



ANNUAL REPORT TO THE CITIZENS



FISCAL YEAR ENDED
SEPTEMBER 30, 2010



Annual Report to Citizens

The purpose of the Annual Report is to provide an overview of the financial position and operations of the City of Lake Worth, as reported in the City's Comprehensive Annual Finance Report (CAFR) for the year ended September 30, 2010, along with other information of interest.

The financial information presented here is in a summarized and condensed form, and does not substitute for the City's CAFR. The CAFR outlines the City's financial position and operating activities each year presented in conformity with generally accepted accounting principles (GAAP). The Annual Report is not intended to conform to GAAP primarily because certain presentations of financial data may exclude other general government funds (as described in each schedule or graph) and because disclosures are not presented. The summarized and graphical presentation in the Annual Report is suitable for those readers who prefer an overview or summary of the City government and its financial position. Pension information is not included in this report. Pension financial statements and actuarial information is available on the City's website.

Some of the information is from the City's Annual Budget. The City's CAFR for FY 2009 received the award for outstanding financial reporting from the Government Finance Officers Association. The CAFR, Annual Budget and Annual Report are available at the Lake Worth Public Library and City Hall. You may also find the documents on the City's website:

www.lakeworth.org

In keeping with our commitment to excellence, we proudly present this Annual Report to you.

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A Message From Your City Manager



To the Citizens of Lake Worth:

The City is issuing its first Citizens Annual Report. This report's goal is to summarize the somewhat complicated financial information contained in the City's audited Comprehensive Annual Financial Report for Fiscal Year 2010 (FY 2010) in a manner that is more understandable.

FY 2010 was extremely challenging. During the early part of the year the City realized that the revenue estimates that had been used to build the budget for the year were not going to be realized. In response all City departments worked together to adjust their expenditures. The result was that the original anticipated expenditures in the General Fund were reduced by \$2.2 million. This allowed the City's General Fund to end FY 2010 year in the

black by \$0.4 million.

The Electric, Water and Local Sewer Utility operations of the City are operating according to plan with adequate income to meet their renewal/replacement needs, operating and debt requirements. All three of these utilities have developed multiyear operating plans that allow for adequate funding and minimize rate changes over time periods of the plans.

The Regional Sewer utility is experiencing revenue shortfalls due to the ongoing dispute with its customers (other municipalities) over prior year's billings and current rates. The City and the customers have entered a dispute resolution process to resolve the issues.

Sanitation and Stormwater utilities are operating as planned. Changes to the operational model in Sanitation has moved that fund from a deficit position to one that is putting aside resources for future renewal and replacement.

The Golf course ended the year at a deficit. Changes to the operating model at the golf course reduced the deficit in FY 2010 and a business plan is being formulated in the current year to move this enterprise into a profitable position.

In addition to the General Fund and the Utilities the City operates a number of other funds;

for specific purposes these are listed in the schedule on page 15.

FY 2010 was a difficult year for the City's residents and employees were asked to "do more with less" while accepting a freeze in pay and reduced medical benefits. During the past twelve months the City welcomed an almost entirely new management team and they have been reevaluating and re-engineering the way the City conducts business. This new team, in conjunction with the City Commission and hard working long-term staff members, take pride in the following accomplishments.

Improved Financial Management

During FY 2010, the Finance Department improved its accounting and financial management functions in response to issues raised in the 2008 and 2009 audits, including the inventory of all City assets. These improvements will continue over the next several years with the goal of cutting costs and streamlining processes while strengthening internal controls.

The Beach Redevelopment Project and Casino Rehabilitation Plans

Conceptual plans were completed, a business plan developed and a construction manager at risk was selected for

A Message From Your City Manager Continued

the rehabilitation/rebuild of the Lake Worth Casino building. This rehabilitation will return this building to a state similar to its earlier splendor. City staff along with the architect are well on their way to making the rehabilitation of one of Lake Worth's most valued treasures a reality. In January 2010, the City approved a new inter-local agreement with Palm Beach County for the Beach Redevelopment Project; the \$5 million construction budget will pay for redesigning the beach; including the parking lot, landscaping, shade structures, site amenities and traffic flow. The completion of both these projects in 2012 will result in an entirely updated beach front.

