

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year End September 30, 2009



CITY OF LAKE WORTH, FLORIDA

PALM BEACH COUNTY



Palm Beach County, Florida

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
September 30, 2009**

Prepared by:
Finance Department

City of Lake Worth, Florida



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City of Lake Worth, Florida

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INTRODUCTORY SECTION





City of Lake Worth, Florida

7 N. Dixie Highway
Lake Worth, Florida 33460

Finance Office: phone (561)-586-1641

fax (561)-586-1602

June 23, 2010

To the Citizens of the City of Lake Worth:

The Comprehensive Annual Financial Report (CAFR) of the City of Lake Worth, Florida (the City), for the fiscal year ended September 30, 2009, is submitted herewith. This report was prepared by the staff of the Finance Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, are accurate in all material respects and are reported in a manner designed to present fairly the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the respective changes in financial position and cash flows, where applicable, of the City. All disclosures necessary to enable the readers to gain an understanding of the City's financial activity have been included.

ORGANIZATION AND CONTENT

This CAFR was prepared in accordance with generally accepted accounting principles established by statements of the Governmental Accounting Standards Board (GASB) and other authoritative pronouncements.

This letter should be read in conjunction with the Management's Discussion and Analysis (MD&A) that can be found immediately following the Independent Auditors' Report.

THE CITY

The City was incorporated as a municipality under the laws of the State of Florida in 1913 and provides general municipal services such as police and fire protection, recreation, public works and others, as well as certain enterprise activities such as a golf course, electric, water, sewer, stormwater and waste removal services. The City borders West Palm Beach on its northern boundary and the exclusive Town of Palm Beach to the northeast at the Intracoastal Waterway and the Atlantic Ocean. This location provides significant benefits in terms of the quality of life for its residents.

The City is primarily a residential community. The median age in the 1990s has gone from 50 years to 40 years. Tourism, retail and construction are the main industries supporting the local economy. The quarter-mile, municipally-owned beach complex which has an ocean fishing pier; an Olympic-sized swimming pool; and ocean front shops and restaurants; makes this area a popular attraction for residents and tourists alike.

City of Lake Worth, Florida

Letter of Transmittal For the Fiscal Year Ended September 30, 2009

THE REPORTING ENTITY

The City's reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board. Legally, separate organizations outside of the primary government that meet the criteria for financial accountability are considered component units. Based on these criteria, the various funds shown in the table of contents are included in this report. Also, the fund structure has been designed to comply with the legal requirements of the various revenue bond resolutions.

The activities of the general employees, police and fire retirement systems are included in the reporting entity. In addition, the City considers itself the exclusive recipient of the services provided by the City of Lake Worth's Community Redevelopment Agency (CRA) and, therefore, the CRA is included as a blended component unit with its general fund activities reported as an individual special revenue fund and its capital projects shown as a major fund.

ECONOMIC CONDITION AND OUTLOOK

The City obtains a major portion of its General Fund annual financial resources from ad valorem property taxes. Lake Worth also operates Electric, Water and Sewer Utilities, Solid Waste collection and Golf Course enterprises that reflect substantial capital investments to provide service and receive substantial revenues from their enterprise operations.

The City of Lake Worth's unemployment rate has historically been higher than the state and national rates. In 2009 the rate tracked higher as the state and the national unemployment rates climbed with the national economy contraction primarily due to the sharp decline in the housing marketing in Florida and everywhere in the nation. Today, Florida's unemployment rate is 11.2 % - higher than the national rate of nearly 10%. Palm Beach County has a rate of 11.4%. The City of Lake Worth's primary employing industries are Service Occupations, office workers, management, professional and government.

Property taxes have declined over the prior year due to a reduction in the assembled value of residential property. Property tax revenues in 2009 comprise approximately 45% of annual General Fund annual resources providing funding for \$15.7 million of the total \$35.2 million annual budget.

The City expects a marked decline in property value in the coming years. This stems generally from two factors: 1) most vacant property within the City limits has already been developed while redevelopment has declined and 2) the general economic environment that is causing declines in property values as well as property loan financing. There has been a persistent decline in the real-estate market significantly impacting both home values and sales. Additionally, State legislative initiatives and voter demands for property tax limits make future levels of taxable property values and growth of City tax resources uncertain.

City of Lake Worth, Florida

Letter of Transmittal

For the Fiscal Year Ended September 30, 2009

The City's future financial challenges come primarily in the area of reduced property tax funding coupled with continuing cost increases of staff pay and benefits. Adding new staff positions and expanding retirement benefits in the early years of this decade were followed by more recent increases in salary, specialty pays and longevity. The combination of more staff positions and higher salary / incentive / longevity costs significantly increased the cost of annual pension funding. The City is approaching a time where financial commitments for pay and benefits will compete with community priorities; making crucial choices in the selection and content of public service levels, capital projects, and retaining staff a formidable challenge in maintaining the City's financial position. In an effort to maintain the City's financial position, reductions in the number of staff positions began in 2007/08 and continued in 2008/09.

The City's Utility operations continue to address challenges regarding reliability, maintaining competitive billing rates and meeting capital infrastructure and maintenance needs. While these infrastructure "hardening" programs are developed, broader decisions regarding planning, testing and monitoring the City's electrical transmission grid and groundwater inflow to the wastewater system are being refined.

MAJOR INITIATIVES

The City is moving to end an agreement with FMPA as a power provider which will reduce the cost of electric power in the future. The City Commission decided to stop work on a County water pipeline and moved to obtain additional loan financing in order to complete construction of a reverse osmosis water facility to supply customers with potable water.

The City's Enterprise Utility operations continue analyzing additional infrastructure improvements including groundwater infiltration and treatment in the wastewater system, upgrade of electrical transmission and distribution systems and replacement of inefficient and aging electrical generation units. The City is also continuing an analysis of user fees and rates during the coming year that will help ensure the financial stability of City Utility operations is maintained.

ACCOUNTING AND BUDGETARY CONTROLS

The accounting and financial reporting of the City's general government operations takes place in four broad categories: the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. The records and reports for these funds are maintained on the modified accrual basis, with revenue being recorded when measurable and available, and expenditures being recorded when the services or goods are received and the liabilities incurred. Accounting records for the City's utilities, as well as other enterprise operations, and pension trust funds are maintained on the accrual basis.

Management is responsible for establishing and maintaining internal control designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP). Internal control is designed to provide reasonable, rather than absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management.

City of Lake Worth, Florida

Letter of Transmittal For the Fiscal Year Ended September 30, 2009

As a recipient of federal, state and local awards, the City is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management.

Annually, tests are performed by auditors to determine the adequacy of the City's internal control, including that portion related to federal awards and state financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's audit for the fiscal year ended September 30, 2009, disclosed material weaknesses in internal control. These weaknesses are being addressed through the City Manager with all City Departments including Finance.

The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the government's governing body. Activities of the General Fund, Community Redevelopment Agency and enterprise funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level within an individual fund. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Encumbrance accounting is utilized to assure effective budgetary control; purchase orders and contracts are reviewed and a determination is made that valid and sufficient appropriations exist for payment for ordered goods and services. Encumbrances outstanding at year end do not constitute expenditures or liabilities. Unencumbered appropriations expire at year end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditure.

DEBT ADMINISTRATION

According to the City's charter, the City has the power to borrow money, contract loans and issue bonds, time warrants and certificates of indebtedness to finance the undertaking of any municipal or public project permitted by the State of Florida. The charter also permits the City to pledge the funds or property taxing power of the City for the payment of such debt and bonds subject, however, to mandatory requirements that the total indebtedness of the City never exceed 25% of the total assessed value of the taxable property within its corporate limits.

All payments on debt obligations of the City have been made on a timely basis, and the proper liquid assets have been set aside and restricted as to use in accordance with the terms of the various debt instruments.

The Debt Service Fund is used to accumulate resources (cash and investments) for the payment of general long-term debt principal and interest according to the requirements of the Series 1992 Bonds and Series 1996 Bonds resolutions. During 2009, the principal source of revenue for this fund was ad valorem taxes along with interest earned on sinking fund investments.

City of Lake Worth, Florida

*Letter of Transmittal
For the Fiscal Year Ended September 30, 2009*

INDEPENDENT AUDIT

Florida Statutes require an annual audit by independent certified public accountants. The accounting firm of TCBA Watson Rice, LLP was selected by the City Commission for the 2009 audit and their opinion on the basic financial statements of the City is included in the financial section of this report.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efforts of the entire Finance Department. I express my appreciation to all members of the department who assisted and contributed to its preparation. I would also like to thank the members of the City Commission for their efforts in recognizing and expanding the support to Finance in improving the City's financial operations.

Respectfully submitted,



Steven Carr, C.P.A.
Finance Director

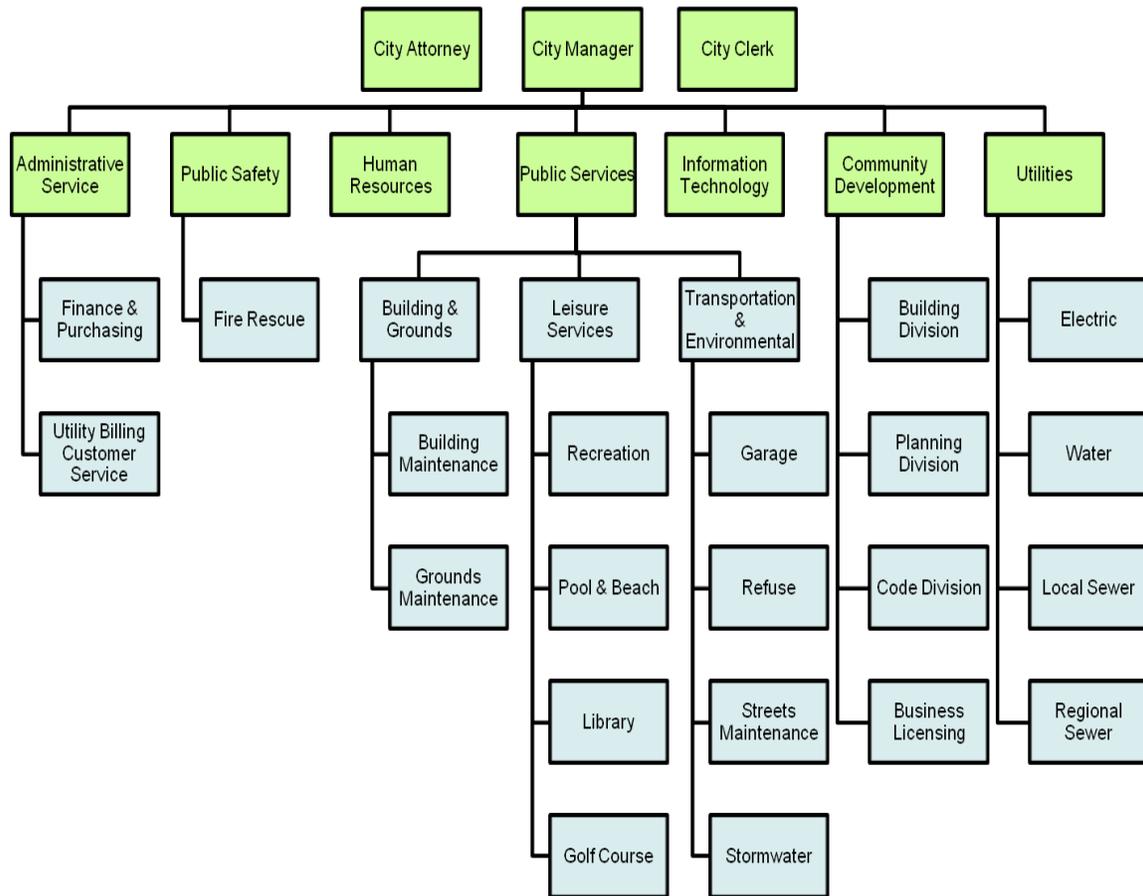
City of Lake Worth, Florida

List of Principal Officials For the Fiscal Year Ended September, 30, 2009

OFFICE HELD	NAME OF OFFICIAL
City Commission:	
The City Commission is comprised of five members who serve overlapping two-year terms and are elected on a nonpartisan basis by residents of the City. The Mayor is elected at-large to serve a two-year term as the presiding officer at City Commission Meetings and as the official head of the City of Lake Worth for legislative and ceremonial purposes. The City Commission is responsible for passing Ordinances and other policy directives necessary for the operation of the City.	
Mayor	Jeff Clemens
Vice Mayor – District 1	Retha Lowe
Member – District 2	Cara Jennings
Member – District 3	Jo-Ann Golden
Member – District 4	Suzanne Mulvehill
Management Team:	
City Manager	Susan Stanton
Administrative Services Director	Mark Bates, CPA
City Attorney, Acting	Elaine Humphreys
Public Services Director	Joseph S Kroll
Fire Chief	Paul B Blockson, III
Community Redevelopment Exec. Director	Joan Oliva
Community Development Director, Acting	Wayne Bergman
Utilities Director	Rebecca Matthey
City Clerk	Pam Lopez
Information Services Director	Charles Stevens
Human Resource Director	Diane Clark

City of Lake Worth, Florida

Organizational Chart For the Fiscal Year Ended September 30, 2009





FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Commission
City of Lake Worth, 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 the City of Lake Worth, Florida, (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Employees' Retirement System Pension Fund, Firefighters Pension Trust Fund and Police Officers Relief and Retirement System Pension Fund, which represents 81%, of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Employees' Retirement System Pension Fund, Firefighters Pension Trust Fund and Police Officers Relief and Retirement System Pension Fund, is based solely on the report of the other auditors.

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 opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2010 on our consideration of the City's internal control over financial reporting and 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.

The Management's Discussion and Analysis and the Required Supplementary Information on pages 3 through 13 and 86 through 95, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, state projects and local awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

West Palm Beach, Florida
June 23 , 2010

TCBA Water Rice LLP

City of Lake Worth, Florida

*Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2009*

Unaudited

This section of the City's financial statements presents management's analysis of the City's financial performance during the fiscal year that ended on September 30, 2009. Please read it in conjunction with the financial statements, which follow this section:

Financial Highlights

- The financial health of the City is coming under increasing pressure as City property values decreased 33.9% or \$1 million. This reflects an abrupt change from prior years which supported an unusually strong real estate market that included business and residential expansions. Further decreases in assessed property value are expected in the coming year leading to increasing pressure on financial resources for maintenance of public infrastructure and staff compensation and benefits.
- The total net assets of the City at September 30, 2009 were \$225.9 million, reflecting an increase of \$.8 million from 2008. Of this amount, \$88.6 million (unrestricted net assets) may be used to meet the ongoing obligations to the residents of the City and its' creditors.
- At the end of the current fiscal year the General Fund had designated \$5.2 million of unreserved fund balance for emergency purposes only and \$1.4 million has been designated for special projects.
- The City has \$800,000 in voter approved general obligation bonds outstanding.
- At September 30, 2009, the Utilities Department had total loan financing outstanding of \$ 70.1 million including bank loans in the amount of \$64.65 million and a bank anticipation loan of \$6.3 million. The bank anticipation note was issued in August 2006 to fund construction of a sewer pumping station that provides service to both the City and to surrounding municipalities under contractual agreements. In May 2008 the balance due on the City's 2004 Water and Electric Utility revenue bonds were refunded through a pair of bank loans. This refunding was caused by impacts on the auction rate securities market and declines in bond insurance ratings. The purpose of this original 2004 bond was to refund outstanding revenue bonds, refund debt with the FMPA and to fund improvements to the electrical distribution system and to provide funding for the City's potable water system in response to reduced groundwater withdrawal limits required by the South Florida Water Management District. During the fiscal year, the Commission approved the continuation of the reverse osmosis plant which broke ground in November 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three parts: government-wide financial statements, fund financial statements and notes to the financial statements. This report also includes supplementary information that explains in more detail some of the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements of the City provide a broad overview of the City's finances and report information about the City using accounting methods similar to those used by private sector companies.

The Statement of Net Assets includes all of the City's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to City creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. Net assets, the difference between assets and liabilities, provide the basis for computing rate of return, evaluating the capital structure of the City, and assessing the liquidity and financial flexibility of the City. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities measures the success of the City's operations over the past year and can be used to determine whether the City has successfully recovered all its costs through its services provided, as well as its profitability, and credit worthiness. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The government-wide 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). Governmental activities include general government, public safety, physical environment, transportation, culture and recreation. Business-type activities include water and electric utilities, local and regional sewer, golf course, stormwater, refuse collection and disposal systems.

The government-wide financial statements can be found on pages 14 to 17 of this report.

City of Lake Worth, Florida

*Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2009*

Unaudited

Fund Financial Statements

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these funds focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. As a result of this difference in focus, a reconciliation is provided between the fund and government-wide statements in order to better understand the long-term impact of short-term financing decisions.

The City maintains fourteen individual governmental funds. Information is presented separately for the General Fund and the CRA Capital Projects Fund, as they are considered major funds. Data for the other governmental funds are aggregated into a single presentation. Individual fund data for these other non-major funds is provided in the form of combining statements on pages 98 to 104 in this report.

The basic governmental fund financial statements can be found on pages 18 to 21 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operation of providing water service, electric utility service, local and regional sewer service, golf course, stormwater, refuse collection and disposal. The City uses an internal service fund to account for the financing of insurance services provided to other funds of the City on a cost-reimbursement basis. Because these services primarily support governmental rather than business-type functions, they have been included within governmental activities in the government-wide statements.

Proprietary funds provide the same type of information as the government-wide statements, only in more detail. The water, electric and local and regional sewer funds are major funds and are presented separately. Data for the other enterprise funds are aggregated into a single presentation. Separate information is provided for each of the City's nonmajor enterprise funds in combining schedules on pages 110 to 115. The basic proprietary fund financial statements can be found on pages 22 to 31 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government and, consequently, are not reflected in the government-wide statements because the resources are not available to support the City's own programs. The accounting for fiduciary funds is much like that of proprietary funds.

The basic fiduciary fund statements can be found on pages 32 to 33 of this report. In addition, the combining schedules are presented on pages 123 to 125 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 beginning on page 34 of this report.

City of Lake Worth, Florida

*Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2009*

Unaudited

Other information – In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. The required supplementary information also contains a budgetary comparison schedule for the General Fund to demonstrate budgetary compliance. Required supplementary information can be found beginning on page 86 of this report.

The combining statements referred to earlier in connection with non-major governmental and enterprise funds and fiduciary funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found beginning on page 96 of this report.

Government-Wide Financial Analysis

Our analysis of the government-wide financial statements of the City begins below. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City's activities in a way that will help answer this question. These two statements report the net assets of the City and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, regulations and new or changed government legislation.

To begin our analysis, a summary of the City's government-wide statement of net assets is presented in Table A-1.

**Table A-1
Condensed Statement of Net Assets (In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 28,477	\$ 37,530	\$ 120,108	\$ 118,707	\$ 148,585	\$ 156,237
Capital assets	67,480	61,512	105,506	109,054	172,986	170,566
Total assets	95,957	99,042	225,614	227,761	321,571	326,803
Current liabilities	4,403	3,589	10,990	13,913	15,393	17,502
Noncurrent liabilities	7,677	9,856	72,555	74,301	80,232	84,157
Total liabilities	12,080	13,445	83,545	88,214	95,625	101,659
Net assets						
Invested in capital assets, net of related debt	60,804	57,367	66,239	69,885	127,043	127,252
Restricted	9,638	8,525	700	698	10,338	9,223
Unrestricted	13,435	19,705	75,130	68,964	88,565	88,669
Total net assets	<u>\$ 83,877</u>	<u>\$ 85,597</u>	<u>\$ 142,069</u>	<u>\$ 139,547</u>	<u>\$ 225,946</u>	<u>\$ 225,144</u>

City of Lake Worth, Florida

*Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2009*

Unaudited

As shown in Table A-1, net assets amounted to \$225.9 million in fiscal 2009. The major component of this category is “invested in capital assets, net of related debt,” which represents the City’s investment in its capital assets, net of the amounts borrowed to purchase these assets. This category of net assets decreased from \$127.2 million in fiscal 2008 to \$127 million in fiscal 2009, due to the halting of the 2 major projects in the Business-Type Activities, Electric and Water. This caused there to be more depreciation expense than capital asset additions during the year. Current liabilities have decreased from \$17.5 million to \$15.4 million during this same period. This can be attributed to a significant decrease in accrued liabilities at 2009 year end as compared to 2008 relating primarily to the refinanced Utility 20-year debt whose annual payment is due October 1st. While the statement of net assets shows the change in financial position of net assets, the statement of activities provides answers as to the nature and source of these changes.

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City of Lake Worth, Florida

**Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2009**

Unaudited

**Table A-2
Condensed Statement of Activities (In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General revenues:						
Taxes	\$ 23,471	\$ 26,575	\$ -	\$ -	\$ 23,471	\$ 26,575
Intergovernmental - unrestricted	2,653	1,287	-	-	2,653	1,287
Investment earnings - unrestricted	1,169	1,113	2,160	2,436	3,329	3,549
Miscellaneous	405	216	470	370	875	586
Program revenues:						
Charges for services	3,181	5,452	86,498	84,363	89,679	89,815
Operating	840	1,594	-	-	840	1,594
Capital	2,423	2,405	1,026	1,422	3,449	3,827
Total revenues	<u>34,142</u>	<u>38,642</u>	<u>90,154</u>	<u>88,591</u>	<u>124,296</u>	<u>127,233</u>
Expenses:						
General government	4,447	3,595	-	-	4,447	3,595
Public safety	26,612	24,219	-	-	26,612	24,219
Physical environment	2,810	1,246	-	-	2,810	1,246
Transportation	3,814	2,062	-	-	3,814	2,062
Culture and recreation	2,320	6,376	-	-	2,320	6,376
Community redevelopment	1,342	1,662	-	-	1,342	1,662
Interest on long-term debt	303	353	-	-	303	353
Electric utility	-	-	55,354	57,491	55,354	57,491
Water utility	-	-	8,943	9,619	8,943	9,619
Local and regional sewer	-	-	11,288	10,447	11,288	10,447
Golf course	-	-	1,641	2,023	1,641	2,023
Stormwater	-	-	1,081	1,307	1,081	1,307
Refuse collection and disposal	-	-	3,539	3,811	3,539	3,811
Total expenses	<u>41,648</u>	<u>39,513</u>	<u>81,846</u>	<u>84,698</u>	<u>123,494</u>	<u>124,211</u>
Increase in net assets						
before transfers	(7,506)	(871)	8,308	3,893	802	3,022
Transfers	5,786	2,850	(5,786)	(2,850)	-	-
Increase in net assets	<u>(1,720)</u>	<u>1,979</u>	<u>2,522</u>	<u>1,043</u>	<u>802</u>	<u>3,022</u>
Net assets, beginning of year, as previously reported	-	54,596	-	137,887	-	192,483
Prior period adjustment	-	29,022	-	617	-	29,639
Net assets, beginning of year, as restated	<u>85,597</u>	<u>83,618</u>	<u>139,547</u>	<u>138,504</u>	<u>225,144</u>	<u>222,122</u>
Ending net assets	<u>\$ 83,877</u>	<u>\$ 85,597</u>	<u>\$ 142,069</u>	<u>\$ 139,547</u>	<u>\$ 225,946</u>	<u>\$ 225,144</u>

City of Lake Worth, Florida

*Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2009*

Unaudited

Governmental Activities:

Total revenues decreased from the prior year mainly due to the decrease in property tax and fee service revenues and grant revenues. The largest outflow of resources for the City is represented in its public safety function; this represents costs related to providing police and fire services as well as various ancillary services for the protection of the City's residents and businesses. The total expenses increased 5.4% due to increases in pension costs.

Business-Type Activities:

Revenues increased \$1.6 million from fiscal year 2008 to fiscal year 2009. Charges for services increased \$2.1 million reflecting rate adjustments primarily in the water and sewer utilities. Capital contributions decreased \$4 million reflecting a further reduction in development activity, for the second year. Total expenses decreased \$2.8 million due to major electrical system repairs as well as water system repairs being made in fiscal year 2008. Reduced refuse costs were caused by the City's contracting of commercial collection service to private companies.

Financial Analysis of the Government's Major Funds

Governmental Funds

General Fund – The General Fund recognized \$29.2 million of revenue during the year, offset by \$34.9 million of expenditures. Property taxes declined to \$14.8 million from \$15.7 million in the prior year, but continues to represent the largest source of revenue. Public safety expenditures increased by \$1.1 million to \$26.4 million representing the largest portion (75.6%) of expenditures. Public safety expenditures continue to be the largest outflow of resources for the City. Both the Police and Fire Rescue services are contracted out to the Palm Beach County Sheriff's Office and the Palm Beach Fire Rescue District, respectively. These expenses are driven by the interlocal agreements with each governmental entity. Capital expenditures of \$486 thousand decreased by \$2.8 million from the level of last year. Net change in fund balance reflects a decrease of approximately \$5.7 million.

Proprietary Funds

The City implemented rate adjustments to electric, water and sewer operations in during the fiscal year. These adjustments resulted in total revenue increases in electric operations of \$.93 million. Continuing drought conditions prompting water conservation measures resulted in a small increase to annual water revenues of \$300 thousand. Local Sewer revenues increased \$.4 million from last year while Regional Sewer revenues increased by \$1.5 million. Total operating expenses increased by \$2.9 million largely due to higher electric costs of \$9.1 million.

City of Lake Worth, Florida

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2009

Unaudited

General Fund Budgetary Highlights

The City's budgeted revenues increased \$265,000 from the original to the final budget. The City's final budgeted expenditures increased by \$1.8 million from the original budget. This was mainly due to payout of leave balances for the Lake Worth Fire Department employees according to the interlocal agreement transitioning to contracted services, increased transfers for the Golf and Building Funds and capital lease buy-out.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2009, the City had \$173 million invested in a variety of capital assets which represents a net increase (additions, deductions and depreciation) of \$2.2 million from the end of last year. Construction-in-progress increased \$12.2 million to a total of \$31.5 million. This is attributable to continuing costs of the City's beach pier repairs and new water facility production efforts. Additional information on the City's capital assets can be found in Note 7 on page 52 of this report.

Table A-3
Capital Assets (In Millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 5.0	\$ 5.0	\$ 1.6	\$ 1.6	\$ 6.6	\$ 6.6
Land held for future use	-	-	0.4	0.4	0.4	0.4
Construction in progress	10.0	3.9	21.5	19.4	31.5	23.3
Infrastructure	65.4	65.4	-	-	65.4	65.4
Land improvements	-	-	3.5	3.5	3.5	3.5
Buildings and structures	10.6	10.6	17.3	17.3	27.9	27.9
Recreational facilities	6.2	1.9	-	-	6.2	1.9
Plant and equipment	18.5	18.8	199.2	197.8	217.7	216.6
Total capital assets	115.7	105.6	243.5	240.0	359.2	345.6
Accumulated depreciation	(48.3)	(44.0)	(138.0)	(130.9)	(186.3)	(174.9)
Net capital assets	\$ 67.4	\$ 61.6	\$ 105.5	\$ 109.1	\$ 172.9	\$ 170.7

Debt Administration

As of September 30, 2009, the City had total debt outstanding of \$80.1 million. Of this amount, \$.8 million comprises debt backed by the full faith and credit of the government and \$64 million is secured by specified enterprise fund revenue sources.

City of Lake Worth, Florida

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2009

Unaudited

Table A-4
Long-Term Liabilities (In Millions)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 0.8	\$ 1.2	\$ -	\$ -	\$ 0.8	\$ 1.2
Revenue bonds	-	-	64.0	66.0	64.0	66.0
Notes payable	5.9	6.6	6.3	6.8	12.2	13.4
Other obligations	0.8	2.1	2.3	3.2	3.1	5.3
	<u>\$ 7.5</u>	<u>\$ 9.9</u>	<u>\$ 72.6</u>	<u>\$ 76.0</u>	<u>\$ 80.1</u>	<u>\$ 85.9</u>

The City's total debt decreased by \$4.8 million due to the net effect of scheduled principal payments. Additionally, the City has outstanding obligations for the Community Development Agency in the amount of \$5.8 million for gateway road improvement improvements. Other obligations include compensated absences such as unused vacation, retained sick leave and compensatory time. Additional information on the City's long term debt can be found in note 9 of this report.

Economic Factors and Next Year's Budget and Rates

The State of Florida, by constitution, does not have a state personal income tax and, therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property taxes supplemented by a limited array of other permitted taxes (sales, gasoline, and utilities) and fees (franchise, occupational license) for their governmental activities. During the past year these revenues decreased and for fiscal year 2010 are estimated to decrease more.

The City's total assessed value for tax year 2009 or fiscal year 2010 decreased by 23.9% or a decrease in revenue, if the millage rate was unchanged, of \$3.4 million. The City has been impacted by the economic conditions of the State. Budgeted state shared revenue was decreased \$902,000 or 17.2% in fiscal year 2010 over fiscal year 2009.

The fiscal year 2010 Budget has been impacted accordingly with the reduced levels of operations while trying to keep services at an acceptable level. The General Fund budgeted operating expenses decreased \$7.6 million or 18.9% from fiscal year 2009.

For the business-type and certain governmental activities (construction services and recreational programs), the user pays a related fee or charge associated with the service. For the fiscal year 2010 the rates for the business-type activities were recommended by rate studies conducted by consultants and do not reflect large rate adjustments.

City of Lake Worth, Florida

*Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2009*

Unaudited

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, 7 North Dixie Highway, Lake Worth, FL 33460.



