Comprehensive Annual Financial Report

The City of Lake Alfred, Florida

For The Year Ended September 30, 2011

Introductory Section

Comprehensive Annual Financial Report
For the City of Lake Alfred, Florida
For the fiscal year ending September 30, 2011

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City of Lake Alfred, Florida
Principal City Officials
September 30, 2011

City Commission

Mayor	Nancy Daley
Vice Mayor	Tracy Garcia
Commissioners	Jack Dearmin
	John Duncan
	Albertus Maultsby

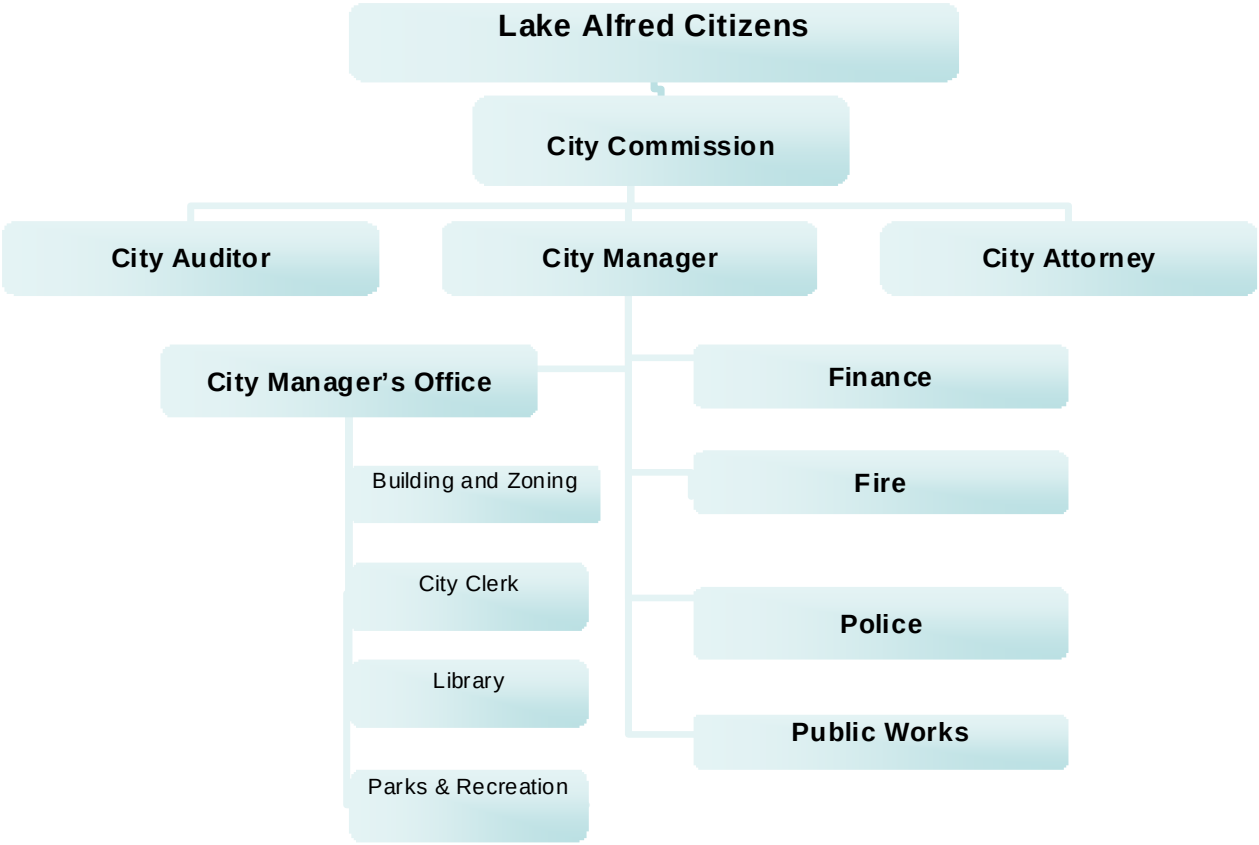
Administration

City Manager	Larry Harbuck
Assistant to the City Manager	Valerie Way
City Attorney	John Murphy

Administration Staff

Building and Zoning Official	Donnie True
City Clerk	Linda Bourgeois
Finance Director	Amber Deaton
Fire Chief	Chris Costine
Librarian	Linda Hitchcock
Police Chief	Art Bodenheimer
Public Works Director	John Deaton

City of Lake Alfred's Organizational Chart



March 9. 2012

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

It is our pleasure to submit this Comprehensive Annual Financial Report for the City of Lake Alfred, Florida for the fiscal year ended September 30, 2011. The organization, form and contents of this report plus the accompanying financial statements and statistical tables are prepared in accordance with the requirements of Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, and the Governmental Finance Officers Association. In addition to meeting legal requirements, this report reflects the City of Lake Alfred's commitment to full financial disclosure. We encourage you to thoroughly read this report and some of the important items it addresses.

This report has been prepared by the Finance Department of the City of Lake Alfred, which assumes full responsibility for the completeness and accuracy of the information presented herein. To provide a reasonable basis for making these representations, management of the city has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft of misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh its benefits, the City of Lake Alfred comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As part of management, we assert that, to the best of our knowledge and belief, the financial report is complete and reliable in all material respects.

State law requires that a complete set of financial statements reporting the City of Lake Alfred's financial position and results of activities be published within one year of fiscal year end. The City has contracted with Brynjulfson CPA a licensed public accountant to conduct the audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the city for the fiscal year ended September 30, 2011, are free of any material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management: and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Lake Alfred's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The report of the independent certified public accountants is presented as the first component of the financial section of the report.

GAAP required that management provide a narrative introduction, overview, and analysis to accompany the basis financial statements in the form of Management's Discussion and Analysis (MD & A). This letter of transmittal is designed to complement the MD& A and should be read in conjunction with it. The City of Lake Alfred's MD & A can be found following the report of the independent certified public accountant.

Profile of the Government

The City of Lake Alfred, Florida is a municipal corporation of the State of Florida and was incorporated in 1915. The City is located in Central Florida in East Polk County. Population as of 2011 is 5,017. The city limits is approximately 12 square miles. The City is empowered to levy a property tax on real estate and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Commission.

The City operates under the commission-manager form of government. Policy-making and legislative authority are vested in the City Commission (Commission) consisting of the Mayor and four commissioners. The Commission is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Commission for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The Commission is elected on a non-partisan basis. Commission member serve four-year staggered terms. The mayor and commissioners are elected at large.

The services provided by the City of Lake Alfred are police and fire protection, parks and recreation, library services, solid waste collection and public works with utility services including water and wastewater. The citizens of Lake Alfred are averse to outsourcing any services the City provides, however a private firm is contracted to provide recycling services.

The annual budget serves as the foundation of the City's financial planning and control. All departments of the City submit requests for appropriation to the City Manager by the end of May. The City Manager uses these requests as a starting point for developing a proposed budget. A workshop is held to discuss funding needs and budgetary priorities. A proposed budget is presented to the Commission and a tentative millage is set in July. The Commission is required to hold two public hearing on the budget and millage rate in September and adopt a final budget and millage rate by no later than September 30, the close of the City's fiscal year.

The appropriated budget is prepared by fund and department. Directors may make transfers of appropriations within their department with City Manager approval. There are two budget adjustments made on an annual basis: once at midyear and the other is 60 days after end of the fiscal year per State Statute. Budget-to-Actual comparisons are provided in this report for each fund. For the General Fund this comparison is presented as required supplemental information.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment with which the City of Lake Alfred operates.

Local Economy

The City of Lake Alfred's current economic environment and local indicators point to a continued slowdown. We are a primarily a residential community. House prices remain low, therefore reducing property taxes. This year there was a reduction of 10%. There was little to no commercial activity. This trend is expected to continue. The City is taking a conservative fiscal approach to financial decisions, and is also looking for ways to reduce dependence on property taxes.

Major Initiatives

During the fiscal year 2011, the City of Lake Alfred achieved many significant accomplishments in furtherance of the goals and objectives established by the Commission without adding any debt.

- The level of service for Sanitation was changed to once a week pick up with a 95-gallon can provided by the city. Management moved the Sanitation operation from the Enterprise fund to the General Fund. Initial investment of $112,556
- Resurfacing Project of ten roads completed totaling $235,095.
- New Roof and Air conditioning unit for City Hall - $304,187
- A water meter change-out program began this year and will be finished in 2012. This will increase revenue and reduce staff. In 2011, $100,000 was used to purchase meters. For 2012, $350,000 in unrestricted funds will be used to fund the remainder of the project.

Cash Management Policies and Practices
The City of Lake Alfred maintains a pooled cash account for all funds excluding Pension funds. The cash management involves a mix on maintaining principle and earnings free from risk, maintaining adequate liquidity to meet the City's obligations, and maximizing investment returns. The City's investment policy is consistent with local government investment policy delineated in Chapter 218, Florida Statutes. Surplus cash is invested in Certificates of Deposits and Local Government Pool. The combined interest earnings from all investments totaled $51,038.

Risk Management
The City of Lake Alfred has traditionally financed loss exposures through conventional insurance. Coverage for workers compensations, property damage and general liability is purchased through the Florida League of Cities insurance program, which assumes all risk of loss up to the policy maximum. Insurance coverage is evaluated on an annual basis by management and adjusted as necessary to provide the most cost effective protection for the City of Lake Alfred.

