
COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF LAKE WORTH, FLORIDA

PALM BEACH COUNTY

Fiscal Year Ended September 30, 2012

CITY OF LAKE WORTH, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

Prepared by
City of Lake Worth Finance Department

Steven C. Carr
Finance Director

City of Lake Worth, Florida



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I

INTRODUCTORY SECTION

City of Lake Worth, Florida

City of Lake Worth, Florida

*Letter of Transmittal
For the Fiscal Year Ended September 30, 2012*



City of Lake Worth, Florida

7 North Dixie Highway
Lake Worth, Florida 33460

Finance Office
Phone (561) 586-1641 Fax (561) 586-1750

March 29, 2013

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, 2012, 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, 2012.

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, 2012 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 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.

City of Lake Worth, Florida

Letter of Transmittal For the Fiscal Year Ended September 30, 2012

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 approximately 7 square miles with a population of approximately 37,000. The median age has declined over the past two decades 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, make 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 needs 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: www.lakeworth.org.

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 and solid waste collection and stormwater enterprises.

The City of Lake Worth's unemployment rate has historically been higher than the state and national rates. In 2009-2012 the rate tracked higher as the state and the national unemployment rates climbed with the national economic contraction primarily due to the sharp decline in the housing market in Florida and

City of Lake Worth, Florida

Letter of Transmittal For the Fiscal Year Ended September 30, 2012

elsewhere in the nation. Today, Florida's unemployment rate is 7.9 % - higher than the national rate of nearly 7.6%. Palm Beach County has a rate of 8%. 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 2012 comprised approximately 19% of annual General Fund annual resources providing \$5.8 million of the total \$29.5 million annual budget.

The City expects a flattening of the decline in property value in the coming years. The past declines have stemmed 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 caused declines in property values as well as property loan financing. This trend seems to be reaching its end. 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 latter part of the last 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 have made significant progress in addressing the 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 and strengthen the City's financial position, significant reductions in the number of staff positions have been made over the past four fiscal years. 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 ending its agreement with Florida Municipal Power Agency (FMPA) as a power provider which will reduce the cost of electric power in the future. In 2011 the City completed a new \$27.2 million Reverse Osmosis Water Treatment Plant which will insure the ability of the City to meet water demand into the foreseeable future.

City of Lake Worth, Florida

Letter of Transmittal

For the Fiscal Year Ended September 30, 2012

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 that the financial stability of the City's utility operations is maintained.

Cash Management Policies and Practices

Cash that is temporarily idle during the year is invested in obligations 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.

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 the 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. All three plans are administered by an outside pension administration service and are reported by the City as pension trust funds. 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, as required by Florida law, allows retirees to remain on the City's health insurance plans. Retirees pay the full premium for coverage with no contribution by the City.

City of Lake Worth, Florida

Letter of Transmittal For the Fiscal Year Ended September 30, 2012

Financial Policies

The City operates under a set of Comprehensive Financial Policies that provide a framework for all financial and budgetary decisions and transactions. The City has implemented all Governmental Accounting Board Standards that are applicable as of the end of the current fiscal year.

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, 2011. 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 program's 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

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City of Lake Worth, Florida

*Certificate of Achievement for Excellence
In Financial Reporting
For the Fiscal Year Ended September 30, 2011*

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, 2011

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.



Christopher P. Morille

President

Jeffrey R. Enen

Executive Director

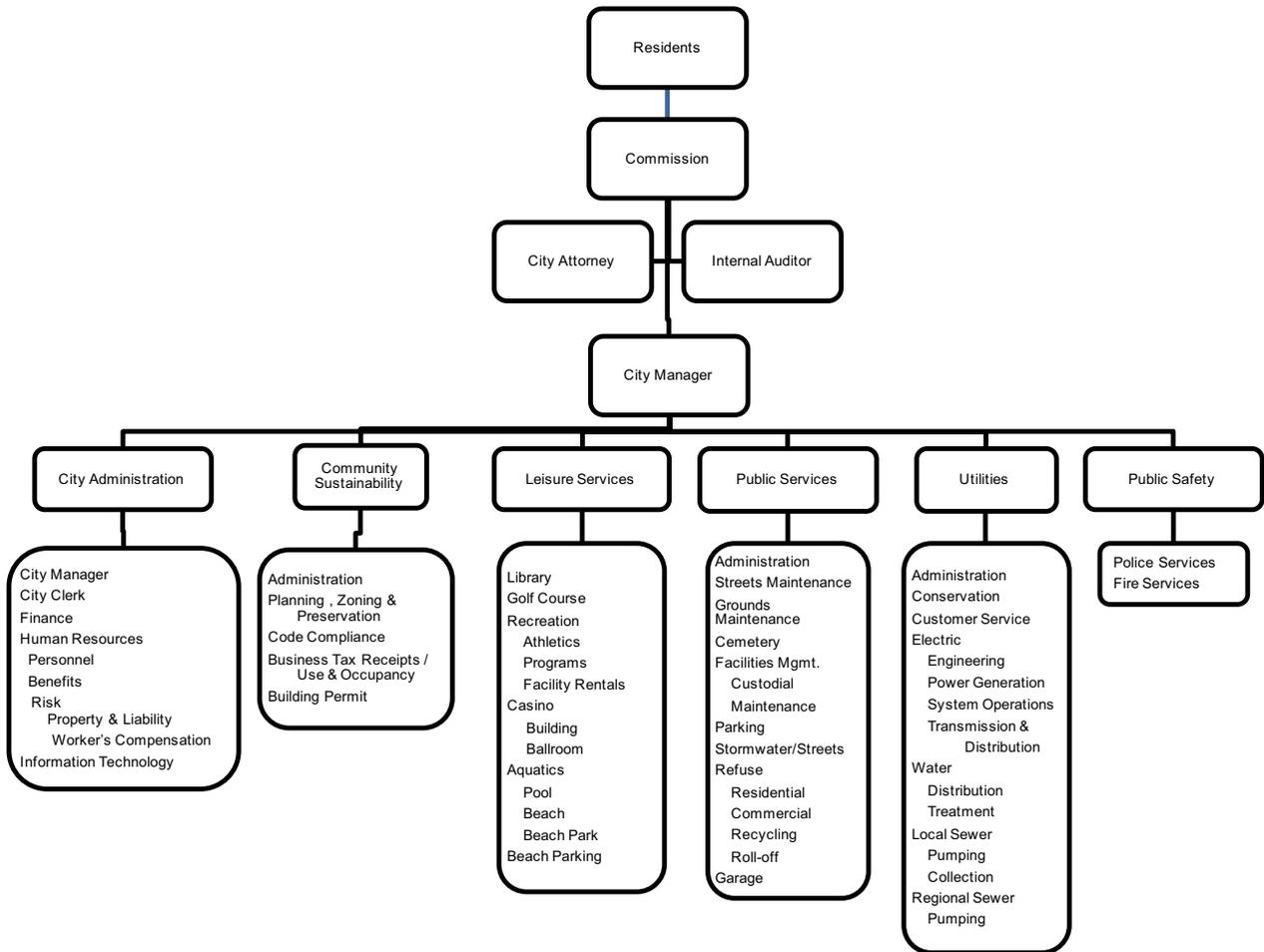
City of Lake Worth, Florida

List of Principal Officials For the Fiscal Year Ended September, 30, 2012

OFFICE HELD	NAME OF OFFICIAL
City Commission:	
The City Commission is comprised of five members who serve overlapping two-year terms and are elected on a nonpartisan basis by residents of the City. The Mayor is elected at-large to serve a two-year term as the presiding officer at City Commission meetings and as the official head of the City of Lake Worth for legislative and ceremonial purposes. The City Commission is responsible for passing ordinances and other policy directives necessary for the operation of the City.	
Mayor	Pam Triolo
Vice Mayor/Commissioner – District 1	Scott Maxwell
Commissioner - District 2	Christopher McVoy
Commissioner - District 3	Andy Amoroso
Commissioner - District 4	John Szerdi
Management Team:	
City Manager	Michael Bornstein
Interim City Attorney	Glen J. Torcivia
City Clerk	Pamela J. Lopez
Community Sustainability Director	William Waters
Finance Director	Steven Carr, CPA
Human Resources Director	Mark Farrington
Interim Information Technology Director	Nelly Peralta
Leisure Services Director	Juan Ruiz
Public Services Director	Jamie Brown
Interim Utilities Director	Clay Lindstrom
Community Redevelopment Agency:	
Executive Director	Joan Oliva

City of Lake Worth, Florida

Organizational Chart
For the Fiscal Year Ended September 30, 2012





II

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2012, 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 81% of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake Worth, Florida, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013 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.

Accounting principles generally accepted in the United States of America require that *supplementary information, such as management's discussion and analysis and budgetary comparison information* on pages 3 through 12 and 84 through 89, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by *the Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The *combining and individual nonmajor fund financial statements* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying *introductory and statistical section* are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

West Palm Beach, Florida
March 11, 2013

TCBA Water Price LLP

City of Lake Worth, Florida

Management's Discussion and Analysis For the Fiscal Year Ended September 30, 2012

Unaudited

This section of the City's financial statements presents management's analysis of the City's financial performance during the fiscal year that ended on September 30, 2012. Please read it in conjunction with the financial statements, which follow this section.

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.

Financial Highlights

- The financial health of the City is continuing to be under pressure as City property values decreased another 5.69% or \$63,118,174 in 2012. Smaller decreases in assessed property values are expected in the coming year which will help to ameliorate the pressure on financial resources for maintenance of public infrastructure and staff compensation and benefits.
- The total net assets of the City at September 30, 2012 were \$223.7 million, reflecting a decrease of \$8.8 million from 2011. This decrease in the governmental activities is primarily attributable to the Community Redevelopment Agency being reported as a blended component unit of the government in 2011 and prior, and as a discretely presented component unit in 2012.
- At the end of the current fiscal year, the General Fund had \$3.8 million available to help fund the 2012/2013 budget. This was an increase of \$1.8 million from 2011.
- At September 30, 2012, the Utilities Department had total loans outstanding of \$71.5 million including a revenue bond in the amount of \$56.8 million and a state revolving loan in the amount of \$7.2 million which was obtained to help fund the construction of the Reverse Osmosis Water Treatment Plant. 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 \$56.8 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 Water Treatment Plant.
- The City completed the construction of the Deep Injection Well that was necessary to operate the Reverse Osmosis Water Treatment Plant.
- The City began reconstruction of the beachfront redevelopment and continued reconstruction on the Lake Worth Casino Building. These two projects make up the \$13 million beach front upgrade that will be completed in FY 2013.

Overview of 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 15 of this report.

City of Lake Worth, Florida

Management's Discussion and Analysis For the Fiscal Year Ended September 30, 2012

Unaudited

Fund Financial Statements

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these funds focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. As a result of this difference in focus, 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 eighteen individual governmental funds. Information is presented separately for the General Fund and the Casino Building Construction Fund, as these are considered to be major funds. Data for the other governmental funds are aggregated into a single presentation. Individual fund data for these other non-major funds is provided in the form of combining statements on pages 92 to 99 in this report.

The basic governmental fund financial statements can be found on pages 16 to 19 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, 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 non-major enterprise funds in combining schedules on pages 114 to 117. The basic proprietary fund financial statements can be found on pages 20 to 25 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 26 to 27 of this report. In addition, the combining schedules are presented on pages 120 to 122 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 28 of this report.

City of Lake Worth, Florida

Management's Discussion and Analysis For the Fiscal Year Ended September 30, 2012

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 84 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 94 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.

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City of Lake Worth, Florida

**Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2012**

Unaudited

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 11,689	\$ 30,719	\$ 123,237	\$ 111,580	\$ 134,926	\$ 142,299
Capital assets	<u>63,132</u>	<u>65,083</u>	<u>111,458</u>	<u>116,068</u>	<u>174,590</u>	<u>181,151</u>
Total assets	74,821	95,802	234,695	227,648	309,516	323,450
Current liabilities	2,064	3,624	15,190	12,268	17,254	15,892
Noncurrent liabilities	<u>626</u>	<u>4,436</u>	<u>67,980</u>	<u>70,708</u>	<u>68,606</u>	<u>75,144</u>
Total liabilities	2,690	8,060	83,170	82,976	85,860	91,036
Net assets:						
Invested in capital assets, net of related debt	63,132	60,345	52,327	73,066	115,459	133,411
Restricted	6,374	5,631	6,133	706	12,507	6,337
Unrestricted	<u>2,625</u>	<u>21,766</u>	<u>93,065</u>	<u>70,900</u>	<u>95,690</u>	<u>92,666</u>
Total net assets	<u>\$ 72,131</u>	<u>\$ 87,742</u>	<u>\$ 151,525</u>	<u>\$ 144,672</u>	<u>\$ 223,656</u>	<u>\$ 232,414</u>

Enterprise fund - difference in current liability is due to the revenue bond payment being made on 09/30 instead of 10/01
Difference in long term is due to combination of 6 million in new debt and principal pay down.

Governmental - difference in current liabilities is primarily due to difference in accruals.

As shown in Table A-1, net assets amounted to \$223.7 million in fiscal 2012. The major component of this category is "invested in capital assets, net of related debt," which represents the City's investment in its capital assets, net of the amounts borrowed to purchase these assets. This category of net assets decreased from \$232.4 million in fiscal 2011 to \$223.7 million in fiscal 2012, primarily due to the Community Redevelopment Agency (CRA) no longer being presented as a blended component unit which required a prior period adjustment. The change in the way the CRA is being reported, which removed the CRA's assets and debt from the governmental statements, is the primary reason for the decrease in capital assets from \$181.2 in 2011 to \$174.6 in 2012 and the decrease in noncurrent liabilities from \$75.1 in 2011 to \$68.6 in 2012. Current liabilities stayed stable at \$17.3 during this same period. 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.