City of Lake Worth, Florida

Statement of Net Assets
September 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 3,948,859	\$ 2,136,295	\$ 6,085,154
Investments	20,632,109	41,438,193	62,070,302
Accounts receivable, net	2,804,338	13,310,275	16,114,613
Accrued interest receivable	102,758	382,153	484,911
Internal balances	(186,734)	186,734	-
Due from other governments	652,825	96,417	749,242
Inventories	54,665	5,694,079	5,748,744
Land held for resale	395,175	-	395,175
Prepaid items	16,070	66,532	82,602
Restricted assets:			
Investments	-	35,101,939	35,101,939
Deposits	-	1,316,174	1,316,174
Capital assets:			
Non-depreciable	14,977,566	23,528,857	38,506,423
Depreciable, net	52,502,182	81,977,423	134,479,605
Investment in joint venture	-	20,144,414	20,144,414
Net Pension Asset	31,193	-	31,193
Unamortized debt issuance costs	26,112	234,716	260,828
Total assets	<u>95,957,118</u>	<u>225,614,201</u>	<u>321,571,319</u>
Liabilities:			
Accounts and contracts payable	1,879,349	3,656,348	5,535,697
Accrued liabilities	2,250,298	2,332,090	4,582,388
Unearned revenue	232,857	-	232,857
Accrued interest payable	40,736	-	40,736
Liabilities payable from restricted assets	-	5,002,037	5,002,037
Long-term debt:			
Due within one year	1,418,438	3,519,758	4,938,196
Due in more than one year	6,258,298	69,034,819	75,293,117
Total liabilities	<u>12,079,976</u>	<u>83,545,052</u>	<u>95,625,028</u>

City of Lake Worth, Florida

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net assets:			
Invested in Capital Assets, Net of Related Debt	60,803,680	66,239,495	127,043,175
Restricted For:			
Debt service	262,284	500,000	762,284
Capital projects	8,447,591	-	8,447,591
Landfill postclosure care costs	-	199,540	199,540
Law enforcement	299,803	-	299,803
Trusts	629,131	-	629,131
Unrestricted	13,434,653	75,130,114	88,564,767
Total Net assets	<u>\$ 83,877,142</u>	<u>\$ 142,069,149</u>	<u>\$ 225,946,291</u>

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

Statement of Activities For the Fiscal Year Ended September 30, 2009

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 4,447,237	\$ 1,548,336	\$ -	\$ 78,205
Public safety	26,611,820	876,141	840,361	-
Physical environment	2,810,190	34,005	-	-
Transportation	3,813,671	471,675	-	-
Culture and recreation	2,320,000	246,592	-	1,605,236
Community redevelopment	1,341,898	4,139	-	739,505
Interest and fiscal charges	303,538	-	-	-
Total Governmental Activities	41,648,354	3,180,888	840,361	2,422,946
Business-Type Activities:				
Electric	55,353,581	58,406,242	-	776,175
Water	8,942,867	10,178,854	-	246,634
Local sewer	5,676,010	5,613,738	-	3,253
Regional sewer	5,611,951	4,913,736	-	-
Golf course	1,641,346	1,476,811	-	-
Stormwater	1,081,029	1,364,897	-	-
Refuse collection and disposal	3,538,792	4,543,339	-	-
Total Business-Type Activities	81,845,576	86,497,617	-	1,026,062
Total primary government	\$ 123,493,930	\$ 89,678,505	\$ 840,361	\$ 3,449,008

General Revenues:

Taxes:
Property taxes
Franchise fees based on gross receipts
Utility services taxes
Gas taxes
Sales and use taxes
Intergovernmental - unrestricted
Investment income - unrestricted
Miscellaneous
Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets Beginning of Year
Net Assets End of Year

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,820,696)	\$ -	\$ (2,820,696)
(24,895,318)	-	(24,895,318)
(2,776,185)	-	(2,776,185)
(3,341,996)	-	(3,341,996)
(468,172)	-	(468,172)
(598,254)	-	(598,254)
(303,538)	-	(303,538)
<u>(35,204,159)</u>	<u>-</u>	<u>(35,204,159)</u>
-	3,828,836	3,828,836
-	1,482,621	1,482,621
-	(59,019)	(59,019)
-	(698,215)	(698,215)
-	(164,535)	(164,535)
-	283,868	283,868
-	1,004,547	1,004,547
<u>-</u>	<u>5,678,103</u>	<u>5,678,103</u>
<u>(35,204,159)</u>	<u>5,678,103</u>	<u>(29,526,056)</u>
14,784,901	-	14,784,901
88,226	-	88,226
5,498,780	-	5,498,780
832,983	-	832,983
2,265,725	-	2,265,725
2,653,336	-	2,653,336
1,168,908	2,160,175	3,329,083
404,767	470,149	874,916
5,786,252	(5,786,252)	-
<u>33,483,878</u>	<u>(3,155,928)</u>	<u>30,327,950</u>
(1,720,281)	2,522,175	801,894
<u>85,597,423</u>	<u>139,546,974</u>	<u>225,144,397</u>
<u>\$ 83,877,142</u>	<u>\$ 142,069,149</u>	<u>\$ 225,946,291</u>

City of Lake Worth, Florida

Balance Sheet
Governmental Funds
September 30, 2009

	General	CRA Capital Project	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 967,961	\$ 234,010	\$ 2,746,888	\$ 3,948,859
Investments	4,941,793	3,015,945	12,674,371	20,632,109
Accounts receivable, net	1,354,916	100,000	1,349,422	2,804,338
Accrued interest receivable	28,154	10,437	64,167	102,758
Due from other funds	1,645,930	-	23,546	1,669,476
Due from other governments	652,825	-	-	652,825
Inventories	54,665	-	-	54,665
Land held for resale	-	-	395,175	395,175
Prepaid items	16,070	-	-	16,070
Advances to other funds	488,353	-	311,517	799,870
Total Assets	\$ 10,150,667	\$ 3,360,392	\$ 17,565,086	\$ 31,076,145
Liabilities:				
Accounts and contracts payable	\$ 701,104	\$ 949,328	\$ 228,917	\$ 1,879,349
Accrued liabilities	2,038,121	-	212,177	2,250,298
Due to other funds	-	-	4,240,225	4,240,225
Advances from other funds	-	-	204,486	204,486
Unearned revenue	232,857	-	-	232,857
Deferred revenues	6,262	-	-	6,262
Total Liabilities	2,978,344	949,328	4,885,805	8,813,477
Fund Balances:				
Reserved for:				
Encumbrances	-	1,367,435	1,188,354	2,555,789
Inventories	54,665	-	-	54,665
Land held for resale	-	-	395,175	395,175
Prepaid items	16,070	-	-	16,070
Advances	488,353	-	311,517	799,870
Debt service	-	-	262,284	262,284
Unreserved, designated for:				
Emergencies	5,193,918	-	-	5,193,918
Local ordinance/statute	-	-	1,737,123	1,737,123
Subsequent year's expenditures - General fund	1,419,317	-	-	1,419,317
Subsequent year's expenditures - Special revenue funds	-	-	2,658,914	2,658,914
Unreserved, undesignated, reported in:				
Special revenue funds	-	-	2,491,324	2,491,324
Capital projects funds	-	1,043,629	3,634,590	4,678,219
Total Fund Balances	7,172,323	2,411,064	12,679,281	22,262,668
Total Liabilities and Fund Balances	\$ 10,150,667	\$ 3,360,392	\$ 17,565,086	\$ 31,076,145

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
September 30, 2009***

Total Governmental Fund Balances \$ 22,262,668

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 67,479,748

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 6,262

A Net Pension Asset is not considered to represent a financial
asset and, therefore, is not reported in the governmental funds. 31,193

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

Amounts Due Within One Year	(1,418,438)	
Amounts Due in More Than One Year	(6,258,298)	
Accrued Interest on Long-Term Debt	(40,736)	
Unamortized Bond Issuance Costs	26,112	
Total	(7,691,360)	

Internal service fund net assets	4,296,202	
Less due to business-type activities for "Look-Back" allocation	(2,507,571)	
Total	1,788,631	

Net Assets of Governmental Activities **\$ 83,877,142**

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended September 30, 2009

	General	CRA Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 14,784,901	\$ -	\$ -	\$ 14,784,901
Utility and other taxes	6,138,246	-	281,743	6,419,989
Licenses and permits	617,932	-	480,510	1,098,442
Fines and forfeitures	469,519	-	-	469,519
Charges for services	1,318,253	-	54,262	1,372,515
Intergovernmental	4,357,045	700,000	3,217,064	8,274,109
Investment income	849,941	18,853	300,114	1,168,908
Rents and royalties	240,412	-	-	240,412
Miscellaneous	379,751	-	25,016	404,767
Total Revenues	29,156,000	718,853	4,358,709	34,233,562
Expenditures:				
Current:				
General government	2,355,154	-	1,194,036	3,549,190
Public safety	26,389,543	-	235,958	26,625,501
Physical environment	1,894,792	-	204,116	2,098,908
Transportation	1,276,444	-	-	1,276,444
Culture and recreation	2,085,589	-	2,499	2,088,088
Community redevelopment	-	-	1,295,003	1,295,003
Capital outlay	486,202	7,668,596	3,211,593	11,366,391
Debt service:				
Principal	411,683	-	1,101,956	1,513,639
Interest and fiscal charges	13,744	-	297,211	310,955
Total Expenditures	34,913,151	7,668,596	7,542,372	50,124,119
Excess (deficiency) of revenues over expenditures	(5,757,151)	(6,949,743)	(3,183,663)	(15,890,557)
Other financing sources (uses):				
Transfers in	6,059,470	9,360,807	5,903,253	21,323,530
Transfers out	(6,017,471)	-	(9,519,807)	(15,537,278)
Total other financing sources (uses)	41,999	9,360,807	(3,616,554)	5,786,252
Net change in fund balances	(5,715,152)	2,411,064	(6,800,217)	(10,104,305)
Fund Balances at Beginning of Year	12,887,475	-	19,479,498	32,366,973
Fund Balances End of Year	\$ 7,172,323	\$ 2,411,064	\$ 12,679,281	\$ 22,262,668

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Fiscal Year Ended September 30, 2009***

Net Change in Fund Balances - Total Governmental Funds \$ (10,104,305)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	11,042,870	
Depreciation Expense	<u>(4,669,519)</u>	
Total		6,373,351

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets. (405,386)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Decrease in intergovernmental revenue	(91,740)	
Increase in Net Pension Asset	<u>32,805</u>	
Total		(58,935)

The repayment of principal of long-term debt consumes current financial resources of governmental funds, however, it does not have any effect on net assets.

Principal paid on bonds	370,000	
Principal paid on note	731,956	
Principal paid on capital lease	411,683	
Amortization of Issuance Costs	<u>(3,333)</u>	
Total		1,510,306

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 7,417

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (Compensated Absences). 664,933

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue (expense) of internal service funds are reported with governmental activities.

Internal service fund change in net assets	1,933,926	
"Look Back" Allocation of net expenses to Enterprise Funds	<u>(1,641,588)</u>	
Total		<u>292,338</u>

Change in Net Assets of Governmental Activities **\$ (1,720,281)**

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

Statement of Net Assets
Proprietary Funds
September 30, 2009

	Business-Type Activities - Enterprise Funds			
	Major			
	Electric	Water	Local Sewer	Regional Sewer
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 89,871	\$ 199,955	\$ 172,826	\$ 1,295,662
Investments	10,246,628	17,922,724	4,773,729	808,539
Accounts receivable, net	9,278,558	1,660,441	824,159	1,264,185
Accrued interest receivable	125,321	174,997	27,196	4,606
Due from other funds	1,096,704	369,855	475,223	85,000
Due from other governments	3,150	93,267	-	-
Inventories	5,386,888	182,778	-	-
Prepaid items	61,247	-	-	-
Total Current Assets	26,288,367	20,604,017	6,273,133	3,457,992
Noncurrent Assets:				
Restricted assets:				
Investments	17,869,513	16,798,876	234,010	-
Deposits	1,316,174	-	-	-
Capital Assets:				
Land	268,392	71,120	37,259	-
Land held for future use	68,364	-	376,309	-
Construction in progress	7,775,299	13,591,853	39,800	30,005
Land improvements	-	-	-	-
Buildings and structures	-	1,540,894	14,073,529	-
Plant and equipment	122,742,252	32,390,195	-	38,422,985
Accumulated depreciation	(83,572,048)	(15,170,839)	(7,985,284)	(25,455,621)
Advances to other funds	-	-	-	-
Investment in joint venture	-	-	-	20,144,414
Unamortized debt issuance costs	38,897	90,919	104,900	-
Total Noncurrent Assets	66,506,843	49,313,018	6,880,523	33,141,783
Total Assets	92,795,210	69,917,035	13,153,656	36,599,775

City of Lake Worth, Florida

<u>Nonmajor Other Enterprise</u>	<u>Total</u>	<u>Nonmajor Internal Service</u>
\$ 227,996	\$ 1,986,310	\$ 149,985
3,764,999	37,516,619	3,921,574
282,932	13,310,275	-
27,691	359,811	22,342
1,208,418	3,235,200	23,546
-	96,417	-
29,587	5,599,253	94,826
5,285	66,532	-
<u>5,546,908</u>	<u>62,170,417</u>	<u>4,212,273</u>
199,540	35,101,939	-
-	1,316,174	-
1,193,360	1,570,131	-
-	444,673	-
63,077	21,500,034	14,019
3,504,801	3,504,801	-
1,698,336	17,312,759	-
5,498,619	199,054,051	83,986
(5,724,764)	(137,908,556)	(69,618)
204,486	204,486	311,517
-	20,144,414	-
-	234,716	-
<u>6,637,455</u>	<u>162,479,622</u>	<u>339,904</u>
<u>12,184,363</u>	<u>224,650,039</u>	<u>4,552,177</u>

(Continued)

City of Lake Worth, Florida

Statement of Net Assets Proprietary Funds September 30, 2009

	Business-Type Activities - Enterprise Funds			
	Major			
	Electric	Water	Local Sewer	Regional Sewer
Liabilities:				
<i>Current Liabilities:</i>				
Accounts and contracts payable	3,391,545	49,778	15,597	42,205
Accrued liabilities	1,347,612	799,215	19,050	5,776
Due to other funds	-	-	-	-
Compensated absences - current	359,983	134,138	45,684	-
Capital leases - current	-	-	-	-
Landfill postclosure care costs - current	-	-	-	-
Notes payable - current	-	-	255,000	-
Revenue bonds payable - current	1,137,500	1,137,499	-	-
Total Current Liabilities	6,236,640	2,120,630	335,331	47,981
<i>Payable from restricted assets:</i>				
<i>Current:</i>				
Accounts and contracts payable	170,520	-	-	-
<i>Noncurrent:</i>				
Deposits payable	4,172,215	659,302	-	-
Total payable from restricted assets	4,342,735	659,302	-	-
<i>Noncurrent Liabilities:</i>				
Compensated absences	256,434	79,597	6,558	-
Other post-employment benefits	89,481	29,827	9,942	-
Capital lease payable	-	-	-	-
Advances from other funds	-	-	-	-
Landfill postclosure care costs	-	-	-	-
Notes payable	-	-	4,080,000	1,954,550
Revenue bonds payable	30,740,913	30,748,057	-	-
Total Noncurrent Liabilities	31,086,828	30,857,481	4,096,500	1,954,550
Total Liabilities	41,666,203	33,637,413	4,431,831	2,002,531
Net Assets:				
Invested in Capital Assets, net of debt	28,930,871	16,427,240	2,206,612	12,957,368
Restricted for:				
Debt Service	250,000	250,000	-	-
Landfill postclosure care costs	-	-	-	-
Unrestricted	21,948,136	19,602,382	6,515,213	21,639,876
Total Net Assets	\$ 51,129,007	\$ 36,279,622	\$ 8,721,825	\$ 34,597,244

Adjustment to reflect the consolidation of internal service fund activities related to business-type activities
Net Assets Business-Type Activities

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

Nonmajor Other Enterprise	Total	Nonmajor Internal Service
105,926	3,605,051	51,297
139,210	2,310,863	21,227
607,997	607,997	80,000
118,020	657,825	19,108
282,826	282,826	-
30,000	30,000	-
-	255,000	-
-	2,274,999	-
1,283,979	10,024,561	171,632
-	170,520	-
-	4,831,517	-
-	5,002,037	-
159,668	502,257	84,343
44,740	173,990	-
720,709	720,709	-
1,111,387	1,111,387	-
30,000	30,000	-
-	6,034,550	-
-	61,488,970	-
2,066,504	70,061,863	84,343
3,350,483	85,088,461	255,975
5,717,404	66,239,495	28,387
-	500,000	-
199,540	199,540	-
2,916,936	72,622,543	4,267,815
\$ 8,833,880	139,561,578	\$ 4,296,202
	2,507,571	
	\$ 142,069,149	

City of Lake Worth, Florida

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2009**

	Business-Type Activities - Enterprise Funds			
	Major			
	Electric	Water	Local Sewer	Regional Sewer
Operating revenues:				
Charges for services	\$ 57,810,866	\$ 10,178,854	\$ 5,613,738	\$ 4,913,736
Late fees and service charges	595,376	-	-	-
Total operating revenues	<u>58,406,242</u>	<u>10,178,854</u>	<u>5,613,738</u>	<u>4,913,736</u>
Operating expenses:				
Cost of services	46,356,391	5,905,781	4,406,507	3,819,465
General and administrative	6,063,694	1,004,466	721,599	652,545
Depreciation	3,690,607	1,006,679	592,393	1,159,007
Total operating expenses	<u>56,110,692</u>	<u>7,916,926</u>	<u>5,720,499</u>	<u>5,631,017</u>
Operating income (loss)	2,295,550	2,261,928	(106,761)	(717,281)
Nonoperating revenues (expenses):				
Investment income	763,491	965,481	174,903	29,134
Interest and fiscal charges	(428,469)	(1,386,611)	(96,640)	(53,505)
Other	35,172	391,282	-	18,944
Total nonoperating revenues (expenses)	<u>370,194</u>	<u>(29,848)</u>	<u>78,263</u>	<u>(5,427)</u>
Income (loss) before transfers and contributions	2,665,744	2,232,080	(28,498)	(722,708)
Capital contributions	776,175	246,634	3,253	-
Transfers in	-	-	56,747	-
Transfers out	(3,972,912)	(1,122,338)	-	(56,747)
Change in Net Assets	(530,993)	1,356,376	31,502	(779,455)
Net assets, beginning of year	<u>51,660,000</u>	<u>34,923,246</u>	<u>8,690,323</u>	<u>35,376,699</u>
Net assets, end of year	<u>\$ 51,129,007</u>	<u>\$ 36,279,622</u>	<u>\$ 8,721,825</u>	<u>\$ 34,597,244</u>

Adjustment to reflect the consolidation of internal service
fund activities related to business-type activities
Change in Net Assets of Business-Type Activities

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

Nonmajor Other Enterprise	Total	Nonmajor Internal Service
\$ 7,385,047	\$ 85,902,241	\$ 5,286,562
-	595,376	-
7,385,047	86,497,617	5,286,562
5,060,208	65,548,352	600,850
648,858	9,091,162	2,515,231
590,467	7,039,153	6,502
6,299,533	81,678,667	3,122,583
1,085,514	4,818,950	2,163,979
175,437	2,108,446	32,872
(73,325)	(2,038,550)	-
24,751	470,149	18,857
126,863	540,045	51,729
1,212,377	5,358,995	2,215,708
-	1,026,062	-
396,000	452,747	143,982
(805,220)	(5,957,217)	(425,764)
803,157	880,587	1,933,926
8,030,723		2,362,276
\$ 8,833,880		\$ 4,296,202
	1,641,588	
	\$ 2,522,175	

City of Lake Worth, Florida

Statement of Cash Flows
Proprietary Funds
September 30, 2009

	Business-Type Activities - Enterprise Funds			
	Major			
	Electric	Water	Local Sewer	Regional Sewer
Cash flows from operating activities:				
Receipts from customers	\$59,059,805	\$9,888,482	\$5,511,999	\$4,547,724
Payments to suppliers	(45,758,028)	(5,455,090)	(3,783,504)	(3,520,594)
Payments to employees	(6,193,137)	(1,781,772)	(799,479)	(296,523)
Payments for interfund services provided	(2,468,582)	(834,051)	(513,301)	(639,498)
Other receipts	35,172	391,282	-	18,944
Net cash provided by (used in) operating activities	<u>4,675,230</u>	<u>2,208,851</u>	<u>415,715</u>	<u>110,053</u>
Cash flows from non-capital financing activities:				
Due from other funds	(643,233)	(310,023)	(497,340)	(85,000)
Due to other funds	(2,078,858)	(1,340,627)	(432,606)	-
Transfer from other funds	-	-	56,747	-
Transfer to other funds	(3,972,912)	(1,122,338)	-	(56,747)
Net cash provided by (used in) non-capital financing activities	<u>(6,695,003)</u>	<u>(2,772,988)</u>	<u>(873,199)</u>	<u>(141,747)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets, net	(2,243,412)	(1,000,829)	(48,606)	(18,806)
Advances from (to) other funds	-	-	-	-
Payments on advances (from) to other funds	-	-	-	-
Debt issue Cost	56,914	4,892	6,170	-
Contributed capital	776,175	246,634	3,253	-
Payment to refunded bond escrow agent	-	-	-	-
Principal paid on capital debt	(435,889)	(598,043)	(255,000)	(265,707)
Interest paid on advances	-	-	-	-
Interest paid on capital debt	(428,469)	(1,386,611)	(96,640)	(53,505)
Net cash provided by (used in) capital and related financing activities	<u>(2,274,681)</u>	<u>(2,733,957)</u>	<u>(390,823)</u>	<u>(338,018)</u>
Cash flows from investing activities:				
Proceeds from sales/maturities of investments	-	-	-	-
Purchase of investments	(30,672)	(7,578,783)	(169,266)	(28,334)
Investment in joint venture	-	-	-	(78,125)
Interest and dividends received	763,491	965,481	174,903	29,134
Net cash provided by (used in) investing activities	<u>732,819</u>	<u>(6,613,302)</u>	<u>5,637</u>	<u>(77,325)</u>
Net change in cash and cash equivalents	(3,561,635)	(9,911,396)	(842,670)	(447,037)
Cash and cash equivalents, beginning	<u>3,651,506</u>	<u>10,111,351</u>	<u>1,015,496</u>	<u>1,742,699</u>
Cash and cash equivalents, ending	<u>\$ 89,871</u>	<u>\$ 199,955</u>	<u>\$ 172,826</u>	<u>\$ 1,295,662</u>

City of Lake Worth, Florida

<u>Nonmajor Other Enterprise</u>	<u>Total</u>	<u>Nonmajor Internal Service</u>
\$7,983,057	\$86,991,067	\$5,286,562
(2,980,517)	(61,497,733)	(2,301,821)
(1,969,742)	(11,040,653)	(832,596)
(657,399)	(5,112,831)	-
<u>24,751</u>	<u>470,149</u>	<u>18,857</u>
<u>2,400,150</u>	<u>9,809,999</u>	<u>2,171,002</u>
(36,929)	(1,572,525)	1,378,832
(1,560,925)	(5,413,016)	(70,000)
396,000	452,747	143,982
<u>(805,220)</u>	<u>(5,957,217)</u>	<u>(425,764)</u>
<u>(2,007,074)</u>	<u>(12,490,011)</u>	<u>1,027,050</u>
(169,109)	(3,480,762)	(17,411)
(107,938)	(107,938)	23,546
29,302	29,302	-
-	67,976	-
-	1,026,062	-
-	-	-
(296,307)	(1,850,946)	-
(31,083)	(31,083)	-
<u>(42,302)</u>	<u>(2,007,527)</u>	<u>-</u>
<u>(617,437)</u>	<u>(6,354,916)</u>	<u>6,135</u>
359,662	359,662	-
(202,556)	(8,009,611)	(3,868,557)
-	(78,125)	-
<u>175,437</u>	<u>2,108,446</u>	<u>10,889</u>
<u>332,543</u>	<u>(5,619,628)</u>	<u>(3,857,668)</u>
108,182	(14,654,556)	(653,481)
<u>119,814</u>	<u>16,640,866</u>	<u>803,466</u>
<u>\$ 227,996</u>	<u>\$ 1,986,310</u>	<u>\$ 149,985</u>

(Continued)

City of Lake Worth, Florida

Statement of Cash Flows
Proprietary Funds
September 30, 2009

	Business-Type Activities - Enterprise Funds			
	Major			
	Electric	Water	Local Sewer	Regional Sewer
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 2,295,550	\$ 2,261,928	\$ (106,761)	\$ (717,281)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	3,690,607	1,006,679	592,393	1,159,007
Other non operating income	35,172	391,282	-	18,944
Change in assets and liabilities:				
Accounts receivable, net	653,563	(290,372)	(101,739)	(366,012)
Due from other governments	73,853	(12,730)	-	12,932
Prepaid items	57,405	3,295	-	-
Inventories	(199,132)	(30,252)	-	-
Deposits	-	-	-	-
Accounts and contracts payable	(1,013,386)	(26,398)	9,775	19,826
Accrued liabilities	(1,152,886)	(1,141,717)	(5,036)	5,776
Compensated absences	234,484	47,136	27,083	(23,139)
Landfill postclosure care costs	-	-	-	-
Total adjustments	<u>2,379,680</u>	<u>(53,077)</u>	<u>522,476</u>	<u>827,334</u>
Net cash provided by (used in) operating activities	<u>\$ 4,675,230</u>	<u>\$ 2,208,851</u>	<u>\$ 415,715</u>	<u>\$ 110,053</u>
Supplemental disclosure of noncash capital and related financing and investing activities:				
Amortization of debt issuance costs and discount	<u>\$ 28,924</u>	<u>\$ 28,539</u>	<u>\$ 6,170</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

<u>Nonmajor</u>		<u>Governmental</u>
<u>Other</u>		<u>Activities</u>
<u>Enterprise</u>	<u>Total</u>	<u>Internal</u>
		<u>Service</u>
\$ 1,085,514	\$ 4,818,950	\$ 2,163,979
590,467	7,039,153	6,502
24,751	470,149	18,857
598,010	493,450	-
-	74,055	-
671	61,371	-
5,156	(224,228)	(94,826)
-	-	-
26,905	(983,278)	(4,713)
74,451	(2,219,412)	11,234
24,225	309,789	69,969
(30,000)	(30,000)	-
<u>1,314,636</u>	<u>4,991,049</u>	<u>7,023</u>
<u>\$ 2,400,150</u>	<u>\$ 9,809,999</u>	<u>\$ 2,171,002</u>
<u>\$ -</u>	<u>\$ 63,633</u>	<u>\$ -</u>

City of Lake Worth, Florida

*Statement of Net Assets
Fiduciary Funds
September 30, 2009*

	Pension Trust Funds	Agency Fund
Assets:		
Cash and cash equivalents	\$ 1,879,183	\$ 105,107
Investments at fair value:		
U.S. Government and agency funds	10,166,134	-
Money market funds	4,994,366	-
Corporate bonds	33,353,321	-
Common stocks	45,802,907	-
Mutual funds	12,276,674	-
Total investments at fair value	<u>106,593,402</u>	<u>-</u>
Accounts receivable	-	2,000
Accrued interest, dividends and contributions receivable	1,715,277	-
Due from broker	104,954	-
Due from the State of Florida	-	395
Prepaid items	12,713	-
Total Assets	<u>110,305,529</u>	<u>107,502</u>
Liabilities:		
Accounts payable	2,118,509	150
Deposits payable	-	107,352
Total Liabilities	<u>2,118,509</u>	<u>\$ 107,502</u>
Net Assets held in trust for pension benefits	<u>\$ 108,187,020</u>	

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

Statement of Changes in Net Assets

Fiduciary Fund

For the Fiscal Year Ended September 30, 2009

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 5,998,411
Chapter 185	106,629
Chapter 175	483,997
Plan members	1,647,084
Roll Over	348,676
Buybacks	65,310
Total contributions	<u>8,650,107</u>
Investment Income:	
Interest and dividends	3,462,578
Net change in fair value of investments	<u>(1,332,727)</u>
Total investment income	2,129,851
Less investment expenses	<u>715,531</u>
Net investment income	1,414,320
Other Income	<u>44,183</u>
Total Additions	<u>10,108,610</u>
Deductions:	
Pension benefits	11,405,355
Administrative expenses	<u>309,950</u>
Total Deductions	<u>11,715,305</u>
Change in Net Assets	(1,606,695)
Net Assets at Beginning of Year	<u>109,793,715</u>
Net Assets End of Year	<u>\$ 108,187,020</u>

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lake Worth, Florida (the City), was incorporated as a municipality in 1913 under Chapter 6713, Laws of Florida. It is located in Palm Beach County and is bordered by the City of West Palm Beach to the north, the Intracoastal Waterway and Atlantic Ocean to the east, the City of Lantana to the south and various municipalities and unincorporated county areas to the west. The City operates under a Mayor-Commission form of government and provides a full range of municipal services, including police and fire protection, public works activities, park and recreation activities, and general administrative services. The City also operates seven enterprise activities: electric, water, local sewer, regional sewer, golf course, stormwater, and refuse collection and disposal.

The basic financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's more significant policies:

A. Financial Reporting Entity

The financial statements were prepared in accordance with governmental accounting standards, which establishes standards for defining and reporting on the reporting entity. The definition of the financial reporting entity is based on the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The City's reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City's financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of the authority of the organization's governing board. Legally, separate organizations outside of the primary government that meet the criteria for financial accountability are considered component units.

For financial reporting purposes, the reporting entity is limited to the operations of the City's primary government, including all funds and departments, and the City of Lake Worth Community Redevelopment Agency (CRA) a blended component unit.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Blended Component Unit

The CRA was established under the authority of Florida Statute Chapter 163, Part III in 1993 to promote and guide the physical and economic redevelopment of targeted areas within the City. The CRA is a legally separate entity governed by a board comprised of seven citizens of the City appointed by the City Commission. Because of the CRA's separate legal status, the ability of the City to impose its will on the CRA through budget approval, and the composition of its governing board, the CRA is reported as a blended component unit as a special revenue fund. The CRA Capital Projects Fund is reported as a major governmental fund. The City considers itself the exclusive recipient of the services provided by the CRA and, therefore, its general fund operations are blended in the reporting entity as a special revenue fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental funds and nonmajor enterprise funds are aggregated and reported as nonmajor funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, charges for services, franchise fees and other taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the City.

Major Governmental Funds:

General Fund – The General Fund is the general operating fund of the City. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Community Redevelopment Agency (CRA) Capital Projects Fund - to account for the specific revenues and expenditures associated with the acquisition of major capital items purchased by the CRA.

Major Enterprise Funds:

The enterprise funds are used to account for operations that are financed and operated in a manner similar to a commercial enterprise, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of the revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City accounts for the operations of providing electric, water and local and regional sewer services in its enterprise funds.

Electric – The Electric Fund is used to account for the provision of electric service to residents of the service area. All activities to provide such service are accounted for in this fund, including administration, generation, transmission, distribution and customer service.

Water – The Water Fund is used to account for the provision of water service to residents of the service area. All activities to provide such service are accounted for in this fund, including administration, generation, transmission, distribution and customer service.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Local Sewer – The Local Sewer Fund is used to account for the provision of sewer service to customers of the local service areas. All activities to provide such service are accounted for in this fund, including administration, collection, pumping, treatment, disposal and customer service.

Regional Sewer – The Regional Sewer Fund is used to account for the provision of sewer service to customers of the regional service areas. All activities to provide such service are accounted for in this fund, including administration, collection, pumping, treatment, disposal and customer service.

Internal Service Funds – The Internal Service Funds account for the financing of insurance services and information technology services provided to other funds of the City on a cost-reimbursement basis (nonmajor funds).

Fiduciary Funds :

The pension trust funds are accounted for in essentially the same manner as proprietary funds, using the same measurement focus and basis of accounting. The City has the following pension trust funds: Employees' Retirement System Pension Fund; Police Officers' Relief and Retirement Pension Plan, and the Firefighters' Pension Trust Fund Plan.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets the City holds for as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's various utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the City's Enterprise and Internal Service Funds are charges to customers for sales and services. Operating revenues for the Enterprise Funds include water, electric and sewer service fees as well as user fees related to the municipal golf course, stormwater utility system and solid waste removal. For the Internal Service Funds, operating revenues include charges to other departments for insurance services and information technology costs and services. Operating expenses for the Enterprise and Internal Service Funds include costs of services, administrative fees, insurance payments and depreciation. All revenues and expenses not meeting this definition are considered nonoperating items.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents include cash on hand, time and demand deposits. The City maintains a cash pool and an investment pool that are available for use by all funds. Interest earned on pooled cash and pooled investments is allocated to each of the funds based on the fund's average equity balance on a monthly basis. In addition, investments are separately held by the three pension trust funds.

All investments, except the Florida State Board of Administration (SBA) State Board Investment Pool, are reported at fair value. The Investment Pool is recorded at its value of the pool shares (2a-7 like pool), which is fair value.

Cash and cash equivalents, for purposes of the statement of cash flows, include cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds (i.e., amounts owed for goods/services rendered to a particular fund by another fund in the reporting entity) are reported as “due to/from other funds” (current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Receivables

Receivables include amounts due from other governments and others for services provided by the City. Receivables are recorded and revenues are recognized as earned or as specific program expenditures/expenses are incurred. Allowances for uncollectible receivables are based on historical trends and the periodic aging of receivables.

Utility (electric, water, local and regional sewer, stormwater and refuse collection and disposal) operating revenue is generally recognized on the basis of cycle billings rendered monthly. The cycle with the meter-reading date closest to September 30th is selected as the cutoff for billing accrual purposes. The City accrues revenue for services delivered for which meters have not been read by September 30th as unbilled revenues.

4. Inventories

Inventories consist principally of materials and supplies held for consumption and are recorded at cost using the first-in first-out method. In the governmental funds, the cost of inventories is recorded as an expenditure at the time of purchase, while in the proprietary funds, the cost of inventories is recorded as an expense when consumed. In the governmental funds, reported inventories are offset by a fund balance reserve which indicates that they do not constitute available spendable resources.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. **Assets, Liabilities and Net Assets or Equity** (Continued)

5. Prepaid Items

Prepaid items consist of certain costs which have been paid prior to the end of the fiscal year, but represent items which are applicable to future accounting periods. Reported amounts in governmental funds are equally offset by a reservation of fund balance, in the fund financial statements, which indicates that these amounts do not constitute “available spendable resources” even though they are a component of current assets.

6. Restricted Assets

Restricted assets in the enterprise funds consist of bond proceeds designated for construction, other monies required to be restricted for debt service, maintenance and improvements under the terms of various bonds, certificates and loans, and assets restricted by customers’ deposits. The County, acting as a Trustee, holds \$5,000 in cash to fund the County’s renewal and replacement requirements for the regional sewage treatment facility.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., utility lines, roads, bridges, sidewalks, and similar items), regardless of their acquisition date, are reported at cost or estimated historical cost in the applicable governmental or business-type activities columns in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred in both the Electric Fund and the Water Fund was \$1,357,650 and \$1,357,650, respectively, for the year ended September 30, 2009. Of this amount, \$958,105 for the Electric Fund was capitalized as part of the cost of the Electric Fund capital assets.

Depreciation is charged as an expense against operations using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and Structures	10 - 40
Land Improvements	4 - 40
Infrastructure	4 - 20
Water and Sewer Systems	5 - 50
Recreation Facilities	30
Equipment	3 - 15

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

8. Compensated Absences

It is the City's policy to permit employees to accumulate, within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from City service. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. 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 and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. Bonds are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity/Net Assets

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance to indicate the portion of fund balance that is not appropriable for expenditures or is legally segregated by outside parties for a specific purpose. Designations indicate tentative managerial plans or intent to use financial resources in a future period. Undesignated fund balance indicates the portion of fund balance which is available for future use.

Net Assets

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets, net of related debt; restricted or unrestricted. Invested in capital assets, net of related debt, is that portion of net assets that relates to the City's capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

10. Fund Equity/Net Assets (Continued)

Restricted net assets is that portion of net assets that has been restricted for use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other two components.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

The following expenditures exceeded appropriations by the amounts indicated:

General Fund:	
General Government:	
Cost of Services	(\$46,378)
Public Safety:	
Fire	(110,794)
Transportation:	
Parking Facilities	(7,855)
Culture and Recreation:	
Library	(8,602)

B. Fund Deficits

The Refuse Collection and Disposal, and the Golf Course Funds have deficit balances in unrestricted net assets as of September 30, 2009 of \$771,573 and \$1,402,397, respectively. The total net assets for both funds are positive. The deficits in the unrestricted category are due to the portion of net assets designated as "invested in capital assets" exceeding the total net assets. The Grants and the Capital Improvements Capital Projects Fund have unreserved undesignated deficits of \$517,689 and \$154,472, respectively. The Information Technology and the Garage Funds had unrestricted deficits of \$10,466 and \$66,442, respectively. In addition, the Building Permit Fund had an unreserved undesignated deficit balance of \$14,064.

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 3. DEPOSITS AND INVESTMENTS

A. Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

B. Investments

As required by Florida Statutes, the City has adopted a written investment policy, which may, from time to time, be amended by the City. Investments are made in accordance with provisions of the Florida Statutes and the City's policies. The City is authorized to invest in obligations of the U.S. Treasury, its agencies, repurchase agreements collateralized by U.S. Treasury and U.S. Government Agency-Backed Obligations, money market mutual funds comprised of U.S. Treasury and/or U.S. Government Agency-Backed obligations, short-term bond mutual funds comprised of U.S. Treasury and/or U.S. Government Agency-Backed obligations, U.S. Government or Agency backed mortgage securities and the State Board of Administration Investment Pool (SBA).

The State Board of Administration administers the Local Government Surplus Funds Trust Fund (LGIP) and the Fund B Surplus Funds Trust Fund (Fund B), both of which are governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the LGIP and Fund B. The LGIP is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair value of the position in the LGIP is equal to the value of the pool shares. The Fund B is accounted for as a fluctuating NAV pool. As of September 30, 2009, the fair value factor for Fund B was \$.549150 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP. The investments in the LGIP and Fund B are not insured by FDIC or any other governmental agency.

City of Lake Worth, Florida

Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

The investment policies of the Pension Trust Funds are determined by each Plan's Board of Trustees. The investment objectives of the Plans are to preserve the purchasing power of each Plan's assets and earn a reasonable rate of return over the long-term while minimizing short-term volatility. To achieve these objectives, the Plans' seek to create a conservative, well diversified and balanced portfolio of high quality equity, fixed income and money market securities. Unless authorized by law or local ordinance, investments of the assets of the Plan's are subject to the limitations of state statutes.