Pensions
There are two pension plans. Both are defined benefit pension plans one is for general fund employees including fire and the other is for police. Each year, an independent actuary engaged by the pension plans calculates the amount of the annual contribution that the City must make to the pension plans to ensure that the plans will be able to fully meet their obligations to retired employees on a timely basis. The City fully funds each year's annual required contribution to the pension plans as determined by the actuary.

Other Post Employment Benefits
The City does not pay other post-employment benefits costs (OPEB), but the City is required by State law to allow retirees to remain on the City's health plan at the same costs as regular employees. The City has not established a trust for its OPEB benefits as the annual cost is not significant. OPEB benefits are funded on a pay-as-you-go basis. Additional information on this benefit is provided in Note 10 in the notes to financial statements.

Awards and Acknowledgements

The City has received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2010. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide and a communications device.

The in-house preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. The significant amount of year-end closing procedures required prior to the audit could not have been accomplished with the expertise of Tierso Nunez with GTN and Associates.

Other City departments, although no extensively involved in year-end audit activities, contributed significantly by ensuring the accuracy and integrity of accounting information compiled throughout the year. Without their diligence, the work of the Finance Department would have been considerably more difficult.

Appreciation must also be expressed to the City's auditors, Mike Brynjulfson and Jordan Ortiz of Brynjulfson CPA whose suggestions and attention to detail enhanced the quality of this report.

Respectfully submitted,

Ryan Leavengood
City Manager

Amber Deaton
Finance Director

FINANCIAL SECTION

Brynjulfson CPA, P.A.

Certified Public Accountants

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, 2011, 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, 2011, 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 9, 2012 on our consideration of **City of Lake Alfred, Florida**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting standards generally accepted in the United States of America require 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Lake Alfred, Florida**'s financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical section sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
March 9, 2012

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MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2011

As management of the City of Lake Alfred, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 2.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $19,066,019 (net assets). Of this amount, $4,296,011 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

- As of the close of the current fiscal year, the City's governmental fund (general fund) reported a combined ending fund balance of $2,495,381 a decrease of $127,854 in comparison with the prior year. Of this total amount $1,596,262 is available for spending at the government's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves which can be found on pages 35 and 36 of this report.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police department, streets and roads, maintenance, and culture and recreation. The business-type activities of the City include the water, sewer, and storm water and sanitation departments.

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

Fund Financial Statements

Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the City, rather than reporting on the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Fund

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

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

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

Proprietary Fund

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

Notes to the Financial Statements

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

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

Government-Wide Financial Analysis

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

Statement of Net Assets (Summary)
As of September 30, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Current and other assets	$2,703,524	$2,794,946	$4,961,084	$5,472,726	$7,664,608	$8,267,672
Capital assets	6,845,941	6,429,163	13,156,521	14,134,639	20,002,462	20,563,802
Total assets	$9,549,465	$9,224,109	$18,117,605	$19,607,365	$27,667,070	$28,831,474
Long-term liabilities outstanding	$ 151,809	$141,840	$6,698,243	$7,103,179	$6,850,052	$7,245,019
Other liabilities	126,113	171,711	1,624,887	1,680,690	1,751,000	1,852,401
Total liabilities	$ 277,922	$313,551	$8,323,130	$8,783,869	$8,601,052	$9,097,420
Net assets: Invested in Capital assets net of related debt	$6,836,176	$6,327,927	$6,411,861	$7,029,944	$13,248,037	$13,357,871
Restricted	899,119	629,545	622,852	1,167,613	1,521,971	1,797,158
Unrestricted	1,536,249	1,953,086	2,759,762	2,625,939	4,296,011	4,579,025
Total net assets	$9,271,544	$8,910,558	$9,794,475	$10,823,496	$19,066,019	$19,734,054

Seventy-two percent *(69%)* of the City's net assets reflects its investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (22%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

Statement of Activities (Summary)

For the year ended September 30, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Revenues						
Charges for Services	$805,432	$305,079	$2,045,787	$2,511,380	$2,851,219	$2,816,459
Operating grants and contributions	126,179	127,434	-	-	126,179	127,434
Capital grants and contributions	72,625	202,364	66,684	149,116	139,309	351,480
General revenues:						
Property taxes	996,810	1,196,681	-	-	996,810	1,196,681
Other Taxes	1,054,425	1,080,523	-	-	1,054,425	1,080,523
Other	518,108	478,448	48,553	57,429	566,661	535,877
Total revenues	$3,573,579	$3,390,529	$2,161,024	$2,717,925	$5,734,603	$6,108,454
Expenses						
Governmental Activities:						
General Government	$766,279	$783,251	-	-	$766,279	$783,251
Police	882,166	807,869	-	-	882,166	804,869
Fire	566,230	493,600	-	-	566,230	493,600
Building and Zoning	140,153	109,644	-	-	140,153	109,644
Sanitation	333,855	-	-	439,759	333,855	439,759
Public Works	123,297	-	-	-	123,297	-
Streets	397,951	443,834	-	-	397,951	443,834
Parks and recreation	406,791	401,027	-	-	406,791	401,027
Interest on long-term debt	851	1,249	-	-	851	1,249
Business-Type Activities:						
Water	-	-	1,019,692	885,029	1,019,692	885,029
Sewer	-	-	1,443,065	1,303,420	1,443,065	1,303,420
Stormwater	-	-	147,454	56,369	147,454	56,369
Total expenses	$3,617,573	$3,037,474	$2,610,211	$2,684,577	$6,227,784	$5,722,051
Increase (decrease) in net assets before transfers	(43,994)	353,055	(449,187)	33,348	(493,181)	386,403
Transfers	404,979	35,000	(404,979)	(35,000)	-	-
Increase (decrease) in net assets	360,985	388,055	(854,166)	(1,652)	(493,181)	386,403
Adjustments	-	-	(174,855)	50,364	(174,855)	50,364
Net assets - October 1	8,910,558	8,522,503	10,823,496	10,825,148	19,734,054	19,347,651
Net assets - September 30	$9,271,543	$8,910,558	$9,794,475	$10,823,496	$19,066,018	$19,734,054

Governmental activities increased the City's net assets by $360,985 compared to $388,055 for 2010, an increase of $377,909 which is related to move of the sanitation department from the business-type activities to the governmental activities.

Business-type activities decreased the City's net assets by $1,259,145, compared to a decrease of $1,652 in 2010.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spend able resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current year, the City's general fund had unrestricted cash and cash equivalents of $1,526,611 compared to $2,026,499 at the close of the prior year. Two major capital improvement projects reduced unrestricted assets by $416,837 compared to the surplus of $117,571 from last year.

The enterprise fund's unrestricted cash and cash equivalents were increased to $2,513,626 compared to $2,464,533 at the close of the prior year.

Budgetary Highlights

The General Fund's budget was amended during the year. Budgeted revenues were $4,202,922 and budgeted expenditures were $4,202,922.

Actual revenues on the budgetary basis were less than budgeted by $323,768, and actual expenditures on the budgetary basis were less than budgeted by $195,914 resulting in an overall actual deficit of $127,854.

Additional information can be found on page 36 of this report.

Capital Assets and Debt Administration

The city's investment in capital assets for its governmental and business type activities as of September 30, 2011, amounts to $19,930,147 (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.

Capital Assets Activity
(net of depreciation)
As of September 30, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Land	$2,383,729	$2,383,729	$701,132	$701,132	$3,084,861	$3,084,861
Construction in Progress	-	7,680	-	106,679	-	114,359
Buildings and improvements	3,020,197	2,660,452	20,316,773	20,196,019	20,618,792	22,856,471
Vehicles and equipment	2,978,998	2,342,246	647,240	1,368,273	3,626,238	3,710,519
Road Network	1,923,696	1,688,601	-	-	1,923,696	1,688,601
Sidewalk Network	163,665	146,658	-	-	163,665	146,658
Less: Accumulated Depreciation	(3,624,344)	(2,882,325)	(8,580,939)	(8,493,550)	(12,205,283)	(11,375,875)
Total	$6,845,941	$6,347,041	$13,084,206	$13,878,553	$19,930,147	$20,225,594

Additional information on the City's capital assets can be found in note 6 on page 25 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of $6,682,110 all of which represents revenue notes.

Revenue Notes and Notes Payable
as of September 30, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Revenue notes	-	-	$6,645,538	$7,020,841	$6,645,538	$7,020,841
Notes payable	9,765	19,115	26,807	52,472	36,572	71,587
Total	$9,765	$19,115	$6,672,345	$7,073,313	$6,682,110	$7,092,428

Additional information on the City's long-term debt can be found in note 7 on pages 27 - 29 of this report.