City of Lake Worth, Florida

**Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2012**

Unaudited

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
General revenues:						
Taxes	\$ 15,142	\$ 15,852	\$ -	\$ -	\$ 15,142	\$ 15,852
Intergovernmental - unrestricted	1,245	1,215	344	100	1,589	1,315
Investment earnings - unrestricted	86	147	3,491	489	3,577	636
Miscellaneous	200	18	-	654	200	672
Charges for services	4,808	4,243	87,337	87,590	92,145	91,833
Operating	940	1,948	-	-	940	1,948
Capital	3,534	4,684	-	148	3,534	4,832
Total revenues	25,955	28,107	91,172	88,981	117,127	117,088
Expenses:						
General government	2,625	2,779	-	-	2,625	2,779
Public safety	18,517	19,078	-	-	18,517	19,078
Physical environment	2,021	2,511	-	-	2,021	2,511
Transportation	3,388	1,382	-	-	3,388	1,382
Culture and recreation	4,481	4,760	-	-	4,481	4,760
Community redevelopment	-	2,664	-	-	-	2,664
Interest on long-term debt	22	229	-	-	22	229
Electric utility	-	-	52,553	49,597	52,553	49,597
Water utility	-	-	10,570	8,713	10,570	8,713
Local sewer	-	-	6,239	5,461	6,239	5,461
Regional sewer	-	-	6,071	3,815	6,071	3,815
Golf course	-	-	-	1,343	-	1,343
Stormwater	-	-	2,076	2,093	2,076	2,093
Refuse collection and disposal	-	-	3,955	3,245	3,955	3,245
Total expenses	31,054	33,403	81,464	74,267	112,518	107,670
Increase in net assets before transfers	(5,099)	(5,296)	9,708	14,714	4,609	9,418
Transfers	2,310	7,379	(2,310)	(7,379)	-	-
Increase in net assets	(2,789)	2,083	7,398	7,335	4,609	9,418
Net assets, beginning, as previously reported	87,742	85,890	144,671	140,549	232,413	215,474
Prior period adjustment	(12,896)	(231)	(545)	(3,212)	(13,441)	-
Net assets, beginning, as restated	74,920	85,659	144,126	137,337	219,046	222,996
Ending net assets	\$ 72,131	\$ 87,742	\$ 151,524	\$ 144,672	\$ 223,655	\$ 232,414

City of Lake Worth, Florida

Management's Discussion and Analysis For the Fiscal Year Ended September 30, 2012

Unaudited

Governmental Activities:

Total revenues declined approximately \$2.2 million due to a reduction in tax and grant revenues. Total expenditures declined due to the change in reporting the Community Redevelopment Agency as a discretely presented component unit.

Business-Type Activities:

Revenues increased \$2.2 million from fiscal year 2011 to fiscal year 2012. Charges for services remained stable from 2011 to 2012. The increase was due to an increase in investment earnings. Total expenses increased by \$7.2 million due to increased costs related to the operation of the City's new Reverse Osmosis Water Treatment Plant and increased costs related to electric production.

Financial Analysis of the Government's Major Funds

Governmental Funds

General Fund - The General Fund recognized \$22.5 million of revenue during the year, offset by \$27.8 million of expenditures. Property taxes declined to \$5.9 million from \$6.1 million in the prior year, which along with utility taxes, charges for services and intergovernmental revenues, are the largest sources of revenue. Public safety expenditures decreased by \$.8 million to \$17.5 million, still representing the largest portion (62.9%) 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. The General Fund balance ended the year with an unassigned fund balance of \$3.8 million versus \$2.1 million in 2011.

Casino Building Fund - The Casino Building Fund is being used to account for all of the costs involved in redeveloping the City's casino building on the beach. In 2011 the fund took an advance in the amount of \$6 million, with \$4 million coming from the Water Fund and \$2 million coming from the Self Insurance Fund. The City has determined that it will proceed with internal financing due to the interest rate environment and repayment will begin in fiscal year ending September 30, 2013.

Proprietary Funds

The City implemented rate adjustments in fiscal year 2012. These adjustments resulted in total revenue decreases in electric operations of \$2.0 million and a decrease of \$.4 million in water operations. Local sewer revenues increased \$.7 million from last year while regional sewer revenues increased by \$1.5 million. Electric operating expenses increased by \$3.4 million and water operating expense \$1.3 million. The regional sewer expenses increased \$2.3 million which was primarily due to the recording of the joint venture activities as further described in Note 8 for the year which included ECR obtaining new debt.

City of Lake Worth, Florida

*Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2012*

Unaudited

General Fund Budgetary Highlights

The General Fund's budgeted revenues decreased \$1.3 million from the original to the final budget due to the City Commission's decision not to implement a fire assessment; the actual revenues received were less than the expected (budgeted) amounts by \$74,629. The City's final budgeted expenditures decreased by \$.7 million from the original budget, but by implementing cost saving measures, the actual expenditures were \$1.7 million less than budget.

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2012, the City had \$174.6 million invested in a variety of capital assets which represents a net decrease (additions, deductions and depreciation) of \$6.4 million from the adjusted end of last year's investment. The City has adjusted the October 1, 2011 net capital asset balances due to the reporting changes for the Community Redevelopment Agency and a capital asset inventory which resulted in a prior period adjustment to correct the balances. Refer to Note 1, prior period adjustment on page 36, for further explanation. Construction-in-progress increased \$4.1 million to a total of \$17.1 million. This is attributable to the continuing reconstruction of the casino building and the beach redevelopment project. Additional information on the City's capital assets can be found in Note 7 beginning on page 47.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$ 8.9	\$ 7.6	\$ 2.6	\$ 3.6	\$ 11.5	\$ 11.2
Construction in progress	11.5	4.0	5.6	9.0	17.1	13.0
Land improvements	2.6	1.9	0.5	1.4	3.1	3.3
Infrastructure	68.8	77.6	103.9	92.4	172.7	170.0
Construction	17.7	16.6	96.1	87.9	113.8	104.5
Machinery & equipment	3.6	3.0	31.5	32.9	35.1	35.9
Licensed vehicles	1.7	1.9	8.1	7.6	9.8	9.5
Total capital assets	114.8	112.6	248.3	234.8	363.1	347.4
Accumulated depreciation	(51.7)	(47.5)	(136.8)	(118.7)	(188.4)	(166.2)
Net capital assets	<u>\$ 63.1</u>	<u>\$ 65.1</u>	<u>\$ 111.5</u>	<u>\$ 116.1</u>	<u>\$ 174.7</u>	<u>\$ 181.2</u>

City of Lake Worth, Florida

Management's Discussion and Analysis For the Fiscal Year Ended September 30, 2012

Unaudited

Debt Administration

As of September 30, 2012, the City had total debt outstanding of \$72.4 million. Of this amount, \$60.4 million is secured by specific enterprise fund revenue sources.

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

	Governmental		Business-Type		Total	
	2012	2011	2012	2011	2012	2011
Revenue bonds	\$ -	\$ -	\$ 56.8	\$ 56.7	\$ 56.8	56.7
Notes payable	-	4.4	13.6	12.4	13.6	16.8
Other obligations	0.9	1.3	1.2	1.6	2.1	2.9
Net capital assets	\$ 0.9	\$ 5.7	\$ 71.6	\$ 70.7	\$ 72.5	\$ 76.4

The City's total debt decreased by \$4 million due to the net effect of the scheduled principal payments and the City no longer having the Community Redevelopment Agency shown as a blended component unit. Additionally, the City has outstanding obligations for the Community Redevelopment Agency in the amount of \$3.5 million for gateway road 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 and occupational license) for their governmental activities. During the past year these revenues decreased and for fiscal year 2013 are estimated to decrease more.

The City's total assessed value for the tax year 2012 or fiscal year 2013 decreased by 5.69% or a decrease in revenue, if the millage rate was unchanged, of \$63,118,174. The City has been impacted by the economic conditions of the State. Budgeted state shared revenue decreased by \$.1 million or 2.13% in fiscal year 2013 over fiscal year 2012.

The fiscal year 2013 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 remained stable from fiscal year 2012.

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 2012, the rates for the business-type activities were recommended by rate studies conducted by consultants and do not reflect large rate adjustments.

Currently Known Facts and Decisions

Beach Complex

The opening of the revitalized beach front and casino building in FY 2013 will provide an upscale destination for beach goers. The Complex will be self supporting through the use of rents and parking revenues.

Housing Redevelopment

The Community Redevelopment Agency in 2013 is completing revitalization of more than 100 residential housing units in the neighborhoods in the western sections of the City through the use of Neighborhood Stabilization grants.

Infrastructure

In 2012, the City began development of comprehensive master planning for combination infrastructure improvement programs. The comprehensive master plan will govern where and when projects will be done over multiple years. These projects will combine electric, water, sewer, roads, sidewalks and storm water infrastructure. The program development will be completed in FY 2013. The first of those combination improvements are planned to begin construction in FY 2014.

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 City of Lake Worth, Finance Department, 7 North Dixie Highway, Lake Worth, FL 33460.

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City of Lake Worth, Florida

Statement of Net Assets
For the Fiscal Year Ended September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 3,711,170	\$ 13,798,641	\$ 17,509,811	\$ 699,028
Investments	8,265,963	40,707,721	48,973,684	2,206,427
Accounts receivable, net	4,861,194	14,643,972	19,505,166	465,963
Accrued interest receivable	19,434	170,562	189,996	4,034
Internal balances	(5,665,516)	5,665,516	-	-
Due from other governments	-	31,740	31,740	-
Due from component unit	7,371	-	7,371	558
Inventories	14,750	5,068,220	5,082,970	-
Land held for resale	395,175	-	395,175	12,987,473
Prepaid items	19,922	85,578	105,500	27,648
Restricted assets:				
Cash and cash equivalents	-	231,617	231,617	-
Investments	-	20,781,127	20,781,127	-
Deposits	-	1,316,174	1,316,174	12,500
Capital assets:				
Non-depreciable	20,383,713	8,141,628	28,525,341	-
Depreciable, net	42,748,399	103,316,426	146,064,825	9,531,564
Investment in joint venture	-	20,528,389	20,528,389	-
Net pension asset	59,737	-	59,737	-
Unamortized debt issuance costs	-	207,168	207,168	-
Total Assets	74,821,312	234,694,479	309,515,791	25,935,195
Liabilities:				
Accounts and contracts payable	778,715	691,441	1,470,156	76,980
Accrued liabilities	881,339	5,515,546	6,396,885	376,125
Accrued interest payable	-	-	-	32,905
Due to component unit	558	-	558	7,371
Unearned revenue	183,602	-	183,602	-
Liabilities payable from restricted assets	-	5,360,315	5,360,315	-
Due within one year:				
Bonds payable	-	2,580,000	2,580,000	-
Notes payable	-	486,607	486,607	837,536
Capital lease payable	-	102,372	102,372	237,726
Compensated absences	220,274	453,519	673,793	-
Due in more than a year:				
Bonds payable	-	54,212,005	54,212,005	-
Notes payable	-	13,080,128	13,080,128	2,688,738
Capital lease payable	-	-	-	102,807
Compensated absences	180,537	249,371	429,908	-
Net pension obligation	27,088	-	27,088	-
Other post employment benefits	417,897	438,282	856,179	-
Total Liabilities	2,690,010	83,169,586	85,859,596	4,360,188
Net Assets:				
Invested in capital assets, net of related debt	63,132,112	52,326,963	115,459,075	5,820,771
Restricted for:				
Debt service	-	731,617	731,617	-
Emergencies	-	5,193,918	5,193,918	-
Capital projects	5,820,774	-	5,820,774	13,601,634
Landfill postclosure care costs	-	207,681	207,681	-
Law enforcement	48,994	-	48,994	-
Trusts	504,846	-	504,846	-
Unrestricted	2,624,576	93,064,714	95,689,290	2,152,602
Total Net Assets	\$ 72,131,302	\$ 151,524,893	\$ 223,656,195	\$ 21,575,007

See accompanying notes to the basic financial statements.

City of Lake Worth, Florida

Statement of Activities For the Fiscal Year Ended September 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 2,625,404	\$ 2,062,610	\$ -	\$ 338,178	\$ (224,616)	\$ -	\$ -
Public safety	18,516,774	526,601	926,292	-	(17,063,881)	-	-
Physical environment	2,021,308	25,250	-	172,583	(1,823,475)	-	-
Transportation	3,388,138	650,724	-	-	(2,737,414)	-	-
Culture and recreation	4,480,875	1,543,131	13,780	3,023,034	99,070	-	99,070
Interest and fiscal charges	21,401	-	-	-	(21,401)	-	-
Total Governmental Activities	31,053,900	4,808,316	940,072	3,533,795	(21,771,717)	-	(21,771,717)
Business-Type Activities:							
Electric	52,552,814	53,885,218	-	-	-	1,332,404	-
Water	10,569,901	11,731,448	-	-	-	1,161,547	-
Local sewer	6,239,262	7,705,072	-	-	-	1,465,810	-
Regional sewer	6,070,749	6,586,821	-	-	-	516,072	-
Stormwater	2,075,984	1,936,918	-	-	-	(139,066)	-
Refuse collection and disposal	3,954,656	5,491,867	-	-	-	1,537,211	-
Total Business-Type Activities	81,463,366	87,337,344	-	-	-	5,873,978	-
Total Primary Government	\$ 112,517,266	\$ 92,145,660	\$ 940,072	\$ 3,533,795	(21,771,717)	5,873,978	(15,897,739)
Component Unit:							
Lake Worth CRA	\$ 3,470,491	\$ -	\$ 10,219,251	\$ -	\$ -	\$ -	6,748,760
Total Component Unit Activities	\$ 3,470,491	\$ -	\$ 10,219,251	\$ -	\$ -	\$ -	6,748,760
General Revenues:							
Taxes:							
Property taxes					6,592,349	-	1,284,837
Franchise fees based on gross receipts					42,836	-	-
Utility services taxes					5,335,753	-	-
Gas taxes					814,245	-	-
Sales and use taxes					2,355,957	-	-
Intergovernmental - unrestricted					1,245,229	-	-
Investment income - unrestricted					85,908	343,527	-
Miscellaneous					200,291	3,490,830	-
Transfers					2,310,223	(2,310,223)	3,555
Total General Revenues and Transfers					18,982,791	1,524,134	20,506,925
Change in Net Assets					(2,788,926)	7,398,112	8,037,152
Net assets, beginning, as reported					87,741,582	144,671,461	232,413,043
Prior period adjustment					(12,821,354)	(544,680)	(13,366,034)
Net assets, beginning, as adjusted					74,920,228	144,126,781	219,047,009
Net assets, end of year					\$ 72,131,302	\$ 151,524,893	\$ 223,656,195

