



# COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF LAKE WORTH, FLORIDA

PALM BEACH COUNTY

Fiscal Year Ended September 30, 2010



*Palm Beach County, Florida*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
September 30, 2010**

Prepared by:  
Finance Department



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## *INTRODUCTORY SECTION*

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## *City of Lake Worth, Florida*

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*Letter of Transmittal  
For the Fiscal Year Ended September 30, 2010*

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### **City of Lake Worth, Florida**

7 N. Dixie Highway  
Lake Worth, Florida 33460

Finance Office: phone (561)-586-1641

fax (561)-586-1750

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March 29, 2011

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, 2010, is submitted herewith. State law requires that every general purpose local government publish within 12 months of the close of each fiscal year a complete set of audited financial statements. Pursuant to that requirement we hereby issue the Comprehensive Annual Financial Report of the City of Lake Worth for the Fiscal Year ended September 30, 2010.

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. To provide a reasonable basis for making these representations the management of the City of Lake Worth has established a comprehensive internal control framework that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Lake Worth's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

We believe the data, as presented, is 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.

The City of Lake Worth's financial statement has been audited by TCBA Watson Rice LLP, a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit that the City of Lake Worth's financial statements for the fiscal year ended September 30, 2010, are materially fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Lake Worth was part of a broader, federally mandated, "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of financial statements, but also on the audited government's internal controls and

## *City of Lake Worth, Florida*

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### *Letter of Transmittal*

*For the Fiscal Year Ended September 30, 2010*

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compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Lake Worth's Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Managements' Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Lake Worth's MD&A can be found immediately following the report of the independent auditors.

### **PROFILE OF THE GOVERNMENT**

The City was incorporated as a municipality under the laws of the State of Florida in 1913. 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 operates under a Commission-Manager form of government 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 service.

The City is primarily a residential community of seven (7) square miles with a population of approximately 37,000. The median age in the 1990's 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.

The annual budget serves as the foundation for the City of Lake Worth's financial planning and control. All agencies of the City are required to submit requests for appropriation for both operating amounts and capital need to the City Manager in the spring of each year. The City Manager then uses these requests as the beginning point for developing the proposed budget. The City Manager presents the proposed budget to the City Commission in a series of workshops during the summer. The City Commission must adopt a proposed and final millage after at least two public hearings prior to the beginning of a fiscal year (October 1).

The City also operates under a set of adopted Comprehensive Financial Policies. The comprehensive policies are annually reviewed. The policies set out the internal control framework that all financial transactions of the City are governed by as well as goals and processes for sound financial management. The current policies can be found on the City's website.

### **FACTORS AFFECTING FINANCIAL CONDITION**

#### **Local Economy**

The City obtains a significant 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.

## *City of Lake Worth, Florida*

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### *Letter of Transmittal*

*For the Fiscal Year Ended September 30, 2010*

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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 11.7 % - higher than the national rate of nearly 9.6%. Palm Beach County has a rate of 12.4%. 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 2010 comprise approximately 23% of annual General Fund annual resources providing funding for \$7.8 million of the total \$34.2 million annual budget.

The City expects a continuation of the 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.

The City's future financial challenges come primarily in the area of reduced property tax funding and the need to reduce utility rates coupled with continuing cost increases for operations. During the early part of this decade prior management added new staff positions and expanded retirement benefits. These problems were compounded by increases in salary, specialty pays and longevity. The combination of more staff positions and higher salary / incentive / longevity costs significantly increased the cost of operations as well as annual pension funding. The City is at the point where financial commitments for pay and benefits are competing 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.

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.

### **Long-term Financial Planning**

In an effort to maintain the City's financial position, reductions in the number of staff positions began in 2007/08, continued through 2008/09 and 2009/2010. Additionally the City moved to reduce pension benefits as well as discontinuing special pays, longevity pay and a number of other wage related payments.

The City has also developed a five-year budgetary forecasting model that will provide a longer term planning horizon.

The City is moving to end an agreement with Florida Municipal Power Agency (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.

## *City of Lake Worth, Florida*

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### *Letter of Transmittal*

*For the Fiscal Year Ended September 30, 2010*

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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.

### **Cash Management Policies and Practices**

Cash that is temporarily idle during the year is invested in obligation of the US Treasury, US government-sponsored organizations along with repurchase agreements, the Florida Local Government Investment pool and other instruments in accordance with the City's adopted investment policy.

### **Risk Management**

The City is self insured for property claim coverage with excess aggregate property coverage of \$11,173,040.

The City is 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.

The City is self insured for worker's compensation with a \$1,000,000 excess policy. 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.

The City has a self-insured retention level of \$100,000 per occurrence for general and professional liability and automobile liability.

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.

### **Pensions and Other Post Employment Benefits**

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. Additional information on the plans is available in Note 10 to this report. Stand-alone financial reports are issued for each of the Pension Trust Funds.

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. Additional information is available in Note 11 to this report.

## *City of Lake Worth, Florida*

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*Letter of Transmittal  
For the Fiscal Year Ended September 30, 2010*

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### AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lake Worth for its comprehensive annual financial report for the fiscal year ended September 30, 2009. This was the first time the City had been awarded the Certificate in four years. A Certificate of Achievement in Financial Reporting is valid for a period of one year only. We believe that our current CAFR continues to meet the programs requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

*Certificate of Achievement for Excellence  
In Financial Reporting  
For the Fiscal Year Ended September 30, 2010*

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Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of Lake Worth  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

## *City of Lake Worth, Florida*

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### *List of Principal Officials*

*For the Fiscal Year Ended September, 30, 2010*

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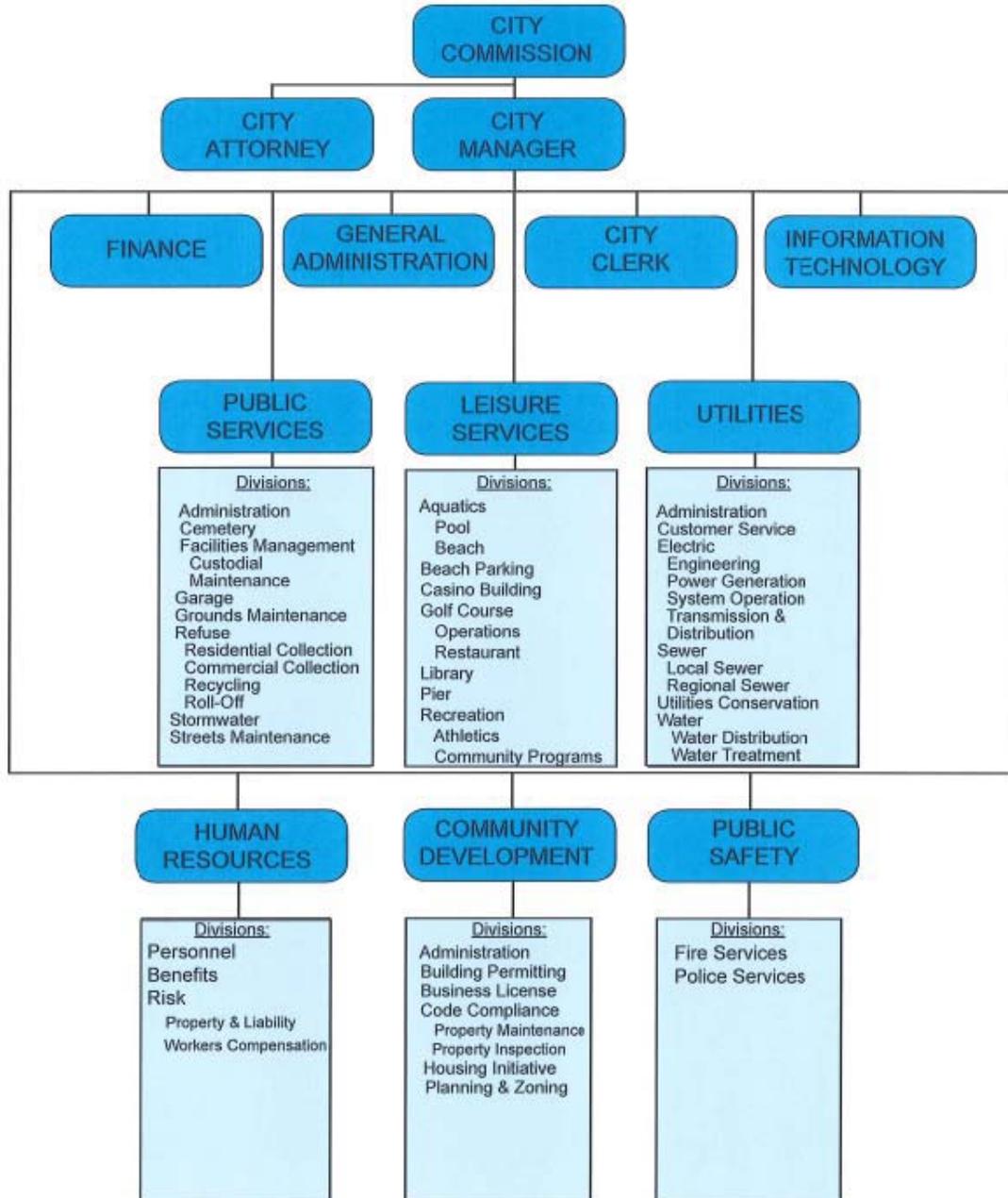
<b>OFFICE HELD</b>	<b>NAME OF OFFICIAL</b>
City Commission:	
The City Commission is comprised of five members who serve overlapping two-year terms and are elected on a nonpartisan basis by residents of the City. The Mayor is elected at-large to serve a two-year term as the presiding officer at City Commission 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	René A. Varela
Vice Mayor/Commissioner – District 3	Jo-Ann Golden
Commissioner-District 2	Cara Jennings
Commissioner – District 1	Scott Maxwell
Commissioner – District 4	Suzanne Mulvehill
Management Team:	
City Manager	Susan A. Stanton, ICMA-CM
City Attorney	Elaine A. Humphreys
City Clerk	Pamela J. Lopez
Community Development Director	Genia Baker
Finance Director	Steven Carr, CPA
Human Resource Director	Diane Clark
Information Technology Director	Charles Stevens
Public Services Director	Joseph S. Kroll
Utilities Director	Rebecca Matthey
Community Redevelopment Agency:	
Executive Director	Joan Oliva

*City of Lake Worth, Florida*

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*Organizational Chart  
For the Fiscal Year Ended September 30, 2010*

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***FINANCIAL SECTION***

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## 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, 2010, 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 Pension Trust Fund for the General Employees Pension Plan and the Police and Firefighters Pension Plan, which represents 84% 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 Pension Trust Fund for General Employees Pension Plan and the Police and Firefighters, 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 of Lake Worth, Florida, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2011 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 87 through 94, 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. 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  
May 18, 2011

*TCBA Water Price LLP*

## *City of Lake Worth, Florida*

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*Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2010*

*Unaudited*

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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, 2010. Please read it in conjunction with the financial statements, which follow this section:

### **Financial Highlights**

- The financial health of the City is continuing to be under pressure as City property values decreased another 23% in 2010. Further decreases in assessed property values are expected in the coming year which will add additional pressure on financial resources for maintenance of public infrastructure and staff compensation and benefits.
- The total net assets of the City at September 30, 2010 were \$226.4 million, reflecting an increase of \$.5 million from 2009. This increase, in the proprietary activities, is attributable to construction of the reverse osmosis water treatment and additional income due to increases in water rates and in the governmental activities increases in restricted assets for grants construction projects at the beach.
- At the end of the current fiscal year the General Fund had designated \$5.2 million of fund balance for emergency purposes. The fund ended the year with only \$.8 million available to help fund the 2010/2011 budget.
- The City has \$410,000 in voter approved general obligation bonds outstanding. This issue will be fully retired in 2011.
- At September 30, 2010, the Utilities Department had total loans outstanding of \$ 67.7 million including bank loans in the amount of \$62.40 million and a state revolving loan in the amount of \$450 thousand. In addition, a \$5.1 million bank loan 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. The purpose of the \$62.40 million loan was to refund outstanding revenue bonds, refund debt with the Florida Municipal Power Agency (FMPA) and to fund improvements to the electrical distribution system and to provide funding for the City's potable water system in the form of a Reverse Osmosis Plant.

## **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*

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*Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2010*

*Unaudited*

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### **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, 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 seventeen individual governmental funds. Information is presented separately for the General Fund as it is considered a major fund. 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 100 to 109 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, garage and information technology 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 122 to 125. The basic proprietary fund financial statements can be found on pages 22 to 27 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 135 to 137 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, 2010**

**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 87 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 100 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 29,169	\$ 28,477	\$ 116,667	\$ 120,106	\$ 145,836	\$ 148,583
Capital assets	66,288	66,671	106,300	95,811	172,588	162,482
Total assets	<u>95,457</u>	<u>95,148</u>	<u>222,967</u>	<u>215,917</u>	<u>318,424</u>	<u>311,065</u>
Current liabilities	2,426	4,403	12,233	14,510	14,659	18,913
Noncurrent liabilities	7,142	7,677	70,185	69,035	77,327	76,712
Total liabilities	<u>9,568</u>	<u>12,080</u>	<u>82,418</u>	<u>83,545</u>	<u>91,986</u>	<u>95,625</u>
Net assets:						
Invested in capital assets, net of related debt	59,068	59,995	61,358	56,542	120,426	116,537
Restricted	12,939	9,638	702	700	13,641	10,338
Unrestricted	13,882	13,435	78,489	75,130	92,371	88,565
Total net assets	<u>\$ 85,889</u>	<u>\$ 83,068</u>	<u>\$ 140,549</u>	<u>\$ 132,372</u>	<u>\$ 226,438</u>	<u>\$ 215,440</u>

***City of Lake Worth, Florida***

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***Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2010***

***Unaudited***

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As shown in Table A-1, net assets amounted to \$226.44 million in fiscal 2010. 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 increased from \$117 million in fiscal 2009 to \$120.4 million in fiscal 2010, due to the city doing a complete inventory count and valuation and recording of a prior period adjustment. Current liabilities have decreased from \$18.9 million to \$14.6 million during this same period. This can be attributed to significant decreases in accrued liabilities at 2010 year-end as compared to 2009, relating primarily to the decrease in retainage being held on utility projects and an decrease in the payroll accrual. 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, 2010*

*Unaudited*

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>General revenues:</b>						
Taxes	\$ 16,729	\$ 23,471	\$ -	\$ -	\$ 16,729	\$ 23,471
Intergovernmental - unrestricted	2,213	2,653	2,647	-	4,860	2,653
Investment earnings - unrestricted	360	1,169	1,430	2,160	1,790	3,329
Miscellaneous	1,296	405	345	470	1,641	875
<b>Program revenues:</b>						
Charges for services	4,932	3,181	90,336	86,498	95,268	89,679
Operating	879	840	-	-	879	840
Capital	3,477	2,423	174	1,026	3,651	3,449
<b>Total revenues</b>	<b>29,886</b>	<b>34,142</b>	<b>94,932</b>	<b>90,154</b>	<b>124,818</b>	<b>124,296</b>
<b>Expenses:</b>						
General government	1,808	4,447	-	-	1,808	4,447
Public safety	20,207	26,612	-	-	20,207	26,612
Physical environment	3,171	2,810	-	-	3,171	2,810
Transportation	3,870	3,814	-	-	3,870	3,814
Culture and recreation	2,868	2,320	-	-	2,868	2,320
Community redevelopment	1,515	1,342	-	-	1,515	1,342
Interest on long-term debt	267	303	-	-	267	303
Electric utility	-	-	53,937	55,354	53,937	55,354
Water utility	-	-	9,171	8,943	9,171	8,943
Local and regional sewer	-	-	11,059	11,288	11,059	11,288
Golf course	-	-	1,437	1,641	1,437	1,641
Stormwater	-	-	1,124	1,081	1,124	1,081
Refuse collection and disposal	-	-	3,420	3,539	3,420	3,539
<b>Total expenses</b>	<b>33,706</b>	<b>41,648</b>	<b>80,148</b>	<b>81,846</b>	<b>113,854</b>	<b>123,494</b>
<b>Increase in net assets</b>						
before transfers	(3,820)	(7,506)	14,784	8,308	10,964	802
Transfers	6,641	5,786	(6,641)	(5,786)	-	-
<b>Increase in net assets</b>	<b>2,821</b>	<b>(1,720)</b>	<b>8,143</b>	<b>2,522</b>	<b>10,964</b>	<b>802</b>
<b>Net assets, beginning of year,</b>						
as previously reported	-	85,597	-	139,547	-	225,144
Prior period adjustment	-	(809)	-	(9,663)	-	(10,472)
<b>Net assets, beginning , as adjusted</b>	<b>83,068</b>	<b>84,788</b>	<b>132,406</b>	<b>129,884</b>	<b>215,474</b>	<b>214,672</b>
<b>Ending net assets</b>	<b>\$ 85,889</b>	<b>\$ 83,068</b>	<b>\$ 140,549</b>	<b>\$ 132,406</b>	<b>\$ 226,438</b>	<b>\$ 215,474</b>

## *City of Lake Worth, Florida*

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*Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2010*

*Unaudited*

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### *Governmental Activities:*

Total revenues decreased from the prior year mainly due to the decrease in taxes. The significant decrease is primarily due to the Fire Department moving to the County and the City no longer receiving property taxes that are now funneled directly to Palm Beach County as a part of the Fire Municipal Services Taxing Unit (MSTU). The largest outflow of resources for the City is represented in its public safety function; this represents costs related to providing police and additional costs relating to fire services as well as various ancillary services for the protection of the City's residents and businesses. The total expenses decreased by 18.4% due to the Fire Department moving to the County.

### *Business-Type Activities:*

Revenues increased \$.5 million from fiscal year 2009 to fiscal year 2010. Charges for services increased \$1.7 million reflecting rate adjustments primarily in the water and sewer utilities. Total expenses decreased by \$9.6 million due to cost reduction measures put in place to deal with the City's economic downturn.

## **Financial Analysis of the Government's Major Funds**

### *Governmental Funds*

General Fund – The General Fund recognized \$25.9 million of revenue during the year, offset by \$30.8 million of expenditures. Property taxes declined to \$7.7 million from \$14.8 million in the prior year, and along with utility taxes and intergovernmental revenues are the largest source of revenue. Public safety expenditures decreased by \$7.3 million to \$19.1 million still representing the largest portion (62.0%) 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 and associated pension costs for former police and fire employees. Capital expenditures declined as a part of the City's cost saving measures. Fund balance ended the year with a slight excess of revenue over expenditures of \$.4 million versus the deficit of \$5.7 in 2009.

Community Redevelopment Agency – The Community Redevelopment Agency (CRA) recognized \$1.1 million of revenue during the year, offset by \$2.5 million of expenditures. Intergovernmental revenue are the primary source of revenue. The CRA revenue note that was issued to fund improvements in the designed CRA area of the City represents the largest portion (42.6%) of expenditures.

### *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 \$.9 million and \$1.2 million in Water operations. Local Sewer revenues increased \$.8 million from last year while Regional Sewer revenues increased by \$.7 million. Electric operating expenses remained stable from 2009.

## City of Lake Worth, Florida

*Management's Discussion and Analysis  
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*Unaudited*

### General Fund Budgetary Highlights

The General Fund's budgeted revenues decreased \$757,000 from the original to the final budget; however the actual revenues received were less than the expected (budgeted) amounts by \$1.0 million. The City's final budgeted expenditures increased by \$.8 million from the original budget, but by implementing cost saving measures, the actual expenditures were \$2.1 Million less than budget.

### Capital Assets and Debt Administration

#### *Capital Assets*

As of September 30, 2010, the City had \$172.6 million invested in a variety of capital assets which represents a net increase (additions, deductions and depreciation) of \$10.2 million from the adjusted end of last year's investment. The City has adjusted the September 30, 2010 net capital asset balances due to a capital asset inventory which resulted in a prior period adjustment to correct the balances. Refer to Note 1, prior period adjustment on page 41, for further explanation. Construction-in-progress increased \$5.4 million to a total of \$36.9 million. This is attributable to continuing costs of the City's beach projects and new water facility production efforts. Additional information on the City's capital assets can be found in Note 7 on page 52.

Table A-3  
**Capital Assets (In Millions)**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 7.4	\$ 7.4	\$ 3.8	\$ 3.8	\$ 11.2	\$ 11.2
Land held for future use	-	-	-	-	-	-
Construction in progress	1.8	10.0	35.1	21.5	36.9	31.5
Infrastructure	77.4	67.5	-	-	77.4	67.5
Land improvements	-	-	3.4	1.1	3.4	1.1
Buildings and structures	16.7	15.6	97.3	96.3	114.0	111.9
Recreational facilities	-	-	-	-	-	-
Equipment and Vehicles	6.8	6.0	97.8	98.9	104.6	104.9
Total capital assets	110.1	106.5	237.4	221.6	347.5	328.1
Accumulated depreciation	(43.8)	(39.9)	(131.1)	(125.8)	(174.9)	(165.7)
Net capital assets	<u>\$ 66.3</u>	<u>\$ 66.6</u>	<u>\$ 106.3</u>	<u>\$ 95.8</u>	<u>\$ 172.6</u>	<u>\$ 162.4</u>

### Debt Administration

As of September 30, 2010, the City had total debt outstanding of \$75.5 million. Of this amount, \$4 million comprises debt backed by the full faith and credit of the government and \$64 million is secured by specific enterprise fund revenue sources.

**City of Lake Worth, Florida**

**Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2010**

**Unaudited**

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 0.4	\$ 0.8	\$ -	\$ -	\$ 0.4	\$ 0.8
Revenue bonds	-	-	61.5	64	61.5	64
Notes payable	5.1	5.9	5.8	6.3	10.9	12.2
Other obligations	1.5	0.8	1.2	2.3	2.7	3.1
	<u>\$ 7.0</u>	<u>\$ 7.5</u>	<u>\$ 68.5</u>	<u>\$ 72.6</u>	<u>\$ 75.5</u>	<u>\$ 80.1</u>

The City's total debt decreased by \$6 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 \$5.1 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 2011 are estimated to decrease more.

The City's total assessed value for the tax year 2010 or fiscal year 2011 decreased by 23.2% or a decrease in revenue, if the millage rate was unchanged, of \$1.9 million. The City has been impacted by the economic conditions of the State. Budgeted state shared revenue decreased \$291,753 or 17.2% in fiscal year 2010 over fiscal year 2009.

The fiscal year 2011 budget has been impacted accordingly with reductions in the costs and levels of operations while trying to keep services at an acceptable level. The General Fund budgeted operating expenses decreased \$7.1 million or 17.8% from fiscal year 2010.