City Investments

As of September 30, 2009, the City had the following investments:

<u>City Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market Funds	N/A	\$ 6,379,950
Savings, CD's and Time Deposits	12/21/2009 - 6/21/2010	595,000
State Board of Administration:		
LGIP	31.5 days	4,459,252
SBA Fund B	7 - 9 years	199,538
U.S. Treasury Obligations	6/30/2011 and 9/30/2011	13,603,319
U.S. Government Agencies:		
FHLB	12/11/2009 - 12/28/2012	34,182,339
FHLMC	8/1/2010 - 10/1/2013	9,956,479
FNMA	11/16/2009 - 6/1/2012	10,257,892
SBA	8/25/2011 - 7/25/2014	8,713,405
FFCB	9/22/2010 - 7/15/2011	4,553,585
Corporate and Foreign Bonds	12/16/2011 and 3/12/2012	4,268,852
Taxable Fixed Income Funds	N/A	2,630
Total Investments		<u>\$ 97,172,241</u>

Employees' and Police Retirement Systems Investments

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Corporate Bonds	\$28,544,569	\$ 467,526	\$ 9,259,264	\$ 7,834,824	\$ 10,982,955
U.S. Agencies	6,813,769	-	461,943	2,287,771	1,175,315
U.S. Treasuries	2,452,637	-	-	126,222	2,326,412
Total Investments	<u>\$37,810,975</u>	<u>\$ 467,526</u>	<u>\$ 9,721,207</u>	<u>\$ 10,248,817</u>	<u>\$ 14,484,682</u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Firefighters Pension Trust Fund:

	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
Corporate Bonds	\$ 4,808,752	\$ 37,799	\$ 620,754	\$3,728,856	\$ 421,343
U.S. Agencies	3,675,580	65,169	408,750	171,732	3,029,929
U.S. Treasuries	112,888	112,888	-	-	-
Total Investments	<u>\$ 8,597,220</u>	<u>\$215,856</u>	<u>\$ 1,029,504</u>	<u>\$3,900,588</u>	<u>\$3,451,272</u>

C. Interest Rate Risk

The City has an investment policy that limits the maturities on individual investments to no more than five years. In addition, at least 10% of the investments shall mature in one year or less and the weighted average portfolio maturity shall be no greater than 3 years.

The investment policies of the Pension Trust Funds do not have a limit on investment maturities as a means of managing its exposure from increasing interest rates.

D. Credit Risk

The City's investment policy does not address the requirement of ratings by a nationally recognized statistical rating organization (NRSRO), i.e. Standard and Poor's and Moody's Investment Services. The LGIP is rated AAAM by Standard and Poor's. The Fund B is not rated by an NRSRO. The City's investment in money market funds, repurchase agreements and taxable fixed income funds were not rated. Of the City's investment in U.S. Government Agencies, \$15,667,504 was not rated; however, the remaining was rated AAA by Standard and Poor's.

The investment policies of the City's General and Police Pension Trust Funds require corporate fixed income securities to have a rating of "A" or higher under Standard & Poor's or Moody's ratings or be liquidated at the earliest beneficial opportunity. Additionally, commercial paper must be rated A-1 or higher by Standard and Poor's or P-1 or higher by Moody's.

City of Lake Worth, Florida

Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

D. Credit Risk (Continued)

The ratings for the investments for the general and police pension funds are as follows:

<u>Ratings</u>	<u>General Fair Value</u>	<u>Police Fair Value</u>
Aaa	\$ 6,826,000	\$ 2,051,260
Aa1	194,935	13,928
Aa2	1,612,644	455,066
Aa3	903,773	277,484
A1	2,198,898	680,486
A2	7,785,317	2,630,216
A3	3,531,807	1,200,200
Baa1	199,902	66,634
Baa2	498,629	153,869
U.S. Government Securities	2,714,950	822,854
Not Rated	77,666	28,717
Total	<u>\$ 26,544,521</u>	<u>\$ 8,380,714</u>

Firefighters

The Firefighters' Pension Trust Fund limits investments in corporate bonds and commercial paper to the top 3 ratings provided by a NRSRO. The Plan's corporate bonds were rated by Moody's Investor Services as follows:

<u>Ratings</u>	<u>Fire Fair Value</u>
Aaa	\$ 521,638
Aa2	788,640
A1	848,557
A2	1,679,975
A3	1,068,126
Baa1	423,453
U.S. Government Securities	3,266,830
Total	<u>\$ 8,597,219</u>

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

E. Concentration of Credit Risk

The City's investment policy limits its investments in the State Board of Administration to 25% at any one time. Investments in the U.S. Government agencies and repurchase agreements cannot exceed 40% and 25%, respectively, of all City investment balances at any one time. GASB Statement No. 40 requires disclosure when the percent is 5% or more in any one issuer. Investments guaranteed by the U.S. Government and mutual funds, external investment pools and other pooled investments are exempt from this disclosure. The investment in Federal Home Loan Bank is 37% and Federal Farmer's Credit Bank is 7.7%. Given the high ratings of these investments, the additional concentration is not viewed to be an additional risk by the City.

The General and Police Pension Trust Funds investment policy provides that no more than 10% of the equity or fixed income portfolio value may be invested in the shares of a single corporate issuer. Additionally, investments in equity and fixed income securities issued by foreign governments or corporations domiciled outside the U.S., and which are not guaranteed by a corporation domiciled in the U.S., are limited to no more than 10% of total plan assets. Investments in collateralized mortgage obligations are limited to 25% of the market value of the total fixed income portfolio. No more than 15% of the equity portfolio total value may be invested in the shares of companies that have been publicly traded for less than one year. There is no limit on investments in fixed income securities issued directly by the U.S. Government or any agency or instrumentality thereof. The General and Police Pension Trust Funds do not hold investments in any one issuer equal to 5% or more of total plan assets.

The Firefighters' Pension Trust Fund does not allow investments in a single issuer to exceed 5% of plan net assets, other than those of the U.S. Government or its agencies. More than 5% of the Fund plan net assets are invested in debt securities issued by the Federal National Mortgage Association. These investments represented 18.96% of Plan Net Assets.

F. Custodial Credit Risk

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation (FDIC), all deposits are held in the banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

F. Custodial Credit Risk (Continued)

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the underlying securities of the City's investments in repurchase agreements are held by the investment's counterparty, not in the City's name.

G. Risks and Uncertainties

The City's Pension Plans have investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statement of plan net assets and the statement of changes in plan net assets. The Plans, through their investment advisors, monitors the Plan's investments and the risks associated therewith on a regular basis, which the Plans believe minimizes these risks.

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City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 4. PROPERTY TAXES

Property taxes are billed and collected within the same fiscal period. Ad valorem taxes on property values are assessed as of January 1st and are levied the following October. Taxes are payable on November 1st, with discounts allowed of 1% to 4% if paid prior to March 1st of the following calendar year. All unpaid taxes on real and personal property become delinquent and subject to lien on April 1st. Real and personal property taxes are collected by Palm Beach County (the County) and remitted to the City. Revenue is recognized at the time when monies are received by the City. State law permits Florida cities to levy a maximum of \$10 per \$1,000 (10 mills) of assessed taxable value for general government services. The City levied taxes at a rate of approximately 8.0702 mills, leaving a margin of 1.9298 mills under the maximum possible assessment of 10 mills. There are no material delinquent taxes as of September 30, 2009.

NOTE 5. RECEIVABLES

Accounts, special assessments and other receivables, including restricted accounts receivable and the related allowance for doubtful accounts as of September 30, 2009, are as follows:

	General	CRA Capital Project	Nonmajor Governmental Funds	Electric	Water
Customer Accounts	\$ 248,677	\$ -	\$ -	\$ 10,399,878	\$ 1,817,104
Utility and Other Taxes	619,326	-	44,676	210,557	-
Claims and Assessments	-	100,000	1,445,791	-	120,122
Intergovernmental	795,266	-	27,911	42,886	-
Other Receivables	-	-	-	110,504	-
Gross Receivables	<u>1,663,269</u>	<u>100,000</u>	<u>1,518,378</u>	<u>10,763,825</u>	<u>1,937,226</u>
Less allowance for doubtful Accounts	<u>(308,353)</u>	<u>-</u>	<u>(168,956)</u>	<u>(1,485,267)</u>	<u>(276,785)</u>
	<u>\$ 1,354,916</u>	<u>\$ 100,000</u>	<u>\$ 1,349,422</u>	<u>\$ 9,278,558</u>	<u>\$ 1,660,441</u>

	Local Sewer	Regional Sewer	Nonmajor Enterprise Funds	Total
Customer Accounts	\$ 823,673	\$ 2,720,916	\$ 498,249	\$ 16,508,497
Utility and Other Taxes	-	-	-	874,559
Claims and Assessments	-	-	77,909	1,743,822
Intergovernmental	-	626,934	-	1,492,997
Other Receivables	168,150	-	69,315	347,969
Gross Receivables	<u>991,823</u>	<u>3,347,850</u>	<u>645,473</u>	<u>20,967,844</u>
Less allowance for doubtful Accounts	<u>(167,664)</u>	<u>(2,083,665)</u>	<u>(362,541)</u>	<u>(4,853,231)</u>
	<u>\$ 824,159</u>	<u>\$ 1,264,185</u>	<u>\$ 282,932</u>	<u>\$ 16,114,613</u>

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009**

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

Interfund activity balances for the City are summarized as follows as of and for the fiscal year ended September 30, 2009:

A. Due to/from Other Funds

Due From	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	\$ 1,005,025	\$560,905	\$ 80,000	\$ 1,645,930
Nonmajor Governmental Funds	-	23,546	-	23,546
Electric Fund	1,096,704	-	-	1,096,704
Water Fund	369,855	-	-	369,855
Local Sewer Fund	475,223	-	-	475,223
Regional Sewer Fund	85,000	-	-	85,000
Nonmajor Enterprise Funds	1,208,418	-	-	1,208,418
Internal Service Funds	-	23,546	-	23,546
Total	<u>\$ 4,240,225</u>	<u>\$607,997</u>	<u>\$ 80,000</u>	<u>\$ 4,928,222</u>

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

B. Advances to/from Other Funds

Advance To	Advances From				Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	
Nonmajor Governmental Funds	\$ -	\$ -	\$ 204,486	\$ -	\$ 204,486
Nonmajor Enterprise Funds	488,353	311,517	-	311,517	1,111,387
Total	<u>\$ 488,353</u>	<u>\$ 311,517</u>	<u>\$ 204,486</u>	<u>\$ 311,517</u>	<u>\$ 1,315,873</u>

The balance of \$1,111,387 represents interfund loans from the General Fund to the Refuse Collection and Disposal Fund for equipment purchases and from the Capital Improvement Fund and the Internal Service Fund to the Golf Course Fund for construction of the cart barn. These amounts are not expected to be paid within one year.

The balance of \$204,486 represents interfund loan from the Stormwater Fund to the Capital Improvement Fund for landfill closure costs incurred. This amount is not expected to be paid within one year.

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009**

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS (Continued)

C. Interfund transfers

Transfers In	Transfers Out				
	General Fund	CRA Capital Project	Nonmajor Governmental Funds	Electric Fund	Water Fund
General Fund	\$ -	\$ -	\$ 159,000	\$ 3,972,912	\$ 1,122,338
Nonmajor Governmental Funds	5,477,489	9,360,807	-	-	-
Local Sewer	-	-	-	-	-
Nonmajor Enterprise Funds	396,000	-	-	-	-
Internal Service Funds	143,982	-	-	-	-
Total	<u>\$6,017,471</u>	<u>\$ 9,360,807</u>	<u>\$ 159,000</u>	<u>\$ 3,972,912</u>	<u>\$ 1,122,338</u>

Transfers In	Transfers Out			
	Regional Sewer Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	\$ -	\$ 805,220	\$ -	\$ 6,059,470
Nonmajor Governmental Funds	-	-	425,764	15,264,060
Local Sewer	56,747	-	-	56,747
Nonmajor Enterprise Funds	-	-	-	396,000
Internal Service Funds	-	-	-	143,982
Total	<u>\$ 56,747</u>	<u>\$ 805,220</u>	<u>\$ 425,764</u>	<u>\$21,920,259</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and (3) use restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In addition, transfers from the electric, the water and the non-major enterprise funds to the general fund relate primarily to reimbursements for administrative charges.

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009**

NOTE 7. CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2009:

<i>Historical Cost:</i>	Balance at December 31, 2008	Additions	Deletions	Transfers	Balance at December 31, 2009
Class					
<i>Non-depreciable Capital assets:</i>					
Land	\$ 4,962,642	\$ -	\$ -	\$ -	\$ 4,962,642
Construction in Progress	3,873,354	10,211,396	-	(4,069,826)	10,014,924
Total Non-depreciable Capital assets	<u>8,835,996</u>	<u>10,211,396</u>	<u>-</u>	<u>(4,069,826)</u>	<u>14,977,566</u>
<i>Capital assets being depreciated:</i>					
Infrastructure	65,399,528	-	-	61,841	65,461,369
Buildings	10,616,498	-	-	7,500	10,623,998
Recreational Facilities	1,925,554	589,875	-	3,681,504	6,196,933
Equipment	18,790,325	241,599	(826,264)	318,981	18,524,641
Total Depreciable Capital assets	<u>96,731,905</u>	<u>831,474</u>	<u>(826,264)</u>	<u>4,069,826</u>	<u>100,806,941</u>
Total Cost	<u>\$ 105,567,901</u>	<u>\$ 11,042,870</u>	<u>\$ (826,264)</u>	<u>\$ -</u>	<u>\$ 115,784,507</u>
<i>Accumulated Depreciation:</i>					
Class	Balance at December 31, 2008	Additions	Deletions	Transfers	Balance at December 31, 2009
Infrastructure	\$ (27,024,859)	\$ (2,886,647)	\$ -	\$ (29,103)	\$ (29,940,609)
Buildings	(3,873,346)	(338,607)	-	(8,142)	(4,220,095)
Recreational Facilities	(677,048)	(223,646)	-	6,050	(894,644)
Machinery and Equipment	(12,480,866)	(1,220,619)	420,878	31,195	(13,249,412)
Total Depreciation	<u>\$ (44,056,119)</u>	<u>\$ (4,669,519)</u>	<u>\$ 420,878</u>	<u>\$ -</u>	<u>\$ (48,304,760)</u>
<i>Net Value:</i>	<u>\$ 61,511,782</u>				<u>\$ 67,479,747</u>

* Depreciation expenses were charged to governmental functions as follows:

General Government	\$ 547,978
Public Safety	586,518
Physical Environment	656,608
Transportation	2,577,451
Culture and Recreation	297,499
Community Redevelopment	3,465
Total Depreciation Expense	<u>\$ 4,669,519</u>

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009**

NOTE 7. CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2009:

<i>Historical Cost:</i>	Balance at December 31, 2008	Additions	Deletions	Balance at December 31, 2009
Class	2008	Additions	Deletions	2009
<i>Non-depreciable Capital assets:</i>				
Land	\$ 1,570,131	\$ -	\$ -	\$ 1,570,131
Land Held for Future Use	444,673	-	-	444,673
Construction in Progress	19,420,336	2,115,173	(21,455)	21,514,054
Total Non-depreciable Capital Assets	<u>21,435,140</u>	<u>2,115,173</u>	<u>(21,455)</u>	<u>23,528,858</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	3,474,941	29,860	-	3,504,801
Buildings	17,297,984	-	-	17,297,984
Plant and Equipment	197,778,216	1,374,595	-	199,152,811
Total Depreciable Capital assets	<u>218,551,141</u>	<u>1,404,455</u>	<u>-</u>	<u>219,955,596</u>
Total Cost	<u>\$ 239,986,281</u>	<u>\$ 3,519,628</u>	<u>\$ (21,455)</u>	<u>\$ 243,484,454</u>
<i>Accumulated Depreciation:</i>				
	Balance at December 31, 2008	Additions	Deletions	Balance at December 31, 2009
Land Improvements	\$ (1,336,602)	\$ (392,264)	\$ -	\$ (1,728,866)
Buildings	(8,939,580)	(274,068)	-	(9,213,648)
Plant and Equipment	(120,656,337)	(6,379,256)	-	(127,035,593)
Total Depreciation	<u>\$(130,932,519)</u>	<u>\$ (7,045,588) *</u>	<u>\$ -</u>	<u>\$(137,978,107)</u>
<i>Net Value:</i>	<u>\$ 109,053,762</u>			<u>\$ 105,506,347</u>

* Depreciation expenses were charged to governmental functions as follows:

Electric	\$ 3,690,607
Water	1,006,679
Local Sewer	592,393
Regional Sewer	1,159,007
Golf Course	146,924
Stormwater	219,954
Refuse Collection and Disposal	223,522
Information Technology	6,502
Total Depreciation Expense	<u>\$ 7,045,588</u>

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 8. INVESTMENT IN JOINT VENTURE

In September 1992, the City entered into a joint interlocal agreement (Agreement) with Palm Beach County (the County) and three municipalities (Riviera Beach, Lake Worth and the Town of Palm Beach) (together with the City, the Entities) whereby prior separate agreements were consolidated into a single unified agreement to establish rules and procedures for the operation and management of the existing East Central Regional Wastewater Facility (ECR) in which each participating Entity has an interest. ECR was created to receive, treat, and dispose of sewage generated within each municipality and the County. The initial term of the Agreement is for thirty years with a renewable term of thirty years. In the event ECR is sold or disposed of, proceeds of the sale or disposition shall be prorated among other Entities, based on their reserve capacity as of the date of disposition.

The Agreement provides for the establishment of a Governing Board (the Board), comprised of one representative from each entity participating in the Agreement, to administer ECR. Under the Agreement, the Board has the power to enter into contracts, employ personnel and enter into debt in accordance with Section 163.01(7) of Florida Statutes. In accordance with the Agreement, the City of West Palm Beach operates and manages ECR on behalf of the Board.

Annually, the Board establishes a schedule of wastewater flow charges to pass onto the Entities so ECR is self-sustaining. The Board shall not be authorized to create or distribute a profit or surplus to any Entity. In addition, the Board shall calculate an annual renewal and replacement fund contribution for the sole purpose of funding each Entity's pro-rata share of extraordinary expenses, renewal and improvements or replacement of capital assets or any other part thereof at the facility.

The agreement may not be amended except upon the written agreement of the Entities holding a cumulative capacity allocation of 100%.

Based on a "Participatory Agreement" signed by all participants in April 1993, ECR constructed improvements amounting to approximately \$22,000,000, which was financed by the State of Florida, Department of Environmental Protection Revolving Loan Fund. Pledged revenue consisting of all fees and payments received by ECR will be used to repay the debt.

The City's share of this debt as of September 30, 2009 was \$1,954,550 and is reflected as a liability in the Regional Sewer Fund. Under GAAP, the City is required to account for this Joint Venture using the equity method.

City of Lake Worth, Florida

Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009

NOTE 8. INVESTMENT IN JOINT VENTURE (Continued)

Reserve Capacity Percentages:

Entity	September 30, 2006 and Prior		September 30, 2007	
	Flow		Flow	
	Allocation MGD	Percentage	Allocation MGD	Percentage
City of Lake Worth	12.5	20.16%	12.5	19.53%
City of Riviera Beach	8.0	12.90%	8.0	12.50%
City of West Palm Beach	17.0	27.42%	17.0	26.56%
Town of Palm Beach	5.0	8.07%	5.0	7.82%
Palm Beach County	19.5	31.45%	21.5	33.59%
Total	62.0	100.00%	64.0	100.00%

Complete financial statements for ECR may be obtained at the City of West Palm Beach Finance Department, 200 Second Street, West Palm Beach, Florida 33402.

NOTE 9. LONG-TERM DEBT

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2009 for both governmental and business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 1,170,000	\$ -	\$ (370,000)	\$ 800,000	\$ 390,000
Notes Payable	6,608,023	-	(731,956)	5,876,067	757,032
Capital Lease	411,684	-	(411,684)	-	-
Compensated Absences	1,368,969	1,662,533	(2,327,466)	704,036	271,406
Other Postemployment Benefits	159,077	-	-	159,077	-
Arbitrage Rebate Payable	137,556	-	-	137,556	-
Total	\$ 9,855,309	\$1,662,533	\$ (3,841,106)	\$ 7,676,736	\$ 1,418,438

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City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009**

NOTE 9. LONG-TERM DEBT (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 66,000,000	\$ -	\$ (1,350,000)	\$ 64,650,000	\$ 2,274,999
Unamortized Bond Discount and Deferred Amount on Refunding	(933,709)	-	47,679	(886,030)	-
Total Bonds Payable	65,066,291	-	(1,302,321)	63,763,970	2,274,999
Notes Payable	6,810,257	-	(520,707)	6,289,550	255,000
Compensated Absences	860,636	1,432,784	(1,029,887)	1,263,533	676,933
Capital Lease	1,299,842	-	(296,308)	1,003,534	282,826
Other Postemployment Benefits	173,990	-	-	173,990	-
Landfill Postclosure Care Costs	90,000	-	(30,000)	60,000	30,000
Total	<u>\$ 74,301,016</u>	<u>\$ 1,432,784</u>	<u>\$ (3,179,223)</u>	<u>\$ 72,554,577</u>	<u>\$ 3,519,758</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

A. Governmental Activities

1. Bonds and Notes Payable

General Obligation Bonds, Series 1996 (Series 1996 Bonds) – On July 1, 1996, the City issued \$4,475,000 of the Series 1996 Bonds. The bonds were issued for the purpose of constructing and equipping a new fire station, constructing an addition to an existing fire station and expanding an existing police station. The Series 1996 Bonds are due in annual principal installments of \$350,000 to \$410,000 through August 1, 2011, with semiannual interest payments at 5.00% to 5.40% interest per annum. As of September 30, 2009, the principal amount outstanding on the bonds is \$800,000.

Debt service requirements to maturity on the bond are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2010	\$ 390,000	\$ 43,103
2011	410,000	22,140
	<u>\$ 800,000</u>	<u>\$ 65,243</u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 9. LONG-TERM DEBT (Continued)

A. Governmental Activities (Continued)

1. Bonds and Notes Payable (Continued)

Community Redevelopment Agency (CRA) Revenue Note, Series 2005 (Series 2005 Note) - On May 25, 2005, the City issued a CRA Series 2005 \$8,000,000 Private Placement Revenue Note. The note was issued for the purpose of funding improvements in the designated CRA area of the City. The Series 2005 Note is due in annual principal installments of \$731,956 to \$926,601 through August 1, 2016, with semiannual interest payments at 3.426% per annum. The note is payable as to both principal, redemption premium, if any, and interest, from a lien on and pledge of tax increment revenues. As of September 30, 2009, the principal amount outstanding on the note is \$5,876,067.

Debt service requirements to maturity on the note are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 757,032	\$ 201,314
2011	782,968	175,287
2012	809,793	148,554
2013	837,536	120,810
2014	866,230	92,116
2015 - 2016	1,822,508	78,312
	<u>\$ 5,876,067</u>	<u>\$ 816,393</u>

B. Business-Type Activities

1. Revenue Bonds Payable

Business-type revenue bonds payable as of September 30, 2009 consist of:

2008 Series Utility System Refunding and Improvement Revenue Bonds (2004 Series Bonds) – On May 1, 2008, the City issued \$66,000,000 in 2008 Series Bonds. The bonds were issued for the purpose of advance refunding the City’s outstanding 2004 Series Bonds, Auction Rate Securities. The 2008 Series Bonds are due in annual principal installments of \$2,275,000 to \$4,640,000 through May 1, 2028. The annual bond interest rate is 4.25% which is subject to adjustment upon an event of taxability, as provided in the series 2008 bonds. As of September 30, 2009, the principal amount outstanding on the bonds is \$64,650,000.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 9. LONG-TERM DEBT (Continued)

B. Business-Type Activities (Continued)

1. Revenue Bonds Payable (Continued)

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,275,000	\$ 2,667,525
2011	2,370,000	2,569,980
2012	2,470,000	2,468,340
2013	2,580,000	2,362,290
2014	2,690,000	2,251,620
2015 - 2019	15,275,000	9,425,325
2020 - 2024	18,850,000	5,854,800
2025 - 2028	18,140,000	1,618,435
	<u>\$ 64,650,000</u>	<u>\$ 29,218,315</u>

2. Notes Payable

Sewer System Subordinated Lien Revenue Note, Series 2006 – In August, 2006, the City issued a Local Sewer System \$5,100,000 note. The note was issued to satisfy The City of Lake Worth’s obligation to the Regional Sewer System’s Renewal and Replacement Fund obligation to fund needed improvements. The note is due in annual principal installments of \$255,000 through October 1, 2015, with the balance of \$2,805,000 due on October 1, 2016, with semiannual interest payments at 5.351% per annum. As of September 30, 2009, the principal outstanding on the note is \$4,335,000.

Debt service requirements to maturity on the note are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 255,000	\$ 231,966
2011	255,000	218,321
2012	255,000	204,676
2013	255,000	191,031
2014	255,000	177,386
2015 - 2016	3,060,000	313,837
	<u>\$ 4,335,000</u>	<u>\$ 1,337,217</u>

Note payable to ECR - In May 1998, ECR issued a State of Florida revolving loan for plant expansion of which Lake Worth’s portion as a system participant was \$4,605,600 with interest rates between 2.36% - 3.17%. The note is due monthly through fiscal year 2016. As of September 30, 2009 the principal outstanding is \$1,954,550.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 9. LONG-TERM DEBT (Continued)

B. Business-Type Activities (Continued)

2. Notes Payable (Continued)

Debt service requirements to maturity on the note are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 272,559	\$ 46,653
2011	279,588	39,624
2012	286,799	32,413
2013	294,196	25,016
2014	301,785	17,427
2013 - 2016	519,623	11,670
	<u>\$ 1,954,550</u>	<u>\$ 172,803</u>

3. Bond Covenants

The various bond indebtedness and note agreements provide for annual debt service requirements, provisions for the flow of monies through various restricted accounts and minimum amounts to be contained in various sinking funds. Additionally, the utility system revenue bonds include rate covenants and renewal and replacement fund requirements.

The rate covenant requirements for the Sewer System Subordinated Lien Revenue Note, Series 2006 of 120% were not met at the fiscal year ended September 30, 2009. A First Amendment to Loan Agreement executed January 5, 2010, modified the security and rate covenant applicable to the Note so that the City of Lake Worth Local System is solely responsible for payment of Note. The rate covenant requirement will be met by the City in fiscal year 2010.

The City Charter permits the City to pledge the funds or property taxing power of the City for the payment of debt and bonds. This is subject to mandatory requirements that the total indebtedness of the City shall never exceed an amount equal to 25% of the total assessed value of the taxable property within its corporate limits. As of September 30, 2009, the City's debt limit is \$671,685,266.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 9. LONG-TERM DEBT (Continued)

B. Business-Type Activities (Continued)

4. Pledged Revenues

The City issues bonds and notes that are served by a pledge of specific revenues. Total pledged revenues to repay the principal and interest of those bonds as of September 30, 2009 are as follows:

Source of Revenue Pledged	Governmental	Business-Type Activities	
	Activities	Electric and Water	Local Sewer System
	CRA	Revenues	
Current Revenue Pledged	\$4,448,391	\$10,371,818	\$660,535
Current Debt Service	958,347	4,990,300	486,966
Total Future Revenues Pledged	6,708,333	93,868,315	6,172,826
Description of Debt	CRA Revenue Note, Series 2005	Electric and Water Revenue Bonds, Series 2008	Sewer System Subordinated Lien Revenue Note, Series 2006
Purpose of Debt	To Fund Gateway	Refunding	To Fund
Term of Commitment	2005 - 2016	2008 - 2028	2006 - 2016
Percentage of Debt Service to Current Year Pledged Revenues	21.54%	48.11%	73.72%

C. Capital Leases

1. Business-type Activities

The City entered into a lease agreement as lessee to finance the acquisition of golf carts in the Golf Enterprise Fund. The lease qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date.

The City also entered into a lease agreement as lessee to finance the purchase of refuse trucks and containers in the Refuse Collection and Disposal Fund. The lease qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date.

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009**

NOTE 9. LONG-TERM DEBT (Continued)

C. Capital Leases (Continued)

1 Business-Type Activities (Continued)

The assets acquired through capital leases are as follows:

	<u>Business-Type Activities</u>
Assets:	
Machinery and Equipment	\$ 1,104,239
Less Accumulated Depreciation	<u>(342,077)</u>
	<u>\$ 762,162</u>

<u>Fiscal Year Ending September 30,</u>	<u>Business -Type Activities</u>
2010	\$ 341,219
2011	314,829
2012	309,551
2013	<u>103,182</u>
Total Minimum Lease Payments	1,068,781
Less Amount Representing Interest	<u>(65,247)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,003,534</u>

D. Landfill Postclosure Care Cost

Pursuant to GASB Statement No. 18, the City is required to recognize a liability equal to the estimated total current cost of postclosure care for its landfill. The postclosure care of the City's landfill is mandated by state and federal laws and regulations and consists of certain maintenance and monitoring functions at the landfill site for 20 years after its closure. The landfill is closed and the percentage of landfill capacity used to date is 100%. As of September 30, 2009, the outstanding liability for postclosure care costs is \$60,000. Of this amount, \$30,000 is classified as a current liability and \$30,000 is classified as a long-term liability. These liabilities are recorded in the Refuse Collection and Disposal Fund.

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS

A. Description of Plans

The City contributes to three single-employer retirement systems covering substantially all full-time employees. The Employees' Retirement System (Employees), the Police Officers' Relief and Retirement System (Police Officers') and the Firefighters' Pension Trust Fund (Firefighters') (collectively, the Pension Trust Funds) are defined benefit plans. Each pension plan is administered by an independent Board of Trustees. The Employees and Police Officers' plans are accounted for by the City as separate pension trust funds. The Firefighters' plan is accounted for by an outside pension administration service and is reported by the City as a pension trust fund. Stand-alone financial reports are issued for each of the Pension Trust Funds.

1. Employees' Retirement System (ERS)

All of the City's full-time employees, other than police officers and firefighters, are eligible to participate in the ERS. Participants whose age plus credited service (as defined) computed in terms of full months equals 900 months or 75 years or whose credited service equals 240 months are entitled to annual benefits of 3% of the average of the highest 2 consecutive years of annual pay within the last 10 years of employment, multiplied by total years of credited service. For those hired before 10/1/79, lump sum payments of unused leave is included. A minimum of ten years of credited service is necessary for retirement.

Active employees who become disabled during the line of duty are entitled to receive service retirement in an amount of the accrued pension benefit calculated as though the member has 20 years of credited service, payable for life. If an active employee becomes disabled not in the line of duty, 10 years of service is also required for benefits to be paid. Disability benefits are paid until the earlier of death or recovery from disability.

If an active employee dies during the line of duty, his or her beneficiary receives the total employee's accumulated contributions plus a monthly benefit payable as follows: for the spouse, 50% of the average final compensation until death or remarriage; for any unmarried minor children, 25% of the average final compensation is distributed among the unmarried children until each reaches age 18; and if there is no spouse or eligible children, 16 2/3% of the average final compensation is payable to each dependent parent, if any. If the spouse dies or remarries, 25% is paid to each child with an overall maximum of 50% for all children. If a member who dies out of the line of duty has at least 10 years of credited service prior to retirement, the spouse is entitled to a monthly allowance, payable for life, as though retirement had occurred on date of death and the joint and last survivor option were chosen. However, if a member who dies out of the line of duty has less than 10 years of credited service his accumulated contributions are paid to the beneficiary. Workers' Compensation benefits are used to reduce the benefit provided by City contributions.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

1. Employees' Retirement System (ERS) (Continued)

If an employee terminates his or her employment with the City and is not eligible for any other benefits under the system, the employee is entitled to the following:

- With less than 10 years of continuous service, a refund of member contributions except such portion necessary to lawfully retire a just debt of each member.
- With 10 or more years of continuous service, a refund of member contributions or an adjusted retirement allowance for the payment of pension benefits to commence when the member attains the age of 62. The adjusted retirement allowance will be 50% of the member's regular retirement allowance as determined at time of termination. For each completed year of credited service thereafter, the adjusted retirement allowance shall be increased by 5% of the member's regular retirement allowance as determined until 100% is obtained.

Employees are required by a Lake Worth City Ordinance to contribute 7.8% of their annual salary to the ERS. The City is required to contribute the remaining amounts necessary to fund the system, based on an amount determined by the plan's actuaries as of October 1st each preceding year. The contribution requirements of plan members and the City are established and may be amended by the ERS Board of Trustees and the City Commission. As of October 1, 2008, the latest actuarial valuation date, the employee membership data related to the ERS was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	285
Fully, partially and nonvested active plan participants	310

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City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

1. Employees' Retirement System (ERS) (Continued)

The financial statements of the ERS are shown below.

**Empolyees' Retirement System
Statement of Plan Net Assets
September 30, 2009**

Assets

Cash and Cash Equivalents	\$ 946,051
Investments at Fair Value	
U.S. Government and Agency Funds	5,038,619
Money Market Funds	1,130,213
Corporate Bonds	21,502,902
Common Stocks	24,514,455
Mutual Funds	<u>7,179,585</u>
Total Investments	59,365,774
Accrued Interest, Dividends and Contributions Receivable	515,400
Due From Broker	61,378
Prepaid Items	<u>7,499</u>
Total Assets	<u>60,896,102</u>
Liabilities	
Accounts Payable	<u>230,837</u>
Net Assets	
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 60,665,265</u></u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

1. Employees' Retirement System (ERS) (Continued)

**Empolyees' Retirement System
Statement of Changes in Plan Net Assets
Fiscal Year Ended September 30, 2009**

Additions

Contributions

Employer	\$ 2,915,829
Plan Members	1,059,459
Total Contributions	<u>3,975,288</u>

Investment Income

Interest and Dividends	2,030,805
Net Change in Fair Value of Investments	<u>(771,996)</u>
Total Investment Income	1,258,809
Less Investment Expenses	<u>(387,539)</u>
Net Investment Income	871,270

Other Income	<u>27,731</u>
Total Additions	<u>4,874,289</u>

Deductions

Pension Benefits	6,849,486
Administrative Expenses	<u>107,809</u>
Total Deductions	<u>6,957,295</u>

Changes in Net Assets	(2,083,006)
Net Assets -Beginning	<u>62,748,271</u>
Net Assets - Ending	<u><u>\$ 60,665,265</u></u>

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

2. Police Officers' Relief and Retirement System (PRS)

All of the City's full-time sworn police officers are eligible to participate in the PRS. Participants whose age plus credited service (as defined) computed in terms of full months equals 900 months or 75 years or whose credited service equals 240 months or who are age 55 with 10 years of service are entitled to annual benefits of 3% of the average of the highest 2 consecutive years of annual pay within the last 10 years of employment, multiplied by total years of credited service. For those hired before 10/1/79, lump sum payment of unused leave is included. A minimum of 10 years of credited service is necessary for retirement. The PRS also permits early retirement if the participant has attained the age of 50 and has completed at least 10 years of credited service. Accrued pension benefits will be reduced by 3% for each year by which the actual retirement date precedes the normal retirement date.

Active police officers who become disabled during the line of duty are entitled to receive the accrued pension benefit calculated as though the member has 20 years of credited service, payable for life. If an active police officer becomes disabled not in the line of duty, 10 years of service is also required for benefits to be paid. The benefits payable under disability retirement shall be monthly income payable for at least 10 years. Disability benefits are paid until the earlier of death or recovery from disability.