Electric, Sewer and Water Department Operations

During FY 2010 an extensive amount of time was devoted to the establishment of an energy conservation program, the successful completion of a NERC audit, the renegotiations of a gas transmission agreement and dispute resolution with the FMPA. Also accomplished was the reevaluation and accounting of sewer service agreements with the City's five sub-regional municipal partners, the establishment of a comprehensive capital improvement program to improve system reliability. A major focus was to improve the management and operation of critical systems which have not functioned

properly for many years. Slowly, and without a lot of fanfare, the City has increased system reliability and improved performance.

Construction of a Reverse Osmosis Water Plant

The City awarded a contract for the construction of the Reverse Osmosis Water Treatment Plant to Reynolds, Inc. for \$15.150 million. In addition to previously issued bond proceeds, the City was able to obtain a \$2.5 million low interest loan from the State of Florida. Construction of the new plant began in November 2009 and has been proceeding as planned.

Customer Service Improvement

The Building Division took steps to improve its customer service to the community by implementing a program called Fast Permits and began accepting roofing affidavits. Fast Permits can be defined as a permit that requires review by one discipline and can be issued within 15 to 45 minutes.

Recreation Facilities

The Leisure Services Department continued its fast pace of renovating and improving current facilities and fields while planning and completing new construction projects improving security and safety at existing sites.

Four of the City's baseball

fields were upgraded with improvements to the turf, clay, lighting, and fencing. The NW Complex underwent extensive renovation utilizing funding provided by Palm Beach County Schools and Palm Beach Atlantic University. The Howard Park CDBG project was completed providing restroom facilities and a maintenance storage room. Leisure Services was also extremely successful in implementing new family oriented programming and athletic events during the year.

The ability to accomplish all these improvements while operating in a cut-back mode is a testament to the dedication of City workers and the working relationship with the City's elected Officials.

Lake Worth is a special place in the middle of the urban sprawl of South Florida. The City places high degree of importance on providing a welcoming home for a diverse population. Even with the financial struggle of the past few and next few years the City is pledged to meet needs of its citizens.

**Susan A. Stanton, ICMA-CM
City Manager**

Profile of Your City

Lake Worth borders West Palm Beach and Palm Beach to the north, and the Atlantic Ocean to the east. The City was formally incorporated in 1913. In that same year, Lake Avenue became the first street to be graded and rocked. As the townsite began to grow, residents saw the need to construct a dock at the foot of Lake Avenue that extended 1,000 feet into the Lake Worth Lagoon. Shortly thereafter Bryant Park was established, a park that remains beautifully active today.

By the end of World War I, Commissioners with a firm belief in Lake Worth's future, levied higher assessments against properties to pay for the many improvements. The first bridge across the Intracoastal Waterway was built in July 1919, and was one of the longest wooden toll-free bridges in the United States.

During the 1920's the City of Lake Worth witnessed tremendous growth. In 1922, the famous Lake Worth Casino opened where travelers came from across the region to recreate and bathers enjoyed a salt-water swimming pool. The Lake worth Electric Water & Ice Company was chartered in 1914. The City has furnished power & water to its citizens ever since.

Lake Worth High School was also dedicated in 1922. In 1924, the Oakley Theatre opened on the site of the current Lake Worth Playhouse. The first stoplight was installed in 1925 at Lake Avenue and Dixie Highway. The Lake Worth Golf Course opened and the Gulfstream Hotel was dedicated during the 1920s.

In 1934, the WPA Auditorium was dedicated at 7 North Dixie Highway, and today the Moorish Mediterranean-style building serves as Lake Worth's City Hall.



Over the past few decades the City of Lake Worth's downtown and historic neighborhoods have undergone a cultural renaissance. The City is home to a number of art galleries, cultural facilities, and renowned restaurants. The City has also become an extremely diverse community that welcomes people of all religions, ethnicity and lifestyles.