Economic Factors and Next Year's Budgets and Rates

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

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF LAKE ALFRED, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
as of September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,526,611	$ 2,513,626	$ 4,040,237
Receivables, current:			
Customer accounts, net	52,311	246,341	298,652
Intergovernmental	90,306	28,984	119,290
Franchise and public service taxes	53,147		53,147
Prepaid expenses		7,727	7,727
Restricted assets:			
Cash and cash equivalents	899,119	2,164,406	3,063,525
Capital assets:			
Non-depreciable	2,383,729	701,132	3,084,861
Depreciable, net	4,462,212	12,383,074	16,845,286
Net pension asset	82,030		82,030
Unamortized bond costs		72,315	72,315
TOTAL ASSETS	9,549,465	18,117,605	27,667,070
LIABILITIES			
Accounts payable and accrued expenses	95,433	52,366	147,799
Accrued payroll	30,680	4,450	35,130
Deferred revenue		1,196,600	1,196,600
Liabilities payable from restricted assets:			
Accrued interest payable		45,439	45,439
Customer deposits		326,032	326,032
Long-term obligations:			
Due within one year	33,928	413,598	447,526
Due in more than one year	117,881	6,284,645	6,402,526
TOTAL LIABILITIES	277,922	8,323,130	8,601,052
NET ASSETS			
Invested in capital assets, net of related debt	6,836,176	6,411,861	13,248,037
Restricted (expendable) for:			
Law enforcement training	31,467		31,467
Law enforcement forfeitures	26,673		26,673
Building and permitting	41,792		41,792
Public safety improvements	245,791		245,791
Recreation improvements	76,834		76,834
General government improvements	131,831		131,831
Parks	920		920
Debt service		46,837	46,837
Sanitation equipment	343,811		343,811
Sewer system improvements		179,276	179,276
Stormwater system improvements		184,117	184,117
Water system improvements		212,622	212,622
Unrestricted	1,536,249	2,759,762	4,296,011
TOTAL NET ASSETS	$ 9,271,544	$ 9,794,475	$ 19,066,019

See Accompanying Notes to Financial Statements

CITY OF LAKE ALFRED, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
FUNCTIONS/PROGRAMS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	$ 766,279	$ 13,109	$ 402	$ 32,865	$ (719,903)	$	$ (719,903)
Building and zoning	140,153	40,883			(99,270)		(99,270)
Police	882,166	42,871	125,777	15,516	(698,002)		(698,002)
Fire	566,230	127,959		3,700	(434,571)		(434,571)
Sanitation	333,855	479,833			145,978		145,978
Public works	123,297				(123,297)		(123,297)
Roads and streets	397,951	34,507			(363,444)		(363,444)
Parks and recreation	406,791	66,270		20,544	(319,977)		(319,977)
Interest on debt	851				(851)		(851)
Total governmental activities	3,617,573	805,432	126,179	72,625	(2,613,337)		(2,613,337)
Business-type activities:							
Water utility	1,019,692	831,457		34,314		(153,921)	(153,921)
Sewer utility	1,443,065	1,159,105		32,370		(251,590)	(251,590)
Stormwater utility	147,454	55,225				(92,229)	(92,229)
Total business-type activities	2,610,211	2,045,787		66,684		(497,740)	(497,740)
TOTAL PRIMARY GOVERNMENT	$ 6,227,784	$ 2,851,219	$ 126,179	$ 139,309	(2,613,337)	(497,740)	(3,111,077)
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					996,810		996,810
Franchise taxes					296,006		296,006
Public service taxes					517,937		517,937
Fuel taxes levied for transportation purposes					240,482		240,482
State shared revenue					328,161		328,161
Investment earnings					16,289	39,362	55,651
Miscellaneous					173,658	9,191	182,849
Interfund transfers					404,979	(404,979)	
Total general revenues, special items, and transfers					2,974,322	(356,426)	2,617,896
CHANGE IN NET ASSETS					360,985	(854,166)	(493,181)
NET ASSETS - beginning of year, as previously reported					8,910,558	10,823,496	19,734,054
Restatement of opening net assets (see Note 13)						(174,855)	(174,855)
NET ASSETS - end of year					$ 9,271,543	$ 9,794,475	$ 19,066,018

See Accompanying Notes to Financial Statements

CITY OF LAKE ALFRED, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
as of September 30, 2011

	General Fund
ASSETS	
Cash and cash equivalents	$ 1,526,611
Receivables, net:	
Customers	52,311
Intergovernmental	90,306
Franchise and public service taxes	53,147
Restricted assets:	
Cash and cash equivalents	899,119
TOTAL ASSETS	$ 2,621,494
LIABILITIES AND FUND EQUITY	
Accounts payable and accrued expenses	$ 95,433
Accrued payroll	30,680
TOTAL LIABILITIES	126,113
FUND BALANCE:	
Restricted for:	
Law enforcement education and training	31,467
Law enforcement forfeitures	26,673
Building and permitting	41,792
Sanitation equipment	132,383
Sanitation vehicles	211,428
Public safety improvements (impact fees)	245,791
Recreation improvements (impact fees)	76,834
General government improvements (impact fees)	131,831
Parks	920
Unassigned	1,596,262
TOTAL FUND BALANCE	2,495,381
TOTAL LIABILITIES AND FUND BALANCE	$ 2,621,494

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, 2011

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	2,495,381
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		6,845,941
Net pension assets are not current financial resources and therefore are not reported as assets in the governmental funds.		82,030
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.		(151,809)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	9,271,543

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, 2011

	General Fund
REVENUES:	
Taxes	$ 2,017,049
Licenses and permits	65,781
Intergovernmental revenue	554,527
Charges for services	661,388
Fines and forfeitures	53,796
Other	221,038
Total revenues	3,573,579
EXPENDITURES:	
General government	707,055
Public safety	1,470,931
Physical environment	429,123
Transportation	258,864
Culture and recreation	307,810
Capital outlay	823,025
Debt service	10,200
Total expenditures	4,007,008
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(433,429)
OTHER FINANCING SOURCES (USES):	
Interfund transfers	305,575
Total other financing sources	305,575
NET CHANGE IN FUND BALANCE	(127,854)
FUND BALANCE, beginning of year	2,623,235
FUND BALANCE, end of year	$ 2,495,381

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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	(127,854)
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.		805,679
This is the net book value of capital assets transfered from enterprise fund.		103,776
This is the net book value of capital assets disposed during the year.		(30,613)
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.		(379,942)
This is the change in the net pension asset during the year.		(92)
Long-term compensated absences and termination benefits 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.		(19,319)
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.		9,350
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	360,985

See Accompanying Notes to Financial Statements

CITY OF LAKE ALFRED, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
as of September 30, 2011

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,513,626
Accounts receivable:	
Customer receivable, net	246,341
Other governments	28,984
Prepaid expenses	7,727
Total current assets	2,796,678
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	2,164,406
Capital assets, net:	
Non-depreciable	701,132
Depreciable, net	12,383,074
Unamortized bond issue costs	72,315
Total noncurrent assets	15,320,927
TOTAL ASSETS	18,117,605
LIABILITIES	
Current liabilities:	
Accounts payable	52,366
Accrued payroll	4,450
Bonds and notes payable, current portion	413,598
Total current liabilities	470,414
Noncurrent liabilities:	
Payable from restricted assets:	
Accrued interest payable	45,439
Customer deposits	326,032
Prepaid impact fees	1,196,600
Compensated absences	25,898
Bonds and notes payable, noncurrent portion	6,258,747
Total noncurrent liabilities	7,852,716
TOTAL LIABILITIES	8,323,130
NET ASSETS	
Invested in capital assets, net of related debt	6,411,861
Restricted (expendable) for:	
Debt service	46,837
Sewer system improvements	179,276
Stormwater system maintenance	184,117
Water system improvements	212,622
Unrestricted	2,759,762
TOTAL NET ASSETS	$ 9,794,475

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, 2011

	Enterprise Fund
OPERATING REVENUES:	
Charges for services	$ 2,045,787
Total operating revenues	2,045,787
OPERATING EXPENSES:	
Personal services	504,705
Operating expenses	1,031,655
Loss on disposal of capital assets	154,335
Depreciation	706,272
Total operating expenses	2,396,967
OPERATING INCOME (LOSS)	(351,180)
NONOPERATING REVENUE (EXPENSE):	
Interest revenue	39,362
Interest expense	(213,244)
Other nonoperating income	9,191
Total nonoperating revenues (expenses)	(164,691)
Income (loss) before contributions and transfers	(515,871)
CAPITAL CONTRIBUTIONS	
Capital grants and contributions	61,536
Impact and equipment fees	5,148
Total capital contributions	66,684
TRANSFERS OUT	(404,979)
Change in net assets	(854,166)
TOTAL NET ASSETS - beginning of year, as originally reported	10,823,496
Restatement of opening net assets (see Note 13)	(174,855)
TOTAL NET ASSETS - end of year	$ 9,794,475

See Accompanying Notes to Financial Statements

CITY OF LAKE ALFRED, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the year ended September 30, 2011

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 2,107,480
Payments to suppliers	(1,051,514)
Payments for salaries and benefits	(523,975)
Net cash flows from operating activities	531,991
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase (decrease) in customer deposits	10,023
Transfers to other funds	(305,575)
Net cash flows from noncapital financing activities	(295,552)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(170,036)
Principal paid on notes, bonds and lease obligations	(400,968)
Interest paid on borrowings	(206,965)
Capital grants received, net of change in receivables	1,170
Impact and equipment fees received in cash	5,148
Sale of capital assets	9,190
Net cash flows from capital and related financing activities	(762,461)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on invested funds	39,362
Net cash flows from investing activities	39,362
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(486,660)
CASH AND CASH EQUIVALENTS, beginning of year	5,164,692
CASH AND CASH EQUIVALENTS, end of year	$ 4,678,032
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ (351,180)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	706,272
(Increase)/decrease in prepaid expenses	(7,727)
Loss on disposal of capital assets	154,335
(Increase) decrease in accounts receivable	61,693
Increase (decrease) in accounts payable and accrued expenses	(12,132)
Increase (decrease) in accrued wages and comp absences	(19,270)
Net cash flows from operating activities	$ 531,991
Noncash financing and investing activities:	
Book value of assets & liabilities transfered to general fund	$ 99,404

See Accompanying Notes to Financial Statements

CITY OF LAKE ALFRED, FLORIDA
STATEMENT OF NET ASSETS- FIDUCIARY FUNDS
as of September 30, 2011

	Pension Trust Funds
ASSETS	
Receivables:	
Contributions	$ 4,062
Accrued Income	18,665
Total receivables	22,727
Investments, at fair market value:	
Short-term money market investments	204,176
Common stocks and pooled equity funds	2,641,688
Bonds and pooled fixed income funds	2,017,539
Total investments	4,863,403
Total assets	4,886,130
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 4,886,130

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, 2011

	Pension Trust Funds
ADDITIONS	
Contributions:	
City	$ 242,316
Plan members	100,127
State of Florida	31,532
Total contributions	373,975
Investment income	7,979
Less investment expenses:	
Custodial fees	24,015
Investment related fees	20,775
Total investment expenses	44,790
Net investment income (loss)	(36,811)
Total additions	337,164
DEDUCTIONS	
Administrative expenses	50,839
Benefits and termination payments	395,178
Total deductions	446,017
NET INCREASE (DECREASE)	(108,853)
NET ASSETS	
Balance, beginning of year	4,994,983
Balance, end of year	$ 4,886,130

See Accompanying Notes to Financial Statements

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 and departments 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 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.

