Not Rated	<u>579,657</u>	WAD 4.4
		<u>\$ 614,151</u>	

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended [September 30, 2010](#), is summarized below:

	Balance October 1, 2009	Reclassi- fications	Additions	Deletions	Balance September 30, 2010
<b>Governmental Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 2,330,354	\$	\$ 53,375	\$	\$ 2,383,729
Construction in process	15,726	(126,502)	118,456		7,680
Total	<u>\$ 2,346,080</u>	<u>\$ (126,502)</u>	<u>\$ 171,831</u>	<u>\$</u>	<u>\$ 2,391,409</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	\$ 2,468,890	\$ 126,502	\$ 65,060	\$	\$ 2,660,452
Equipment	2,158,776		212,790	(29,320)	2,342,246
Infrastructure:					
Road network	1,542,079		146,522		1,688,601
Sidewalk network	146,658				146,658
Total capital assets being depreciated	<u>6,316,403</u>	<u>126,502</u>	<u>424,372</u>	<u>(29,320)</u>	<u>6,837,957</u>
Less accumulated depreciation for:					
Buildings and improvements	(659,417)		(107,569)		(766,986)
Equipment	(1,703,071)		(143,292)	29,320	(1,817,043)
Infrastructure:					
Road network	(196,800)		(69,079)		(265,879)
Sidewalk network	(25,084)		(7,333)		(32,417)
Total accumulated depreciation	<u>(2,584,372)</u>		<u>(327,273)</u>	<u>29,320</u>	<u>(2,882,325)</u>
Depreciable capital assets, net	<u>3,732,031</u>	<u>126,502</u>	<u>97,099</u>		<u>\$ 3,955,632</u>
Governmental activities capital assets, net	<u>\$ 6,078,111</u>	<u>\$</u>	<u>\$ 268,930</u>	<u>\$</u>	<u>\$ 6,347,041</u>
<b>Business-type activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 701,132	\$	\$	\$	\$ 701,132
Construction in process			106,679		106,679
Total	<u>\$ 701,132</u>	<u>\$</u>	<u>\$ 106,679</u>	<u>\$</u>	<u>\$ 807,811</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	\$ 20,007,860	\$	\$ 188,159	\$	\$ 20,196,019
Equipment	1,338,403		29,870		1,368,273
Citrus groves					
Total capital assets being depreciated	<u>21,346,263</u>		<u>218,029</u>		<u>21,564,292</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,731,312)		(629,470)		(7,360,782)
Equipment	(868,453)		(89,460)		(957,913)
Total accumulated depreciation	<u>(7,599,765)</u>		<u>(718,930)</u>		<u>(8,318,695)</u>
Depreciable capital assets, net	<u>13,746,498</u>		<u>(500,901)</u>		<u>13,245,597</u>
Business-type capital assets, net	<u>\$ 14,447,630</u>	<u>\$</u>	<u>\$ (394,222)</u>	<u>\$</u>	<u>\$ 14,053,408</u>

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 6 - CAPITAL ASSETS** (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	48,739
Law enforcement	44,593
Fire control	33,161
Building and zoning	14,449
Roads and streets	90,396
Parks and recreation	95,935
	<hr/>
Total depreciation expense - governmental activities	<u>\$ 327,273</u>

Business-type Activities:

Water utility	202,950
Wastewater utility	447,791
Stormwater utility	31,899
Sanitation	36,290
	<hr/>
Total depreciation expense - business-type activities	<u>\$ 718,930</u>

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 7 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended [September 30, 2010](#):