City of Lake Worth, Florida

**Balance Sheet
Governmental Funds
September 30, 2012**

	General Fund	Casino Building	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 759,605	\$ 131,766	\$ 2,819,799	\$ 3,711,170
Investments	2,378,586	240,000	5,647,377	8,265,963
Accounts receivable, net	1,462,590	-	3,398,604	4,861,194
Accrued interest receivable	5,818	-	13,619	19,437
Due from other funds	84,650	-	25,760	110,410
Due from component unit	7,371	-	-	7,371
Inventories	-	-	14,750	14,750
Land held for resale	-	-	395,175	395,175
Prepaid items	16,225	-	3,697	19,922
Advances to other funds	1,535,674	-	521,518	2,057,192
Total Assets	\$ 6,250,519	\$ 371,766	\$ 12,840,299	\$ 19,462,584
Liabilities:				
Accounts and contracts payable	\$ 174,147	\$ 169,286	\$ 435,285	\$ 778,718
Accrued liabilities	525,202	-	356,137	881,339
Due to other funds	-	-	2,038,584	2,038,584
Due to component unit	558	-	-	558
Advances from other funds	-	6,000,000	2,219,141	8,219,141
Unearned revenue	166,954	-	16,648	183,602
Deferred revenues	-	-	311,311	311,311
Total Liabilities	866,861	6,169,286	5,377,106	12,413,253
Fund Balances:				
Restricted for:				
Purpose of fund	-	-	1,318,521	1,318,521
Committed to:				
Purpose of fund	-	-	2,709,902	2,709,902
Assigned to:				
Capital projects	-	-	5,427,177	5,427,177
Incentive	8,435	-	-	8,435
Non Spendable:				
Prepaid items	16,225	-	3,697	19,922
Inventories	-	-	14,750	14,750
Advances	1,535,674	-	-	1,535,674
Unassigned:				
General Fund	3,823,324	-	-	3,823,324
Other Governmental Fund	-	(5,797,520)	(2,010,854)	(7,808,374)
Total Fund Balances	5,383,658	(5,797,520)	7,463,193	7,049,331
Total Liabilities and Fund Balances	\$ 6,250,519	\$ 371,766	\$ 12,840,299	\$ 19,462,584

See accompanying notes to the basic financial statements

City of Lake Worth, Florida

*Reconciliation of Total Governmental Fund Balances
To Net Assets of Governmental Activities
September 30, 2012*

Total Governmental Fund Balances, Page 18 \$ 7,049,331

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

Capital Assets used in governmental activities, net of depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds. 63,132,112

Receivables in governmental funds are susceptible to full accrual on the government-wide statements.

Intergovernmental 311,311

The net pension asset is not available to pay for current period expenditures and, therefore, is deferred in the funds

Net pension asset	59,737	
Net pension liability	<u>(27,088)</u>	
		32,649

Liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities are comprised of the following:

Other post employment benefits (OPEB)	(417,897)	
Compensated absences	<u>(400,811)</u>	
		(818,708)

Internal service fund net assets	12,828,184	
Less due to business-type activities for "Look-Back" allocation	<u>(10,403,577)</u>	
		<u>2,424,607</u>

Net Assets of Governmental Activities, Page 14 \$ 72,131,302

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, 2012**

	General	Casino Building	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 5,879,132	\$ -	\$ -	\$ 5,879,132
Utility and other taxes	5,813,212	-	379,622	6,192,834
Licenses and permits	570,557	-	740,624	1,311,181
Fines and forfeitures	253,858	-	-	253,858
Charges for services	4,649,384	-	2,677,478	7,326,862
Intergovernmental	5,041,434	-	3,580,239	8,621,673
Investment income	45,848	-	40,060	85,908
Rents and royalties	811	-	-	811
Miscellaneous	197,677	-	84,052	281,729
Total Revenues	22,451,913	-	7,502,075	29,953,988
Expenditures:				
Current:				
General government	6,044,239	-	761,369	6,805,608
Public safety	17,490,833	-	802,289	18,293,122
Physical environment	2,005,143	-	1,550	2,006,693
Transportation	788,387	-	87,239	875,626
Culture and recreation	1,445,438	-	2,493,401	3,938,839
Capital outlay	39,638	4,585,441	3,713,295	8,338,374
Debt service:				
Interest and fiscal charges	-	-	21,401	21,401
Total Expenditures	27,813,678	4,585,441	7,880,544	40,279,663
Excess (deficiency) of revenues over expenditures	(5,361,765)	(4,585,441)	(378,469)	(10,325,675)
Other financing sources (uses):				
Transfers in	6,989,516	95,597	2,252,962	9,338,075
Transfers out	(5,360,438)	-	(1,667,414)	(7,027,852)
Total other financing sources (uses)	1,629,078	95,597	585,548	2,310,223
Net change in fund balances	(3,732,687)	(4,489,844)	207,079	(8,015,452)
Fund Balance, beginning of year	9,116,345	(1,307,676)	9,725,649	17,534,318
Prior period adjustment	-	-	(2,469,535)	(2,469,535)
Fund Balance, beginning as restated	9,116,345	(1,307,676)	7,256,114	15,064,783
Fund Balance, end of year	\$ 5,383,658	\$ (5,797,520)	\$ 7,463,193	\$ 7,049,331

See accompanying notes to the basic financial statements.

City of Lake Worth, Florida

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2012**

Net Change in Fund Balances - Total Governmental Funds, Page 18 \$ (8,015,452)

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

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

	Capital Outlay	8,338,374	
	Depreciation Expense	<u>(3,478,285)</u>	
			4,860,089

The net effect of various miscellaneous transactions involving capital assets.

	Donated Property	338,171	
	Loss on disposal of fixed assets	<u>(7,747)</u>	
			330,424

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

	Decrease in intergovernmental revenue		(185,374)
--	---------------------------------------	--	-----------

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.

	Amortization of Issuance Costs	<u>(19,445)</u>	(19,445)
--	--------------------------------	-----------------	----------

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 the governmental funds.

	Other Post Employment Benefits	(104,914)	
	Compensated Absences	132,621	
	Increase In NPO/NPA	<u>(1,136)</u>	
			26,571

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	6,478,607	
	"Look Back" Allocation of net expenses to Enterprise Funds	<u>(6,264,346)</u>	
	Total		<u>214,261</u>

Change in Net Assets of Governmental Activities, Page 15 \$ (2,788,926)

See accompanying notes to the basic financial statements.

City of Lake Worth, Florida

Statement of Net Assets—Proprietary Funds September 30, 2012

	<i>Business-Type Activities - Enterprise Funds</i>						
	<i>Major</i>			<i>Non-Major</i>		Total Enterprise Funds	Non-Major Internal Service Funds
	Electric	Water	Local Sewer	Regional Sewer	Other Enterprise Funds		
Assets:							
Current Assets:							
Cash and cash equivalents	\$ 3,027,796	\$ 3,113,270	\$ 1,931,363	\$ 2,440,044	\$ 128,331	\$ 10,640,804	\$ 3,157,837
Investments	5,650,941	11,282,429	6,477,745	4,767,248	5,811,087	33,989,450	6,718,271
Accounts receivable, net	10,407,102	1,677,883	1,113,325	1,063,837	381,825	14,643,972	-
Accrued interest receivable	59,377	45,143	15,836	11,654	14,702	146,712	23,850
Due from other funds	110,000	1,845,000	-	-	32,064	1,987,064	25,760
Due from other governments	-	31,740	-	-	-	31,740	-
Inventories	4,691,542	235,604	-	-	-	4,927,146	141,074
Prepaid items	54,346	-	-	-	-	54,346	31,232
Total Current Assets	24,001,104	18,231,069	9,538,269	8,282,783	6,368,009	66,421,234	10,098,024
Noncurrent Assets:							
Restricted assets:							
Cash and cash equivalents	-	231,617	-	-	-	231,617	-
Investments	19,467,538	1,105,908	-	-	207,681	20,781,127	-
Deposits	1,316,174	-	-	-	-	1,316,174	-
Capital Assets:							
Land	1,777,194	316,015	5,750	-	482,046	2,581,005	-
Construction in progress	3,499,980	707,927	726,400	79,038	547,278	5,560,623	19,859
Land improvements	197,009	-	6,570	4,602	251,520	459,701	-
Construction	39,793,971	52,060,678	4,181,857	-	75,123	96,111,629	-
Infrastructure	30,217,659	22,656,576	23,151,869	25,386,776	2,504,258	103,917,138	-
Machinery and Equipment	26,134,033	3,397,689	560,332	15,505	662,159	30,769,718	755,286
Vehicles	2,161,954	377,213	1,139,109	38,320	3,451,008	7,167,604	897,318
Accumulated depreciation	(74,607,853)	(21,783,637)	(18,767,604)	(16,420,533)	(4,513,612)	(136,093,239)	(688,588)
Advances to other funds	-	4,000,000	-	-	111,105	4,111,105	2,236,518
Investment in joint venture	-	-	-	20,528,389	-	20,528,389	-
Unamortized debt issuance costs	76,241	81,564	49,363	-	-	207,168	-
Total Noncurrent Assets	50,033,900	63,151,550	11,053,646	29,632,097	3,778,566	157,649,759	3,220,393
Total Assets	74,035,004	81,382,619	20,591,915	37,914,880	10,146,575	224,070,993	13,318,417

City of Lake Worth, Florida

Lake Worth Auditorium (currently City Hall) circa 1960



City of Lake Worth, Florida

Statement of Revenues, Expenses & Changes in Fund Net Assets-Proprietary Funds September 30, 2012

	<i>Business-type Activities - Enterprise Funds</i>						Total Enterprise Funds	Internal Service Funds
	<i>Major</i>			<i>Non-Major</i>				
	Electric	Water	Local Sewer	Regional Sewer	Other Enterprise Funds	Non-Major		
Operating revenues:								
Charges for services	\$ 53,264,640	\$ 11,731,448	\$ 7,705,072	\$ 6,586,821	\$ 7,428,785	\$ 86,716,766	\$ 10,629,540	
Intergovernmental	-	-	-	-	-	-	20,264	
Late fees and service charges	620,578	-	-	-	-	620,578	-	
Total operating revenues	53,885,218	11,731,448	7,705,072	6,586,821	7,428,785	87,337,344	10,649,804	
Operating expenses:								
Cost of services	46,373,325	5,581,944	4,879,276	5,272,006	5,598,749	67,705,300	9,125,003	
General and administrative	3,401,063	1,426,060	711,691	339,644	38,198	5,916,656	-	
Depreciation	1,711,881	2,056,575	603,513	429,151	356,602	5,157,722	204,953	
Total operating expenses	51,486,269	9,064,579	6,194,480	6,040,801	5,993,549	78,779,678	9,329,956	
Operating income (loss)	2,398,949	2,666,869	1,510,592	546,020	1,435,236	8,557,666	1,319,848	
Non-operating revenues (expenses):								
Investment income	113,608	72,290	32,219	24,311	54,358	296,786	46,395	
Interest and fiscal charges	(1,198,987)	(1,549,493)	(65,598)	(32,413)	(17,356)	(2,863,847)	-	
Loss on disposal of fixed assets	-	-	-	-	(64,545)	(64,545)	-	
Other	1,414,672	169,125	4,983	-	75,315	1,664,095	341,882	
Total non-operating revenues (expenses)	329,293	(1,308,078)	(28,396)	(8,102)	47,772	(967,511)	388,277	
Income (loss) before transfers and contributions	2,728,242	1,358,791	1,482,196	537,918	1,483,008	7,590,155	1,708,125	
Capital contributions	-	-	-	-	-	-	499,951	
Transfers in	-	-	-	-	-	-	5,193,918	
Transfers out	(4,484,451)	(1,071,160)	(229,997)	-	(795,146)	(6,580,754)	(923,387)	
Change in Net Assets	(1,756,209)	287,631	1,252,199	537,918	687,862	1,009,401	6,478,607	
Net Assets, beginning of year	37,642,296	43,515,198	15,265,005	34,620,861	8,904,539	6,349,577	-	
Prior period adjustment	239,590	67,054	229,333	(111,286)	(260,675)	-	-	
Net Assets, beginning as restated	37,881,886	43,582,252	15,494,338	34,509,575	8,643,864	6,349,577	6,349,577	
Net Assets, end of year	\$ 36,125,677	\$ 43,869,883	\$ 16,746,537	\$ 35,047,493	\$ 9,331,726	\$ 12,828,184	\$ 12,828,184	
Adjustment to reflect the consolidation of the internal service fund								
Fund activities related to business-type activities						(6,264,346)		
Change in net assets of business-type activities						\$ (5,254,945)		

See accompanying notes to the basic financial statements.