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 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*

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*Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2010*

*Unaudited*

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### **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, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 4,300,762	\$ 5,971,456	\$ 10,272,218
Investments	15,198,998	39,756,203	54,955,201
Accounts receivable, net	3,374,269	14,151,465	17,525,734
Accrued interest receivable	58,211	278,573	336,784
Internal balances	2,883,183	(2,883,183)	-
Due from other governments	627,176	31,060	658,236
Inventories	42,790	5,888,012	5,930,802
Land held for resale	2,286,051	-	2,286,051
Prepaid items	296,247	65,809	362,056
Restricted assets:			
Investments	-	31,594,667	31,594,667
Deposits	12,500	1,316,174	1,328,674
Capital assets:			
Non-depreciable	9,201,944	42,324,265	51,526,209
Depreciable, net	57,086,415	63,975,487	121,061,902
Investment in joint venture	-	20,250,864	20,250,864
Net Pension Asset	65,741	-	65,741
Unamortized debt issuance costs	22,777	246,097	268,874
<b>Total assets</b>	<b>95,457,064</b>	<b>222,966,949</b>	<b>318,424,013</b>
<b>Liabilities:</b>			
Accounts and contracts payable	1,533,222	692,541	2,225,763
Accrued liabilities	592,587	5,459,440	6,052,027
Unearned revenue	231,640	36,576	268,216
Accrued interest payable	32,905	-	32,905
Liabilities payable from restricted assets	-	6,043,650	6,043,650
Net pension Liability	34,911	-	34,911
Long-term debt:			
Due within one year	1,591,717	4,148,313	5,740,030
Due in more than one year	5,550,466	66,037,428	71,587,894
<b>Total liabilities</b>	<b>9,567,448</b>	<b>82,417,948</b>	<b>91,985,396</b>

*City of Lake Worth, Florida*

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Net assets:</b>			
Invested in Capital Assets, Net of Related Debt	59,067,959	61,357,659	120,425,618
Restricted For:			
Debt service	255,244	-	255,244
Renewal and replacement	-	500,000	500,000
Capital projects	12,010,315	-	12,010,315
Landfill postclosure care costs	-	202,125	202,125
Law enforcement	64,829	-	64,829
Trusts	609,525	-	609,525
Unrestricted	13,881,744	78,489,217	92,370,961
<b>Total Net assets</b>	<u>\$ 85,889,616</u>	<u>\$ 140,549,001</u>	<u>\$ 226,438,617</u>

See accompanying notes to the basic financial statements

**City of Lake Worth, Florida**

**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2010**

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,808,565	\$ 2,846,869	\$ -	\$ 89,073
Public safety	20,206,868	1,099,226	879,328	10,725
Physical environment	3,171,382	17,995	-	5,000
Transportation	3,869,570	614,943	-	-
Culture and recreation	2,867,839	353,038	-	931,934
Community redevelopment	1,514,545	-	-	2,441,001
Interest and fiscal charges	266,896	-	-	-
<b>Total Governmental Activities</b>	<b>33,705,665</b>	<b>4,932,071</b>	<b>879,328</b>	<b>3,477,733</b>
<b>Business-Type Activities:</b>				
Electric	53,936,852	59,380,986	-	110,753
Water	9,171,596	11,392,126	-	39,284
Local sewer	6,174,317	6,417,177	-	23,850
Regional sewer	4,884,662	5,613,322	-	-
Golf course	1,436,970	1,348,186	-	-
Stormwater	1,124,438	1,582,863	-	-
Refuse collection and disposal	3,419,697	4,601,480	-	-
<b>Total Business-Type Activities</b>	<b>80,148,532</b>	<b>90,336,140</b>	<b>-</b>	<b>173,887</b>
<b>Total primary government</b>	<b>\$ 113,854,197</b>	<b>\$ 95,268,211</b>	<b>\$ 879,328</b>	<b>\$ 3,651,620</b>

**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  
Changes in net assets  
Net assets, beginning, as reported  
Prior period adjustment  
Net assets beginning, as adjusted  
Net assets end of year

See accompanying notes to the basic financial statements

**City of Lake Worth, Florida**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 1,127,377	\$ -	\$ 1,127,377
(18,217,589)	-	(18,217,589)
(3,148,387)	-	(3,148,387)
(3,254,627)	-	(3,254,627)
(1,582,867)	-	(1,582,867)
926,456	-	926,456
(266,896)	-	(266,896)
<u>(24,416,533)</u>	<u>-</u>	<u>(24,416,533)</u>
-	5,554,887	5,554,887
-	2,259,814	2,259,814
-	266,710	266,710
-	728,660	728,660
-	(88,784)	(88,784)
-	458,425	458,425
-	<u>1,181,783</u>	<u>1,181,783</u>
-	<u>10,361,495</u>	<u>10,361,495</u>
<u>\$ (24,416,533)</u>	<u>\$ 10,361,495</u>	<u>\$ (14,055,038)</u>
7,764,745	-	7,764,745
99,913	-	99,913
5,709,719	-	5,709,719
824,302	-	824,302
2,329,146	-	2,329,146
2,212,812	2,647,053	4,859,865
360,493	1,430,064	1,790,557
1,296,289	344,715	1,641,004
6,640,517	(6,640,517)	-
<u>27,237,936</u>	<u>(2,218,685)</u>	<u>25,019,251</u>
<u>2,821,403</u>	<u>8,142,810</u>	<u>10,964,213</u>
<u>83,877,142</u>	<u>142,069,149</u>	<u>225,946,291</u>
<u>(808,929)</u>	<u>(9,662,958)</u>	<u>(10,471,887)</u>
<u>83,068,213</u>	<u>132,406,191</u>	<u>215,474,404</u>
<u>\$ 85,889,616</u>	<u>\$ 140,549,001</u>	<u>\$ 226,438,617</u>

**City of Lake Worth, Florida**

**Balance Sheet**  
**Governmental Funds**  
**September 30, 2010**

	General	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 86,517	\$ 72,019	\$ 4,142,226	\$ 4,300,762
Investments	5,361,928	3,677,146	6,159,924	15,198,998
Accounts receivable, net	1,477,255	24	1,896,990	3,374,269
Accrued interest receivable	22,252	11,642	24,317	58,211
Due from other funds	91,012	2,700	172,962	266,674
Due from other governments	627,176	-	-	627,176
Inventories	42,790	-	-	42,790
Land held for resale	-	-	2,286,051	2,286,051
Prepaid items	259,605	2,042	34,600	296,247
Deposits	-	12,500	-	12,500
Advances to other funds	1,252,934	435,000	287,255	1,975,189
<b>Total Assets</b>	<b>\$ 9,221,469</b>	<b>\$ 4,213,073</b>	<b>\$ 15,004,325</b>	<b>\$ 28,438,867</b>
<b>Liabilities:</b>				
Accounts and contracts payable	\$ 872,463	\$ 26,342	\$ 634,417	\$ 1,533,222
Accrued liabilities	521,442	1,579	69,566	592,587
Due to other funds	2,700	19,363	978,899	1,000,962
Advances from other funds	-	-	609,287	609,287
Unearned revenue	231,640	-	-	231,640
Deferred revenues	-	-	214,717	214,717
<b>Total Liabilities</b>	<b>1,628,245</b>	<b>47,284</b>	<b>2,506,886</b>	<b>4,182,415</b>
<b>Fund Balances:</b>				
Reserved for:				
Inventories	42,790	-	-	42,790
Land held for resale	-	-	2,286,051	2,286,051
Prepaid items	259,605	2,042	34,600	296,247
Advances	1,252,934	435,000	287,255	1,975,189
Debt service	-	-	255,244	255,244
Unreserved, designated for:				
Emergencies	5,193,918	-	-	5,193,918
Local ordinance/statute	-	-	818,986	818,986
Subsequent year's expenditures - Special revenue funds	-	-	1,716,530	1,716,530
Subsequent year's expenditures -Capital Project funds	-	-	4,092,307	4,092,307
Unreserved, undesignated, reported in:				
General Fund	843,977	-	-	843,977
Special revenue funds	-	3,728,747	1,861,041	5,589,788
Capital projects funds	-	-	1,145,425	1,145,425
<b>Total Fund Balances</b>	<b>7,593,224</b>	<b>4,165,789</b>	<b>12,497,439</b>	<b>24,256,452</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,221,469</b>	<b>\$ 4,213,073</b>	<b>\$ 15,004,325</b>	<b>\$ 28,438,867</b>

See accompanying notes to the basic financial statements

*City of Lake Worth, Florida*

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
September 30, 2010***

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**Total Governmental Fund Balances** \$24,256,452

***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. 66,288,359

Other long-term assets are not available to pay for current  
period expenditures and, therefore, are deferred in the funds. 214,717

A Net pension asset is not considered to represent a financial  
asset and, therefore, is not reported in the governmental  
funds. 30,830

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	\$ (1,591,717)	
Amounts Due in More Than One Year	(5,550,466)	
Accrued Interest on Long-Term Debt	(32,905)	
Unamortized Bond Issuance Costs	22,777	
Total	(7,152,311)	

Internal service fund net assets	6,726,596	
Less Due to Business-type Activities for "Look-back" allocation	(4,475,027)	
Total	2,251,569	

***Net Assets of Governmental Activities*** **\$85,889,616**

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, 2010**

	General	Community Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 7,764,745	\$ -	\$ -	\$ 7,764,745
Utility and other taxes	6,313,615	-	320,319	6,633,934
Licenses and permits	402,620	-	858,104	1,260,724
Fines and forfeitures	482,635	-	-	482,635
Charges for services	6,217,542	-	1,082,334	7,299,876
Intergovernmental	4,325,803	1,058,068	3,295,968	8,679,839
Investment income	160,897	59,529	140,067	360,493
Rents and royalties	267,022	-	-	267,022
Miscellaneous	30,931	12,443	1,263,638	1,307,012
<b>Total Revenues</b>	<u>25,965,810</u>	<u>1,130,040</u>	<u>6,960,430</u>	<u>34,056,280</u>
<b>Expenditures:</b>				
Current:				
General government	5,162,785	-	318,228	5,481,013
Public safety	19,078,816	-	932,985	20,011,801
Physical environment	2,354,512	-	12,893	2,367,405
Transportation	1,697,768	-	45,694	1,743,462
Culture and recreation	2,388,084	-	18,212	2,406,296
Community redevelopment	-	1,183,012	306,768	1,489,780
Capital outlay	71,720	227,012	3,417,696	3,716,428
Debt service:				-
Principal	-	822,102	390,000	1,212,102
Interest and fiscal charges	-	223,744	50,982	274,726
<b>Total Expenditures</b>	<u>30,753,685</u>	<u>2,455,870</u>	<u>5,493,458</u>	<u>38,703,013</u>
Excess (deficiency) of revenues over expenditures	(4,787,875)	(1,325,830)	1,466,972	(4,646,733)
<b>Other financing sources (uses):</b>				
Transfers in	7,275,504	2,242,031	3,125,750	12,643,285
Transfers out	(2,066,728)	(213,455)	(3,722,585)	(6,002,768)
<b>Total other financing sources (uses)</b>	<u>5,208,776</u>	<u>2,028,576</u>	<u>(596,835)</u>	<u>6,640,517</u>
Net change in fund balances	420,901	702,746	870,137	1,993,784
<b>Fund Balances at Beginning of Year</b>	<u>7,172,323</u>	<u>3,463,043</u>	<u>11,627,302</u>	<u>22,262,668</u>
<b>Fund Balances End of Year</b>	<u>\$ 7,593,224</u>	<u>\$ 4,165,789</u>	<u>\$ 12,497,439</u>	<u>\$ 24,256,452</u>

See accompanying notes to the basic financial statements

**City of Lake Worth, Florida**

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**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, 2010**

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**Net Change in Fund Balances - Total Governmental Funds** \$ 1,993,784

*Amounts reported for governmental activities in the statement of net assets 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	\$ 3,727,819	
Depreciation Expense	(4,404,307)	
Total		(676,488)

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net assets. (462,406)

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

Increase in intergovernmental revenue 208,455

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	390,000	
Principal paid on note	757,032	
Principal paid on capital lease	65,070	
Amortization of Issuance Costs	(3,333)	
Total		1,208,769

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 7,831

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).

Other Post Employment Benefits	(153,905)	
Compensated Absences	95,235	
Arbitrage Rebate	137,555	
Increase in NPO/NPA	(363)	
Total		78,522

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	2,444,762	
"Look Back" Allocation of net expenses to Enterprise Funds	(1,981,826)	
Total		462,936

**Change in Net Assets of Governmental Activities** **\$ 2,821,403**

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See accompanying notes to the basic financial statements.

*City of Lake Worth, Florida*

*Statement of Net Assets  
Proprietary Funds  
September 30, 2010*

	Business-Type Activities - Enterprise Funds		
	Major		
	Electric	Water	Local Sewer
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 1,368,493	\$ 280,238	\$ 1,284,730
Investments	4,453,346	18,094,689	4,896,986
Accounts receivable, net	10,077,060	1,822,668	863,745
Accrued interest receivable	100,838	105,509	20,322
Due from other funds	801,610	12,130	31
Due from other governments	-	31,060	-
Inventories	5,585,391	180,517	-
Prepaid items	61,168	-	-
<b>Total Current Assets</b>	<b>22,447,906</b>	<b>20,526,811</b>	<b>7,065,814</b>
<b>Noncurrent Assets:</b>			
<b>Restricted Assets:</b>			
Investments	22,103,655	9,288,887	-
Deposits	1,316,174	-	-
<b>Capital Assets:</b>			
Land	1,777,194	466,013	5,750
Construction in progress	9,148,163	25,397,658	182,809
Land improvements	-	-	-
Buildings and structures	39,990,980	13,259,802	4,144,804
Equipment and vehicles	50,974,807	26,331,851	14,423,824
Accumulated depreciation	(71,543,928)	(19,375,897)	(7,290,435)
Advances to other funds	-	-	-
Investment in joint venture	-	-	-
Unamortized debt issuance costs	86,026	86,026	74,045
<b>Total Noncurrent Assets</b>	<b>53,853,071</b>	<b>55,454,340</b>	<b>11,540,797</b>
<b>Total Assets</b>	<b>76,300,977</b>	<b>75,981,151</b>	<b>18,606,611</b>

**City of Lake Worth, Florida**

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Nonmajor			Nonmajor
Regional Sewer	Other Enterprise Funds	Total	Internal Service Funds
\$ 965,644	\$ 1,333,368	\$ 5,232,473	\$ 738,983
2,830,678	3,880,049	34,155,748	5,600,455
1,062,696	325,296	14,151,465	690
11,747	16,915	255,331	23,242
-	30,199	843,970	24,262
-	-	31,060	-
-	20,546	5,786,454	101,557
-	4,259	65,427	384
<u>4,870,765</u>	<u>5,610,632</u>	<u>60,521,928</u>	<u>6,489,573</u>
-	202,125	31,594,667	-
-	-	1,316,174	-
-	1,540,406	3,789,363	-
30,005	337,433	35,096,068	-
-	3,438,834	3,438,834	-
38,193,131	1,679,926	97,268,643	-
38,321	5,748,410	97,517,213	270,713
(26,384,425)	(6,416,645)	(131,011,330)	(70,443)
-	174,287	174,287	287,255
20,250,864	-	20,250,864	-
-	-	246,097	-
<u>32,127,896</u>	<u>6,704,776</u>	<u>159,680,880</u>	<u>487,525</u>
<u>36,998,661</u>	<u>12,315,408</u>	<u>220,202,808</u>	<u>6,977,098</u>

(Continued)

*City of Lake Worth, Florida*

*Statement of Net Assets  
Proprietary Funds  
September 30, 2010*

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Major</u>		
	<u>Electric</u>	<u>Water</u>	<u>Local Sewer</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts and contracts payable	378,246	97,377	307
Accrued liabilities	4,486,585	752,729	36,937
Unearned revenue	-	-	-
Due to other funds	-	-	-
Compensated absences - current	487,064	158,085	58,903
Capital leases - current	-	-	-
Landfill postclosure care costs - current	-	-	-
Notes payable - current	-	-	255,000
Revenue bonds payable - current	1,185,000	1,185,000	-
Payable from restricted assets:			
Accounts and contracts payable	170,520	884,169	-
<b>Total Current Liabilities</b>	<u>6,707,415</u>	<u>3,077,360</u>	<u>351,147</u>
<b>Noncurrent Liabilities:</b>			
Compensated absences	191,793	67,910	5,826
Other post-employment benefits	173,214	55,538	20,954
Capital lease payable	-	-	-
Advances from other funds	-	-	-
Notes payable	-	450,000	3,825,000
Revenue bonds payable	29,579,944	29,586,704	-
Payable from restricted assets:			
Deposits payable	4,305,074	683,888	-
<b>Total Noncurrent Liabilities</b>	<u>34,250,025</u>	<u>30,844,040</u>	<u>3,851,780</u>
<b>Total Liabilities</b>	<u>40,957,440</u>	<u>33,921,400</u>	<u>4,202,927</u>
<b>Net Assets:</b>			
Invested in Capital Assets, net of debt	12,905,850	23,207,380	7,386,752
Restricted for:			
Debt Service	250,000	250,000	-
Investment in Joint Venture	-	-	-
Unrestricted	22,187,687	18,602,371	7,016,932
<b>Total Net Assets</b>	<u>\$ 35,343,537</u>	<u>\$ 42,059,751</u>	<u>\$ 14,403,684</u>

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**

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Nonmajor		Nonmajor	
Regional Sewer	Other Enterprise Funds	Total	Internal Service Funds
74,202	69,273	619,405	58,639
26,091	117,502	5,419,844	54,092
-	36,576	36,576	-
-	83,944	83,944	50,000
-	142,831	846,883	22,834
-	320,040	320,040	-
-	30,000	30,000	-
279,588	-	534,588	-
-	-	2,370,000	-
-	-	1,054,689	-
<u>379,881</u>	<u>800,166</u>	<u>11,315,969</u>	<u>185,565</u>
-	164,951	430,480	64,937
2,981	93,888	346,575	-
-	375,353	375,353	-
-	1,827,444	1,827,444	-
1,402,403	-	5,677,403	-
-	-	59,166,648	-
-	-	-	-
-	-	4,988,962	-
<u>1,405,384</u>	<u>2,461,636</u>	<u>72,812,865</u>	<u>64,937</u>
<u>1,785,265</u>	<u>3,261,802</u>	<u>84,128,834</u>	<u>250,502</u>
11,877,032	5,980,645	61,357,659	200,270
-	-	-	-
-	-	500,000	-
20,250,864	199,780	20,450,644	-
3,085,500	2,873,181	53,765,671	6,526,326
<u>\$ 35,213,396</u>	<u>\$ 9,053,606</u>	<u>136,073,974</u>	<u>\$ 6,726,596</u>
		4,475,027	
		<u>\$ 140,549,001</u>	

**City of Lake Worth, Florida**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2010**

	Business-Type Activities-Enterprise Funds			
	Major			Regional Sewer
	Electric	Water	Local Sewer	
<b>Operating revenues:</b>				
Charges for services	\$ 58,774,655	\$ 11,392,126	\$ 6,417,177	\$ 5,613,322
Late fees and service charges	606,332	-	-	-
<b>Total operating revenues</b>	<u>59,380,987</u>	<u>11,392,126</u>	<u>6,417,177</u>	<u>5,613,322</u>
<b>Operating expenses:</b>				
Cost of services	48,333,552	6,939,997	4,610,787	3,383,362
General and administrative	3,279,884	650,906	955,133	479,580
Depreciation	1,919,385	1,013,743	631,085	1,102,629
<b>Total operating expenses</b>	<u>53,532,821</u>	<u>8,604,646</u>	<u>6,197,005</u>	<u>4,965,571</u>
Operating income (loss)	5,848,166	2,787,480	220,172	647,751
<b>Nonoperating revenues (expenses):</b>				
Investment income	514,704	592,318	94,801	32,524
Interest and fiscal charges	(1,338,799)	(853,347)	(91,804)	(46,417)
Intergovernmental revenue	-	2,647,053	-	-
Other	73,091	2,161	-	-
<b>Total nonoperating revenues (expenses)</b>	<u>(751,004)</u>	<u>2,388,185</u>	<u>2,997</u>	<u>(13,893)</u>
<b>Income (loss) before transfers and contributions</b>	5,097,162	5,175,665	223,169	633,858
Capital contributions	110,753	39,284	23,850	-
Transfers in	16,499	-	-	-
Transfers out	(4,370,203)	(1,234,572)	-	-
<b>Change in Net Assets</b>	<u>854,211</u>	<u>3,980,377</u>	<u>247,019</u>	<u>633,858</u>
<b>Net assets, beginning, as reported</b>	51,129,007	36,279,622	8,721,825	34,597,244
<b>Prior period adjustment</b>	<u>(16,639,681)</u>	<u>1,799,752</u>	<u>5,434,840</u>	<u>(17,706)</u>
<b>Net assets, beginning, as adjusted</b>	<u>34,489,326</u>	<u>38,079,374</u>	<u>14,156,665</u>	<u>34,579,538</u>
<b>Net assets, end of year</b>	<u>\$ 35,343,537</u>	<u>\$ 42,059,751</u>	<u>\$ 14,403,684</u>	<u>\$ 35,213,396</u>
<b>Adjustment to reflect the consolidation of the internal service fund</b>				
<b>Fund activities related to business-type activities</b>				
<b>Change in net assets of business-type activities</b>				

See accompanying notes to the basic financial statements

*City of Lake Worth, Florida*

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<u>Non Major Enterprise Funds</u>	<u>Total</u>	<u>Non Major Internal Service Funds</u>
\$ 7,532,529	\$ 89,729,809	\$ 5,467,671
-	606,332	-
<u>7,532,529</u>	<u>90,336,141</u>	<u>5,467,671</u>
5,308,403	68,576,101	3,302,275
246,604	5,612,107	-
594,917	5,261,759	12,679
<u>6,149,924</u>	<u>79,449,967</u>	<u>3,314,954</u>
1,382,605	10,886,174	2,152,717
94,500	1,328,847	101,217
(57,981)	(2,388,348)	-
-	2,647,053	-
62,137	137,389	38,277
<u>98,656</u>	<u>1,724,941</u>	<u>139,494</u>
1,481,261	12,611,115	2,292,211
-	173,887	169,050
-	16,499	-
<u>(1,035,742)</u>	<u>(6,640,517)</u>	<u>(16,499)</u>
<u>445,519</u>	<u>6,160,984</u>	<u>2,444,762</u>
8,833,880		4,296,202
<u>(225,793)</u>		<u>(14,368)</u>
<u>8,608,087</u>		<u>4,281,834</u>
<u>\$ 9,053,606</u>		<u>\$ 6,726,596</u>
	<u>1,981,826</u>	
	<u>\$ 8,142,810</u>	

**City of Lake Worth, Florida**

**Statement of Cash Flows**  
**Proprietary Funds**  
**September 30, 2010**

	Business-Type Activities - Enterprise Funds		
	Major		
	Electric	Water	Local Sewer
Cash flows from operating activities:			
Receipts from customers	\$ 58,606,968	\$ 11,299,387	\$ 6,384,464
Payments to suppliers	(42,710,390)	(3,883,270)	(3,639,463)
Payments to employees	(5,785,953)	(1,628,439)	(758,294)
Payments for interfund services provided	(3,040,522)	(1,091,475)	(1,109,580)
Other receipts	73,091	2,649,214	-
Net cash provided by (used in) operating activities	7,143,194	7,345,417	877,127
Cash flows from non-capital financing activities:			
Due from other funds	295,094	357,725	475,192
Due to other funds	-	-	-
Transfer from other funds	16,499	-	-
Transfer to other funds	(4,370,203)	(1,234,572)	-
Net cash provided by (used in) non-capital financing activities	(4,058,610)	(876,847)	475,192
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets, net	(1,624,021)	(12,870,193)	(153,870)
Advances from (to) other funds	-	-	-
Payments on advances (from) to other funds	-	-	-
Debt issue Cost	(47,129)	4,893	30,855
Swap Termination fee	-	(28,540)	(30,855)
Contributed capital	110,753	39,284	23,850
Principal paid on capital debt	(980,610)	(639,266)	(255,000)
Interest paid on advances	-	-	-
Interest paid on capital debt	(1,338,799)	(824,807)	(60,949)
Net cash provided by (used in) capital and related financing activities	(3,879,806)	(14,318,629)	(445,969)
Cash flows from investing activities:			
Purchase of investments	1,559,140	7,338,024	110,753
Investment in joint venture	-	-	-
Interest and dividends received	514,704	592,318	94,801
Net cash provided by (used in) investing activities	2,073,844	7,930,342	205,554
Net change in cash and cash equivalents	1,278,622	80,283	1,111,904
Cash and cash equivalents, beginning	89,871	199,955	172,826
Cash and cash equivalents, ending	\$ 1,368,493	\$ 280,238	\$ 1,284,730

**City of Lake Worth, Florida**

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<u>Nonmajor</u>			<u>Nonmajor</u>
Regional	Other		Internal
Sewer	Enterprise	Total	Service
<u>Funds</u>	<u>Funds</u>		<u>Funds</u>
\$ 5,807,670	\$ 7,532,529	\$ 89,631,018	\$ 5,467,671
(3,108,071)	(3,011,457)	(56,385,137)	(2,618,803)
(255,851)	(1,891,554)	(10,320,091)	(667,650)
(443,725)	(646,058)	(6,331,360)	-
-	44,592	2,766,897	38,277
<u>2,000,023</u>	<u>2,028,052</u>	<u>19,361,327</u>	<u>2,219,495</u>
85,000	1,178,219	2,391,230	(716)
-	(524,053)	(524,053)	(30,000)
-	-	16,499	169,050
-	(1,035,742)	(6,640,517)	(16,499)
<u>85,000</u>	<u>(381,576)</u>	<u>(4,756,841)</u>	<u>121,835</u>
-	(915,645)	(15,563,729)	(198,930)
-	(5,220)	(5,220)	24,262
-	751,416	751,416	-
-	-	(11,381)	-
-	-	(59,395)	-
-	-	173,887	-
(272,559)	(308,142)	(2,455,577)	-
-	(25,419)	(25,419)	-
(46,417)	(32,504)	(2,303,476)	-
<u>(318,976)</u>	<u>(535,514)</u>	<u>(19,498,894)</u>	<u>(174,668)</u>
(2,022,139)	(117,635)	6,868,143	(1,678,881)
(106,450)	-	(106,450)	-
32,524	112,045	1,346,392	101,217
<u>(2,096,065)</u>	<u>(5,590)</u>	<u>8,108,085</u>	<u>(1,577,664)</u>
(330,018)	1,105,372	3,246,163	588,998
1,295,662	227,996	1,986,310	149,985
<u>\$ 965,644</u>	<u>\$ 1,333,368</u>	<u>\$ 5,232,473</u>	<u>\$ 738,983</u>

**City of Lake Worth, Florida**

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**Statement of Cash Flows Continued**  
**Proprietary Funds**  
**September 30, 2010**

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	Business-Type Activities - Enterprise Funds		
	Major		
	Electric	Water	Local Sewer
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 5,848,166	\$ 2,787,478	\$ 220,172
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,919,385	1,013,743	631,085
Other non operating income	73,091	2,649,214	-
Change in assets and liabilities:			
Accounts receivable, net	(774,019)	(92,739)	(32,713)
Due from other governments	3,150	62,207	-
Prepaid items	80	-	-
Inventories	(198,503)	2,261	-
Accounts and contracts payable	(3,013,299)	931,768	(15,290)
Accrued liabilities	3,222,703	(20,773)	28,899
Compensated absences	62,440	12,258	12,488
Landfill postclosure care costs	-	-	-
Total adjustments	<u>1,295,028</u>	<u>4,557,939</u>	<u>624,469</u>
Net cash provided by (used in) operating activities	<u>\$ 7,143,194</u>	<u>\$ 7,345,417</u>	<u>\$ 844,641</u>

See accompanying footnotes to the basic financial statements.