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>					
<b>Long-term debt:</b>					
Notes payable:					
Installment note for street sweeper	\$ 28,066	\$	\$ (8,951)	\$ 19,115	\$ 9,349
Total long-term debt	28,066		(8,951)	19,115	9,349
<b>Other liabilities:</b>					
Compensated absences:					
Vacation	56,428	5,792		62,220	
Sick	56,603	3,902		60,505	
Total other liabilities	113,031	9,694		122,725	
Total long-term liabilities	<u>\$ 141,097</u>	<u>\$ 9,694</u>	<u>\$ (8,951)</u>	141,840	<u>\$ 9,349</u>
Less amount due in one year				(9,349)	
Net long-term liabilities due after one year				<u>\$ 132,491</u>	
<b><u>Business-type Activities:</u></b>					
<b>Long-term debt:</b>					
Notes payable:					
Series 2008A Revenue Refunding Note	\$ 2,821,323	\$	(147,822)	\$ 2,673,501	\$ 154,144
WW719090 installment note to DEP	4,563,709		(216,369)	4,347,340	221,159
DW5321010 installment note to DEP	168,654		(168,654)		
WW71908P installment note to DEP	141,607		(141,607)		
Installment note for street sweeper	77,044		(24,572)	52,472	25,665
Total long-term debt	<u>7,772,337</u>		<u>(699,024)</u>	<u>7,073,313</u>	<u>400,968</u>
<b>Other liabilities:</b>					
Florida Dept. of Environmental Protection					
Compensated absences					
Vacation	16,098	1,839		17,937	
Sick	13,077		(1,148)	11,929	
Total other liabilities	29,175	1,839	(1,148)	29,866	
Total long-term liabilities	<u>\$ 7,801,512</u>	<u>\$ 1,839</u>	<u>\$ (700,172)</u>	7,103,179	<u>\$ 400,968</u>
Less amount due in one year				(400,968)	
Net long-term liabilities due after one year				<u>\$ 6,702,211</u>	

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 7 - LONG-TERM OBLIGATIONS** (cont...)

**Notes to Long-Term Obligations Table**

**Governmental Activities:**

- Installment Note for street sweeper (original principal \$38,266) - This note is secured by and was used to purchase a street sweeper shared by the general fund (27%) and enterprise fund (73%). The note bears interest at 4.45% and is payable principal and interest annually to maturity with the last payment on October 1, 2011.

**Business-type Activities:**

- Series 2008A note (original principal \$2,991,470) is secured by a senior lien on the revenues of the water and sewer systems and contains a requirement to maintain a minimum debt service coverage ratio of 1.2. The actual debt service coverage ratio for the year ended [September 30, 2010](#), was approximately 2.5 on this senior obligation . The 2008A note bears interest at a rate of 4.2% with principal and interest payments of \$66,072 payable quarterly with a final maturity on September 23, 2023. The note proceeds were used to retire an existing debt whose proceeds were used to finance improvements primarily to the sewer system.
- Installment Note to DEP (WW 719090) - This note, in the original amount of \$5,143,530, is secured by a subordinate lien on the water and sewer revenues and bears interest at 2.205%, with semi-annual principal and interest payments of \$157,823 on July 15 and December 15, and continuing to maturity in January 2026. The note proceeds used to fund expansion of the wastewater treatment facility.
- Installment Note to DEP (DW 5321010) - This note, in the amount of \$208,162, is secured by a subordinate lien on the revenues of the water and sewer system. The note bears interest at 3.09%, with semi-annual payments of principal and interest of \$6,688 every June and December and a final maturity on April 10, 2033. The note proceeds were used to fund water system improvements. The note was fully repaid in the current year.
- Installment Note to DEP (WW 71908P) - This note, in the original amount of \$155,451, is secured by a subordinate lien on the water and sewer revenues and bears interest at 2.84%, with semi-annual principal and interest payments of \$5,163 on July 15 and December 15, and continuing to maturity in January 2026. The note proceeds were used to fund the design and engineering of the wastewater plant expansion. The note was fully repaid in the current year.
- Installment Note for Street Sweeper (original principal \$105,043) - this note is shared with the general fund with 73% of the debt service coming from the enterprise fund stormwater department. Refer to the above discussion for further details.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 7 - LONG-TERM OBLIGATIONS** (cont...)

