

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

**FINANCIAL STATEMENTS AND AUDITORS' REPORTS**

**September 30, 2009**

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## **MANAGEMENTS' DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**  
**CITY OF LAKE ALFRED, FLORIDA**

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As management of the City of Lake Alfred, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the activities of the City for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with the City's 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 \$19,297,287 (net assets), an increase of \$934,919 or 5%. Of this amount, \$4,393,058 (unrestricted net assets) may be used to meet government's 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 \$2,505,664, an increase of \$415,844 over the prior year. Of this amount, \$1,765,632 is available for spending at the City's discretion.

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

This management's 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: government-wide financial statements; notes to the financial statements; and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements which can be found on pages 34 and 35 of this report.

### **Government-Wide Financial Statements**

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

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents revenue and expenses and shows 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 a private sector business in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**  
**CITY OF LAKE ALFRED, FLORIDA**  
*(Continued)*

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**Government-Wide Financial Statements (cont...)**

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 and fire, roads, park and recreation. The business-type activities of the City include water and sewer, stormwater, and sanitation.

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

**Fund Financial Statements**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements. The funds of the City are divided into two categories: governmental funds and proprietary 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 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 governmental fund, the General Fund. Information for the general fund is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance found on pages 4 through 7 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**  
**CITY OF LAKE ALFRED, FLORIDA**  
*(Continued)*

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**Proprietary Funds**

The City utilizes one type of proprietary fund, an enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The City's enterprise fund accounts for its water, sewer, stormwater and sanitation activities. The proprietary fund financial statements can be found on pages 8 -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 13-33 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**  
**CITY OF LAKE ALFRED, FLORIDA**  
*(Continued)*

**Government-Wide Financial Analysis**

A comparative analysis of condensed government-wide net asset information found on page 2 of this report is presented below:

**Statement of Net Assets (Summary)**  
**as of September 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current and other assets	\$2,700,918	\$2,530,891	\$5,807,850	\$5,982,042	\$8,508,768	\$8,512,933
Capital assets	6,078,111	6,199,192	14,447,630	14,223,097	20,525,741	20,422,289
<b>Total assets</b>	<b>8,779,029</b>	<b>8,730,083</b>	<b>20,255,480</b>	<b>20,205,139</b>	<b>29,034,509</b>	<b>28,935,222</b>
Current and other liabilities	124,380	383,650	2,095,000	2,331,131	2,219,380	2,714,781
Long-term liabilities	132,146	128,768	7,385,696	7,729,305	7,517,842	7,858,073
<b>Total liabilities</b>	<b>256,526</b>	<b>512,418</b>	<b>9,480,696</b>	<b>10,060,436</b>	<b>9,737,222</b>	<b>10,572,854</b>
Net assets:						
Invested in capital assets, net of related debt	6,050,045	6,199,191	6,777,173	6,194,701	12,827,218	12,393,892
Restricted	724,154	841,801	1,352,857	1,141,366	2,077,011	1,983,167
Unrestricted	1,748,304	1,176,673	2,644,754	2,808,636	4,393,058	3,985,309
<b>Total net assets</b>	<b>\$8,522,503</b>	<b>\$8,217,665</b>	<b>\$10,774,784</b>	<b>\$10,144,703</b>	<b>\$19,297,287</b>	<b>\$18,362,368</b>

66% 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.

11% of the City's net assets 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**  
**CITY OF LAKE ALFRED, FLORIDA**  
*(Continued)*

**Government-Wide Financial Analysis**

The following is a condensed summary of the information presented in the Statement of Activities found 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</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$312,890	\$477,240	\$2,494,194	\$2,541,888	\$2,807,084	\$3,019,128
Operating grants and contributions	125,952	115,264			125,952	115,264
Capital grants and contributions	163,536	832,556	912,381	1,542,964	1,075,917	2,375,520
General revenues:						
Property taxes	1,462,058	1,570,257			1,462,058	1,570,257
Other taxes	1,053,921	980,633			1,053,921	980,633
Other	555,594	582,667	109,822	175,038	665,416	757,705
<b>Total revenues</b>	<b>3,673,951</b>	<b>4,558,617</b>	<b>3,516,397</b>	<b>4,259,890</b>	<b>7,190,348</b>	<b>8,818,507</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
General government	929,709	917,303			929,709	917,303
Law enforcement	806,590	857,193			806,590	857,193
Fire	492,389	495,129			492,389	495,129
Building inspections	125,831	154,324			125,831	154,324
Road and streets	606,197	462,318			606,197	462,318
Parks and Recreation	408,397	366,738			408,397	366,738
Interest on long-term debt		20,137				20,137
<b>Business-type Activities:</b>						
Water Utility			946,531	793,477	946,531	793,477
Sanitation			505,112	515,033	505,112	515,033
Sewer Utility			1,392,260	1,099,435	1,392,260	1,099,435
Stormwater Utility			42,413	44,646	42,413	44,646
<b>Total expenses</b>	<b>3,369,113</b>	<b>3,273,142</b>	<b>2,886,316</b>	<b>2,452,591</b>	<b>6,255,429</b>	<b>5,725,733</b>
Increase (decrease) in net assets before transfers	304,838	1,285,475	630,081	1,807,299	934,919	3,092,774
Transfers		113,300		(113,300)		
Increase (decrease) in net assets	304,838	1,398,775	630,081	1,693,999	934,919	3,092,774
<b>Net assets - October 1</b>	<b>8,217,665</b>	<b>6,818,890</b>	<b>10,144,703</b>	<b>8,450,704</b>	<b>18,362,368</b>	<b>15,269,594</b>
<b>Net assets - September 30</b>	<b>\$8,522,503</b>	<b>\$8,217,665</b>	<b>\$10,774,784</b>	<b>\$10,144,703</b>	<b>\$19,297,287</b>	<b>\$18,362,368</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**  
**CITY OF LAKE ALFRED, FLORIDA**  
*(Continued)*