City of Lake Worth, Florida

Statement of Cash Flows Proprietary Funds September 30, 2012

	<i>Business-Type Activities - Enterprise Funds</i>					Total	<i>Non-Major</i>	
	<i>Major</i>		<i>Regional</i>		<i>Enterprise</i>		<i>Funds</i>	
	Electric	Water	Local Sewer	Regional Sewer	Enterprise Funds	Total	Enterprise Funds	Internal Service Funds
Cash flows from operating activities:								
Receipts from customers	\$ 52,919,027	\$ 11,666,550	\$ 7,547,160	\$ 6,425,307	\$ 7,554,327	\$ 86,112,371		\$ 10,634,797
Payments to suppliers	(36,599,654)	(4,033,495)	(3,768,617)	(5,061,527)	(2,892,812)	(52,356,106)		(8,376,764)
Payments to employees	(5,766,106)	(1,463,867)	(607,707)	(158,476)	(1,535,108)	(9,531,264)		(574,129)
Payments for interfund services provided	(6,071,791)	(2,269,548)	(1,086,638)	(411,622)	(1,130,004)	(10,969,602)		-
Other receipts	1,414,672	169,125	4,983	-	75,315	1,664,095		341,882
Net cash provided by (used in) operating activities	5,896,148	4,068,765	2,089,181	793,682	2,071,718	14,919,494		2,025,786
Cash flows from non-capital financing activities:								
Due to (from) to other funds	(110,000)	(1,820,000)	-	-	1,095	(1,928,905)		72,117
Transfer from other funds	-	-	-	-	-	-		5,193,918
Transfer to other funds	(4,484,451)	(1,071,160)	(229,997)	-	(795,146)	(6,580,754)		(923,387)
Net cash provided by non-capital financing activities	(4,594,451)	(2,891,160)	(229,997)	-	(794,051)	(8,509,659)		4,342,648
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets, net	(542,890)	(1,314,284)	(632,480)	-	(243,531)	(2,733,185)		(422,288)
Advances from (to) other funds	-	-	-	-	(52,586)	(52,586)		25,760
Contributed capital	-	-	-	-	-	-		499,951
Proceeds from issuance of debt	-	-	-	1,706,796	-	1,706,796		-
Principal paid on capital debt	(320,754)	(764,327)	(255,000)	(286,799)	(299,461)	(1,926,341)		-
Interest paid on advances	-	-	-	-	(7,267)	(7,267)		-
Interest paid on capital debt	(1,194,094)	(1,419,923)	(53,257)	(32,413)	(10,089)	(2,709,776)		-
Net cash provided by (used in) capital and related financing activities	(2,057,738)	(3,498,534)	(940,737)	1,387,584	(612,934)	(5,722,359)		103,423
Cash flows from investing activities:								
Purchase of investments	-	-	-	(70,967)	(886,908)	(957,875)		(4,719,972)
Sale of investments	3,171,696	5,486,225	507,203	-	61,814	9,226,938		-
Investment in joint venture	-	-	-	(96,275)	-	(96,275)		-
Interest and dividends received	113,608	72,290	32,219	24,311	54,358	296,786		46,395
Net cash provided by (used in) investing activities	3,285,304	5,558,515	539,422	(142,931)	(770,736)	8,469,574		(4,673,577)
Net change in cash and cash equivalents	2,529,263	3,237,586	1,457,869	2,038,335	(106,003)	9,157,050		1,798,280
Cash and cash equivalents, beginning	498,533	107,301	473,494	401,709	234,334	1,715,371		1,359,557
Cash and cash equivalents, ending	\$ 3,027,796	\$ 3,344,887	\$ 1,931,363	\$ 2,440,044	\$ 128,331	\$ 10,872,421		\$ 3,157,837

City of Lake Worth, Florida

Statement of Net Assets
Fiduciary Funds
September 30, 2012

	Pension Trust Funds	Agency Fund
Assets:		
Cash and cash equivalents	\$ 1,859,249	\$ 4,784
Investments at fair value:		
U.S. government and agency funds	14,900,902	-
Money market funds	10,518,791	-
Corporate bonds	10,529,538	-
Common stocks	52,443,779	-
Real estate	6,434,320	-
Mutual funds	16,966,451	-
Total investments at fair value	111,793,781	-
Accrued interest, dividends and contributions receivable	1,036,753	-
Due from broker	189,712	-
Prepaid items	16,805	-
Total Assets	114,896,300	4,784
Liabilities:		
Accounts payable	172,035	-
Due for securities purchased	787,762	-
Deferred revenue	74,840	-
Deposits payable	-	4,784
Total Liabilities	1,034,637	\$ 4,784
 Net Assets Held in Trust for Pension Benefits	 \$ 113,861,663	

See accompanying notes to the basic financial statements.

City of Lake Worth, Florida

*Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended September 30, 2012*

	Total Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 6,695,511
Chapter 185	112,242
Chapter 175	1,193,162
Plan members	420,339
Total contributions	<u>8,421,254</u>
Investment Income:	
Interest and dividends	2,656,849
Net change in fair value of investments	16,659,135
Total investment income	19,315,984
Less investment expenses	<u>(717,046)</u>
Net investment income	18,598,938
Other income	13,948
Total Additions	<u>27,034,140</u>
Deductions:	
Pension benefits	14,685,629
Administrative expenses	336,565
Total Deductions	<u>15,022,194</u>
Change in Net Assets	12,011,946
Net Assets at Beginning of Year	<u>101,849,717</u>
Net Assets at End of Year	<u>\$ 113,861,663</u>

See accompanying notes to the basic financial statements.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

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, 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.

In defining the City for financial reporting purposes, management has considered all potential component units. Component units are legally separate entities for which the primary government (the City) is financially accountable which should be included in the City's financial statements because of the nature and significance of their relationship with the primary government.

The decision to include a potential component unit in the City's reporting entity is based on the criteria stated in GASB Statement No 14 - *The Financial Reporting Entity* and GASB Statement No 39 - *Determining Whether Certain Organizations Are Component Units*, as amended by GASB Statement No. 61, which includes the ability to appoint a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burden.

Based upon the application of the criteria in GASB Statements Nos. 14 and 39, as amended by GASB Statement No. 61, the financial statements of the City's Component Unit, the Community Redevelopment Agency (CRA), have been included in the City's reporting entity as a discretely presented component unit. The CRA is a legally separate entity government by a board comprised of seven citizens of the City appointed by the City Commission. It does not provide services entirely or almost entirely to the primary government or otherwise exclusively or almost exclusively, benefits the City and therefore is presented as a discrete component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separated from the government.

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Discretely Presented 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's board, appointed by the City Commission as required by statute, has full administrative responsibility. Separate financial statements for the CRA are not available. The statutorily required report can be obtained by contacting the Lake Worth Community Redevelopment Agency office at 29 South J Street, Unit 1, Lake Worth, FL 33460.

C. 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 non-major governmental funds and non-major enterprise funds are aggregated and reported as non-major funds.

D. 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.

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.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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.

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

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.

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 (non-major funds).

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

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.

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.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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 investments is allocated to each of the funds based on the investment balance on a monthly basis. In addition, investments are separately held by the three pension trust funds.

All investments, except 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.

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 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 30 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 30 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 included in fund balance as non spendable resources.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Assets or Equity (continued)

5. Prepaid Items

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

6. Restricted Assets

Restricted assets in the enterprise funds consist of bond proceeds designated for construction, other monies required to be restricted for debt service, maintenance and improvements under the terms of various bonds, certificates and loans, and assets restricted by customers’ deposits.

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 \$1,208,235 and \$1,208,235, respectively, for the year ended September 30, 2012. Of this amount, \$38,172 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	04-40
Infrastructure	04-20
Water & sewer systems	05-50
Recreation facilities	30
Equipment	03-15

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Assets or Equity (continued)

8. Compensated Absences

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. Bonds are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

10. Nature and Purpose of Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Commission through an ordinance are classified as committed fund balances. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by ordinance. Amounts that are restricted to specific purposes either by (a) constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that are constrained by the City's intent to be used for specific purposes but are neither committed nor restricted are classified as assigned fund balances. Assignments are made by the City Manager. The City Commission delegated this responsibility to the City Manager through an ordinance. Non-spendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

The City uses restricted amounts to be spent first when both restricted and unassigned fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Net Assets or Equity (continued)

11. Minimum Fund Balance Policy

The City's policy is to maintain an adequate General Fund balance to provide liquidity in the event of an economic downturn or natural disaster. The City Commission has adopted a financial standard to maintain an adequate level of unassigned fund balance to provide for necessary cash flow to minimize any short-term borrowings.

12. 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.

The debt in the Regional Sewer Fund is not related to the capital assets in the fund and therefore is not netted against the capital assets. The debt is related to the City's Joint Venture.

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.

13. 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.

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Prior Period Adjustments

During the 2011-2012 fiscal years, it was determined that a prior period adjustment was required for the capital assets inventoried by internal staff during the fiscal year. The change to the capital asset and the accumulated depreciation as of October 1, 2011, resulted in a net adjustment to beginning fund balance/net asset by activities/fund as follows:

Governmental Activities	\$ 7,284,652
Business-Type Activities/Proprietary Funds	
Major Funds:	
Electric	(200,415)
Water	67,054
Local Sewer	229,334
Regional Sewer	(111,286)
Non-major funds:	
Stormwater	(259,224)
Refuse Collection & Disposal	(1,451)
Total	\$ (275,988)

During the fiscal year 2012, it was determined that the City had several projects that had been completed in previous years, that it was holding contributions that it had received in aid of construction. These contributions should have been recognized as revenue when the projects were completed. The recognition of this revenue resulted in an adjustment to beginning fund balance of the Electric Fund in the amount of \$440,004.

During the year, the City made a change in its reporting of the Golf Course Fund. In previous years, this fund had been operating and reported as an enterprise fund and is now operating and being reported as a special revenue fund. In addition, the Community Redevelopment Agency had previously been reported as a blended component unit. The change in fund structures required the City to remove the fixed assets from the funds and resulted in a net adjustment of \$(7,284,652) to the Governmental Fund balance. The CRA is a legally separate entity government by a board comprised of seven citizens of the City appointed by the City Commission. It does not provide services entirely or almost entirely to the primary government or otherwise exclusively or almost exclusively, benefits the City and therefore is presented as a discrete component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separated from the government.

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

NOTE 2. STEWARDSHP, COMPLIANCE AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

The following expenditures exceeded appropriations by the amounts indicated:

General Fund:
Grounds Maintenance \$ (55,935)

These over-expenditures were funded by greater than anticipated revenues.

B. Fund Deficits

The Golf Course Fund has a deficit balance in unassigned net assets as of September 30, 2012 of \$2,010,854. The deficit in the unassigned category is due to the City changing the Golf Fund from an enterprise fund to a special revenue fund. The change in the fund structure required the City to remove the fixed assets from the fund. The City developed a restructured business plan for the FY 2012 budget and operations of the fund. This plan is anticipated to address annual deficits and provide resources for the elimination of the deficit balance over time.

The Casino Building Capital Projects Fund has an assigned fund balance deficit of \$5,797,520. The Casino Building Capital Project Fund deficit is due to the internal loan that is being used to reconstruct the building. The building will be completed in the 2013 fiscal year. Due to unprecedented low interest rates that the City is receiving on its investments, the City has determined that continuing the internal financing was the most economical alternative for the foreseeable future.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

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 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, from time to time, is 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.

The State Board of Administration (SBA) administers the Florida PRIME (formerly known as the Local Government Surplus Funds Trust (LGIP) and the Fund B Surplus Funds Trust Fund (Fund "B") and is governed by Chapter 19-7 of the Florida Administrative Code and Chapter 215 and 218 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME and Fund B. The investments in the Florida PRIME and Fund B are not insured by the FDIC or any other governmental agency.

The Florida PRIME is not a registrant with the Securities and Exchange Commission (SEC), however, the Board has adopted operating procedures consistent with the requirement for a 2a-7 like fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair value of the position in the pool is equal to the value of the pool share. One hundred percent of the pools shares are available as liquid balance. The Florida PRIME is rated by Standard and Poor's and has a current rating of AAAM.

Fund B does not meet the requirements of a SEC 2a-7 like fund and, therefore, is accounted for as a fluctuating NAV pool. As of September 30, 2012, the fair value factor of Fund B was \$.949 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME.

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

B. Investments (continued)

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 Plans are subject to the limitations of state statutes.

City Investments

As of September 30, 2012, the City had the following investments:

<u>City Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Short Term Investments	N/A	\$ 4,295,179
Local Government Surplus Funds Trust Funds:		
Florida PRIME	39 days	23,109
Fund B	4.08 years	84,822
Mortgage Backed Securities:		
GNMA	9/15/2013	139,996
U.S. Government Obligations:		
U.S. Treasury	9/30/2012-9/30/2015	55,003,411
Other Corporate Bonds	12/19/2012-8/28/2015	10,208,106
Total Investments		<u>\$ 69,754,623</u>

Discretely Presented Component Unit

<u>Community Redevelopment Agency</u>	<u>Maturities</u>	<u>Fair Value</u>
Short Term Investments	N/A	\$ 607,715
Mortgage Backed Securities:		
GNMA	9/15/2013	46,665
U.S. Government Obligations:		
U.S. Treasury	7/15/2013	895,732
Other Corporate Bonds	12/21/2012-5/7/2013	656,316
Total Investments		<u>\$ 2,206,428</u>

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

B. Investments (continued)

Employees' and Police Retirement Systems Investments

	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Corporate Bonds	\$ 6,703,829	\$ 315,346	\$ 1,595,708	\$ 2,155,930	\$ 2,634,845
U.S. Agencies	4,931,947	-	512,276	194,539	4,225,132
U.S. Treasuries	5,124,604	-	2,485,072	2,405,070	234,462
Total Investments	<u>\$ 16,760,380</u>	<u>\$ 315,346</u>	<u>\$ 4,593,056</u>	<u>\$ 4,755,539</u>	<u>\$ 7,094,439</u>

Firefighters' Pension Trust Fund

	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Corporate Bonds	\$ 3,825,709	\$ -	\$ -	\$ 3,825,709	\$ -
U.S. Agencies	4,844,351	-	562,062	993,145	3,289,144
Total Investments	<u>\$ 8,670,060</u>	<u>\$ -</u>	<u>\$ 562,062</u>	<u>\$ 4,818,854</u>	<u>\$ 3,289,144</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, with the exception of the Treasury Bills and FHLMC, were rated AA+ by Standard and Poor's. Treasury Bills and FHLMC (Federal Home Loan Mortgage Corporation) were rated A -1+ by Standard and Poor's

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

D. Credit Risk (continued)

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 one of the national rating agencies or be liquidated at the earliest beneficial opportunity. Additionally, commercial paper must be rated A-1 or higher by one of the national rating agencies.

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

Ratings	General Fair Value	Police Fair Value
Aaa	\$ 4,180,169	\$ 1,777,163
Aa2	32,997	16,498
Aa3	218,293	100,371
A1	317,744	200,493
A2	1,678,127	475,925
A3	1,016,995	336,581
Baa1	425,715	153,850
Baa2	426,081	102,962
Governmental Securities	3,795,397	1,505,019
Total	\$ 12,091,518	\$ 4,668,862

Firefighters

The Firefighters’ Pension Trust Fund limits investments in corporate bonds and commercial paper to the top three ratings provided by NRSRO, provided that investment grade bonds shall be permitted as long as not more than 10% of the fixed income portfolio shall hold an investment rating of Baa.

Ratings	Fire Fair Value
Aaa	\$ 562,062
A1	419,620
A2	832,962
A3	1,242,117
Baa1	442,496
Baa2	888,514
U.S. Government Securities	4,282,289
Total	\$ 8,670,060

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

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 PRIME Fund to 75% and Fund B to 25% 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 5% 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 5% of total plan assets. Investments in collateralized mortgage obligations are limited to 15% 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 15.53% 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.

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.

The City's investment policy seeks to reduce custodial risk by the utilization of third party safe keeping for City owned securities.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

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, 2012**

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 1. 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 5.495 mills plus County-levied Fire Municipal Services Taxing Unit rate of 3.458, for a total of 8.953 on all City parcels, leaving a margin of 1.047 mills under the maximum possible assessment of 10 mills. There are no material delinquent taxes as of September 30, 2012.