**Notes to Long-Term Obligations Table** (cont...)

**Pledged Revenues:**

The following table provides a summary of the pledged revenues for the City's outstanding debt issues. Additional information regarding the City's pledged revenue can be found in the preceding sections of this note:

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
Water and sewer revenues	01/15/2027	\$ 8,709,953	\$ 900,512	\$ 745,327	82.77%

**Maturities:**

Annual requirements to repay all long-term bonds and notes payable as of [September 30, 2010](#), were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 9,349	\$ 851	\$ 400,968	\$ 206,965
2012	9,766	434	413,598	194,335
2013			398,669	181,264
2014			410,952	168,981
2015			423,654	156,277
2016 - 2020			2,324,633	575,029
2021 - 2025			2,237,604	199,556
2026 - 2030			463,235	10,234
<b>Total</b>	<b>\$ 19,115</b>	<b>\$ 1,285</b>	<b>\$ 7,073,313</b>	<b>\$ 1,692,641</b>

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 8 - INTERFUND TRANSACTIONS**

Interfund transactions are summarized below:

Interfund receivables and payables as of September 30, 2010, consisted of:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		

Interfund transfers for the year ending September 30, 2010, consisted of:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	35,000

The transfer from the enterprise fund to the general fund is a budgeted annual operating transfer to fund services provided by the general fund.

**NOTE 9 - PENSION TRUST FUNDS**

Plan Descriptions - The City of Lake Alfred contributes to two single-employer defined benefit pension plans: The General Employees Retirement System and the Police Officers Retirement System. Each plan provides retirement and disability benefits to plan members and beneficiaries. The plans are established by City Ordinance and the benefits and contribution requirements can be amended by the City Commission through ordinance. Both plans are administered by separate boards of trustees who are either appointed by the City commission or elected by plan members. It is the City's policy to annually fund the annual required contribution amount for each plan. Contributions are also provided to the Police Officers' plan by the State of Florida from a tax collected on insurance premiums. Each plan issues a publicly available financial report that includes financial statements and required supplementary information (RSI) for that plan. Those reports may be obtained by contacting the City of Lake Alfred Finance Department at 120 E. Pomelo Street, Lake Alfred, FL 33850.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 9 - PENSION TRUST FUNDS** (cont...)

Funding Policy and Annual Pension Cost - The City's annual pension cost for the current year and related information for each plan is as follows:

	<u>General Employees</u>	<u>Police Officers</u>
Contribution rates		
City	13.10%	2.90%
Plan members	5.00%	5.00%
Annual pension cost	\$188,507	\$34,206
Contributions made	\$186,286	\$38,331

Actuarial methods and assumptions - The significant actuarial assumptions as of the current actuarial valuations for each respective plan are as follows:

	<u>General Employees</u>	<u>Police Pension</u>
Actuarial valuation date	October 1, 2008	October 1, 2008
Actuarial cost method	Entry Age Normal	Entry Age Normal
Mortality rate	RP 2000 Mortality Table	RP 2000 Mortality Table
Remaining amortization period	28	28
Asset valuation method	4 year smooth	4 year smooth
Investment rate of return	7.75%	7.75%
Project salary increases	6.25%	5.75%
Inflation rate	3.00%	3.00%

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 9 - PENSION TRUST FUNDS** (cont...)

Three Year Trend Information - Annual pension cost and contribution amounts for the current and two preceding years is shown below:

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
<b>General Employees' Retirement System:</b>			
9/30/10	\$ 188,507	99%	\$ (63,902)
9/30/09	\$ 165,753	115%	\$ (66,123)
9/30/08	\$ 203,914	93%	\$ (61,430)
<b>Police Officers' Retirement System:</b>			
9/30/10	\$ 38,331	112%	\$ (18,220)
9/30/09	\$ 38,729	108%	\$ (13,702)
9/30/08	\$ 41,640	104%	\$ (10,712)

Funded Status and Funding Progress - The funded status information for each plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>General Employees' Retirement System:</b>						
10/01/2009	\$ 3,523,037	\$ 3,859,364	\$ 336,327	91.29%	\$ 1,307,723	25.72%
<b>Police Officers' Retirement System:</b>						
10/01/2009	\$ 1,628,555	\$ 1,618,217	\$ (10,338)	101%	\$ 338,687	-3.05%

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 9 - PENSION TRUST FUNDS** (cont...)