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**Government-Wide Financial Analysis (cont...)**

Governmental activities increased the City's net assets by \$304,838, compared to \$1,398,775 for the prior year, a decrease of \$884,666. The decrease is attributable to an overall decrease in ad valorem tax revenues and a decrease in charges for services, primarily building permits. Also, the prior year's revenue included \$470,875 of developer contributed infrastructure.

Business-type activities increased the City's net assets by \$630,081 as compared to \$1,693,999 for the prior year, a decrease of \$1,177,218, which is due in part to a decrease in federal grants and impact fees of \$362,897, and an overall increase in expenses of \$433,725. Expenses were up \$162,958 for utility line relocation, \$43,000 in repairs to lift stations and \$115,000 in additional depreciation on new facilities.

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to 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.

As of the close of the current year, the City's general fund had unrestricted cash and cash equivalents of \$1,724,539 compared to \$1,390,263 at the close of the prior year. The general fund's revenues and other sources exceeded its expenditures and other uses by \$415,844 as compared to \$379,632 for the prior year, without the benefit of any transfers from the enterprise fund which totaled \$113,300 for the prior year.

The enterprise fund's unrestricted cash and cash equivalents was largely unchanged at \$2,495,556 compared to \$2,539,988 at the close of the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**  
**CITY OF LAKE ALFRED, FLORIDA**  
*(Continued)*

**Budgetary Highlights**

The General Fund's budget was amended during the year. The amended budget projected a surplus for the year of \$521,225. Actual revenues on the budgetary basis were less than budgeted by \$108,901, and actual expenditures on the budgetary basis were less than budgeted by \$2,710, resulting in an overall actual surplus on the budgetary basis of \$415,844.

Additional information on the budgetary comparison can be found on page 34 of this report.

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$20,379,083 (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. Government activities capital projects consisted of finishing up some park projects funded by State grants that were begun in the prior year. There were no significant new construction projects in either the governmental or business-type activities. Major acquisitions in the business-type activities included a sanitation truck and a street sweeper. Water and sewer infrastructure donated by developers accounted for \$819,663 of the additions.

**Capital Assets (Summary)**  
(net of depreciation)  
as of September 30,

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Land	\$2,330,354	\$2,330,355	\$701,132	\$701,132	\$3,031,486	\$3,031,487
Construction in progress	\$15,726	\$335,867		\$272,726	\$15,726	\$608,593
Buildings and improvements	2,468,890	1,973,286	20,007,860	19,269,890	22,476,750	21,243,176
Vehicles and equipment	2,158,776	2,219,302	1,338,403	1,196,268	3,497,179	3,415,570
Road network	1,542,079	1,542,079			1,542,079	1,542,079
Sidewalk network	146,658	146,658				
Less: Accumulated depreciation	(2,584,372)	(2,348,355)	(7,599,765)	(7,216,919)	(10,184,137)	(9,565,274)
<b>Net</b>	<b>\$6,078,111</b>	<b>\$6,199,192</b>	<b>\$14,447,630</b>	<b>\$14,223,097</b>	<b>\$20,379,083</b>	<b>\$20,275,631</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**  
**CITY OF LAKE ALFRED, FLORIDA**  
*(Continued)*

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**Long-term Debt**

The following is a summary of the City's long-term debt:

**Revenue Notes and Notes Payable (Summary)**  
as of September 30

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenue notes			\$7,695,293	\$8,103,361	\$7,695,293	\$8,103,361
Notes and leases payable	28,066		77,044		105,110	
<b>Total</b>	<b>\$28,066</b>		<b>\$7,772,337</b>	<b>\$8,103,361</b>	<b>\$7,800,403</b>	<b>\$8,103,361</b>

At the end of the current fiscal year, the City had total long-term debt outstanding of \$7,800,403 compared to \$8,103,361 for the prior year. The only new debt incurred was for a street sweeper which is split between the governmental and business-type activities.

Additional information on the City's long-term debt can be found in Note 7 on pages 26-28 of this report.

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

It is anticipated that the following factors will significantly affect 2010 revenues and have been considered in preparing the City's 2010 budget:

- Continued lack of new construction and related building fee income.
- Reduction of assessed values on homes and foreclosures affecting ad valorem tax revenues.
- Depressed economy causing cutbacks in consumption for City utility services as well as franchise, public services and sales taxes.
- Health insurance premiums will increase by 14%.
- Department of Transport road project will be completed by December 2010. The project has been a drain on the utility department budget. An estimate of over \$300,000 will be spent to move numerous lines and make new connections causing a huge expense for last year and this year.
- There are some rate changes planned for the coming year. The building department bi-annually increases rates by 5%. Charges for activation, nonpayment, deactivation and late fees will be increased.