NOTE 5. RECEIVABLES

Accounts, special assessments and other receivables, including restricted accounts receivable and the related allowance for doubtful accounts as of September 30, 2012, are as follows:

	General	Non-Major Governmental Funds	Electric	Water	
Customer Accounts	\$ 186,802	\$ 97,200	\$ 12,439,260	\$ 1,997,922	
Utility and Other Taxes	742,831	66,514	370,086	-	
Claims and Assessments	-	160,470	-	57,208	
Intergovernmental	777,701	3,310,693	-	-	
Other Receivables	74,840	-	425,000	-	
Gross Receivables	1,782,174	3,634,877	13,234,346	2,055,130	
Less allowance for Doubtful Accounts	(319,584)	(236,273)	(2,827,244)	(377,247)	
	<u>\$ 1,462,590</u>	<u>\$ 3,398,604</u>	<u>\$ 10,407,102</u>	<u>\$ 1,677,883</u>	

	Local Sewer	Regional Sewer	Non-Major Enterprise Funds	Internal Service Funds	Total
Customer Accounts	\$ 1,300,512	\$ 4,880,334	\$ 582,536	\$ 2,576	\$ 21,487,142
Utility and Other Taxes	-	-	-	-	1,179,431
Claims and Assessments	-	-	77,909	-	295,587
Intergovernmental	-	455,033	-	-	4,543,427
Other Receivables	-	-	350,503	-	850,343
Gross Receivables	1,300,512	5,335,367	1,010,948	2,576	28,355,930
Less allowance for Doubtful Accounts	(187,187)	(4,271,530)	(629,123)	(2,576)	(8,850,764)
	<u>\$ 1,113,325</u>	<u>\$ 1,063,837</u>	<u>\$ 381,825</u>	<u>\$ -</u>	<u>\$ 19,505,166</u>

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

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, 2012:

A. Due to/from Other Funds

<u>Due From</u>	<u>Due to</u>		<u>Total</u>
	<u>Non-Major Governmental Funds</u>	<u>Non-Major Enterprise Funds</u>	
General Fund	\$ -	\$ 84,650	\$ 84,650
Non-Major Governmental Funds	25,760	-	25,760
Electric Fund	110,000	-	110,000
Water Fund	1,845,000	-	1,845,000
Non-Major Enterprise Funds	32,064	-	32,064
Internal Service Funds	25,760	-	25,760
Total	<u>\$ 2,038,584</u>	<u>\$ 84,650</u>	<u>\$ 2,123,234</u>

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

B. Advances to/from Other Funds

<u>Advances to</u>	<u>General Fund</u>	<u>Advance from</u>			<u>Total</u>	
		<u>Non-Major Governmental Funds</u>	<u>Water Fund</u>	<u>Non-Major Enterprise Funds</u>		<u>Internal Service Funds</u>
Non-Major Governmental Funds	\$ 1,350,000	\$ 521,518	\$4,000,000	\$ 111,105	\$ 2,236,518	\$8,219,141
Non-Major Enterprise Funds	185,674	-	-	-	-	185,674
Total	<u>\$ 1,535,674</u>	<u>\$ 521,518</u>	<u>\$4,000,000</u>	<u>\$ 111,105</u>	<u>\$ 2,236,518</u>	<u>\$8,404,815</u>

The \$1,535,674 in the General Fund represents internal loans to the Golf Fund in the amount of \$1,350,000 to support daily operations. The balance of \$185,674 total for non-major enterprise funds represents interfund loans from the General Fund to the Refuse Collection and Disposal Fund for equipment purchases, from the Capital Improvement Fund.

The \$521,518 in the Non-Major Governmental Funds represents an internal loan from the Capital Project Fund to the Beach Fund in the amount of \$285,000 and a loan from the Improvement Fund to the Golf Fund in the amount of \$236,518 to help support daily operations.

The \$4,000,000 in the Water Fund and the \$2,000,000 of the \$2,236,518 in the Internal Service Fund represent internal loans for the Casino Building Capital Project Fund to reconstruct the building. At the completion of this project the City will seek permanent financing and pay back these internal loans. These loans are not expected or scheduled to be paid back within one year. The additional \$236,518 of the Internal Service Fund represents an internal loan to the Golf fund for renovation of the cart barn and club house.

The balance of \$111,105 represents interfund loan from the Stormwater Fund to the Capital Improvement Fund for landfill closure costs incurred. This amount is not expected to be paid within one year.

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

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

C. Interfund transfers

Transfers In	Transfers Out			
	General	Non-Major Governmental		Water Fund
		Funds	Electric	
General Fund	\$ -	\$ 608,762	\$ 4,484,451	\$ 1,071,160
Non-Major Governmental Funds	166,520	963,055	-	-
Internal Service Funds	5,193,918	-	-	-
Casino	-	95,597	-	-
Total	\$ 5,360,438	\$ 1,667,414	\$ 4,484,451	\$ 1,071,160

Transfers In	Transfers Out			
	Local Sewer	Non-Major Enterprise		Total
		Funds	Internal Service Funds	
General Fund	\$ 229,997	\$ 595,146	\$ -	\$ 6,989,516
Non-Major Governmental Funds	-	200,000	923,387	2,252,962
Internal Service Funds	-	-	-	5,193,918
Casino	-	-	-	95,597
Total	\$ 229,997	\$ 795,146	\$ 923,387	\$ 14,531,993

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.

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 7. CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at September 30, 2012:

<i>Historical Cost:</i>	Restated Beginning				Ending
	Balance	Additions	Deletions	Transfers	Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 8,642,899	\$ 231,195	\$ -	\$ -	\$ 8,874,094
Construction-in-progress	3,661,874	8,183,692	-	(335,947)	11,509,619
Total capital assets, not being depreciated	<u>12,304,773</u>	<u>8,414,887</u>	<u>-</u>	<u>(335,947)</u>	<u>20,383,713</u>
Capital Assets Being Depreciated:					
Land Improvements	2,561,677	41,592	-	-	2,603,269
Infrastructure	68,453,883	4,391	-	329,322	68,787,596
Construction	17,562,933	128,497	9,981	-	17,681,449
Machinery & equipment	3,745,089	87,178	286,899	6,625	3,551,993
Licensed vehicles	1,774,333	-	-	-	1,774,333
Total capital assets, being depreciated	<u>94,097,915</u>	<u>261,658</u>	<u>296,880</u>	<u>335,947</u>	<u>94,398,640</u>
Less accumulated depreciation for:					
Land Improvements	1,528,618	87,269	-	-	1,615,887
Infrastructure	35,572,995	2,616,856	-	-	38,189,851
Construction	6,835,232	552,037	9,981	-	7,377,288
Machinery & equipment	2,862,280	189,679	279,152	-	2,772,807
Licensed vehicles	1,661,964	32,444	-	-	1,694,408
Total accumulated depreciation	<u>48,461,089</u>	<u>3,478,285</u>	<u>289,133</u>	<u>-</u>	<u>51,650,241</u>
Governmental Activities Capital Assets, Net	<u>\$ 57,941,599</u>	<u>\$ 5,198,260</u>	<u>\$ 7,747</u>	<u>\$ -</u>	<u>\$ 63,132,112</u>

Depreciation expenses were charged to governmental functions as follows:

General Government	\$ 58,955
Public Safety	52,423
Physical Environment	2,561,926
Transportation	251,921
Culture and Recreations	553,060
Total Depreciation Expense	<u>\$ 3,478,285</u>

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 7. CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by category of changes at September 30, 2012:

<i>Historical Cost:</i>	Restated Beginning				Ending
	Balance	Additions	Deletions	Transfers	Balance
Business-Type Activities					
Capital assets, not being depreciated:					
Land	\$ 2,581,005	\$ -	\$ -	\$ -	\$ 2,581,005
Construction-in-progress	9,054,424	2,012,648	22,653	(5,463,937)	5,580,482
Total capital assets, not being depreciated	<u>11,635,429</u>	<u>2,012,648</u>	<u>22,653</u>	<u>(5,463,937)</u>	<u>8,161,487</u>
Capital Assets Being Depreciated:					
Land Improvements	459,701	-	-	-	459,701
Construction	90,509,714	260,053	-	5,341,862	96,111,629
Infrastructure	103,658,864	258,274	-	-	103,917,138
Machinery & Equipment	30,792,867	793,164	480,478	122,075	31,227,628
Vehicles	7,980,260	309,906	408,786	-	7,881,380
Total capital assets, being depreciated	<u>233,401,406</u>	<u>1,621,397</u>	<u>889,264</u>	<u>5,463,937</u>	<u>239,597,476</u>
Less accumulated depreciation for:					
Land Improvements	326,556	18,387	-	-	344,943
Construction	37,176,512	2,196,167	-	-	39,372,679
Infrastructure	61,085,711	2,083,847	-	-	63,169,558
Equipment	26,718,696	639,753	431,947	-	26,926,502
Vehicles	6,439,220	424,521	376,514	-	6,487,227
Total accumulated depreciation	<u>131,746,695</u>	<u>5,362,675</u>	<u>808,461</u>	<u>-</u>	<u>136,300,909</u>
Business-Type Activities Capital Assets, Net	<u>\$ 113,290,140</u>	<u>\$ (1,728,630)</u>	<u>\$ 103,456</u>	<u>\$ -</u>	<u>\$ 111,458,054</u>

Depreciation expenses were charged to governmental functions as follows:

Electric	\$ 1,711,881
Water	2,056,575
Local Sewer	603,513
Regional Sewer	429,151
Stormwater	276,349
Refuse Collection and Disposal	80,253
Information Technology	87,827
Fleet	117,126
Total Depreciation Expense	<u>\$ 5,362,675</u>

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 7. CAPITAL ASSETS (continued)

C. Discretely Presented Component Unit

Summary by Category of changes at September 30, 2012:

<i>Historical Cost:</i>	Restated Beginning				Ending
Component Unit Activities	Balance	Additions	Deletions	Transfers	Balance
Capital assets, not being depreciated:					
Land	\$ 204,338	\$ 156,014	\$ -	\$ (360,352)	\$ -
Total capital assets, not being depreciated	<u>204,338</u>	<u>156,014</u>	<u>-</u>	<u>(360,352)</u>	<u>-</u>
Capital Assets Being Depreciated:					
Land Improvements	223,831	-	-	-	223,831
Infrastructure	9,183,579	-	-	-	9,183,579
Construction	843,756	-	-	253,302	1,097,058
Machinery & equipment	-	-	-	107,050	107,050
Total capital assets, being depreciated	<u>10,251,166</u>	<u>-</u>	<u>-</u>	<u>360,352</u>	<u>10,611,518</u>
Less accumulated depreciation for:					
Land Improvements	5,596	11,168	-	-	16,764
Infrastructure	517,095	361,265	-	-	878,360
Construction	137,332	32,337	-	-	169,669
Machinery & equipment	-	15,161	-	-	15,161
Total accumulated depreciation	<u>660,023</u>	<u>419,931</u>	<u>-</u>	<u>-</u>	<u>1,079,954</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,795,481</u>	<u>\$ (263,917)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,531,564</u>

Depreciation expenses were charged to governmental functions as follows:

Community Redevelopment	419,931
Total Depreciation Expense	<u>\$ 419,931</u>

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

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 the 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. In September 2012, ECR issued \$14,000,000 in 2012 Series Bonds. The bonds were issued for the purpose of prepaying the SRF loans and a portion of the cost of the 2012 Project.

The City's share of this debt as of September 30, 2012 was \$2,822,400 and is reflected as a liability in the Regional Sewer Fund. Under GAAP, the City is required to account for this Joint Venture using the equity method.

City of Lake Worth, Florida

***Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012***

NOTE 8. INVESTMENT IN JOINT VENTURE (continued)

Reserve Capacity Percentages:

Entity	09/30/2006 and Prior		09/30/2007 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.

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 9. LONG-TERM DEBT

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2012 for both governmental and business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 533,432	\$ 468,426	\$ (601,047)	\$ 400,811	\$ 220,274
Other Post-employment Benefits	312,983	104,914	-	417,897	-
Total	\$ 846,415	\$ 573,340	\$ (601,047)	\$ 818,708	\$ 220,274

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 57,535,000	\$ -	\$ -	\$ 57,535,000	\$ 2,580,000
Unamortized bond discount & Deferred amount on refunding	(790,673)	-	47,678	(742,995)	-
Total Bonds Payable	56,744,327	-	47,678	56,792,005	2,580,000
Notes payable	12,445,305	1,706,796	(585,366)	13,566,735	486,607
Compensated absences	769,720	1,072,235	(1,139,065)	702,890	453,519
Capital lease	401,833	-	(299,460)	102,372	102,372
Other post-employment benefits	346,575	91,707	-	438,282	-
Total	\$ 70,707,760	\$ 2,870,738	\$ (1,976,213)	\$ 71,602,284	\$ 3,622,498

For the governmental activities, compensated absences and other post-employment benefits are generally liquidated by the General Fund.

Discretely Presented Component Unit
Community Redevelopment Agency

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable	\$ 4,336,067	\$ -	\$ (809,793)	\$ 3,526,274	\$ 837,536
Capital Lease	545,505	-	(204,972)	340,533	237,726
Total	\$ 4,881,572	\$ -	\$ (1,014,765)	\$ 3,866,807	\$ 1,075,262

City of Lake Worth, Florida

***Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012***

NOTE 9. LONG-TERM DEBT (continued)

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, 2011, the obligation had been paid in full but the remaining fund balance of \$250,208 was transferred in FY 2012.

B. Business-Type Activities

1. Revenue Bonds Payable

Business-type revenue bonds payable as of September 30, 2012 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 \$2,580,000 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, 2012, the principal amount outstanding on the bonds is \$57,535,000.

Fiscal Year Ending September 30,	Principal	Interest
2013	\$ 2,580,000	\$ 2,362,290
2014	2,690,000	2,251,620
2015	2,805,000	2,136,225
2016	2,925,000	2,015,895
2017	3,050,000	1,890,420
2018-2022	17,330,000	7,373,730
2023-2027	23,765,000	3,323,355
2028	2,390,000	158,935
	\$ 57,535,000	\$ 21,512,470

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 9. LONG-TERM DEBT (continued)

B. Business-Type Activities (continued)

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, 2012, the principal outstanding on the note is \$3,570,000.