**City of Lake Worth, Florida**

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<u>Regional Sewer</u>	<u>Nonmajor Other Enterprise Funds</u>	<u>Total</u>	<u>Nonmajor Internal Service Funds</u>
\$ 647,753	\$ 1,382,605	\$ 10,886,174	\$ 2,152,715
	-		
	-		
1,102,629	594,917	5,261,759	12,679
-	44,594	2,766,899	38,280
	-		
194,348	(31,588)	(736,711)	(1,590)
-	1,026	66,383	-
-	9,041	9,121	(384)
-	(36,653)	(232,895)	(6,729)
31,998	30,094	(2,034,729)	7,339
23,295	-	3,254,124	32,864
-	(30,000)	57,186	(15,679)
-	(30,000)	(30,000)	-
<u>1,352,270</u>	<u>645,447</u>	<u>8,475,153</u>	<u>66,780</u>
<u>\$ 2,000,023</u>	<u>\$ 2,028,052</u>	<u>\$ 19,361,327</u>	<u>\$ 2,219,495</u>

*City of Lake Worth, Florida*

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*Statement of Net Assets  
Fiduciary Funds  
September 30, 2010*

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	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,110,507	\$ 17,971
Investments at fair value:		
U.S. Government and agency funds	12,571,344	-
Money market funds	2,474,850	-
Corporate bonds	28,490,830	-
Common stocks	42,834,714	-
Mutual funds	22,291,492	-
Total investments at fair value	<u>108,663,230</u>	<u>-</u>
Accounts receivable	-	-
Accrued interest, dividends and contributions receivable	1,154,732	-
Due from broker	40,974	-
Due from the State of Florida	-	395
Prepaid items	37,337	-
<b>Total Assets</b>	<u>112,006,780</u>	<u>18,366</u>
<b>Liabilities:</b>		
Accounts payable	424,236	1,100
Deposits payable	-	17,266
<b>Total Liabilities</b>	<u>424,236</u>	<u>\$ 18,366</u>
 <b>Net Assets held in trust for pension benefits</b>	 <u><u>\$ 111,582,544</u></u>	

See accompanying notes to the basic financial statements

*City of Lake Worth, Florida*

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*Statement of Changes in Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended September 30, 2010*

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	<u>Pension Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Employer	\$ 6,521,318
Chapter 175	140,081
Plan members	1,617,378
Roll Over	267,709
Total contributions	<u>8,546,486</u>
Investment Income:	
Interest and dividends	3,110,523
Net change in fair value of investments	6,124,887
Total investment income	<u>9,235,410</u>
Less investment expenses	586,925
Net investment income	<u>8,648,485</u>
Other Income	126,771
<b>Total Additions</b>	<u>17,321,742</u>
<b>Deductions:</b>	
Pension benefits	13,552,137
Administrative expenses	374,081
<b>Total Deductions</b>	<u>13,926,218</u>
Change in Net Assets	3,395,524
Net Assets at Beginning of Year	<u>108,187,020</u>
Net Assets End of Year	<u>\$ 111,582,544</u>

See accompanying notes to the basic financial statements

## *City of Lake Worth, Florida*

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2010*

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#### **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 Commission-Manager 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 the generally accepted accounting principles (GAAP) in the United States 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 establish 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*

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2010*

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#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **A. Financial Reporting Entity** (Continued)

###### ***Blended Component Unit***

The Community Redevelopment Agency (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. The CRA is reported as a blended component unit as a major governmental fund due to the City Commission's ability to impose its will on the CRA through budget approval and removal of CRA board members at will. It is reported a major program even though it does not qualify to comply with Florida Statute 163.387. The CRA Capital Projects Fund is reported as a nonmajor capital project 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. The statutorily required report can be obtained by contacting the Lake Worth Community Redevelopment Agency offices at 29 South J Street, Unit 1, Lake Worth, FL 33460.

##### **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*

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2010*

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

##### ***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*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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.

***Agency Funds:***

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 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*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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 non-operating 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 non-operating 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 are 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 Florida Local Government Surplus Funds Trust Funds (Florida PRIME) are reported at fair value. The Florida PRIME 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*

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2010*

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#### 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.

##### 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.

*City of Lake Worth, Florida*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

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 \$1,260,105 and \$1,260,105, respectively, for the year ended September 30, 2010. Of this amount, \$485,067 was capitalized as part of the cost of Water Fund fixed 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

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.

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

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.

The City has adjusted the September 30, 2010 net capital asset balances due to a capital asset inventory which resulted in a prior period adjustment to correct the balances. Included in the adjustment was a change to the accumulated depreciation.

*City of Lake Worth, Florida*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

12. Prior Period Adjustments

During the 2009-2010 fiscal year it was determined that a prior period adjustment was required for the capital assets inventoried by an outside consultant during the fiscal year. The inventory conducted included all assets City wide except for the governmental infrastructure that was inventoried as of October 1, 2007. The change to the capital asset and the accumulated depreciation as of September 30, 2010, resulted in a net adjustment to beginning fund balance/net asset by activities/fund as follows:

Governmental Activities	\$(808,903)
Business Activities/Proprietary Funds	
Major Funds:	
Electric	\$(16,639,681)
Water	1,799,752
Local Sewer	5,434,840
Regional Sewer	(17,706)
Nonmajor funds:	
Golf Course	(115,145)
Stormwater	205,155
Refuse Collection and Disposal	(315,805)
Internal Service Fund:	
Information Technology	(14,368)
Total	<u>\$(9,662,968)</u>

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Excess of Expenditures over Appropriations**

The following expenditures exceeded appropriations by the amounts indicated:

General Fund:	
Cost of Services	\$(44,052)
Community Development	(2,000)
Cemetery	(16,757)

These over expenditures were funded by greater than anticipated revenues.

**B. Fund Deficits**

The Refuse Collection and Disposal, and the Golf Course Funds have deficit balances in unrestricted net assets as of September 30, 2010 of \$307,190 and \$1,638,121, 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 Capital Improvements Capital Projects Fund had unreserved undesignated deficit of \$126,398. The Garage Fund had an unrestricted deficit of \$6,738. In addition, the NSP2 Fund had an unreserved undesignated deficit balance of \$34,600. The deficits in the Refuse collection and disposal and the Garage Fund have been addressed over the past several years. Their Charges for services were adjusted and the elimination of the deficits will be accomplished over the next several years. The OMB office is currently developing a business plan for the Golf Fund that will address annual deficits and provide resources for the elimination of deficits in this fund. The NSP2 fund deficit undesignated Net Assets is related to its pre-paid items and will be eliminated as the prepaid items are used. The Capital Improvements Capital project fund deficit will be analyzed and a solution will be determined before the end of the 2011 fiscal year.

## *City of Lake Worth, Florida*

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2010*

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#### **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, FDIC-backed obligations, U.S. Government or Agency backed mortgage securities and the State Board of Administration Investment Pool (SBA).

The State Board of Administration Local Government Investment Pool is part of the Local Government Surplus Funds Trust Fund (the "State Pool") and is governed by Chapter 19-7 of the Florida Administrative Code. The State Pool is administered by the Florida State Board of Administration ("SBA"), who provides regulatory oversight. The SBA previously reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restricted the State Pool into separate pools ("Florida PRIME" and "Fund B").

The Florida PRIME has adopted operating procedures consistent with the requirement for a 2a-7 like fund. A 2a-7 like external investment pool is one that is not registered with the SEC as an investment company, but nevertheless has a policy that it will and does, operate in a manner consistent with SEC rule 2a-7, which governs the operation of SEC regulated money market funds. The City's investment in the Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool share. The Florida Prime is rated by Standard and Poor's and has a current rating of AAAM.

Fund B is reported at fair value, determined by the fair value per share of the pool's underlying portfolio. SBA's fund B is governed by Chapter 19-7 of the Florida Administrative code and Chapters 215 and 218 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of Fund B. The fund is accounted for as a fluctuating NAV pool. Fund B consists primarily of segregated securities originally purchased for Florida PRIME, formally the LGIP, that (1) defaulted in the payment of principal and interest; (2) were extended; (3) were restructured or otherwise subject to workout; (4) experienced elevated market illiquidity; or (5) did not meet the criteria of Standard and Poor's rating organization. Fund B is not subject to participant withdrawal requests. Fund B's primary objective is to maximize the present value of distributions from Fund B. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. The

**City of Lake Worth, Florida**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

**NOTE 3 DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

investments in Fund B are not insured by the FDIC or any other governmental agency. Fund B is not rated by any nationally recognized statistical rating agency.

The City's pension fund investment policies are determined by the respective Boards of Trustees. Their portfolios may consist of obligations guaranteed by the U.S. government, time or savings accounts, corporate bonds, common or preferred stocks, international equity funds and mutual funds.

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, 2010, the City had the following investments:

<u>City Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market Funds	N/A	\$ 3,435,179
Savings, CD's and Time Deposits	12/21/2010	248,000
Local Government Surplus Funds Trust Funds:		
Florida PRIME	52 days	137,599
Fund B	7-8 years	6,157
U.S. Treasury Obligations	6/30/11-5/31/15	39,564,599
U.S. Government Agencies:		
FHLB	11/15/10-3/9/12	7,534,872
FHLMC	12/16/2010	50,453
FNMA	10/1/10-12/29/11	3,064,332
SBA	8/25/11-10/25/14	8,892,255
GNMA	41,532	815,932
Corporate and Foreign Bonds	9/22/11-12/21/12	22,800,042
Total Investments		<u>\$ 86,549,420</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	\$ 23,435,873	\$ 1,350,264	\$ 7,770,139	\$ 6,281,100	\$ 8,034,370
U.S. Agencies	2,383,186	-	130,151	1,124,711	1,128,324
U.S. Treasuries	6,298,059	-	2,359,539	2,002,764	1,935,756
Total Investments	<u>\$ 32,117,118</u>	<u>\$ 1,350,264</u>	<u>\$ 10,259,829</u>	<u>\$ 9,408,575</u>	<u>\$ 11,098,450</u>

**City of Lake Worth, Florida**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

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**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	\$ 5,054,957	-	\$ 431,036	\$ 4,168,310	\$ 455,611
U.S. Agencies	3,670,454	-	974,423	191,903	2,504,128
U.S. Treasuries	219,645	-	-	219,645	-
Total Investments	<u>\$ 8,945,056</u>	<u>\$ -</u>	<u>\$ 1,405,459</u>	<u>\$ 4,579,858</u>	<u>\$ 2,959,739</u>

**C. Interest Rate Risk**

The City has an investment policy that limits the maturities on individual investments to no more than ten 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 Florida PRIME 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, \$9,763,130 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**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

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**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:

Ratings	General Fair Value	Police Fair Value
Aaa	\$ 7,109,298	\$ 2,705,853
Aa2	1,022,615	432,398
Aa3	1,057,662	295,279
A1	1,859,031	585,518
A2	6,091,381	2,432,444
A3	3,099,404	1,061,021
Baa1	542,390	160,110
Baa2	511,362	157,666
Not Rated	2,219,929	661,124
WR	81,346	31,287
Total	<u>\$ 23,594,418</u>	<u>\$ 8,522,700</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:

Ratings	Fire Fair Value
Aaa	\$ 1,194,068
Aa2	421,792
Aa3	903,307
A1	901,767
A2	1,291,105
A3	887,312
Baa1	431,036
U.S. Government Securities	2,914,669
Total	<u>\$ 8,945,056</u>

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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 75% at any one time. Investments in the U.S. Government agencies and repurchase agreements cannot exceed 25% and 10%, 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 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 14.18% 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.

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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, 2010**

**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 4.999 mills plus County-levied Fire Municipal Services Taxing Unit rate of 3.458, for a total of 8.457 on all City parcels, leaving a margin of 1.5429 mills under the maximum possible assessment of 10 mills. There are no material delinquent taxes as of September 30, 2010.

**NOTE 5. RECEIVABLES**

Accounts, special assessments and other receivables, including restricted accounts receivable and the related allowance for doubtful accounts as of September 30, 2010, are as follows:

	General	Community Redevelopment Agency	Nonmajor Governmental Funds	Electric	Water
Customer Accounts	\$ 273,671	\$ -	\$ 194,326	\$ 11,605,204	\$ 2,065,617
Utility and Other Taxes	753,778	-	51,706	312,016	-
Claims and Assessments	-	-	164,157	-	100,472
Intergovernmental	753,675	-	1,650,847	-	-
Other Receivables	-	24	-	110,543	-
Gross Receivables	1,781,124	24	2,061,036	12,027,763	2,166,089
Less allowance for doubtful Accounts	(303,869)	-	(164,046)	(1,950,703)	(343,421)
	<u>\$ 1,477,255</u>	<u>\$ 24</u>	<u>\$ 1,896,990</u>	<u>\$ 10,077,060</u>	<u>\$ 1,822,668</u>

	Local Sewer	Regional Sewer	Nonmajor Enterprise Funds	Internal Service Funds	Total
Customer Accounts	\$ 1,065,760 *	\$ 16,648,493	\$ 535,488	\$ 3,266	\$ 32,391,825
Utility and Other Taxes	-	-	-	-	1,117,500
Claims and Assessments	-	-	109,405	-	374,034
Intergovernmental	-	711,500	-	-	3,116,022
Other Receivables	-	-	98,107	-	208,674
Gross Receivables	1,065,760	17,359,993	743,000	3,266	37,208,055
Less allowance for doubtful Accounts	(202,015) *	(16,297,297)	(417,704)	(2,576)	(19,681,631)
	<u>\$ 863,745</u>	<u>\$ 1,062,696</u>	<u>\$ 325,296</u>	<u>\$ 690</u>	<u>\$ 17,526,424</u>

\* See footnote 16

**City of Lake Worth, Florida**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

**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, 2010:

**A. Due to/from Other Funds**

Due From	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Community Redevelopment Agency	General Fund	Total
General Fund	\$ -	\$ 35,420	\$ 50,000	\$ 5,592	\$ -	\$ 91,012
Community Redevelopment Agency					2,700	2,700
Nonmajor Governmental Funds	148,700	24,262	-		-	172,962
Electric Fund	800,000	-	-	1,610	-	801,610
Water Fund	-	-	-	12,130	-	12,130
Local Sewer Fund	-	-	-	31	-	31
Nonmajor Enterprise Funds	30,199	-	-	-	-	30,199
Internal Service Funds	-	24,262	-	-	-	24,262
Total	\$ 978,899	\$ 83,944	\$ 50,000	\$ 19,363	\$ 2,700	\$ 1,134,906

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**

Advances To	General Fund	Advances From			Total	
		Community Redevelopment Agency	Nonmajor Governmental Funds	Nonmajor Enterprise Funds		Internal Service Funds
Nonmajor Governmental Funds	\$ -	\$ 435,000	\$ -	\$ 174,287	\$ -	\$ 609,287
Nonmajor Enterprise Funds	1,252,934	-	287,255	-	287,255	1,827,444
Total	\$ 1,252,934	\$ 435,000	\$ 287,255	\$ 174,287	\$ 287,255	\$ 2,436,731

The balance of \$1,827,444 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. In addition, a loan was made to support daily operations. These amounts are not expected to be paid within one year.

The balance of \$174,287 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.

The balance of \$435,000 represents an interfund loan from the Community Redevelopment Agency to NSP2 for cash flow purposes. This amount is not expected to be rapid within one year.

**City of Lake Worth, Florida**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

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

**C. Interfund transfers**

	Transfers Out			
	General Fund	Community Redevelopment Agency	Nonmajor Governmental Funds	Electric Fund
Transfers In				
General Fund	\$ -	\$ -	\$ 784,987	\$ 4,370,203
Community Redevelopment Agency	1,216,299	-	1,025,732	-
Electric Fund	-	-	-	-
Nonmajor Governmental Funds	850,429	213,455	1,911,866	-
Total	<u>\$ 2,066,728</u>	<u>\$ 213,455</u>	<u>\$ 3,722,585</u>	<u>\$ 4,370,203</u>

	Transfers Out			
	Water Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
Transfers In				
General Fund	\$ 1,234,572	\$ 885,742	\$ -	\$ 7,275,504
Community Redevelopment Agency	-	-	-	2,242,031
Electric	-	-	16,499	16,499
Nonmajor Governmental Funds	-	150,000	-	3,125,750
Total	<u>\$ 1,234,572</u>	<u>\$ 1,035,742</u>	<u>\$ 16,499</u>	<u>\$ 12,659,784</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, 2010**

**NOTE 7. CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at September 30, 2010:

<i>Historical Cost:</i>	Adjusted Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Class					
<b>Non-depreciable Capital assets:</b>					
Land	\$ 7,434,516	\$ 1,000	\$ -	\$ -	\$ 7,435,516
Construction in Progress	10,014,924	1,092,556	-	(9,341,052)	1,766,428
Total Non-depreciable Capital assets	<u>17,449,440</u>	<u>1,093,556</u>	<u>-</u>	<u>(9,341,052)</u>	<u>9,201,944</u>
<b>Capital assets being depreciated:</b>					
Infrastructure	67,470,414	1,429,750	-	8,462,582	77,362,746
Buildings and Structures	15,616,963	1,128,561	-	-	16,745,524
Equipment and Vehicles	6,018,773	832,384	(940,805)	878,470	6,788,822
Total Depreciable Capital assets	<u>89,106,150</u>	<u>3,390,695</u>	<u>(940,805)</u>	<u>9,341,052</u>	<u>100,897,094</u>
Total Cost	<u>\$ 106,555,590</u>	<u>\$ 4,484,251</u>	<u>\$ (940,805)</u>	<u>\$ -</u>	<u>\$ 110,099,038</u>
<b>Accumulated Depreciation:</b>					
Class	Adjusted Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Infrastructure	\$ 30,756,941	\$ 3,198,832	\$ -	\$ -	\$ 33,955,773
Buildings and Structures	5,217,035	687,229	-	-	5,904,264
Equipment and Vehicles	3,910,795	518,246	(478,399)	-	3,950,642
Total Depreciation	<u>\$ 39,884,771</u>	<u>\$ 4,404,307</u>	<u>\$ (478,399)</u>	<u>\$ -</u>	<u>\$ 43,810,679</u>
<b>Net Value:</b>	<u>\$ 66,670,819</u>				<u>\$ 66,288,359</u>

\* Depreciation expenses were charged to governmental functions as follows:

General Government	\$ 371,248
Public Safety	838,993
Physical Environment	2,167,881
Transportation	295,395
Culture and Recreation	550,677
Community Redevelopment	180,113
Total Depreciation Expense	<u>\$ 4,404,307</u>

**City of Lake Worth, Florida**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

**NOTE 7. CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category of changes at September 30, 2010:

<i>Historical Cost:</i>	Adjusted Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Class	Balance	Additions	Deletions	Transfers	Balance
<b><i>Non-depreciable Capital assets:</i></b>					
Land	\$ 3,789,363	\$ -	\$ -	\$ -	\$ 3,789,363
Construction in Progress	21,514,054	13,649,633	-	(67,619)	35,096,068
Total Non-depreciable Capital Assets	<u>25,303,417</u>	<u>13,649,633</u>	<u>-</u>	<u>(67,619)</u>	<u>38,885,431</u>
<b><i>Capital assets being depreciated:</i></b>					
Land Improvements	3,207,020	231,814	-	-	3,438,834
Buildings	96,391,913	823,130	-	53,600	97,268,643
Plant and Equipment	96,715,822	1,058,085	-	14,019	97,787,926
Total Depreciable Capital assets	<u>196,314,755</u>	<u>2,113,029</u>	<u>-</u>	<u>67,619</u>	<u>198,495,403</u>
Total Cost	<u>\$ 221,618,172</u>	<u>\$ 15,762,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,380,834</u>
<b><i>Accumulated Depreciation:</i></b>					
Class	Adjusted Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land Improvements	\$ 1,107,336	\$ 135,166	\$ -	\$ -	\$ 1,242,503
Buildings	61,070,656	2,724,608	-	-	63,795,264
Plant and Equipment	63,629,342	2,414,664	-	-	66,044,006
Total Depreciation	<u>\$ 125,807,334</u>	<u>\$ 5,274,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,081,773</u>
<b><i>Net Value:</i></b>	<u>\$ 95,810,838</u>				<u>\$ 106,299,061</u>

\* Depreciation expenses were charged to governmental functions as follows

Electric	\$ 1,919,385
Water	1,013,743
Local Sewer	631,085
Regional Sewer	1,102,629
Golf Course	111,738
Stormwater	262,992
Refuse Collection and Disposal	220,187
Information Technology	12,679
Total Depreciation Expense	<u>\$ 5,274,438</u>

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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, 2010 was \$1,681,991 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**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

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**NOTE 8. INVESTMENT IN JOINT VENTURE (Continued)**

Reserve Capacity Percentages:

Entity	09/30/2006 and Prior		9/30/2007 to present	
	Flow Allocation		Flow Allocation	
	MGD	Percentage	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, 2010 for both governmental and business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 800,000	\$ -	\$ (390,000)	\$ 410,000	\$ 410,000
Notes Payable	5,876,067	-	(757,032)	5,119,035	782,968
Capital Lease	-	756,435	(65,070)	691,365	179,167
Compensated Absences	704,036	603,811	699,047	608,800	219,582
Other Postemployment Benefits	159,077	153,906	-	312,983	-
Arbitrage Rebate Payable	137,556	-	(137,556)	-	-
Total	\$ 7,676,736	\$ 1,514,152	\$ (650,611)	\$ 7,142,183	\$ 1,591,717

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**City of Lake Worth, Florida**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

**NOTE 9. LONG-TERM DEBT (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 64,650,000	\$ -	\$ (2,275,000)	\$ 62,375,000	\$ 2,370,000
Unamortized Bond Discount and Deferred Amount on Refunding	(886,030)	-	47,679	(838,351)	-
Total Bonds Payable	63,763,970	-	(2,227,321)	61,536,649	2,370,000
Notes Payable	6,289,550	450,000	(527,559)	6,211,991	534,588
Compensated Absences	1,263,533	726,734	712,904	1,365,134	893,685
Capital Lease	1,003,534	-	(308,141)	695,393	320,040
Other Postemployment Benefits	173,990	172,585	-	346,575	-
Landfill Postclosure Care Costs	60,000	-	(30,000)	30,000	30,000
Total	<u>\$ 72,554,577</u>	<u>\$ 1,349,319</u>	<u>\$ (2,380,117)</u>	<u>\$ 70,185,742</u>	<u>\$ 4,148,313</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 \$410,000 through August 1, 2011, with semiannual interest payments at 5.00% to 5.40% interest per annum. As of September 30, 2010, the principal amount outstanding on the bonds is \$410,000.

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

Fiscal Year Ending September 30,	Principal	Interest
2011	\$ 410,000	\$ 22,140
	<u>\$ 410,000</u>	<u>\$ 22,140</u>

**City of Lake Worth, Florida**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

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**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 \$782,968 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, 2010, the principal amount outstanding on the note is \$5,119,035.

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

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 782,968	\$ 175,287
2012	809,793	148,554
2013	837,536	120,810
2014	866,230	92,116
2015	895,907	62,439
2016	926,601	31,745
	<u>\$ 5,119,035</u>	<u>\$ 630,951</u>

**B. Business-Type Activities**

1. Revenue Bonds Payable

Business-type revenue bonds payable as of September 30, 2010 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 \$2,370,000 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, 2010, the principal amount outstanding on the bonds is \$62,375,000.

**City of Lake Worth, Florida**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

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**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>
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	2,805,000	2,136,225
2016-2020	15,930,000	8,770,020
2021-2025	19,660,000	5,046,090
2026-2028	13,870,000	946,225
	<u>\$ 62,375,000</u>	<u>\$ 26,550,790</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, 2010, the principal outstanding on the note is \$4,080,000.

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

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 255,000	\$ 218,321
2012	255,000	204,676
2013	255,000	191,031
2014	255,000	177,386
2015	255,000	163,741
2016	2,805,000	150,096
	<u>\$ 4,080,000</u>	<u>\$ 1,105,251</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, 2010 the principal outstanding is \$1,681,990.

*City of Lake Worth, Florida*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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>
2011	\$ 279,588	\$ 39,624
2012	286,799	32,413
2013	294,196	25,016
2014	301,785	17,427
2015	309,569	9,643
2016	210,053	2,004
	<u>\$ 1,681,990</u>	<u>\$ 126,127</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 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, 2010, the City's debt limit is \$483,334,438.

State Revolving Loan Payable

During the year the City entered into a loan agreement with the State Department of Environmental Protection's Drinking Water State Revolving Fund Loan Program to borrow up to \$3,000,000. As of September 30, 2010, the City has \$3,000,000 outstanding which it has borrowed to finance the planning, design and construction of water systems infrastructure improvements. Of that, the estimated principal forgiveness is \$2,550,000. The City is required to maintain rates and charges for the services furnished by the water systems which will be sufficient to provide revenues equal to or exceeding 1.15 times the sum of the semi-annual loan payments (debt service). The loans are payable in semi-annual payments upon completion of the projects. The amount of semi-annual payments will be calculated based on the actual amount of the principal drawn under the agreements, as well as associated capitalized interest and loan issuance cost. These amounts will not be determined until each project is completed; therefore, an amortization schedule is not available at this time.

The finance interest rate and principal amount of the loan are as follows:

<u>Fund</u>	<u>Rate</u>	<u>Amount</u>
Water Fund	2.82%	\$3,000,000

**City of Lake Worth, Florida**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

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**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, 2010 are as follows:

Source of Revenue Pledged	Governmental	Business-Type Activities	
	Activities	Electric and Water	Local Sewer System
	CRA	Revenues	
Current Revenue Pledged	\$2,274,367	\$6,379,088	\$969,235
Current Debt Service	958,347	5,047,598	346,804
Total Future Revenues Pledged	4,744,071	92,788,440	5,672,215
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	42.14%	79.13%	35.78%

**C. Capital Leases**

1. Governmental Activities

The Community Redevelopment Agency entered into a lease agreement as lessee to finance the acquisition of a building. The annual lease payments are paid by the Community Redevelopment Agency Fund. The lease agreement 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.

2. 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**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

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**NOTE 9. LONG-TERM DEBT (Continued)**

**C. Capital Leases (Continued)**

2. Business-Type Activities (Continued)

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Assets:		
Building	\$ 756,435	\$ -
Machinery and Equipment	-	1,104,239
Less Accumulated Depreciation	<u>(80,251)</u>	<u>(342,077)</u>
	<u>\$ 676,184</u>	<u>\$ 745,583</u>

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business -Type Activities</u>
2011	\$ 179,167	\$ 314,795
2012	229,167	309,550
2013	250,000	103,183
2014	<u>104,167</u>	<u>-</u>
Total Minimum Lease Payments	762,501	727,528
Less Amount Representing Interest	<u>(71,136)</u>	<u>(32,135)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 691,365</u>	<u>\$ 695,393</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, 2010, the outstanding liability for postclosure care costs is \$30,000, all of which is classified as a current liability. These liabilities are recorded in the Refuse Collection and Disposal Fund. The City engaged an engineering firm to review this liability during 2010 and the resultant report showed the amount to be adequate.

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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, 2009, 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	288
Fully, partially and nonvested active plan participants	303

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*City of Lake Worth, Florida*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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.