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. *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:

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 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.

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.

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 $36,375 at September 30, 2011. 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, 2011, such reserves totaled $1,638.

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.

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 two years. 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:

	Years
Utility plant in service	25-40
Buildings and improvements	15-40
Machinery and equipment	3-20
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.

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, 2011, 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 $31,532 for the year ended September 30, 2011. Such payments are recorded as intergovernmental revenue and public safety expenses/expenditures in the government-wide and general fund financial statements.

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

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

EQUITY CLASSIFICATIONS -

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

a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b) Restricted net assets - Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports $1,521,970 of restricted net assets, of which $1,474,213 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."

Net Assets - In the government-wide financial statements, net assets are reported as restricted, only when restricted by outside parties.

Fund Balance Classification in Goveernmental Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form such as inventories, prepaid items and noncurrent receivables (including interfund due froms) or (b) are legally or contractually required to be maintained intact. The City has no non spendable items.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified police education fines and forfeitures as being restricted because their use is restricted by State Statute for police expenditures. The City has also classified its various impact fees and sanitation equipment fees as restricted as their use is restricted by local ordinances.

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

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

EQUITY CLASSIFICATIONS - (cont...)

Fund Balance Classification - (cont...)

Debt service resources are to be used for future servicing of the revenue notes and are restricted through debt covenants. Resources provided for capital projects are classified as restricted when the resources for the projects are restricted by the grantor (eg. Federal, State or local governments) for funding of specific projects.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2011.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. The City had no assigned resources as of September 30, 2011.

The details of the fund balances are included in the governmental fund balance sheet. The City uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City has established by resolution, a requirement to maintain a minimum level of unassigned fund balance equal to 25% or more of the general fund's annual operating expenditures. Should unassigned fund balance fall below this level, the City Manager is required to submit a plan to the City Commission to restore unassigned fund balance to the acceptable level within two years.

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, 2011 was 6.58.

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.

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. The appropriated budget is prepared by fund, function, and department. 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 are adopted on a basis consistent with generally accepted accounting principles (GAAP). The City issues a publicly available budgetary report that demonstrates budgetary compliance at the individual account line basis. This report may be obtained by contacting the City of Lake Alfred Finance Department at 120 E. Pomelo Street, Lake Alfred, FL 33850.

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, 2011, 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, 2011, 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		1,095,498
Deposits in financial institutions:		
Insured or fully collateralized bank deposits		6,007,864
Total cash and cash equivalents	$	7,103,762

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.

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

In 2007, the State Board of Administration Local Government Investment Pool (SBA-LGIP) experienced liquidity problems forcing the administrators to freeze some of the participants withdrawal ability. They also transferred all of their sub par investments into a second restricted pool later renamed (Fund B). All participants automatically became investors in both pools with approximately 4% of their investment at that time 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.

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

Issuer/Issue	S&P Rating	Fair Value	Weighted Average Duration (WAD)/ Maturity (WAM)
City:			
State Board of Administration			
Florida Prime	AAAm	$ 1,079,085	WAM 31 days
Fund B	Not Rated	16,413	NA
		$ 1,095,498	
General Employees' Retirement System:			
Short term money market funds	Not Rated	$ 167,919	WAD 0.1
U. S. Government and agencies	AAA	575,594	WAD 11.0
Municipal obligations		36,569	WAD 16.0
Corporate and foreign bonds	AA to BBB-	795,714	WAD 8.0
		$ 1,575,796	
Police Officers' Retirement System:			
Short term money market funds	AAAm	$ 36,257	WAD 0.1
Vanguard bond mututal fund	Not Rated	609,662	WAD 5.2
		$ 645,919	

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2011, is summarized below:

	Balance October 1, 2010 as Restated	Reclassi-fications	Additions	Deletions	Balance September 30, 2011
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 2,383,729	$	$	$	$ 2,383,729
Construction in process	7,680	(311,866)	304,186		
Total	$ 2,391,409	$ (311,866)	$ 304,186	$	$ 2,383,729
Capital assets being depreciated:					
Buildings and improvements	$ 2,660,452	$ 311,866	$ 47,879	$	$ 3,020,197
Equipment	2,342,246	583,181	201,512	(147,941)	2,978,998
Infrastructure:					
Road network	1,688,601		235,095		1,923,696
Sidewalk network	146,658		17,007		163,665
Total capital assets being depreciated	6,837,957	895,047	501,493	(147,941)	8,086,556
Less accumulated depreciation for:					
Buildings and improvements	(766,986)		(120,194)		(887,180)
Equipment	(1,817,043)	(479,405)	(168,034)	117,328	(2,347,154)
Infrastructure:					
Road network	(265,879)		(83,956)		(349,835)
Sidewalk network	(32,417)		(7,758)		(40,175)
Total accumulated depreciation	(2,882,325)	(479,405)	(379,942)	117,328	(3,624,344)
Depreciable capital assets, net	3,955,632	415,642	121,551	(30,613)	$ 4,462,212
Governmental activities capital assets, net	$ 6,347,041	$ 103,776	$ 425,737	$ (30,613)	$ 6,845,941
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 701,132	$	$	$	$ 701,132
Construction in process	106,679	(183,287)	76,608		
Total	$ 807,811	$ (183,287)	$ 76,608	$	$ 701,132
Capital assets being depreciated:					
Buildings and improvements	$ 20,196,019	$ 183,287	$ 24,919	$ (87,452)	$ 20,316,773
Equipment	1,368,273		68,509	(789,542)	647,240
Total capital assets being depreciated	21,564,292	183,287	93,428	(876,994)	20,964,013
Less accumulated depreciation for:					
Buildings and improvements	(7,501,841)		(665,003)	66,766	(8,100,078)
Equipment	(991,709)		(41,269)	552,117	(480,861)
Total accumulated depreciation	(8,493,550)		(706,272)	618,883	(8,580,939)
Depreciable capital assets, net	13,070,742	183,287	(612,844)	(258,111)	12,383,074
Business-type capital assets, net	$ 13,878,553	$	$ (536,236)	$ (258,111)	$ 13,084,206

NOTE 6 - CAPITAL ASSETS (cont...)

The beginning business-type activities accumulated depreciation presented in the preceding table has been restated (increased) by $174,855 as more fully discussed in Note 13.

Depreciation expense was charged to the following programs and functions:

Governmental Activities:	
General government	50,638
Law enforcement	54,653
Fire control	31,463
Building and zoning	11,939
Sanitation	28,977
Public works	103
Roads and streets	102,286
Parks and recreation	99,883
Total depreciation expense - governmental activities	$ 379,942
Business-type Activities:	
Water utility	199,378
Wastewater utility	480,185
Stormwater utility	26,709
Total depreciation expense - business-type activities	$ 706,272

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2011:

	Balance October 1, 2010	Additions	Reductions	Balance September 30, 2011	Amounts Due within One Year
Governmental Activities:					
Long-term debt:					
Notes payable:					
Installment note for street sweeper	$ 19,115	$	$ (9,350)	$ 9,765	$ 9,765
Total long-term debt	19,115		(9,350)	9,765	9,765
Other liabilities:					
Accrued termination benefits		13,770		13,770	4,590
Compensated absences:					
Vacation	62,220		(205)	62,015	5,872
Sick	60,505	5,754		66,259	13,701
Total other liabilities	122,725	19,524	(205)	142,044	24,163
Total long-term liabilities	$ 141,840	$ 19,524	$ (9,555)	151,809	$ 33,928
Less amount due in one year				(33,928)	
Net long-term liabilities due after one year				$ 117,881	
Business-type Activities:					
Long-term debt:					
Notes payable:					
Series 2008A Revenue Refunding Note	$ 2,673,501	$	(154,144)	$ 2,519,357	$ 160,737
WW719090 installment note to DEP	4,347,340		(221,159)	4,126,181	226,054
Installment note for street sweeper	52,472		(25,665)	26,807	26,807
Total long-term debt	7,073,313		(400,968)	6,672,345	413,598
Other liabilities:					
Florida Dept. of Environmental Protection					
Compensated absences					
Vacation	17,937		(696)	17,241	
Sick	11,929		(3,272)	8,657	
Total other liabilities	29,866		(3,968)	25,898	
Total long-term liabilities	$ 7,103,179	$	$ (404,936)	6,698,243	$ 413,598
Less amount due in one year				(413,598)	
Net long-term liabilities due after one year				$ 6,284,645	

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

Notes to Long-Term Obligations Table

Governmental Activities:

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

Business-type Activities:

- Series 2008A note (original principal $2,991,470) is secured by a senior lien on the revenues of the water and sewer systems and contains a requirement to maintain a minimum debt service coverage ratio of 1.2. The actual debt service coverage ratio for the year ended September 30, 2011, was approximately 1.75 on this senior obligation . The 2008A note bears interest at a rate of 4.2% with principal and interest payments of $66,072 payable quarterly with a final maturity on September 23, 2023. The note proceeds were used to retire an existing debt whose proceeds were used to finance improvements primarily to the sewer system.