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

Fiscal Year Ending September 30,	Principal	Interest
2013	\$ 255,000	\$ 191,031
2014	255,000	177,386
2015	255,000	163,741
2016	2,805,000	150,096
	\$ 3,570,000	\$ 682,254

Note payable to ECR - In May 1998, ECR issued a State of Florida revolving fund loan (SRF) 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 was due monthly through fiscal year 2016. In September 2012, ECR refinanced the loan with the issuance of their 2012 Series Bonds.

2012 Series Wastewater Facilities Revenue Bonds – In September 2012 ECR issued \$14,000,000 in 2012 Series Bonds. The bonds were issued for the purpose of prepaying the SRF loan and a portion of the cost of the 2012 Project. Lake Worth’s portion as a system participant was \$2,822,400 with interest rates between .85% and 1.85%. As of September 30, the principal outstanding was \$2,822,400.

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

Fiscal Year Ending September 30,	Principal	Interest
2013	\$ -	\$ -
2014	-	52,214
2015	159,264	30,581
2016	264,096	26,665
2017	324,576	21,220
2018-2022	2,074,464	115,168
	\$ 2,822,400	\$ 245,848

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

NOTE 9. LONG-TERM DEBT (continued)

B. Business-Type Activities (continued)

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, 2012, the City's debt limit is \$261,754,219.

State Revolving Loan Payable

During the year and in previous years, the City entered into loan agreements with the State Department of Environmental Protection's Drinking Water State Revolving Fund Loan Program to borrow up to \$9,676,902, of this \$2,550,000 of the principal was forgiven. As of September 30, 2012, the City has \$7,174,335 outstanding which it has borrowed to finance the planning, design and construction of water systems infrastructure improvements. 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 starting in April 2012 in the amount of approximately \$232,000 which includes interest. 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 finalized until each project is completed and closed out; therefore, an amortization schedule is not available at this time. We are currently communicating with the State to determine if more funding is going to be obtained and to finalize and close out the project.

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

<u>Fund</u>	<u>Rate</u>	<u>Amount</u>
Water Fund	2.61%	\$ 6,707,712
Water Fund	2.82%	\$ 466,623

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 9. LONG-TERM DEBT (continued)

C. Discretely Presented Component Unit

1. Community Redevelopment Agency

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 \$837,536 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, 2012, the principal amount outstanding on the note is \$3,526,274.

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

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 837,536	\$ 120,810
2014	866,230	92,116
2015	895,907	62,439
2016	926,601	31,745
	<u>\$ 3,526,274</u>	<u>\$ 307,110</u>

D. 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, 2012 are as follows:

	<u>Primary Government Business-Type Activities</u>	<u>Discretely Presented Component Unit</u>
	Electric and	
	Water	Local Sewer
Sources of Revenue Pledged	<u>Revenues</u>	<u>System</u>
Current Revenue Pledged	\$ 9,106,210	\$ 7,773,364
Current Debt Service	4,942,290	446,031
Total Future Revenues Pledged	79,047,470	4,252,253
		3,833,385
	Electric and	System
	Water	Subordinated
	Revenue	Lien
	Bonds,	Revenue
	Series 2008	Note,
		Series 2006
Purpose of Debt	<u>Refunding</u>	<u>To Fund</u>
Term of Commitment	2008-2028	2006-2016
Percentage of Debt Service to Current		To Fund Gateway
Year Pledged Revenues	1.84	1.38

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

NOTE 9. LONG-TERM DEBT (continued)

E. Capital Leases

1. Business-Type Activities

In 2006, the City 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.

2. Discretely Presented Component Unit Activities

In 2010, 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.

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City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 9. LONG-TERM DEBT (continued)

E. Capital Leases (continued)

Business-Type Activities

The assets acquired through capital leases are as follows:

	Business-Type Activities
Assets:	
Machinery and Equipment	\$ 954,567
Less Accumulated Depreciation	(954,567)
	\$ -
Fiscal Year Ending September 30,	Business-Type Activities
2013	\$ 103,183
Total Minimum Lease Payments	103,183
Less Amount Representing Interest	(809)
Present Value of net Minimum Lease Payments	\$ 102,374

Discretely Presented Component Unit

	Governmental Activities
Assets:	
Building	\$ 756,435
Less Accumulated Depreciation	(117,019)
	\$ 639,416
Fiscal Year Ending September 30,	Governmental Activities
2013	\$ 250,000
2014	104,167
Total Minimum Lease Payments	354,167
Less Amount Representing Interest	(13,634)
Present Value of net Minimum Lease Payments	\$ 340,533

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

NOTE 9. LONG-TERM DEBT (continued)

F. 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%. During the current fiscal year, the City fulfilled its obligation for post-closure care costs. The landfill has no remaining life.

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City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

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 may retire upon reaching age 55 and 30 years of credited service or age 65 and 10 years of Credit Service. If retiring prior to October 1, 2015, the participant must have 20 years of credited service regardless of age or when the participants age plus credited service equals 900 months or 75 years, provided the member has 10 years of credited service.

Participants are entitled to a benefit of 3.0% of Average Final Compensation (AFC) multiplied by credited service prior to October 1, 2010. The benefit for credited service accrued after October 1, 2010 is 2.0% of AFC multiplied by credited service.

Average Final Compensation (AFC) is computed by taking the highest 5 consecutive years within the last 10 years of credited service for service accruals after September 30, 2010. Service accruals prior to September 30, 2010 will be calculated using the average of the highest two consecutive years of service within the last 10 years prior to October 1, 2010.

For those hired before October 1, 1979, lump sum payments of unused leave are 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 the greater of 20 years of credited service, payable for life, or accrued Normal Retirement Benefit taking into account compensation earned and service credited until the date of disability. If an active employee becomes disabled not in the line of duty, they are entitled to the Accrued Normal Retirement Benefit taking into account compensation earned and service credited as of the date of the disability. Ten (10) years of service is 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 employee's accumulated contributions and a monthly pension is payable as follows:

1. 50% of final compensation is paid to the spouse.
2. 25% of final compensation is distributed among the unmarried children. If the spouse dies or remarries, 25% is paid to each child with an overall maximum of 50% for all children.
3. If there is no spouse or eligible children, 16 2/3% of final compensation is payable to each dependent parent, if any.

Spouse's and dependent parent's benefits are payable for life; children's benefits are payable until the age of 18 (age 23 if a full-time student), marriage or death.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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 at 10 years of service, 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, 2011, 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	327
Fully, partially and non-vested plan participants	277

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City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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, 2012**

	Employees' Retirement System
Assets:	
Cash and cash equivalents	\$ 767,263
Investments at fair value:	
U.S. government and agency funds	7,271,158
Money market funds	7,180,772
Corporate bonds	4,820,360
Common stocks	28,394,188
Real estate	4,169,508
Mutual funds	7,280,249
Total investments at fair value	<u>59,116,235</u>
Accrued interest, dividends and contributions receivable	436,792
Due from broker	51,262
Prepaid items	12,906
Total Assets	<u><u>60,384,458</u></u>
Liabilities:	
Accounts payable	89,611
Due for securities purchased	621,357
Total Liabilities	<u><u>710,968</u></u>
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 59,673,490</u></u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (continued)

A. Description of Plans (continued)

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

**Employees' Retirement System
Statement of Plan Net Assets
Fiscal Year Ended September 30, 2012**

	<u>Employees' Retirement System</u>
Additions:	
Contributions:	
Employer	\$ 3,293,953
Plan members	939,638
Total contributions	<u>4,233,591</u>
Investment Income:	
Interest and dividends	1,356,219
Net change in fair value of investments	<u>8,593,138</u>
Total investment income	9,949,357
Less investment expenses	<u>(403,872)</u>
Net investment income	9,545,485
Other income	<u>7,757</u>
Total Additions	<u>13,786,833</u>
Deductions:	
Pension benefits	8,420,269
Administrative expenses	<u>107,830</u>
Total Deductions	<u>8,528,099</u>
Change in net assets	5,258,734
Net Assets at Beginning of Year	<u>54,414,756</u>
Net Assets at End of Year	<u>\$ 59,673,490</u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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 greater of the accrued pension benefit calculated as though the member has 20 years of credited service or the accrued Normal Retirement benefit. Both options are payable for life. Any active police officers with 10 years of credited service who becomes disabled while not in the line of duty will receive the Accrued Normal Retirement benefit, payable for life. 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 employee's accumulated contributions and a monthly pension is payable as follows:

1. 50% of final compensation is paid to the spouse.
2. 25% of final compensation is distributed among the unmarried children. If the spouse dies or remarries, 25% is paid to each child with an overall maximum of 50% for all children.
3. If there is no spouse or eligible children, 16 2/3% of final compensation is payable to each dependent parent, if any.

Spouse's and dependent parent's benefits are payable for life; children's benefits are payable until the age of 18 (age 23 if a full-time student), marriage or death.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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 an ordinance of the City 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, 2010, 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	99
Fully, partially and non-vested plan participants	18

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City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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 Officer's Relief and Retirement System
Statement of Plan Net Assets
Fiscal Year Ended September 30, 2012**

	<u>Police Officers' Relief and Retirement System</u>
Assets:	
Cash and cash equivalents	\$ 728,738
Investments at fair value:	
U.S. government and agency funds	2,785,393
Money market funds	2,722,861
Corporate bonds	1,883,469
Common stocks	11,692,715
Real estate	669,514
Mutual funds	<u>2,412,511</u>
Total investments at fair value	<u>22,166,463</u>
Accrued interest, dividends and contributions receivable	354,498
Due from broker	57,560
Prepaid items	<u>3,899</u>
Total Assets	<u><u>23,311,158</u></u>
Liabilities:	
Accounts payable	37,011
Due for securities purchased	<u>166,405</u>
Total Liabilities	<u>203,416</u>
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 23,107,742</u></u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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 Plan Net Assets
Fiscal Year Ended September 30, 2012**

	<u>Police Officers' Relief and Retirement System</u>
Additions:	
Contributions:	
Employer	\$ 1,668,512
Plan members	<u>136,770</u>
Total contributions	<u>1,805,282</u>
Investment Income:	
Interest and dividends	481,833
Net change in fair value of investments	<u>3,394,915</u>
Total investment income	3,876,748
Less investment expenses	<u>(144,014)</u>
Net investment income	3,732,734
Other income	<u>1,867</u>
Total Additions	<u>5,539,883</u>
Deductions:	
Pension benefits	3,229,384
Administrative expenses	<u>82,105</u>
Total Deductions	<u>3,311,489</u>
Change in net assets	2,228,394
Net Assets at Beginning of Year	<u>20,879,348</u>
Net Assets at End of Year	<u>\$ 23,107,742</u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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

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

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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 non-vested plan participants	17

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City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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
For Fiscal Year ended September 30, 2012**

	<u>Firefighters' Pension Trust Fund</u>
Assets:	
Cash and cash equivalents	\$ 363,248
Investments at fair value:	
U.S. government and agency funds	4,844,351
Money market funds	615,158
Corporate bonds	3,825,709
Common stocks	12,356,876
Real estate	1,595,298
Mutual funds	7,273,691
Total investments at fair value	<u>30,511,083</u>
Accrued interest, dividends and contributions receivable	245,463
Due from broker	80,890
Total Assets	<u><u>31,200,684</u></u>
Liabilities:	
Accounts payable	45,413
Deferred revenue	74,840
Total Liabilities	<u>120,253</u>
Net Assets Held in Trust for Pension Benefits	<u><u>\$ 31,080,431</u></u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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, 2012**

	<u>Firefighters' Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 1,733,046
Chapter 175	112,242
Plan members	116,754
Roll Over	420,339
Total contributions	<u>2,382,381</u>
Investment Income:	
Interest and dividends	818,797
Net change in fair value of investments	4,671,082
Total investment income	<u>5,489,879</u>
Less investment expenses	(169,160)
Net investment income	<u>5,320,719</u>
Other income	4,324
Total Additions	<u>7,707,424</u>
Deductions:	
Pension benefits	3,035,976
Administrative expenses	146,630
Total Deductions	<u>3,182,606</u>
Change in Net Assets	4,524,818
Net Assets at Beginning of Year	<u>26,555,613</u>
Net Assets at End of Year	<u>\$ 31,080,431</u>

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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, 2012.

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City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

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>2012</u>	<u>2011</u>	<u>2010</u>
Employees' Retirement System			
Annual Pension Cost (APC)	\$ 3,295,290	\$ 2,787,850	\$ 3,417,226
Contributions Made	\$ 3,293,953	\$ 2,786,433	\$ 3,413,861
Percent of APC Contributed	100.0%	99.9%	99.9%
NPO (overfunding) End of Year	(39,736)	(41,073)	(42,490)
Police Officers' Relief and Retirement Systems			
Annual Pension Cost (APC)	\$ 1,729,944	\$ 1,565,461	\$ 1,473,794
Contributions Made	\$ 1,733,395	\$ 1,569,833	\$ 1,478,681
Percent of APC Contributed	100.2%	100.3%	100.3%
NPO (overfunding) End of Year	27,088	30,539	34,911
Firefighters' Pension Trust Fund			
Annual Pension Cost (APC)	\$ 1,846,765	\$ 1,707,303	\$ 1,795,966
Contributions Made	\$ 1,845,288	\$ 1,705,530	\$ 1,794,081
Percent of APC Contributed	100	99.9%	99.9%
NPO (overfunding) End of Year	(20,001)	\$ (21,478)	(23,251)
	<u>ERS</u>	<u>PRS</u>	<u>FPTF</u>
Annual Required Contribution (ARC)	\$ 3,293,953	\$ 1,733,395	\$ 1,845,288
Interest on Net Pension Obligation (NPO)	(3,306)	2,458	(1,761)
Adjustment to ARC	4,643	(5,909)	3,238
Annual Pension Cost (APC)	3,295,290	1,729,944	1,846,765
Contributions Made	3,293,953 ¹	1,733,395 ²	1,845,288
Increase (Decrease) in NPO	1,337	(3,451)	1,477
NPO at Beginning of Year	(41,073)	30,539	(21,478)
NPO at End of Year	<u>\$ (39,736)</u>	<u>\$ 27,088</u>	<u>\$ (20,001)</u>

1- Contribution includes Employer and Chapter 185 revenue in the amount of \$202,000 earmarked for Minimum Benefit Changes

2- Contribution includes Employer and Chapter 175

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 10. EMPLOYEE RETIREMENT SYSTEMS (continued)

C. Funding Policy and Annual Required Contributions (continued)

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

	Employees' Retirement System	Police Officers' Relief & Retirement System	Firefighters' Pension Trust Fund
Actuarial Valuation Date	October 1, 2011	October 1, 2011	October 1, 2011
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	23 Years	30 Years
Asset Valuation Method	5 Years Smoothed Market	5 Years Smoothed Market	5 Years Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.90%	8.05%	8.5%
Projected Salary Increases *	6.5%-11%	6.5%	6.5%
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, 2010, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

	ERS	PRS	FPTF
Actuarial Valuation Date	10/01/2011	10/01/2011	10/01/2011
Actuarial Value of Assets (a)	\$ 59,904,551	\$ 23,728,194	\$ 24,463,958
Actuarial Accrued Liability (AAL) (b)	101,558,913	42,922,206	43,451,205
Unfunded (UAAL) (b-a)	\$ 41,654,362	\$ 19,194,012	\$ 18,987,247
Funded Ration (a/b)	59.0%	55.3%	56.3%
Annual Covered Payroll (c)	\$ 10,951,357	\$ 1,553,664	\$ 1,118,599
UAAL as a Percentage of Annual			
Covered Payroll Obligation	380.4%	1235.4%	1876.2%

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

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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.