**Employees' Retirement System  
Statement of Plan Net Assets  
Fiscal Year Ended September 30, 2010**

<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,076,106
Investments at Fair Value	
U.S. Government and Agency Funds	6,450,390
Money Market Funds	716,796
Corporate Bonds	17,144,028
Common Stocks	21,889,042
Mutual Funds	13,374,501
Total Investments	<u>59,574,757</u>
Accrued Interest, Dividends and Contributions Receivable	624,781
Prepaid Items	22,853
Total Assets	<u>61,298,497</u>
<b>Liabilities</b>	
Accounts Payable	<u>171,151</u>
<b>Net Assets</b>	
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 61,127,346</u></u>

*City of Lake Worth, Florida*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**A. Description of Plans (Continued)**

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

**Employees' Retirement System  
Statement of Changes in Plan Net Assets  
Fiscal Year Ended September 30, 2010**

<b>Additions</b>	
<i>Contributions</i>	
Employer	\$ 3,413,861
Plan Members	1,051,361
Total Contributions	<u>4,465,222</u>
<i>Investment Income</i>	
Interest and Dividends	1,769,097
Net Change in Fair Value of Investments	3,406,329
Total Investment Income	<u>5,175,426</u>
Less Investment Expenses	<u>(301,531)</u>
Net Investment Income	4,873,895
Other Income	<u>29,614</u>
Total Additions	<u>9,368,731</u>
<b>Deductions</b>	
Pension Benefits	8,745,428
Administrative Expenses	161,222
Total Deductions	<u>8,906,650</u>
Changes in Net Assets	462,081
Net Assets -Beginning	<u>60,665,265</u>
Net Assets - Ending	<u><u>\$ 61,127,346</u></u>

## *City of Lake Worth, Florida*

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2010*

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#### **NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

##### **A. Description of Plans (Continued)**

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

The City transferred its police functions to the Palm Beach County Sheriff's Office effective October 1, 2009. At that time, the plan became closed to new members. All of the City's former 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*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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, 2009, 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	93
Fully, partially and nonvested active plan participants	27

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*City of Lake Worth, Florida*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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  
Fiscal Year Ended September 30, 2010**

<b>Assets</b>	
Cash and Cash Equivalents	\$ 669,195
Investments at Fair Value	
U.S. Government and Agency Funds	2,230,855
Money Market Funds	354,623
Corporate Bonds	6,291,845
Common Stocks	10,868,163
Mutual Funds	<u>2,489,824</u>
Total Investments	22,235,310
Accrued Interest, Dividends and Contributions Receivable	177,551
Prepaid Items	<u>6,438</u>
Total Assets	<u>23,088,494</u>
 <b>Liabilities</b>	
Accounts Payable	<u>66,546</u>
 <b>Net Assets</b>	
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 23,021,948</u></u>

*City of Lake Worth, Florida*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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, 2010**

**Additions**

*Contributions*

Employer	\$ 1,453,457
Plan Members	409,692
Total Contributions	1,863,149

*Investment Income*

Interest and Dividends	622,007
Net Change in Fair Value of Investments	1,269,776
Total Investment Income	1,891,783
Less Investment Expenses	(128,217)
Net Investment Income	1,763,566

Other Income	7,263
Total Additions	3,633,978

**Deductions**

Pension Benefits	2,528,395
Administrative Expenses	82,786
Total Deductions	2,611,181

Changes in Net Assets	1,022,797
Net Assets-Beginning	21,999,151
Net Assets-Ending	\$ 23,021,948

*City of Lake Worth, Florida*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**A. Description of Plans (Continued)**

3. Firefighters' Pension Trust Fund (FPTF)

The City transferred its fire operations to Palm Beach County effective October 1, 2009. At that time, the plan became closed to new members. All of the City's former 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*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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 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, 2009, 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*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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  
Fiscal Year Ended September 30, 2010**

<b>Assets</b>	
Cash and Cash Equivalents	\$365,206
Investments at Fair Value	
U.S. Government and Agency Funds	3,890,099
Money Market Funds	1,403,431
Corporate Bonds	5,054,957
Common Stocks	10,077,509
Mutual Funds	6,427,167
Total Investments	<u>26,853,163</u>
Accrued Interest, Dividends and Contributions Receivable	352,400
Due From Broker	40,974
Prepaid Items	8,046
Total Assets	<u>27,619,789</u>
<b>Liabilities</b>	
Accounts Payable	<u>186,539</u>
<b>Net Assets</b>	
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 27,433,250</u></u>

**City of Lake Worth, Florida**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

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**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, 2010**

<b>Additions</b>	
<i>Contributions</i>	
Employer	\$1,654,000
Chapter 175	140,081
Plan Members	156,325
Roll Over	267,709
Total Contributions	2,218,115
 <i>Investment Income</i>	
Interest and Dividends	719,419
Net Change in Fair Value of Investments	1,448,782
Total Investment Income	2,168,201
Less Investment Expenses	(157,177)
Net Investment Income	2,011,024
Other Income	89,894
Total Additions	4,319,033
 <b>Deductions</b>	
Pension Benefits	2,278,314
Administrative Expenses	130,073
Total Deductions	2,408,387
Changes in Net Assets	1,910,646
Net Assets -Beginning	25,522,604
Net Assets - Ending	\$ 27,433,250

*City of Lake Worth, Florida*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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. The General, Building and Utility Conservation Funds have been used in prior years to liquidate the governmental net pension obligations and other post-employment benefit obligations. 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, 2010.

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**City of Lake Worth, Florida**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

**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>2010</u>	<u>2009</u>	<u>2008</u>
<b>Employees' Retirement System</b>			
Annual Pension Cost (APC)	\$ 3,417,226	\$ 2,903,867	\$ 2,856,150
Contributions Made	3,413,861	2,900,444	2,836,692
Percent of APC Contributed	99.9%	99.9%	99.3%
NPO (overfunding) End of Year	(42,490)	(45,855)	(33,893)
<b>Police Officers' Relief and Retirement System</b>			
Annual Pension Cost (APC)	\$ 1,473,794	\$ 1,535,821	\$ 1,416,278
Contributions Made	1,478,681	1,478,116	1,414,687
Percent of APC Contributed	100.3%	96.2%	99.9%
NPO (overfunding) End of Year	34,911	39,798	63,498
<b>Firefighters' Pension Trust Fund</b>			
Annual Pension Cost (APC)	\$ 1,795,966	\$ 2,116,544	\$ 1,809,477
Contributions Made	1,794,081	2,113,687	1,803,667
Percent of APC Contributed	99.9%	99.9%	99.7%
NPO (overfunding) End of Year	(23,251)	(25,136)	(27,993)
	<u>ERS</u>	<u>PRS</u>	<u>FPTF</u>
Annual Required Contribution (ARC)	\$ 3,413,861	\$ 1,478,681	\$ 1,794,081
Interest on Net Pension Obligation (NPO)	(3,829)	3,323	(2,379)
Adjustment to ARC	7,194	(8,210)	4,022
Annual Pension Cost (APC)	3,417,226	1,473,794	1,795,966
Contributions Made	3,413,861	1,478,681	1,794,081
Increase (Decrease) in NPO	3,365	(4,887)	1,885
NPO at Beginning of Year	(45,855)	39,798	(25,136)
NPO at End of Year	<u>\$ (42,490)</u>	<u>\$ 34,911</u>	<u>\$ (23,251)</u>

**City of Lake Worth, Florida**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

**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:

	<u>Employees' Retirement System</u>	<u>Police Officers' Relief and Retirement System</u>	<u>Firefighters' Pension Trust Fund</u>
Actuarial Valuation Date	October 1, 2009	October 1, 2009	October 1, 2009
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, 2009, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

	<u>ERS</u>	<u>PRS</u>	<u>FPTF</u>
Actuarial Valuation Date	10/1/2009	10/1/2009	10/1/2009
Actuarial Value of Assets ( a )	\$ 66,607,594	\$ 25,634,799	\$ 24,985,737
Actuarial Accrued Liability (AAL) ( b )	<u>97,252,534</u>	<u>38,438,528</u>	<u>40,299,376</u>
Unfunded (UAAL) ( b-a )	\$ 30,644,940	\$ 12,803,729	\$ 15,313,639
Funded Ratio ( a/b )	68.5%	66.7%	62.0%
Annual Covered Payroll ( c )	\$ 13,332,893	\$ 2,885,722	\$ 1,309,166
UAAL as a Percentage of Annual Covered Payroll Obligation	182.1%	443.7%	1169.7%

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*

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2010*

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#### **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, 2010, payments made by the State of Florida, on behalf of the City, to the Division 2 Fund totaled approximately \$675,235.

##### **F. Eligibility**

Any City employee with permanent status in the former City police department and now an employee of Palm Beach Sheriff’s Office 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 formerly employed by the City and now an employee of Palm Beach County Fire Rescue 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.

#### **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*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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	\$ 89,973
Amortization	584,525
Interest	14,155
Adjustment to ARC	<u>(30,747)</u>
Annual OPEB Cost	657,906
Contributions Made	<u>(331,415)</u>
Increase in Net OPEB Obligation	326,491
Net OPEB Obligation-Beginning of Year	<u>333,067</u>
Net OPEB Obligation - End of Year	<u><u>\$ 659,558</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 was:

Fiscal Year Ended	September 30, 2010
Annual OPEB Cost	\$ 657,906
Percentage of OPEB Cost Contributed	50.4%
Net OPEB Obligation	\$ 659,558

**City of Lake Worth, Florida**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010**

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**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	\$ 6,201,458
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$6,201,450</u>
Funded ratio	-
Covered payroll	\$ 12,401,348
UAAL as a percentage of covered payroll	50.0%

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	10/1/2009
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent, Closed
Remaining Amortization Period	14 Years
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Projected Salary Increases	5.8%-11.0%
Healthcare Inflation Rate	0%

## *City of Lake Worth, Florida*

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2010*

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#### **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 reached a settlement in the amount of \$1,540,754 to cancel the agreement. The settlement amount was considered a capitalizable cost of the reverse osmosis water treatment plant and consequently paid from bond proceeds.

## *City of Lake Worth, Florida*

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2010*

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#### **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 claims 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 a member of a self insured risk retention group 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, 2010.

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*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**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, 2010, 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, 2010, is as follows:

Balance, September 20, 2009	\$ 199,540
Deposits - Interest Income	<u>2,585</u>
Balance, September 20, 2010	<u><u>\$ 202,125</u></u>

There were no withdrawals made from the Sanitary Landfill Management Escrow Account for the fiscal year ended September 30, 2010. This account is included in the Refuse Collection and Disposal Fund. The postclosure care costs for the fiscal year ended September 30, 2010, were funded from the operating revenue of the Refuse Collection and Disposal Fund.

**City of Lake Worth, Florida**

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**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

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**NOTE 15. COMMUNITY REDEVELOPMENT TRUST FUND**

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, 2010:

	Deposits	Withdrawals
<b>Source Of Deposits:</b>		
Ad Valorem Taxes Received From City	\$ 1,216,299	\$ -
Ad Valorem Taxes Received From Palm Beach County	1,058,068	-
HUD Reimbursements	2,191,001	-
Investment Income	101,689	-
Governmental Funds/CRA Capital Projects Funds	1,025,732	-
Local Grant From Palm Beach County	250,000	-
Miscellaneous	12,443	-
Governmental Funds/Community Redevelopment	213,455	-
 <b>Purpose Of Withdrawals:</b>		
Regular Salaries/Wages	-	202,181
Professional Services	-	38,937
Other Contractual Services	-	245,427
Travel and Training	-	4,139
Telephone and Utility Costs	-	79,643
Operating Supplies	-	15,775
Books, Memberships and Dues	-	2,942
Miscellaneous Expenses	-	369,364
Rentals and Leases	-	49,033
Other Grants and Aides/ Economic Development	-	2,000
Tax Increment Rebate	-	110,687
Promotional Activity - Banners and Decorations	-	10,300
Promotional Activity - Patrons Attractions	-	26,528
Community Development - Accounting and Auditing	-	2,750
Commercial Grant Program	-	121,800
Housing Program	-	6,700
Streetscape	-	380
Loan Interest	-	223,744
Principal	-	822,102
Capital Outlay /CIP /Improvements	-	2,265,001
Community Development/Infrastructure	-	229,512
Community Development/Arbitrage Rebate Expense	-	142,307
Other Contractual Services - Code	-	50,556
	\$ 6,068,687	\$ 5,021,808

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**NOTE 16. SUBSEQUENT EVENTS**

**Union Contracts**

In October 2010 the City Commission, after declaring impasse and going through mandatory arbitration, with the Public Employees Union (PEU) and the Professional Managers and Supervisors Association (PMSA), imposed labor contracts on both unions. In addition to reducing the cost of a number of wage and benefit provisions, the imposed contract reasserts management right for handling a number of non-wage employee management.

In December 2010 the City Commission declared impasse with the International Brotherhood of Electrical Worker (IBEW) union. The arbitration hearing has not yet been scheduled.

**General Employees Pension Plan**

On September 24 , 2010 the City Commission enacted Ordinance 2010-19 changing the benefit schedules for the City's General Employees Pension Plan. The changes designed to save long term pension costs for the City, reduced the annual benefit multiplier from 3%to 2%, reduced the average final compensation calculation from an average of the highest 2 years wages to the average of the highest five years and increased the total number years worked to be able to retire from 20 to 30.

On September 21, 2010 the City Commission enacted Ordinance 2010-23 closing the Deferred Retirement Option for the City's General Employees Pension Plan to any new entrants. This action was aimed at reducing the City's pension costs.

**Police Officers Relief and Retirement System**

On September 29, 2010 the City Commission enacted Ordinance 2010-20 changing the benefit schedules for the City's Police Officers Relief and Retirement System Division 1. The changes designed to save long term pension costs for the City, reduced the annual benefit multiplier from 3% to 2%, reduced the average final compensation calculation from an average of the highest 2 years wages to the average of the highest 5 years and increased the total number years worked to be able to retire from 20 to 30.

In subsequent action the City Commission rescinded this ordinance after entering into an agreement with the Police Officers Relief and Retirement System Division 2 to contribute additional amounts into the Division 1 plan to restore benefits to previous levels.

**State Revolving Loan Program.**

In October 2010 the City received an additional loan from the State of Florida in the amount of \$6 million. The loan for construction of the Reverse Osmosis Water treatment Plant has payments beginning in April 2012.

**FEMA Grants**

The City is currently working with FEMA to finalize all of the claims filed by the City related to Hurricane Jeanne, Francis, and Wilma. Amounts received or receivable from FEMA are subject to audit and adjustment. Any disallowed claims, including amounts already collected may constitute a liability to the City. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time.

*City of Lake Worth, Florida*

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended September 30, 2010*

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**NOTE 16. SUBSEQUENT EVENTS Continued**

**Sub-Regional Sewer System**

The City has instituted the conflict resolution process under the Florida Governmental Conflict Resolution Act, Chapter 164 of the Florida Statutes, to discuss the payment responsibilities for sub-regional sewer services provided by the City of Lake Worth to the sub-regional members. As a part of this process, the city has filed a lawsuit for the recovery of the charges for these services, but has agreed with these members to hold the lawsuit in abeyance during the time the parties are pursuing resolution of the dispute through the Chapter 164 process. The City has requested an audit to be made by the Florida Auditor General, which has been approved by the Joint Legislative Auditing Committee and will be conducted during the next fiscal year. The City has recorded the full disputed amount with a corresponding allowance. The disputed amount is identified by member as follows:

City of Lake Worth	\$3,179,565
Town of South Palm Beach	580,404
Village of Palm Springs	4,988,056
Town of Manalapan	230,002
City of Atlantis	720,045
Town of Lantana	2,161,121
Town of Palm Beach	1,574,584
Palm Beach State College	164,025
<b>Total</b>	<b><u><u>\$13,597,802</u></u></b>

*REQUIRED SUPPLEMENTARY INFORMATION*

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**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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes:				
Property taxes	\$ 7,596,561	\$ 7,596,561	\$ 7,764,745	\$ 168,184
Utility service taxes	5,239,877	5,033,877	5,389,400	355,523
Sales and use taxes	860,000	802,000	824,302	22,302
Franchise fees	126,004	126,004	99,913	(26,091)
Total taxes	13,822,442	13,558,442	14,078,360	519,918
Licenses and permits:				
Business	610,000	610,000	395,716	(214,284)
Non-business	8,700	8,700	6,904	(1,796)
Total licenses and permits	618,700	618,700	402,620	(216,080)
Fines and forfeitures:				
Public safety	160,000	160,000	97,556	(62,444)
Library Fines	6,800	6,800	8,549	1,749
Violations of local ordinances	462,000	462,000	376,530	(85,470)
Total fines and forfeitures	628,800	628,800	482,635	(146,165)
Charges for services:				
General government	142,850	142,850	236,985	94,135
Public safety	232,000	232,000	625,131	393,131
Physical environment	33,000	33,000	17,995	(15,005)
Transportation	816,000	816,000	614,756	(201,244)
Culture and recreation	539,382	539,382	344,489	(194,893)
Total charges for services	1,763,232	1,763,232	1,839,356	76,124
Intergovernmental:				
Federal grants	-	-	86,110	86,110
State grants	-	-	-	-
State shared revenues	4,850,244	4,357,244	4,239,693	(117,551)
Grants from other local units	-	-	-	-
Total intergovernmental	4,850,244	4,357,244	4,325,803	(31,441)

(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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Interfund services provided	4,344,880	4,344,880	4,378,186	33,306
Investment income	620,400	620,400	160,897	(459,503)
Rents and royalties	251,342	251,342	267,022	15,680
Miscellaneous	823,200	823,200	30,931	(792,269)
Total revenues	27,723,240	26,966,240	25,965,810	(1,000,430)
<b>Expenditures:</b>				
General Government:				
City commission	228,975	228,975	184,772	44,203
City manager	544,129	576,347	410,193	166,154
City clerk	392,902	399,142	384,187	14,955
Finance	1,387,158	1,404,840	1,270,627	134,213
Office of management and budget	380,313	386,522	332,552	53,970
Internal auditing	50,000	50,000	-	50,000
Personnel	643,275	751,320	538,271	213,049
City attorney	569,111	569,945	493,795	76,150
Community development	-	-	2,000	(2,000)
Business license	166,073	172,581	164,188	8,393
Building maintenance	1,312,547	1,325,147	1,223,676	101,471
Cost of services	28,000	33,000	77,052	(44,052)
Miscellaneous	269,636	142,996	81,472	61,524
Total general government	5,972,119	6,040,815	5,162,785	878,030
Public safety:				
Police	15,677,000	15,824,276	15,729,610	94,666
Fire	2,025,000	2,585,301	2,285,474	299,827
Building and zoning	474,807	475,321	462,466	12,855
Code and administration	614,638	616,561	601,266	15,295
Total public safety	18,791,445	19,501,459	19,078,816	422,643

(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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Physical environment:				
Cemetery	372,277	374,933	391,690	(16,757)
Grounds maintenance	2,306,960	2,325,829	1,962,822	363,007
Total physical environment	2,679,237	2,700,762	2,354,512	346,250
Transportation:				
Administration	667,446	674,941	647,606	27,335
Streets, drains and sidewalks	1,078,940	1,085,498	1,027,718	57,780
Parking facilities	50,500	50,500	22,444	28,056
Total transportation	1,796,886	1,810,939	1,697,768	113,171
Culture and recreation:				
Library	556,141	560,881	539,564	21,317
Recreation	966,747	974,000	882,481	91,519
Pool and beach	1,073,118	1,087,295	966,039	121,256
Total culture and recreation	2,596,006	2,622,176	2,388,084	234,092
Capital outlay	109,550	143,936	71,720	72,216
Total Expenditures	31,945,243	32,820,087	30,753,685	2,066,402
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,222,003)	(5,853,847)	(4,787,875)	1,065,972
<b>Other Financing Sources (Uses):</b>				
Transfers In	7,257,517	7,257,517	7,275,504	17,987
Transfers Out	(3,035,514)	(3,140,846)	(2,066,728)	1,074,118
Appropriated fund balance	-	1,737,176	-	(1,737,176)
Total Other Financing Sources (Uses)	4,222,003	5,853,847	5,208,776	(645,071)
Net Change in Fund Balance	-	-	420,901	420,901
Fund Balance at Beginning of Year	7,172,323	7,172,323	7,172,323	-
Fund Balance at End of Year	\$ 7,172,323	\$ 7,172,323	\$ 7,593,224	\$ 420,901

See accompanying notes to the basic financial statement.

**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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental:				
County shared revenue	\$ 1,121,886	\$ 1,121,886	\$ 1,058,068	\$ (63,818)
Investment income	13,000	13,000	59,529	46,529
Miscellaneous	-	-	12,443	12,443
Total Revenues	1,134,886	1,134,886	1,130,040	(4,846)
<b>Expenditures:</b>				
Current:				
Community redevelopment	1,786,752	2,553,571	1,183,012	1,370,559
Capital outlay	101,000	1,314,181	227,012	1,087,169
Debt service:				
Principal retirement	757,032	757,032	822,102	(65,070)
Interest and fiscal charges	205,315	205,315	223,744	(18,429)
Total Expenditures	2,850,099	4,830,099	2,455,870	2,374,229
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,715,213)	(3,695,213)	(1,325,830)	2,369,383
<b>Other Financing Sources (Uses):</b>				
Transfers In	1,216,299	1,216,299	2,242,031	1,025,732
Transfers Out	(460,000)	(180,000)	(213,455)	(33,455)
Appropriated fund balance	958,914	2,658,914	-	(2,658,914)
Total Other Financing Sources (Uses):	1,715,213	3,695,213	2,028,576	(1,666,637)
Net Change in Fund Balance	-	-	702,746	702,746
Fund Balance at Beginning of Year	3,463,043	3,463,043	3,463,043	-
Fund Balance at End of Year	\$ 3,463,043	\$ 3,463,043	\$ 4,165,789	\$ 702,746

*Note to the Required Supplemental Information  
For the Year Ended September 30, 2010*

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**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 re-appropriation 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. 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 employed for the Improvement Fund, but is not employed for the other Capital Project 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 Building Permit Fund, Foreclosure Fund, Tree Beautification Fund, Utility Conservation Fund, Simpkin Trust Fund, Library Trust fund and the Building Education Surcharge Fund.

**City of Lake Worth, Florida**

**Schedule of Funding Progress  
Pension Trust Funds  
For the Year Ended September 30, 2010**

<u>Actuarial Valuation Date</u>	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	(Overfunded) Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL (Overfunded) as a Percentage of Covered Payroll
	(1)	(2)	(2) - (1)	(1) : (2)	(3)	[(2) - (1)] : (3)
<b>Employees' Retirement System: (a)</b>						
October 1, 2009	\$66,607,594	\$97,252,534	\$30,644,940	68.5%	\$13,257,113	231.2%
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%
<b>Police Officers' Relief and Retirement System: (a)</b>						
October 1, 2009	\$25,634,799	\$38,438,528	\$12,803,729	66.7%	\$2,885,722	443.7%
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%
<b>Firefighters' Pension Trust Fund: (a)</b>						
October 1, 2009	\$25,336,434	\$40,647,163	\$15,310,729	62.3%	\$3,293,733	464.8%
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%

(a) Actuarial cost method is entry age normal

Source: Gabriel, Roeder, Smith & Company, Actuaries

*City of Lake Worth, Florida*

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***Schedule of Employer Contributions  
Pension Trust Funds  
For the Year Ended September 30, 2010***

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Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
Employees' Retirement System:		
October 1, 2009	\$2,900,444	100.0%
October 1, 2008	2,900,325	100.0%
October 1, 2007	2,852,077	99.5%
October 1, 2006	2,783,603	100.0%
October 1, 2005	2,162,016	100.0%
October 1, 2004	1,913,694	100.0%
October 1, 2003	1,227,118	100.0%
Police Officers' Relief and Retirement System:		
October 1, 2009	\$1,452,892	100.0%
October 1, 2008	1,534,297	100.0%
October 1, 2007	1,496,092	94.6%
October 1, 2006	1,053,508	100.0%
October 1, 2005	1,064,230	100.0%
October 1, 2004	1,117,701	100.0%
October 1, 2003	903,703	100.0%
Firefighters' Pension Trust Fund:		
October 1, 2009	\$1,629,690	100.0%
October 1, 2008	2,113,667	100.0%
October 1, 2007	1,803,879	100.0%
October 1, 2006	1,277,405	100.0%
October 1, 2005	944,351	100.0%
October 1, 2004	840,401	100.0%
October 1, 2003	610,633	100.0%

Source: Gabriel, Roeder, Smith & Company, Actuaries

**City of Lake Worth, Florida**

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**Schedule of Funding Progress  
Other Postemployment Benefits  
For the Year Ended September 30, 2010**

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets ( a )</u>	<u>Actuarial Accrued Liabilities (AAL) ( b )</u>	<u>(Overfunded) Unfunded AAL (UAAL) ( b )-( a )</u>	<u>Funded Ratio ( a/b )</u>	<u>Covered Payroll ( c )</u>	<u>UAAL (Overfunded) as a Percentage of Covered Payroll [( b )-( a )]:( c )</u>
October 1, 2007	\$ -	\$ 7,799,266	\$ 7,799,266	0.00%	\$ 17,689,510	44.10%
October 1, 2009	-	6,201,458	6,201,458	0.00%	12,401,348	50.00%

The above schedule reflects data for two years only, due to this being the third year of implementation of GASB Statement No. 45.

*COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES*

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

*City of Lake Worth, Florida*

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*Non-major Governmental Funds*

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*Special Revenue Funds*

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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.

**NSP2 Fund**

To account for the receipt and disbursements of governmental grant money (NSP) used for purchasing and rehabilitating foreclosed and abandoned properties within the 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.

**Beach Redevelopment Fund**

To account for the redevelopment of the Lake Worth Beach property to include improvements to the public parking facilities, pedestrian and vehicular circulation, beach access, public restrooms and pavilions, picnic areas and other beachfront amenities. Funded by the Palm Beach County Recreation and Cultural Facilities Bond.

**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.

**Utility Conservation Fund**

To account for the receipt and disbursement of funds collected from surcharges (Resolution 48-2009) for Energy Conservation programs.

(Continued)

## *City of Lake Worth, Florida*

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### **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 & Firefighter Education Fund**

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

### **Building Education Surcharge Fund**

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*

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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.