- Installment Note to DEP (WW 719090) - This note, in the original amount of $5,143,530, is secured by a subordinate lien on the water and sewer revenues and bears interest at 2.205%, with semi-annual principal and interest payments of $157,823 on July 15 and December 15, and continuing to maturity in January 2027. The note proceeds used to fund expansion of the wastewater treatment facility.

- Installment Note for Street Sweeper (original principal $105,043) - this note is shared with the general fund with 73% of the debt service coming from the enterprise fund stormwater department. Refer to the above discussion for further details.

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

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

Pledged Revenues:

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

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
Water and sewer revenues	01/15/2027	$ 8,130,021	$ 579,932	$ 462,787	79.80%

Maturities:

Annual requirements to repay all long-term bonds and notes payable as of September 30, 2011, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	$ 9,765	$ 435	$ 413,598	$ 194,335
2013			398,669	181,264
2014			410,952	168,981
2015			423,654	156,278
2016			436,792	143,140
2017 - 2021			2,397,446	502,216
2022 - 2026			2,035,129	137,745
2027 - 2031			156,105	1,717
Total	$ 9,765	$ 435	$ 6,672,345	$ 1,485,676

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transactions are summarized below:

Receiving Fund	Paying Fund	Amount
General Fund	Enterprise Fund	$ 404,979

The transfer from the enterprise fund to the general fund represents the net book value of the sanitation assets that were transfered to the general fund.

NOTE 9 - PENSION TRUST FUNDS

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

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:

	General Employees	Police Officers
Contribution rates		
City	13.20%	7.20%
Plan members	5.00%	5.00%
Annual pension cost	$211,489	$62,452
Contributions made	$211,396	$62,452

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

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

	General Employees	Police Pension
Actuarial valuation date	October 1, 2009	October 1, 2009
Actuarial cost method	Entry Age Normal	Entry Age Normal
Mortality rate	RP 2000 Mortality Table	RP 2000 Mortality Table
Remaining amortization period	27	27
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%

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)
General Employees' Retirement System:			
9/30/11	$ 211,489	99%	$ (63,810)
9/30/10	$ 188,507	99%	$ (63,902)
9/30/09	$ 165,753	115%	$ (66,123)
Police Officers' Retirement System:			
9/30/11	$ 62,452	100%	$ (18,220)
9/30/10	$ 34,206	112%	$ (18,220)
9/30/09	$ 35,734	108%	$ (13,702)

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

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)
General Employees' Retirement System:						
10/01/2010	$ 3,692,803	$ 3,872,676	$ 179,873	95.36%	$ 1,419,705	12.67%
Police Officers' Retirement System:						
10/01/2010	$ 1,638,657	$ 1,615,568	$ (23,089)	101%	$ 368,264	-6.27%

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 five years of information in the RSI because they changed their actuarial method from the aggregate method to the entry age method effective with the 10/01/06 valuation.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

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

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The City has outstanding debt secured by its water and sewer revenues. The water and sewer operations are accounted for in a single enterprise fund along with 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, 2011, is presented below:

	Water & Sewer System
Condensed statement of revenues, expenses and changes in net assets:	
Charges for services	$ 1,990,562
Operating expenses	(1,572,285)
Depreciation	(679,563)
Operating income (loss)	(261,286)
Interest income	39,362
Interest expense	(210,909)
Non-operating income	9,191
Impact and equipment fees	5,148
Capital contributions	61,536
Transfers	
Change in net assets	$ (356,958)
Condensed statement of net assets:	
Capital assets, net	$ 12,611,938
Long-term liabilities	$ 6,671,436
Invested in capital assets, net of debt	$ 5,966,400

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Risk Management - Commercial insurance protection with normal deductibles is in place to limit the City's exposure from losses arising from liability and property and equipment damages. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2011. The City's workers compensation coverage is provided through a non-assessable program; in the event the insurance company were declared insolvent, the City would only be responsible for its own claims and not the claims of other insured entities under the program.

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

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

NOTE 13 - RESTATEMENT OF OPENING NET ASSETS

The net assets of the business-type activities/enterprise fund were restated (reduced) by $174,855 to correct errors in prior years' depreciation.

NOTE 14 - SUBSEQUENT EVENT

The City Commission approved Ordinance 1298-11 effective October 1, 2011 which amended the Police Officers' Pension Plan to include all certified firefighters' of the City of Lake Alfred and to designate the Plan as the City of Lake Alfred Police Officers' and Firefighters' Retirement System. On December 28, 2011, the General Employees Pension Plan moved $467,470 from the Lake Alfred General Employees' Retirement System to the new combined Police Officers' and Firefighters' Retirement System, which represented the actuarial accrued liability of the certified firefighters' transferred to the Plan.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE ALFRED, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (unaudited)
for the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RESOURCES (inflows):				
Taxes	$ 2,023,730	$ 2,020,130	$ 2,017,049	$ (3,081)
Licenses and permits	56,700	66,200	65,781	(419)
Intergovernmental revenue	581,093	555,131	554,527	(604)
Charges for services	621,709	603,230	661,388	58,158
Fines and forfeitures	46,000	54,600	53,796	(804)
Other	254,175	211,767	221,038	9,271
Interfund transfers	98,000	113,000	305,575	192,575
Prior year fund balance reappropriated to current year	223,570	578,864		(578,864)
Amounts available for appropriation	3,904,977	4,202,922	3,879,154	(323,768)
CHARGES TO APPROPRIATIONS (outflows):				
General government	744,784	711,638	707,055	4,583
Public safety	1,502,042	1,484,278	1,470,931	13,347
Physical environment	471,266	434,965	429,123	5,842
Transportation	251,000	264,550	258,864	5,686
Culture/recreation	326,469	312,425	307,810	4,615
Capital outlay	609,416	995,066	823,025	172,041
Debt service			10,200	(10,200)
Total charges to appropriations	3,904,977	4,202,922	4,007,008	195,914
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS			$ (127,854)	$ (519,682)

CITY OF LAKE ALFRED, FLORIDA
SCHEDULE OF FUNDING PROGRESS (unaudited)
September 30, 2011

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)
General Employees' Retirement System:						
10/01/2010	$ 3,692,803	$ 3,872,676	$ 179,873	95.36%	$ 1,419,705	12.67%
10/01/2009	$ 3,523,037	$ 3,859,364	$ 336,327	91.29%	$ 1,307,723	25.72%
10/01/2008	$ 3,339,187	$ 3,566,659	$ 227,472	93.62%	$ 1,424,547	15.97%
10/01/2007	$ 3,129,688	$ 3,349,206	$ 219,518	93.45%	$ 1,276,386	17.20%
10/01/2006	$ 2,725,990	$ 3,229,118	$ 503,128	84.42%	$ 1,310,691	38.39%
Police Officers' Retirement System:						
10/01/2010	$ 1,638,657	$ 1,615,568	$ (23,089)	101%	$ 368,264	-6.27%
10/01/2009	$ 1,628,555	$ 1,618,217	$ (10,338)	101%	$ 338,687	-3.05%
10/01/2008	$ 1,579,437	$ 1,496,197	$ (83,240)	106%	$ 373,911	-22.26%
10/01/2007	$ 1,511,372	$ 1,382,351	$ (129,021)	109%	$ 357,545	-36.09%
10/01/2006	$ 1,371,969	$ 1,351,468	$ (20,501)	102%	$ 329,591	-6.22%

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

STATISTICAL SECTION

Statistical Section

(Unaudited)

This part of the City of Lake Alfred's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents **Page**

Financial Trends 44-48

These schedules contain trend information to help the reader understand how the goverment's financial performance and well-being has changed over time.

Revenue Capacity 49-52

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 53-57

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 58-59

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities takes place.

Operating Information 60-62

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report related to the services the government provides and the activities it performs.