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Both Plans only present four years of information in the RSI because they changed their actuarial method from the aggregate method to the entry age method effective with the 10/01/06 valuation.

**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS**

The City was required to implement GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, in the current fiscal year beginning October 1, 2009. The basic premise of the statement is that Other Postemployment Benefits (OPEB) are earned by employees and should be recognized by the employer as the active employees provide their services. By State Statute, all of the City's retirees may, at the retiree's cost, elect to purchase health insurance at the rates currently offered by the City to its active employees. Because of this state mandate, there is an assumed implicit cost to the City by virtue of the fact that the cost to the retiree is a blended rate which presumably would be less than the rate the retiree would have to pay if private coverage were arranged. The City currently does not have, nor has it ever had, any retirees who have elected coverage under the City's plan and the City believes it is unlikely that any retirees will ever elect to take the City's coverage. Because of this and the fact that the City's current health insurance rates have never been impacted by the cost of having to insure its retirees, management believes there are no additional costs to be recorded as a result of the state requirement. As a result, the adoption of GASB 45 had no effect on the City and no liability for any future payments has been recorded. It is possible that conditions could change whereby the City may have some cost in the future which would be evaluated at that time.

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUND**

The City has outstanding debt secured by its water and sewer revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation and stormwater. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivable, accounts payable, etc.), it is not possible to present segment information disclosures for cash flows and some components of net assets. Segment financial information that can be separately identified for the water and sewer operations as of and for the year ended September 30, 2010, is presented below:

	Water & Sewer System
<b>Condensed statement of revenues, expenses and changes in net assets:</b>	
Charges for services	\$ 1,978,848
Operating expenses	(1,295,607)
Depreciation	(650,741)
Operating income (loss)	32,500
Interest income	55,012
Interest expense	(242,101)
Non-operating income	2,417
Impact and equipment fees	7,074
Capital contributions	70,497
Transfers	(35,000)
Change in net assets	\$ (109,601)
 <b>Condensed statement of net assets:</b>	
Capital assets, net	\$ 13,359,056
Long-term liabilities	\$ 7,073,313
Invested in capital assets, net of debt	\$ 6,285,743

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

**Risk Management** - Commercial insurance protection with normal deductibles is in place to limit the City's exposure from losses arising from liability and property and equipment damages. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2010. The City's workers compensation coverage is provided through a non-assessable program; in the event the insurance company were declared insolvent, the City would only be responsible for its own claims and not the claims of other insured entities under the program.

**Litigation** - The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of carrying out its public service. Management believes that any losses not covered by insurance which may ultimately be incurred as a result of the suits and claims will not be material, with the exception of attorney's fees which are not determinable.

**Unemployment Compensation** - The City has elected to reimburse the State directly for its unemployment claims rather than participate in the State insurance fund for this purpose. As a result, the cost for unemployment claims is deducted when paid. Such costs have been insignificant in the past and no provision for potential claims has been made in the financial statements.