**Requests for Information**

This 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 financial 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, 2009, 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, 2009, 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 31, 2010 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 31, 2010

**CITY OF LAKE ALFRED, FLORIDA**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
as of **September 30, 2009**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,724,539	\$ 2,495,556	\$ 4,220,095
Receivables, current:			
Customer accounts, net		283,722	283,722
Intergovernmental	102,984		102,984
Franchise and public service taxes	53,538		53,538
Deposits	15,878		15,878
Restricted assets:			
Cash and cash equivalents	724,154	2,926,693	3,650,847
Capital assets:			
Non-depreciable	2,346,080	701,132	3,047,212
Depreciable, net	3,732,031	13,746,498	17,478,529
Net pension asset	79,825		79,825
Unamortized bond costs		101,879	101,879
<b>TOTAL ASSETS</b>	<b>8,779,029</b>	<b>20,255,480</b>	<b>29,034,509</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	73,922	69,259	143,181
Accrued payroll	41,507	6,396	47,903
Deferred revenue		1,246,964	1,246,964
Liabilities payable from restricted assets:			
Accrued interest payable		52,681	52,681
Customer deposits		303,884	303,884
Long-term obligations:			
Due within one year	8,951	415,816	424,767
Due in more than one year	132,146	7,385,696	7,517,842
<b>TOTAL LIABILITIES</b>	<b>256,526</b>	<b>9,480,696</b>	<b>9,737,222</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,050,045	6,777,173	12,827,218
Restricted (expendable) for:			
Law enforcement training	31,061		31,061
Law enforcement forfeitures	24,773		24,773
Transportation infrastructure	43,639		43,639
Building and permitting	131,562		131,562
Public safety improvements	267,250		267,250
Recreation improvements	86,224		86,224
General government improvements	129,445		129,445
Parks	10,200		10,200
Debt service		66,484	66,484
Sanitation equipment		312,875	312,875
Sewer system improvements		442,351	442,351
Stormwater system improvements		158,201	158,201
Water system improvements		372,946	372,946
Unrestricted	1,748,304	2,644,754	4,393,058
<b>TOTAL NET ASSETS</b>	<b>\$ 8,522,503</b>	<b>\$ 10,774,784</b>	<b>\$ 19,297,287</b>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
for the year ended September 30, 2009

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
<b>PRIMARY GOVERNMENT:</b>						
<b>Governmental activities:</b>						
General government	\$ 929,709	13,944	2,401	11,517	\$ (901,847)	\$ (901,847)
Building and zoning	125,831	40,333			(85,498)	(85,498)
Police	806,590	41,480	123,551	9,359	(632,200)	(632,200)
Fire	492,389	128,039			(364,350)	(364,350)
Roads and streets	606,197	35,374			(570,823)	(570,823)
Parks and recreation	408,397	53,720		142,660	(212,017)	(212,017)
<b>Total governmental activities</b>	<u>3,369,113</u>	<u>312,890</u>	<u>125,952</u>	<u>163,536</u>	<u>(2,766,735)</u>	<u>(2,766,735)</u>
<b>Business-type activities:</b>						
Water utility	946,531	823,266		418,231		294,966
Sanitation	505,112	470,216		70,533		35,637
Sewer utility	1,392,260	1,144,915		423,617		176,272
Stormwater utility	42,413	55,797				13,384
<b>Total business-type activities</b>	<u>2,886,316</u>	<u>2,494,194</u>		<u>912,381</u>		<u>520,259</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 6,255,429</u>	<u>\$ 2,807,084</u>	<u>\$ 125,952</u>	<u>\$ 1,075,917</u>	<u>(2,766,735)</u>	<u>(2,246,476)</u>
<b>GENERAL REVENUES:</b>						
Taxes:						
Property taxes, levied for general purposes					1,462,058	1,462,058
Franchise taxes					307,722	307,722
Public service taxes					502,042	502,042
Fuel taxes levied for transportation purposes					244,157	244,157
State shared revenue					321,067	321,067
Investment earnings					34,483	109,132
Miscellaneous					200,044	690
<b>Total general revenues, special items, and transfers</b>					<u>3,071,573</u>	<u>109,822</u>
<b>CHANGE IN NET ASSETS</b>					<u>304,838</u>	<u>630,081</u>
<b>NET ASSETS - beginning of year</b>					<u>8,217,665</u>	<u>10,144,703</u>
<b>NET ASSETS - end of year</b>					<u>\$ 8,522,503</u>	<u>\$ 10,774,784</u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
as of September 30, 2009

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	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,724,539
Receivables, net:	
Intergovernmental	102,984
Franchise and public service taxes	53,538
Deposits on vehicles	15,878
Restricted assets:	
Cash and cash equivalents	<u>724,154</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,621,093</u></b>
<b>LIABILITIES AND FUND EQUITY</b>	
Accounts payable and accrued expenses	\$ 73,922
Accrued payroll	<u>41,507</u>
<b>TOTAL LIABILITIES</b>	<b><u>115,429</u></b>
<b>FUND BALANCE:</b>	
Reserved for:	
Law enforcement education and training	31,061
Law enforcement forfeitures	24,773
Transportation infrastructure	43,639
Building and permitting	131,562
Public safety improvements (impact fees)	267,250
Recreation improvements (impact fees)	86,224
General government improvements (impact fees)	129,445
Parks	10,200
Deposits on vehicle purchases	15,878
Unreserved	<u>1,765,632</u>
<b>TOTAL FUND BALANCE</b>	<b><u>2,505,664</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 2,621,093</u></b>