Lake Alfred, Florida
Schedule of Net Assets - By Component
Last Eight Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities								
Invested in Capital Assets								
net of related debt	$ 1,235,454	$ 4,020,859	$ 4,817,371	$ 5,158,120	$ 6,199,191	$ 6,050,045	$ 6,327,927	$ 6,836,176
Restricted	55,971	321,458	679,011	699,063	841,801	724,154	629,545	899,119
Unrestricted	237,660	473,666	494,151	861,893	1,176,673	1,748,304	1,953,086	1,536,249
Total governmental activities net assets	$ 1,529,085	$ 4,815,983	$ 5,990,533	$ 6,719,076	$ 8,217,665	$ 8,522,503	$ 8,910,558	$ 9,271,544
Business-type activities								
Invested in capital assets								
net of related debt	$ 4,104,499	$ 3,974,636	$ 4,892,363	$ 5,301,057	$ 6,194,701	$ 6,777,173	$ 7,029,944	$ 6,411,861
Restricted	785,510	851,217	2,141,589	799,888	1,141,366	1,352,857	1,167,613	622,852
Unrestricted	733,185	1,308,324	1,974,203	2,334,137	2,808,636	2,644,754	2,625,939	2,759,762
Total Business-type activities net assets	$ 5,623,194	$ 6,134,177	$ 9,008,155	$ 8,435,082	$ 10,144,703	$ 10,774,784	$ 10,823,496	$ 9,794,475
Primary Government								
Invested in capital assets								
net of related debt	$ 5,339,953	$ 7,995,495	$ 9,709,734	$ 10,459,177	$ 12,393,892	$ 12,827,218	$ 13,357,871	$ 13,248,037
Restricted	841,481	1,172,675	2,820,600	1,498,951	1,983,167	2,077,011	1,797,158	1,521,971
Unrestricted	970,845	1,781,990	2,468,354	3,196,030	3,985,309	4,393,058	4,579,025	4,296,011
Total primary government net assets	$ 7,152,279	$ 10,950,160	$ 14,998,688	$ 15,154,158	$ 18,362,368	$ 19,297,287	$ 19,734,054	$ 19,066,019

Sources: Information derived from the annual financial reports for the relevant year.
The City implemented GASB statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

Lake Alfred, Florida
Schedule of
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental Activities:								
General Government	$ 715,428	$ 713,494	$ 832,242	$ 775,461	$ 917,303	$ 929,709	$ 783,251	$ 766,279
Building & Zoning	-	142,091	182,375	194,624	154,324	125,831	109,644	140,153
Police	702,092	728,541	733,807	778,689	857,193	806,590	804,869	882,166
Fire	414,267	451,934	486,859	458,745	495,129	492,389	493,600	566,230
Sanitation	-	-	-	-	-	-	-	333,855
Transportation	567,407	428,049	476,178	383,022	462,318	606,197	443,834	521,248
Culture and Recreation	232,558	249,546	305,135	321,572	366,738	408,397	401,027	406,791
Interest on long term debt	17,275	18,441	5,117	31,631	20,137	-	1,249	851
Total governmental activities expenses	2,649,027	2,732,096	3,021,713	2,943,744	3,273,142	3,369,113	3,037,474	3,617,573
Business-type activities:								
Water Utility	780,338	656,518	682,880	876,435	793,477	946,531	885,029	1,019,692
Sewer Utility	573,172	875,971	844,434	969,868	1,099,435	1,392,260	1,303,420	1,443,065
Sanitation	378,849	396,075	448,041	516,312	515,033	505,112	439,759	-
Stormwater Utility	13,723	52,282	35,080	72,801	44,646	42,413	56,369	147,454
Total business-type activities expenses	1,746,082	1,980,846	2,010,435	2,435,416	2,452,591	2,886,316	2,684,577	2,610,211
Total primary government expenses	$ 4,395,109	$ 4,712,942	$ 5,032,148	$ 5,379,160	$ 5,725,733	$ 6,255,429	$ 5,722,051	$ 6,227,784
Program revenues								
Governmental activities:								
Charges for services	$ 401,361	$ 950,159	$ 1,096,810	$ 863,904	$ 477,240	$ 312,890	$ 305,079	$ 805,432
Operating grants and contributions	36,788	250,099	63,898	26,356	115,264	125,952	127,434	126,179
Capital grants and contributions	157,084	224,613	921,873	453,384	832,556	163,536	202,364	72,625
Total governmental activities program rev.	595,233	1,424,871	2,082,581	1,343,644	1,425,060	602,378	634,877	1,004,236
Business-type activities:								
Charges for services	2,178,652	2,201,878	2,383,035	2,444,251	2,541,888	2,494,194	2,511,380	2,045,787
Operating grants and contributions	-	69,174	-	-	-	-	-	-
Capital grants and contributions	112,322	424,431	2,578,405	492,504	1,542,964	912,381	149,116	66,684
Total business-type program revenues	2,290,974	2,695,483	4,961,440	2,936,755	4,084,852	3,406,575	2,660,496	2,112,471
Total primary government program revenues	$ 2,886,207	$ 4,120,354	$ 7,044,021	$ 4,280,399	$ 5,509,912	$ 4,008,953	$ 3,295,373	$ 3,116,707
Net(expenses)/revenue								
Governmental activities	(2,053,794)	(1,307,225)	(939,132)	(1,600,100)	(1,848,082)	(2,766,735)	(2,402,597)	(2,613,337)
Business-type activities	544,892	714,637	2,951,005	501,339	1,632,261	520,259	(24,081)	(497,740)
Total primary government net expenses	$ (1,508,902)	$ (592,588)	$ 2,011,873	$ (1,098,761)	$ (215,821)	$ (2,246,476)	$ (2,426,678)	$ (3,111,077)

Sources: Information derived from the annual financial reports for the relevant year.

Lake Alfred, Florida
Schedule of
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
Property Taxes	$ 713,048	$ 741,661	$ 811,547	$ 970,995	$ 1,570,257	$ 1,462,058	$ 1,196,681	$ 996,810
Franchise Taxes	293,527	321,097	352,165	413,061	429,833	307,722	309,977	296,006
Public Service Taxes	269,327	277,322	279,526	293,074	308,223	502,042	528,408	517,937
Fuel Taxes	-	-	-	-	242,577	244,157	242,138	240,482
State shared revenue	591,699	406,265	383,958	378,586	363,131	321,067	314,667	328,161
Investment earnings	10,218	37,136	73,286	99,428	56,764	34,483	19,263	16,289
Miscellaneous	143,553	64,954	-	1,892	162,772	200,044	144,518	173,658
Historical preservation grant	-	2,530,180	-	-	-	-	-	-
Interfund transfer	155,000	215,508	213,200	220,000	113,300	-	35,000	404,979
Total governmental activities	2,176,372	4,594,123	2,113,682	2,377,036	3,246,857	3,071,573	2,790,652	2,974,322
Business-type Activities:								
Investment earnings	6,530	11,854	129,048	228,126	165,748	109,132	55,012	39,362
Miscellaneous	-	-	7,125	2,462	9,290	690	2,417	9,191
Interfund transfer	(155,000)	(215,508)	(213,200)	(220,000)	(113,300)	-	(35,000)	(404,979)
Total business-type activities	(148,470)	(203,654)	(77,027)	10,588	61,738	109,822	22,429	(356,426)
Total primary government	$ 2,027,902	$ 4,390,469	$ 2,036,655	$ 2,387,624	$ 3,308,595	$ 3,181,395	$ 2,813,081	$ 2,617,896
Change in Net Assets								
Governmental activities	$ 122,578	$ 3,286,898	$ 1,174,550	$ 776,936	$ 1,398,775	$ 304,838	$ 388,055	$ 360,985
Business-type activities	396,422	510,983	2,873,978	511,927	1,693,999	630,081	(1,652)	(854,166)
Total Primary Government	$ 519,000	$ 3,797,881	$ 4,048,528	$ 1,288,863	$ 3,092,774	$ 934,919	$ 386,403	$ (493,181)

Sources: Information derived from the annual financial reports for the relevant year.
The City implemented GASB statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

Lake Alfred, Florida
Schedule of
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2002	2003	2004	2005	2006
General Fund					
Reserved	$ 108,324	$ 70,183	$ 93,627	$ 540,636	$ 728,564
Unreserved	203,625	236,791	321,308	286,521	540,372
Total General Fund	$ 311,949	$ 306,974	$ 414,935	$ 827,157	$ 1,268,936

	2007	2008	2009	2010	2011
General Fund					
Reserved	$ 699,063	$ 841,801	$ 740,032	$ 629,545	$ -
Unreserved	967,915	1,248,019	1,765,632	1,993,690	-
Restricted	-	-	-	-	899,119
Unassigned	-	-	-	-	1,596,262
Total General Fund	$1,666,978	$2,089,820	$ 2,505,664	$ 2,623,235	$ 2,495,381

The City implemented GASB statement 54 in 2011 changing the classifications of fund balance information beginning in that year.

Lake Alfred, Florida
Schedule of
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	$ 1,423,023	$ 1,466,318	$ 1,499,300	$ 1,568,244	$ 1,670,134	$ 1,902,743	$ 2,520,894	$ 2,483,695	$ 2,244,792	$ 2,017,049
Licenses and Permits	63,773	48,509	65,842	245,732	373,432	123,082	202,689	56,533	60,967	65,781
Intergovernmental	446,960	490,470	604,998	658,161	611,472	943,363	774,286	643,918	675,000	554,527
Charges for services	117,384	149,307	146,640	162,990	182,691	200,995	204,100	182,975	180,385	661,388
Fines and forfeitures	72,597	61,713	68,627	65,523	24,631	50,387	46,877	45,494	38,021	53,796
Other	139,601	139,328	231,200	419,626	217,162	257,017	239,341	217,221	190,193	221,038
Total revenues	$ 2,263,338	$ 2,355,645	$ 2,616,607	$ 3,120,276	$ 3,079,522	$ 3,477,587	$ 3,988,187	$ 3,629,836	$ 3,389,358	$ 3,573,579
Expenditures										
Current										
General Government	$ 829,333	$ 846,916	$ 713,138	$ 694,043	$ 776,575	$ 717,471	$ 882,672	$ 902,568	$ 850,833	$ 707,055
Public Safety	970,414	1,099,065	1,080,148	1,219,077	1,304,264	1,293,278	1,318,612	1,319,338	1,299,343	1,470,931
Physical environment	11,929	31,763	112,594	121,802	138,044	93,174	111,121	122,095	142,686	429,123
Transportation	288,907	321,813	318,080	262,610	276,206	203,374	217,962	211,115	228,576	258,864
Culture & Recreation	212,992	207,120	191,720	191,385	238,090	252,905	296,219	323,821	311,853	307,810
Debt Service										
Principal retirement	144,338	647,968	55,049	43,329	45,117	44,486	419,193	8,951	8,951	8,951
Interest	-	38,736	17,276	18,440	5,118	31,631	20,137	1,249	1,249	1,249
Debt issue costs	-	-	-	-	-	-	-	-	-	-
Capital Outlay	76,557	38,754	260,818	529,436	220,792	654,613	533,159	368,970	464,466	823,025
Total expenditures	$ 2,534,470	$ 3,232,135	$ 2,748,823	$ 3,080,122	$ 3,004,206	$ 3,290,932	$ 3,799,075	$ 3,258,107	$ 3,307,957	$ 4,007,008
Excess(deficiency) of revenues over(under) expenditures	$ (271,132)	$ (876,490)	$ (132,216)	$ 40,154	$ 75,316	$ 186,655	$ 189,112	$ 371,729	$ 81,401	$ (433,429)
Other financing sources(uses)										
Transfers in	199,500	328,400	155,000	215,508	213,200	220,000	113,300	-	35,000	305,575
Impact Fees	-	-	-	131,560	153,263	39,780	77,220	5,850	1,170	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
Capital grants	-	-	-	25,000	-	-	-	-	-	-
Proceeds from Borrowing	-	543,115	-	-	-	-	-	38,265	-	-
Total other financing sources (uses)	$ 199,500	$ 871,515	$ 155,000	$ 372,068	$ 366,463	$ 259,780	$ 190,520	$ 44,115	$ 36,170	$ 305,575
Net change in fund balance	$ (71,632)	$ (4,975)	$ 22,784	$ 412,222	$ 441,779	$ 446,435	$ 379,632	$ 415,844	$ 117,571	$ (127,854)
Debt service as percentage of non-capital expenditures	5.9%	21.5%	2.9%	2.4%	1.8%	2.9%	13.5%	0.4%	0.4%	0.3%