(Continued)

*City of Lake Worth, Florida*

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*Capital Projects Fund*

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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.

**CRA Capital Project Fund**

To account for the acquisition or construction of major capital projects used for physical and economic redevelopment of targeted areas within the City.

**Casino Building Fund**

To account for the redevelopment and improvement of the Lake Worth Casino Building.



**City of Lake Worth, Florida**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2010**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 931,200	\$ 226,987	\$ 2,984,039	\$ 4,142,226
Investments	2,792,603	28,140	3,339,181	6,159,924
Accounts receivable, net	1,280,816	-	616,174	1,896,990
Accrued interest receivable	11,139	117	13,061	24,317
Due from other funds	148,700	-	24,262	172,962
Land held for resale	2,286,051	-	-	2,286,051
Prepaid items	34,600	-	-	34,600
Deposits	-	-	-	-
Advances to other funds	-	-	287,255	287,255
<b>Total Assets</b>	<b>\$ 7,485,109</b>	<b>\$ 255,244</b>	<b>\$ 7,263,972</b>	<b>\$ 15,004,325</b>
<b>Liabilities:</b>				
Accounts and contracts payable	\$ 67,838	\$ -	\$ 566,579	\$ 634,417
Accrued liabilities	69,332	-	234	69,566
Due to other funds	800,000	-	178,899	978,899
Advances from other funds	435,000	-	174,287	609,287
Unearned revenue	214,717	-	-	214,717
<b>Total Liabilities</b>	<b>1,586,887</b>	<b>-</b>	<b>919,999</b>	<b>2,506,886</b>
<b>Fund Balances:</b>				
Reserved for:				
Land held for resale	2,286,051	-	-	2,286,051
Prepaid items	34,600	-	-	34,600
Advances	-	-	287,255	287,255
Debt service	-	255,244	-	255,244
Unreserved, designated for:				
Local ordinance/statute	-	-	818,986	818,986
Subsequent year's expenditures - Special revenue funds	1,716,530	-	-	1,716,530
Subsequent year's expenditures -Capital project funds	-	-	4,092,307	4,092,307
Unreserved, undesignated, reported in:				
Special revenue funds	1,861,041	-	-	1,861,041
Capital projects funds	-	-	1,145,425	1,145,425
<b>Total Fund Balances</b>	<b>5,898,222</b>	<b>255,244</b>	<b>6,343,973</b>	<b>12,497,439</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,485,109</b>	<b>\$ 255,244</b>	<b>\$ 7,263,972</b>	<b>\$ 15,004,325</b>

**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, 2010**

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Fund</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>				
Utility and other taxes	\$ -	\$ -	\$ 320,319	\$ 320,319
Licenses and permits	858,104	-	-	858,104
Charges for services	1,082,334	-	-	1,082,334
Intergovernmental	2,860,852	-	435,116	3,295,968
Investment income	47,286	2,210	90,571	140,067
Miscellaneous	23,638	-	1,240,000	1,263,638
<b>Total Revenues</b>	<u>4,872,214</u>	<u>2,210</u>	<u>2,086,006</u>	<u>6,960,430</u>
<b>Expenditures:</b>				
Current:				
General government	\$ 312,381	\$ -	\$ 5,847	\$ 318,228
Public safety	932,985	-	-	932,985
Physical environment	12,893	-	-	12,893
Transportation	1,524	-	44,170	45,694
Culture and recreation	18,212	-	-	18,212
Community redevelopment	300,125	-	6,643	306,768
Capital outlay	1,028,101	-	2,389,595	3,417,696
Debt service:				
Principal	-	390,000	-	390,000
Interest and fiscal charges	-	44,370	6,612	50,982
<b>Total Expenditures</b>	<u>2,606,221</u>	<u>434,370</u>	<u>2,452,867</u>	<u>5,493,458</u>
Excess (deficiency) of revenues over expenditures	2,265,993	(432,160)	(366,861)	1,466,972
<b>Other financing sources (uses):</b>				
Transfers in	1,326,975	425,120	1,224,955	2,977,050
Transfers out	(612,173)	-	(2,961,712)	(3,573,885)
<b>Total other financing sources (uses)</b>	<u>714,802</u>	<u>425,120</u>	<u>(1,736,757)</u>	<u>(596,835)</u>
Net change in fund balances	2,980,795	(7,040)	(2,103,618)	870,137
<b>Fund Balances at Beginning of Year</b>	<u>2,917,427</u>	<u>262,284</u>	<u>8,447,591</u>	<u>11,627,302</u>
<b>Fund Balances End of Year</b>	<u>\$ 5,898,222</u>	<u>\$ 255,244</u>	<u>\$ 6,343,973</u>	<u>\$ 12,497,439</u>

*City of Lake Worth, Florida*

***Combining Balance Sheet  
Nonmajor Special Revenue Funds  
September 30, 2010***

	<u>NSP2</u>	<u>Building Permit</u>	<u>Parking Improvement</u>	<u>Foreclosure</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 400,309	\$ 113,184	\$ 827	\$ 34,245
Investments	-	75,220	2,137	795,396
Accounts receivable, net	9,173	-	187	-
Accrued interest receivable	-	312	9	3,301
Due from other funds	-	-	148,700	-
Land held for resale	1,890,876	-	-	395,175
Prepaid items	34,600	-	-	-
<b>Total Assets</b>	<u>\$ 2,334,958</u>	<u>\$ 188,716</u>	<u>\$ 151,860</u>	<u>\$ 1,228,117</u>
 <b>Liabilities:</b>				
Accounts and contracts payable	\$ 7,898	\$ 1,670	\$ -	\$ 24,230
Accrued liabilities	1,184	28,160	1,254	-
Due to other funds	-	-	-	-
Advances from other funds	435,000	-	-	-
Deferred revenue	-	-	-	-
<b>Total Liabilities</b>	<u>444,082</u>	<u>29,830</u>	<u>1,254</u>	<u>24,230</u>
 <b>Fund Balances:</b>				
Reserved for:				
Land held for resale	1,890,876	-	-	395,175
Prepaid items	34,600	-	-	-
Unreserved, designated for:				
Subsequent year's expenditures	-	8,927	149,111	232,883
Unreserved, undesignated	(34,600)	149,959	1,495	575,829
<b>Total Fund Balances</b>	<u>1,890,876</u>	<u>158,886</u>	<u>150,606</u>	<u>1,203,887</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,334,958</u>	<u>\$ 188,716</u>	<u>\$ 151,860</u>	<u>\$ 1,228,117</u>

*City of Lake Worth, Florida*

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Grants	Beach Redevelopment	Tree Beautification	Utility Conservation	Simpkin Trust	Library Trust
\$ 50,802	\$ 20,264	\$ 13,828	\$ 186,134	\$ 7,233	\$ 14,099
2,490	551,675	-	426,246	599,803	205,391
882,548	214,717	-	170,691	-	-
10	2,289	-	1,769	2,489	852
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 935,850</u>	<u>\$ 788,945</u>	<u>\$ 13,828</u>	<u>\$ 784,840</u>	<u>\$ 609,525</u>	<u>\$ 220,342</u>
\$ 9,848	\$ 24,000	\$ -	\$ 192	\$ -	\$ -
-	27,000	-	11,734	-	-
800,000	-	-	-	-	-
-	-	-	-	-	-
-	214,717	-	-	-	-
<u>809,848</u>	<u>265,717</u>	<u>-</u>	<u>11,926</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
126,002	523,228	2,954	409,966	5,000	58,800
-	-	10,874	362,948	604,525	161,542
<u>126,002</u>	<u>523,228</u>	<u>13,828</u>	<u>772,914</u>	<u>609,525</u>	<u>220,342</u>
<u>\$ 935,850</u>	<u>\$ 788,945</u>	<u>\$ 13,828</u>	<u>\$ 784,840</u>	<u>\$ 609,525</u>	<u>\$ 220,342</u>

(Continued)

*City of Lake Worth, Florida*

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***Combining Balance Sheet  
Nonmajor Special Revenue Funds  
September 30, 2010***

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	Incentive Trust	Law Enforcement and Firefighter Education	Building Education Surcharge	Law Enforcement Confiscated Property
<b>Assets:</b>				
Cash and cash equivalents	\$ 8,435	\$ 17,066	\$ -	\$ 35,259
Investments	-	-	-	25,962
Accounts receivable, net	-	-	-	3,500
Accrued interest receivable	-	-	-	108
Land held for resale	-	-	-	-
Prepaid items	-	-	-	-
<b>Total Assets</b>	<u>\$ 8,435</u>	<u>\$ 17,066</u>	<u>\$ -</u>	<u>\$ 64,829</u>
<b>Liabilities:</b>				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenue	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Reserved for:				
Land held for resale	-	-	-	-
Prepaid items	-	-	-	-
Unreserved, designated for:				
Subsequent year's expenditures	8,435	7,144	-	60,883
Unreserved, undesignated	-	9,922	-	3,946
<b>Total Fund Balances</b>	<u>8,435</u>	<u>17,066</u>	<u>-</u>	<u>64,829</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,435</u>	<u>\$ 17,066</u>	<u>\$ -</u>	<u>\$ 64,829</u>

***City of Lake Worth, Florida***

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<u>Summer Food Program</u>	<u>Special Donation</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 12,096	\$ 17,419	\$ 931,200
-	108,283	2,792,603
-	-	1,280,816
-	-	11,139
-	-	148,700
-	-	2,286,051
-	-	34,600
<u>\$ 12,096</u>	<u>\$ 125,702</u>	<u>\$ 7,485,109</u>
\$ -	\$ -	\$ 67,838
-	-	69,332
-	-	800,000
-	-	435,000
-	-	214,717
<u>-</u>	<u>-</u>	<u>1,586,887</u>
-	-	2,286,051
-	-	34,600
-	123,197	1,716,530
12,096	2,505	1,861,041
<u>12,096</u>	<u>125,702</u>	<u>5,898,222</u>
<u>\$ 12,096</u>	<u>\$ 125,702</u>	<u>\$ 7,485,109</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, 2010**

	<u>NSP2</u>	<u>Building Permit</u>	<u>Parking Improvement</u>	<u>Foreclosure</u>
<b>Revenues:</b>				
Licenses and permits	\$ -	\$ 858,104	\$ -	\$ -
Charges for services	-	630	187	-
Intergovernmental	2,191,001	-	-	-
Investment income	-	532	1,412	17,039
Miscellaneous	-	-	-	19,318
<b>Total Revenues</b>	<u>2,191,001</u>	<u>859,266</u>	<u>1,599</u>	<u>36,357</u>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	695,502	-	94,323
Physical environment	-	-	-	-
Transportation	-	-	1,524	-
Culture and recreation	-	-	-	-
Community redevelopment	300,125	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<u>300,125</u>	<u>695,502</u>	<u>1,524</u>	<u>94,323</u>
Excess (deficiency) of revenues over expenditures	1,890,876	163,764	75	(57,966)
<b>Other financing sources (uses):</b>				
Transfers in	-	9,186	-	-
Transfers out	-	-	-	(85,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>9,186</u>	<u>-</u>	<u>(85,000)</u>
Net change in fund balances	1,890,876	172,950	75	(142,966)
<b>Fund Balances at Beginning of Year</b>	<u>-</u>	<u>(14,064)</u>	<u>150,531</u>	<u>1,346,853</u>
<b>Fund Balances End of Year</b>	<u>\$ 1,890,876</u>	<u>\$ 158,886</u>	<u>\$ 150,606</u>	<u>\$ 1,203,887</u>

**City of Lake Worth, Florida**

Grants	Beach Redevelopment	Tree Beautification	Utility Conservation	Simpkin Trust	Library Trust
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	1,081,508	-	-
656,605	-	-	-	-	-
2,501	3,964	-	3,015	12,037	4,174
-	-	1,847	-	-	1,246
<u>659,106</u>	<u>3,964</u>	<u>1,847</u>	<u>1,084,523</u>	<u>12,037</u>	<u>5,420</u>
-	-	-	311,609	-	-
116,912	-	-	-	-	-
-	-	12,893	-	-	-
-	-	-	-	-	-
15,997	-	-	-	1,643	572
-	-	-	-	-	-
<u>813,385</u>	<u>214,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>946,294</u>	<u>214,716</u>	<u>12,893</u>	<u>311,609</u>	<u>1,643</u>	<u>572</u>
(287,188)	(210,752)	(11,046)	772,914	10,394	4,848
113,809	1,193,980	10,000	-	-	-
<u>(17,987)</u>	<u>(460,000)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(10,000)</u>
<u>95,822</u>	<u>733,980</u>	<u>10,000</u>	<u>-</u>	<u>(30,000)</u>	<u>(10,000)</u>
(191,366)	523,228	(1,046)	772,914	(19,606)	(5,152)
<u>317,368</u>	<u>-</u>	<u>14,874</u>	<u>-</u>	<u>629,131</u>	<u>225,494</u>
<u>\$ 126,002</u>	<u>\$ 523,228</u>	<u>\$ 13,828</u>	<u>\$ 772,914</u>	<u>\$ 609,525</u>	<u>\$ 220,342</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, 2010**

	Incentive Trust	Law Enforcement & Firefighter Education	Building Education Surcharge	Law Enforcement Confiscated Property
<b>Revenues:</b>				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	9	-
Intergovernmental	-	10,147	-	3,099
Investment income	-	-	-	507
Miscellaneous	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>10,147</b>	<b>9</b>	<b>3,606</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Public safety	-	225	1,552	24,471
Physical environment	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Community redevelopment	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>225</b>	<b>1,552</b>	<b>24,471</b>
Excess (deficiency) of revenues over expenditures	-	9,922	(1,543)	(20,865)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(9,186)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(9,186)</b>	<b>-</b>
Net change in fund balances	-	9,922	(10,729)	(20,865)
<b>Fund Balances at Beginning of Year</b>	<b>8,435</b>	<b>7,144</b>	<b>10,729</b>	<b>85,694</b>
<b>Fund Balances End of Year</b>	<b>\$ 8,435</b>	<b>\$ 17,066</b>	<b>\$ -</b>	<b>\$ 64,829</b>

***City of Lake Worth, Florida***

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Summer Food Program	Special Donation	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 858,104
-	-	1,082,334
-	-	2,860,852
-	2,105	47,286
-	1,227	23,638
-	3,332	4,872,214
-	772	\$ 312,381
-	-	932,985
-	-	12,893
-	-	1,524
-	-	18,212
-	-	300,125
-	-	1,028,101
-	772	2,606,221
-	2,560	2,265,993
-	-	1,326,975
-	-	(612,173)
-	-	714,802
-	2,560	2,980,795
12,096	123,142	2,917,427
\$ 12,096	\$ 125,702	\$ 5,898,222

*City of Lake Worth, Florida*

***Combining Balance Sheet  
Nonmajor Capital Projects Funds  
September 30, 2010***

	<u>Improvement</u>	<u>Casino Building</u>	<u>CRA Capital Project</u>	<u>Capital Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Assets:</b>					
Cash and cash equivalents	\$ 12,449	\$ 407,500	\$ 60,495	\$ 2,503,595	\$2,984,039
Investments	41,206	-	809,336	2,488,639	3,339,181
Accounts receivable, net	-	-	-	616,174	616,174
Accrued interest receivable	171	-	2,562	10,328	13,061
Due from other funds	24,262	-	-	-	24,262
Advances to other funds	287,255	-	-	-	287,255
<b>Total Assets</b>	<u>\$ 365,343</u>	<u>\$ 407,500</u>	<u>\$ 872,393</u>	<u>\$ 5,618,736</u>	<u>\$7,263,972</u>
<b>Liabilities:</b>					
Accounts and contracts payable	\$ -	\$ -	\$ 8,070	\$ 558,509	\$ 566,579
Accrued liabilities	-	-	-	234	234
Due to other funds	30,199	-	-	148,700	178,899
Advances from other funds	174,287	-	-	-	174,287
<b>Total Liabilities</b>	<u>204,486</u>	<u>-</u>	<u>8,070</u>	<u>707,443</u>	<u>919,999</u>
<b>Fund Balances:</b>					
Reserved for:					
Advances	287,255	-	-	-	287,255
Unreserved, designated for:					
Subsequent year's expenditures	-	-	-	4,092,307	4,092,307
Local ordinance/statute	-	-	-	818,986	818,986
Unreserved, undesignated	(126,398)	407,500	864,323	-	1,145,425
<b>Total Fund Balances</b>	<u>160,857</u>	<u>407,500</u>	<u>864,323</u>	<u>4,911,293</u>	<u>6,343,973</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 365,343</u>	<u>\$ 407,500</u>	<u>\$ 872,393</u>	<u>\$ 5,618,736</u>	<u>\$7,263,972</u>

**City of Lake Worth, Florida**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Capital Projects Fund  
For the Year Ended September 30, 2010**

	Improvement	Casino Building	CRA Capital Project	Capital Projects	Total Nonmajor Capital Projects Funds
<b>Revenues:</b>					
Utility and other taxes	\$ -	\$ -	\$ -	\$ 320,319	\$ 320,319
Intergovernmental	-	-	250,000	185,116	435,116
Investment income	10,534	-	42,160	37,877	90,571
Miscellaneous	-	-	-	1,240,000	1,240,000
<b>Total Revenues</b>	<u>10,534</u>	<u>-</u>	<u>292,160</u>	<u>1,783,312</u>	<u>2,086,006</u>
<b>Expenditures:</b>					
Current:					
General government	110	-	-	5,737	5,847
Transportation	-	-	-	44,170	44,170
Community redevelopment	-	-	6,643	-	6,643
Capital outlay	-	52,500	1,019,981	1,317,114	2,389,595
Debt service:					
Interest and fiscal charges	6,612	-	-	-	6,612
<b>Total Expenditures</b>	<u>6,722</u>	<u>52,500</u>	<u>1,026,624</u>	<u>1,367,021</u>	<u>2,452,867</u>
Excess (deficiency) of revenues over expenditures	3,812	(52,500)	(734,464)	416,291	(366,861)
<b>Other financing sources (uses):</b>					
Transfers in	-	460,000	213,455	551,500	1,224,955
Transfers out	-	-	(1,025,732)	(1,935,980)	(2,961,712)
<b>Total other financing sources (us</b>	<u>-</u>	<u>460,000</u>	<u>(812,277)</u>	<u>(1,384,480)</u>	<u>(1,736,757)</u>
Net change in fund balances	3,812	407,500	(1,546,741)	(968,189)	(2,103,618)
<b>Fund Balances at Beginning of Year</b>	157,045	-	2,411,064	5,879,482	8,447,591
<b>Fund Balances End of Year</b>	<u>\$ 160,857</u>	<u>\$ 407,500</u>	<u>\$ 864,323</u>	<u>\$ 4,911,293</u>	<u>\$6,343,973</u>

**City of Lake Worth, Florida**

**Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual – Building Permit Fund  
For the Year Ended September 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Licenses and permits	\$ 474,000	\$ 481,172	\$ 858,104	\$ 376,932
Charges for services	3,201	3,201	630	(2,571)
Investment income	-	-	532	532
Total Revenues	<u>477,201</u>	<u>484,373</u>	<u>859,266</u>	<u>374,893</u>
<b>Expenditures:</b>				
Current:				
Public safety	815,980	823,152	695,502	127,650
Total Expenditures	<u>815,980</u>	<u>823,152</u>	<u>695,502</u>	<u>127,650</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(338,779)	(338,779)	163,764	502,543
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	9,186	9,186
Appropriated fund balance	338,779	338,779	-	(338,779)
Total Other Financing Sources (Uses):	<u>338,779</u>	<u>338,779</u>	<u>9,186</u>	<u>(329,593)</u>
Net Change in Fund Balance	-	-	172,950	172,950
Fund Balance at Beginning of Year	(14,064)	(14,064)	(14,064)	-
Fund Balance at End of Year	<u>\$ (14,064)</u>	<u>\$ (14,064)</u>	<u>\$ 158,886</u>	<u>\$ 172,950</u>

**City of Lake Worth, Florida**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual  
Foreclosure Fund  
For the Year Ended September 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 17,039	\$ 17,039
Miscellaneous	10,000	10,000	19,318	9,318
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>36,357</u>	<u>26,357</u>
<b>Expenditures:</b>				
Current:				
Public safety	92,000	157,601	94,323	63,278
Total Expenditures	<u>92,000</u>	<u>157,601</u>	<u>94,323</u>	<u>63,278</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(82,000)	(147,601)	(57,966)	89,635
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(85,000)	(86,229)	(85,000)	1,229
Appropriated fund balance	167,000	233,830	-	(233,830)
Total Other Financing Sources (Uses):	<u>82,000</u>	<u>147,601</u>	<u>(85,000)</u>	<u>(232,601)</u>
Net Change in Fund Balance	-	-	(142,966)	(142,966)
Fund Balance at Beginning of Year	1,346,853	1,346,853	1,346,853	-
Fund Balance at End of Year	<u>\$ 1,346,853</u>	<u>\$ 1,346,853</u>	<u>\$ 1,203,887</u>	<u>\$ (142,966)</u>

**City of Lake Worth, Florida**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual  
Tree Beautification Fund  
For the Year Ended September 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Miscellaneous	\$ -	\$ -	\$ 1,847	\$ 1,847
Total Revenues	<u>-</u>	<u>-</u>	<u>1,847</u>	<u>1,847</u>
<b>Expenditures:</b>				
Current:				
Physical environment	14,000	14,000	12,893	1,107
Total Expenditures	<u>14,000</u>	<u>14,000</u>	<u>12,893</u>	<u>1,107</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,000)	(14,000)	(11,046)	2,954
<b>Other Financing Sources (Uses):</b>				
Transfers In	10,000	10,000	10,000	-
Appropriated fund balance	4,000	4,000	-	(4,000)
Total Other Financing Sources (Uses):	<u>14,000</u>	<u>14,000</u>	<u>10,000</u>	<u>(4,000)</u>
Net Change in Fund Balance	-	-	(1,046)	(1,046)
Fund Balance at Beginning of Year	14,874	14,874	14,874	-
Fund Balance at End of Year	<u>\$ 14,874</u>	<u>\$ 14,874</u>	<u>\$ 13,828</u>	<u>\$ (1,046)</u>

**City of Lake Worth, Florida**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual  
Utility Conservation Fund  
For the Year Ended September 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Charges for services	\$ 1,000,000	\$ 1,000,000	\$ 1,081,508	\$ 81,508
Intergovernmental	-	-	-	-
Investment income	-	-	3,015.00	3,015.00
Total Revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,084,523</u>	<u>84,523</u>
<b>Expenditures:</b>				
Current:				
General government	1,000,000	1,000,000	311,609	688,391
Total Expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>311,609</u>	<u>688,391</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	772,914	772,914
<b>Other Financing Sources (Uses):</b>				
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	772,914	772,914
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 772,914</u>	<u>\$ 772,914</u>

**City of Lake Worth, Florida**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual  
Simpkin Trust Fund  
For the Year Ended September 30, 2010**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 12,037	\$ 12,037
Total Revenues	<u>-</u>	<u>-</u>	<u>12,037</u>	<u>12,037</u>
<b>Expenditures:</b>				
Current:				
Culture and recreation	-	-	1,643	(1,643)
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,643</u>	<u>(1,643)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	10,394	10,394
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(30,000)	(30,000)	(30,000)	-
Appropriated fund balance	30,000	30,000	-	(30,000)
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Net Change in Fund Balance	-	-	(19,606)	(19,606)
Fund Balance at Beginning of Year	<u>629,131</u>	<u>629,131</u>	<u>629,131</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 629,131</u>	<u>\$ 629,131</u>	<u>\$ 609,525</u>	<u>\$ (19,606)</u>

**City of Lake Worth, Florida**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual  
Library Trust Fund  
For the Year Ended September 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 4,174	\$ 4,174
Miscellaneous	2,100	2,100	1,246	(854)
Total Revenues	<u>2,100</u>	<u>2,100</u>	<u>5,420</u>	<u>3,320</u>
<b>Expenditures:</b>				
Current:				
Culture and recreation	-	-	572	(572)
Total Expenditures	<u>-</u>	<u>-</u>	<u>572</u>	<u>(572)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,100	2,100	4,848	2,748
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(10,000)	(10,000)	(10,000)	-
Appropriated fund balance	7,900	7,900	-	(7,900)
Total Other Financing Sources (Uses):	<u>(2,100)</u>	<u>(2,100)</u>	<u>(10,000)</u>	<u>(7,900)</u>
Net Change in Fund Balance	-	-	(5,152)	(5,152)
Fund Balance at Beginning of Year	225,494	225,494	225,494	-
Fund Balance at End of Year	<u>\$ 225,494</u>	<u>\$ 225,494</u>	<u>\$ 220,342</u>	<u>\$ (5,152)</u>

**City of Lake Worth, Florida**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual  
Building Education Surcharge Fund  
For the Year Ended September 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Charges for services	\$ 4,000	\$ 4,000	\$ 9	\$ (3,991)
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>9</u>	<u>(3,991)</u>
<b>Expenditures:</b>				
Current:				
Public safety	11,400	11,400	1,552	9,848
Total Expenditures	<u>11,400</u>	<u>11,400</u>	<u>1,552</u>	<u>9,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,400)	(7,400)	(1,543)	5,857
<b>Other Financing Sources (Uses):</b>				
Transfers Out	-	-	(9,186)	(9,186)
Appropriated fund balance	7,400	7,400	-	(7,400)
Total Other Financing Sources (Uses):	<u>7,400</u>	<u>7,400</u>	<u>(9,186)</u>	<u>(16,586)</u>
Net Change in Fund Balance	-	-	(10,729)	(10,729)
Fund Balance at Beginning of Year	10,729	10,729	10,729	-
Fund Balance at End of Year	<u>\$ 10,729</u>	<u>\$ 10,729</u>	<u>\$ -</u>	<u>\$ (10,729)</u>

**City of Lake Worth, Florida**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual  
Improvement Fund  
For the Year Ended September 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Investment income	\$ 9,000	\$ 9,000	\$ 10,534	\$ 1,534
Total Revenues	<u>9,000</u>	<u>9,000</u>	<u>10,534</u>	<u>1,534</u>
<b>Expenditures:</b>				
Current:				
General government	2,387	2,387	110	2,277
Interest and fiscal charges	6,613	6,613	6,612	1
Total Expenditures	<u>9,000</u>	<u>9,000</u>	<u>6,722</u>	<u>2,278</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	3,812	3,812
<b>Other Financing Sources (Uses):</b>				
Net Change in Fund Balance	-	-	3,812	3,812
Fund Balance at Beginning of Year	157,045	157,045	157,045	-
Fund Balance at End of Year	<u>\$ 157,045</u>	<u>\$ 157,045</u>	<u>\$ 160,857</u>	<u>\$ 3,812</u>

*City of Lake Worth, Florida*

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*Nonmajor Enterprise Funds*

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Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City Commission 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 periodic determination of net income is appropriate for accountability purposes.