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, 2009

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<b>FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	\$ 2,505,664
<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.	6,078,111
Net pension assets are not current financial resources and therefore are not reported as assets in the governmental funds.	79,825
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>(141,097)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 8,522,503</u></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, 2009

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	<u>General Fund</u>
<b>REVENUES:</b>	
Taxes	\$ 2,483,695
Licenses and permits	56,533
Intergovernmental revenue	643,918
Charges for services	182,975
Fines and forfeitures	45,494
Other	<u>217,221</u>
Total revenues	<u>3,629,836</u>
<b>EXPENDITURES:</b>	
General government	902,568
Public safety	1,319,338
Physical environment	122,095
Transportation	211,115
Culture and recreation	323,821
Capital outlay	368,970
Debt service	<u>10,200</u>
Total expenditures	<u>3,258,107</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>371,729</u>
<b>OTHER FINANCING SOURCES (USES):</b>	
Impact fees	5,850
Proceeds from borrowings	<u>38,265</u>
Total other financing sources	<u>44,115</u>
<b>NET CHANGE IN FUND BALANCE</b>	415,844
<b>FUND BALANCE, beginning of year</b>	<u>2,089,820</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 2,505,664</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, 2009

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**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 415,844

**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.	228,559
Net book value of capital assets disposed during the year.	(12,905)

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.	(336,734)
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This is the change in the net pension asset during the year.	22,403
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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.	15,737
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Debt issued is a revenue in the governmental funds and a liability in the government-wide statement of net assets.	(38,266)
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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.	10,200
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<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 304,838</u>
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**CITY OF LAKE ALFRED, FLORIDA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
as of September 30, 2009

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,495,556
Accounts receivable:	
Customer receivable, net	283,722
Total current assets	<u>2,779,278</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	2,926,693
Capital assets, net:	
Non-depreciable	701,132
Depreciable, net	13,746,498
Unamortized bond issue costs	101,879
Total noncurrent assets	<u>17,476,202</u>
<b>TOTAL ASSETS</b>	<u>20,255,480</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	69,259
Accrued payroll	6,396
Bonds and notes payable, current portion	415,816
Total current liabilities	<u>491,471</u>
Noncurrent liabilities:	
Payable from restricted assets:	
Accrued interest payable	52,681
Customer deposits	303,884
Prepaid impact fees	1,246,964
Compensated absences	29,175
Bonds and notes payable, noncurrent portion	7,356,521
Total noncurrent liabilities	<u>8,989,225</u>
<b>TOTAL LIABILITIES</b>	<u>9,480,696</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,777,173
Restricted (expendable) for:	
Debt service	66,484
Sanitation equipment	312,875
Sewer system improvements	442,351
Stormwater system maintenance	158,201
Water system improvements	372,946
Unrestricted	<u>2,644,754</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 10,774,784</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, 2009

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	<b>Enterprise Fund</b>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 2,494,194
Total operating revenues	<u>2,494,194</u>
<b>OPERATING EXPENSES:</b>	
Personal services	679,862
Operating expenses	1,136,594
Loss on write down of citrus groves	85,529
Depreciation	736,492
Total operating expenses	<u>2,638,477</u>
<b>OPERATING INCOME</b>	<u>(144,283)</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>	
Interest revenue	109,132
Interest expense	(247,839)
Other nonoperating income	690
Total nonoperating revenues (expenses)	<u>(138,017)</u>
Income (loss) before contributions and transfers	(282,300)
<b>CAPITAL CONTRIBUTIONS</b>	
Contributed assets	819,663
Impact and equipment fees	92,718
Total capital contributions	<u>912,381</u>
Change in net assets	630,081
<b>TOTAL NET ASSETS - beginning of year</b>	<u>10,144,703</u>
<b>TOTAL NET ASSETS - end of year</b>	<u>\$ 10,774,784</u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
for the year ended September 30, 2009

	<u><b>Enterprise Fund</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 2,485,498
Payments to suppliers	(1,137,644)
Payments for salaries and benefits	(704,319)
Net cash flows from operating activities	<u>643,535</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Increase (decrease) in customer deposits	13,979
Net cash flows from noncapital financing activities	<u>13,979</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets, net of related payables	(226,893)
Principal paid on notes, bonds and lease obligations	(473,308)
Proceeds from borrowings	105,044
Interest paid on borrowings	(208,060)
Capital grants received, net of change in receivables	123,959
Repayment of prepaid impact fees	(229,400)
Impact and equipment fees received in cash	92,719
Other, net	690
Net cash flows from capital and related financing activities	<u>(815,249)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on invested funds	109,132
Net cash flows from investing activities	<u>109,132</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(48,603)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>5,470,852</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 5,422,249</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (144,284)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	736,492
Loss on write down of fixed assets	85,530
(Increase) decrease in accounts receivable	(8,696)
Increase (decrease) in accounts payable and accrued expenses	(1,051)
Increase (decrease) in accrued wages and comp absences	(24,456)
Net cash flows from operating activities	<u><u>\$ 643,535</u></u>
<b>Noncash financing and investing activities:</b>	
Infrastructure donations from developers	<u><u>\$ 819,663</u></u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**STATEMENT OF NET ASSETS- FIDUCIARY FUNDS**  
as of September 30, 2009