Lake Alfred, Florida
Schedule of
Assessed Value and Actual Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year	Real Property	Assessed Value of Personal Property	Centrally Assessed Property	Taxable Assessed Valuation	Total Direct Tax Rate
2002	73,227,586	29,975,325	430,307	103,633,218	7.058
2003	73,353,752	27,394,073	687,457	101,435,282	7.058
2004	81,764,211	25,730,485	692,280	108,186,976	7.058
2005	91,495,009	24,268,901	440,745	116,204,655	7.058
2006	118,030,998	23,895,167	441,973	142,368,138	7.058
2007	219,432,278	23,865,517	280,499	243,578,294	7.058
2008	210,357,081	19,287,227	563,807	230,208,115	6.580
2009	167,734,213	14,970,120	550,260	183,254,593	6.580
2010	134,191,758	20,680,285	546,215	155,418,258	6.580
2011	118,618,882	20,102,135	587,360	139,308,377	6.990

(1) The State of Florida, by statute, requires property appraisers to assess all property within the State at 100% of market value. Therefore, the assessed valuation and estimated actual value is the same.

Source: Polk County Property Appraiser
Note: Property in the city is assessed each year. Tax rates are per $1,000 of assessed value.

Lake Alfred, Florida
Schedule of
Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Lake Alfred	Polk County (BOCC)	Polk County School Board	Lakes Management	Peace River Water Basin	Southwest Florida Water Management District	Total
2002	7.058	7.727	8.722	0.395	0.195	0.0422	24.139
2003	7.058	7.727	8.578	0.377	0.195	0.0422	23.977
2004	7.058	7.727	8.317	0.377	0.195	0.0422	23.716
2005	7.058	7.727	8.206	0.377	0.195	0.0422	23.605
2006	7.058	8.727	8.078	0.363	0.195	0.0422	24.463
2007	7.058	8.333	7.770	0.364	0.195	0.0422	23.762
2008	6.580	6.866	7.512	0.313	0.182	0.386	21.839
2009	6.580	6.866	7.586	0.383	0.182	0.254	21.851
2010	6.580	6.866	7.792	0.447	0.182	0.337	22.204
2011	6.990	6.866	7.792	0.447	0.182	0.337	22.614

Lake Alfred, Florida
Schedule of
Principal Property Tax Payers
September 30, 2011 For the Current Year and Ten Years Prior

	2011		2001	
Taxpayer	**Taxable Assessed Valuation**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Valuation**	**Percentage of Total Taxable Assessed Value**
Mizkan Americas Inc	7,333,462	5.31%	*	*
Cax Cypress Gardens	5,892,162	4.27%	*	*
Caribbean Distillers LLC	5,288,128	3.83%	*	*
Tampa Electric	3,425,035	2.48%	*	*
MLA Income Properties II LLC	2,599,000	1.88%	*	*
Verizon	2,406,035	1.74%	*	*
PERM 4 LLC	2,180,132	1.58%	*	*
1792BT LLC	1,981,268	1.43%	*	*
Ash Street Group LLC	1,796,691	1.30%	*	*
Growers Fertilizer	1,533,864	1.11%	*	*
	34,435,777	24.93%		

* Data not available
Source: Polk County Tax Collector

Lake Alfred, Florida
Schedule of
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Prior Year Tax Collections	Total Tax Collections	Ratio of Levy to Collections
2002	731,443	*	*	*	*	*
2003	715,930	*	*	*	*	*
2004	763,584	741,660	97.13%	*	*	*
2005	820,172	811,547	98.95%	*	*	*
2006	1,004,834	970,995	96.63%	*	*	*
2007	1,719,176	1,570,257	91.34%	*	*	*
2008	1,514,769	1,462,058	96.52%	*	*	*
2009	1,205,815	1,193,553	98.98%	2,077	1,195,630	99.16%
2010	1,027,911	1,021,358	99.36%	3,457	1,024,815	99.70%
2011	1,030,436	*	*	*	*	*

* Data not available

Lake Alfred, Florida
Schedule of
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities		Business - Type Activities						
Fiscal Year	Notes Payable	Capital Lease	Notes Payable	State Revolving Loans	Capital Lease	Total Primary Government	Lake Alfred Personal Income	Percentage of Income	Per Capita
2002	712,027	-	1,162,635	3,112,577	-	4,987,239	119,497,435	4.17%	1,246
2003	607,174	-	3,898,454	106,563	-	4,612,191	122,507,950	3.76%	1,141
2004	552,125	-	3,772,847	262,969	-	4,587,941	130,990,700	3.50%	1,082
2005	508,796	-	3,574,543	387,811	-	4,471,150	141,419,652	3.16%	990
2006	463,679	-	3,368,480	1,016,518	-	4,848,677	157,993,931	3.07%	1,063
2007	419,193	-	3,154,356	4,703,730	-	8,277,279	174,907,229	4.73%	1,789
2008	-	-	2,991,470	5,111,891	-	8,103,361	181,681,650	4.46%	1,616
2009	-	28,066	2,821,323	4,873,970	77,044	7,800,403	174,626,404	4.47%	1,555
2010	-	19,115	2,673,501	4,347,340	52,472	7,092,428	189,651,954	3.74%	1,414
2011	-	9,765	2,519,357	4,126,181	26,807	6,682,110	197,666,977	3.38%	1,332

Sources Personal Income derived from State of Florida Personal Income using Lake Alfred Population from University of Florida BEBR

Lake Alfred, Florida
Schedule of
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

General Bonded Debt Outstanding
The City has not had any general bonded debt in the past ten fiscal years.

Source: City of Lake Alfred Finance Department

Lake Alfred, Florida
Schedule of
Direct and Overlapping Governmental Activities Debt
September 30,2011

Jurisdiction	Total Bonded Debt Outstanding	Percentage Applicable to Lake Alfred		Amount Applicable to Lake Alfred
District School Board of Polk County	433,107,147	0.43%	(1)	1,856,111
Total Overlapping Debt				1,856,111
Total Direct Debt				-
Total Direct and Overlapping Debt				$ 1,856,111

(1) The percentage of overlapping debt applicable is calculated as a ratio of taxable assessed property values in the City of Lake Alfred to total taxable valuation of property in Polk County

(2) Lake Alfred currently does not currently have any general obligation debt which is being repaid through general property taxes.

Source: Polk County School Board

Lake Alfred, Florida
Schedule of
Legal Debt Margin Information
Last Ten Fiscal Years

The City Charter and Florida State Statute 200.181 does not provide for legal debt limit.

Source: City of Lake Alfred Finance Department

Lake Alfred, Florida
Schedule of
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Gross Water and Sewer Revenue (1)	Less: Operating Expenses (2)	Net Revenues (3)	Senior Bond service Requirements (4)	Senior Debt Svc Coverage Test 1 (5)	Required Debt Svc Coverage Test 1 (6)	Net Revenues Less: Senior Bond Service Requirements	Junior Bond Service Requirements	Debt Svc Coverage Test 2	Required Debt Svc Coverage Test 2
2002	*	*	*	*	*	*	*	*	*	*
2003	*	*	*	*	*	*	*	*	*	*
2004	1,700,336	760,651.00	939,685	342,608	2.74	1.20	N/A	N/A	N/A	N/A
2005	2,287,155	940,609.00	1,346,546	342,608	3.93	1.20	1,003,938	30,900	32.49	1.15
2006	2,073,485	993,590.00	1,079,895	342,608	3.15	1.20	737,287	31,471	23.43	1.15
2007	2,274,363	1,274,946.00	999,417	342,608	2.92	1.20	656,809	198,688	3.31	1.15
2008	2,444,484	1,119,340.00	1,325,144	264,306	5.01	1.20	1,060,838	351,842	3.02	1.15
2009	2,099,498	1,433,708.00	665,790	264,306	2.52	1.20	401,484	351,842	1.14	1.15
2010	2,040,934	1,295,607.00	745,327	264,306	2.82	1.20	481,021	315,646	1.52	1.15
2011	2,035,072	1,501,986.00	533,086	264,306	2.02	1.20	268,780	315,646	0.85	1.15

(1) Gross revenues include all money received from rates, fees, rentals or other charges received by the City or accrued to it in the management and operation of the water and sewer system

(2) Operating expenses include all costs of operating the water and sewer system but does not include depreciation expense and renewal and replacement reserve payments, the annual bond service requirement or transfers to other funds

(3) Net revenues is equal to gross revenue less operating expenses

(4) Senior bond service requirement is the amount required to pay the interest and principal due in each bond year on all senior debt obligations.