City Demographics For FY 2010

Total size: 4.9 Square Miles (6,299 persons per square mile)

Total Population: 35,133 Median Age: 34

Median Household Income: \$35,125 (20% of population below poverty rate)

Percentage of population with a high school degree or higher: 66.5%

Percentage of population with a bachelors degree or higher: 16.4%

Homeownership Rate: 52.4%

Estimated Number of Households: 12,165



From Left to Right

Commissioner Suzanne Mulvehill, District 4

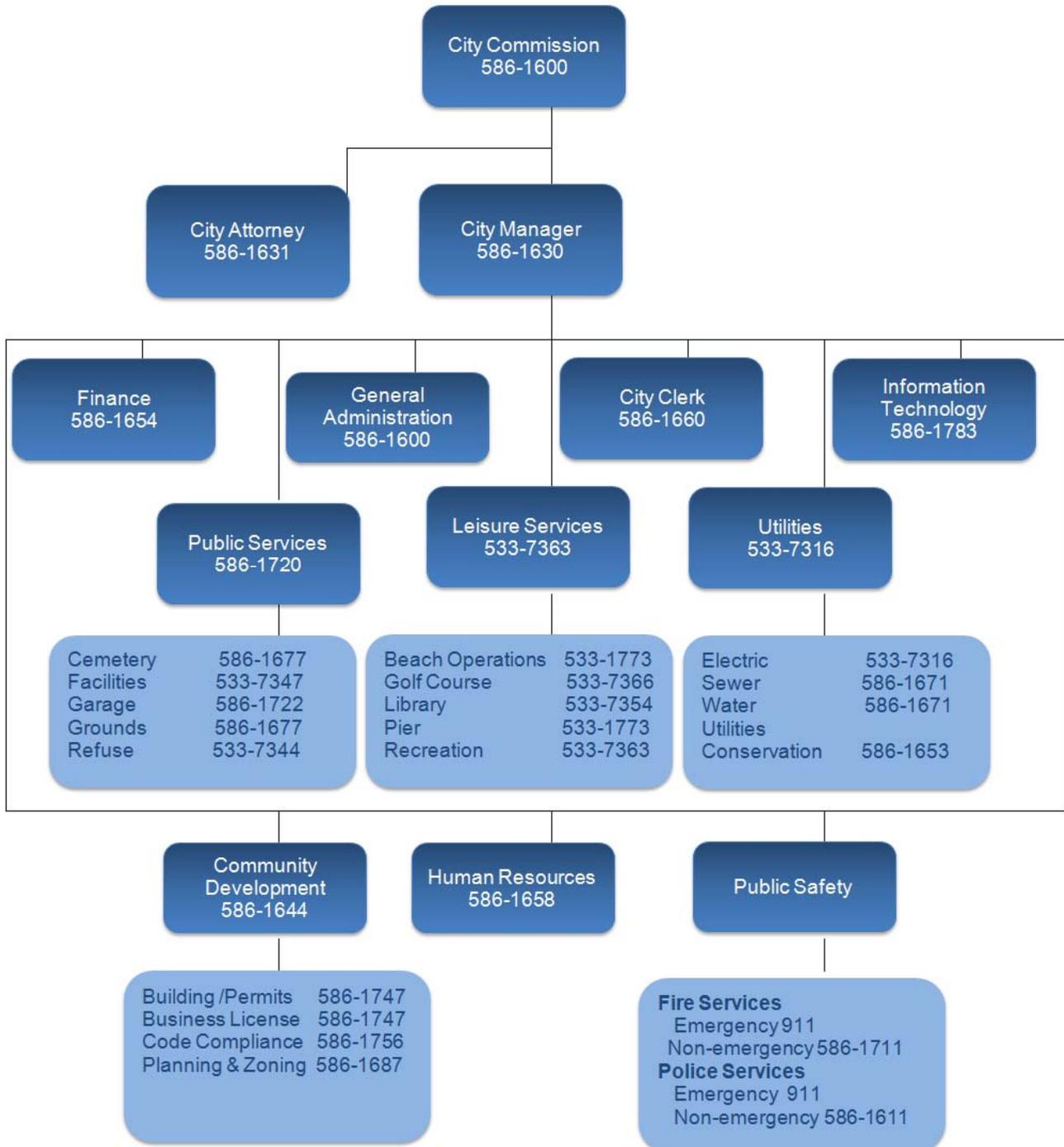
Commissioner Cara Jennings, District 2

Mayor Rene A. Varela

Vice Mayor/Commissioner Jo-Ann Golden, District 3

Commissioner Scott Maxwell, District 4

Your City Government



City Commission

The City of Lake Worth operates under a Commission-Manager form of government. This structure established a representative form of government where all policy decisions are made by the City Commission and all administrative and service delivery decisions are made by the City Manager.

The City operates under a City Charter that mandates a City Commission comprised of five members who serve staggered two year terms and are elected on a nonpartisan basis by the residents of the City. The Mayor (one of the five members) is elected to serve as the presiding officer and

the official head of the City for ceremonial and legislative purposes. Although elected at large each Commissioner represents one of the four Commission Districts.



Administration and Support Departments

The City administrative and support functions exist to guide and furnish services to the operating departments.

Administrative officials such as the City Manager, City Attorney and City Clerk are directly responsible to the City Commission for the operation of the City.

The City Manager is responsible for providing the centralized direction and leadership for the operations of all municipal services provided by the City. The City Manager prepares and submits to the City Commission a balanced budget and services plan to achieve the goals of the City Commission.

The City Attorney is responsible for directing all the functions required to protect the legal interests of the City.

The City Clerk is responsible for the official recordkeeping for the City and official minutes of the City Commission.

Support departments such as the Office of Management and Budget, Finance, Information Technology and Human Resources provide services to City departments and maintain the financial integrity of the City.



Leisure Services