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	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Receivables:	
Contributions	\$ 2864
Accrued Income	13,592
Total receivables	<u>16,456</u>
Investments, at fair market value:	
Short-term money market investments	102,925
Common stocks and pooled equity funds	3,030,755
Bonds and pooled fixed income funds	1,424,747
Total investments	<u>4,558,427</u>
<b>Total assets</b>	<u>4,574,883</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<u><u>\$ 4,574,883</u></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, 2009

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	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
City	\$ 205,422
Plan members	91,516
State of Florida	<u>29,685</u>
Total contributions	<u>326,623</u>
Investment income (loss)	<u>199,096</u>
Less investment expenses:	
Custodial fees	15,274
Investment related fees	<u>14,875</u>
Total investment expenses	<u>30,149</u>
Net investment income (loss)	<u>168,947</u>
Total additions	<u>495,570</u>
<b>DEDUCTIONS</b>	
Administrative expenses	40,083
Benefits and termination payments	<u>144,725</u>
Total deductions	<u>184,808</u>
<b>NET INCREASE</b>	<u>310,762</u>
<b>NET ASSETS</b>	
Balance, beginning of year	<u>4,264,121</u>
Balance, end of year	<u><u>\$ 4,574,883</u></u>

See Accompanying Notes to Financial Statements

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009

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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, 2009

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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, 2009

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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, 2009

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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, 2009

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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 \$36,907 at September 30, 2009. 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, 2009](#), such reserves totaled \$941.

**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, 2009

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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, 2009

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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, 2009](#), 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 \$29,685 for the year ended [September 30, 2009](#). 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, 2009

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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 **\$2,077,011** of restricted net assets, of which **\$2,000,327** 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, 2009](#) 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, 2009

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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, 2009](#), 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, 2009](#), 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	741,899
Deposits in financial institutions:	
Insured or fully collateralized bank deposits	<u>7,128,643</u>
Total cash and cash equivalents	<u>\$  7,870,942</u>

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009

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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 14% 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, 2009

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

Information related to interest rate and credit risk for the City's fixed income investments is summarized below:

Issuer/Issue	S&P Rating	Fair Value	Weighted Average Duration (WAD)/ Maturity (WAM)
<b>City:</b>			
State Board of Administration			
Florida Prime	AAAm	\$ 715,182	WAM 33 days
Fund B	Not Rated	<u>26,717</u>	WAM 6.69 years
		<u>\$ 741,899</u>	
<b>General Employees' Retirement System:</b>			
Short term money market funds	Not Rated	\$ 84,556	WAD 0.1
U. S. Government and agencies	AAA	49,436	WAD 8.2
Corporate and foreign bonds	AA+ to BBB-	<u>820,665</u>	WAD 2.2
		<u>\$ 954,657</u>	
<b>Police Officers' Retirement System:</b>			
Short term money market funds	Not Rated	\$ 18,369	WAD 0.1
Vanguard bond mutual fund	Not Rated	<u>554,649</u>	WAD 4.3
		<u>\$ 573,018</u>	

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended [September 30, 2009](#), is summarized below:

	Balance October 1, 2008	Reclassi- fications	Additions	Deletions	Balance September 30, 2009
<b><u>Governmental Activities:</u></b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 2,330,355	\$	\$	\$ (1)	\$ 2,330,354
Construction in process	335,867	(495,604)	175,463		15,726
Total	<u>\$ 2,666,222</u>	<u>\$ (495,604)</u>	<u>\$ 175,463</u>	<u>\$ (1)</u>	<u>\$ 2,346,080</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	\$ 1,973,286	\$ 495,604	\$	\$	\$ 2,468,890
Equipment	2,219,302		53,096	(113,622)	2,158,776
Infrastructure:					
Road network	1,542,079				1,542,079
Sidewalk network	146,658				146,658
Total capital assets being depreciated	<u>5,881,325</u>	<u>495,604</u>	<u>53,096</u>	<u>(113,622)</u>	<u>6,316,403</u>
Less accumulated depreciation for:					
Buildings and improvements	(567,776)		(91,641)		(659,417)
Equipment	(1,626,057)		(177,731)	100,717	(1,703,071)
Infrastructure:					
Road network	(136,771)		(60,029)		(196,800)
Sidewalk network	(17,751)		(7,333)		(25,084)
Total accumulated depreciation	<u>(2,348,355)</u>		<u>(336,734)</u>	<u>100,717</u>	<u>(2,584,372)</u>
Depreciable capital assets, net	<u>3,532,970</u>	<u>\$ 495,604</u>	<u>\$ (283,638)</u>	<u>\$ (12,905)</u>	<u>\$ 3,732,031</u>
Governmental activities capital assets, net	<u>\$ 6,199,192</u>	<u>\$</u>	<u>\$ (108,175)</u>	<u>\$ (12,906)</u>	<u>\$ 6,078,111</u>
<b><u>Business-type activities:</u></b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 701,132	\$	\$	\$	\$ 701,132
Construction in process	272,726	(288,181)	15,455		
Total	<u>\$ 973,858</u>	<u>\$ (288,181)</u>	<u>\$ 15,455</u>	<u>\$</u>	<u>\$ 701,132</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	\$ 19,269,890	\$ 288,181	\$ 819,663	\$ (369,874)	\$ 20,007,860
Equipment	1,196,268		211,437	(69,302)	1,338,403
Citrus groves					
Total capital assets being depreciated	<u>20,466,158</u>	<u>288,181</u>	<u>1,031,100</u>	<u>(439,176)</u>	<u>21,346,263</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,390,698)		(631,374)	290,760	(6,731,312)
Equipment	(826,221)		(105,118)	62,886	(868,453)
Citrus groves					
Total accumulated depreciation	<u>(7,216,919)</u>		<u>(736,492)</u>	<u>353,646</u>	<u>(7,599,765)</u>
Depreciable capital assets, net	<u>13,249,239</u>	<u>288,181</u>	<u>294,608</u>	<u>(85,530)</u>	<u>13,746,498</u>
Business-type capital assets, net	<u>\$ 14,223,097</u>	<u>\$</u>	<u>\$ 310,063</u>	<u>\$ (85,530)</u>	<u>\$ 14,447,630</u>