If an active police officer dies during the line of duty, his or her beneficiary receives the total employee's accumulated contributions plus a monthly benefit payable as follows: for the spouse, 50% of the average final compensation until death or remarriage; for any unmarried minor children, 25% of the average final compensation is distributed among the unmarried children until each reaches age 18; and if there is no spouse or eligible children, 16 2/3% of the average final compensation is payable to each dependent parent, if any. If the spouse dies or remarries, 25% is paid to each child with an overall maximum of 50% for all children. If a member who dies out of the line of duty has at least 10 years of credited service prior to retirement, the spouse is entitled to a monthly allowance, payable for life, as though retirement had occurred on date of death and the joint and last survivor option were chosen. However, if a member who dies out of the line of duty has less than 10 years of credited service his accumulated contributions are paid to the beneficiary. Workers' Compensation benefits are used to reduce the benefit provided by City contributions.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

2. Police Officers' Relief and Retirement System (PRS) (Continued)

If an employee terminates his or her employment with the City's police department and is not eligible for any other benefits under the system, the employee is entitled to the following:

- With less than 10 years of continuous service, a refund of member contributions except such portion necessary to lawfully retire a just debt of each member.
- With 10 or more years of continuous service, a refund of member contributions or an adjusted retirement allowance for the payment of pension benefits to commence when the member attains the age of 62. The adjusted retirement allowance will be 50% of the member's regular retirement allowance as determined at time of termination. For each completed year of credited service thereafter, the adjusted retirement allowance shall be increased by 5% of the member's regular retirement allowance as determined until 100% is obtained.

Police employees are required by a Lake Worth City Ordinance to contribute 7.06% of their annual salary to the PRS. The City is required to contribute the remaining amounts necessary to fund the system, based on an amount determined by the plan's actuaries as of October 1st each preceding year. The contribution requirements of plan members and the City are established and may be amended by the PRS Board of Trustees and the City Commission.

As of October 1, 2008, the latest actuarial valuation date, the employee membership data related to the PRS was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	82
Fully, partially and nonvested active plan participants	40

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City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

2. Police Officers' Relief and Retirement System (PRS) (Continued)

The financial statements of the PRS are shown below.

**Police Officers' Relief and Retirement System
Statement of Plan Net Assets
September 30, 2009**

Assets	
Cash and Cash Equivalents	\$ 297,407
Investments at Fair Value	
U.S. Government and Agency Funds	1,339,047
Money Market Funds	483,523
Corporate Bonds	7,041,667
Common Stocks	9,701,466
Mutual Funds	<u>2,383,900</u>
Total Investments	20,949,603
Accrued Interest, Dividends and Contributions Receivable	811,624
Due From Broker	30,648
Prepaid Items	<u>2,862</u>
Total Assets	<u>22,092,144</u>
Liabilities	
Accounts Payable	<u>92,993</u>
Net Assets	
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 21,999,151</u></u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

2. Police Officers' Relief and Retirement System (PRS) (Continued)

**Police Officers' Relief and Retirement System
Statement of Changes in Plan Net Assets
Fiscal Year Ended September 30, 2009**

Additions	
<i>Contributions</i>	
Employer	\$ 1,452,892
Chapter 185	106,629
Plan Members	<u>234,514</u>
Total Contributions	<u>1,794,035</u>
<i>Investment Income</i>	
Interest and Dividends	682,720
Net Change in Fair Value of Investments	<u>(432,591)</u>
Total Investment Income	250,129
Less Investment Expenses	<u>(160,160)</u>
Net Investment Income	89,969
Other Income	<u>8,541</u>
Total Additions	<u>1,892,545</u>
Deductions	
Pension Benefits	2,714,531
Administrative Expenses	<u>76,767</u>
Total Deductions	<u>2,791,298</u>
Changes in Net Assets	(898,753)
Net Assets -Beginning	<u>22,897,904</u>
Net Assets - Ending	<u><u>\$ 21,999,151</u></u>

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

3. Firefighters' Pension Trust Fund (FPTF)

All of the City's certified firefighters are eligible to participate in the FPTF. Participants whose age plus credited service (as defined) computed in terms of full months equals 900 months or 75 years or whose credited service equals 240 months or who are age 55 with 10 years of service are entitled to annual benefits of 3% of the average of the highest 2 consecutive years of annual pay within the last 10 years of employment, multiplied by total years of credited service. For those hired before 10/1/79, lump sum payment of unused leave is included. A minimum of 10 years of credited service is necessary for retirement. The FPTF permits early retirement if the participant has attained the age of 50 and has completed at least 10 years of credited service. Accrued pension benefits will be reduced by 3% for each year by which the actual retirement date precedes the normal retirement date.

Active firefighters who become disabled during the line of duty are entitled to receive the greater of 50% of average final compensation or accrued pension benefit calculated as though the member has 20 years of credited service, payable for life. If an active firefighter becomes disabled not in the line of duty, 10 years of service is also required for benefits to be paid, and the benefit will be the retirement benefit accrued to the date of disability. The benefits payable under disability retirement shall be monthly income payable for at least 10 years. Disability benefits are paid until the earlier of death or recovery from disability.

If an active fireman dies during the line of duty, his or her beneficiary receives the total employee's accumulated contributions plus a monthly benefit payable as follows: for the spouse, 33 1/3% of the average final compensation until death or remarriage; for any unmarried minor children, 25% of the average final compensation is distributed among the unmarried children until each reaches age 18; and if there is no spouse or eligible children, 16 2/3% of the average final compensation is payable to each dependent parent, if any. If the spouse dies or remarries, 25% is paid to each child with an overall maximum of 50% for all children. If a member who dies out of the line of duty has at least 10 years of credited service prior to retirement, the spouse is entitled to a monthly allowance, payable for life, as though retirement had occurred on date of death and the joint and last survivor option were chosen. However, if a member who dies out of the line of duty has less than 10 years of credited service his accumulated contributions are paid to the beneficiary. Workers' Compensation benefits are used to reduce the benefit provided by City contributions.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

3. Firefighters' Pension Trust Fund (FPTF) (Continued)

If an employee terminates his or her employment with the City's fire department and is not eligible for any other benefits under the system, the employee is entitled to the following:

- With less than 10 years of continuous service, a refund of member contributions except such portion necessary to lawfully retire a just debt of each member.
- With 10 or more years of continuous service, either a refund of member contributions or the accrued benefit starting at age 50 after an actuarial reduction.

Firefighters are required by a Lake Worth City Ordinance to contribute 11.25% of their annual salary to the FPTF. The City is required to contribute the remaining amounts necessary to fund the system, based on an amount determined by the plan's actuaries as of October 1st each preceding year. The contribution requirements of plan members and the City are established and may be amended by the FPTF Board of Trustees and the City Commission. As of October 1, 2008, the latest actuarial valuation date, the employee membership data related to the FPTF was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	65
Fully, partially and nonvested active plan participants	17

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City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

3. Firefighters' Pension Trust Fund (FPTF) (Continued)

The financial statements of the PRS are shown below.

**Firefighters' Pension Trust Fund
Statement of Plan Net Assets
September 30, 2009**

Assets	
Cash and Cash Equivalents	\$ 635,725
Investments at Fair Value	
U.S. Government and Agency Funds	3,788,468
Money Market Funds	3,380,630
Corporate Bonds	4,808,752
Common Stocks	11,586,986
Mutual Funds	<u>2,713,189</u>
Total Investments	26,278,025
Accrued Interest, Dividends and Contributions Receivable	388,253
Due From Broker	12,928
Prepaid Items	<u>2,352</u>
Total Assets	<u>27,317,283</u>
Liabilities	
Accounts Payable	<u>1,794,679</u>
Net Assets	
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 25,522,604</u></u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

A. Description of Plans (Continued)

3. Firefighters' Pension Trust Fund (FPTF) (Continued)

**Firefighters' Pension Trust Fund
Statement of Changes in Plan Net Assets
Fiscal Year Ended September 30, 2009**

Additions	
<i>Contributions</i>	
Employer	\$ 1,629,690
Chapter 175	483,997
Plan Members	353,111
Roll Over	348,676
Buybacks	<u>65,310</u>
Total Contributions	<u>2,880,784</u>
<i>Investment Income</i>	
Interest and Dividends	749,053
Net Change in Fair Value of Investments	<u>(128,140)</u>
Total Investment Income	620,913
Less Investment Expenses	<u>(167,832)</u>
Net Investment Income	453,081
Other Income	<u>7,911</u>
Total Additions	<u>3,341,776</u>
Deductions	
Pension Benefits	1,841,338
Administrative Expenses	<u>125,374</u>
Total Deductions	<u>1,966,712</u>
Changes in Net Assets	1,375,064
Net Assets -Beginning	<u>24,147,540</u>
Net Assets - Ending	<u><u>\$25,522,604</u></u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

B. Summary of Significant Accounting Policies

The financial statements for the City's Pension Trust Funds can be obtained by contacting the City's Finance Department.

The City's Pension Trust Funds are presented in accordance with GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers." The objective of these Statements is to enhance the understandability and usefulness of pension information included in the financial statements of state and local governmental employers. The Pension Trust Funds financial statements are prepared using the accrual basis of accounting. Contributions to the Pension Trust Funds are recognized as revenue at the time they are due. Benefit payments and refunds are recognized as expenses as they become payable and administrative expenses are recognized at the time the expense is incurred. Interest and dividend income is recognized when earned. Gains and losses on sales and exchanges of securities are valued at the last reported sales price at current exchange rates. There were no investments in, loans to, or leases with, any Pension Trust Fund official or other related party during the fiscal year ended September 30, 2009.

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City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

C. Funding Policy and Annual Required Contributions

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due.

Annual pension cost ("APC") is a measure of the periodic cost of an employer's participation in a defined benefit pension plan and the net pension obligation ("NPO") at the valuation date is the cumulative difference between the APC and actual employer contributions since the adoption date of GASB Statement No. 27.

The City's APC and NPO information for each plan are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Employees' Retirement System			
Annual Pension Cost (APC)	\$ 2,903,867	\$ 2,856,150	\$ 2,788,079
Contributions Made	2,900,444	2,836,692	2,783,777
Percent of APC Contributed	99.9%	99.3%	99.8%
NPO (overfunding) End of Year	(45,855)	(33,893)	(53,351)
Police Officers' Relief and Retirement System			
Annual Pension Cost (APC)	\$ 1,535,821	\$ 1,416,278	\$ 1,136,619
Contributions Made	1,478,116	1,414,687	1,053,525
Percent of APC Contributed	96.2%	99.9%	92.7%
NPO (overfunding) End of Year	39,798	63,498	61,907
Firefighters' Pension Trust Fund			
Annual Pension Cost (APC)	\$ 2,116,544	\$ 1,809,477	\$ 1,276,588
Contributions Made	2,113,687	1,803,667	1,277,405
Percent of APC Contributed	99.9%	99.7%	100.0%
NPO (overfunding) End of Year	(25,136)	(27,993)	(33,803)
	<u>ERS</u>	<u>PRS</u>	<u>FPTF</u>
Annual Required Contribution (ARC)	\$ 2,900,325	\$ 1,534,297	\$ 2,113,667
Interest on Net Pension Obligation (NPO)	(4,189)	(1,522)	(2,379)
Adjustment to ARC	7,731	3,046	5,256
Annual Pension Cost (APC)	2,903,867	1,535,821	2,116,544
Contributions Made	2,900,444	1,478,116	2,113,687
Increase (Decrease) in NPO	3,423	57,705	2,857
NPO at Beginning of Year	(49,278)	(17,907)	(27,993)
NPO at End of Year	<u>\$ (45,855)</u>	<u>\$ 39,798</u>	<u>\$ (25,136)</u>

City of Lake Worth, Florida

Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

C. Funding Policy and Annual Required Contributions (Continued)

Actuarial methods and significant actuarial assumptions used to determine the annual required contributions for the current year follow:

	Employees' Retirement System	Police Officers' Relief and Retirement System	Firefighters' Pension Trust Fund
Actuarial Valuation Date	October 1, 2008	October 1, 2008	October 1, 2008
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar, Closed	Level Dollar, Closed	Level Dollar, Closed
Remaining Amortization Period	30 Years	30 Years	30 Years
Asset Valuation Method	5 Years Smoothed Market	5 Years Smoothed Market	5 Years Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	8.50%	8.50%	8.50%
Projected Salary Increases *	6.50%	6.50%	6.50%
Changes Since Last Valuation	No Change	No Change	No Change
* Includes Inflation at	4.00%	4.00%	4.00%

D. Funding Status and Funding Progress

The funded status of the Plans as of October 1, 2008, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

	ERS	PRS	FPTF
Actuarial Valuation Date	10/1/2008	10/1/2008	10/1/2008
Actuarial Value of Assets (a)	\$ 67,624,920	\$ 26,107,595	\$ 25,336,434
Actuarial Accrued Liability (AAL) (b)	<u>91,906,160</u>	<u>37,488,750</u>	<u>40,647,163</u>
Unfunded (UAAL) (b-a)	\$24,281,240	\$11,381,155	\$15,310,729
Funded Ratio (a/b)	73.6%	69.6%	62.3%
Annual Covered Payroll (c)	\$ 13,332,893	\$ 3,504,813	\$ 3,293,733
UAAL as a Percentage of Annual Covered Payroll Obligation	182.1%	324.7%	464.8%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability (AAL) for benefits.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

E. Firefighters' and Police Relief and Pension Funds—Division 2 (Division 2 Fund)

The Division 2 Fund, a defined contribution plan, was established by the State of Florida to implement certain provisions of the Florida Statutes relating to “The Municipal Police Pension Trust Fund Act” (MPPTFA) and “The Municipal Firefighters’ Pension Trust Fund Act” (MFPTFA). By legislative action, the Division 2 Fund is a separate and distinct entity unto itself and is not a component unit of the City as defined in the pronouncement issued by the GASB.

The Division 2 Fund financial statements can be obtained by contacting the City’s finance department. For the year ended September 30, 2009, payments made by the State of Florida, on behalf of the City, to the Division 2 Fund totaled approximately \$759,672.

F. Eligibility

Any City employee with permanent status in the police department and whose duty it is to engage directly in the enforcement of the laws of the City and State of Florida may participate as a member of the MPPTFA. Any person employed by the City who is certified as a firefighter and whose duty it is to extinguish fires and protect life and property qualifies as a participant of the MFPTFA.

G. Payroll of Participants

The Firefighters and Police Officers departments’ total payroll was \$5,717,067 for fiscal 2009, of which \$5,529,264 was paid to participants in the firefighter and police officers’ funds, respectively.

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The City provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, at their own cost and until the attainment of age 65, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan conform with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

B. Funding Policy and Annual OPEB Cost

The City does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the City for active employees by its healthcare provider. However, the City's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted cost paid by the City or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

The annual other post employment benefit (OPEB) cost is calculated based on the annual retired contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost for the City for the current year and the related information is as follows:

Required Contribution Rates:	
Employer	Pay-As-You-Go
Plan Member	N/A
Normal Cost	\$ 240,952
Amortization	<u>407,312</u>
Annual OPEB Cost	648,264
Contributions Made	<u>(315,197)</u>
Increase in Net OPEB Obligation	333,067
Net OPEB Obligation - Beginning of Year	-
Net OPEB Obligation - End of Year	<u><u>\$ 333,067</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008 was:

Fiscal Year Ended	September 30, 2008
Annual OPEB Cost	\$ 648,264
Percentage of OPEB Cost Contributed	48.7%
Net OPEB Obligation	\$ 333,067

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 11. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

C. Funded Status and Funding Progress

The funded status of the plan as of October 1, 2009 was as follows:

Actuarial accrued liability	\$ 779,926
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$779,926</u>
Funded ratio	-
Covered payroll	\$ 17,689,510
UAAL as a percentage of covered payroll	44.1%

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the City has not contributed assets to the plan at this time.

D. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Valuation Date	10/1/2007
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent, Closed
Remaining Amortization Period	20 Years
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Projected Salary Increases	6.50%
Healthcare Inflation Rate	10% Ultimate

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 12. COMMITMENTS AND CONTINGENCIES

A. Florida Municipal Power Agency (FMPA) Agreements

The City's electric utility operates pursuant to various power sales contracts with a number of other power producers and a Power Supply Acquisition Agreement and Project Support contract with the FMPA. FMPA owns an 8.806% undivided interest in Florida Power & Light Company's St. Lucie Unit No. 2 (St. Lucie Unit No. 2), a nuclear powered electric generating facility and a 25% interest in Orlando Utilities Commission's Stanton Energy Center Coal Fired Unit No. 1 (Stanton Unit No. 1). The contracts with FMPA give the City and each of the other participants in the St. Lucie Project and the Stanton Project entitlement shares aggregating 100% of FMPA's ownership interest in St. Lucie Unit No. 2 and Stanton Unit No. 1. FMPA also has a Reliability Exchange Agreement with Florida Power & Light Company that enables the City to exchange 50% of its share of the output from St. Lucie Unit No. 2 for a like amount from St. Lucie Unit No. 1. Under the FMPA agreements, the City is to receive approximately 18 megawatts (mw) of power from St. Lucie and 10 mw of power from Stanton. Costs associated with power purchases under these agreements are charged against operations as incurred. Revenue from participating sales contracts are recognized as earned.

The City and FMPA have now entered into a contract that provides for FMPA to be responsible for providing the power and energy for the City's Electric Utilities Department either by operating the existing equipment or by providing the power and energy from other less costly facilities. This contract was effective as of September 1, 2002. The Stanton Project has been absorbed into the FMPA All Requirements Project generating units. The City remains financially responsible for the St. Lucie Unit 2 contract and the power and energy from this facility will be part of the overall power supply plan of the City and the FMPA.

Pursuant to the City's agreement with the FMPA, the City was required to make a specified contribution to the FMPA. The City satisfied part of this requirement during fiscal year 2003 by transferring certain fuel inventory. The City has recorded a long-term, restricted deposit of \$1,316,174 as it would be refundable to the City in the event that the FMPA were to dissolve.

B. Palm Beach County Bulk Potable Water Agreement

The City and Palm Beach County entered into a contract for the purchase of bulk potable water by the City on May 6, 2008. The agreement called for the County to build a water line to the City and for the City to reimburse the County for construction costs and purchase certain amounts of water over a period of ten years. Subsequently the City determined that it would be in the best interests of the City to cancel the agreement and proceed with the construction of its own Reverse Osmosis Water Plant. The City and the County are in discussions about the resolution of this issue. Any costs of the resolution would not materially affect the financial position of the City.

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

C. Litigation, Claims and Assessments

The City is the defendant in several personnel-related and other lawsuits occurring in the normal course of operations. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

D. Grants

Grant monies received and disbursed by the City are for specific purposes and may be subject to audit by the grantor agencies. Such audits may result in requests for reimbursements due to disallowed expenditures or other actions by grantor agencies. Based upon prior experience, the City does not believe that such disallowances or other actions taken by the grantor agencies, if any, would have a material effect on the financial position of the City.

E. Other

There were no material commitments for construction work in progress outside of the amounts displayed as "Reserve for Encumbrances" in the governmental fund financial statements.

NOTE 13. SELF-INSURANCE PROGRAM

Subject to Florida State Statutes regarding civil actions to recover damages for covered under Florida Sovereign Immunity Laws, which effectively limits the amount of liability of municipalities to individual claims of \$100,000 or \$200,000 for all claims relating to the same incident.

Liabilities are recorded when a claim or loss has been reported. The City analyzes its losses and finances, both uninsured and insured risks. All insurance premiums and claims are charged to the appropriate Fund.

The City is self insured for property claim coverage through the Florida Municipal Insurance Trust (FMIT) The FMIT coverage provides the City with a self-insured retention of \$50,000 per property claim; \$100,000 per utility plant facility claim; and \$300,000 for power plant boiler and machinery claims. The aggregate FMIT property coverage is \$11,173,040. There were no claims or liabilities incurred but not reported (IBNR) claims regarding property coverage for the period ending September 30, 2009.

The City is self insured for Worker's compensation and has a self-insured retention level of \$350,000 per claim and \$1,000,000 excess policy with FMIT. In the past 3 years all workers' compensation claims were within the limit of the policy. There were no significant reductions in coverage during the fiscal year compared to prior year.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2009

NOTE 13. SELF-INSURANCE PROGRAM (Continued)

The City has a self-insured retention level of \$100,000 per occurrence for general and professional liability and automobile liability. Physical damage coverage on vehicles has a \$1,000 deductible.

Due to risk limitations, the City's beach pier and lifeguard stands are considered uninsurable by the City's risk pool. Therefore, the cost of repair or replacement to these assets must be absorbed directly by the City unless reimbursement is provided by federal emergency funding.

There were no claims liabilities during the past two years and therefore no tables are presented.

NOTE 14. LANDFILL MANAGEMENT ESCROW

The City is required under Section 62-701.630 of the Florida Administrative Code to prepare and submit to the State of Florida Department of Environmental Protection the "Schedule of Cash Receipts and Disbursements" of the City of Lake Worth, Florida Sanitary Landfill Management Escrow Account. The City records the landfill management escrow as restricted cash to fund postclosure costs of the landfill. Sufficient funds are to be deposited or maintained in the interest bearing escrow account in order to fund the estimated annual postclosure care costs to be incurred in the subsequent year. The escrow is held in a Florida State Board of Administration Investment Account, and is reported as part of the City's pooled cash and investments. The escrow is calculated based on estimates made by a registered professional engineer. Such estimates are subject to change due to inflation, technology or applicable laws and regulations. At September 30, 2009, the escrow was based on the following estimates:

Cost of Closure	\$ 2,376,000
Annual Long-Term Care/Postclosure Costs	\$ 30,000
Date of Landfill Closure	October 1991

The schedule of cash receipts and disbursements for the year ended September 30, 2009, is as follows:

Balance, September 20, 2008	\$ 197,848
Deposits - Interest Income	<u>1,692</u>
Balance, September 20, 2009	<u><u>\$ 199,540</u></u>

There were no withdrawals made from the Sanitary Landfill Management Escrow Account for the fiscal year ended September 30, 2009. This account is included in the Refuse Collection and Disposal Fund. The postclosure care costs for the fiscal year ended September 30, 2009, were funded from the operating revenue of the Refuse Collection and Disposal Fund.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 15. COMMUNITY REDEVELOPMENT TRUST FUND

Pursuant to Florida Statute 163.387, listed below is a summary of the sources and amounts of deposits to, and the purpose and amounts of withdrawals from, the Community Redevelopment Agency Trust Fund (CRA) for the fiscal year ended September 30, 2009:

	Deposits	Withdrawals
Source Of Deposits:		
Ad Valorem Taxes Received From City	\$ 2,989,290	\$ -
Ad Valorem Taxes Received From Palm Beach County	1,459,101	-
Transfer in / Water Fund	700,000	-
Investment Income	222,637	-
Federal Grant From Environmental Protection Agency	27,911	-
Local Grant From Palm Beach County	11,594	-
Miscellaneous	3,658	-
Purpose Of Withdrawals:		
Regular Salaries/Wages	-	220,994
Professional Services	-	49,148
Other Contractual Services	-	99,364
Travel and Training	-	3,297
Telephone and Utility Costs	-	37,633
Operating Supplies	-	8,130
Books, Memberships and Dues	-	3,448
Miscellaneous Expenses	-	88,767
Rentals and Leases	-	53,566
Other Grants and Aides/ Economic Development	-	12,500
Tax Increment Rebate	-	143,851
Promotional Activity	-	12,619
Promotional Activity - Banners and Decorations	-	17,000
Promotional Activity - Patrons Attractions	-	57,900
Community Development - Accounting and Auditing	-	18,800
Commercial Grant Program	-	70,062
Brownfield Redevelopment	-	32,703
Housing Program	-	82,471
Streetscape	-	118,612
Loan Interest	-	226,391
Principal	-	731,956
Capital Outlay /CIP /Improvements	-	7,668,597
Community Development/Infrastructure	-	1,691
Dixie Highway Improvement	-	300
Community grants in aid and other grants	-	25,040
Other Contractual Services - Police OT	-	86,098
Other Contractual Services - Code	-	70,000
	\$ 5,414,191	\$ 9,940,938

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2009*

NOTE 16. SUBSEQUENT EVENTS

Transfer of City Fire Services - On October 1, 2009, fire rescue services were transferred from the City to the Palm Beach County Fire Rescue District under an Interlocal Agreement approved by the City Commission. The agreement provides for the transfer of existing City Fire Rescue Department certified staff, equipment and vehicles. The City's existing fire rescue service facilities will be provided to Palm Beach County Fire District at no charge by this agreement. The County is responsible for utilities and maintenance cost which are to be paid monthly. This agreement is funded from an annual County Municipal Services Taxing Unit (MSTU) property tax assessment and an annual supplemental payment from the City in December of each year. In addition, the City remains responsible for the funding of the local fire pension fund.

REQUIRED SUPPLEMENTARY INFORMATION

City of Lake Worth, Florida

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended September 30, 2009***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property taxes	\$ 14,694,983	\$ 14,694,983	\$ 14,784,901	\$ 89,918
Utility service taxes	5,043,000	5,043,000	5,217,037	174,037
Sales and use taxes	980,000	980,000	832,983	(147,017)
Franchise fees	<u>175,000</u>	<u>175,000</u>	<u>88,226</u>	<u>(86,774)</u>
Total taxes	<u>20,892,983</u>	<u>20,892,983</u>	<u>20,923,147</u>	<u>30,164</u>
Licenses and permits:				
Business	1,071,500	414,196	583,577	169,381
Non-business	<u>-</u>	<u>-</u>	<u>34,355</u>	<u>34,355</u>
Total licenses and permits	<u>1,071,500</u>	<u>414,196</u>	<u>617,932</u>	<u>203,736</u>
Fines and forfeitures:				
Public safety	200,000	200,000	127,906	(72,094)
Library fines	-	-	8,720	8,720
Violations of local ordinances	<u>760,000</u>	<u>760,000</u>	<u>332,893</u>	<u>(427,107)</u>
Total fines and forfeitures	<u>960,000</u>	<u>960,000</u>	<u>469,519</u>	<u>(490,481)</u>
Charges for services:				
General government	135,250	135,250	159,359	24,109
Public safety	488,000	1,145,304	415,342	(729,962)
Physical environment	15,000	15,000	34,005	19,005
Transportation	565,000	565,000	471,675	(93,325)
Culture and recreation	<u>554,500</u>	<u>554,500</u>	<u>237,872</u>	<u>(316,628)</u>
Total charges for services	<u>1,757,750</u>	<u>2,415,054</u>	<u>1,318,253</u>	<u>(1,096,801)</u>
Intergovernmental:				
State shared revenues	<u>5,259,000</u>	<u>5,259,000</u>	<u>4,357,045</u>	<u>(901,955)</u>
Total intergovernmental	<u>5,259,000</u>	<u>5,259,000</u>	<u>4,357,045</u>	<u>(901,955)</u>
Interfund services provided	3,546,234	3,726,234	3,667,230	(59,004)
Investment income	550,000	550,000	849,941	299,941
Rents and royalties	108,500	108,500	240,412	131,912
Miscellaneous	<u>15,700</u>	<u>100,700</u>	<u>379,751</u>	<u>279,051</u>
Total revenues	<u>34,161,667</u>	<u>34,426,667</u>	<u>32,823,230</u>	<u>(1,603,437)</u>

(Continued)

City of Lake Worth, Florida

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended September 30, 2009***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures:				
General Government:				
City commission	309,193	318,785	279,441	39,344
City manager	999,591	999,591	908,106	91,485
Finance	1,447,187	1,458,698	1,414,714	43,984
Internal auditing	50,000	50,000	25,575	24,425
Personnel	537,318	537,318	516,636	20,682
City attorney	619,966	619,966	607,730	12,236
Building maintenance	1,067,353	1,105,703	1,077,650	28,053
Building and zoning	522,448	545,540	415,130	130,410
General and Administrative	-	30,000	30,000	-
Cost of services	-	-	46,378	(46,378)
Miscellaneous	204,230	190,530	1,610	188,920
Total general government	<u>5,757,286</u>	<u>5,856,131</u>	<u>5,322,970</u>	<u>533,161</u>
Public safety:				
Police	15,200,353	15,642,035	15,470,077	171,958
Fire	8,403,085	9,819,627	9,930,421	(110,794)
Code and administration	1,294,652	1,189,652	1,059,045	130,607
Total public safety	<u>24,898,090</u>	<u>26,651,314</u>	<u>26,459,543</u>	<u>191,771</u>
Physical environment:				
Cemetery	330,669	330,669	315,344	15,325
Grounds maintenance	1,847,197	1,848,125	1,684,784	163,341
Total physical environment	<u>2,177,866</u>	<u>2,178,794</u>	<u>2,000,128</u>	<u>178,666</u>
Transportation:				
Administration	724,632	724,632	704,491	20,141
Streets, drains and sidewalks	1,228,615	1,228,621	1,067,602	161,019
Parking facilities	9,600	20,557	28,412	(7,855)
Total transportation	<u>1,962,847</u>	<u>1,973,810</u>	<u>1,800,505</u>	<u>173,305</u>

(Continued)

City of Lake Worth, Florida

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended September 30, 2009***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Culture and recreation:				
Library	486,077	536,177	544,779	(8,602)
Recreation	861,330	872,490	827,169	45,321
Pool and beach	705,165	719,415	713,658	5,757
Total culture and recreation	<u>2,052,572</u>	<u>2,128,082</u>	<u>2,085,606</u>	<u>42,476</u>
Capital outlay	<u>1,059,750</u>	<u>678,654</u>	<u>486,202</u>	<u>192,452</u>
Debt service:				
Principal	-	411,683	411,683	-
Interest and fiscal charges	-	13,744	13,744	-
Total Expenditures	<u>38,083,411</u>	<u>39,923,230</u>	<u>38,580,381</u>	<u>1,342,849</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,921,744)	(5,496,563)	(5,757,151)	(260,588)
Other Financing Sources (Uses):				
Transfers In	6,189,470	6,059,470	6,059,470	-
Transfers Out	(4,450,818)	(5,802,830)	(6,017,471)	(214,641)
Appropriated fund balance	<u>2,183,092</u>	<u>5,239,922</u>	<u>-</u>	<u>(5,239,922)</u>
Total Other Financing Sources (Uses)	<u>3,921,744</u>	<u>5,496,562</u>	<u>41,999</u>	<u>(5,454,563)</u>
Net Change in Fund Balance	-	(1)	(5,715,152)	(5,715,151)
Fund Balance at Beginning of Year	<u>12,887,475</u>	<u>12,887,475</u>	<u>12,887,475</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 12,887,475</u>	<u>\$ 12,887,474</u>	<u>\$ 7,172,323</u>	<u>\$ (5,715,151)</u>

See accompanying notes to the basic financial statements

*Note to the Required Supplemental Information
For the Year Ended September 30, 2009*

NOTE 1. BUDGETS AND LEGAL COMPLIANCE

The City follows these procedures in establishing budgetary data:

- a. The City Manager submits to the City Commission a proposed operating budget for the General Fund the ensuing fiscal year, The operating budget includes proposed expenditures and the sources of receipts to finance them.
- b. Public hearings are conducted to obtain taxpayer comments,
- c. The budget is approved by the City Commission and becomes the basis for the millage levied by the City Commission.
- d. The City Manager is authorized to transfer budgeted amounts within any department; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Commission. The City Commission may amend the current year's budget appropriation by passage of a budget amendment ordinance after conducting two public hearings on the matter or by reappropriation transfers through City Commission approval. Expenditures may not exceed legal appropriations at the department level. Unencumbered appropriations lapse at year-end. All budget amendments are essentially a reallocation of existing appropriations.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Community Redevelopment Agency Fund (nonmajor fund). Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through debt repayment provisions. Formal budgetary integration is also not employed for capital projects funds because projects are approved individually. Formal budgetary integration is also not employed for the special revenue funds, with the exception of the Community Redevelopment Agency Fund. The budgets for the General Fund and Community Redevelopment Agency Fund are adopted on a basis that differs from GAAP because those budgets include open encumbrances as expenditures.

City of Lake Worth, Florida

**Schedule of Funding Progress
Pension Trust Funds
For the Year Ended September 30, 2009**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>(Overfunded) Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL (Overfunded) as a Percentage of Covered Payroll</u>
	(1)	(2)	(2) - (1)	(1) : (2)	(3)	[(2) - (1)] : (3)
Employees' Retirement System: ^(a)						
October 1, 2008	\$67,624,920	\$91,906,160	\$24,281,240	73.6%	\$13,332,893	182.1%
October 1, 2007	67,657,306	87,690,523	20,033,217	77.2%	12,104,052	165.5%
October 1, 2006	64,708,484	85,236,861	20,528,377	75.9%	11,318,124	181.4%
October 1, 2005	64,297,738	82,722,268	18,424,530	77.7%	11,874,629	155.2%
October 1, 2004	66,023,332	78,339,026	12,315,694	84.3%	11,838,619	104.0%
October 1, 2003	67,846,771	73,841,492	5,994,721	91.9%	11,393,749	52.6%
Police Officers' Relief and Retirement System: ^(a)						
October 1, 2008	\$26,107,595	\$34,488,750	\$8,381,155	75.7%	\$3,504,813	239.1%
October 1, 2007	25,388,486	35,103,779	9,715,293	72.3%	4,883,436	198.9%
October 1, 2006	23,626,275	33,711,879	10,085,604	70.1%	4,427,671	227.8%
October 1, 2005	22,734,299	32,208,121	9,473,822	70.6%	4,679,513	202.5%
October 1, 2004	22,500,081	30,949,284	8,449,203	72.7%	4,808,730	175.7%
October 1, 2003	22,194,654	27,293,096	5,098,442	81.3%	3,819,162	133.5%
Firefighters' Pension Trust Fund: ^(b)						
October 1, 2008	\$25,336,434	\$40,647,163	\$15,310,729	62.3%	\$3,293,733	464.8%
October 1, 2007	24,248,823	37,267,034	13,018,211	65.1%	4,349,180	299.3%
October 1, 2006	21,446,134	32,688,778	11,242,644	65.6%	3,634,139	309.4%
October 1, 2005	19,934,210	30,812,122	10,877,912	64.7%	3,419,472	318.1%
October 1, 2004	19,313,960	21,891,245	2,577,285	88.2%	3,107,664	82.9%
October 1, 2003	17,739,412	20,264,496	2,525,084	87.5%	2,899,107	87.1%

(a) Actuarial cost method is entry age normal

(b) Actuarial cost method is frozen entry age

Source: Gabriel, Roeder, Smith & Company, Actuaries

City of Lake Worth, Florida

*Schedule of Employer Contributions
Pension Trust Funds
For the Year Ended September 30, 2009*

<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Employees' Retirement System:		
October 1, 2008	\$2,900,325	100.00%
October 1, 2007	2,852,077	99.50%
October 1, 2006	2,783,603	100.00%
October 1, 2005	2,162,016	100.00%
October 1, 2004	1,913,694	100.00%
October 1, 2003	1,227,118	100.00%
Police Officers' Relief and Retirement System:		
October 1, 2008	\$1,534,297	100.00%
October 1, 2007	1,496,092	94.60%
October 1, 2006	1,053,508	100.00%
October 1, 2005	1,064,230	100.00%
October 1, 2004	1,117,701	100.00%
October 1, 2003	903,703	100.00%
Firefighters' Pension Trust Fund:		
October 1, 2008	\$2,113,667	100.00%
October 1, 2007	1,803,879	100.00%
October 1, 2006	1,277,405	100.00%
October 1, 2005	944,351	100.00%
October 1, 2004	840,401	100.00%
October 1, 2003	610,633	100.00%

Source: Gabriel, Roeder, Smith & Company, Actuaries

City of Lake Worth, Florida

**Schedule of Funding Progress
Other Postemployment Benefits
For the Year Ended September 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	(Overfunded) Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL (Overfunded) as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	[(b) - (a)] : (c)
October 1, 2008	\$0	\$7,799,266	\$7,799,266	0.0%	\$17,689,510	44.1%

The above schedule reflects data for one year only due to this being the first year of implementation of GASB Statement No. 45

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES
INCLUDE THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS,
ENTERPRISE FUNDS, INTERNAL SERVICE FUNDS AND FIDUCIARY
FUNDS.*

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to private purpose trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Community Redevelopment Agency Fund

To account for the receipt and disbursements of general funds used for physical and economic redevelopment of targeted areas within the City.