This department is responsible for the many recreational facilities and opportunities of the City. The City's beachfront is 1/4 mile long with a 1,000-foot fishing pier, beach volleyball facilities and an Olympic competition-sized pool.

The 18-hole municipal golf course, containing 110 acres and stretching 15 blocks, fronts the Intracoastal Waterway. In



addition, 19-acre Bryant Park, stretching 5 blocks along the Waterway, contains a band shell, boat launching facilities, picnic, exercise and playground amenities.

The City also owns and maintains 9 baseball and 3 multi-purpose fields, along with 8 neighborhood and recreational parks. In total the City owns and maintains 118 acres of parks in addition to the beachfront and golf course.

In 2010 more than 1,800 games involving 6,500 participants were played on the various fields. Six hundred (600) individuals were taught to swim at the pool, 700

beachgoers were rescued or treated for minor injuries by Lifeguards and several thousand participants attended the 7 beach bonfires.



Over 41,000 rounds of golf were played on the City's course.

The City library had over 92,000 visitors and circulated 85,531 items. The Library provided programs attended by 4,976 children and adults.

Public Services

The Public Services Department consists of the Building and Grounds Division which is responsible for maintenance of all City buildings and the grounds as well as street medians and parks. They mow and maintain the landscape in 10 acres of medians, 66 acres of parks and the two City-owned cemeteries.

The Streets Division is responsible for the maintenance of 118 miles of paved roads and 16 miles of unpaved streets as well as street sweeping and pot hole patching.

The Sanitation Division picked up 20,400 tons of garbage and

2468.58 tons of recyclables from 16,500 residential and 4,500 commercial customers in 2010.

The Stormwater Division began a multi-year plan for reconstruction of curb, gutter and water conveyance structures throughout the City.

The City Garage maintains 238 City and Utility vehicles. This department is also responsible for centralized fueling functions.



Community Services

This department is responsible for the many facets of overseeing the implementation of programs that impact the City's physical and economic development.

Development of the Lake Worth Park of Commerce, enforcement of the building codes, planning for development and redevelopment within the city, and ensuring compliance with the property maintenance and zoning codes all fall under this department.