**Stormwater Utility Fund**

This fund accounts for fees and charges related to the operation and maintenance of a stormwater management system.

**Golf Enterprise Fund**

This fund accounts for the operations and rental payments of City-owned golf courses.

**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, 2010**

	Golf Course	Stormwater	Refuse Collection and Disposal	Total Nonmajor Enterprise Funds
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 56,009	\$ 1,016,009	\$ 261,350	\$ 1,333,368
Investments	-	3,630,619	249,430	3,880,049
Accounts receivable, net	-	9,208	316,088	325,296
Accrued interest receivable	-	15,067	1,848	16,915
Due from other funds	-	30,199	-	30,199
Inventories	20,546	-	-	20,546
Prepaid items	4,259	-	-	4,259
<b>Total Current Assets</b>	<b>80,814</b>	<b>4,701,102</b>	<b>828,716</b>	<b>5,610,632</b>
<b>Noncurrent Assets:</b>				
<b>Restricted assets:</b>				
Investments	-	-	202,125	202,125
<b>Capital Assets:</b>				
Land	1,058,360	138,346	343,700	1,540,406
Construction in progress	-	337,433	-	337,433
Land improvements	924,693	2,504,258	9,883	3,438,834
Buildings and structures	1,679,926	-	-	1,679,926
Equipment and vehicles	577,985	1,562,319	3,608,106	5,748,410
Accumulated depreciation	(1,832,254)	(1,379,510)	(3,204,881)	(6,416,645)
Advances to other funds	-	174,287	-	174,287
<b>Total Noncurrent Assets</b>	<b>2,408,710</b>	<b>3,337,133</b>	<b>958,933</b>	<b>6,704,776</b>
<b>Total Assets</b>	<b>2,489,524</b>	<b>8,038,235</b>	<b>1,787,649</b>	<b>12,315,408</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts and contracts payable	3,130	28,402	37,741	69,273
Accrued liabilities	34,691	16,115	66,696	117,502
Unearned revenue	36,576	-	-	36,576
Due to other funds	48,524	-	35,420	83,944
Compensated absences - current	30,786	157	111,888	142,831
Capital leases - current	5,245	-	314,795	320,040
Landfill postclosure care costs - current	-	-	30,000	30,000
<b>Total Current Liabilities</b>	<b>158,952</b>	<b>44,674</b>	<b>596,540</b>	<b>800,166</b>

*City of Lake Worth, Florida*

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	<u>Golf Course</u>	<u>Stormwater</u>	<u>Refuse Collection and Disposal</u>	<u>Total Nonmajor Enterprise Funds</u>
<b><i>Noncurrent Liabilities:</i></b>				
Compensated absences	58,057	7,672	99,222	164,951
Other post-employment benefits	32,661	4,551	56,676	93,888
Capital lease payable	-	-	375,353	375,353
Advances from other funds	1,474,510	-	352,934	1,827,444
<b><i>Total Noncurrent Liabilities</i></b>	<u>1,565,228</u>	<u>12,223</u>	<u>884,185</u>	<u>2,461,636</u>
<b>Total Liabilities</b>	<u>1,724,180</u>	<u>56,897</u>	<u>1,480,725</u>	<u>3,261,802</u>
<b>Net Assets:</b>				
Invested in Capital Assets, net of debt	2,403,465	3,162,846	414,334	5,980,645
Restricted for:				
Landfill postclosure care costs	-	-	199,780	199,780
Unrestricted	(1,638,121)	4,818,492	(307,190)	2,873,181
<b>Total Net Assets</b>	<u>\$ 765,344</u>	<u>\$ 7,981,338</u>	<u>\$ 306,924</u>	<u>\$ 9,053,606</u>



**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, 2010**

	<b>Business-type Activities - Enterprise Funds</b>			
	Golf Course	Stormwater	Refuse Collection and Disposal	Total Nonmajor Enterprise Funds
<b>Operating revenues:</b>				
Charges for services	\$ 1,348,186	\$ 1,582,863	\$ 4,601,480	\$ 7,532,529
<b>Total operating revenues</b>	<u>1,348,186</u>	<u>1,582,863</u>	<u>4,601,480</u>	<u>7,532,529</u>
<b>Operating expenses:</b>				
Cost of services	1,316,685	899,182	3,092,536	5,308,403
General and administrative	40,813	-	205,791	246,604
Depreciation	111,738	262,992	220,187	594,917
<b>Total operating expenses</b>	<u>1,469,236</u>	<u>1,162,174</u>	<u>3,518,514</u>	<u>6,149,924</u>
Operating income (loss)	(121,050)	420,689	1,082,966	1,382,605
<b>Nonoperating revenues (expenses):</b>				
Investment income	-	70,839	23,661	94,500
Interest and fiscal charges	(20,567)	-	(37,414)	(57,981)
Other	10,730	26,775	24,632	62,137
<b>Total nonoperating revenues (expenses)</b>	<u>(9,837)</u>	<u>97,614</u>	<u>10,879</u>	<u>98,656</u>
<b>Income (loss) before transfers and contribution:</b>	(130,887)	518,303	1,093,845	1,481,261
Transfers out	(186,014)	(341,849)	(507,879)	(1,035,742)
<b>Change in Net Assets</b>	(316,901)	176,454	585,966	445,519
<b>Net assets, beginning of year</b>	<u>1,197,390</u>	<u>7,599,729</u>	<u>36,761</u>	<u>8,833,880</u>
<b>Prior period adjustment</b>	(115,145)	205,155	(315,803)	(225,793)
<b>net assets, beginning, as restricted</b>	<u>1,082,245</u>	<u>7,804,884</u>	<u>(279,042)</u>	<u>8,608,087</u>
<b>Net assets, end of year</b>	<u>\$ 765,344</u>	<u>\$ 7,981,338</u>	<u>\$ 306,924</u>	<u>\$ 9,053,606</u>

**City of Lake Worth, Florida**

**Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Fiscal Year Ended September 30, 2010**

	Nonmajor Enterprise Funds			Total Nonmajor Enterprise Funds
	Golf Course	Stormwater	Refuse Collection and Disposal	
Cash flows from operating activities:				
Receipts from customers	\$ 1,348,186	\$ 1,582,863	\$ 4,601,480	\$ 7,532,529
Payments to suppliers	(442,348)	(568,468)	(2,000,641)	(3,011,457)
Payments to employees	(620,328)	(128,674)	(1,142,552)	(1,891,554)
Payments for interfund services provided	(266,218)	(145,601)	(234,239)	(646,058)
Other receipts	10,730	9,230	24,632	44,592
Net cash provided by (used in) operating activities	<u>30,022</u>	<u>749,350</u>	<u>1,248,680</u>	<u>2,028,052</u>
Cash flows from non-capital financing activities:				
Due from other funds	-	1,178,219	-	1,178,219
Due to other funds	(498,568)	-	(25,485)	(524,053)
Transfer from other funds	-	-	-	-
Transfer to other funds	(186,014)	(341,849)	(507,879)	(1,035,742)
Net cash used in non-capital financing activities	<u>(684,582)</u>	<u>836,370</u>	<u>(533,364)</u>	<u>(381,576)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets, net	-	(711,860)	(203,785)	(915,645)
Advances from (to) other funds	-	30,199	(35,419)	(5,220)
Payments on advances (from) to other funds	751,416	-	-	751,416
Principal paid on capital debt	(30,561)	-	(277,581)	(308,142)
Interest paid on advance	(20,507)	-	(4,912)	(25,419)
Interest paid on capital debt	-	-	(32,504)	(32,504)
Net cash used in capital and related financing activities	<u>700,348</u>	<u>(681,661)</u>	<u>(554,201)</u>	<u>(535,514)</u>
Cash flows from investing activities:				
Purchase of investments	-	(66,484)	(51,151)	(117,635)
Interest and dividends received	-	88,384	23,661	112,045
Net cash provided by (used in) investing activities	<u>-</u>	<u>21,900</u>	<u>(27,490)</u>	<u>(5,590)</u>
Net decrease in cash and cash equivalents	45,788	925,959	133,625	1,105,372
Cash and cash equivalents, beginning	10,221	90,050	127,725	227,996
Cash and cash equivalents, ending	<u>\$ 56,009</u>	<u>\$ 1,016,009</u>	<u>\$ 261,350</u>	<u>\$ 1,333,368</u>

**City of Lake Worth, Florida**

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	Nonmajor Enterprise Funds			Total Nonmajor Enterprise Funds
	Golf Course	Stormwater	Refuse Collection and Disposal	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (121,050)	\$ 420,689	\$ 1,082,966	\$ 1,382,605
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	111,738	267,192	220,187	599,117
Other	10,730	9,230	24,634	44,594
Change in assets and liabilities:				
Accounts receivable, net	-	5,960	(37,548)	(31,588)
Prepaid items	1,026	-	-	1,026
Inventories	9,041	-	-	9,041
Accounts and contracts payable	(24,279)	21,984	(34,358)	(36,653)
Accrued liabilities	34,793	16,466	8,557	59,816
Compensated absences	8,023	7,829	14,242	30,094
Landfill postclosure care costs	-	-	(30,000)	(30,000)
Total adjustments	151,072	328,661	165,714	645,447
Net cash provided by (used in) operating activities	<u>30,022</u>	<u>749,350</u>	<u>1,248,680</u>	<u>2,028,052</u>



## *City of Lake Worth, Florida*

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### *Internal Service Funds*

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Internal Service Funds are used to account for activity that provides goods or services to other funds or departments of the primary government and its component units 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  
For the Fiscal Year Ended September 30, 2010**

	Nonmajor Internal Service Funds			
	Information Technology	Insurance	City Garage	Total
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 171,949	\$ 563,201	\$ 3,833	\$ 738,983
Investments	-	5,600,455	-	5,600,455
Accounts receivable, net	-	-	690	690
Accrued interest receivable	-	23,242	-	23,242
Due from other funds	-	24,262	-	24,262
Inventories	-	-	101,557	101,557
Prepaid items	-	384	-	384
<b>Total Current Assets</b>	<b>171,949</b>	<b>6,211,544</b>	<b>106,080</b>	<b>6,489,573</b>
<b>Noncurrent Assets:</b>				
Capital Assets:				
Equipment and vehicles	270,713	-	-	270,713
Accumulated depreciation	(70,443)	-	-	(70,443)
Advances to other funds	-	287,255	-	287,255
<b>Total Noncurrent Assets</b>	<b>200,270</b>	<b>287,255</b>	<b>-</b>	<b>487,525</b>
<b>Total Assets</b>	<b>372,219</b>	<b>6,498,799</b>	<b>106,080</b>	<b>6,977,098</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts and contracts payable	12,492	46,147	-	58,639
Accrued liabilities	22,212	14,496	17,384	54,092
Due to other funds	-	-	50,000	50,000
Compensated absences - current	18,368	-	4,466	22,834
<b>Total Current Liabilities</b>	<b>53,072</b>	<b>60,643</b>	<b>71,850</b>	<b>185,565</b>
<b>Noncurrent Liabilities:</b>				
Compensated absences	23,969	-	40,968	64,937
<b>Total Noncurrent Liabilities</b>	<b>23,969</b>	<b>-</b>	<b>40,968</b>	<b>64,937</b>
<b>Total Liabilities</b>	<b>77,041</b>	<b>60,643</b>	<b>112,818</b>	<b>250,502</b>
<b>Net Assets:</b>				
Invested in Capital Assets, net of debt	200,270	-	-	200,270
Unrestricted	94,908	6,438,156	(6,738)	6,526,326
<b>Total Net Assets</b>	<b>\$ 295,178</b>	<b>\$ 6,438,156</b>	<b>\$ (6,738)</b>	<b>\$ 6,726,596</b>

**City of Lake Worth, Florida**

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**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds  
For the Fiscal Year Ended September 30, 2010**

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	Nonmajor Internal Service Funds			
	Information Technology	Insurance	City Garage	Total
<b>Operating revenues:</b>				
Charges for services	\$ 1,354,655	\$ 3,598,186	\$ 514,830	\$ 5,467,671
<b>Total operating revenues</b>	<b>1,354,655</b>	<b>3,598,186</b>	<b>514,830</b>	<b>5,467,671</b>
<b>Operating expenses:</b>				
Cost of services	1,050,351	1,627,748	624,176	3,302,275
Depreciation	12,679	-	-	12,679
<b>Total operating expenses</b>	<b>1,063,030</b>	<b>1,627,748</b>	<b>624,176</b>	<b>3,314,954</b>
Operating income (loss)	291,625	1,970,438	(109,346)	2,152,717
<b>Nonoperating revenues (expenses):</b>				
Investment income	-	101,217	-	101,217
Other	-	38,277	-	38,277
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>139,494</b>	<b>-</b>	<b>139,494</b>
<b>Income (loss) before transfers and contribution:</b>	<b>291,625</b>	<b>2,109,932</b>	<b>(109,346)</b>	<b>2,292,211</b>
Capital contributions	-	-	169,050	169,050
Transfers out	-	(16,499)	-	(16,499)
<b>Change in Net Assets</b>	<b>291,625</b>	<b>2,093,433</b>	<b>59,704</b>	<b>2,444,762</b>
<b>Net assets, beginning, as reported</b>	<b>17,921</b>	<b>4,344,723</b>	<b>(66,442)</b>	<b>4,296,202</b>
<b>Prior period adjustment</b>	<b>(14,368)</b>	<b>-</b>	<b>-</b>	<b>(14,368)</b>
<b>Net assets, beginning, as adjusted</b>	<b>3,553</b>	<b>4,344,723</b>	<b>(66,442)</b>	<b>4,281,834</b>
<b>Net assets, end of year</b>	<b>\$ 295,178</b>	<b>\$ 6,438,156</b>	<b>\$ (6,738)</b>	<b>\$ 6,726,596</b>

**City of Lake Worth, Florida**

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**Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended September 30, 2010**

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	Nonmajor Internal Service Funds			Total Nonmajor Funds
	Information Technology	Insurance	Garage	
Cash flows from operating activities:				
Receipts from customers	\$ 1,354,655	\$ 3,598,186	\$ 514,830	\$ 5,467,671
Payments to suppliers	(698,818)	(1,569,948)	(350,037)	(2,618,803)
Payments to employees	(361,454)	-	(306,196)	(667,650)
Other Cash Received	-	38,277	-	38,277
Net cash used in operating activities	294,383	2,066,515	(141,403)	2,219,495
Cash flows from non-capital financing activities:				
Due from other funds	-	(716)	-	(716)
Due to other funds	-	-	(30,000)	(30,000)
Transfer from other funds	-	-	169,050	169,050
Transfer to other funds	-	(16,499)	-	(16,499)
Net cash provided by non-capital financing activities	-	(17,215)	139,050	121,835
Cash flows from capital and related financing activities:				
Acquisition and Construction of capital assets, net	(198,930)	-	-	(198,930)
Advances to other funds	-	24,262	-	24,262
Net cash provided by capital and related financing activities	(198,930)	24,262	-	(174,668)
Cash flows from investing activities:				
Purchase of investments	-	(1,678,881)	-	(1,678,881)
Interest and dividends received	-	101,217	-	101,217
Net cash provided by investing activities	-	(1,577,664)	-	(1,577,664)
Net increase (decrease) in cash and cash equivalents	95,453	495,898	(2,353)	588,998
Cash and cash equivalents, beginning	76,496	67,303	6,186	149,985
Cash and cash equivalents, ending	\$ 171,949	\$ 563,201	\$ 3,833	\$ 738,983

*City of Lake Worth, Florida*

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	Nonmajor Internal Service Funds			Total Nonmajor Funds
	Information Technology	Insurance	Garage	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 291,625	\$ 1,970,438	\$ (109,348)	\$ 2,152,715
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	12,679	-		12,679
Other non-Operating Income		38,280		38,280
Change in assets and liabilities:				-
Accounts receivable, net		(900)	(690)	(1,590)
Inventories		-	(6,729)	(6,729)
Prepaid items	-	(384)	-	(384)
Accounts and contracts payable	(12,718)	44,585	(24,528)	7,339
Accrued liabilities	10,815	14,496	7,553	32,864
Compensated absences	(8,018)	-	(7,661)	(15,679)
Total adjustments	2,758	96,077	(32,055)	66,780
Net cash provided by (used in) operating activities	\$ 294,383	\$ 2,066,515	\$ (141,403)	\$ 2,219,495

## *City of Lake Worth, Florida*

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### *Fiduciary Funds*

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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*

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##### **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*

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##### **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, 2010***

	Employees' Retirement System	Police Officers' Relief and Retirement System	Firefighters' Pension Trust Fund	Total Pension Trust Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,076,106	\$ 669,195	\$ 365,206	\$ 2,110,507
Investments at fair value:				
U.S. Government and agency funds	6,450,390	2,230,855	3,890,099	12,571,344
Money market funds	716,796	354,623	1,403,431	2,474,850
Corporate bonds	17,144,028	6,291,845	5,054,957	28,490,830
Common stocks	21,889,042	10,868,163	10,077,509	42,834,714
Mutual funds	13,374,501	2,489,824	6,427,167	22,291,492
Total investments at fair value	59,574,757	22,235,310	26,853,163	108,663,230
Accrued interest, dividends and contributions receivable	624,781	177,551	352,400	1,154,732
Due from broker	-	-	40,974	40,974
Prepaid items	22,853	6,438	8,046	37,337
<b>Total Assets</b>	61,298,497	23,088,494	27,619,789	112,006,780
<b>Liabilities:</b>				
Accounts payable	171,151	66,546	186,539	424,236
<b>Total Liabilities</b>	171,151	66,546	186,539	424,236
<b>Net Assets held in trust for pension benefits</b>	\$ 61,127,346	\$ 23,021,948	\$ 27,433,250	\$ 111,582,544

**City of Lake Worth, Florida**

**Combining Statement of Changes in Plan Net Assets  
Pension Trust Funds  
For the Fiscal Year Ended September 30, 2010**

	Employees' Retirement System	Police Officers' Relief and Retirement System	Firefighters' Pension Trust Fund	Total Pension Trust Funds
<b>Additions:</b>				
Contributions:				
Employer	\$ 3,413,861	\$ 1,453,457	\$ 1,654,000	\$ 6,521,318
Chapter 175	-	-	140,081	140,081
Plan members	1,051,361	409,692	156,325	1,617,378
Roll Over	-	-	267,709	267,709
<b>Total contributions</b>	<u>4,465,222</u>	<u>1,863,149</u>	<u>2,218,115</u>	<u>8,546,486</u>
Investment Income:				
Interest and dividends	1,769,097	622,007	719,419	3,110,523
Net change in fair value of investments	3,406,329	1,269,776	1,448,782	6,124,887
	5,175,426	1,891,783	2,168,201	9,235,410
Less investment expenses	301,531	128,217	157,177	586,925
Net investment income	4,873,895	1,763,566	2,011,024	8,648,485
Other Income	29,614	7,263	89,894	126,771
<b>Total Additions</b>	<u>9,368,731</u>	<u>3,633,978</u>	<u>4,319,033</u>	<u>17,321,742</u>
<b>Deductions:</b>				
Pension benefits	8,745,428	2,528,395	2,278,314	13,552,137
Administrative expenses	161,222	82,786	130,073	374,081
<b>Total Deductions</b>	<u>8,906,650</u>	<u>2,611,181</u>	<u>2,408,387</u>	<u>13,926,218</u>
Change in Net Assets	462,081	1,022,797	1,910,646	3,395,524
Net Assets at Beginning of Year	<u>60,665,265</u>	<u>21,999,151</u>	<u>25,522,604</u>	<u>108,187,020</u>
Net Assets End of Year	<u>\$ 61,127,346</u>	<u>\$ 23,021,948</u>	<u>\$ 27,433,250</u>	<u>\$ 111,582,544</u>

**City of Lake Worth, Florida**

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**Statement Of Changes In Assets And Liabilities**  
**Agency Fund**  
**For the Year Ended September 30, 2010**

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	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Assets:				
Cash and Cash Equivalents	\$ 105,107	\$ 64,724	\$ (151,860)	\$ 17,971
Accounts Receivable	2,000	17,000	(19,000)	-
Due from State of Florida	395	-	-	395
Total Assets	<u>\$ 107,502</u>	<u>\$ 81,724</u>	<u>\$ (170,860)</u>	<u>\$ 18,366</u>
Accounts Payable	\$150	\$116,893	(\$115,943)	\$1,100
Deposit Payable	107,352	79,566	(169,653)	17,266
Total Liabilities	<u>\$ 107,502</u>	<u>\$ 196,459</u>	<u>\$ (285,596)</u>	<u>\$ 18,366</u>



***STATISTICAL TABLES***

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This part of the City’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 City’s overall financial health.

***Contents***

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<b>Financial Trends</b>	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.	
<b>Revenue Capacity</b>	S 7– S 11
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	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.	
<b>Economic and Demographic Information</b>	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.	
<b>Operating Information</b>	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.	
<b>Sources Note:</b>	
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)**

	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities:</b>							
Invested in capital assets, net of related debt	\$ 19,061,486	\$ 20,317,332	\$ 23,461,231	\$ 25,550,312	\$ 57,367,332	\$ 60,803,680	\$ 59,067,959
Restricted	8,411,366	7,407,188	10,934,880	9,086,004	8,524,651	9,638,809	12,939,913
Unrestricted	14,147,796	14,354,348	14,894,093	19,960,135	19,705,440	13,434,653	13,881,744
Total governmental activities net assets	<u>41,620,648</u>	<u>42,078,868</u>	<u>49,290,204</u>	<u>54,596,451</u>	<u>85,597,423</u>	<u>83,877,142</u>	<u>85,889,616</u>
<b>Business-type activities:</b>							
Invested in capital assets, net of related debt	74,636,125	77,689,949	76,919,792	85,288,499	69,885,540	56,576,537	61,357,659
Restricted	8,150,013	9,861,417	10,858,741	10,061,616	697,848	699,540	702,125
Unrestricted	17,836,790	22,700,280	44,187,657	42,536,712	68,963,586	75,130,114	78,489,217
Total business-type activities net assets	<u>100,622,928</u>	<u>110,251,646</u>	<u>131,966,190</u>	<u>137,886,827</u>	<u>139,546,974</u>	<u>132,406,191</u>	<u>140,549,001</u>
<b>Total government:</b>							
Invested in capital assets, net of related debt	93,697,611	98,007,281	100,381,023	110,838,811	127,252,872	117,380,217	120,425,618
Restricted	16,561,379	17,268,605	21,793,621	19,147,620	9,222,499	10,338,349	13,642,038
Unrestricted	31,984,586	37,054,628	59,081,750	62,496,847	88,669,026	88,564,767	92,370,961
Total government net assets	<u>\$ 142,243,576</u>	<u>\$ 152,330,514</u>	<u>\$ 181,256,394</u>	<u>\$ 192,483,278</u>	<u>\$ 225,144,397</u>	<u>\$ 216,283,333</u>	<u>\$ 226,438,617</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**

**CHANGES IN NET ASSETS  
LAST SEVEN FISCAL YEARS (accrual basis of accounting)**

	2004	2005	2006	2007	2008	2009	2010
<b>Expenses:</b>							
Governmental activities:							
General government	\$ 5,134,986	\$ 3,575,710	\$ 3,357,391	\$ 4,332,707	\$ 3,595,041	\$ 4,447,237	\$ 1,808,565
Public safety	19,242,773	21,267,956	21,659,488	25,031,728	24,218,855	26,611,820	20,206,868
Physical environment	267,116	706,525	1,273,494	1,271,527	1,246,126	2,810,190	3,171,382
Transportation	1,499,033	4,495,261	4,539,585	1,984,675	2,062,494	3,813,671	3,869,570
Culture and recreation	3,736,504	3,544,092	4,034,193	4,564,347	6,376,489	2,320,000	2,867,839
Community redevelopment	-	258,129	434,412	699,254	1,661,848	1,341,898	1,514,545
Interest on long-term debt	272,278	304,387	378,695	389,230	353,096	303,538	266,896
Depreciation (portion not allocated to functions)	256,204	-	-	-	-	-	-
Total governmental activities	30,408,894	34,152,060	35,677,238	38,273,468	39,513,949	41,648,354	33,705,665
Business-type activities:							
Electric	35,854,577	42,728,189	56,080,287	46,947,158	57,490,812	55,353,581	55,936,852
Water	7,740,328	5,412,204	6,535,047	7,531,626	9,619,267	8,942,867	9,171,596
Local sewer	8,807,491	9,506,528	9,692,162	5,558,581	5,262,561	5,676,010	6,174,317
Regional sewer	*	*	5,082,477	5,723,073	5,184,429	5,611,951	4,884,662
Golf course	1,671,319	1,972,107	2,171,315	2,190,970	2,023,117	1,641,346	1,436,970
Stormwater	539,692	701,522	815,732	836,700	1,307,365	1,081,029	1,124,438
Refuse collection and disposal	3,213,871	3,541,314	3,774,872	5,247,076	3,810,654	3,538,792	3,419,697
Total business-type activities	57,827,278	63,861,864	84,151,892	74,035,184	84,698,205	81,845,576	80,148,532
Total government expenses	88,236,172	98,013,924	119,829,150	112,308,652	124,212,154	123,493,930	113,854,197
<b>Program revenues:</b>							
Governmental activities:							
Charges for services:							
General government	\$ 92,386	\$ 1,764,704	\$ 1,893,398	\$ 1,920,609	\$ 2,337,022	\$ 1,548,336	\$ 2,846,869
Public safety	2,852,058	1,674,694	1,469,251	1,697,091	1,536,383	876,141	1,099,226
Physical environment	40,250	247,462	316,389	507,040	573,727	34,005	17,995
Transportation	508,574	468,584	488,994	457,878	367,892	471,675	614,943
Culture and recreation	280,800	193,724	151,109	122,410	150,229	246,592	353,038
Community redevelopment	-	-	-	-	487,013	4,139	-
Operating grants and contributions	99,247	3,976,864	6,158,444	3,752,060	1,594,136	840,361	879,328
Capital grants and contributions	403,502	473,199	336,396	809,702	2,404,587	2,422,946	3,477,733
Total governmental activities program revenues	4,276,817	8,799,231	10,813,981	9,266,790	9,450,989	6,444,195	9,289,132
Business-type activities:							
Charges for services:							
Electric	42,738,419	45,186,261	60,786,014	52,706,489	57,474,801	58,406,242	59,380,987
Water	7,422,498	7,498,550	8,348,026	9,278,503	9,879,269	10,178,854	11,392,126
Local and Regional Sewer	6,665,757	7,144,828	5,175,080	5,265,096	5,277,244	5,613,738	6,417,177
Regional sewer	*	*	3,804,657	4,135,849	3,481,035	4,913,736	5,613,322
Golf course	1,717,167	1,799,645	2,012,331	2,028,454	1,921,702	1,476,811	1,348,186
Stormwater	669,476	851,215	1,649,918	1,594,645	1,651,158	1,364,897	1,582,863
Refuse collection and disposal	3,522,791	3,564,745	4,334,017	4,544,261	4,678,227	4,543,339	4,601,480
Operating grants and contributions	-	-	41,803	491,000	-	-	-
Capital grants and contributions	12,407,774	8,407,889	10,912,745	2,020,250	1,421,392	1,026,062	173,887
Total business-type activities program revenues	75,143,882	74,453,133	97,064,591	82,064,547	85,784,828	87,523,679	90,510,028
Total program revenues	\$ 79,420,699	\$ 83,252,364	\$ 107,878,572	\$ 91,331,337	\$ 95,235,817	\$ 93,967,874	\$ 99,799,160