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 to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

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	\$ 92,654
Amortization	584,525
Interest	28,031
Adjustment to ARC	<u>(64,345)</u>
Annual OPEB Cost	640,865
Contribution Made	<u>(444,244)</u>
Increase in Net OPEN Obligation	196,621
Net OPEB Obligation-Beginning of Year	<u>659,558</u>
Net OPEB Obligation-End of Year	<u><u>\$ 856,179</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 was:

Fiscal Year Ended	<u>09/30/2012</u>	<u>9/30/2011</u>	<u>9/30/2010</u>
Annual OPEB Cost	\$ 640,865	\$ 657,906	\$ 648,264
Percentage of OPEB Cost Contributed	69.3%	50.4%	48.6%
Net OPEB Obligation	\$ 856,179	\$ 659,558	\$ 659,558

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	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	6,201,458
Funded ratio	-
Covered payroll	12,401,348
UAAL as a percentage of covered payroll	50.0%

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

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

C. Funded Status and Funding Progress (continued)

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%
Initial year health care trend rate	0.0%
Second year health care trend rate	29.0%
Third year trend rate	8.0%
Ultimate trend rate	5.0%
Years to reaching the ultimate trend rate	8
Inflation	3.0%

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

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.

In fiscal year 2012 the City executed its right to exit the FMPA agreements. The exit will occur in December 2013. The City has secured replacement power through the bid process in fiscal year 2012.

B. Litigation, Claims and Assessments

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

C. FEMA Grants

The City worked with FEMA to finalize all of the claims filed by the City related to Hurricanes Jeanne, Francis and Wilma in 2004 and 2005. 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 City received initial determination letters for all large projects (those with a cost of more than \$57,500) in late December of 2011. The net questioned costs for the three storms were approximately \$2.7 million. The City has availed itself of the appeal opportunities afforded under 44 CFR, Sec 206.206 Federal Regulations which allows for two appeals. That appeal process will not be likely to be resolved until FY 2013. Resources for any ultimately disallowed costs are available from the City's \$5.2 million emergency reserve.

City of Lake Worth, Florida

Notes to the Basic Financial Statements For the Fiscal Year Ended September 30, 2012

NOTE 12. COMMITMENTS AND CONTINGENCIES (continued)

D. 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 customers. 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 requested an audit be made by the Florida Auditor General, which has been completed. The City and the customers are actively negotiating settlement of this dispute. Any settlement reached would not have a severe detrimental effect on the financial well being of the fund.

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 coverage on all properties, other than Utilities. The \$38,859,428 of coverage is purchased with a shared limit of \$175,000,000. There is a \$50,000 all other peril deductible and a 5% windstorm deductible. Utility property is insured with Star Tech Insurance Company with a dedicated limit of \$91,629,531. This is subject to a \$300,000 all other peril deductible and a 5% windstorm deductible. The City purchases \$1,000,000 excess 3rd party liability over the sovereign immunity limit.

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 PGIT. 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. Physical damage coverage on vehicles has a \$500-\$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.

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 an 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.

City of Lake Worth, Florida

**Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012**

NOTE 14. LANDFILL MANAGEMENT ESCROW (continued)

There were no withdrawals made from the Sanitary Landfill Management Escrow Account for the fiscal year ended September 30, 2012. This account is included in the Refuse Collection and Disposal Fund. There were no postclosure care costs for the fiscal year ended September 30, 2012. The deferred landfill closure and postclosure care liability at September 30, 2012 was estimated to be zero. The Sanitary Landfill Management Escrow Account will be closed in fiscal year ending September 30, 2013. The account balance will be returned to unrestricted cash in the Refuse Collection Fund.

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

Balance - September 20, 2011	\$ 205,973
Deposits - Interest Income	<u>1,708</u>
Balance - September 20, 2012	<u>\$ 207,681</u>

NOTE 15. SUBSEQUENT EVENTS

FEMA Grants

The U.S. Department of Homeland Security, Office of Inspector General (DHSOIG) conducted an audit of FEMA Disaster Declarations Nos. 1545 (Hurricane Francis), 1561 (Hurricane Jeanne) and 1609 (Hurricane Wilma) between January and May 2012. The purpose of this was to review the findings of the FEMA/State of Florida closeout audits discussed in Note 12. DHSOIG issued reports to the FEMA Regional Director in November 2012 and December 2012. No action has been taken by the FEMA Regional Director to date and at this time the City does not consider it probable that the audit findings will be assessed against the City.

Legal Settlement

On November 9, 2012 the City entered into a settlement agreement with Greater Bay Group, LLC (Greater Bay) over the allegations that the City breached a development contract and caused Greater Bay damages. The City agreed to pay \$1,600,000 before December 15, 2012 in full and final settlement of all issues. The City paid the settlement out of the Self Insurance fund.

Sub-Regional Sewer Settlement

The City and the Sub-Regional customers are negotiating a tentative agreement in settlement of the Chapter 164 suit (see Note 12.D). The tentative agreement will be presented to all the parties to the suit in March and April of 2013. Once all parties have agreed, the suit will be dismissed and settlement made. The settlement proposals will not have a detrimental impact on the Regional Sewer Fund.

Interlocal Agreement

On December 21, 2012, the City of Lake Worth entered into an interlocal agreement with Lake Worth Community Development agency (CRA) to support the final payment on the \$8,000,000 Revenue Note, Series 2005 if the CRA is unable to pay the full amount of the \$1,676,601 payment in 2016. The agreement also allows the City to withhold repayment of any loaned amount from tax increment revenues due to the CRA.

City of Lake Worth, Florida

*Notes to the Basic Financial Statements
For the Fiscal Year Ended September 30, 2012*

NOTE 15. SUBSEQUENT EVENTS (continued)

Discretely Presented Component Unit

Note Payable

On December 21, 2012, the Lake Worth Community Redevelopment Agency (CRA) entered into a loan agreement with Bank of America, N.A. to modify its \$8,000,000 Revenue Note, Series 2005 for the purpose of amending the payment terms. The interest rate has been modified from 3.462 per annum to 3.466 per annum. The Note is due in annual installments of \$587,536 to \$1,676,601 beginning in 2013 through 2016. The note is payable as to both principal and interest from a lien on and pledge of tax increment revenues. In addition the City of Lake Worth entered into an interlocal agreement with the CRA to support the final payment.

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REQUIRED SUPPLEMENTAL INFORMATION

City of Lake Worth, Florida

**Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual General Fund
For the Fiscal Year Ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$ 5,849,655	\$ 5,849,655	\$ 5,879,132	\$ 29,477
Utility service taxes	4,926,000	4,948,000	4,956,131	8,131
Sales and use taxes	800,000	800,000	814,245	14,245
Franchise fees	41,600	41,600	42,836	1,236
Total taxes	<u>11,617,255</u>	<u>11,639,255</u>	<u>11,692,344</u>	<u>53,089</u>
Licenses and permits:				
Business	375,000	385,000	432,002	47,002
Non-business	48,050	48,050	138,555	90,505
Total licenses and permits	<u>423,050</u>	<u>433,050</u>	<u>570,557</u>	<u>137,507</u>
Fines and forfeitures:				
Public safety	65,000	65,000	63,930	(1,070)
Library fines	7,000	7,000	8,275	1,275
Violations of local ordinances	283,500	283,500	181,653	(101,847)
Total fines and forfeitures	<u>355,500</u>	<u>355,500</u>	<u>253,858</u>	<u>(101,642)</u>
Charges for services:				
General government	4,251,074	4,342,374	4,239,168	(103,206)
Public safety	1,803,156	295,000	241,554	(53,446)
Physical environment	20,000	20,000	25,250	5,250
Transportation	33,000	33,000	10,552	(22,448)
Culture and recreation	132,900	132,900	132,860	(40)
Total charges for services	<u>6,240,130</u>	<u>4,823,274</u>	<u>4,649,384</u>	<u>(173,890)</u>
Intergovernmental:				
State shared revenues	5,144,463	5,154,463	5,041,434	(113,029)
Total intergovernmental	<u>5,144,463</u>	<u>5,154,463</u>	<u>5,041,434</u>	<u>(113,029)</u>
Investment income	108,000	108,000	45,848	(62,152)
Rents and royalties	3,000	3,000	811	(2,189)
Miscellaneous	10,000	10,000	197,677	187,677
Total revenues	<u>23,780,398</u>	<u>22,526,542</u>	<u>22,451,913</u>	<u>(74,629)</u>
Expenditures:				
General Government:				
City commission	215,914	214,679	185,697	28,982
City manager	499,360	530,371	518,023	12,348
City clerk	437,121	417,961	399,985	17,976
Finance	1,230,205	1,197,311	1,136,263	61,048
Office of management and budget	395,109	391,743	327,334	64,409
Internal auditing	182,588	182,088	45,620	136,468
Personnel	369,600	337,602	291,709	45,893
City attorney	1,100,447	1,096,107	1,046,648	49,459
Community development	972,185	1,015,045	966,897	48,148
Business license	110,479	109,829	94,815	15,014
Building maintenance	943,425	938,625	896,946	41,679
General and Administrative	163,316	102,320	37,078	65,242
Cost of services	823,835	575,037	97,224	477,813
Total general government	<u>7,443,584</u>	<u>7,108,718</u>	<u>6,044,239</u>	<u>1,064,479</u>

(continued)

City of Lake Worth, Florida

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual General Fund
For the Fiscal Year Ended September 30, 2012**

Public Safety:				
Police	\$ 14,428,040.00	\$ 14,428,040.00	\$ 14,346,352.00	\$ 81,688.00
Fire	2,284,258	2,284,258	2,061,277	222,981
Building and zoning	484,609	461,804	376,346	85,458
Code and administration	724,776	718,976	706,858	12,118
Total public safety	<u>17,921,683</u>	<u>17,893,078</u>	<u>17,490,833</u>	<u>402,245</u>
Physical Environment:				
Cemetery	380,053	329,092	309,388	19,704
Grounds maintenance	1,592,741	1,639,820	1,695,755	(55,935)
Total physical environment	<u>1,972,794</u>	<u>1,968,912</u>	<u>2,005,143</u>	<u>(36,231)</u>
Transportation:				
Administration	312,390	281,180	242,196	38,984
Streets, drains and sidewalks	577,823	552,316	546,191	6,125
Total transportation	<u>890,213</u>	<u>833,496</u>	<u>788,387</u>	<u>45,109</u>
Culture and Recreation:				
Library	545,311	548,819	532,728	16,091
Recreation	1,303,792	1,078,763	912,710	166,053
Total culture and recreation	<u>1,849,103</u>	<u>1,627,582</u>	<u>1,445,438</u>	<u>182,144</u>
Capital Outlay	<u>118,850</u>	<u>64,621</u>	<u>39,638</u>	<u>24,983</u>
Debt Service:				
Total Expenditures	<u>30,196,227</u>	<u>29,496,407</u>	<u>27,813,678</u>	<u>1,682,729</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,415,829)	(6,969,865)	(5,361,765)	1,608,100
Other Financing Sources (Uses):				
Transfers In	6,840,784	7,104,516	6,989,516	(115,000)
Transfers Out	(5,681,184)	(5,395,434)	(5,360,438)	34,996
Appropriated fund balance	5,256,229	5,260,783	-	(5,260,783)
Total Other Financing Sources (Uses)	<u>6,415,829</u>	<u>6,969,865</u>	<u>1,629,078</u>	<u>(5,340,787)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(3,732,687)	<u>\$ (3,732,687)</u>
Fund Balance at Beginning of Year			9,116,345	
Fund Balance at End of Year			<u>\$ 5,383,658</u>	

(Concluded)

City of Lake Worth, Florida

Notes to Budgetary Comparison Analysis For the Fiscal Year Ended September 30, 2012

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 Fiscal Year Ended September 30, 2012**

<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)
Employees' Retirement System: (a)						
October 1, 2011(b)	\$ 59,904,551	\$ 101,558,913	\$ 41,654,362	59.1%	\$ 10,951,357	380.4%
October 1, 2010	64,793,490	99,487,517	34,694,027	65.1%	12,563,517	276.1%
October 1, 2009	66,607,594	96,981,960	30,374,366	68.7%	13,257,113	229.1%
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%
Police Officers' Relief and Retirement System: (a)						
October 1, 2011(b)	\$23,728,194	\$ 42,922,206	\$ 19,194,012	55.3%	\$ 1,553,664	1235.4%
October 1, 2010	25,331,745	40,679,243	15,347,498	62.3%	2,037,850	753.1%
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	11,381,155	69.6%	3,504,813	324.7%
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%
Firefighters' Pension Trust Fund: (a)						
October 1, 2011(b)	\$ 22,463,958	\$ 43,451,205	\$ 2,987,247	51.7%	\$ 1,118,599	1876.2%
October 1, 2010	24,165,929	40,888,512	16,722,583	59.1%	1,312,204	1274.4%
October 1, 2009	24,985,737	40,299,376	15,313,639	62.0%	1,309,166	1169.7%
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%

(a) Actuarial cost method is entry age normal.