During FY 2010 the Department processed 2,900 permit applications, conducted 4,330 inspections and reviewed

3,781 building plans. The Business License Division processed almost 4,000 rental business tax applications and 2,200 business license renewals. In the effort to make sure that properties are being maintained in a safe manner the Code Compliance Division made 2,621 inspections and closed 1,117 cases.



Utilities

The Utilities Departments furnish the basic necessary services to the citizens.

The electric utility furnished 400 million kWh to its 24,784 customers in FY 2010. The City's Utility Conservation Department has provided audits and energy saving products that have saved almost 1.2 million kWh and 4 million gallons of water.

The water utility maintains more than 150 miles of pipes and pumped almost 2 million gallons of water to its customers. That water will soon be clearer as it will be produced by the City's own Reverse Osmosis Water Treatment Plant.

The local and sub-regional sewer systems pump the City's waste water through 99 miles of pipes and 26 lift stations to the County's treatment facility.



Police and Fire Services

The City's Police and Fire Protection Services have been contracted out to the Palm Beach Sheriff's Office (PBSO) for police and Palm Beach County Fire/Rescue for fire.

Although these services have been contracted, the City is still responsible for paying for the services. In FY 2010 the city spent almost one half of its General fund to provide the services.

During the six months ending in December 2010, PBSO handled 34,050 calls. Although the number of calls was large, the total offenses index declined 17.8 % from 2009 through 2010. Violent crime declined 14.8% and non-violent crime dropped 18.55%. Burglary and robbery also declined 34.58% and 9.82% respectively.

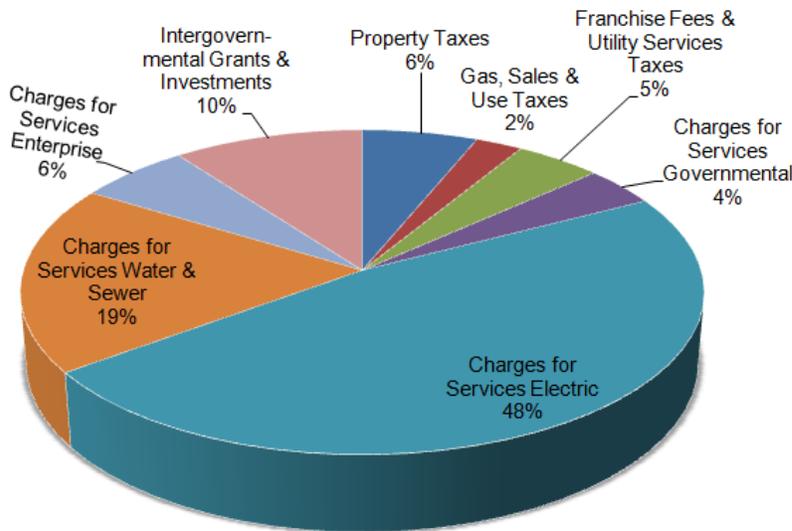
Palm Beach County Fire/Rescue responded to 5,871 calls for service; 171 for fire events and transported 2,263 patients.



Financial Highlights— City Wide

Where the money comes from

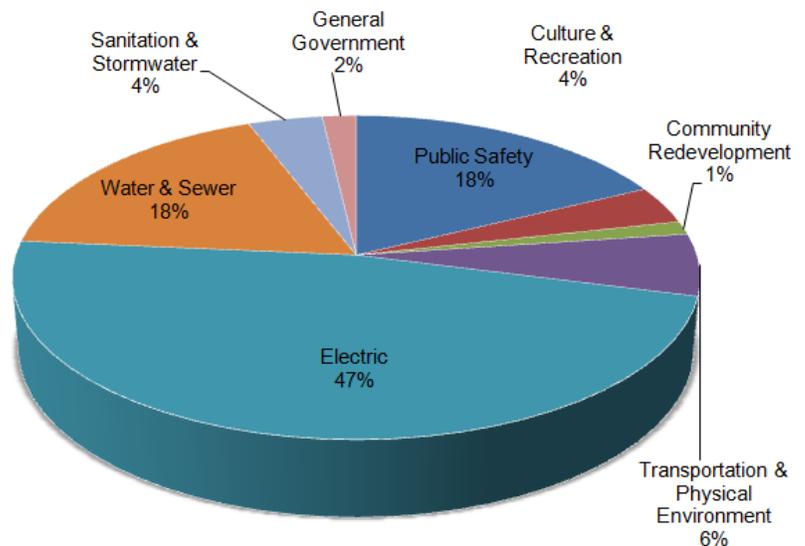
- Of the total \$125 million that flows to the City, 73% is from Utility Services.
- The remaining 27% is composed of 6% property taxes, 12% intergovernmental & state shared revenues and 9% utility service taxes and charges for services.