\*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)**

	2004	2005	2006	2007	2008	2009	2010
Net expense (revenue):							
Governmental activities	\$(26,132,077)	\$(25,352,829)	\$(24,863,277)	\$(29,006,678)	\$(30,062,961)	\$(35,204,159)	\$(24,416,533)
Business-type activities	17,316,604	10,591,269	12,912,699	8,029,363	1,086,623	5,678,103	10,361,496
T total government net expense	\$(8,815,473)	\$(14,761,560)	\$(11,950,578)	\$(20,977,315)	\$(28,976,338)	\$(29,526,056)	\$(14,055,037)
General revenues:							
Governmental activities:							
Taxes:							
Property taxes	\$ 10,046,492	\$ 11,182,050	\$ 13,162,483	\$ 16,367,654	\$ 17,339,044	\$ 14,784,901	7,764,745
Franchise taxes	68,885	107,187	124,548	126,043	401,349	88,226	99,913
Utility taxes	5,012,095	4,854,066	6,478,627	5,217,773	5,283,661	5,498,780	5,709,719
Sales tax	654,020	932,734	971,351	928,943	3,550,446	3,098,708	3,153,448
Intergovernmental - unrestricted	5,436,224	4,330,470	4,383,743	4,184,826	1,287,185	2,653,336	2,212,812
Investment earnings - unrestricted	220,266	326,669	1,121,130	1,576,297	1,126,412	1,168,908	360,493
Miscellaneous	853,817	209,536	1,014,453	790,207	203,202	404,767	1,296,289
Interfund services provided (used)	1,815,800	-	-	-	-	-	-
Gain on sale of capital assets	-	503,630	-	-	-	-	-
Transfers	6,310,681	6,077,675	4,895,213	5,121,182	2,849,991	5,786,252	6,640,517
T total governmental activities	30,418,280	28,524,017	32,151,548	34,312,925	32,041,290	33,483,878	27,237,936
Business-type activities:							
Investment earnings - unrestricted	273,413	1,784,203	2,730,865	2,830,772	2,436,509	2,160,175	1,430,064
Miscellaneous	301,303	443,297	1,304,750	181,684	370,328	470,149	2,991,767
Interfund services provided (used)	(1,815,800)	-	-	-	-	-	-
Transfers	(6,310,681)	(6,077,675)	(4,895,213)	(5,121,182)	(2,849,991)	(5,786,252)	(6,640,517)
T total business-type activities	(7,551,765)	(3,850,175)	(859,598)	(2,108,726)	(43,154)	(3,155,928)	(2,218,686)
T total general revenues	\$ 22,866,515	\$ 24,673,842	\$ 31,291,950	\$ 32,204,199	\$ 31,998,136	\$ 30,327,950	\$ 25,019,250
Change in net assets:							
Governmental activities	\$ 4,286,203	\$ 3,171,188	\$ 7,288,271	\$ 5,306,247	\$ 1,978,329	\$ (1,720,281)	\$ 2,821,403
Business-type activities	9,764,839	6,741,094	12,053,101	5,920,637	1,043,469	2,522,175	8,142,810
T total change in net assets	\$ 14,051,042	\$ 9,912,282	\$ 19,341,372	\$ 11,226,884	\$ 3,021,798	\$ 801,894	\$ 10,964,213

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)**

	2004	2005	2006	2007	2008	2009	2010
General fund:							
Reserved	\$ 538,068	\$ 1,269,254	\$ 1,128,001	\$ 1,314,269	\$ 2,487,554	\$ 559,088	\$ 1,555,329
Unreserved, designated	12,237,322	10,833,870	14,995,636	8,217,901	9,602,723	6,613,235	5,193,918
Unreserved, undesignated	2,577,541	2,388,948	880,097	7,523,232	4,044,241	-	\$ 843,977
Total general fund	<u>15,352,931</u>	<u>14,492,072</u>	<u>17,003,734</u>	<u>17,055,402</u>	<u>16,134,518</u>	<u>7,172,323</u>	<u>7,593,224</u>
All other governmental funds:							
Reserved	516,695	12,696,247	8,559,106	6,105,141	5,372,993	3,524,765	3,300,192
Unreserved, designated	-	792,749	650,000	1,472,218	94,567	4,381,973	6,627,823
Unreserved, undesignated, reported in:							
Special revenue funds	2,087,493	1,214,563	3,672,632	6,248,591	8,316,059	2,505,388	5,589,788
Debt service fund	3,900,425	-	-	-	-	-	-
Capital projects fund	1,906,753	2,129,875	1,719,784	2,285,481	2,448,836	4,678,219	1,145,425
Total all other governmental fund	<u>8,411,366</u>	<u>16,833,434</u>	<u>14,601,522</u>	<u>16,111,431</u>	<u>16,232,455</u>	<u>15,090,345</u>	<u>16,663,228</u>
Total governmental funds	<u>\$ 23,764,297</u>	<u>\$ 31,325,506</u>	<u>\$ 31,605,256</u>	<u>\$ 33,166,833</u>	<u>\$ 32,366,973</u>	<u>\$ 22,262,668</u>	<u>\$ 24,256,452</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**

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST SEVEN FISCAL YEARS (modified accrual basis of accounting)**

	2004	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>							
Property taxes	\$ 15,781,492	\$ 11,182,050	\$ 13,162,483	\$ 16,367,654	\$ 15,730,702	\$ 14,784,901	\$ 7,764,745
Utility and other taxes	-	5,893,987	7,574,526	6,272,759	6,282,858	6,419,989	6,633,934
Licenses and permits	1,060,942	1,374,814	1,533,893	1,585,733	2,023,268	1,098,442	1,260,724
Fines and forfeitures	879,097	978,151	1,104,399	1,152,089	830,403	469,519	482,635
Charges for services	1,834,029	1,764,131	1,448,133	1,740,069	1,754,532	1,372,515	2,921,690
Intergovernmental	5,938,973	8,458,181	10,845,569	8,685,590	9,463,236	8,274,109	13,058,025
Investment income	204,401	317,034	1,089,137	1,541,807	1,032,231	1,168,908	360,493
Rents and royalties	-	232,072	232,716	227,138	248,659	240,412	267,022
Miscellaneous	881,861	519,129	1,047,467	857,903	1,084,215	404,767	1,307,012
<b>T total revenues</b>	<b>26,580,795</b>	<b>30,719,549</b>	<b>38,038,323</b>	<b>38,430,742</b>	<b>38,450,104</b>	<b>34,233,562</b>	<b>34,056,280</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General government	4,958,605	3,208,674	2,988,876	3,464,922	3,015,659	3,549,190	5,481,014
Public safety	17,948,641	20,515,766	21,500,274	23,950,597	25,732,096	27,037,184	20,011,801
Physical environment	265,511	543,581	587,369	545,716	446,465	2,098,908	2,367,405
Transportation	1,430,392	4,060,283	4,449,617	1,855,955	1,949,482	1,276,444	1,743,460
Culture and recreation	3,232,031	3,468,637	3,652,772	4,130,611	3,768,270	2,088,088	2,406,296
Community redevelopment	-	231,271	434,412	697,877	1,416,380	1,295,003	1,489,780
Capital outlay	3,200,162	4,891,397	8,858,645	5,899,197	4,650,066	11,366,391	3,716,428
<b>Debt service:</b>							
Principal	1,405,000	1,480,000	432,338	1,109,544	1,151,410	1,101,956	1,212,102
Interest and other fiscal charges	274,555	243,888	438,058	395,929	360,127	310,955	274,727
<b>T total expenditures</b>	<b>32,714,897</b>	<b>38,643,497</b>	<b>43,342,361</b>	<b>42,050,348</b>	<b>42,489,955</b>	<b>50,124,119</b>	<b>38,703,013</b>
Deficiency of revenues over expenditures:	(6,134,102)	(7,923,948)	(5,304,038)	(3,619,606)	(4,039,851)	(15,890,557)	(4,646,733)
<b>Other financing sources (uses):</b>							
T transfers in	10,286,140	9,589,199	8,841,954	9,549,961	11,075,191	21,323,530	12,643,285
T transfers out	(3,975,459)	(3,511,524)	(3,946,741)	(4,368,778)	(7,835,200)	(15,537,278)	(6,002,768)
Sale of capital assets	-	564,000	57,510	-	-	-	-
Note issued	-	8,000,000	708,000	-	-	-	-
<b>T total other financing sources (uses)</b>	<b>6,310,681</b>	<b>14,641,675</b>	<b>5,660,723</b>	<b>5,181,183</b>	<b>3,239,991</b>	<b>5,786,252</b>	<b>6,640,517</b>
<b>Net change in fund balances</b>	<b>\$ 176,579</b>	<b>\$ 6,717,727</b>	<b>\$ 356,685</b>	<b>\$ 1,561,577</b>	<b>\$ (799,860)</b>	<b>\$ (10,104,305)</b>	<b>\$ 1,993,784</b>
Debt service as a percentage of non-capital expenditures	5.13%	4.46%	2.01%	3.58%	3.96%	3.78%	4.00%

**Note: Data not available prior to fiscal 2003 implementation of Governmental Accounting Standards Board Statement 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)**

FY Ended September 30,	Tax Revenue Year	Residential Property	Commercial Property	Railroad Property	Total Net Assessed Value	Total Direct Tax Rate
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
2010	2009	1,436,762	57,667	4,224	1,498,653	5.30

Note: Property in the City is reassessed each year. The 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 AM

*City of Lake Worth, Florida*

**PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Tax Roll Year</u>	<u>City of Lake Worth</u>					<u>Overlapping Rates (1)</u>					<u>Total Direct and Overlapping Rates</u>
		<u>General Operations</u>	<u>Debt Service</u>	<u>Total City</u>	<u>Palm Beach County</u>	<u>Palm Beach County School Board</u>	<u>South Florida Water Management District</u>	<u>Florida Inland Navigation District</u>	<u>Palm Beach county Health Care District</u>	<u>Children's Services Council</u>		
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	
2010	2009 (2)	5.00	0.30	5.30	4.56	7.98	0.62 *	0.03	1.15	0.69	20.34	

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).

(2) The decrease from Tax year 2008 to Tax Year 2009 is due to the Fire Department going to Palm Beach County. The operating tax was decreased by the MSTU of 3.4581.

\*Includes the Everglades construction project.

**City of Lake Worth, Florida**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

FY Year Ended September 30,	Total Taxes Levied for Year	Collected within the Fiscal Year of the Levy (1)		Percent of Levy	Collections in Subsequent Year's	Total Collections to Date		Percent of Levy
		Amount	Amount			Amount	Amount	
2001	\$ 8,592,744	\$ 8,297,482	\$ 96,414	96.56%	\$ 96,414	\$ 8,393,896	97.69%	
2002	9,207,212	9,101,471	51,790	98.85%	51,790	9,153,261	99.41%	
2003	9,521,810	9,067,114	52,711	95.22%	52,711	9,119,825	95.78%	
2004	10,529,683	9,670,092	29,599	91.84%	29,599	9,699,691	92.12%	
2005	11,667,950	10,586,310	37,442	90.73%	37,442	10,623,752	91.05%	
2006	13,325,225	10,919,319	307,246	81.94%	307,246	11,226,565	84.25%	
2007	16,975,285	16,469,083	25,799	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	243,567	94.80%	243,567	14,784,904	96.39%	
2010	7,965,615	7,434,810	329,935	93.34%	329,935	7,764,745	97.48%	

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**

**PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO (in thousands)**

	2010				2001			
	Taxpayer	Net Assessed Value	Rank	Percent of	Taxpayer	Net Assessed Value	Rank	Percent of
				Total City Net Assessed Value				Total City Net Assessed Value
Patricia A Tackett	\$ 13,196,600	1	0.88%		-	-	-	-
Palm Club Apartments LLC	10,305,739	2	0.69%		-	-	-	-
GP Centrepoin LLC	8,701,065	3	0.58%		-	-	-	-
GSG Investments	7,750,236	4	0.52%		-	-	-	-
Palm Beach Mobile Home Park LLC	6,973,122	5	0.47%		-	-	-	-
Ample Storage Lake Worth LLC	6,001,441	6	0.40%		-	-	-	-
Lake Osborne Self Storage LLC	5,878,591	7	0.39%		-	-	-	-
Walgreens Co	5,347,572	8	0.36%		-	-	-	-
CSC Lake Worth LTD Partnership	5,219,799	9	0.35%		-	-	-	-
Arbor Square Realty Co LLC	4,905,789	10	0.33%		-	-	-	-
				One 926 Real Estate, Inc	\$ 5,247,298	1	0.70%	
				Falconi Angelo	5,050,346	2	0.67%	
				Lake Worth City of Lessor	3,614,582	3	0.48%	
				Crystal Palms	3,607,357	4	0.48%	
				Walgreens Co.	3,571,617	5	0.47%	
				Akers, Kathryn J	3,354,312	6	0.44%	
				Akers, Wayne L.	3,302,449	7	0.44%	
				Gulfstream Hotel LTD	3,003,035	8	0.40%	
				Southern Bell Telephone and Company	2,944,474	9	0.39%	
				Sutton Town & Country	2,900,000	10	0.38%	
	<u>\$ 74,279,954</u>		<u>4.96%</u>		<u>\$ 36,595,470</u>		<u>4.85%</u>	

Source: Tax roll provided by Palm Beach County Property Appraisers Office.

(1) Total assessed valuations of \$ 1,498,653 Tax Year 2009  
754,951 Tax Year 2000

**City of Lake Worth, Florida**

**SPECIAL ASSESSMENT COLLECTIONS (UNAUDITED)  
LAST TEN FISCAL YEARS**

Fiscal Year	Amount of Special Assessments Recorded During Fiscal Year	Special Assessments Collected	Total Outstanding Assessments*
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	88,144.00	292,204.29	256,683.99
2010	24,900.80	20,641.47	260,943.32

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 special assessment immediately becomes a lien upon the benefited property.  
\* Includes Floral Park, Island Estates and High Ridge Road Watermain Project.

**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 Personal Income	Debt Per Capita (2)
	General Obligation Bonds	Loan Payable	Capital Lease	Revenue Bonds (1)	Loan Payable	Capital Leases			
2001	\$ 7,660,000	\$ -	\$ 1,239,245	\$ 20,510,000	\$ 9,800,000	\$ -	\$ 39,209,245	0.08	\$ 1,256
2002	6,395,000	-	1,233,090	18,775,000	93,750,000	80,377	120,233,467	0.23	3,422
2003	5,060,000	-	-	6,835,000	9,375,000	80,377	21,350,377	0.04	603
2004	3,655,000	-	-	4,985,000	8,915,000	59,868	17,614,868	0.03	499
2005	2,175,000	8,000,000	-	70,095,577	-	33,049	80,303,626	0.12	2,258
2006	1,855,000	8,000,000	595,662	71,632,245	12,867,931	1,858,765	96,809,603	0.13	2,686
2007	1,520,000	7,315,733	505,383	66,017,189	7,324,284	1,584,771	84,267,360	0.11	2,314
2008	1,170,000	6,608,023	411,686	65,066,291	6,810,257	1,299,841	81,366,097	0.11	2,196
2009	800,000	5,876,067	-	63,773,755	6,289,550	1,003,534	77,742,906	N/A	2,213
2010	410,000	5,119,035	-	61,536,648	6,034,550	695,393	73,795,626	N/A	2,040

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 95 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 Property (1)	Per Capita (2)
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%	76
2003	5,060,000	(3,840,418)	1,219,582	0.13%	34
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%	(64)
2007	1,520,000	(4,375,913)	(2,855,913)	-0.14%	(78)
2008	1,170,000	(295,341)	874,659	0.03%	24
2009	800,000	(262,284)	537,716	0.03%	15
2010	410,000	(255,244)	154,756	0.01%	4

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  
FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Taxable assessed valuation	<u>\$ 1,933,337,753</u>
Debt limit (25% of valuation)	\$ 483,334,438
Outstanding general obligation debt: Series 1996 Bonds	<u>410,000</u>
Debt-contracting margin	<u>\$ 482,924,438</u>
Percentage debt-contracting limit remaining	<u>99.92%</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  
FISCAL YEAR ENDED SEPTEMBER 30, 2010***

<u>Government Unit</u>	Net Debt <u>Outstanding</u>	Percentage Applicable to the City of <u>Lake Worth (1)</u>	Amount Applicable to the City of <u>Lake Worth</u>
Debt repaid with property taxes:			
Palm Beach County	\$ 479,324,223	1.29%	\$ 6,192,644
Other debt:			
Palm Beach School Board	30,773,665	1.29%	<u>397,581</u>
Subtotal, Overlapping Debt City of Lake Worth Direct Debt			6,192,644 <u>410,000</u>
Total Direct and Overlapping Debt			<u>\$ 6,602,644</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 \$1,933,337,753 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		Coverage
				Service Principal	Service Interest	
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
2010	6,511,978	5,522,422	989,556	255,000	91,804	10.78

(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

*City of Lake Worth, Florida*

**PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS (Continued)**

Fiscal Year Ended September 30,	Electric Revenue (1)	Less Operating Expenses (2)	Net Available Revenue	Debt		Coverage
				Service Principal	Service Interest	
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
2010	59,895,691	55,899,906	3,995,785	1,185,000	1,338,799	2.98

(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  
LAST TEN FISCAL YEARS (Continued)**

Fiscal Year Ended September 30,	Water Revenue (1)	Less Operating Expenses (2)	Net Available Revenue	Debt		Coverage
				Service Principal	Service Interest	
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
2010	11,878,935	8,793,880	3,085,055	1,185,000	1,338,415	2.31

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>
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%
2010	36,173	1,933,338	53	11.0%

Sources:

- (1) University of Florida, Bureau of Economic Research <http://www.bebr.ufl.edu/free/data>
- (2) Palm Beach County Property Appraiser DR-403AM Net Assessed Value
- (3) U.S. Department of Labor, Bureau of Labor Statistics <http://data.bls.gov:8080/PDQ/outside.jsp?survey=la>

Note: Population, median age and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average.

*City of Lake Worth, Florida*

**PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

City of Lake Worth, Florida Employer	2010				2001			
	Employees	Rank	Phone #s	Contact	Employees	Rank	Phone #s	Contact
City of Lake Worth	311	1	586-1637	Payroll/Beth				
Lake Worth High	200	2	533-6300	head sec.				
Wayne Akers Ford	120	3	582-4444	Acct. Dept				
Highland Elementary	120	4	202-0500	head sec.				
Publix	100	5	585-2543	Store Mgr.				
Lake Worth Community Middle	110	6	540-5500	head sec.				
North Grade Elementary	100	7	202-9300	head sec.				
Barton Elementary	100	8	540-9100	head sec.				
	<u>1,161</u>							
	<u>2010</u>				<u>2001</u>			
<b>Palm Beach County, Florida</b>								
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>
School Board of PBC	21,718	1	3.98%	17,000	1	3.14%		
Palm Beach County	11,381	2	2.09%	9,000	2	1.66%		
Tenet Healthcare Corp	5,127	3	0.94%					
HCA	4,150	4	0.76%					
Florida Power & Light Headquarters	3,658	5	0.67%	2,300	10	0.43%		
Florida Atlantic University	2,776	6	0.51%	3,100	8	0.57%		
Office Depot	2,100	7	0.38%					
Boca Raton Resort & Club	2,200	8	0.40%					
The Breakers	1,800	9	0.33%					
Boca Raton Community Hospital	2,100	10	0.38%					
State of Florida				8,800	3	1.63%		
Federal Government				5,900	4	1.09%		
Columbia Palm Beach Health Care System				4,000	5	0.73%		
Pratt & Whitney Aircraft				4,000	6	0.74%		
Intracoastal Health Systems, Inc				3,200	7	0.59%		
Flo Sun, Inc				2,500	9	0.46%		
<b>Total</b>	<u>57,010</u>		<u>10.45%</u>	<u>59,800</u>		<u>11.05%</u>		

Sources: Business Development Board of Palm Beach County.