**NOTE 13 - RESTATEMENT OF OPENING NET ASSETS**

The net assets of the business-type activities/enterprise fund were restated (increased) by \$50,364 representing water and sewer impact fees collected in 2008 for which the revenue recognition had been incorrectly deferred. These impact fees were earned and should have been reported as income in 2008.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAKE ALFRED, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
for the year ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (GAAP Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RESOURCES (inflows):</b>				
Taxes	\$ 2,144,790	\$ 2,244,793	\$ 2,244,792	\$ (1)
Licenses and permits	65,000	60,968	60,967	(1)
Intergovernmental revenue	567,731	680,273	675,000	(5,273)
Charges for services	188,996	180,383	180,385	2
Fines and forfeitures	42,500	37,911	38,021	110
Other	185,745	186,700	191,363	4,663
Interfund transfers	70,000	35,000	35,000	
Amounts available for appropriation	<u>3,264,762</u>	<u>3,426,028</u>	<u>3,425,528</u>	<u>(500)</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
General government	834,690	856,720	850,833	5,887
Public safety	1,437,822	1,309,779	1,299,343	10,436
Physical environment	140,423	143,850	142,686	1,164
Transportation	221,928	229,703	228,576	1,127
Culture/recreation	330,342	316,260	311,853	4,407
Capital outlay	279,833	488,796	464,466	24,330
Debt service	10,200	10,200	10,200	
Surplus carried to next year	9,524	70,720		70,720
Total charges to appropriations	<u>3,264,762</u>	<u>3,426,028</u>	<u>3,307,957</u>	<u>118,071</u>
<b>EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>			<u>117,571</u>	<u>117,571</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$</u>	<u>\$</u>	<u>\$ 117,571</u>	<u>\$ 117,571</u>

**CITY OF LAKE ALFRED, FLORIDA**  
**SCHEDULE OF FUNDING PROGRESS**  
September 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>General Employees' Retirement System:</b>						
10/01/2009	\$ 3,523,037	\$ 3,859,364	\$ 336,327	91.29%	\$ 1,307,723	25.72%
10/01/2008	\$ 3,339,187	\$ 3,566,659	\$ 227,472	93.62%	\$ 1,424,547	15.97%
10/01/2007	\$ 3,129,688	\$ 3,349,206	\$ 219,518	93.45%	\$ 1,276,386	17.20%
10/01/2006	\$ 2,725,990	\$ 3,229,118	\$ 503,128	84.42%	\$ 1,310,691	38.39%
<b>Police Officers' Retirement System:</b>						
10/01/2009	\$ 1,628,555	\$ 1,618,217	\$ (10,338)	101%	\$ 338,687	-3.05%
10/01/2008	\$ 1,579,437	\$ 1,496,197	\$ (83,240)	106%	\$ 373,911	-22.26%
10/01/2007	\$ 1,511,372	\$ 1,382,351	\$ (129,021)	109%	\$ 357,545	-36.09%
10/01/2006	\$ 1,371,969	\$ 1,351,468	\$ (20,501)	102%	\$ 329,591	-6.22%

Additional years will be added until six years of data is presented.

# **COMPLIANCE**

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

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(cont...)

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

We noted certain matters that we reported to management of **City of Lake Alfred, Florida** in a separate management letter dated March 16, 2011.

This report is intended solely for the information and use of the City Commission, management, others within the organization, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.  
Lakeland, Florida  
March 16, 2011

# **INDEPENDENT AUDITORS' MANAGEMENT LETTER**

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and Members of the City Commission  
**City of Lake Alfred, Florida**

We have audited the financial statements of the **City of Lake Alfred, Florida**, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 16, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* which is dated March 16, 2011. Disclosures in those reports should be considered and have not been duplicated in this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the **City of Lake Alfred, Florida** complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of the **City of Lake Alfred, Florida**, see footnote A of the summary of significant accounting policies in the notes to the financial statements of the basic financial statements.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the **City of Lake Alfred, Florida** for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the **City of Lake Alfred, Florida** has not met any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the **City of Lake Alfred, Florida's** financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

We would like to take this opportunity to thank the City Commissioners for allowing us the privilege to be of service, and the City's staff and management for the courtesies and cooperation extended to us during our audit

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the City Commission, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Brynjulfson CPA, P.A.*

Brynjulfson CPA, P.A.  
Lakeland, Florida  
March 16, 2011