REVENUE BY SOURCE	2010
Property Taxes	\$ 7,764,745
Gas, Sales & Use Taxes	3,153,448
Franchise Fees & Utility Services Taxes	5,809,632
Charges for Services Governmental	4,932,072
Charges for Services Electric	59,380,986
Charges for Services Water & Sewer	23,422,625
Charges for Services Enterprise	7,532,529
Intergovernmental Grants & Investments	12,822,374
Total	\$ 124,818,411

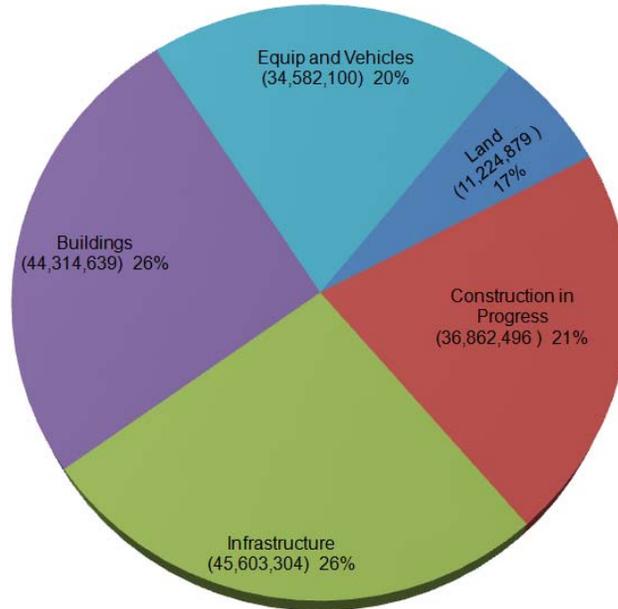
Where the money goes

- Of the total \$114 million costs of running the City, 69% is spent to provide Electric, Water, Sewer and Sanitation Services.
- Of the remaining 31%, 18% is spent on Public Safety and 11% on Recreation, Streets and Grounds and finally 2% on General Government.



EXPENDITURES	2010
Public Safety	\$ 20,206,868
Culture & Recreation	4,304,809
Community Redevelopment	1,514,545
Transportation & Physical Environment	7,040,952
Electric	53,936,852
Water & Sewer	20,230,575
Sanitation & Stormwater	4,544,135
General Government	2,075,461
Total	\$ 113,854,197

Assets - City Wide



Total Assets (Depreciated Value)					
General					
Government	\$	66,288,357	Utilities	\$	106,299,061
Total		\$	172,587,418		