Building Permit Fund

To account for revenues and expenditures associated with the services provided by the building department.

Parking Improvement Fund

Was established by the City Commission to segregate funds and accumulate funds from development assessments on downtown-area properties. These funds are to be used for parking lot maintenance, striping and the possible installation of parking meters to control downtown parking use.

Foreclosure Fund

To account for the transactions from code compliance liens placed on city properties which have been vacated and the properties acquired through foreclosures.

Grants Fund

To account for the revenues and expenditures related to Federal, State and local grants awarded to the City.

Tree Beautification Fund

Accounts for the collection of tree removal fees and donations that are to be used for the preservation, maintenance, relocation or restoration of tree ecosystems on public or private land within the city limits.

Simpkin Trust Fund

To account for the receipt and disbursement of donated monies for the library.

Library Trust Fund

To account for the receipt and disbursement of monies for the library.

Incentive Trust Fund

To account for the receipt and disbursement of monies for tuition expenditures of City employees.

Law Enforcement and Firefighter Education Fund

To account for state contributions for police and firefighter education and the expenditures incurred.

(Continued)

City of Lake Worth, Florida

Special Revenue Funds

Building Education Surcharge Fund

was established to account for the fees collected from building permits that are stipulated for use on inspector training and certification.

Law Enforcement Confiscated Property Fund

To account for the receipt of monies from the sale of confiscated property and disbursement for special law enforcement activities in accordance with Florida statutes and federal regulations.

Summer Food Program Fund

To account for the receipts and disbursements of the Summer Food Program.

Special Donation Fund

To account for the receipts and disbursements of funds used for police programs, special recreation purposes and for a variety of other City programs.

Debt Service Fund

Debt Service Funds are used to account for retirement of the City's obligations arising from general obligation bonds and tax increment financing.

Debt Service Fund

To account for assets held for the repayment of principal and interest on debt reported in the governmental activities in the government-wide financial statements.

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Improvement Fund

To account for the acquisition of various capital items and other expenditures, usually funded by transfers from the General Fund.

Capital Projects Fund

To account for the acquisition or construction of major capital facilities and the purchase of capital items other than those financed by proprietary fund operations.

City of Lake Worth, Florida

**Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2009**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash and cash equivalents	\$ 1,078,908	\$ 110,778	\$ 1,557,202	\$ 2,746,888
Investments	5,352,599	150,648	7,171,124	12,674,371
Accounts receivable, net	894,343	-	455,079	1,349,422
Accrued interest receivable	22,455	858	40,854	64,167
Due from other funds	-	-	23,546	23,546
Land held for resale	395,175	-	-	395,175
Advances to other funds	-	-	311,517	311,517
Total Assets	<u><u>\$ 7,743,480</u></u>	<u><u>\$ 262,284</u></u>	<u><u>\$ 9,559,322</u></u>	<u><u>\$ 17,565,086</u></u>
Liabilities:				
Accounts and contracts payable	\$ 122,893	\$ -	\$ 106,024	\$ 228,917
Accrued liabilities	212,177	-	-	212,177
Due to other funds	1,027,940	-	3,212,285	4,240,225
Advances from other funds	-	-	204,486	204,486
Total Liabilities	<u><u>1,363,010</u></u>	<u><u>-</u></u>	<u><u>3,522,795</u></u>	<u><u>4,885,805</u></u>
Fund Balances:				
Reserved for:				
Encumbrances	835,057	-	353,297	1,188,354
Land held for resale	395,175	-	-	395,175
Advances	-	-	311,517	311,517
Debt service	-	262,284	-	262,284
Unreserved, designated for:				
Local ordinance/statute	-	-	1,737,123	1,737,123
Subsequent year's expenditures - Special revenue funds	2,658,914	-	-	2,658,914
Unreserved, undesignated, reported in:				
Special revenue funds	2,491,324	-	-	2,491,324
Capital projects funds	-	-	3,634,590	3,634,590
Total Fund Balances	<u><u>6,380,470</u></u>	<u><u>262,284</u></u>	<u><u>6,036,527</u></u>	<u><u>12,679,281</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 7,743,480</u></u>	<u><u>\$ 262,284</u></u>	<u><u>\$ 9,559,322</u></u>	<u><u>\$ 17,565,086</u></u>

City of Lake Worth, Florida

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For the Fiscal Year Ended September 30, 2009

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Utility and other taxes	\$ -	\$ -	\$ 281,743	\$ 281,743
Licenses and permits	480,510	-	-	480,510
Charges for services	54,262	-	-	54,262
Intergovernmental	2,658,267	-	558,797	3,217,064
Investment income	248,770	798	50,546	300,114
Miscellaneous	25,016	-	-	25,016
Total Revenues	3,466,825	798	891,086	4,358,709
Expenditures:				
Current:				
General government	1,194,036	-	-	1,194,036
Public safety	235,958	-	-	235,958
Physical environment	204,116	-	-	204,116
Culture and recreation	2,499	-	-	2,499
Community redevelopment	1,295,003	-	-	1,295,003
Capital outlay	1,446,467	-	1,765,126	3,211,593
Debt service:				
Principal	731,956	370,000	-	1,101,956
Interest and fiscal charges	226,391	63,336	7,484	297,211
Total Expenditures	5,336,426	433,336	1,772,610	7,542,372
Excess (deficiency) of revenues over expenditures	(1,869,601)	(432,538)	(881,524)	(3,183,663)
Other financing sources (uses):				
Transfers in	3,431,350	399,481	2,072,422	5,903,253
Transfers out	(9,519,807)	-	-	(9,519,807)
Total other financing sources (uses)	(6,088,457)	399,481	2,072,422	(3,616,554)
Net change in fund balances	(7,958,058)	(33,057)	1,190,898	(6,800,217)
Fund Balances at Beginning of Year	14,338,528	295,341	4,845,629	19,479,498
Fund Balances End of Year	\$ 6,380,470	\$ 262,284	\$ 6,036,527	\$ 12,679,281

City of Lake Worth, Florida

Combining Balance Sheet
Nonmajor Special Revenue Funds
September 30, 2009

	Community Redevelopment Agency	Building Permit	Parking Improvement	Foreclosure
Assets:				
Cash and cash equivalents	\$ 805,208	\$ 28,961	\$ 49,527	\$ 45,368
Investments	3,381,545	-	100,432	903,888
Accounts receivable, net	27,911	-	-	-
Accrued interest receivable	11,832	-	572	5,150
Land held for resale	-	-	-	395,175
Total Assets	<u>\$ 4,226,496</u>	<u>\$ 28,961</u>	<u>\$ 150,531</u>	<u>\$ 1,349,581</u>
Liabilities:				
Accounts and contracts payable	\$ 40,513	\$ 7,715	\$ -	\$ 2,728
Accrued liabilities	-	35,310	-	-
Due to other funds	722,940	-	-	-
Total Liabilities	<u>763,453</u>	<u>43,025</u>	<u>-</u>	<u>2,728</u>
Fund Balances:				
Reserved for:				
Encumbrances	-	-	-	-
Land held for resale	-	-	-	395,175
Unreserved, designated for:				
Subsequent year's expenditures	2,658,914	-	-	-
Unreserved, undesignated	804,129	(14,064)	150,531	951,678
Total Fund Balances	<u>3,463,043</u>	<u>(14,064)</u>	<u>150,531</u>	<u>1,346,853</u>
Total Liabilities and Fund Balances	<u>\$ 4,226,496</u>	<u>\$ 28,961</u>	<u>\$ 150,531</u>	<u>\$ 1,349,581</u>

City of Lake Worth, Florida

Grants	Tree Beautification	Simpkin Trust	Library Trust	Incentive Trust	Law Enforcement and Firefighter Education	Building Education Surcharge
\$ 3,535	\$ 14,874	\$ 7,233	\$ 7,853	\$ 8,435	\$ 7,144	\$ 10,945
-	-	618,375	216,408	-	-	-
866,432	-	-	-	-	-	-
-	-	3,523	1,233	-	-	-
-	-	-	-	-	-	-
<u>\$ 869,967</u>	<u>\$ 14,874</u>	<u>\$ 629,131</u>	<u>\$ 225,494</u>	<u>\$ 8,435</u>	<u>\$ 7,144</u>	<u>\$ 10,945</u>
\$ 70,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216
176,867	-	-	-	-	-	-
305,000	-	-	-	-	-	-
<u>552,599</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216</u>
835,057	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(517,689)	14,874	629,131	225,494	8,435	7,144	10,729
<u>317,368</u>	<u>14,874</u>	<u>629,131</u>	<u>225,494</u>	<u>8,435</u>	<u>7,144</u>	<u>10,729</u>
<u>\$ 869,967</u>	<u>\$ 14,874</u>	<u>\$ 629,131</u>	<u>\$ 225,494</u>	<u>\$ 8,435</u>	<u>\$ 7,144</u>	<u>\$ 10,945</u>

(Continued)

City of Lake Worth, Florida

***Combining Balance Sheet
Nonmajor Special Revenue Funds
September 30, 2009***

	Law Enforcement Confiscated Property	Summer Food Program	Special Donation	Total Nonmajor Special Revenue Funds
Assets:				
Cash and cash equivalents	\$ 61,051	\$ 12,096	\$ 16,678	\$ 1,078,908
Investments	25,487	-	106,464	5,352,599
Accounts receivable, net	-	-	-	894,343
Accrued interest receivable	145	-	-	22,455
Land held for resale	-	-	-	395,175
Total Assets	<u>\$ 86,683</u>	<u>\$ 12,096</u>	<u>\$ 123,142</u>	<u>\$ 7,743,480</u>
Liabilities:				
Accounts and contracts payable	\$ 989	\$ -	\$ -	\$ 122,893
Accrued liabilities	-	-	-	212,177
Due to other funds	-	-	-	1,027,940
Total Liabilities	<u>989</u>	<u>-</u>	<u>-</u>	<u>1,363,010</u>
Fund Balances:				
Reserved for:				
Encumbrances	-	-	-	835,057
Land held for resale	-	-	-	395,175
Unreserved, designated for:				
Subsequent year's expenditures	-	-	-	2,658,914
Unreserved, undesignated	85,694	12,096	123,142	2,491,324
Total Fund Balances	<u>85,694</u>	<u>12,096</u>	<u>123,142</u>	<u>6,380,470</u>
Total Liabilities and Fund Balances	<u>\$ 86,683</u>	<u>\$ 12,096</u>	<u>\$ 123,142</u>	<u>\$ 7,743,480</u>



City of Lake Worth, Florida

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended September 30, 2009***

	Community Redevelopment Agency	Building Permit	Parking Improvement	Foreclosure
Revenues:				
Licenses and permits	\$ -	\$ 480,510	\$ -	\$ -
Charges for services	-	50,123	-	-
Intergovernmental	1,498,606	-	-	-
Investment income	203,784	-	531	6,956
Miscellaneous	3,658	-	-	7,486
Total Revenues	1,706,048	530,633	531	14,442
Expenditures:				
Current:				
General government	-	970,204	-	-
Public safety	-	-	-	-
Physical environment	-	-	-	188,377
Culture and recreation	-	-	-	-
Community redevelopment	1,295,003	-	-	-
Capital outlay	18,992	16,553	-	-
Debt service:				
Principal	731,956	-	-	-
Interest and fiscal charges	226,391	-	-	-
Total Expenditures	2,272,342	986,757	-	188,377
Excess (deficiency) of revenues over expenditures	(566,294)	(456,124)	531	(173,935)
Other financing sources (uses):				
Transfers in	2,989,290	442,060	-	-
Transfers out	(9,360,807)	-	-	(69,000)
Total other financing sources (uses)	(6,371,517)	442,060	-	(69,000)
Net change in fund balances	(6,937,811)	(14,064)	531	(242,935)
Fund Balances at Beginning of Year	10,400,854	-	150,000	1,589,788
Fund Balances End of Year	\$ 3,463,043	\$ (14,064)	\$ 150,531	\$ 1,346,853

City of Lake Worth, Florida

Grants	Tree Beautification	Simpkin Trust	Library Trust	Incentive Trust	Law Enforcement and Firefighter Education	Building Education Surcharge
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	4,139
1,138,318	-	-	-	-	11,957	-
-	-	24,752	7,967	-	-	-
-	7,500	-	5,017	-	-	-
<u>1,138,318</u>	<u>7,500</u>	<u>24,752</u>	<u>12,984</u>	<u>-</u>	<u>11,957</u>	<u>4,139</u>
210,895	-	-	-	1,459	-	5,387
-	-	-	-	-	-	-
-	15,739	-	-	-	-	-
-	-	-	2,499	-	-	-
-	-	-	-	-	-	-
1,410,922	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,621,817</u>	<u>15,739</u>	<u>-</u>	<u>2,499</u>	<u>1,459</u>	<u>-</u>	<u>5,387</u>
(483,499)	(8,239)	24,752	10,485	(1,459)	11,957	(1,248)
-	-	-	-	-	-	-
-	-	(80,000)	(10,000)	-	-	-
-	-	(80,000)	(10,000)	-	-	-
(483,499)	(8,239)	(55,248)	485	(1,459)	11,957	(1,248)
800,867	23,113	684,379	225,009	9,894	(4,813)	11,977
<u>\$ 317,368</u>	<u>\$ 14,874</u>	<u>\$ 629,131</u>	<u>\$ 225,494</u>	<u>\$ 8,435</u>	<u>\$ 7,144</u>	<u>\$ 10,729</u>

(Continued)

City of Lake Worth, Florida

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended September 30, 2009***

	Law Enforcement Confiscated Property	Summer Food Program	Special Donation	Total Nonmajor Special Revenue Funds
Revenues:				
Licenses and permits	\$ -	\$ -	\$ -	\$ 480,510
Charges for services	-	-	-	54,262
Intergovernmental	9,386	-	-	2,658,267
Investment income	966	-	3,814	248,770
Miscellaneous	-	-	1,355	25,016
Total Revenues	<u>10,352</u>	<u>-</u>	<u>5,169</u>	<u>3,466,825</u>
Expenditures:				
Current:				
General government	-	-	6,091	1,194,036
Public safety	235,958	-	-	235,958
Physical environment	-	-	-	204,116
Culture and recreation	-	-	-	2,499
Community redevelopment	-	-	-	1,295,003
Capital outlay	-	-	-	1,446,467
Debt service:				
Principal	-	-	-	731,956
Interest and fiscal charges	-	-	-	226,391
Total Expenditures	<u>235,958</u>	<u>-</u>	<u>6,091</u>	<u>5,336,426</u>
Excess (deficiency) of revenues over expenditures	(225,606)	-	(922)	(1,869,601)
Other financing sources (uses):				
Transfers in	-	-	-	3,431,350
Transfers out	-	-	-	(9,519,807)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,088,457)</u>
Net change in fund balances	(225,606)	-	(922)	(7,958,058)
Fund Balances at Beginning of Year	<u>311,300</u>	<u>12,096</u>	<u>124,064</u>	<u>14,338,528</u>
Fund Balances End of Year	<u>\$ 85,694</u>	<u>\$ 12,096</u>	<u>\$ 123,142</u>	<u>\$ 6,380,470</u>



City of Lake Worth, Florida

**Combining Balance Sheet
Nonmajor Capital Projects Funds
September 30, 2009**

	Improvement	Capital Projects	Total Nonmajor Capital Projects Funds
Assets:			
Cash and cash equivalents	\$ 15,094	\$ 1,542,108	\$ 1,557,202
Investments	40,452	7,130,672	7,171,124
Accounts receivable, net	-	455,079	455,079
Accrued interest receivable	230	40,624	40,854
Due from other funds	23,546	-	23,546
Advances to other funds	311,517	-	311,517
Total Assets	\$ 390,839	\$ 9,168,483	\$ 9,559,322
 Liabilities:			
Accounts and contracts payable	\$ -	\$ 106,024	\$ 106,024
Due to other funds	29,308	3,182,977	3,212,285
Advances from other funds	204,486	-	204,486
Total Liabilities	233,794	3,289,001	3,522,795
 Fund Balances:			
Reserved for:			
Encumbrances	-	353,297	353,297
Advances	311,517	-	311,517
Unreserved, designated for:			
Local ordinance/statute	-	1,737,123	1,737,123
Unreserved, undesignated	(154,472)	3,789,062	3,634,590
Total Fund Balances	157,045	5,879,482	6,036,527
Total Liabilities and Fund Balances	\$ 390,839	\$ 9,168,483	\$ 9,559,322

City of Lake Worth, Florida

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Fiscal Year Ended September 30, 2009***

	<u>Improvement</u>	<u>Capital Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
Revenues:			
Utility and other taxes	\$ -	\$ 281,743	\$ 281,743
Intergovernmental	-	558,797	558,797
Investment income	<u>11,882</u>	<u>38,664</u>	<u>50,546</u>
Total Revenues	<u>11,882</u>	<u>879,204</u>	<u>891,086</u>
Expenditures:			
Current:			
Capital outlay	-	1,765,126	1,765,126
Debt service:			
Interest and fiscal charges	<u>7,484</u>	<u>-</u>	<u>7,484</u>
Total Expenditures	<u>7,484</u>	<u>1,765,126</u>	<u>1,772,610</u>
Excess (deficiency) of revenues over expenditures	4,398	(885,922)	(881,524)
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>2,072,422</u>	<u>2,072,422</u>
Total other financing sources (uses)	<u>-</u>	<u>2,072,422</u>	<u>2,072,422</u>
Net change in fund balances	4,398	1,186,500	1,190,898
Fund Balances at Beginning of Year	<u>152,647</u>	<u>4,692,982</u>	<u>4,845,629</u>
Fund Balances End of Year	<u>\$ 157,045</u>	<u>\$ 5,879,482</u>	<u>\$ 6,036,527</u>

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Funds – Community Redevelopment Agency - Special Revenue Fund
For the Year Ended September 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive Negative (Negative)
Revenues:				
Intergovernmental:				
County shared revenue	\$ 1,727,491	\$ 1,745,284	\$ 1,498,606	\$ (246,678)
Investment income	282,930	282,930	203,784	(79,146)
Miscellaneous	94,567	76,774	3,658	(73,116)
Total Revenues	<u>2,104,988</u>	<u>2,104,988</u>	<u>1,706,048</u>	<u>(398,940)</u>
Expenditures:				
Current:				
Community redevelopment	2,400,588	2,211,347	1,295,003	916,344
Capital outlay	526,500	791,500	18,992	772,508
Debt service:				
Principal retirement	731,956	731,956	731,956	-
Interest and fiscal charges	230,390	230,390	226,391	3,999
Total Expenditures	<u>3,889,434</u>	<u>3,965,193</u>	<u>2,272,342</u>	<u>1,692,851</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,784,446)	(1,860,205)	(566,294)	1,293,911
Other Financing Sources (Uses):				
Transfers In	2,889,446	2,889,446	2,989,290	99,844
Transfers Out	(1,105,000)	(9,360,807)	(9,360,807)	-
Appropriated fund balance	-	8,331,565	-	(8,331,565)
Total Other Financing Sources (Uses):	<u>1,784,446</u>	<u>1,860,204</u>	<u>(6,371,517)</u>	<u>(8,231,721)</u>
Net Change in Fund Balance	-	(1)	(6,937,811)	(6,937,810)
Fund Balance at Beginning of Year	<u>10,400,854</u>	<u>10,400,854</u>	<u>10,400,854</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 10,400,854</u>	<u>\$ 10,400,853</u>	<u>\$ 3,463,043</u>	<u>\$ (6,937,810)</u>

Nonmajor Enterprise Funds

Internal Service Funds are used to account for financing goods or services provided by one activity to other activities of the District on a cost-reimbursement basis.

Golf Course Fund

To account for the operation and maintenance of the municipal golf course.

Stormwater Fund

To account for the operation and maintenance of the stormwater utility system

Refuse Collection and Disposal Fund

To account for the provision of solid waste removal for the residents of the service area. All activities to provide such service are accounted for, including collection and disposal

City of Lake Worth, Florida

**Combining Statement of Net Assets
Nonmajor Enterprise Funds
September 30, 2009**

	Golf Course	Stormwater	Refuse Collection and Disposal	Total Nonmajor Enterprise Funds
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 10,221	\$ 90,050	\$ 127,725	\$ 227,996
Investments	-	3,564,135	200,864	3,764,999
Accounts receivable, net	-	3,688	279,244	282,932
Accrued interest receivable	-	26,547	1,144	27,691
Due from other funds	-	1,208,418	-	1,208,418
Inventories	29,587	-	-	29,587
Prepaid items	5,285	-	-	5,285
Total Current Assets	45,093	4,892,838	608,977	5,546,908
Noncurrent Assets:				
Restricted assets:				
Investments	-	-	199,540	199,540
Capital Assets:				
Land	1,193,360	-	-	1,193,360
Construction in progress	-	63,077	-	63,077
Land improvements	1,222,473	2,272,445	9,883	3,504,801
Buildings and structures	1,698,336	-	-	1,698,336
Plant and equipment	1,040,607	1,200,639	3,257,373	5,498,619
Accumulated depreciation	(2,519,183)	(1,027,338)	(2,178,243)	(5,724,764)
Advances to other funds	-	204,486	-	204,486
Total Noncurrent Assets	2,635,593	2,713,309	1,288,553	6,637,455
Total Assets	2,680,686	7,606,147	1,897,530	12,184,363
Liabilities:				
Current Liabilities:				
Accounts and contracts payable	27,409	6,418	72,099	105,926
Accrued liabilities	54,222	-	84,988	139,210
Due to other funds	547,092	-	60,905	607,997
Compensated absences - current	22,669	-	95,351	118,020
Capital leases - current	5,245	-	277,581	282,826
Landfill postclosure care costs - current	-	-	30,000	30,000
Total Current Liabilities	656,637	6,418	620,924	1,283,979

City of Lake Worth, Florida

	Golf Course	Stormwater	Refuse Collection and Disposal	Total Nonmajor Enterprise Funds
<i>Noncurrent Liabilities:</i>				
Compensated absences	58,151	-	101,517	159,668
Other post-employment benefits	14,913	-	29,827	44,740
Capital lease payable	30,561	-	690,148	720,709
Advances from other funds	723,034	-	388,353	1,111,387
Landfill postclosure care costs	-	-	30,000	30,000
<i>Total Noncurrent Liabilities</i>	826,659	-	1,239,845	2,066,504
Total Liabilities	1,483,296	6,418	1,860,769	3,350,483
Net Assets:				
Invested in Capital Assets, net of debt	2,599,787	2,508,823	608,794	5,717,404
Restricted for:				
Landfill postclosure care costs	-	-	199,540	199,540
Unrestricted	(1,402,397)	5,090,906	(771,573)	2,916,936
Total Net Assets	\$ 1,197,390	\$ 7,599,729	\$ 36,761	\$ 8,833,880



City of Lake Worth, Florida

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2009**

	<i>Business-type Activities - Enterprise Funds</i>			Total Nonmajor Enterprise Funds
	Golf Course	Storm Water	Refuse Collection and Disposal	
Operating revenues:				
Charges for services	\$ 1,476,811	\$ 1,364,897	\$ 4,543,339	\$ 7,385,047
Total operating revenues	<u>1,476,811</u>	<u>1,364,897</u>	<u>4,543,339</u>	<u>7,385,047</u>
Operating expenses:				
Cost of services	1,301,047	733,662	3,025,499	5,060,208
General and administrative	212,441	137,976	298,441	648,858
Depreciation	146,924	219,954	223,589	590,467
Total operating expenses	<u>1,660,412</u>	<u>1,091,592</u>	<u>3,547,529</u>	<u>6,299,533</u>
Operating income (loss)	(183,601)	273,305	995,810	1,085,514
Nonoperating revenues (expenses):				
Investment income	-	159,149	16,288	175,437
Interest and fiscal charges	(23,781)	-	(49,544)	(73,325)
Other	18,266	1,250	5,235	24,751
Total nonoperating revenues (expenses)	<u>(5,515)</u>	<u>160,399</u>	<u>(28,021)</u>	<u>126,863</u>
Income (loss) before transfers	(189,116)	433,704	967,789	1,212,377
Transfers in	396,000	-	-	396,000
Transfers out	(169,104)	(174,408)	(461,708)	(805,220)
Change in Net Assets	37,780	259,296	506,081	803,157
Net assets, beginning of year	<u>1,159,610</u>	<u>7,340,433</u>	<u>(469,320)</u>	<u>8,030,723</u>
Net assets, end of year	<u>\$ 1,197,390</u>	<u>\$ 7,599,729</u>	<u>\$ 36,761</u>	<u>\$ 8,833,880</u>

City of Lake Worth, Florida

***Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended September 30, 2009***

	Nonmajor Enterprise Funds			Total
	Golf Course	Stormwater	Refuse Collection and Disposal	
Cash flows from operating activities:				
Receipts from customers	\$1,476,811	\$1,588,023	\$4,918,223	\$7,983,057
Payments to suppliers	(688,296)	(766,606)	(1,525,615)	(2,980,517)
Payments to employees	(562,431)	-	(1,407,311)	(1,969,742)
Payments for interfund services provided	(212,441)	(146,517)	(298,441)	(657,399)
Other receipts	18,266	1,250	5,235	24,751
Net cash provided by (used in) operating activities	<u>31,909</u>	<u>676,150</u>	<u>1,692,091</u>	<u>2,400,150</u>
Cash flows from non-capital financing activities:				
Due from other funds	-	(506,424)	469,495	(36,929)
Due to other funds	(137,741)	(414,457)	(1,008,727)	(1,560,925)
Transfer from other funds	396,000	-	-	396,000
Transfer to other funds	(169,104)	(174,408)	(461,708)	(805,220)
Net cash provided by (used in) non-capital financing activities	<u>89,155</u>	<u>(1,095,289)</u>	<u>(1,000,940)</u>	<u>(2,007,074)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets, net	(41,012)	(128,097)	-	(169,109)
Advances from (to) other funds	(47,032)	-	(60,906)	(107,938)
Payments on advances (from) to other funds	-	29,302	-	29,302
Principal paid on capital debt	(29,059)	-	(267,248)	(296,307)
Interest paid on advances	(23,841)	-	(7,242)	(31,083)
Interest paid on capital debt	-	-	(42,302)	(42,302)
Net cash provided by (used in) capital and related financing activities	<u>(140,944)</u>	<u>(98,795)</u>	<u>(377,698)</u>	<u>(617,437)</u>
Cash flows from investing activities:				
Proceeds from sales/maturities of investments	-	359,662	-	359,662
Purchase of investments	-	-	(202,556)	(202,556)
Interest and dividends received	-	159,149	16,288	175,437
Net cash provided by (used in) investing activities	<u>-</u>	<u>518,811</u>	<u>(186,268)</u>	<u>332,543</u>
Net change in cash and cash equivalents	(19,880)	877	127,185	108,182
Cash and cash equivalents, beginning	30,101	89,173	540	119,814
Cash and cash equivalents, ending	<u>\$10,221</u>	<u>\$90,050</u>	<u>\$127,725</u>	<u>\$227,996</u>

City of Lake Worth, Florida

	Nonmajor Enterprise Funds			Total
	Golf Course	Stormwater	Refuse Collection and Disposal	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$183,601)	\$273,305	\$995,810	\$1,085,514
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	146,924	219,954	223,589	590,467
Other non operating income	18,266	1,250	5,235	24,751
Change in assets and liabilities:				
Accounts receivable, net	-	223,126	374,884	598,010
Prepaid items	671	-	-	671
Inventories	5,156	-	-	5,156
Accounts and contracts payable	10,963	(41,485)	57,427	26,905
Accrued liabilities	29,663	-	44,788	74,451
Compensated absences	3,867	-	20,358	24,225
Landfill postclosure care costs	-	-	(30,000)	(30,000)
Total adjustments	215,510	402,845	696,281	1,314,636
Net cash provided by operating activities	\$31,909	\$676,150	\$1,692,091	\$2,400,150



Internal Service Funds

Internal Service Funds are used to account for financing goods or services provided by one activity to other activities of the District on a cost-reimbursement basis.

Insurance Fund

Was established to enable centralized oversight, management and funding of the City's insurance coverage, deductibles and uninsured risks.

Information Technology

Was established to centralize oversight, management and funding of the City's computer network, telephone and internet communication system.

Garage Fund

Was established to centralize oversight, management and funding of maintaining the city's vehicles.

City of Lake Worth, Florida

Combining Statement of Net Assets Internal Service Funds September 30, 2009

	Nonmajor Internal Service Funds			
	Information Technology	Insurance	Garage	Total
Assets:				
<i>Current Assets:</i>				
Cash and cash equivalents	\$ 76,496	\$ 67,303	\$ 6,186	\$ 149,985
Investments	-	3,921,574	-	3,921,574
Accrued interest receivable	-	22,342	-	22,342
Due from other funds	-	23,546	-	23,546
Inventories	-	-	94,826	94,826
Total Current Assets	76,496	4,034,765	101,012	4,212,273
<i>Noncurrent Assets:</i>				
Capital Assets:				
Construction in progress	14,019	-	-	14,019
Plant and equipment	83,986	-	-	83,986
Accumulated depreciation	(69,618)	-	-	(69,618)
Advances to other funds	-	311,517	-	311,517
Total Noncurrent Assets	28,387	311,517	-	339,904
Total Assets	104,883	4,346,282	101,012	4,552,177
Liabilities:				
<i>Current Liabilities:</i>				
Accounts and contracts payable	25,210	1,559	24,528	51,297
Accrued liabilities	11,396	-	9,831	21,227
Due to other funds	-	-	80,000	80,000
Compensated absences - current	5,340	-	13,768	19,108
Total Current Liabilities	41,946	1,559	128,127	171,632
<i>Noncurrent Liabilities:</i>				
Compensated absences	45,016	-	39,327	84,343
Total Noncurrent Liabilities	45,016	-	39,327	84,343
Total Liabilities	86,962	1,559	167,454	255,975
Net Assets:				
Invested in Capital Assets, net of debt	28,387	-	-	28,387
Unrestricted	(10,466)	4,344,723	(66,442)	4,267,815
Total Net Assets	\$ 17,921	\$ 4,344,723	\$ (66,442)	\$ 4,296,202

City of Lake Worth, Florida

***Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended September 30, 2009***

	Nonmajor Internal Service Funds			
	Information Technology	Insurance	Garage	Total
Operating revenues:				
Charges for services	\$ 947,191	\$ 3,793,856	\$ 545,515	\$ 5,286,562
Total operating revenues	<u>947,191</u>	<u>3,793,856</u>	<u>545,515</u>	<u>5,286,562</u>
Operating expenses:				
Cost of services	5,215	-	595,635	600,850
General and administrative	1,074,918	1,423,991	16,322	2,515,231
Depreciation	6,502	-	-	6,502
Total operating expenses	<u>1,086,635</u>	<u>1,423,991</u>	<u>611,957</u>	<u>3,122,583</u>
Operating income (loss)	(139,444)	2,369,865	(66,442)	2,163,979
Nonoperating revenues (expenses):				
Investment income	-	32,872	-	32,872
Other	39	18,818	-	18,857
Total nonoperating revenues (expenses)	<u>39</u>	<u>51,690</u>	<u>-</u>	<u>51,729</u>
Income (loss) before transfers and contributions	(139,405)	2,421,555	(66,442)	2,215,708
Transfers in	143,982	-	-	143,982
Transfers out	-	(425,764)	-	(425,764)
Change in Net Assets	4,577	1,995,791	(66,442)	1,933,926
Net assets, beginning of year	<u>13,344</u>	<u>2,348,932</u>	<u>-</u>	<u>2,362,276</u>
Net assets, end of year	<u>\$ 17,921</u>	<u>\$ 4,344,723</u>	<u>\$ (66,442)</u>	<u>\$ 4,296,202</u>

City of Lake Worth, Florida

***Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended September 30, 2009***

	Nonmajor Internal Service Funds			Total
	Information Technology	Insurance	Garage	
Cash flows from operating activities:				
Receipts from customers	\$947,191	\$3,793,856	\$545,515	\$5,286,562
Payments to suppliers	(676,808)	(1,426,972)	(198,041)	(2,301,821)
Payments to employees	(411,308)	-	(421,288)	(832,596)
Other receipts	39	18,818	-	18,857
Net cash provided by (used in) operating activities	<u>(140,886)</u>	<u>2,385,702</u>	<u>(73,814)</u>	<u>2,171,002</u>
Cash flows from non-capital financing activities:				
Due from other funds	185,264	1,193,568	-	1,378,832
Due to other funds	(150,000)	-	80,000	(70,000)
Transfer from other funds	143,982	-	-	143,982
Transfer to other funds	-	(425,764)	-	(425,764)
Net cash provided by (used in) non-capital financing activities	<u>179,246</u>	<u>767,804</u>	<u>80,000</u>	<u>1,027,050</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets, net	(17,411)	-	-	(17,411)
Advances from (to) other funds	-	23,546	-	23,546
Net cash provided by (used in) capital and related financing activities	<u>(17,411)</u>	<u>23,546</u>	<u>-</u>	<u>6,135</u>
Cash flows from investing activities:				
Purchase of investments	-	(3,868,557)	-	(3,868,557)
Interest and dividends received	-	10,889	-	10,889
Net cash provided by (used in) investing activities	<u>-</u>	<u>(3,857,668)</u>	<u>-</u>	<u>(3,857,668)</u>
Net change in cash and cash equivalents	20,949	(680,616)	6,186	(653,481)
Cash and cash equivalents, beginning	<u>55,547</u>	<u>747,919</u>	<u>-</u>	<u>803,466</u>
Cash and cash equivalents, ending	<u><u>\$76,496</u></u>	<u><u>\$67,303</u></u>	<u><u>\$6,186</u></u>	<u><u>\$149,985</u></u>

City of Lake Worth, Florida

	<u>Nonmajor Internal Service Funds</u>			
	<u>Information Technology</u>	<u>Insurance</u>	<u>Garage</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>(\$139,444)</u>	<u>\$2,369,865</u>	<u>(\$66,442)</u>	<u>\$2,163,979</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	6,502	-	-	6,502
Other non operating income	39	18,818	-	18,857
Change in assets and liabilities:				-
Inventories	-	-	(94,826)	(94,826)
Accounts and contracts payable	(26,260)	(2,981)	24,528	(4,713)
Accrued liabilities	1,403	-	9,831	11,234
Compensated absences	<u>16,874</u>	<u>-</u>	<u>53,095</u>	<u>69,969</u>
Total adjustments	<u>(1,442)</u>	<u>15,837</u>	<u>(7,372)</u>	<u>7,023</u>
Net cash provided by				
(used in) operating activities	<u>(\$140,886)</u>	<u>\$2,385,702</u>	<u>(\$73,814)</u>	<u>\$2,171,002</u>

Fiduciary Funds

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Pension Trust Funds

Employee's Retirement System Pension Fund

To account for the accumulation of resources to be used for retirement annuities of all employees at appropriate amounts and times in the future. Resources are provided by employee and employer contributions, determined by an actuarial study, and investment earnings.