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009

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

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	48,882
Law enforcement	43,613
Fire control	57,604
Building and zoning	14,719
Roads and streets	91,781
Parks and recreation	<u>80,135</u>
Total depreciation expense - governmental activities	<u>\$ 336,734</u>

Business-type Activities:

Water utility	200,159
Wastewater utility	457,086
Stormwater utility	26,647
Sanitation	<u>52,600</u>
Total depreciation expense - business-type activities	<u>\$ 736,492</u>

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009

**NOTE 7 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended [September 30, 2009](#):

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Amounts Due within One Year
<b><u>Governmental Activities:</u></b>					
<b>Long-term debt:</b>					
Notes payable:					
Installment note for street sweeper	\$	\$ 38,266	\$ (10,200)	\$ 28,066	\$ 8,951
Total long-term debt		<u>38,266</u>	<u>(10,200)</u>	<u>28,066</u>	<u>8,951</u>
<b>Other liabilities:</b>					
Compensated absences:					
Vacation	70,737		(14,309)	56,428	
Sick	58,031		(1,428)	56,603	
Total other liabilities	<u>128,768</u>		<u>(15,737)</u>	<u>113,031</u>	
Total long-term liabilities	<u>\$ 128,768</u>	<u>\$ 38,266</u>	<u>\$ (25,937)</u>	141,097	<u>\$ 8,951</u>
Less amount due in one year				(8,951)	
Net long-term liabilities due after one year				<u>\$ 132,146</u>	
<b><u>Business-type Activities:</u></b>					
<b>Long-term debt:</b>					
Notes payable:					
Series 2008A Revenue Refunding Note	\$ 2,991,470		(170,147)	\$ 2,821,323	\$ 147,822
WW719090 installment note to DEP	4,775,393		(211,684)	4,563,709	216,369
DW5321010 installment note to DEP	188,718		(20,064)	168,654	20,703
WW71908P installment note to DEP	147,780		(6,173)	141,607	6,350
Installment note for street sweeper		105,044	(28,000)	77,044	24,572
Total long-term debt	<u>8,103,361</u>	<u>105,044</u>	<u>(436,068)</u>	<u>7,772,337</u>	<u>415,816</u>
<b>Other liabilities:</b>					
Florida Dept. of Environmental Protection	37,240		(37,240)		
Compensated absences					
Vacation	19,585		(3,487)	16,098	
Sick	14,427		(1,350)	13,077	
Total other liabilities	<u>71,252</u>		<u>(42,077)</u>	<u>29,175</u>	
Total long-term liabilities	<u>\$ 8,174,613</u>	<u>\$ 105,044</u>	<u>\$ (478,145)</u>	7,801,512	<u>\$ 415,816</u>
Less amount due in one year				(415,816)	
Net long-term liabilities due after one year				<u>\$ 7,385,696</u>	

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009

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

**Notes to Long-Term Obligations Table**

**Governmental Activities:**

- Installment Note for street sweeper - 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 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, 2009](#), 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 (DW 5321010) - This note 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.
- Installment Note to DEP (WW 71908P) - This note 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.
- Installment Note to DEP (WW 719090) - This note 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 for Street Sweeper - 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, 2009

**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 Revenues to Principal and Interest Paid
Water and sewer revenues	01/15/2027	\$ 9,660,829	\$ 616,128	\$ 665,791	108.06%

**Maturities:**

Annual requirements to repay all long-term bonds and notes payable as of [September 30, 2009](#), were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 8,951	\$ 1,249	\$ 415,816	\$ 228,333
2011	9,349	851	428,861	215,267
2012	9,766	434	442,349	201,780
2013			428,323	187,805
2014			441,528	174,600
2015 - 2019			2,351,284	660,877
2020 - 2024			2,475,713	277,364
2025 - 2029			788,463	26,467
<b>Total</b>	<b>\$ 28,066</b>	<b>\$ 2,534</b>	<b>\$ 7,772,337</b>	<b>\$ 1,972,493</b>

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009

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**NOTE 8 - INTERFUND TRANSACTIONS**

Interfund transactions are summarized below:

Interfund receivables and payables as of September 30, 2009, consisted of:

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

Interfund transfers for the year ending September 30, 2009, consisted of:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
None		