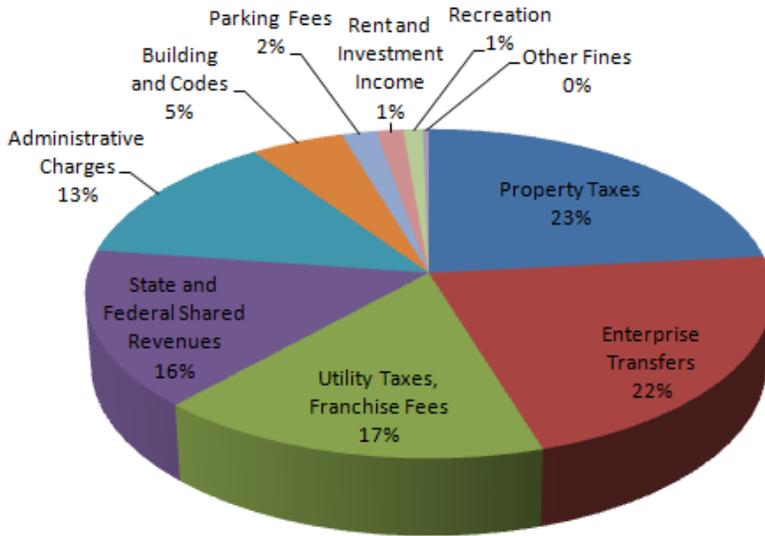
Condensed Statement of Net Assets (In Thousands)

	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	95,457	95,148	222,967	215,917	318,424	311,065
Current liabilities	2,426	4,403	12,233	14,510	14,659	18,913
Noncurrent liabilities	7,142	7,677	70,185	0,035	77,327	76,712
Total liabilities	9,568	12,080	82,418	8,545	91,986	95,625
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	\$ 85,889	\$ 83,068	\$ 140,549	\$ 132,372	\$ 226,438	\$ 215,440

Financial Highlights— General Fund

Where the money comes from

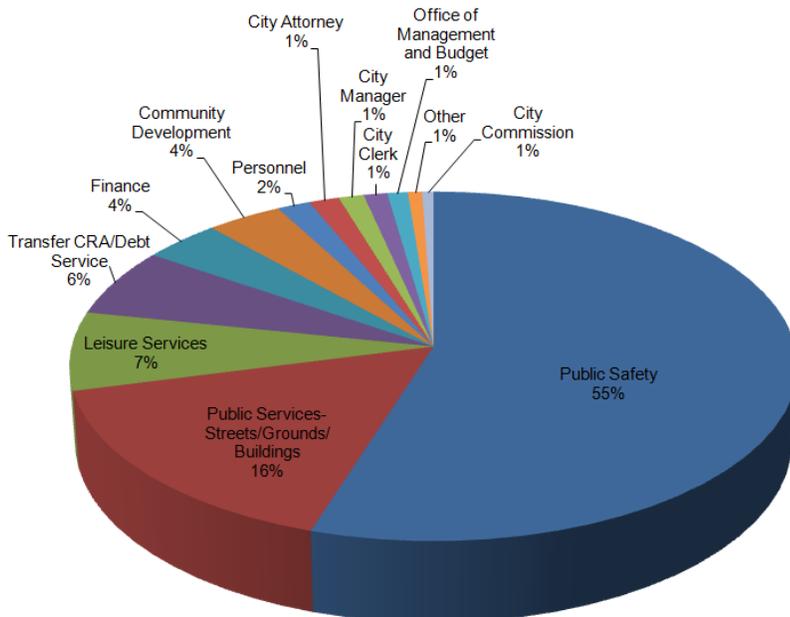
The General Fund revenues totaled \$33.2 million with 23% generated by property taxes and 22% from utility contributions. The other large revenue sources were 16% state-shared revenues and 17% utility taxes.



REVENUES	2010
Property Taxes	\$ 7,764,745
Enterprise Transfers	7,275,504
Utility Taxes, Franchise Fees	5,489,313
State and Federal Shared Revenues	5,150,105
Administrative Charges	4,378,186
Building and Codes	1,641,266
Parking Fees	614,756
Rent and Investment Income	476,845
Recreation	344,489
Other Fines	106,105
TOTAL	\$33,241,314

Where the money goes?

Expenditures in the General Fund totaled \$32.8 million with Public Safety functions comprising 55%, Public Services 16%, Leisure Services 7%, transfers to the CRA and Debt Service of 6%, Community Development of 4% and the remaining 12% for Administrative functions.