Police Officers' Relief and Retirement System Pension Fund

To account for the accumulation of resources to be used for retirement benefits for police officers. Resources are provided by annual employee and employer contributions and investment earnings, Individual participation is based upon years of service. Individuals may withdraw their equity upon retirement.

Firefighters' Pension Trust Fund

To account for the accumulation of resources to be used for retirement benefits for firefighters, Resources are provided by annual employee and employer contributions and investment earnings. Individual participation is based upon years of service. Individuals may withdraw their equity upon retirement.

Agency Fund

Agency Fund

The Agency fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

City of Lake Worth, Florida

**Combining Statement of Plan Net Assets
Pension Trust Funds
September 30, 2009**

	Employees' Retirement System	Police Officers' Relief and Retirement System	Firefighters' Pension Trust Fund	Total Pension Trust Funds
Assets:				
Cash and cash equivalents	\$ 946,051	\$ 297,407	\$ 635,725	\$ 1,879,183
Investments at fair value:				
U.S. Government and agency funds	5,038,619	1,339,047	3,788,468	10,166,134
Money market funds	1,130,213	483,523	3,380,630	4,994,366
Corporate bonds	21,502,902	7,041,667	4,808,752	33,353,321
Common stocks	24,514,455	9,701,466	11,586,986	45,802,907
Mutual funds	7,179,585	2,383,900	2,713,189	12,276,674
Total investments at fair value	<u>59,365,774</u>	<u>20,949,603</u>	<u>26,278,025</u>	<u>106,593,402</u>
Accrued interest, dividends and contributions receivable	515,400	811,624	388,253	1,715,277
Due from broker	61,378	30,648	12,928	104,954
Prepaid items	7,499	2,862	2,352	12,713
Total Assets	<u>60,896,102</u>	<u>22,092,144</u>	<u>27,317,283</u>	<u>110,305,529</u>
Liabilities:				
Accounts payable	230,837	92,993	1,794,679	2,118,509
Total Liabilities	<u>230,837</u>	<u>92,993</u>	<u>1,794,679</u>	<u>2,118,509</u>
Net Assets held in trust for pension benefits	<u>\$ 60,665,265</u>	<u>\$ 21,999,151</u>	<u>\$ 25,522,604</u>	<u>\$ 108,187,020</u>

City of Lake Worth, Florida

**Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Fiscal Year Ended September 30, 2009**

	Employees' Retirement System	Police Officers' Relief and Retirement System	Firefighters' Pension Trust Fund	Total Pension Trust Funds
Additions:				
Contributions:				
Employer	\$ 2,915,829	\$ 1,452,892	\$ 1,629,690	\$ 5,998,411
Chapter 185	-	106,629	-	106,629
Chapter 175	-	-	483,997	483,997
Plan members	1,059,459	234,514	353,111	1,647,084
Roll Over	-	-	348,676	348,676
Buybacks	-	-	65,310	65,310
Total contributions	<u>3,975,288</u>	<u>1,794,035</u>	<u>2,880,784</u>	<u>8,650,107</u>
Investment Income:				
Interest and dividends	2,030,805	682,720	749,053	3,462,578
Net change in fair value of investments	(771,996)	(432,591)	(128,140)	(1,332,727)
	<u>1,258,809</u>	<u>250,129</u>	<u>620,913</u>	<u>2,129,851</u>
Less investment expenses	387,539	160,160	167,832	715,531
Net investment income	<u>871,270</u>	<u>89,969</u>	<u>453,081</u>	<u>1,414,320</u>
Other Income	27,731	8,541	7,911	44,183
Total Additions	<u>4,874,289</u>	<u>1,892,545</u>	<u>3,341,776</u>	<u>10,108,610</u>
Deductions:				
Pension benefits	6,849,486	2,714,531	1,841,338	11,405,355
Administrative expenses	107,809	76,767	125,374	309,950
Total Deductions	<u>6,957,295</u>	<u>2,791,298</u>	<u>1,966,712</u>	<u>11,715,305</u>
Change in Net Assets	(2,083,006)	(898,753)	1,375,064	(1,606,695)
Net Assets at Beginning of Year	<u>62,748,271</u>	<u>22,897,904</u>	<u>24,147,540</u>	<u>109,793,715</u>
Net Assets End of Year	<u>\$ 60,665,265</u>	<u>\$ 21,999,151</u>	<u>\$ 25,522,604</u>	<u>\$ 108,187,020</u>

City of Lake Worth, Florida

*Statement Of Changes In Assets And Liabilities
Agency Fund
For the Year Ended September 30, 2009*

	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
Assets:				
Cash and Cash Equivalents	\$ 173,564	\$ 72,340	\$ (140,797)	\$ 105,107
Accounts Receivable	5,038	8,308	(11,346)	2,000
Due from State of Florida	395	-	-	395
Total Assets	<u>\$ 178,997</u>	<u>\$ 80,648</u>	<u>\$ (152,143)</u>	<u>\$ 107,502</u>
Liabilities:				
Accounts Payable	\$ 200	\$ 134,148	\$ (134,198)	\$ 150
Deposit Payable	178,797	69,344	(140,789)	107,352
Total Liabilities	<u>\$ 178,997</u>	<u>\$ 203,492</u>	<u>\$ (274,987)</u>	<u>\$ 107,502</u>



STATISTICAL TABLES

This part of the County'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 county's overall financial health.

Contents

Financial Trends	S 2 – S 6
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	S 7– S 11
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	S 12 – S 18
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Economic and Demographic Information	S 19 – S 20
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	S 21 – S 24
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	
Sources Note:	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

CITY OF LAKE WORTH, FLORIDA
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities:							
Invested in capital assets, net of related debt	\$ 15,560,753	\$ 19,061,486	\$ 20,317,332	\$ 23,461,231	\$ 25,550,312	\$ 57,367,332	\$ 60,803,680
Restricted	7,028,110	8,411,366	7,407,188	10,934,880	9,086,004	8,524,651	9,638,809
Unrestricted	14,745,582	14,147,796	14,354,348	14,894,093	19,960,135	19,705,440	13,434,653
Total governmental activities net assets	37,334,445	41,620,648	42,078,868	49,290,204	54,596,451	85,597,423	83,877,142
Business-type activities:							
Invested in capital assets, net of related debt	61,801,733	74,636,125	77,689,949	76,919,792	85,288,499	69,885,540	66,239,495
Restricted	7,539,912	8,150,013	9,861,417	10,838,741	10,061,616	697,848	699,540
Unrestricted	21,488,402	17,836,790	22,700,280	44,187,657	42,536,712	68,963,586	75,130,114
Total business-type activities net assets	90,830,047	100,622,928	110,251,646	131,966,190	137,886,827	139,546,974	142,069,149
Total government:							
Invested in capital assets, net of related debt	77,362,486	93,697,611	98,007,281	100,381,023	110,838,811	127,252,872	127,043,175
Restricted	14,568,022	16,561,379	17,268,605	21,793,621	19,147,620	9,222,499	10,338,349
Unrestricted	36,233,984	31,984,586	37,054,628	59,081,750	62,496,847	88,669,026	88,564,767
Total government net assets	\$ 128,164,492	\$ 142,243,576	\$ 152,330,514	\$ 181,256,394	\$ 192,483,278	\$ 225,144,397	\$ 225,946,291

Note: Data not available prior to fiscal 2003 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF LAKE WORTH, FLORIDA
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(ACCURAL BASIS OF ACCOUNTING)

	2003	2004	2005	2006	2007	2008	2009
Expenses:							
Governmental activities:							
General government	\$ 4,259,195	\$ 5,134,986	\$ 3,575,710	\$ 3,357,391	\$ 4,332,707	\$ 3,595,041	\$ 4,447,237
Public safety	16,648,310	19,242,773	21,267,956	21,659,488	25,031,728	24,218,855	26,611,820
Physical environment	261,468	267,116	706,525	1,273,494	1,271,527	1,246,126	2,810,190
Transportation	1,395,107	1,499,033	4,495,261	4,539,585	1,984,675	2,062,494	3,813,671
Culture and recreation	3,261,240	3,736,504	3,544,092	4,034,193	4,564,347	6,376,489	2,320,000
Community redevelopment	-	-	258,129	434,412	699,254	1,661,848	1,341,898
Interest on long-term debt	344,335	272,278	304,387	378,695	389,230	353,096	303,538
Depreciation (portion not allocated to functions)	359,104	256,204	-	-	-	-	-
Total governmental activities	26,528,759	30,408,894	34,152,060	35,677,258	38,273,468	39,513,949	41,648,354
Business-type activities:							
Electric	35,690,080	35,854,577	42,728,189	56,080,287	46,947,158	57,490,812	55,353,581
Water	4,053,014	7,740,328	5,412,204	6,535,047	7,531,626	9,619,267	8,942,867
Local sewer	7,332,854	8,807,491	9,506,528	9,692,162	5,558,581	5,262,561	5,676,010
Regional sewer	*	*	*	5,082,477	5,723,073	5,184,429	5,611,951
Golf course	1,283,116	1,671,319	1,972,107	2,171,315	2,190,970	2,023,117	1,641,346
Stormwater	591,904	539,692	701,522	815,732	836,700	1,307,365	1,081,029
Refuse collection and disposal	3,329,434	3,213,871	3,541,314	3,774,872	5,247,076	3,810,654	3,538,792
Total business-type activities	52,280,402	57,827,278	63,861,864	84,151,892	74,035,184	84,698,205	81,845,376
Total government expenses	\$ 78,809,161	\$ 88,236,172	\$ 98,013,924	\$ 119,829,150	\$ 112,308,652	\$ 124,212,154	\$ 123,493,930
Program revenues:							
Governmental activities:							
Charges for services:							
General government	\$ 51,398	\$ 92,386	\$ 1,764,704	\$ 1,893,398	\$ 1,920,609	\$ 2,337,022	\$ 1,548,336
Public safety	2,740,162	2,852,058	1,674,694	1,469,251	1,697,091	1,536,383	876,141
Physical environment	34,953	40,250	247,462	316,389	507,040	573,727	34,005
Transportation	303,028	508,574	468,584	488,994	457,878	367,892	471,675
Culture and recreation	329,308	280,800	193,724	151,109	122,410	150,229	246,592
Community redevelopment	-	-	-	-	-	487,013	4,139
Operating grants and contributions	228,235	99,247	3,976,864	6,158,444	3,752,060	1,594,136	840,361
Capital grants and contributions	443,568	403,502	473,199	336,396	809,702	2,404,587	2,422,946
Total governmental activities program revenues	4,130,652	4,276,817	8,799,231	10,813,981	9,266,790	9,450,989	6,444,195
Business-type activities:							
Charges for services:							
Electric	42,738,419	42,738,419	45,186,261	60,786,014	52,706,489	57,474,801	58,406,242
Water	6,852,982	7,422,498	7,498,550	8,348,026	9,278,503	9,879,269	10,178,854
Local and Regional Sewer	5,517,120	6,665,757	7,144,828	5,175,080	5,265,096	5,277,244	5,613,738
Regional sewer	*	*	*	3,804,657	4,135,849	3,481,035	4,913,736
Golf course	1,469,581	1,717,167	1,799,645	2,012,331	2,028,454	1,921,702	1,476,811
Stormwater	663,115	669,476	851,215	1,649,918	1,594,645	1,651,158	1,364,897
Refuse collection and disposal	3,447,310	3,522,791	3,564,745	4,334,017	4,544,261	4,678,227	4,543,339
Operating grants and contributions	-	-	-	41,803	491,000	-	-
Capital grants and contributions	2,882,666	12,407,774	8,407,889	10,912,745	2,020,250	1,421,392	1,026,062
Total business-type activities program revenues	63,571,193	75,143,882	74,453,133	97,064,591	82,064,547	85,784,828	87,523,679
Total program revenues	\$ 67,701,845	\$ 79,420,699	\$ 83,252,364	\$ 107,878,572	\$ 91,331,337	\$ 95,235,817	\$ 93,967,874

*Local and regional sewer combined for 2005

CITY OF LAKE WORTH, FLORIDA
CHANGES IN NET ASSETS
(Continued)
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2003	2004	2005	2006	2007	2008	2009
Net expense (revenue):							
Governmental activities	\$ (22,398,107)	\$ (26,132,077)	\$ (25,352,829)	\$ (24,863,277)	\$ (29,006,678)	\$ (30,062,961)	\$ (35,204,159)
Business-type activities	11,290,791	17,316,604	10,591,269	12,912,699	8,029,363	1,086,623	5,678,103
Total government net expense	<u>\$ (11,107,316)</u>	<u>\$ (8,815,473)</u>	<u>\$ (14,761,560)</u>	<u>\$ (11,950,578)</u>	<u>\$ (20,977,315)</u>	<u>\$ (28,976,338)</u>	<u>\$ (29,526,056)</u>
General revenues:							
Governmental activities:							
Taxes:							
Property taxes	\$ 9,241,458	\$ 10,046,492	\$ 11,182,050	\$ 13,162,483	\$ 16,367,654	\$ 17,339,044	\$ 14,784,901
Franchise taxes	28,438	68,885	107,187	124,548	126,043	401,349	88,226
Utility taxes	4,254,895	5,012,095	4,854,066	6,478,627	5,217,773	5,283,661	5,498,780
Sales tax	599,636	654,020	932,734	971,351	928,943	3,550,446	3,098,708
Intergovernmental - unrestricted	3,789,285	5,436,224	4,330,470	4,383,743	4,184,826	1,287,185	2,653,336
Investment earnings - unrestricted	476,697	220,266	326,669	1,121,130	1,576,297	1,126,412	1,168,908
Miscellaneous	577,753	853,817	209,536	1,014,453	790,207	203,202	404,767
Interfund services provided (used)	1,745,925	1,815,800	-	-	-	-	-
Gain on sale of capital assets	-	-	503,630	-	-	-	-
Transfers	5,441,951	6,310,681	6,077,675	4,895,213	5,121,182	2,849,991	5,786,252
Total governmental activities	<u>26,156,038</u>	<u>30,418,280</u>	<u>28,524,017</u>	<u>32,151,548</u>	<u>34,312,925</u>	<u>32,041,290</u>	<u>33,483,878</u>
Business-type activities:							
Investment earnings - unrestricted	445,765	273,413	1,784,203	2,730,865	2,830,772	2,436,509	2,160,175
Miscellaneous	452,691	301,303	443,297	1,304,750	181,684	370,328	470,149
Interfund services provided (used)	(1,745,925)	(1,815,800)	-	-	-	-	-
Transfers	(5,441,951)	(6,310,681)	(6,077,675)	(4,895,213)	(5,121,182)	(2,849,991)	(5,786,252)
Total business-type activities	<u>(6,289,420)</u>	<u>(7,551,765)</u>	<u>(3,850,175)</u>	<u>(859,598)</u>	<u>(2,108,726)</u>	<u>(43,154)</u>	<u>(3,155,928)</u>
Total general revenues	<u>\$ 19,866,618</u>	<u>\$ 22,866,515</u>	<u>\$ 24,673,842</u>	<u>\$ 31,291,950</u>	<u>\$ 32,204,199</u>	<u>\$ 31,998,136</u>	<u>\$ 30,327,950</u>
Change in net assets:							
Governmental activities	\$ 3,757,931	\$ 4,286,203	\$ 3,171,188	\$ 7,288,271	\$ 5,306,247	\$ 1,978,329	\$ (1,720,281)
Business-type activities	5,001,371	9,764,839	6,741,094	12,053,101	5,920,637	1,043,469	2,522,175
Total change in net assets	<u>\$ 8,759,302</u>	<u>\$ 14,051,042</u>	<u>\$ 9,912,282</u>	<u>\$ 19,341,372</u>	<u>\$ 11,226,884</u>	<u>\$ 3,021,798</u>	<u>\$ 801,894</u>

Note: Data not available prior to fiscal 2003 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF LAKE WORTH, FLORIDA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund:							
Reserved	\$ 600,852	\$ 538,068	\$ 1,269,254	\$ 1,128,001	\$ 1,314,269	\$ 2,487,554	\$ 559,088
Unreserved, designated	12,697,783	12,237,322	10,833,870	14,995,636	8,217,901	9,602,723	6,613,235
Unreserved, undesignated	1,951,503	2,577,541	2,388,948	880,097	7,523,232	4,044,241	-
Total general fund	15,250,138	15,352,931	14,492,072	17,003,734	17,055,402	16,134,518	7,172,323
All other governmental funds:							
Reserved	478,625	516,695	12,696,247	8,559,106	6,105,141	5,372,993	3,524,765
Unreserved, designated	-	-	792,749	650,000	1,472,218	94,567	4,381,973
Unreserved, undesignated, reported in:							
Special revenue funds	2,300,038	2,087,493	1,214,563	3,672,632	6,248,591	8,316,059	2,505,388
Debt service fund	3,840,418	3,900,425	-	-	-	-	-
Capital projects fund	409,029	1,906,753	2,129,875	1,719,784	2,285,481	2,448,836	4,678,219
Total all other governmental funds	7,028,110	8,411,366	16,833,434	14,601,522	16,111,431	16,232,455	15,090,345
Total governmental funds	\$ 22,278,248	\$ 23,764,297	\$ 31,325,506	\$ 31,605,256	\$ 33,166,833	\$ 32,366,973	\$ 22,262,668

Note: Data not available prior to fiscal 2003 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF LAKE WORTH, FLORIDA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:							
Property taxes	\$ 14,124,127	\$ 15,781,492	\$ 11,182,050	\$ 13,162,483	\$ 16,367,654	\$ 15,730,702	\$ 14,784,901
Utility and other taxes	-	-	5,893,987	7,574,526	6,272,759	6,282,858	6,419,989
Licenses and permits	756,755	1,060,942	1,374,814	1,533,893	1,585,733	2,023,268	1,098,442
Fines and forfeitures	987,168	879,097	978,151	1,104,399	1,152,089	830,403	469,519
Charges for services	1,714,926	1,834,029	1,764,131	1,448,133	1,740,069	1,754,532	1,372,515
Intergovernmental	4,461,088	5,938,973	8,458,181	10,845,569	8,685,590	9,463,236	8,274,109
Investment income	460,415	204,401	317,034	1,089,137	1,541,807	1,032,231	1,168,908
Rents and royalties	-	-	232,072	232,716	227,138	248,659	240,412
Miscellaneous	577,753	881,861	519,129	1,047,467	857,903	1,084,215	404,767
Total revenues	23,082,232	26,580,795	30,719,549	38,038,323	38,430,742	38,450,104	34,233,562
Expenditures:							
Current:							
General government	4,059,132	4,958,605	3,208,674	2,988,876	3,464,922	3,015,659	3,549,190
Public safety	15,590,552	17,948,641	20,515,766	21,500,274	23,950,597	25,732,096	27,037,184
Physical environment	258,899	265,511	543,581	587,369	545,716	446,465	2,098,908
Transportation	1,336,453	1,430,392	4,060,283	4,449,617	1,855,955	1,949,482	1,276,444
Culture and recreation	2,985,552	3,232,031	3,468,637	3,652,772	4,130,611	3,768,270	2,088,088
Community redevelopment	-	-	231,271	434,412	697,877	1,416,380	1,295,003
Capital outlay	2,154,802	3,200,162	4,891,397	8,858,645	5,899,197	4,650,066	11,366,391
Debt service:							
Principal	1,335,000	1,405,000	1,480,000	432,338	1,109,544	1,151,410	1,101,956
Interest and other fiscal charges	346,483	274,555	243,888	438,058	395,929	360,127	310,955
Total expenditures	28,066,873	32,714,897	38,643,497	43,342,361	42,050,348	42,489,955	50,124,119
Deficiency of revenues over expenditures	(4,984,641)	(6,134,102)	(7,923,948)	(5,304,038)	(3,619,606)	(4,039,851)	(15,890,557)
Other financing sources (uses):							
Transfers in	7,872,329	10,286,140	9,589,199	8,841,954	9,549,961	11,075,191	21,323,530
Transfers out	(2,430,378)	(3,975,459)	(3,511,524)	(3,946,741)	(4,368,778)	(7,835,200)	(15,537,278)
Sale of capital assets	-	-	564,000	57,510	-	-	-
Note issued	-	-	8,000,000	708,000	-	-	-
Total other financing sources (uses)	5,441,951	6,310,681	14,641,675	5,660,723	5,181,183	3,239,991	5,786,252
Net change in fund balances	\$ 457,310	\$ 176,579	\$ 6,717,727	\$ 356,685	\$ 1,561,577	\$ (799,860)	\$ (10,104,305)
Debt service as a percentage of non-capital expenditures	5.99%	5.13%	4.46%	2.01%	3.58%	3.96%	3.78%

Note: Data not available prior to fiscal 2003 implementation of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

CITY OF LAKE WORTH, FLORIDA

NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(in thousands)

Fiscal Year Ended September 30,	Tax Revenue Year	Real Property			Railroad Property	Total Net Assessed Value	Total Direct Tax Rate
		Residential Property	Commercial Property				
2000	1999	\$ 668,030	\$ 58,267	\$ 2,344	\$ 728,641	11.09	
2001	2000	696,299	56,110	2,217	754,626	11.32	
2002	2001	750,021	57,860	2,132	810,013	11.32	
2003	2002	844,802	60,239	2,170	907,211	10.48	
2004	2003	960,195	74,988	2,908	1,038,091	10.13	
2005	2004	1,101,296	69,814	2,993	1,174,103	9.91	
2006	2005	1,460,926	66,821	2,511	1,530,258	8.67	
2007	2006	1,944,042	69,320	2,713	2,016,075	8.38	
2008	2007	2,876,405	78,083	3,483	2,957,971	7.51	
2009	2008	1,893,668	58,227	3,448	1,955,343	8.30	

Note: Property in the City is reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Sources: City of Lake Worth, Florida, Finance Department.
 Palm Beach County Property Appraiser.
 DR-420 Final
 DR-403

CITY OF LAKE WORTH, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Fiscal Year	City of Lake Worth				Overlapping Rates (1)							Total Direct and Overlapping Rates
	Tax Roll Year	General Operations	Debt Service	Total City	Palm Beach County	Palm Beach County School Board	South Florida Water Management District	Florida Inland Navigation District	Palm Beach County Health Care District	Children's Services Council		
2000	1999	8.66	2.43	11.09	4.95	9.04	0.70 *	0.04	0.98	0.47	27.26	
2001	2000	8.95	2.37	11.32	4.94	8.95	0.70 *	0.04	1.50	0.57	28.01	
2002	2001	8.95	2.37	11.32	4.81	8.78	0.70 *	0.04	1.13	0.62	27.39	
2003	2002	8.53	1.95	10.48	4.79	8.57	0.70 *	0.04	1.13	0.04	25.75	
2004	2003	8.40	1.73	10.13	4.77	8.16	0.70 *	0.04	1.10	0.69	25.58	
2005	2004	8.40	1.51	9.91	4.72	8.11	0.70 *	0.04	1.08	0.69	25.24	
2006	2005	8.40	0.27	8.67	4.72	7.87	0.70 *	0.04	1.97	0.69	24.66	
2007	2006	8.15	0.23	8.38	4.48	7.87	0.70 *	0.04	0.97	0.62	23.05	
2008	2007	7.30	0.21	7.51	3.98	7.36	0.62 *	0.03	0.89	0.58	20.97	
2009	2008	8.07	0.23	8.30	3.97	7.25	0.62 *	0.03	1.00	0.60	21.78	

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Sources: City of Lake Worth Finance Department and Palm Beach County Property Appraiser's Office (DR420 & DR403CC).

(1) Overlapping rates are those of local and county governments that apply to property owners within the City of Lake Worth. Not all overlapping rates apply to all City of Lake Worth property owners (i.e. the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

*Includes the Everglades construction project.

CITY OF LAKE WORTH, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Taxes Levied for Fiscal Year	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Year's	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2000	\$8,104,757	\$7,822,232	96.51%	\$ 83,028	\$7,905,260	97.54%
2001	8,592,744	8,297,482	96.56%	96,414	8,393,896	97.69%
2002	9,207,212	9,101,471	98.85%	51,790	9,153,261	99.41%
2003	9,521,810	9,067,114	95.22%	52,711	9,119,825	95.78%
2004	10,529,683	9,670,092	91.84%	29,599	9,699,691	92.12%
2005	11,667,950	10,586,310	90.73%	37,442	10,623,752	91.05%
2006	13,325,225	10,919,319	81.94%	307,246	11,226,565	84.25%
2007	16,975,285	16,469,083	97.02%	25,799	16,494,882	97.17%
2008	15,671,110	12,547,122	80.07%	-	12,547,122	80.07%
2009	15,338,883	14,541,337	94.80%	243,567	14,784,904	96.39%

Source: City of Lake Worth Finance Department and Palm Beach County Tax Collector's Office.

(1) Includes discounts taken by property tax payers.

CITY OF LAKE WORTH, FLORIDA

**SPECIAL ASSESSMENT COLLECTIONS
(UNAUDITED)**

LAST TEN FISCAL YEARS

Fiscal Year	Amount of Special Assessments		Special Assessments Collected	Total Outstanding Assessments*
	Recorded Due During Fiscal Year			
2000	\$ 831,526	\$ 251,294	\$ 1,818,726	
2001	108,317	471,244	1,455,799	
2002	40,206	261,613	1,234,393	
2003	46,599	268,509	1,012,483	
2004	10,472	243,110	779,845	
2005	211,806	319,974	671,678	
2006	179,524	221,431	629,771	
2007	3,759	208,818	424,712	
2008	130,620	94,587	460,744	
2009	88,144	292,204	256,684	

Source: City of Lake Worth, Florida, Finance Department.

Note: All special assessments are levied by adoption of a City resolution. Upon adoption of such resolution, a

* Includes Floral Park, Island Estates, High Ridge Road Watermain Project, Lot Clearing, Demolition and Board-ups.

CITY OF LAKE WORTH, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities				Business-Type Activities				Total	Percent of Assessed Value (1)	Debt Per Capita (2)
	General Obligation Bonds	Loan Payable	Capital Lease	Revenue Bonds (1)	Loan Payable	Capital Leases	Revenue Bonds (1)	Capital Leases			
2000	\$ 8,860,000	\$ -	\$ 1,174,230	\$ 23,330,000	\$ 10,200,000	\$ -	\$ -	\$ 43,564,230	6.35%	\$ 1,396	
2001	7,660,000	-	1,239,245	20,510,000	9,800,000	-	-	39,209,245	5.38%	1,256	
2002	6,395,000	-	1,233,090	18,775,000	93,750,000	80,377	80,377	120,233,467	15.93%	3,422	
2003	5,060,000	-	-	6,835,000	9,375,000	80,377	80,377	21,350,377	2.64%	603	
2004	3,655,000	-	-	4,985,000	8,915,000	59,868	59,868	17,614,868	1.94%	499	
2005	2,175,000	8,000,000	-	70,095,577	-	33,049	33,049	80,303,626	7.74%	2,258	
2006	1,855,000	8,000,000	595,662	71,632,245	12,867,931	1,858,765	1,858,765	96,809,603	8.25%	2,686	
2007	1,520,000	7,315,733	505,383	66,017,189	7,324,284	1,584,771	1,584,771	84,267,360	4.57%	2,314	
2008	1,170,000	6,608,023	411,686	65,066,291	6,810,257	1,299,841	1,299,841	81,366,097	2.75%	2,316	
2009	800,000	5,876,067	-	63,773,755	6,289,550	1,003,534	1,003,534	77,742,906	2.89%	2,117	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

- (1) Net of unamortized bond discount and deferred amount on refunding
- (2) See the Schedule of Demographic and Economic Statistics on page S-19 for assessed value and population data.

CITY OF LAKE WORTH, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30.</u>	General Obligation <u>Bonds</u>	Less Amounts Available in Debt Service <u>Fund</u>	<u>Total</u>	Percentage of	
				Estimated Actual Taxable Value of <u>Property (1)</u>	Per <u>Capita (2)</u>
2000	\$ 8,860,000	\$ (3,252,420)	\$ 5,607,580	0.77%	\$ 180
2001	7,660,000	(3,380,212)	4,279,788	0.57%	122
2002	6,395,000	(3,726,178)	2,668,822	0.33%	75
2003	5,060,000	(3,840,418)	1,219,582	0.13%	35
2004	3,655,000	(3,900,425)	(245,425)	-0.02%	(7)
2005	2,175,000	(3,925,600)	(1,750,600)	-0.15%	(49)
2006	1,855,000	(4,165,678)	(2,310,678)	-0.15%	(63)
2007	1,520,000	(4,375,913)	(2,855,913)	-0.14%	(77)
2008	1,170,000	(295,341)	874,659	0.03%	25
2009	800,000	(262,284)	537,716	0.03%	15

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page S-7 for property value data.

(2) See the Schedule of Demographic and Economic Statistics on page S-19 for population data.

CITY OF LAKE WORTH, FLORIDA
COMPUTATION OF LEGAL DEBT LIMIT

SEPTEMBER 30, 2009

Taxable assessed valuation	<u>\$ 2,686,741,064</u>
Debt limit (2.5% of valuation)	\$ 671,685,266
Outstanding general obligation debt: Series 1996 Bonds	<u>800,000</u>
Debt-contracting margin	<u>\$ 670,885,266</u>
Percentage debt-contracting limit remaining	<u>99.88%</u>

The City Charter permits the City to pledge the funds or property taxing power of the City for the payment of debt and bonds. This is subject to mandatory requirements that the total indebtedness of the City shall never exceed an amount equal to 25% of the total assessed value of the taxable property within its corporate limits.

Source:
City of Lake Worth, Florida, Finance Department.
Palm Beach County Property Appraiser.

CITY OF LAKE WORTH, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2009

<u>Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of Lake Worth (1)</u>	<u>Amount Applicable to the City of Lake Worth</u>
Debt repaid with property taxes:			
Palm Beach County	\$ 520,193,081	1.60%	\$ 8,333,227
Other debt:			
Palm Beach School Board	29,456,511	1.60%	<u>471,878</u>
Subtotal, Overlapping Debt City of Lake Worth Direct Debt			<u>8,333,227</u> <u>800,000</u>
Total Direct and Overlapping Debt			<u>\$ 9,133,227</u>

Sources: Data provided by the Palm Beach County Finance Department and the Palm Beach County Property Appraiser.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business

(1) The City of Lake Worth's share of overlapping debt of approximately 1%, is determined by the ratio of assessed valuation of property of \$2,686,741,064 to the total assessed value of taxable property in the overlapping unit of \$167,717,027,370

CITY OF LAKE WORTH, FLORIDA
PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Sewer Revenue (1)	Less Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2000	* \$ 54,690,872	\$ 47,165,724	\$ 7,525,148	\$ 5,366,615	\$ 2,302,829	3.27
2001	* 61,581,661	54,710,472	6,871,189	4,513,650	2,141,700	3.21
2002	* 56,073,613	5,450,381	50,623,232	3,344,330	1,666,510	30.38
2003	5,517,120	4,996,087	521,033	1,850,000	340,030	1.53
2004	6,665,757	6,504,374	161,383	252,780	490,000	0.33
2005	7,144,828	7,313,702	(168,874)	423,610	2,417,843	(0.07)
2006	10,126,856	12,954,937	(2,828,081)	446,638	226,415	(12.49)
2007	9,868,012	9,234,509	633,503	2,137,516	346,533	1.83
2008	5,511,659	4,617,670	893,989	255,000	244,202	4.86
2009	5,788,641	5,128,106	660,535	255,000	231,966	2.85

Source: City of Lake Worth Finance Department

(1) Gross revenue includes operating revenue and interest income.

(2) Total expense exclusive of depreciation and debt interest on revenue bonds.

* Electric, Water, and Sewer amounts have been combined

(Continued)

CITY OF LAKE WORTH, FLORIDA
PLEDGED REVENUE COVERAGE
(Continued)

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Electric Revenue (1)	Less Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2000	* \$ 54,690,872	\$ 47,165,724	\$ 7,525,148	\$ 5,366,615	\$ 2,302,829	3.27
2001	* 61,581,661	54,710,472	6,871,189	4,513,650	2,141,700	3.21
2002	* 56,073,613	5,450,381	50,623,232	3,344,330	1,666,510	30.38
2003	^ 49,591,401	36,871,062	12,720,339	2,310,000	471,280	26.99
2004	^ 50,160,917	40,683,699	9,477,218	1,955,000	252,780	37.49
2005	45,186,261	38,515,178	6,671,083	350,000	809,233	8.24
2006	61,645,089	51,516,271	10,128,818	612,500	1,442,027	7.02
2007	53,824,950	42,524,553	11,300,397	8,405,431	1,366,520	8.27
2008	58,314,475	49,620,575	8,693,900	187,500	1,773,386	4.90
2009	59,230,272	53,092,542	6,137,730	1,137,500	1,357,650	4.52

(Continued)

Source: City of Lake Worth Finance Department

(1) Gross revenue includes operating revenue and interest income.