**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, 2009

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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	12.10%	3.50%
Plan members	5.00%	5.00%
Annual pension cost	\$165,753	\$35,739
Contributions made	\$191,203	\$38,729

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, 2007	October 1, 2007
Actuarial cost method	Entry Age Normal	Entry Age Normal
Mortality rate	RP 2000 Mortality Table	RP 2000 Mortality Table
Remaining amortization period	29	29
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, 2009

**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>			
9/30/09	\$ 165,753	115%	\$ (66,123)
9/30/08	\$ 203,914	93%	\$ (61,430)
9/30/07	\$ 196,281	79%	\$ (59,857)
<b>Police Officers' Retirement System:</b>			
9/30/09	\$ 35,739	108%	\$ (13,712)
9/30/08	\$ 40,070	104%	\$ (10,722)
9/30/07	\$ 41,192	108%	\$ (9,142)

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>						
10/01/2008	\$ 3,339,187	\$ 3,566,659	\$ 227,472	93.62%	\$ 1,424,547	15.97%
<b>Police Officers' Retirement System:</b>						
10/01/2008	\$ 1,579,437	\$ 1,496,197	\$ (83,240)	106%	\$ 373,911	-22.26%

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009

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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 three 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 - 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, 2009, is presented below:

	Water & Sewer System
<b>Condensed statement of revenues, expenses and changes in net assets:</b>	
Charges for services	\$ 1,968,181
Operating expenses	(1,433,707)
Depreciation	(657,245)
Operating income (loss)	(122,771)
Interest income	109,132
Interest expense	(247,839)
Non-operating income	
Impact and equipment fees	22,185
Contributed assets	819,663
Transfers	
Change in net assets	\$ 580,370
 <b>Condensed statement of net assets:</b>	
Capital assets, net	\$ 13,685,088
Long-term liabilities	\$ 7,772,337
Invested in capital assets, net of debt	\$ 5,912,751

**CITY OF LAKE ALFRED, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2009

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**NOTE 11 - 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 for which there has been no significant reduction in coverages. The City's workers compensation coverage is provided through a local government pooled trust which has the ability to make further assessments of its member governments should the assets of the trust be insufficient to pay claims. To reduce this exposure, the trust has purchased "excess of loss structure" coverage from commercial insurers for individual claims in excess of \$100,000, with each participating municipality named as an additional insured.

**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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAKE ALFRED, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
for the year ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budget Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RESOURCES (inflows):</b>				
Taxes	\$ 2,383,657	\$ 2,483,574	\$ 2,483,695	\$ 121
Licenses and permits	138,000	55,858	56,533	675
Intergovernmental revenue	573,395	571,870	643,918	72,048
Charges for services	206,827	193,915	182,975	(10,940)
Fines and forfeitures	34,900	45,494	45,494	
Other	269,334	393,065	223,070	(169,995)
Amounts available for appropriation	<u>3,606,113</u>	<u>3,743,776</u>	<u>3,635,685</u>	<u>(108,091)</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
General government	791,381	880,573	902,568	(21,995)
Public safety	1,453,423	1,311,800	1,319,338	(7,538)
Physical environment	123,047	121,093	122,095	(1,002)
Transportation	233,353	206,596	211,115	(4,519)
Culture/recreation	344,553	314,729	323,821	(9,092)
Capital outlay	660,356	377,560	330,704	46,856
Debt service		10,200	10,200	
Total charges to appropriations	<u>3,606,113</u>	<u>3,222,551</u>	<u>3,219,841</u>	<u>2,710</u>
<b>EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>				
		<u>521,225</u>	<u>415,844</u>	<u>(105,381)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$</u>	<u>\$ 521,225</u>	<u>\$ 415,844</u>	<u>\$ (105,381)</u>

**Explanation of Differences between Budgetary Inflows and Outflows and GAAP  
Revenues and Expenditures:**

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,635,685
Differences - budget to GAAP:	
Proceeds from borrowings	<u>38,266</u>
Total revenues and other sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,673,951</u>

**Uses/outflowsflows of resources**

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule	\$ 3,219,841
Equipment purchased with proceeds of borrowing	<u>38,266</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,258,107</u>

**CITY OF LAKE ALFRED, FLORIDA**  
**SCHEDULE OF FUNDING PROGRESS**  
September 30, 2009

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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>						
10/01/2008	\$ 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>						
10/01/2008	\$ 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%

# **COMPLIANCE**

**INDEPENDENT AUDITORS' 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**

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

We have audited the 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, 2009, and have issued our report thereon dated March 31, 2010. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of Lake Alfred, Florida's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying management letter (finding 09-04) dated March 31, 2010.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **City of Lake Alfred, Florida's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **City of Lake Alfred, Florida's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **City of Lake Alfred, Florida's** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

**INDEPENDENT AUDITORS' 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...)

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects **City of Lake Alfred, Florida's** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of **City of Lake Alfred, Florida's** financial statements that is more than inconsequential will not be prevented or detected by **City of Lake Alfred, Florida's** internal control. We consider the deficiencies described in the accompanying management letter (findings 09-02 and 09-03) dated March 31, 2010 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by **City of Lake Alfred, Florida's** internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

We noted certain matters that we reported to management of **City of Lake Alfred, Florida** in a separate management letter dated March 31, 2010.