EXPENDITURES	2010
Public Safety	18,015,084
Public Services- Streets/Grounds/Buildings	5,275,956
Leisure Services	2,388,084
Transfer CRA/Debt Service	2,066,728
Finance	1,270,627
Community Development	1,229,920
Personnel	538,271
City Attorney	493,795
City Manager	410,193
City Clerk	384,187
Office of Management and Budget	332,552
Other	230,244
City Commission	184,772
TOTAL	32,820,413

Non Major Funds

Fund	Total Revenue	Total Expenditures	Transfer in (out) net	Changes in Fund Balance	Ending Fund Balance
Building Permit	859,266	695,502	9,186	172,950	158,886
Parking Improvement	1,599	1,524	-	75	150,606
Foreclosure	36,357	94,323	(85,000)	(142,966)	1,203,887
Grants	659,106	946,294	95,822	(191,366)	126,002
Beach Redevelopment	3,964	214,716	733,980	523,228	523,228
Tree Beautification	1,847	12,893	10,000	(1,046)	13,828
Utility Conservation	1,084,523	311,609	-	772,914	772,914
Simpkin Trust	12,037	1,643	(30,000)	(19,606)	609,525
Library Trust	5,420	572	(10,000)	(5,152)	220,342
Incentive Trust	-	-	-	-	8,435
Law Enforcement & Firefighter Education	10,147	225	-	9,922	17,066
Building Education Fund	9	1,552	(9,186)	(10,729)	-
Law Enforcement Confiscated Property	3,606	24,471	-	(20,865)	64,829
Summer Food Program	-	-	-	-	12,096
Special Donation	3,332	772	-	2,560	125,702
Improvement Fund	10,534	6,722	-	3,812	160,857 *
Casino Building	-	52,500	460,000	407,500	407,500 *
Capital Projects	1,783,312	1,367,021	(1,384,480)	(968,189)	4,911,293 *
Golf Course	1,358,916	1,489,803	(186,014)	(316,901)	765,344
Stormwater	1,680,477	1,162,174	(341,849)	176,454	7,981,338
Refuse Collection & Disposal	4,649,773	3,555,928	(507,879)	585,966	306,924
Information technology	1,354,655	1,063,030	-	291,625	295,178
Self Insurance	3,737,680	1,627,748	(16,499)	2,093,433	6,438,156 *
City Garage	514,830	624,176	169,050	59,704	(6,738)
City Total	\$ 17,771,390	\$ 13,255,198	\$ (1,092,869)	\$ 3,423,323	\$ 25,267,198
CRA	1,130,040	2,455,870	2,028,576	702,746	4,165,789
NSP2	2,191,001	300,125	-	1,890,876	1,890,876
CRA capital Project	292,160	1,026,624	(812,277)	(1,546,741)	864,323 *
CRA Total	\$ 3,613,201	\$ 3,782,619	\$ 1,216,299	\$ 1,046,881	\$ 6,920,988

* Amount reported in original report was beginning fund balance.

The Future

Beachfront Renovations



Grant from Palm Beach County for \$5 million to create a new beachfront by 2012.

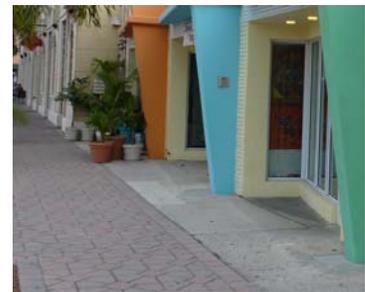


Casino Building

Rehabilitation of the Lake Worth Casino Building, a project that will generate additional revenues to pay back its cost, will be completed in 2012.

Sidewalks

A 5-year sidewalk plan to connect schools and neighborhoods. Funded from the City and grants from the County.



Stormwater

A master plan is underway that will generate a multi-year construction program to update the City's handling of stormwater.



Golf Course

A renovation of all 18 greens is being planned for 2012.

Reverse Osmosis Plant

Using a combination of Federal, State and Local Loans & Grants for funding, the Reverse Osmosis Plant is expected to be completed in 2011.



Street Painting Festival February 2011





City of Lake Worth
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