(2) Total expense exclusive of depreciation and debt interest on revenue bonds.

* Electric, Water, and Sewer amounts have been combined

^ Electric and Water amounts have been combined

CITY OF LAKE WORTH, FLORIDA
PLEDGED REVENUE COVERAGE
(Continued)

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Water Revenue (1)	Less Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2000	* \$ 54,690,872	\$ 47,165,724	\$ 7,525,148	\$ 5,366,615	\$ 2,302,829	3.27
2001	* 61,581,661	54,710,472	6,871,189	4,513,650	2,141,700	3.21
2002	* 56,073,613	5,450,381	50,623,232	3,344,330	1,666,510	30.38
2003	^ 49,591,401	36,871,062	12,720,339	2,310,000	471,280	26.99
2004	^ 50,160,917	40,683,699	9,477,218	1,955,000	252,780	37.49
2005	6,667,162	3,717,052	2,950,110	350,000	809,233	3.65
2006	8,348,026	4,276,412	4,071,614	408,333	919,273	4.43
2007	10,578,241	5,218,130	5,360,111	637,500	1,366,520	3.92
2008	11,012,972	5,665,735	5,347,237	187,500	1,773,386	3.02
2009	11,144,335	6,910,247	4,234,088	1,137,500	1,357,650	3.12

Source: City of Lake Worth Finance Department

(1) Gross revenue includes operating revenue and interest income.

(2) Total expense exclusive of depreciation and debt interest on revenue bonds.

* Electric, Water, and Sewer amounts have been combined

^ Electric and Water amounts have been combined

CITY OF LAKE WORTH, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value (Amounts Expressed in Thousands) (2)</u>	<u>Per Capita Assessed Value</u>	<u>Unemployment Rate (3)</u>
2000	31,209	\$ 728,641	\$ 23	6.3%
2001	35,133	754,626	21	6.9%
2002	35,387	810,013	23	9.4%
2003	35,292	907,211	26	9.0%
2004	35,570	1,038,091	29	8.0%
2005	36,040	1,174,103	33	5.0%
2006	36,412	1,530,258	42	5.8%
2007	37,044	2,016,075	54	4.3%
2008	35,133	2,957,971	84	7.6%
2009	36,725	2,686,741	73	9.8%

Sources:

- (1) University of Florida, Bureau of Economic Research <http://www.bebr.ufl.edu/free/data>
- (2) Palm Beach County Property Appraiser DR-403AM Line #30
- (3) U.S. Department of Labor, Bureau of Labor Statistics <http://www.bls.gov/>

Note: Population is based on surveys conducted during the last quarter of the calendar year. Unemployment rate information is an adjusted yearly average.

CITY OF LAKE WORTH, FLORIDA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST FIVE FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Number of employees:					
General government	84	87	89	74	118
Public safety	186	185	196	197	186
Physical environment	5	5	4	3	4
Transportation	18	14	11	0	0
Culture and recreation	70	69	61	59	73
Community redevelopment	3	4	3	2	3
Electric	83	85	82	82	84
Water and sewer	38	38	42	40	40
Refuse	34	32	32	30	31
Total full time employees	521	519	520	487	539

Source: City of Lake Worth Finance Department

Note: Employee information for years prior to 2005 could not be provided

CITY OF LAKE WORTH, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public safety:										
Police:										
Police personnel and officers (2)	150	155	146	146	146	146	131	127	127	0
Police calls for service	56,160	54,040	56,001	53,674	51,749	57,050	54,416	48,054	35,773	0
Parking violations	990	0	8,849	8,387	8,792	10,169	10,106	6,494	1,077	0
Traffic violations	21,373	18,062	20,133	16,468	12,990	16,541	14,715	10,071	9,212	0
Fire:										
Fire personnel	64	64	64	64	64	64	154	61	61	57
Fire alarms answered	*	*	*	*	*	*	222	179	239	212
Fire inspections performed	*	*	*	*	*	*	2,109	1,108	2,200	2,176
Building Department:										
Building permits issued - Residential (1)	2,641	2,531	3,499	3,604	4,266	5,838	5,239	3,198	2,090	1,560
Building permits issued - Commercial (1)	571	801	746	751	580	584	599	699	1,041	616
Culture and recreation:										
Golf course - attendance	79,047	74,525	74,525	90,614	65,527	58,228	63,572	59,239	n/a	60,000
Swimming pool - attendance	30,880	27,268	27,268	27,690	27,690	14,323	16,163	n/a	n/a	15,000
Fishing pier - attendance	150,865	152,372	152,372	145,044	127,568	2,100	**	**	**	100,000
Public library:										
Circulation, all media	80,758	81,622	59,522	120,240	120,240	120,240	81,421	79,284	83,336	86,665
Patrons registered	13,236	6,798	10,221	12,962	12,962	14,263	16,781	19,579	20,460	17,053
Patrons registered - inside City	8,215	5,169	7,581	9,558	9,558	10,952	12,671	14,499	15,205	13,014
Utility system										
Water:										
Total number of bills	12,056	11,189	11,261	13,099	12,903	13,269	13,109	159,537	150,843	12,581
Number of units billed	205,811	120,766	131,923	195,561	2,384,621	1,744,962	213,033	2,735,640	1,819,050	153,394
Total amount billed	\$ 425,009	\$ 309,897	\$ 312,795	\$ 537,211	\$ 676,308	\$ 4,799,041	\$ 735,160	\$ 111,713,861	\$ 9,695,764	\$ 844,862
Average selling price	\$ 2,0224	\$ 2,5660	\$ 2,3710	\$ 2,7470	\$ 0,2836	\$ 2,7502	\$ 3,4509	\$ 4,2819	\$ 3,5400	\$ 5,5100
Average bill	\$ 27,47	\$ 27,70	\$ 27,78	\$ 41,01	\$ 52,41	\$ 361,67	\$ 56,08	\$ 73,42	\$ 64,28	\$ 67,15
Number of connections	*	*	*	*	*	11,252	12,898	13,062	12,570	12,102
Water main breaks	*	*	*	*	*	*	32	24	22	26
Sewer:										
Total number of bills	11,050	12,181	12,312	11,546	11,429	11,597	12,016	143,792	137,800	11,493
Number of units billed	139,629	198,291	196,664	121,623	131,516	139,947	128,721	1,548,752	1,214,722	103,251
Total amount billed	\$ 303,540	\$ 463,288	\$ 457,822	\$ 317,657	\$ 331,724	\$ 346,870	\$ 441,674	\$ 5,549,999	\$ 4,947,558	\$ 448,921
Average selling price	\$ 2,1739	\$ 2,3235	\$ 2,2948	\$ 2,6118	\$ 2,5223	\$ 2,4786	\$ 3,4312	\$ 3,5835	\$ 4,0729	\$ 4,3500
Average bill	\$ 35,25	\$ 38,03	\$ 37,19	\$ 27,51	\$ 29,02	\$ 29,91	\$ 36,75	\$ 38,60	\$ 35,90	\$ 39,06
Number connections-local sewer	10,990	11,153	11,252	11,252	11,252	11,252	12,016	11,709	11,387	11,925

(Continued)

Sources: Various City Departments

*Information unavailable

** Fishing pier closed during fiscal year

CITY OF LAKE WORTH, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM (Continued)

LAST TEN FISCAL YEARS

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Electric:										
Residential customers:										
Total number of bills-R	21,337	21,326	21,410	21,819	22,103	22,360	22,834	23,217	21,931	22,099
Number of units billed-R	24,449,558	25,859,439	26,850,876	25,321,571	26,627,595	32,385,122	21,844,047	30,439,162	19,864,899	34,252,579
Total amount billed-R	\$ 2,539,481	\$ 2,812,624	\$ 2,499,834	\$ 2,435,340	\$ 2,566,148	\$ 3,059,316	\$ 2,007,121	\$ 2,604,597	\$ 2,248,735	\$ 2,666,231
Average selling price-R	\$ 0.1038	\$ 0.1087	\$ 0.0931	\$ 0.0962	\$ 0.0964	\$ 0.0948	\$ 0.0919	\$ 0.0856	\$ 0.1132	\$ 0.0778
Average bill-R	\$ 119.02	\$ 131.89	\$ 116.76	\$ 111.62	\$ 116.10	\$ 136.82	\$ 87.90	\$ 112.18	\$ 102.53	\$ 120.65
Commercial customers:										
Total number of bills-C	1,170,000	3,073	3,075	2,952	2,943	2,918	3,132	3,163	2,889	2,998
Number of units billed-C	8,177,943	8,263,723	8,862,755	8,508,396	23,632,519	10,952,574	8,941,266	15,083,570	9,830,563	13,125,753
Total amount billed-C	\$ 944,285	\$ 996,731	\$ 941,608	\$ 921,389	\$ 2,064,660	\$ 1,141,489	\$ 923,404	\$ 1,323,690	\$ 914,662	\$ 1,753,983
Average selling price-C	\$ 0.1154	\$ 0.1206	\$ 0.1062	\$ 0.1083	\$ 0.0874	\$ 0.1042	\$ 0.1032	\$ 0.0878	\$ 0.0930	\$ 0.1336
Average bill-C	\$ 313.92	\$ 324.35	\$ 306.21	\$ 312.12	\$ 701.55	\$ 391.19	\$ 294.83	\$ 418.49	\$ 316.61	\$ 585.05
Private area lighting:										
Total number of bills-P	835	823	807	742	692	644	594	622	604	584
Number of units billed-P	206,720	210,023	204,870	99,086	95,340	99,644	91,759	202,116	98,277	199,773
Total amount billed-P	\$ 33,195	\$ 34,547	\$ 30,926	\$ 20,056	\$ 19,400	\$ 17,270	\$ 13,791	\$ 17,928	\$ 16,354	\$ 17,996
Average selling price-P	\$ 0.1605	\$ 0.1644	\$ 0.1509	\$ 0.2024	\$ 0.2035	\$ 0.1733	\$ 0.1503	\$ 0.0887	\$ 0.1664	\$ 0.0900
Average bill-P	\$ 39.75	\$ 41.98	\$ 38.32	\$ 27.03	\$ 28.03	\$ 26.82	\$ 23.22	\$ 28.82	\$ 27.10	\$ 30.82
Commercial-demand:										
Total number of bills-D	91	94	98	98	98	95	91	85	84	79
Number of units billed-D	8,174,352	7,635,196	7,941,478	5,279,001	11,395,799	7,316,879	5,987,995	4,798,856	5,412,900	3,900,000
Total amount billed-D	\$ 784,059	\$ 796,737	\$ 723,234	\$ 560,406	\$ 1,031,093	\$ 708,256	\$ 433,037	\$ 544,312	\$ 733,016	\$ 550,458
Average selling price-D	\$ 0.0959	\$ 0.1043	\$ 0.0910	\$ 0.1062	\$ 0.0905	\$ 0.0968	\$ 0.0723	\$ 0.1134	\$ 0.1354	\$ 0.1411
Average bill-D	\$ 8,616.03	\$ 8,475.93	\$ 7,379.94	\$ 5,718.43	\$ 10,521.36	\$ 7,455.33	\$ 4,758.65	\$ 6,372.43	\$ 8,717.73	\$ 6,967.82
Street lights:										
Total number of bills-SL	8	8	8	8	6	6	6	7	7	9
Number of units billed-SL	176,424	176,512	176,916	187,566	181,278	180,424	182,877	398,431	191,696	414,105
Total amount billed-SL	\$ 28,173	\$ 29,076	\$ 26,772	\$ 26,960	\$ 25,846	\$ 25,635	\$ 24,794	\$ 28,951	\$ 26,536	\$ 31,065
Average selling price-SL	\$ 0.1596	\$ 0.1647	\$ 0.1513	\$ 0.1437	\$ 0.1426	\$ 0.1421	\$ 0.1356	\$ 0.0727	\$ 0.0115	\$ 0.0750
Average bill-SL	\$ 3,521.63	\$ 3,634.50	\$ 3,346.50	\$ 3,370.00	\$ 4,307.67	\$ 4,272.55	\$ 4,132.33	\$ 3,903.54	\$ 3,836.49	\$ 3,451.66
Solid waste:										
Residential accounts	*	*	*	*	*	*	10,808	10,507	10,269	10,943
Commercial accounts	*	*	*	*	*	*	918	1,097	1,118	2,043

Sources: Various City Departments
 Note: Indicators are not available for the general government function
 *Information unavailable

Information obtained from Alvin Colbert, Utilities Manager. Numbers are for whole fiscal year to obtain the average it is divided by 12.

CITY OF LAKE WORTH, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government:										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	*	*	*	*	*	*	35	35	35	35
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Transportation:										
Miles of streets:										
Streets - paved	101.20	101.66	101.66	101.66	101.66	101.66	101.66	101.66	101.66	101.66
Streets - unpaved	17.76	17.03	17.03	17.03	17.03	17.03	17.03	17.03	17.03	17.03
Number of street lights	1,411,392	1,412,096	1,415,328	1,500,528	1,087,668	1,082,544	1,265,421	1,265,421	1,265,421	1,265,421
Culture and recreation:										
Parks	18	18	18	18	18	18	18	18	18	11
Parks acreage	266.55	266.55	266.55	266.55	266.55	266.55	266.55	266.55	266.55	266.55
Tennis courts	7	7	7	7	7	7	7	7	7	8
Baseball/softball fields	9	9	9	9	9	9	9	9	9	9
Indoor/outdoor basketball courts	6	14	18	18	18	18	18	18	18	4
Public boat ramps	2	2	2	2	2	2	2	2	2	1
Community centers	2	2	2	2	2	2	2	2	2	2
Municipal gym	-	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Swimming pool	1	1	1	1	1	1	1	1	1	1
Fishing pier	1	1	1	1	1	1	1	1	1	1
Shuffleboard	1	1	1	1	1	1	1	1	1	1
Public library	-	-	-	-	-	-	-	-	-	-
Utility system:										
Fire hydrants - City of Lake Worth	536	620	620	620	620	620	620	620	684	695
Solid waste:										
Collection trucks	*	*	*	*	*	*	29	27	27	21
Water system:										
Total wells	12	12	14	14	14	14	14	14	18	18
Usable wells	12	14	12	12	12	12	12	12	12	12
Miles of water lines	130	130	130	130	130	130	130	130	167	161.41
Sewer system:										
Miles of sewer lines	100	100	100	100	100	100	100	100	99	99.85
Electric system:										
Generating plants	1	1	1	1	1	1	1	1	1	1
Miles of distribution lines	147	147	147	147	147	147	147	147	147	147

Sources: Various City Departments
 Note: Indicators are not available for the general government function
 *Information is unavailable

COMPLIANCE SECTION



City of Lake Worth, Florida

Schedule of Federal Awards, State Financial Assistance and Local Awards
Fiscal Year Ended September 30, 2009

Federal/State Agency Pass-through Entity Federal Programs/State Project	CFDA Number	Contract/Grant Number	Expenditures
FEDERAL AGENCY NAME:			
United States Department of Housing and Urban Development			
Passed through Palm Beach County Housing and Community Development			
Memorial Park	14.218	R2008 0970	\$ 94,238
Latona Avenue	14.218	R 2009 0354	272,723
Howard Park - Restrooms	14.218	R20080871	4,484
Total U.S. Department of Housing and Urban Development			<u>371,445</u>
Department of Homeland Security			
Passed-through Florida Department of Community Affairs			
Wind-Retrofit Project	97.036	08HM-6G-10-60-02-041	78,205
Hurricane Frances - Pier	97.036	FEMA -1545-DR-FL	1,114,830
Total U.S. Department of Homeland Security			<u>1,193,035</u>
United States Department of Energy Efficiency & Renewable Energy Efficiency	81.128	DE-EE0002150	5,000
United States of Environmental Protection Agency			
Brownfields Assessment & Clean up Cooperative Agreement	66.818	BF-96462806-0	27,911
Total Expenditures of Federal Awards			<u><u>\$ 1,597,391</u></u>

See Note to Schedule of Federal Awards, State Financial Assistance and Local Awards.

City of Lake Worth, Florida

*Schedule of Federal Awards, State Financial Assistance and Local Awards
Fiscal Year Ended September 30, 2009*

<u>State Agency/ Pass-through Entity, State Projects</u>	<u>CSFA Number</u>	<u>Contract Grant Number</u>	<u>Expenditures</u>
Florida Department of Environmental Protection:			
Direct Projects:			
Sunset Ridge Park Improvements	37.017	F08103	\$ 49,956
Howard Park Improvements	37.017	A09132	33,848
Total Florida Department of Environmental Protection			<u>83,804</u>
Florida Department of State			
Direct Projects:			
Division of Library and Information Services			
State Aid to Libraries	45.030	09-ST-56	16,803
Total Florida Department of State			<u>16,803</u>
Total Expenditures of State Awards			<u><u>\$ 100,607</u></u>
 <u>Local Awards/Program Title</u>			
<i>Palm Beach County</i>			
Palm Beach County Recreation Assistance Program	N/A		\$ 1,080
Palm Beach County Development Regions Grant Agreement	N/A	DR-2007 Lake Worth CRA	13,446
Florida Inland Navigation Project	N/A	PB-LW-07-125	379,291
Youth Empowerment Grant	N/A	C-1118-A	168,500
Broward County Commissioners of West Palm Beach - NW Park Ball Field Development	NA		<u>30,000</u>
Total Expenditures of Local Awards			<u><u>\$ 592,317</u></u>

See Note to Schedule of Federal Awards, State Financial Assistance and Local Awards.

CITY OF LAKE WORTH, FLORIDA
Note to the Schedule of Expenditures of Federal Awards,
State Financial Assistance and Local Assistance
For the Fiscal Year Ended September 30, 2009

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of federal awards, state financial assistance, and local assistance includes the federal, state, and local grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.





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

To the Honorable Mayor and City Commissioners
City of Lake Worth, Florida

We have audited the financial statements of the City of Lake Worth, Florida as of and for the year ended September 30, 2009, and have issued our report thereon dated June 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Lake Worth, 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 the City of Lake Worth, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Worth, Florida's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. We identified deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting and are described as M-IC-2009-01 to M-IC-2009-04, 08-06, 08-01, 08-02, 08-03, 08-05, 08-10, 08-11, 08-16, and 08-17. A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. 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. Significant deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, are described as 08-01, 08-02, 08-03, 08-05, 08-10, 08-11, 08-16, and 08-17.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Worth, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 08-12, 08-13, 08-14, and 08-15.

We also noted certain other matters that we reported to management of the City of Lake Worth, Florida in a separate management letter dated June 23, 2010.

The City of Lake Worth, Florida's responses to the findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. We did not audit the City of Lake Worth, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Commission, others within the entity, the Auditor General of the State of Florida, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

West Palm Beach, Florida
June 23, 2010

TCBA Water Rice LLP



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND
CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

To The Honorable Mayor and City Commission
City of Lake Worth, Florida

Compliance

We have audited the compliance of the City of Lake Worth, Florida with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that are applicable to each of its major Federal programs and State projects for the year ended September 30, 2009. The City of Lake Worth, Florida's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State projects is the responsibility of City of Lake Worth, Florida's management. Our responsibility is to express an opinion on the City of Lake Worth, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or State project occurred. An audit includes examining, on a test basis, evidence about the City of Lake Worth, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lake Worth, Florida's compliance with those requirements.

As described in item 06-18 in the accompanying Schedule of Findings and Questioned Costs, the City of Lake Worth, Florida did not comply with requirements regarding equipment and real property management that are applicable to its Community Development Block Grant program, and Federal Emergency Management Agency program. Compliance with this requirement is necessary, in our opinion, for the City of Lake Worth, Florida to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Lake Worth, Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs and State projects for the year ended September 30, 2009.

Internal Control Over Compliance

The management of the City of Lake Worth, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered the City of Lake Worth, Florida's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program or State project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Worth, Florida's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a Federal program or State project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program or State project that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-19 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program or State project will not be prevented or detected by the entity's internal control. The significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as 08-19 is a material weakness.

Schedule of Expenditures of Federal Awards, State Financial Assistance, and Local Awards

We have audited the financial statements of the City of Lake Worth, Florida as of and for the year ended September 30, 2009, and have issued our report thereon dated June 23, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements of the City of Lake Worth, Florida. The accompanying schedule of expenditures of Federal awards, State Financial Assistance, and Local Awards is presented for purposes of additional analysis as required by the OMB's Circular A-133, and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

The City of Lake Worth, Florida's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Lake Worth, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Commission, others within the entity, the Auditor General of the State of Florida, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

CITY OF LAKE WORTH, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
FISCAL YEAR ENDED SEPTEMBER 30, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant control deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Programs

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant control deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Numbers
14.218
97.036

Name of Federal Program
Community Development Block Grants/Entitlement Grants (CDBG)
Federal Emergency Management Agency (FEMA)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000 for major federal program

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Current Year Findings

M-IC-2009-01 Accounts Payable/Disbursement Controls

Finding

In connection with our audit of disbursement controls, we noted that several check numbers were duplicated and several other check numbers were apparently skipped. In addition, checks were not dated in sequential order and several manual checks were dated after the date they cleared the bank. We also noted voided check numbers were also reused to issue actual checks.

Recommendation

We recommend the City implement an automated check numbering system. Each check run should be approved by an appropriate member of management staff to ensure any manual errors are identified and there is only one check for each check number. There should be a verification process to ensure that the last check number from any previous check runs is the beginning check number for the current run.

View of Responsible Officials and Planned Corrective Action

This is a serious issue that has our highest priority. The City's financial software does not allow for automated check numbering. The audit recommendation is being incorporated in our process by creating a spreadsheet logging process, where the last run's final check number will be incremented by 1 using a non changeable formula, which produces the first check number of the next run. This number will be verified manually by 2 management level staff. At the end of the run the last check number used will be verified and entered in the log again by management level staff. In addition the check numbers shown on the check register will be verified against the log to ensure the correct series used. All these controls will be in place before September 30, 2010.

M-IC-2009-02 Accounts Payable/Disbursement Controls

Finding

During our testing of internal controls over disbursements, it was noted that invoices were not stamped paid or otherwise cancelled after payment for 13 of 16 invoices selected.

Recommendation

All invoices should be stamped paid, or otherwise cancelled after payment to avoid duplicate payment of invoices. Purchase orders and check requests should all be maintained as part of the voucher package noting all proper approvals to support disbursement.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

M-IC-2009-03 Accounts Payable/Disbursement Controls

Finding

During our testing of expenditures, it was noted that selected invoices had duplicate payments for the same invoice which was attached as support for payment of two separate checks, and both checks were issued.

Recommendation

All invoices should be conspicuously cancelled after payment. A system should be implemented whereby an invoice number cannot be entered twice. A more detailed review process should also be implemented to ensure invoices are not paid twice.

View of Responsible Officials and Planned Corrective Action (IC-2009-02 and IC-2009-03)

This is also a critical issue for the City; we have implemented a standardized invoice recording methodology which will correct this problem in many cases. We are also working with the system software vendor to enhance system controls. In addition we are addressing the problem of duplicate invoices by requiring a sign off by Department heads for any payment where an invoice copy, as opposed to an original, is involved. All payments will be reviewed by upper level Finance staff and invoices will be marked paid after payment. All these controls will be in place before September 30, 2010.

M-IC-2009-04 Accounts Payable/Disbursement Controls

Finding

During our testing of expenditures and expenses we noted one expenditure/expense (amounted to \$18k) of the individual account balance of \$208,599 that was not recorded in the proper period based on the invoice and supporting documents.

Recommendation

We recommend that the City perform regular reviews of all check disbursements noting that expenditures/expenses are properly recorded for the appropriate amount and in the proper period.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

View of Responsible Officials and Planned Corrective Action

Recording transactions in the proper period is necessary to determine proper matching of revenues with expenses in order to make sure that there is no misstatement of results of operations. Part of the Monthly closing procedures for the Finance Department will include a review of disbursements for the proper recording date. This incident appears to be an isolated error or oversight in the prior year closing.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year – None.

SECTION IV FINDINGS AND QUESTIONED COSTS FOR STATE PROJECTS

Current Year – None.

V. PRIOR YEAR FINDINGS AND CURRENT STATUS

A. PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS

The following addresses the current status of financial statement findings reported in the fiscal year ended September 30, 2008 Schedule of Findings and Questioned Costs.

Matters that are repeated in the accompanying schedule of findings and questioned costs.

- 08-01 Internal Control Over Financial Reporting
- 08-02 Capital Assets (c.) & (d.)
- 08-03 Deposits – (c.)
- 08-05 Inventory
- 08-06 Receivables – (e.)
- 08-10 Tracking Capital Assets
- 08-11 Interfund Reimbursements
- 08-12 Investments
- 08-13 Bond Covenant Compliance
- 08-14 Unclaimed Property
- 08-15 Labor Contracts
- 08-16 Fund Deficits
- 08-17 Landfill Long-Term Post-Closure Care Estimate
- 08-18 Finance Department Staffing

Matters that are not repeated in the accompanying schedule of findings and questioned costs.

- 08-02 Capital Assets – (a.), (b.) & (e.)
- 08-03 Deposits – (a.) & (d.)
- 08-04 Grant Accounting
- 08-06 Receivables (a.) to (d.)
- 08-07 Pension Benefit Calculation
- 08-08 Encumbrances
- 08-09 Retainages

B. PRIOR YEAR FEDERAL AWARD FINDINGS AND STATUS

The following addresses the status of federal award findings reported in the fiscal year ended September 30, 2008 Schedule of Findings and Questioned Costs.

Matters that are repeated in the accompanying schedule of findings and questioned costs.

- 08-19 Internal Controls Over Compliance
- 06-18 Capital Asset Identification

Matters that are not repeated in the accompanying schedule of findings and questioned costs.

- 08-20 Report Filing

C. PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS

The following addresses the status of state financial assistance findings reported in the fiscal year ended September 30, 2008 Schedule of Findings and Questioned Costs.

- 06-21 Capital Assets Identification

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

M-08-01 Internal Control over Financial Reporting

Criteria

Prudent policies include a formal closing process with supervisory Finance Department personnel being responsible for the review of transactions and balances recorded. Accounting tasks such as monthly reconciliations, cross-checks, and reviews play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements.

Condition

The prior auditors' audit procedures included the performance of extensive procedures on the amounts recorded as assets, liabilities, revenues, expenditures/expenses and fund balances/net assets among the various funds of the City. Their findings are as follows:

- a.) As a result of their audit procedures, an excessive amount of journal entries (85 journal entries in the current year and in excess of 70 entries in the prior year) many of which were significant, were required to be proposed by the auditors to ensure that the financial statements of the City were not materially misstated. Also, there were in excess of 60 entries which were provided by the City as a result of investigations by City personnel based on auditor inquiries. Additionally, numerous entries were made to correct bookkeeping errors and other adjustments that should have been made by the Finance Department prior to providing the auditors with final trial balances.
- b.) They noted that, in many instances, schedules detailing the various components of balance sheet accounts were not in agreement with the account balances reflected in the general ledger.
- c.) The beginning fund balance for the General Fund was not in agreement with the September 30, 2007 financial statements.
- d.) At the commencement of their audit, they noted that the transfers in and transfers out between the City's various funds were not in balance.
- e.) They noted investments were recorded on the basis of settlement date as opposed to trade date as required by generally accepted accounting principles. The auditors proposed, and the City recorded, a \$2.5 million adjusting journal entry to increase the investment balance and record the amount payable to the broker.
- f.) The Foreclosure Capital Projects Fund has acquired land which is being held for resale. They noted that the City was not making any efforts to sell the properties or track them and their value. They also noted that there were additional properties which were not identified and properly recorded.
- g.) In prior years, it was noted that the debt service fund was holding funds that could be utilized for purposes other than future debt payments. These amounts were a result of excess millage from prior years. In the current year, in an effort to remove the excess funds, an entry was recorded which transferred all of the funds out of the debt service fund and into the stormwater fund. Upon auditor inquiry, an adjusting entry was booked in the amount of approximately \$300,000 to return funds to the debt service fund that should not have been transferred.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

- h.) The revenues and expenses related to the Chapter 275 and 185 premium tax for the police and firefighters pension funds was not properly recorded at year end. An entry was proposed by the auditor and recorded by the City to adjust the books and records to reflect the proper amounts.
- i.) Interest on the 2008 electric and water revenue bonds was not accrued as of the fiscal year end. This accrual amounted to approximately \$577,000 in each fund.
- j.) They noted that amounts recorded in advance deposits in the electric fund totaling approximately \$280,000 were unchanged from prior years. Based upon their inquiries, City personnel investigated these liabilities and determined that they were not valid.
- k.) The DROP contributions were not recorded correctly in the pension funds and an adjustment was made in the amount of approximately \$739,000 in the police pension fund and \$1.1 million in the general employees' pension fund.

Effect

The lack of a formal closing process which incorporates a thorough review of account balances, journal entries and supporting documentation by supervisory Finance Department personnel resulted in material misstatements in amounts recorded on the books and records of the City. The current method for closing the month end and year end is prone to error. As a result, reports presented to the Commission may not be accurate and can result in erroneous decisions.

Cause

The primary cause of the conditions noted above is the lack of a formal closing process which provides for a thorough review by supervisory Finance Department personnel of journal entries and supporting documentation submitted by other City Departments to the Finance Department prior to recording in the general ledger. Additionally, the excessive amount of journal entries is caused by the lack of training and skill sets in Finance Department personnel who are responsible for maintaining the books and records as well as the turnover.

Recommendation

The prior auditors believe that a review and evaluation of transactions recorded at month end and year end should be performed to ensure the validity of amounts recorded, as well as reduce audit time. They recommended a detailed general ledger account analysis be performed on a monthly basis and reviewed by supervisory Finance Department staff to ensure accurate recording of transactions. This review should include a review of any subsidiary ledgers to ensure agreement with the general ledger account balance and establishment of any necessary estimates. Further, all adjusting journal entries should be approved by a designated supervisory Finance Department employee who possesses the appropriate skill set. Finance Department supervisory personnel should also perform an analytical review of account balances with the prior year balances prior to closing the books and records to facilitate determining if significant variances exist, the reasons that support the variance, and if any adjustments are required.

The City should consider developing written monthly and year end closing procedures. These procedures should include timelines outlining appropriate due dates and instructions for schedules that should be prepared. The

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

closing procedures should be documented in a formal checklist that indicates the individual responsible for the task, when it is due to be completed, and when it is accomplished. The procedures should also assign a supervisory Finance Department individual to review the schedules. They also suggested that the Finance Department perform an analytical review of account balances with the prior year balances prior to closing the year end books and records to facilitate determining if significant variances exist, the reasons that support the variance, and if any adjustments are required.

Current Year Status

Condition not corrected in the current year.

It was noted that the regular procedure for month end and year end reconciliations or a month-end and year-end closing processing needs improvement. Seven journal entries were made by management after inquiry by the auditors to correct accounts after the start of the audit. The City still does not have written accounting policies and procedures modeled after the Council of Sponsoring Organization (“COSO”) recommendations. As a result and due to a significant turnover of employees within the finance Department, the institutional knowledge within the Department is lacking.

View of Responsible Officials and Planned Corrective Action

This issue is the crux of all the management comments. The combination of lack of staff, lack of staff with the proper training and lack of well designed written procedures; along, of course, with the lack of review on a timely basis, has left the Finance Department and the City with the issues we are facing.

The first two issues with the number and training levels of staff have been addressed. We are in the process of creating and in some cases updating the City’s Accounting Policies and Procedures manual. We are approaching the project using COSO recommendations by identifying the areas where the City has the most risk such as cash processes, bank reconciliations and investments first. Then controls on inventory, other assets, disbursement, budgetary control procedures and on through all required control issues. All controls will be reviewed and the steps necessary to safeguard the assets of the City and report its finances in a legal and responsible manner will be taken. This project will be evolving over the next year but the highest priority portions will be in place by 10/01/2010.

08-02 Capital Assets

Criteria

The establishment and maintenance of accurate accounting records for capital assets are necessary to help assure that the City's property, plant and equipment are not stolen, misused or subject to undue wear and tear. These records are a necessary element in an on-going governmental capital asset repair and preventative maintenance program and enhance efforts to obtain optimum insurance coverage. In addition, these records are needed for compliance with Governmental Accounting Standards Board Statement No. 34.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Condition

- a.) A prior period adjustment in the amount of \$29,022,643 was required to be recorded to restate the opening capital assets reported in the governmental activities in order to capitalize infrastructure assets and record accumulated depreciation for those assets acquired prior to October 1, 2002 in accordance with GASB Statement No. 34.
- b.) The improper calculation of capitalized interest in previous years, combined with the failure to transfer capitalized interest on completed projects to the correct asset category and record related depreciation, resulted in a prior period adjustment of \$616,678 in the water fund and the business-type activities.
- c.) Capital asset roll-forward schedules initially provided which detailed the City's capital assets, by category, for each proprietary fund and the governmental activities, as well as current year's depreciation and accumulated depreciation for fiscal year 2008, were not accurate. The prior auditors noted that the accumulated depreciation and the current year depreciation expense was not allocated between the asset categories, but rather was in a lump sum. The prior auditors further noted that certain assets were not reflected in the proper categories.
- d.) In the 2008 fiscal year, capital asset records were input into the new system purchased to maintain capital asset records. The prior auditors noted that, in several instances, useful lives were not properly input, and, as a result, depreciation was calculated using the incorrect life. The prior auditors further noted that acquisition dates, in many instances, were also not accurately entered. Based on their analysis, adjustments were required in several funds to reflect the proper depreciation expense for the current year.
- e.) During the prior fiscal year, the City sold capital assets at an auction. These assets could not be deleted from the capital asset records because City personnel were unable to identify the assets in the capital asset records.

Effect

Capital asset records which are not reliable could result in inaccurate financial reporting.

Cause

The cause is a lack of oversight and procedures to ensure that capital asset records are properly maintained and reconciled to the amounts reflected in the books and records.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Recommendation

The prior auditors recommended, based on the volume of capital assets held and annual transactions that a capital asset software program should be used. Supervisory staff of the Finance Department should be taking an active role in the oversight of the record maintenance and reporting in this area since the City's net capital assets as of September 30, 2008, were in excess of \$150 million.