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 31, 2010

# **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, 2009, and have issued our report thereon dated March 31, 2010.

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 31, 2010. 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.

Prior year audit findings that have not been resolved are detailed in this independent auditor's management letter as findings 09-01.

- 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, 2009, 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, 2009. 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. The results of our assessment indicated that the City's overall financial condition, as defined by the Auditor General's guidelines, was not deteriorating.
- 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 have the following recommendations.

**09-01: Written Policies and Procedures Needs Updating**

Written policies and procedures, which clearly define responsibilities of employees, are essential to provide both management and employees with guidelines regarding the efficient and consistent conduct of City business and the effective safeguarding of the City's assets. In addition, written policies and procedures, if properly designed, communicated to employees, and effectively placed in operation, provide management additional assurances that City activities are conducted in accordance with applicable laws, ordinances, and other guidelines; and that City financial records provide reliable information necessary for management oversight. Written policies and procedures also assist in the training of new employees.

Last year it was reported that the City adopted a Finance Department Operations Manual on May 1, 2003. Based upon a review of this manual it was noted that the guidance provided was out dated and was in need of management revision to reflect current laws, ordinances and the current substantive policies and procedures of City personnel. We recommended management adopt an updated, comprehensive written policies and procedures manual consistent with current applicable laws, ordinances, and other guidelines. This finding was still noted in 2009.

**09-02: Cash Receipt Procedures Need Improvement**

During our audit procedures we noted that the daily cash collections were not being counted by the cashier in the presence of a second employee who also recounts and verifies the collections. Internal control procedures over cash receipts that have been implemented by management should be enforced to reduce the risk that errors and/or fraud could occur and go undetected. We recommended that the daily cash collections be counted in the presence of another employee who recounts and verifies the collections. Based upon follow-up audit procedures we noted our recommendation has been implemented by management and we will continue to monitor the progress in this area in future audits.

### **09-03: Internal Controls Over Credit Card Usage Need Improvement**

The City is responsible for establishing controls that provide reasonable assurance that the process of acquiring goods or services with City credit cards is effectively and consistently administered and that purchases with City credit cards are valid transactions that are in compliance with the City's purchasing policy and approved by management. The City has eight credit cards with a total combined credit limit of \$95,000. The City's credit card purchasing practices are addressed in the City of Lake Alfred Credit Card Policy dated August 3, 2009. The policy requires that if a purchase exceeds \$499.99 then bids will need to be solicited and approval from the City manager is required. During our audit we noted several instances where credit card purchases were made that exceeded \$499.99 for which no evidence could be produced to document compliance with the bid provisions of the credit card policy. It was also noted that the City had open credit cards in the name of two terminated employees. Based upon follow-up audit procedures we noted that management has cancelled one of the terminated employees' credit cards and were in the process of cancelling the other. We recommend the City enhance their internal controls to provide for documentation of compliance with the City's credit card bid policy. Furthermore, we recommend that the City cancel terminated employees' credit cards immediately upon termination.

### **09-04: Waiver of Connection Fees**

During our audit procedures, we noted two commercial utility customers were allowed to connect to the City's water and sewer utility system with reduced or waived connection fees based upon the City's uniform schedule of fees:

- The first customer connected to the City's utility system and had water and sewer impact fees and connection fees totaling approximately \$20,175 waived. Furthermore, this customer benefited from a City constructed utility extension for which, pursuant to City Code Section 58-2, the customer was required to pay their pro-rata share of the extension which totaled approximately \$36,160. The pro-rata share of the utility extension was never received by the City.
- In lieu of water and sewer impact fees totaling approximately \$206,640, the second customer connected to the City's water and sewer system in exchange for a onetime payment to the City of \$50,000 and construction of water and sewer utility infrastructure valued at approximately \$106,000 that was donated to the City after construction was completed. The value of the cash and infrastructure the City received was approximately \$50,640 less than the calculated water and sewer impact fees that would have normally been charged.

Several of the City's long term debt issues contain restrictive covenants that do not permit the City to allow connections to the water and sewer system without making a charge based upon the City's uniform schedule of rates, fees and charges. Good internal control over compliance with long term debt issue related covenants require timely monitoring of restrictions placed upon the City by their outstanding issues. Material violations of loan covenants could result in unfavorable credit ratings, accelerated repayment schedules or increased interest rates. We recommend management enhance the current internal control procedures over the billing of applicable connection fees in association with new utility customers to ensure all amounts due to the City are collected and that they are calculated in accordance with the City's uniform schedule of fees. Furthermore, we recommend management seek a legal opinion as to the collectability of the waived fees.

- 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 have the following finding.

**09-05: Water and Sewer System Rate Coverage**

Pursuant to the State Revolving Fund loan agreements between the City of Lake Alfred and the State of Florida Department of Environmental Protection and the Florida Water Pollution Control Financing Corporation, the City is required to maintain rates and charges for the services furnished by the water and sewer systems which will be sufficient to provide pledged revenues equal to or exceeding 115% of the debt service due on the loans. During our audit procedures, we noted that the actual water and sewer system's pledged revenues were 114% of the annual debt service due on the State Revolving Fund loans for the year ended September 30, 2009. We recommend that management review the City's water and sewer system rate structure as well as their operating expenses and methods of operation and make the necessary adjustments to comply with the rate coverage requirements of the aforementioned loan agreements.

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 31, 2010