(5) Net revenues divided by senior bond service requirements.

(6) Test 1 is net revenues divided by the senior bond service requirements.

(7) Test 2 is net revenues less the senior bond service requirements divided by the junior bond service requirements

* Information not available

N/A Not Applicable

Lake Alfred, Florida
Schedule of
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Personal Income (2)	Personal Income	Median Age (2)	School Enrollment (3)	Unemployment Rate for Polk County (4)
2011	5,015	39,415.15	197,666,977	37.8	2,614	10.7
2010	5,015	37,816.94	189,651,954	37.8	2,766	13.3
2009	4,627	37,740.74	174,626,404	39.9	2,603	11.4
2008	4,562	39,825.00	181,681,650	39.6	2,499	6.7
2007	4,517	38,721.99	174,907,229	39.3	2,408	4.5
2006	4,239	37,271.51	157,993,931	39.5	*	3.7
2005	4,043	34,978.89	141,419,652	39.4	*	4
2004	4,004	32,714.96	130,990,700	39.5	*	4.9
2003	3,981	30,773.16	122,507,950	39.5	*	5.5
2002	3,960	30,176.12	119,497,435	39.5	*	5.8

* Information not available
(1) University of Florida BEBR
(2) Office of Economic & Demographic Research - State of Florida
(3) Polk County Data, University of Florida BEBR Statistical Abstracts
(4) Polk County School Board
(5) Florida Agency for Workforce Innovation

Lake Alfred, Florida
Schedule of
Principal Employers
Current Year

		2011		
Employer	**Type of Business**	**Employees**	**Rank**	**Percentage of Total City Employment**
IFAS/ University of Florida	Research Center	246	1	25%
Polk County School Board	Education	225	2	23%
City of Lake Alfred	Government	75	3	8%
Florida Distillers	Manufacturer	50	4	5%
Growers Fertilizer	Manufacturer	49	5	5%
Mizkan	Manufacturer	45	6	5%
Southern Gardens	Assisted Living	42	7	4%
Lake Alfred Assisted Living	Assisted Living	25	8	3%
W E Jones	Manufacturer	15	9	2%
Cypress Greens	Retirement Community/Golf Course	12	10	1%
		784		

Estimated Total City Employment 1,000

(1) Principal employers for nine years ago is not available.
(2) Source: Survey of Employers

Lake Alfred, Florida
Schedule
Full Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GENERAL FUND										
City Commission	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
City Administration	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.5	4.0	4.0
Finance	5.0	5.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0
Public Safety										
Police	17.5	18.5	15.5	15.5	15.5	16.0	15.0	15.0	16.0	16.0
Fire	5.0	6.0	6.0	6.0	10.5	10.5	12.0	12.0	12.0	13.0
Building & Zoning	1.5	1.5	2.0	3.0	4.0	5.9	4.5	3.0	2.0	2.0
Library	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5	2.0
Parks & Recreation	4.0	4.0	3.0	3.5	4.0	2.5	4.5	3.0	3.0	4.5
DPW Administration	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.7	2.5
Building Maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5	1.0
CGMP	2.0	2.0	1.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Sanitation	6.0	6.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0	4.0
Roads & Streets	4.0	6.0	6.1	4.6	4.5	3.0	4.0	3.0	3.0	3.7
Total General Fund	**56.5**	**60.5**	**53.1**	**53.6**	**57.5**	**57.9**	**60.0**	**56.5**	**57.2**	**58.2**
ENTERPRISE FUND										
Utilities (Water & Wastewater	8.0	9.0	11.0	11.0	12.0	12.0	12.5	12.5	12.5	12.5
Stormwater	0.0	0.0	0.4	0.4	0.5	0.6	0.5	0.5	0.3	0.3
Total Enterprise Fund	**8.0**	**9.0**	**11.4**	**11.4**	**12.5**	**12.6**	**13.0**	**13.0**	**12.8**	**12.8**
TOTAL STAFF	**64.5**	**69.5**	**64.5**	**65.0**	**70.0**	**70.5**	**73.0**	**69.5**	**70.0**	**71.0**

(1) Source: City of Lake Alfred payroll

Lake Alfred, Florida
Schedule
Operating Indicators by Function
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Calls for Service	*	*	6,360	6,008	5,562	5,570	5,695	4,770	5,446	6,063
Traffic Crashes	*	*	*	125	101	134	134	82	117	126
Traffic Violations	*	*	*	2,291	1,201	1,676	1,733	1,961	1,201	1,803
Fire Control										
Number of Calls	900	886	1,128	1,410	1,312	1,130	912	796	1,121	1,204
Building Department										
Permits Issued	*	*	*	*	388	279	296	188	217	197
Inspections	*	*	*	*	36	212	798	239	194	267
Leisure Services										
Summer Programs Attendees	*	*	*	*	35	33	47	25	25	32
Library Visitations	*	*	*	*	*	18,855	20,629	22,772	17,499	27,399
Circulation	*	*	*	*	*	20,998	19,360	18,068	11,683	18,820
Facility Rentals	*	*	*	*	40	54	64	64	57	62
Human Services										
Cemetery plots sold	*	*	*	*	11	19	14	13	16	23
Business Tax Receipts	*	*	*	*	250	262	287	273	247	218
Solid Waste										
Refuse collected (Tons)	*	*	*	*	*	-	3,220	3,014	2,778	2,018
Brush collected (Tons)	*	*	*	*	*	-	1,090	1,217	1,299	1,217
Commercial Customers	*	*	*	*	101	104	110	104	109	70
Residential Customers	*	*	*	*	1,645	1,727	1,733	1,733	1,758	1,720
Public Works										
Street Resurfacing (Miles)	*	*	*	*	*	*	*	*	4	10
Water										
New Connections	*	*	91	73	119	149	7	77	95	3
Number of Customers	*	2,222	2,313	2,386	2,505	2,654	2,661	2,738	2,833	2,836
Wastewater										
New Connections	*	*	84	62	95	164	5	22	68	1
Number of Customers	*	1,681	1,765	1,827	1,922	2,086	2,091	2,113	2,181	2,182
Avg Daily Sewage Treatment	*	*	*	*	*	*	*	*	375,000	375,000

* : Information not available

Lake Alfred, Florida
Schedule
Capital Asset Statistics by Function
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Station	1	1	1	1	1	1	1	1	1	1
Patrol Cars	7	7	7	8	8	8	8	8	8	8
Fire Trucks	3	3	4	4	4	4	4	4	4	4
Solid Waste										
Collection Trucks	3	3	3	3	3	3	3	3	3	3
Transportation										
Street Miles	*	*	*	*	*	*	*	38.55	38.55	38.55
Traffic Signals	1	1	1	1	1	1	1	1	3	3
Leisure Services										
Parks	8	8	8	8	8	9	10	10	10	10
Parks Acreage	46	54	54	54	166	166	166	166	166	166
Rental Facilities	2	2	2	2	2	3	3	3	3	3
Playgrounds	3	3	3	3	3	4	4	4	4	4
Boat Ramps	6	6	6	6	6	6	6	6	6	6
Library	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Baseball Fields	2	3	3	3	3	3	3	3	3	3
Basketball Courts	1	2	2	2	2	2	2	2	2	2
Football Field	-	1	1	1	1	1	1	1	1	1
General Government										
Number of Buildings	4	4	4	4	4	4	4	4	5	5
Cemeteries	2	2	2	2	2	2	2	2	2	2
Water										
Water Treatment Plants	2	2	2	2	2	2	2	2	2	2
Fire Hydrants	*	*	*	*	*	*	*	*	*	190
Water Main Miles	*	*	*	*	*	*	*	*	*	30
Wastewater										
Waster Treatment Plant	1	1	1	1	1	1	1	1	1	1
Lift Stations	22	22	22	22	22	26	30	30	30	30
Sanitary Sewer Miles	*	*	*	*	*	*	*	*	19	19

* : Information not available

COMPLIANCE

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

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, 2011, and have issued our report thereon dated March 9, 2012. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

(cont…)

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

We noted certain matters that we reported to management of **City of Lake Alfred, Florida** in a separate management letter dated March 9, 2012.

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 9, 2012

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, 2011, and have issued our report thereon dated March 9, 2012.

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 9, 2012. 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. There were no findings and recommendations made in the preceding annual financial report.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the **City of Lake Alfred, Florida** complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of the **City of Lake Alfred, Florida**, see footnote A of the summary of significant accounting policies in the notes to the financial statements of the basic financial statements.

- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the **City of Lake Alfred, Florida** for the fiscal year ended September 30, 2011, 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, 2011. In connection with our audit, we determined that these two reports were in agreement.

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- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the **City of Lake Alfred, Florida** has not met any of the conditions described in Section 218.503(1), Florida Statutes.

- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the **City of Lake Alfred, Florida**'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

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

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 9, 2012