The prior auditors recommended that work performed by personnel in the Finance Department be reviewed by supervisory personnel on a monthly basis to ensure that all assets above the capitalization threshold are captured and properly recorded in the records. A reconciliation should be performed to ensure the subsidiary ledger, whether manual spreadsheet or software, are in agreement to the amounts reflected on the general ledger. Furthermore, the supporting records should clearly segregate the capital assets and accumulated depreciation by asset category to facilitate the reconciliation, as well as the preparation of the required note disclosures in the financial statements.

The prior auditors further suggested that, during the 2009 fiscal year, the City perform an inventory or hire a consultant to conduct an inventory of all machinery and equipment owned by the City to ensure the existence of all capital assets currently being reported since it was noted that there are assets which the City has which cannot be identified in the records.

Current Year Status

Items a.) & b.) have been corrected in the current year. Items c.) & d.) have not been corrected. Item e.) no such findings were noted.

Views of Responsible Officials and Planned Corrective Action

A consultant has been hired to perform a complete inventory and valuation of all City assets. That project which includes tagging all assets will be completed in September 2010. In conjunction with the consultant, Finance Department staff will be designing and procedurizing an annual inventory process. In addition, all fixed asset purchases will flow through one staff person in Finance whose responsibilities will include ensuring that the asset is tagged and recorded in the City's records appropriately, including tracking any Federal or State interest in the asset.

08-03 Deposits

Criteria

The prime function of properly executed bank reconciliation is to ascertain that the books and records of the City and the records maintained by the depository are in agreement. The proper preparation of bank reconciliation is an effective control over the accuracy of the City's records. Prudent practices also dictate that bank accounts in the general ledger should be reviewed to determine if they are in existence.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Procedures should be in place to ensure that for all bank accounts, a public depository identification and acknowledgment form be obtained from each financial institution for each account. This signed acknowledgment from the financial institution, must be kept on file at the City since it is mandatory for filing a claim with the Chief Financial Officer of the State upon default or insolvency of a qualified public depository. Without this form, if the qualified public depository defaulted or became insolvent, funds in excess of FDIC will not be insured.

Condition

- a.) During fiscal year 2008, the bank reconciliations for the General Fund bank account, the Community Redevelopment Agency bank account and the Utilities bank account contained invalid reconciling items. The prior auditors noted that each of these accounts contained transfers between accounts as reconciling items, however, the transfers never occurred. These transfers totaled approximately \$1.9 million and resulted in audit adjustments in numerous funds.
- b.) The prior auditors noted that there were balances reflected on the books and records for cash accounts that had been closed out, as well as accounts that could not be identified.
- c.) The prior auditors noted that a public depository identification and acknowledgement form had not been obtained for the Community Redevelopment Agency bank account which had a balance of approximately \$5 million as of September 30, 2008. As such, the funds in excess of the FDIC level of \$100,000 as of the fiscal year end were not insured.

Cause

The cause of the conditions is a lack of a written closing process which incorporates a thorough review by supervisory finance Department personnel.

Effect

This can result in misstatements in the financial statements and/or possible fraud. Further, the failure to obtain the public depository identification and acknowledgement form placed a substantial amount of City deposits at risk.

Recommendation

The prior auditors recommended that all reconciling items included on the bank reconciliations be reviewed to determine their validity. All balances reflected in the books and records for cash should be validated.

The prior auditors further recommended that the City implement procedures to ensure that the appropriate forms are executed and obtained from each qualified depository for each account and file the public depository identification and acknowledgement form with the bank when a new account is opened and ensure that a signed copy is received from the bank for each account.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Current Year Status

Items a.) & b.) No such findings noted. Item c.) Not corrected in the current year.

Views of Responsible Officials and Planned Corrective Action

As noted in the current year finding bank reconciliations are taking place in a timely manner and proper balances are being recorded. The Department is continuing to refine those procedures and incorporate them in the Accounting Procedures Manual. In addition the filing of Public Depository forms is highly important in order to fully protect the City in case of bank failure. This procedure has been put in place and will be reviewed on a regular basis for compliance.

08-04 Grant Accounting

Criteria

Grant accounting provides that since expenditures/expenses are the prime factor for determining eligibility, revenue should be recognized when the expenditure/expense is incurred. If revenues are received in excess of grant expenditures/expenses, those revenues should be deferred. In order to maximize cash flow, and enhance investment income, claim fans for reimbursement should be filed on a timely basis.

Condition

- The prior auditors noted that the general fund's current year expenditures included approximately \$487,300 of FEMA related costs which were incurred in the prior year (fiscal year 2007), and rolled forward into the fiscal year 2008.
- The prior auditors noted that the current year FEMA receivable and related grant revenue was not correct in that the revenue recorded did not correlate to the expenditures incurred, resulting in an adjustment of approximately \$257,000. Further, the prior auditors noted that the failure to record a retainage payable of approximately \$242,000 related to the FEMA funded project resulted in the receivable and revenue being misstated.
- The prior auditors noted that a FEMA receipt of approximately \$250,000 was recorded in the general fund rather than in the electric and water finds where the related expenses were incurred.

Cause

Proper procedures are not in place to ensure that grant revenues are properly recorded, and that reconciliations are performed between accounting records and amounts reported to grantors.

Effect

The failure to properly record grant revenue can result in inaccurate financial statements. Further, the failure to perform reconciliations between claims for reimbursement and the underlying accounting records can result in inaccurate reporting to grantors.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Recommendation

It was recommended that procedures be implemented to ensure that all expenditures incurred for reimbursable grants be monitored to ensure that the books and records reflect the proper related revenue. As soon as a request for reimbursement is made, the information should be remitted to the Finance Department to ensure proper recording on the books and records. All grant funds should be reviewed to ensure that the proper receivables/deferrals are recorded in accordance with promulgated practices. Supervisory Finance Department staff should perform a review of the City's books and records to ensure that all transactions have been properly recorded.

Current Year Status

No such findings noted in the current year.

Views of Responsible Officials and Planned Corrective Action

No response required, however it should be noted that the City has hired a Grants Specialist whose duties include monitoring compliance with grant terms and conditions. She has brought the City into compliance with grant requirements. In addition grant financial reporting and management responsibility has been assigned to one staff person in the Finance office who, with management oversight, is responsible for reviewing grant activities on a monthly basis.

08-05 Inventory

Criteria

In accordance with generally accepted accounting principles, inventory is to be reported at the lower of cost or market value. In addition, inventory should be periodically reviewed for obsolescence.

Condition

While the prior auditors performed their audit procedures in the area of the Electric Fund inventory, it was noted that the City is not addressing the amount of potential obsolete inventory. The prior auditors noted that many quantities and dollar amounts were unchanged from the prior year indicating that they could be obsolete. The prior auditors also noted that in various instances, quantities changed but prices did not. Included in inventory were items that were originally purchased for specific projects that have not been completed or have been cancelled but the inventory remains in the possession of the City.

Cause

The cause is a lack of oversight by Electric Fund personnel to ensure City policies are being implemented and maintained.

Effect

An overstatement of inventory results in an understatement of expenses as well as an overstatement of net assets.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Recommendation

The prior auditors recommended reviewing the procedures relating to inventory control to identify or add procedures of oversight and matching the correct employee with the responsibility. Also, the City should have an independent source evaluate the current inventory and then periodically review the inventory to ensure the FIFO method is continuing to be followed and any special inventory ordered is being utilized or is returned.

Current Year Status

Not corrected in the current year.

Views of Responsible Officials and Planned Corrective Action

As discussed in the response to comment 08-02, the City is designing inventory procedures this summer and physical inventories will be taken in this (2010) fiscal year.

08-06 Receivables

Criteria

Receivables should be reviewed and investigated on an ongoing basis to determine validity and collectability. The establishment of an allowance should not preclude the City from utilizing all available collection measures.

- a.) The prior auditors noted several receivable balances which have remained outstanding on the books and records for periods in excess of one year, without an allowance. Based upon their inquiries, City personnel investigated the items and in most instances determined that the amounts recorded were not valid.
- b.) The electric fund reflected a prepaid amount of approximately \$61,000 for insurance recoveries anticipated relating to costs for lightning damage incurred in fiscal year 2007. Based upon their inquiries, City personnel determined that claims were never submitted to the insurance company for reimbursement. The prior auditors also noted that the receivables of the electric fund included credit balances of approximately \$70,000. These credits were related to grant reimbursements which were credited to the receivable accounts rather than being recorded as revenue.
- c.) The prior auditors noted that the unbilled utility accruals were not calculated properly at year end. A journal entry for approximately \$436,000 was required to correct the errors in the calculation.
- d.) A review of the East Central Regional Wastewater Treatment Facilities indicated that the City's regional sewer fund was owed approximately \$370,000. However, this amount was not reflected as a receivable within the fund.
- e.) The prior auditors noted that during the 2008 fiscal year, numerous receivables were written off amongst the various City funds. The prior auditors noted that there is no formal approval by the City Commission or City Attorney for these write offs.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Cause

Controls are not in place to review receivables periodically to determine whether or not they are valid. Further, accruals are not being reviewed by supervisory personnel to determine whether or not the accrual calculations are proper.

Effect

The effect is a potential misstatement of the amounts reflected as receivables, revenues and fund balance/net assets in the financial statements. Without a policy for write offs, the Finance Department has the ability to write off large amounts of receivables without authorization from either the City Attorney or the City Commission.

Recommendation

The prior auditors recommended that procedures be put into place where accounts receivable balances are reviewed at least quarterly to determine validity and collectability. Accrual calculations should be reviewed by supervisory personnel prior to entry into the general ledger. For receivables that are determined to be uncollectible, the City should consider setting a dollar limit that requires written authorization by the City Attorney's office, with final approval by the City Commission, to write the amounts off the books and records. The prior auditors further recommended that the City closely monitor receivables that are greater than sixty days and that although an allowance has been set up, the City continue to actively seek to recover those receivables.

Current Year Status

Item a.) Condition corrected in the current year.
Items b.), c.), & d.) No such findings noted.
Item e.) Not corrected in the current year.

Views of Responsible Officials and Planned Corrective Action

The current audit found improvement in this area. That said cohesive and up to date procedures need to be written which would include regular reviews of the items in the accounts. These procedures are in progress. In particular to address Item e, a process for receiving Commission approval for receivable write-offs will be included in comprehensive City Financial policies that will be adopted by the City Commission this fall.

08-07 Pension Benefit Calculations

Criteria

The City should have adequate procedures in place to ensure that pension benefit calculations are being performed correctly by someone knowledgeable of the plans and that retiree benefit files are properly maintained which indicates review and approval of benefits.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Condition

Based upon the prior auditors' inquiry of the City's Finance Director and audit procedures performed to validate benefit payments, they noted that benefits for several retirees were calculated incorrectly resulting in higher benefit payments to the retirees. Their audit procedures also disclosed that in several instances, audit documentation to support benefit payments was not able to be located in the respective employee files.

Cause

Calculations were being performed by inexperienced City personnel. Calculations of benefits for retirees were performed using incorrect credited service years and salary included accumulated sick and leave time as well as severance pay. There was also no independent review of the calculations performed by the City's Finance Department or the plan actuary.

Effect

Pension benefit expenses were misstated due to the incorrect calculations. Also, the prior auditors were unable to perform the test of benefit payments for one retiree whose benefit calculation form could not be located. The calculation of the retiree benefit payments should be reviewed by the plans' actuary and corrective action should be taken to recover overpayments from retirees. Employee files should be periodically reviewed by someone knowledgeable of the plans for the proper inclusion of the required documentation.

Current Year Status

No such findings noted in the current year.

Views of Responsible Officials and Planned Corrective Action

Although no response is required since there were no current year findings, it should be noted that the Pension calculations are now being done by the contracted Pension Administrator and reviewed by the Pension Actuaries along with the Pension Boards.

Control Deficiencies

08-08 Encumbrances

Criteria

An effective purchase order system has established procedures to monitor open purchase orders at year end to determine whether they should be closed or brought into the next fiscal year to complete a transaction that has been committed to. The purchase orders which have valid commitments associated with it should be reflected as a reserve of fund balance, for the governmental funds, at year end. Also, those purchase orders carried forward into the next fiscal year should be monitored to ensure the transaction is completed properly.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Condition

During the course of their audits, the prior auditors noted a \$148,000 purchase order which was carried forward and reflected as an encumbrance at September 30, 2008 that did not have an outstanding commitment associated with it.

Cause

The cause is a lack of oversight and procedures to ensure encumbrances are properly reflected in the books and records.

Effect

An inaccurate reporting of reserved fund balance.

Recommendation

The prior auditors recommended written procedures be established to ensure the proper reporting and carry forward of open/committed purchase orders is occurring at year end. Also, procedures should be established to monitor these carry forward items to ensure the commitment was finalized and the corresponding encumbrance was released.

Current Year Status

No such findings noted in current year.

View of Responsible, Officials and Planned Corrective Action

Although no response is required since there were no current year findings, the Department is updating its procedures for encumbrance review and accounting as a part of the Accounting Procedures Manual.

08-09 Retainages

Criteria

Retained percentages, which represent amounts withheld from contractors for completed work pending satisfactory approval of their phase of a construction project, should be classified as expenditure and recorded on the books as a retainage payable simultaneously with the payment to the contractor.

The prior auditors noted that in one instance, a retainage totaling approximately \$242,000, was not recorded on the books and records.

Cause

City personnel did not review construction progress billings at year end to ensure amounts were properly recorded.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Effect

Since this project was funded by FEMA, the schedule of expenditures of federal awards was incorrect as expenditures were understated and the federal aid receivable and related revenue accounts were understated. Ultimately, the books and records of the City could be materially misstated and incorrect amounts are submitted for reimbursement from the federal funder.

Recommendation

The prior auditors suggested that procedures be implemented to ensure that all retainages are recorded simultaneously when payments are made to the contractors. At year end, they further suggested that all progress billings for construction projects be reviewed to ensure retainages, where applicable, are properly recorded.

Current Year Status

No such findings noted in the current year.

Views of Responsible Officials and Planned Corrective Action

Although no response is required since there were no current year findings, as a part of the staffing changes and realignment of duties in the Department a single individual is now responsible for this function with appropriate oversight and review. Additionally the Accounting and Procedures Manual update will include explicit procedures for this activity.

08-10 Tracking Capital Projects

Criteria

Prudent practices dictates that expenditures for capital projects funds be recorded in the governmental funds to which they relate. Further, costs to acquire capital assets should be recorded in the enterprise funds.

Condition

The City, in prior years, established a general fund capital projects fund to track capital projects. The prior auditors noted that the City is recording all capital costs for the various enterprise funds in this fund and transferring the amounts into the respective enterprise funds at year end. They noted that these transfers were not done properly and fund balances were affected.

Cause

This was caused because the general fund capital projects is being used to track and pay for all of these capital expenditures.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Effect

The effect of recording capital costs in this manner is potential misstatements in the financial statement and the recording of capital costs in the wrong funds.

Recommendation

The prior auditors recommended that the City revise their current mechanism for tracking capital costs and record the capital costs in the funds to which they relate.

Current Year Status

Condition not corrected in the current year.

Views of Responsible Officials and Planned Corrective Action

Proper recording of transactions is the heart of any accounting function. During the summer of 2010 the Department will realign the accounting for these activities in accordance with GAAP. All capital costs for enterprise activities will be accounted for in the appropriate enterprise fund and the General Capital projects fund will include only general government projects. The updated Accounting and Procedures Manual will include explicit procedures for this activity.

08-11 Interfund Reimbursements

Criteria

Interfund reimbursements are defined by GAAP as repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid them, i.e., an allocation of indirect costs/overhead. These interfund reimbursements are treated as an adjustment to expenses or expenditures, decreasing the fund initially funding the cost and increasing the reimbursing fund's expenses or expenditures.

Condition

The prior auditors noted documentation formally supporting the methodology used to derive the amounts of the reimbursements has not been reviewed for a number of years and does not tie into any of the actual expenditures.

Effect

The reimbursing funds may be paying inaccurately for their share of services.

Cause

Lack of management oversight of the process for determining the reimbursement amounts and how they are recognized in each of the funds.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Since the services provided are administrative in nature and not directly related to the service provided by the fund, these amounts should be recorded as interfund reimbursements, except in the pension trust funds which recognizes a deduction and the fund providing the service recognizes revenue. The Finance Department should formally document the methodology used to derive the amounts that are reimbursed. Reimbursements should be reviewed quarterly to ensure the amount being reimbursed approximates the actual cost.

Current Year Status

Condition not corrected in the current year.

Views of Responsible Officials and Planned Corrective Action

The issue of interfund charges is important since properly recording the costs for every fund is integral to the issue of determining proper levels for fees and charges. The budget proposed for 2010/2011 contains administrative charges to funds based on a consistent methodology. However, the City is currently reviewing its interfund charge methodology in order to refine it.

Noncompliance Matters

08-12 Investments

Criteria

The City's established investment policy (Resolution No. 36-2008) dictates that the portfolio mix in repurchase agreements shall not exceed 25% of the total investment balance at any one time. The investment policies for each pension plan, also require ratings by a nationally recognized statistical rating organization (NRSRO) at A or A-1 or higher, depending upon the type of investment.

Condition

The prior auditors noted that 33% of the investment holdings of the City were in repurchase agreements as of September 30, 2008. The prior auditors also noted that there are pension plan investments which do not meet the rating criteria dictated in the plan investment policies.

This noncompliance is caused by a lack of oversight over the City's investments to ensure that the investment mix, as well as investment ratings, are in compliance with established policies.

Effect

Noncompliance with the established policies which can result in exposure to undue risk, and non-compliance with the City's policies.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Recommendation

The prior auditors recommended that the investment portfolio be reviewed to ensure compliance with adopted investment policies. The prior auditors further recommended that an individual in the Finance Department be assigned the responsibility of monitoring the investments on a monthly basis to ensure that the City's investments comply with established policies.

Current Year Status

Condition not corrected in current year.

Views of Responsible Officials and Planned Corrective Action

This issue falls into the high priority category and is being addressed immediately. The city's portfolio will be rebalanced this summer and the Department will work with the Pension fund managers to require compliance as soon as reasonably possible given market conditions.

08-13 Bond Covenant Compliance

Criteria

The City's revenue bonds and notes contain covenants with which the City must comply. Formal documentation should be maintained to document compliance with all debt covenants. The debt covenants of the Community Redevelopment Agency (CRA) bonds provide that the City must furnish to the bank within 270 days after the close of each fiscal year an annual audited financial statement of the CRA certified by an independent certified public accountant.

Condition

The CRA did not submit the annual audited financial statements to the bank within the required time period.

Cause

The City's annual audited financial statement was unable to be completed as of the due date provided in the debt covenant.

The City, upon non-compliance with debt covenants, may be subject to additional requirements as stated in the bond document to cure any deficiency.

Recommendation

It was recommended that procedures be implemented to monitor debt covenants pertaining to the latest debt issues to ensure compliance and also complete the financial statements on a timelier basis in order to be able to furnish the financials to the bank.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Current Year Status

Condition not corrected in the current year.

Views of Responsible Officials and Planned Corrective Action

Late issuance of Financial Statements is a result of many of the other comments contained in this report. The Finance Department is anticipating financial statement issuance by March 31, 2011 for the September 30, 2010 fiscal year end.

08-14 Unclaimed Property Report

Criteria

Chapter 717, Florida Statutes, which is the Florida Disposition of Unclaimed Property Act, provides that all property held by government agencies, regardless of the property type, have a dormancy period of one year and that an Annual Unclaimed Property Report is required to be filed for all property held that has a value or \$10 and above. The report must be filed before May 1st of each year and applies to the preceding calendar year.

Condition

Their audit procedures performed for deposits payable held in the City's agency fund, disclosed that the City did not submit its annual unclaimed property report to the state on a timely basis. Review of the detailed listing of deposits payable indicated that amounts represent unclaimed checks for deposit refunds, payroll, and various vendor checks issued in the prior fiscal year that remain unclaimed. The dormancy period for these checks expired in December 2008.

Cause

Per discussion with City personnel, the fiscal year 2008 report was not filed due to staff turnover.

Effect

The City was not in compliance with a Florida Statute.

Recommendation

An effort should be made to ensure that the City remains in compliance with this state statute and submit the unclaimed property report in a timely basis.

Current Year Status

Condition not corrected in current year.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Views of Responsible Officials and Planned Corrective Action

The City was granted an extension for the 2010 Fiscal Year and will be in compliance. In addition, the Department's work plan for next fiscal year anticipates filing the report in a timely manner. A part of the revision of the Accounting Procedures Manual will include annual check lists in order to make sure all required reporting is done in a in a timely manner.

08-15 Labor Contracts

Criteria

Pursuant to labor contracts, upon retirement, employees will be paid for retained sick leave at 100% of their rate of pay. In addition, the employee will be paid for current sick leave in the amount of the average number of days of current leave unused by the employee during their last five years of employment, however, in no event shall the amount exceed twelve (12) days of pay.

Condition

During their testing of compensated absences and inquiries of City personnel, it was noted that during fiscal year 2008, retiring employees are not being paid for current sick leave upon retirement as delineated in the labor contracts.

Cause

This is caused by a lack of understanding of the requirements of the various labor contracts by City personnel.

Effect

The City is not in compliance provisions delineated in the labor contracts.

Recommendation

The prior auditors recommended that all labor contracts be reviewed to ensure compliance with all provisions. The City should designate an employee to oversee and review all payments to be made to employees upon retirement to ensure compliance.

Current Year Status

Condition not corrected in current year.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Views of Responsible Officials and Planned Corrective Action

Properly paying City employees whether on an ongoing basis or at termination is a core function of the Department. The Accounting Policies and Procedures Manual will contain detailed procedures for calculating pay in accordance with current contracts and personnel regulations. In addition a supervisory level Department staff person in conjunction with a Human Resources staff person will review and approve all termination pay.

Other Matters

08-16 Fund Deficits

Criteria

The Golf Course Fund and Information Technology Fund had deficit balances in unrestricted net assets as of September 30, 2008 of \$1,517,030 and \$4,134, respectively. The Refuse Collection and Disposal had an unrestricted deficit of \$1,679,656 as of September 30, 2008, and a total fund deficit of \$469,320. In addition, the Law Enforcement and Firefighters Education Fund and the Capital Improvements Capital Projects Fund have unreserved undesignated deficits of \$4,813 and \$182,416, respectively, as of September 30, 2008.

These funds have continued to reflect deficits each year. These funds have obtained loans from other funds to cover cash requirements.

Effect

Deficits can cause a financial burden on a municipality and can be a sign of deteriorating financial condition.

Cause

The cause is a lack of monitoring the funds activities and establishing a plan to eliminate the deficits.

Recommendation

The prior auditors suggested a plan be developed by the City to provide the funding to eliminate these deficits. City management should review the activities of each of these funds to determine if charges for services are reasonable and competitive with the neighboring markets and make adjustments accordingly. In addition, management needs to review the transfers.

Current Year Status

Condition not corrected in current year.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Views of Responsible Officials and Planned Corrective Action

Charges for services have been reviewed and adjusted over the 2009/2010 fiscal year. A definitive plan for repayment of loans and a plan for eliminating the fund deficits will be determined and presented to the Commission.

08-17 Landfill Long-Term Post-Closure Care Estimate

The estimate for the long-term post closure care of the landfill should be reviewed periodically to ensure that a proper estimate is recorded on the books and records of the City.

Condition

The prior auditors noted that the City had not had a review of the landfill long-term post-closure care costs since October of 1985.

Cause

This is caused by a lack of policies and procedures in place to have a periodic review of the estimate.

Effect

Long-term care costs and liabilities could be misstated due to increased costs that were not taken into account.

Recommendation

The prior auditors recommend the City perform a reevaluation of the long term care estimate to ensure all current factors are taken into consideration.

Current Year Status

Condition not corrected in current year.

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Views of Responsible Officials and Planned Corrective Action

The City will reevaluate the long term care estimate in the 2010/2011 year. Any recommended changes to the estimate will be funded accordingly.

08-18 Finance Department Staffing

Condition

Client's responses to the FY2006 Management Letter Findings referred to the turnover of professional accounting staff and that a new City Financial Management Team would be assembled by the end of fiscal year 2008. During the 2007 fiscal year, there were several additions to the professional staff within the Finance Department. Also, shortly after the fiscal year end, another new addition and a transfer from another Department to the professional staff made the Department complete as to the number of employees. During the 2008 fiscal year, the City was without a controller and that position was not filled until approximately six months after the year end. Although this position was filled, as of the completion of the prior audit engagement, several staff within the Finance Department left the employ of the City and, therefore, the City is once again not fully staffed in the Finance Department. During the fiscal 2009 audit, the Finance Director's position was vacant from February 2010 until April 2010.

The prior auditors suggested that the operations of the Finance Department be thoroughly reviewed to determine the appropriate staffing and skill set required. City management should evaluate the strengths and weaknesses of the Department, as well as each individual, the current policies and procedures in place and the remaining corrective actions to be implemented to strengthen the Department.

Current Year Status

Condition not corrected in current fiscal year.

Views of Responsible Officials and Planned Corrective Action

As discussed in the response to Finding 08-01; This issue is the crux of all the management comments. The combination of lack of staff, lack of staff with the proper training and lack of well designed written procedures, along of course with the lack of review on a timely basis has left the Finance Department and the City with the issues we are facing.

The first two issues with the number and training levels of staff have been addressed. We are in the process of creating and in some cases updating the City's Accounting Policies and Procedures Manual.

SECTION B- PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies -Material Weakness

08-19 Internal Controls over Compliance

Criteria

The *City* should have an adequate system of internal control over compliance in place that monitors and ensures compliance with all grant agreements.

Condition

The City's internal controls over compliance are not functioning as intended as evidenced by the reporting of items 08-04, 08-20 and 06-18. An adequate system of internal control would ensure that individuals with grant compliance responsibilities monitor the activities and requirements of each grant, including monitoring the approval for a project extension by the granting agency. In addition, the schedule of expenditures of federal awards was initially incorrect. Due to approximately \$487,000 of FEMA expenditures which were rolled forward from the fiscal 2007 year and approximately \$242,000 of retainages which were not recorded (included in item 08-04).

Current Year Status

Condition not corrected in current year.

Views of Responsible Officials and Planned Corrective Actions

As discussed in the response to Finding 08-04 the City has hired a Grants Specialist whose duties include monitoring compliance with grant terms and conditions. She has brought the City into compliance with grant requirements. In addition grant financial reporting and management responsibility has been assigned to one staff person in the Finance office who, with management oversight, is responsible for reviewing grant activities on a monthly basis.

Noncompliance Matters

06-18 Capital Asset Identification

Criteria

The Federal Compliance Supplement requires that recipients of federal financial assistance maintain adequate property records in accordance with federal requirements.

Condition

The City's capital assets records system does not currently provide for the identification of the federal percentage of participation in the acquisition of equipment and real property. There is currently no policy in place requiring the identification of source of funds used in the acquisition of equipment and real property as part of the City's

**SECTION B- PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
(continued)**

property records. Consequently, when these assets are eventually disposed of, the City runs the risk of non-compliance with federal disposition requirements because these assets were not properly identified upon acquisition.

Questioned Casts

None.

Cause

The City was not aware of the requirement for identification of federal percentage of participation in property acquisition.

Effect

Complete and accurate property records are not being maintained on equipment and real property acquired wholly or partially with federal financial assistance.

Current Year Status

Condition not corrected in current year.

Views of Responsible Officials and Planned Corrective Actions

As discussed in the response to Finding 08-02; a consultant has been hired to perform a complete inventory and valuation of all City assets. That project which includes tagging all assets will be completed in September 2010. In conjunction with the consultant Finance Department staff will be designing and procedurizing an annual inventory process. In addition all fixed asset purchases will flow through one staff person in Finance whose responsibilities will include ensuring that the asset is tagged and recorded in the City's records appropriately including tracking any Federal or State interest in the asset.

**SECTION C-STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS
PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS NOT IMPLEMENTED
Noncompliance Matters**

06-21 Capital Asset Identification

CSFA #37.039 -Florida Department of Environmental Protection -Statewide Surface Water Restoration & Wastewater Projects

Criteria

The State Projects Compliance Supplement, adherence to which satisfies the requirements of Section 215.97, F.S., requires that recipients of state financial assistance maintain sufficient property records in accordance with state requirements.

Condition

The City's capital assets records system does not currently provide for the identification of the state percentage of participation in the acquisition of equipment and real property. There is currently no policy in place requiring the identification of source of funds used in the acquisition of equipment and real property as part of the City's property records. Consequently, when these assets are eventually disposed of, the City runs the risk of non-compliance with state disposition requirements because these assets were not properly identified upon acquisition.

Complete and accurate property records are not being maintained on equipment and real property acquired wholly or partially with state financial assistance.

Cause

The City was not aware of the requirement for identification of state percentage of participation in property acquisition.

Current Year Status

Condition not corrected in current year.

Views of Responsible Officials and Planned Corrective Actions

As discussed in the response to Finding 08-02 and 06-18; a consultant has been hired to perform a complete inventory and valuation of all City assets. That project which includes tagging all assets will be completed in September 2010. In conjunction with the consultant Finance Department staff will be designing and procedurizing an annual inventory process. In addition all fixed asset purchases will flow through one staff person in Finance whose responsibilities will include ensuring that the asset is tagged and recorded in the City's records appropriately including tracking any Federal or State interest in the asset.

MANAGEMENT LETTER AS REQUIRED BY RULES OF THE AUDITOR GENERAL

Honorable Mayor and Members of the City Commission
City of Lake Worth, Florida

We have audited the financial statements of the City of Lake Worth, Florida, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated June 23, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 23, 2010, should be considered in conjunction with 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 Auditors' reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted under the heading Prior Year Findings and Recommendations.
- 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 Worth, Florida complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have recommendations described as 08-18, and ML-2009-01 to ML-2009-04.
- 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.

➤ 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. The City of Lake Worth, Florida (the City), was incorporated as a municipality in 1913 under Chapter 6713, Laws of Florida. The City of Lake Worth, Florida included the following component units: the City of Lake Worth Community Redevelopment Agency (CRA). The CRA was established under the authority of Florida Statute Chapter 163, Part III in 1993.

➤ 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 Worth, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

➤ 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 Worth, Florida for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.

➤ Pursuant to Sections 10.554(1) (i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures as of the end of the fiscal year ended September 30, 2009. It is management's responsibility to monitor the City of Lake Worth, 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.

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

West Palm Beach, Florida
June 23, 2010

TCBA Water Rise LLP

This letter includes a follow-up to comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of the City of Lake Worth for the year ended September 30, 2009. These items were offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the City's practices and procedures.

ML-2009-01 Accounts Payable/Disbursement Controls

Finding

During our testing of expenditures and accounts payable controls, it was noted that 4 of 16 invoices were not paid timely. The City's policy is to pay invoices on a net 30 basis. Several selected amounts were not paid within this time frame. However, we noted the finance Department may not always receive invoices on a timely basis to begin processing for payments because invoices are sometimes sent to other Departments.

Date of Invoice	Date Paid
01/09/2009	03/23/2009
10/14/2009	12/19/2008
08/15/2008	10/16/2008 (adjustment posted)
11/00/2008	02/27/2009

Recommendation

A policy should be developed requiring each Department to submit invoices within a specified number of days to the finance Department to ensure finance has the ability to process approved invoices in a timely manner. The City should also inform vendors, invoices should be sent only to finance Department to ensure timely payment.

View of Responsible Officials and Planned Corrective Action

Timely payment is important to vendors as well as to the City's reputation. In the future all vendors will be instructed to send original invoices to the Finance Department. Finance will queue invoices for payment and pay when approved by the Department receiving the good or service. The queued invoice file will be reviewed weekly and invoices that have not received Departmental authorization will be followed up on. This control will be in place before September 30, 2010.

ML-2009-02

Finding

During our testing of expenditures and disbursement controls, supporting documents for (5) of 16 selections were initially not provided. Documents were initially unable to be located due to inadequate file maintenance procedures. The supporting documents were provided later.

Recommendation

After review, all supporting documents for disbursements should be properly filed and maintained according to an established policy for records retention.

View of Responsible Officials and Planned Corrective Action

Vendor payment files are extremely important. In the future the Department will designate an area of the office for current year and prior year files. Filing will be done immediately after check issuance and daily for all other financial entries. All file boxes will be labeled with the contents and a review of the files for completeness will be done weekly. Staff will keep file sign-out sheets on each file box to monitor the location of any file that was removed. These controls will be in place before September 30, 2010.

ML-2009-03 Employee File Maintenance/Human Resources

Finding

During the testing of controls over employee file maintenance, we noted that employee files did not contain performance reviews or other regular evaluations for 4 of 16 employees selected. Also, job descriptions were not maintained in employee files for 2 employees nor were exit interviews conducted of 2 terminated employees.

Recommendation

We recommend that the City develop job descriptions for each employee to ensure the employee is fully aware of job requirements. The City should also formally assess performance standards of each job description and perform annual evaluations of regular employees against the standards. The results of the evaluation should be documented and maintained in each employee file. Any terminated employees should undergo a formal exit interview and the results of such should be documented in their personnel file.

View of Responsible Officials and Planned Corrective Action

In 2008-2009 the City of Lake Worth did not have a formal evaluation process. An evaluation program has been designed and will be implemented City-wide by end of July 2010. We are in the process of developing and implementing an exit interview process which should be rolled out in 2011. Job descriptions are given to employees at the time of hire as outlined in the Collective Bargaining agreements. In the future job descriptions will become a part of the updated orientation process which is also planned for 2011.

ML-2009-4 Cash Receipts

Finding

During our testing of controls over Cash Receipts we noted that there was a delay between the time cash is received and the time it is recorded by finance Department for the golf Department. We also noted finance did not receive supporting documents for cash receipts from some Departments in a timely manner to ensure timely recording (see table below).

Date of Cash Receipt	Date of Bank Deposit	Date Recorded in Finance
4/19/2009	4/19/2009	5/8/2009
5/15/2009	5/15/2009	6/5/2009

Recommendation

A policy should be developed and adopted requiring each Department to submit cash receipts within a specified number of days to ensure finance has the ability to process and record in a timely manner.

View of Responsible Officials and Planned Corrective Action

Corrective action has been taken. The Finance Department has worked with the Golf Department and other City Departments to streamline the mechanisms for deposit information to be recorded. Currently, Departments are electronically reporting their cash receipts information and a Finance staff member is monitoring both the recording timeliness and the timeliness of the actual deposit to the Bank.