2010	545,518
2001	540,774

**City of Lake Worth, Florida**

**FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST FIVE FISCAL YEARS**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Number of employees:					
General government	87	89	74	118	96
Public safety	185	196	197	186	9
Physical environment	5	4	3	4	4
Transportation	14	11	0		7
Culture and recreation	69	61	59	73	30
Community redevelopment	4	3	2	3	2
Electric	85	82	82	84	89
Water and sewer	38	42	40	40	44
Refuse	32	32	30	31	30
Total full time employees	<u>519</u>	<u>520</u>	<u>487</u>	<u>539</u>	<u>311</u>

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  
LAST TEN FISCAL YEARS**

Function/Program	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public safety:										
Police:										
Police personnel and officers (2)	155	146	146	146	146	131	127	127	0	0
Police calls for service	54,040	56,001	53,674	51,749	57,050	54,416	48,054	35,773	0	0
Parking violations	0	8,849	8,387	8,792	10,169	10,106	6,494	1,077	0	0
Traffic violations	18,062	20,133	16,468	12,990	16,541	14,715	10,071	9,212	0	0
Fire:										
Fire personnel	64	64	64	64	64	154	61	61	57	0
Fire alarms answered	*	*	*	*	*	222	179	239	212	0
Fire inspections performed	*	*	*	*	*	2,109	1,108	2,200	2,176	0
Building Department:										
Building permits issued - Residential (1)	2,531	3,499	3,604	4,266	5,838	5,239	3,198	2,090	1,560	1211
Building permits issued - Commercial (1)	801	746	751	580	584	599	699	1,041	616	641
Culture and recreation:										
Golf course - attendance	74,525	74,525	90,614	65,527	58,228	63,572	59,239	n/a	60,000	43,425
Swimming pool - attendance	27,268	27,268	27,690	27,690	14,323	16,163	n/a	n/a	15,000	13,000
Fishing pier-attendance	152,372	152,372	145,044	127,568	2,100	**	**	**	100,000	77,000
Public library:										
Circulation, all media	81,622	59,522	120,240	120,240	120,240	81,421	79,284	83,336	86,665	101,345
Patrons registered	6,798	10,221	12,962	12,962	14,263	16,781	19,579	20,460	17,053	22,079
Patrons registered - inside City	5,169	7,581	9,558	9,558	10,952	12,671	14,499	15,205	13,014	15,505
Utility system										
Water:										
Total number of bills	11,189	11,261	13,099	12,903	13,269	13,109	159,537	150,843	12,581	12,494
Number of units billed	120,766	131,923	195,561	2,384,621	1,744,962	213,033	2,735,640	1,819,050	153,394	142,208
Total amount billed	\$ 309,897	\$ 312,795	\$ 537,211	\$ 676,308	\$ 4,799,041	\$ 735,160	\$ 11,713,861	\$ 9,695,764	\$ 844,862	\$ 904,388
Average selling price	\$ 2,5660	\$ 2,3710	\$ 2,7470	\$ 0,2836	\$ 2,7502	\$ 3,4509	\$ 4,2819	\$ 3,5400	\$ 5,5100	\$ 6,35
Average bill	\$ 27,70	\$ 27,78	\$ 41,01	\$ 52,41	\$ 361,67	\$ 56,08	\$ 73,42	\$ 64,28	\$ 67,15	\$ 72,38
Number of connections	*	*	*	*	11,252	12,898	13,062	12,570	12,102	12,353
Water main breaks	*	*	*	*	*	32	24	22	26	48
Sewer:										
Total number of bills	12,181	12,312	11,546	11,429	11,597	12,016	143,792	137,800	11,493	11,410
Number of units billed	198,291	196,664	121,623	131,516	139,947	128,721	1,548,752	1,214,722	103,251	98,100
Total amount billed	\$ 463,288	\$ 457,822	\$ 317,657	\$ 331,724	\$ 346,870	\$ 441,674	\$ 5,549,999	\$ 4,947,558	\$ 448,921	\$ 500,733
Average selling price	\$ 2,3235	\$ 2,2948	\$ 2,6118	\$ 2,5223	\$ 2,4786	\$ 3,4312	\$ 3,5835	\$ 4,0729	\$ 4,3500	\$ 5,1
Average bill	\$ 38,03	\$ 37,19	\$ 27,51	\$ 29,02	\$ 29,91	\$ 36,75	\$ 38,60	\$ 35,90	\$ 39,06	\$ 43,88
Number connections-local sewer	11,153	11,252	11,252	11,252	11,252	12,016	11,709	11,387	11,925	11,097

(Continued)

Sources: Various City Departments  
\*Information unavailable  
\*\* Fishing pier closed during fiscal year

*City of Lake Worth, Florida*

**OPERATING INDICATORS BY FUNTION/PROGRAM (Continued)**  
**LAST TEN FISCAL YEARS**

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Electric:</b>											
Residential customers:											
Total number of bills-R	\$ 21,326	21,410	21,819	22,103	22,360	22,834	23,217	21,931	22,099	21,210	21,210
Number of units billed-R	\$ 25,859,439	26,850,876	25,321,571	26,027,595	32,385,122	21,844,047	30,439,162	19,864,899	34,252,579	19,422,688	19,422,688
Total amount billed-R	\$ 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	2,208,260	2,208,260
Average selling price-R	\$ 0.1087	0.0931	0.0962	0.0964	0.0948	0.0919	0.0856	0.1132	0.0778	0.1136	0.1136
Average bill-R	\$ 131.89	116.76	111.62	116.10	136.82	87.90	112.18	102.53	120.65	104.11	104.11
Commercial customers:											
Total number of bills-C	\$ 3,073	3,075	2,952	2,943	2,918	3,132	3,163	2,889	2,998	2,758	2,758
Number of units billed-C	\$ 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	6,979,487	6,979,487
Total amount billed-C	\$ 996,731	941,608	921,389	2,064,660	1,141,489	923,404	1,323,690	914,662	1,753,983	972,101	972,101
Average selling price-C	\$ 0.1206	0.1062	0.1083	0.0874	0.1042	0.1032	0.0878	0.0930	0.1336	0.1392	0.1392
Average bill-C	\$ 324.35	306.21	312.12	701.55	391.19	294.83	418.49	316.61	585.05	352.47	352.47
Private area lighting:											
Total number of bills-P	\$ 823	807	742	692	644	594	622	604	584	565	565
Number of units billed-P	\$ 210,023	204,870	99,086	95,340	99,644	91,759	202,116	98,277	199,773	96,240	96,240
Total amount billed-P	\$ 34,547	30,926	20,056	19,400	17,270	13,791	17,928	16,354	17,996	16,709	16,709
Average selling price-P	\$ 0.1644	0.1509	0.2024	0.2035	0.1733	0.1503	0.0887	0.1664	0.09	0.17	0.17
Average bill-P	\$ 41.98	38.32	27.03	28.03	26.82	23.22	28.82	27.10	30.82	29.57	29.57
Commercial-demand:											
Total number of bills-D	\$ 94	98	98	98	95	91	85	84	79	77	77
Number of units billed-D	\$ 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	5,264,506	5,264,506
Total amount billed-D	\$ 796,737	723,234	560,406	1,031,093	708,256	433,037	544,312	733,016	550,458	512,275	512,275
Average selling price-D	\$ 0.1043	0.0910	0.1062	0.0905	0.0968	0.0723	0.1134	0.1354	0.14	0.10	0.10
Average bill-D	\$ 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	6,652.92	6,652.92
Street lights:											
Total number of bills-SL	\$ 8	8	8	6	6	6	7	7	9	9	9
Number of units billed-SL	\$ 176,512	176,916	187,566	181,278	180,424	182,877	398,431	191,696	414,105	207,874	207,874
Total amount billed-SL	\$ 29,076	26,772	26,960	25,846	25,635	24,794	28,951	26,536	31,065	30,149	30,149
Average selling price-SL	\$ 0.1647	0.1513	0.1437	0.1426	0.1421	0.1356	0.0727	0.0115	0.075	0.145	0.145
Average bill-SL	\$ 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	3,349.88	3,349.88
Solid waste:											
Residential accounts	*	*	*	*	*	10,808	10,507	10,269	10,943	10,512	10,512
Commercial accounts	*	*	*	*	*	918	1,097	1,118	2,043	2,508	2,508

Sources: Various City Departments

Note: Indicators are not available for the general government function

\*Information unavailable

*City of Lake Worth, Florida*

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General government:</b>										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
<b>Public safety:</b>										
<b>Police:</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	*	*	*	*	*	35	35	35	35	0
<b>Fire:</b>										
Fire stations	2	2	2	2	2	2	2	2	2	2
<b>Transportation:</b>										
<b>Miles of streets:</b>										
Streets - paved	101.66	101.66	101.66	101.66	101.66	101.66	101.66	101.66	101.66	101.66
Streets - unpaved	17.03	17.03	17.03	17.03	17.03	17.03	17.03	17.03	17.03	17.03
Number of street lights	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	1,265,421
<b>Culture and recreation:</b>										
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	8	8
Baseball/softball fields	9	9	9	9	9	9	9	9	9	10
Indoor/outdoor basketball courts	14	18	18	18	18	18	18	18	4	4
Public boat ramps	2	2	2	2	2	2	2	2	1	1
Community centers	2	2	2	2	2	2	2	2	2	2
Municipal gym	1	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	-	-	1	1	1	1	1	1	1	1
<b>Utility system:</b>										
Fire hydrants - City of Lake Worth	620	620	620	620	620	620	620	684	695	941
<b>Solid waste:</b>										
Collection trucks	*	*	*	*	*	29	27	27	21	22
<b>Water system:</b>										
Total wells	12	14	14	14	14	14	14	18	18	18
Usable wells	14	12	12	12	12	12	12	12	12	12
Miles of water lines	130	130	130	130	130	130	130	167	161.41	156.58
<b>Sewer system:</b>										
Miles of sewer lines	100	100	100	100	100	100	100	99	99.85	99.85
<b>Electric system:</b>										
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

*City of Lake Worth, Florida*

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***COMPLIANCE SECTION***

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*City of Lake Worth, Florida*

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# City of Lake Worth, Florida

Schedule of Expenditures of Federal Awards  
Fiscal Year Ended September 30, 2010

<u>Federal Agency/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Howard Park - Restrooms	ARRA 14.256	B-09-CN-FL-0019	\$ 2,191,001
<i>Pass-Through Palm Beach County Housing and Development</i>			
Howard Park - Restrooms	14.218	R20080871	<u>59,580</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>2,250,581</u>
<b>U.S. Homeland Security</b>			
Interlocal Agreement between the Board of County Commissioners, Palm Beach County and the City of Lake Worth (WIP Security Camera Equipment			
	97.067	08DS-62-11-16-02-296	97,053
<i>Pass-Through Florida Department of Community Affairs</i>			
Wind-Retrofit	97.036	08HM-6G-10-60-02-041	<u>41,047</u>
<b>Total U.S. Homeland Security</b>			<u>138,100</u>
<b>U.S. Department of Justice</b>			
Department of Justice			
	16.738	2009-DJ-BX-0958	<u>5,434</u>
<b>Total U.S. Department of Justice</b>			<u>5,434</u>
<b>U.S. Department of Environmental Protection</b>			
Capitalization Grants for Drinking Water			
	ARRA 66.468	101	<u>3,000,000</u>
<b>Total U.S. Department of Environmental Protection</b>			<u>3,000,000</u>
<b>U.S. Department of Commerce</b>			
Second Supplemental Appropriations Disaster Relief Opportunity			
	11.307	04-69-06243	<u>223,200</u>
<b>Total U.S. Department of Commerce</b>			<u>223,200</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 5,617,315</u></b>

See Note to Schedule of Expenditures of Federal Awards.

**CITY OF LAKE WORTH, FLORIDA**

Note To Schedule of Expenditures of Federal Awards  
For The Fiscal Year Ended September 30, 2010

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Lake Worth, Florida and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**INDEPENDENT AUDITORS' 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***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Worth, Florida (the "City") as of and for the year ended September 30, 2010, and have issued our report thereon dated May 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses, as defined above, and are described as 08-05, 08-06, and 08-16. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance, and are described as 08-01 and 08-02.

**Compliance and Other Matters**

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

We also noted certain other immaterial matters that we reported to the management of the City of Lake Worth, Florida in a separate management letter dated May 18, 2011.

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's responses and accordingly, we express no opinion on it.

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

West Palm Beach, Florida  
May 18, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133  
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

**Compliance**

We have audited the compliance of the City of Lake Worth, Florida (the "City") 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, 2010. The City's major Federal programs are identified in the summary of auditors' 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 is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 the *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, 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 occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in items 06-18 and 06-21 in the accompanying Schedule of Findings and Questioned Costs, the City of Lake Worth, Florida is still in the process of complying with the requirements regarding equipment and real property management that are applicable to its Community Development Block Grant program, Federal Emergency Management Agency program, and Florida Department of Environmental Protection. 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 complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended September 30, 2010.

## **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major Federal program 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's internal control over compliance.

A *deficiency* in 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 and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the City of Lake Worth, Florida (the "City"), as of and for the year ended September 30, 2010, and have issued our report thereon dated May 18, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements of the City. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the OMB's Circular A-133, 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.

West Palm Beach, Florida  
May 18, 2011

*TCBA Water Rice LLP*

**CITY OF LAKE WORTH, FLORIDA**

Schedule of Findings and Questioned Costs  
Fiscal Year Ended September 30, 2010

**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 Program***

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 auditor's 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***

14.256  
66.468  
11.307

***Name of Federal Program***

Howard Park - Restrooms  
Capitalization Grants for Drinking Water  
Second Supplemental Appropriations  
Disaster Relief Opportunity

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

Auditee qualified as low-risk auditee?  Yes  No

**CITY OF LAKE WORTH, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL PROGRAMS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**  
(Continued)

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS AUDIT AS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Current Year – None.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Current Year – None.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS**

**A. Prior Year Financial Statement Findings**

The following addresses the current status of financial statement findings reported in the fiscal year ended September 30, 2009 Schedule of Findings and Questioned Costs.

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

- 08-05 Inventory
- 08-13 Bond Covenant Compliance
- 08-16 Fund Deficits

**Matters that are partially corrected in the accompanying schedule of findings and questioned costs.**

- 08-01 Internal Control Over Financial Reporting
- 08-02 Capital Assets (a) & (b)
- 08-06 Receivables

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

- 09-01 Accounts Payable/Disbursement Controls
- 09-02 Accounts Payable/Disbursement Controls
- 09-03 Accounts Payable/Disbursement Controls
- 09-04 Accounts Payable/Disbursement Controls
- 08-03 Deposits
- 08-10 Tracking Capital Assets
- 08-11 Interfund Reimbursements
- 08-12 Investments
- 08-14 Unclaimed Property
- 08-15 Labor Contracts
- 08-17 Landfill Long-Term Post-Closure Care Estimate
- 08-18 Finance Department Staffing

**B. Prior Year Federal Award Findings**

The following addresses the status of federal award findings reported in the fiscal year ended September 30, 2009 Schedule of Findings and Questioned Costs.

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

08-19 Internal Controls Over Compliance

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION IV – STATUS OF PRIOR YEAR FINDINGS (Continued)**

**B. Prior Year Federal Award Findings (Continued)**

***Matters that are partially corrected in the accompanying schedule of findings and questioned costs.***

06-18 Capital Asset Identification

**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, 2009 Schedule of Findings and Questioned Costs.

***Matters that are partially corrected in the accompanying schedule of findings and questioned costs.***

06-21 Capital Assets Identification

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT 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 recommended that 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.

**Current Year Status**

No similar condition was noted during the year starting August 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 for test of controls.

**Recommendation**

We recommended that 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.

**Current Year Status**

No similar findings were noted in the current year's audit.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR 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**

We recommended that 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.

**Current Year Status**

No similar findings were noted in the current year's audit.

***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 recommended 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.

**Current Year Status**

No similar findings were noted in the current year's audit.

***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

## CITY OF LAKE WORTH, FLORIDA

### Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2010 (Continued)

#### SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

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.

## CITY OF LAKE WORTH, FLORIDA

### Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2010 (Continued)

#### 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 in 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 believed 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.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

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 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**

No similar findings were noted in the current year’s audit. However, during the subsequent fiscal year, the City adopted the Council of Sponsoring Organizations (“COSO”) internal control framework. Consistent with the COSO framework, we encourage the City to incorporate the same review process of its CAFR as it does with its other financial reports.

**Views of Responsible Officials and Planned Corrective Action**

As noted by the Auditors *“No similar findings were noted in the current year’s audit.”* The City’s Comprehensive Financial Policies adopted in December of FY 2010/2011 (the year subsequent to the audited year) do adopt the COSO framework and include the review process for all reports.

*M-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.

**Condition**

- a.) 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.

## CITY OF LAKE WORTH, FLORIDA

### Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2010 (Continued)

#### **SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

- b.) 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.

#### **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.

#### **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**

No similar findings were noted in the current year's audit for items (a) and (b). The physical count conducted to come up with a complete inventory and valuation of all City's assets disclosed a difference of \$11.3 million against the City's general ledger. As part of the year-end closing procedures, Management is in the process of reconciling the physical count to the accounting records.

## CITY OF LAKE WORTH, FLORIDA

### Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2010 (Continued)

#### SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

##### Views of Responsible Officials and Planned Corrective Action

As discussed in the response to this comment last year, the City hired a consultant to take a physical inventory and value all City assets. The work was completed after the end of FY 2010 and the physical inventory was reconciled to the City's records with a resulting prior period correction recorded as of the end of FY 2010.

##### *M-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.

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.) 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.
- b.) 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.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

**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.

**Current Year Status**

No similar findings were noted in the current year's audit.

***M-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.

## CITY OF LAKE WORTH, FLORIDA

### Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2010 (Continued)

#### 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

Similar findings were noted in the current year's audit.

##### Views of Responsible Officials and Planned Corrective Action

The City procured the services of a professional materials management company to perform an evaluation of the Electric, Water, Sewer and Power Plant warehouse operations, which will begin in June 2011 and is slated to be complete by December 2011:

The consultant's tasks include:

- I. Conduct in-depth materials management data analysis and develop an inventory optimization strategy aimed at reducing cost while maintaining customer service levels.
- II. Develop strategy and manage the process to achieve:
  - a. Identify critical spare items in stock.
  - b. Identify dead and excess (non-critical) inventory to be sold or scrapped (*Part of the result of this portion of the engagement will be the inventory valued at lower of cost or market*).
  - c. *Tag obsolete and used parts in stock to be sold or otherwise disposed of.*
  - d. *Coordinate the sale of obsolete, used, dead, and excess inventory in compliance with City of Lake Worth Procurement code.*
  - e. Coordinate the disposition of items to be scrapped.
- III. Develop an effective inventory stocking strategy.
- IV. Plan, facilitate, and direct a warehouse redesign effort.
- V. Complete inventory database related objectives.
  - a. Standardize, enhance, and complete the inventory database.
  - b. Work with the Utility and Finance staff to incorporate existing Water/Sewer inventory into the Utility Warehouse.
  - c. Barcode labels all items in stock.
  - d. Conduct a wall-to-wall physical count of the inventory.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

***M-08-06 Receivables***

**Criteria**

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

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.

**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**

Although no similar findings were noted in the current year's audit, the City did not record in its Regional Sewer Fund the receivable from participating agencies for their share in the Regional Renewal and Replacement paid to the ECR.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

*Views of Responsible Officials and Planned Corrective Action*

The receivable for amounts owed to the City from the Regional Sewer customers were recorded in the Regional Sewer Fund. The entry was recorded after year end due to the timing of the receipt of the information and the status of the dispute. The dispute moved into the Chapter 164 process just after the end of the fiscal year and the entry was not recorded until then, however it is included in these statements.

*M-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.

**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**

No similar findings were noted in the current year's audit.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

***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.

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**

No similar findings were noted in the current year's audit.

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**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

**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.

**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**

No similar findings were noted in the current year's audit.

*M-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.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

**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.

**Current Year Status**

Similar findings were noted in the current year's audit.

**Views of Responsible Officials and Planned Corrective Action**

The decision to reconcile the results of the Fixed Asset consultant's inventory with the City's records and record a prior period correction caused us not to meet the requirement to furnish a completed financial statement to the CRA creditors on March 31, 2011. It should be noted that the CAFR was completed prior to March 31, 2011 and except for that decision would have been issued on time.

***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.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

**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**

No similar findings were noted in the current year's audit.

***M-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.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

**Current Year Status**

No similar findings were noted in the current year’s audit.

**Other Matters**

***M-8-16 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**

Similar findings were noted in the current year’s audit.

**Views of Responsible Officials and Planned Corrective Action**

The City’s OMB Office is currently developing a business plan for the Golf Fund that will address annual deficits and provide resources for the elimination of the deficits in this fund.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

Refuse Collection and Garage funds have been addressed over the past several years. Their charges were adjusted and the elimination of the deficits will be accomplished over the next several years.

The Capital Improvements Capital Project fund deficit is being analyzed and a solution will be determined before the end of the 2011 fiscal year.

The NSP2 fund deficit undesignated Net Assets in related to its pre-paid items and will be reduced as the pre-paid items are used up. As a Special revenue fund NSP2's revenue and expenditures will equal each other over the life of the grant.

***M-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 recommended the City perform a reevaluation of the long term care estimate to ensure all current factors are taken into consideration.

**Current Year Status**

No similar findings were noted in the current year's audit.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)**

***M-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**

No similar findings were noted in the current year's audit.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

**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**

No similar conditions were noted in the current year.

**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 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.

**CITY OF LAKE WORTH, FLORIDA**

Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2010  
(Continued)

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

**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**

No similar conditions were noted in the current year. However, the City is still in the process of identifying which capital assets acquired in prior years were funded, in full or in part, by federal financial assistance as part of the reconciliation process resulting from the inventory and valuation of all City assets by an outside consultant.

**Views of Responsible Officials and Planned Corrective Actions**

The next step in resolving the final comments related to fixed assets is to identify the portions of the City's assets purchased with Federal or State funds. As indicated by the numbering of the comment this issue was in existence in 2006. The Finance Department will complete the identification for all such assets purchased since 2008 during the summer of 2011 and a process and procedure for identification of funding source for all assets purchased will be in place before the end of FY 2011.

## CITY OF LAKE WORTH, FLORIDA

### Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2010 (Continued)

#### 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**

No similar conditions were noted in the current year. However, the City is still in the process of identifying which capital assets acquired in prior years were funded, in full or in part, by state financial assistance as part of the reconciliation process resulting from the inventory and valuation of all City assets by an outside consultant.

##### **Views of Responsible Officials and Planned Corrective Actions**

The next step in resolving the final comments related to fixed assets is to identify the portions of the City's assets purchased with Federal or State funds. As indicated by the numbering of the comment this issue was in existence in 2006. The Finance Department will complete the identification for all such assets purchased since 2008 during the summer of 2011 and a process and procedure for identification of funding source for all assets purchased will be in place before the end of FY 2011.



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**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF  
THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor and City Commission  
City of Lake Worth, Florida

We have audited the basic financial statements of the City of Lake Worth, Florida (the "City") as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated May 18, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated May 18, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter is required to include the following information:

- 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 significant 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.
- 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 in ML-2010-01 and ML-2010-01.
- 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 occurred, or are likely to have occurred, 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) deficiencies in internal control 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 was incorporated as a municipality in 1913 under Chapter 6713, Laws of Florida. The City included 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 government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions 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, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Section 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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 the 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 the Mayor, City Commission and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

West Palm Beach, Florida  
May 18, 2011

*TCBA Water Rice LLP*

# CITY OF LAKE WORTH, FLORIDA

Management Letter  
Fiscal Year Ended September 30, 2010

## I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

### *ML-2010-01 Review of Utility Billing Process*

#### **Finding**

In the Utility Department, we noted that there is no Supervisory Control over changes made to the billing data such as water consumption and billing rate prior to processing the data for billing. Although we understand that the edits made by the Billing Coordinator are necessary to correct some erroneous information (such as zero consumption or high usage), the absence of Supervisory review and approval does not allow the detection of errors made in the process.

#### **Recommendation**

We suggest that the Billing Manager review and sign-off on the edits/changes made to provide the necessary check and balance and to signify approval. Such review and approval should also cover the processing of refunds to customers.

#### **Management's Response**

The City recognizes that business operating processes and procedures including more extensive internal controls in the Utility Customer Services function need to be supplemented. To accomplish this process a consultant has been engaged to assist the City for an interim period of time while the City selects a vendor to fully reprogram the Customer Service function. A RFP has been issued for a vendor to:

- I. Conduct an in-depth, on-site review of existing business practices for all facets of the Utility Customer Service Office and to develop standard operating procedures and training modules for:
  - a. Billing practices
  - b. Customer contact (new/changed accounts)
  - c. Disconnects for non pay
  - d. Reconnects
  - e. Cashiering
  - f. Work orders
    - i. Generating
    - ii. Processing
    - iii. Completing
  - g. Internal auditing (checks and balances)
  - h. Telephone Center

## CITY OF LAKE WORTH, FLORIDA

### Management Letter Fiscal Year Ended September 30, 2010

- II. Conduct an in depth review of collection practices and develop standard operating procedures and training modules for:
  - a. Internal collections.
  - b. Collections submitted to an external agent.
  - c. Write offs
- III. Develop a staffing plan and job descriptions for all positions of the Customers Service Office.
- IV. Provide Business Office Management for the entire scope of the project to include:
  - a. An on-site manager immediately upon project award
  - b. Identification of critical job duties for the Manager job description
  - c. Transition management services for city take-over at project completion.

The RFP is opening on May 17<sup>th</sup> and the City is selecting a consultant to start as soon as possible.

#### ***ML-2010-02      Restrict Handling of Collections to Cashiers and other Authorized Employees***

#### **Finding**

On March 4, 2011, we performed a surprise cash count of the collections received at the Utility Department. Although the results of our cash count did not show significant difference against the Cashier's accountability, we noted that the Accountant, Ms. Rosealyn Ramsabhag, handed cash to the Cashier in the amount of three hundred dollars to be included as part of the collections, just before we started the count. We were made to understand that the money was taken earlier during that day to be changed and was temporarily kept in the vault.

#### **Recommendation**

We suggest that only the Cashiers should handle the collections during the day before those are turned over to the Customer Service Manager or Billing Manager for cash count.

#### **Management's Response**

Please see response to ML -2010-01. In the meantime, adjustments to cashiers duties have been made to provide adequate control.

## CITY OF LAKE WORTH, FLORIDA

Management Letter  
Fiscal Year Ended September 30, 2010

### *ML-2010-03 Provide Dual Combination for Cash Vault*

#### **Finding**

We noted that the cash vault can be opened by only one (1) person at any given anytime.

#### **Recommendation**

For better internal control, we suggest that the cash vault should be opened by dual combination so that no one person can have access to it without the second combination.

#### **Management's Response**

Please see response to ML -2010-01. In the meantime, adjustments to cashiers duties have been made to provide adequate control.

### *ML-2010-04 Construction Retainage*

#### **Finding**

During our testing of addition to the City's capital assets, it was noted that one of the participating vendors involved in the construction of City property did not have retainage withheld from their progress payment requests.

#### **Recommendation**

According to Florida Statutes Title XVIII Public Lands and Property Chapter 255 Public Property and Publicly Owned Buildings- 255.078 -Public Construction Retainage.

1. With regards to any contract for construction services, a public entity may withhold from each progress payment made to the contractor an amount not exceeding 10 percent of the payment as retainage until 50-percent completion of such services.
2. After 50-percent completion of the construction services purchased pursuant to the contract, the public entity must reduce to 5 percent the amount of retainage withheld from each subsequent progress payment made to the contractor. For purposes of this section, the term "50-percent completion" has the meaning set forth in the contract between the public entity and the contractor or, if not defined in the contract, the point at which the public entity has expended 50 percent of the total cost of the construction services purchased as identified in the contract together with all costs associated with existing change orders and other additions or modifications to the construction services provided for in the contract.

The City should adopt the Florida Statutes noted to ensure that the City's assets are protected against unforeseen construction and other related expenses arising from uncompleted or unfinished construction projects.

# CITY OF LAKE WORTH, FLORIDA

Management Letter  
Fiscal Year Ended September 30, 2010

## **Management Response**

Maintaining adequate retainage to assure that contractors perform on construction projects is a very important tool to protect the City from non-performance or shoddy work.

Chapter 255.078 section (9) states: *(9) This section does not apply to any construction services purchased by a public entity if the total cost of the construction services purchased as identified in the contract is \$200,000 or less.*

The City will ensure that all construction services in excess of \$200,000 comply with the requirement and will include this requirement in all bid and contract documents as well the update of the Purchasing Policies and Procedures that is underway.

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# CITY OF LAKE WORTH, FLORIDA

Management Letter  
Fiscal Year Ended September 30, 2010

## II. STATUS OF PRIOR YEAR'S RECOMMENDATIONS AND MANAGEMENT'S RESPONSE

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.

<b>Date of Invoice</b>	<b>Date Paid</b>
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.

#### **Current Year Status**

No similar finding has been noted during the current year.

### *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.

# CITY OF LAKE WORTH, FLORIDA

## Management Letter Fiscal Year Ended September 30, 2010

### **Recommendation**

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

### **Current Year Status**

No similar finding has been noted during the current year.

### ***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.

#### **Current Year Status**

No similar finding has been noted during the current year.

### ***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).

<b>Date of Cash Receipt</b>	<b>Date of Bank Deposit</b>	<b>Date Recorded in Finance</b>
4/19/2009	4/19/2009	5/8/2009
5/15/2009	5/15/2009	6/5/2009

# CITY OF LAKE WORTH, FLORIDA

Management Letter  
Fiscal Year Ended September 30, 2010

## **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.

## **Current Year Status**

No similar finding has been noted during the current year.

- *End of Report* -



- *End of Report* -