(b) This is the latest valuation date.

Source: Gabriel, Roeder, Smith & Company, Actuaries

City of Lake Worth, Florida

*Schedule of Employer Contributions
Pension Trust Funds
For the Fiscal Year Ended September 30, 2012*

<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Employees' Retirement System:		
October 1, 2011	\$2,786,433	100.0%
October 1, 2010	3,413,861	100.0%
October 1, 2009	2,900,325	100.0%
October 1, 2008	2,852,077	100.0%
October 1, 2007	2,783,603	100.0%
October 1, 2006	2,162,016	100.0%
Police Officers' Relief and Retirement System:		
October 1, 2011	\$1,569,833	100.0%
October 1, 2010	1,453,457	100.0%
October 1, 2009	1,452,892	100.0%
October 1, 2008	1,414,687	100.0%
October 1, 2007	1,134,913	100.0%
October 1, 2006	1,064,230	100.0%
Firefighters' Pension Trust Fund:		
October 1, 2011	\$1,705,530	100.0%
October 1, 2010	1,794,081	100.0%
October 1, 2009	2,113,667	100.0%
October 1, 2008	1,803,579	100.0%
October 1, 2007	1,657,924	100.0%
October 1, 2006	942,443	100.2%

Source: Gabriel, Roeder, Smith & Company, Actuaries

City of Lake Worth, Florida

**Schedule of Funding Progress
Other Post-Employment Benefits
For the Fiscal Year Ended September 30, 2012**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>(Overfunded) Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL (Overfunded) as a Percentage of Covered Payroll</u>
	(a)	(b)	(b)-(a)	(a/b)	(c)	[(b)-(a)]:(c)
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.

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COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES

THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE THE MAJOR AND NON-MAJOR GOVERNMENTAL FUNDS, ENTERPRISE FUNDS, INTERNAL SERVICE FUNDS AND FIDUCIARY FUNDS

City of Lake Worth, Florida

Non-Major Governmental Funds

Special Revenue Funds

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

Building Permit Fund

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

Golf Fund

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

Beach

To account for revenues and expenditures of the beach, pier, pool, beach parking and casino building.

Parking Improvement Fund

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

Foreclosure Fund

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

Grants Fund

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

Tree Beautification Fund

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

Utility Conservation Fund

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

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.

(continued)

City of Lake Worth, Florida

Law Enforcement & Firefighter Education Fund

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

Law Enforcement Confiscated Property Fund

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

Summer Food Program Fund

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

Special Donation Fund

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

Debt Service Fund

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

Debt Service Fund

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

Capital Projects Fund

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.

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.

Capital Projects Fund

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

City of Lake Worth, Florida

**Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2012**

	Non-Major Special Revenue Funds	Non-Major Debt Service Fund	Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,728,632	\$ -	\$ 1,091,167	\$ 2,819,799
Investments	1,723,901	-	3,923,476	5,647,377
Accounts receivable, net	511,503	-	2,887,101	3,398,604
Accrued interest receivable	4,028	-	9,591	13,619
Due from other funds	-	-	25,760	25,760
Inventories	14,750	-	-	14,750
Land held for resale	395,175	-	-	395,175
Prepaid items	3,697	-	-	3,697
Advances to other funds	-	-	521,518	521,518
Total Assets	\$ 4,381,686	\$ -	\$ 8,458,613	\$ 12,840,299
Liabilities:				
Accounts and contracts payable	\$ 130,705	\$ -	\$ 304,580	\$ 435,285
Accrued liabilities	140,611	-	215,526	356,137
Due to other funds	306,520	-	1,732,064	2,038,584
Advances from other funds	2,108,036	-	111,105	2,219,141
Unearned revenue	16,648	-	-	16,648
Deferred revenues	36,747	-	274,564	311,311
Total Liabilities	2,739,267	-	2,637,839	5,377,106
Fund Balances:				
Restricted for :				
Purpose of fund	924,924	-	393,597	1,318,521
Committed to:				
Purpose of fund	2,709,902	-	-	2,709,902
Assigned to:				
Capital Projects	-	-	5,427,177	5,427,177
Non-Spendable:				
Prepaid	3,697	-	-	3,697
Unassigned	(1,996,104)	-	-	(1,996,104)
Total Fund Balances	1,642,419	-	5,820,774	7,463,193
Total Liabilities and Fund Balances	\$ 4,381,686	\$ -	\$ 8,458,613	\$ 12,840,299

City of Lake Worth, Florida

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Fiscal Year Ended September 30, 2012**

	Non-Major Special Revenue Funds	Non-Major Debt Service Fund	Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
Revenues:				
Utility and other taxes	\$ -	\$ -	\$ 379,622	\$ 379,622
Licenses and permits	740,624	-	-	740,624
Charges for services	2,677,478	-	-	2,677,478
Intergovernmental	841,731	-	2,738,508	3,580,239
Investment income	9,738	-	30,322	40,060
Miscellaneous	84,052	-	-	84,052
Total Revenues	4,353,623	-	3,148,452	7,502,075
Expenditures:				
Current:				
General government	657,262	-	104,107	761,369
Public safety	802,289	-	-	802,289
Physical environment	1,550	-	-	1,550
Transportation	82,950	-	4,289	87,239
Culture and recreation	2,493,375	-	26	2,493,401
Capital outlay	570,960	-	3,142,335	3,713,295
Debt service:				
Interest and fiscal charges	16,598	-	4,803	21,401
Total Expenditures	4,624,984	-	3,255,560	7,880,544
Excess (deficiency) of revenues over expenditures	(271,361)	-	(107,108)	(378,469)
Other financing sources (uses):				
Transfers in	18,520	-	2,234,442	2,252,962
Transfers out	(471,154)	(250,208)	(946,052)	(1,667,414)
Total other financing sources (uses)	(452,634)	(250,208)	1,288,390	585,548
Net change in fund balances	(723,995)	(250,208)	1,181,282	207,079
Net Assets, beginning of year	4,835,949	250,208	4,639,492	9,725,649
Prior period adjustment	(2,469,535)	-	-	(2,469,535)
Net Assets, beginning as restated	2,366,414	250,208	4,639,492	7,256,114
Net Assets, end of year	\$ 1,642,419	\$ -	\$ 5,820,774	\$ 7,463,193

City of Lake Worth, Florida

Combining Balance Sheet Non-Major Special Revenue Funds September 30, 2012

Assets:	Building Permit	Golf	Beach	Parking Improvement	Foreclosure	Grants	Tree Beautification	Utility Conservation	Simpkin Trust	Library Trust	Law Enforcement and Firefighter Education	Law Enforcement Confiscated Property	Special Donation	Total Non-Major Special Revenue Funds
Cash and cash equivalents	\$ 417,259	\$ 10,080	\$ 401,846	\$ 149,424	\$ 45,643	\$ 43,943	\$ 9,138	\$ 506,479	\$ 38,414	\$ 51,353	\$ 32,470	\$ 19,444	\$ 3,139	\$ 1,728,632
Investments	221,507	-	-	1,071	204,349	-	-	602,284	465,403	123,059	-	29,484	76,764	1,723,901
Accounts receivable, net	1,890	336	15,326	-	36,072	391,079	-	66,250	-	-	550	-	-	511,503
Accrued interest receivable	542	-	-	3	500	-	-	1,472	1,138	301	-	72	-	4,028
Inventories	-	14,750	-	-	-	-	-	-	-	-	-	-	-	14,750
Land held for resale	-	-	-	-	395,175	-	-	-	-	-	-	-	-	395,175
Prepaid items	-	3,697	-	-	-	-	-	-	-	-	-	-	-	3,697
Total Assets	\$ 641,198	\$ 28,863	\$ 417,172	\$ 150,498	\$ 681,739	\$ 435,022	\$ 9,138	\$ 1,176,485	\$ 504,955	\$ 174,693	\$ 33,020	\$ 49,000	\$ 79,903	\$ 4,351,686
Liabilities:														
Accounts and contracts payable	\$ 11,145	\$ 14,900	\$ 15,695	\$ -	\$ 12,160	\$ 75,350	\$ -	\$ 1,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,705
Accrued liabilities	22,341	20,589	69,389	-	78	22,615	-	5,445	109	24	-	6	15	140,611
Due to other funds	-	161,520	-	-	-	145,000	-	-	-	-	-	-	-	306,520
Advances from other funds	-	1,823,036	285,000	-	-	-	-	-	-	-	-	-	-	2,108,036
Unearned revenue	-	1,225	15,423	-	-	-	-	-	-	-	-	-	-	16,648
Deferred revenues	-	-	-	-	-	36,747	-	-	-	-	-	-	-	36,747
Total Liabilities	\$ 33,486	\$ 2,021,270	\$ 385,507	\$ -	\$ 12,238	\$ 279,712	\$ -	\$ 6,900	\$ 109	\$ 24	\$ -	\$ 6	\$ 15	\$ 2,739,267
Fund Balances:														
Restricted for:														
Purpose of fund	607,712	-	-	-	-	155,310	-	-	-	-	33,020	48,994	79,888	924,924
Committed to:														
Purpose of fund	-	-	31,665	150,498	669,501	-	9,138	1,169,585	504,846	174,669	-	-	-	2,709,902
Non-Spendable:														
Prepaid	-	3,697	-	-	-	-	-	-	-	-	-	-	-	3,697
Unassigned	-	(1,996,104)	-	-	-	-	-	-	-	-	-	-	-	(1,996,104)
Total Fund Balances	\$ 607,712	\$ (1,992,407)	\$ 31,665	\$ 150,498	\$ 669,501	\$ 155,310	\$ 9,138	\$ 1,169,585	\$ 504,846	\$ 174,669	\$ 33,020	\$ 48,994	\$ 79,888	\$ 1,642,419
Total Liabilities and Fund Balances	\$ 641,198	\$ 28,863	\$ 417,172	\$ 150,498	\$ 681,739	\$ 435,022	\$ 9,138	\$ 1,176,485	\$ 504,955	\$ 174,693	\$ 33,020	\$ 49,000	\$ 79,903	\$ 4,351,686

City of Lake Worth, Florida

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Special Revenue Funds September 30, 2012

	Building Permit	Golf	Beach	Parking Improvement	Foreclosure	Grants	Tree Beautification	Utility Conservation	Stimpkin Trust	Library Trust	Law Enforcement & Firefighter Education	Law Enforcement Confiscated Property	Special Donation	Total Non-Major Special Revenue Funds
Revenues:														
Licenses and permits	\$ 740,624	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 740,624
Charges for services	1,745	1,148,008	865,979	-	-	-	-	661,746	-	-	-	-	-	2,677,478
Intergovernmental	-	-	-	-	-	822,911	-	-	-	-	6,437	12,383	-	841,731
Investment income	1,442	-	-	4	1,393	-	-	3,008	2,539	598	-	145	609	9,738
Miscellaneous	11	26,471	4,152	-	40,959	-	-	-	-	11,222	-	-	737	84,652
Total Revenues	743,822	1,174,479	870,131	4	42,352	822,911	-	664,754	2,539	12,320	6,437	12,528	1,346	4,353,623
Expenditures:														
Current:														
General government	-	-	-	-	-	-	-	657,262	-	-	-	-	-	657,262
Public safety	512,856	-	-	-	127,385	162,020	-	-	-	-	-	28	-	802,289
Physical environment	-	-	-	-	-	-	1,550	-	-	-	-	-	-	1,550
Transportation	-	-	82,950	-	-	-	-	-	-	-	-	-	-	82,950
Culture and recreation	-	1,199,250	1,026,790	-	-	233,062	-	-	528	116	-	-	33,629	2,493,375
Capital outlay	-	66,134	3,879	-	-	500,078	-	869	-	-	-	-	-	570,960
Interest and fiscal charges	-	16,598	-	-	-	-	-	-	-	-	-	-	-	16,598
Total Expenditures	512,856	1,281,982	1,113,619	-	127,385	895,160	1,550	658,131	528	116	-	28	33,629	4,624,984
Excess (deficiency) of revenues over expenditures	230,966	(107,503)	(243,488)	4	(85,033)	(72,249)	(1,550)	6,623	2,011	12,204	6,437	12,500	(32,283)	(271,361)
Other financing sources (uses):														
Transfers in	-	-	-	-	-	18,530	-	-	-	-	-	-	-	18,530
Transfers out	-	-	-	-	(252,284)	(115,000)	-	-	(103,870)	-	-	-	-	(471,154)
Total other financing sources (uses)	-	-	-	-	(252,284)	(96,480)	-	-	(103,870)	-	-	-	-	(452,634)
Net change in fund balances	230,966	(107,503)	(243,488)	4	(337,317)	(168,729)	(1,550)	6,623	(101,859)	12,204	6,437	12,500	(32,283)	(723,995)
Fund Balance, beginning of year	376,746	584,631	275,153	150,494	1,006,818	324,039	10,688	1,162,962	606,705	162,465	26,583	36,494	112,171	4,835,949
Prior period adjustment	-	(2,469,535)	-	-	-	-	-	-	-	-	-	-	-	(2,469,535)
Fund Balance, beginning as restated	376,746	(1,884,904)	275,153	150,494	1,006,818	324,039	10,688	1,162,962	606,705	162,465	26,583	36,494	112,171	2,366,414
Fund Balance, end of year	607,712	(1,992,407)	31,665	150,498	669,501	155,310	9,138	1,169,585	504,846	174,669	33,020	48,994	79,888	1,642,419

City of Lake Worth, Florida

**Combining Balance Sheet
Non-Major Capital Projects Funds
September 30, 2012**

	Improvement	Beach Redevelopment	Capital Projects	Total Non-Major Capital Projects Funds
Assets:				
Cash and cash equivalents	\$ 9,911	\$ 50,910	\$ 1,030,346	\$ 1,091,167
Investments	38,840	-	3,884,636	3,923,476
Accounts receivable, net	-	2,820,084	67,017	2,887,101
Accrued interest receivable	95	-	9,496	9,591
Due from other funds	25,760	-	-	25,760
Advances to other funds	236,518	-	285,000	521,518
Total Assets	\$ 311,124	\$ 2,870,994	\$ 5,276,495	\$ 8,458,613
Liabilities:				
Accounts and contracts payable	\$ -	\$ 300,397	\$ 4,183	\$ 304,580
Accrued liabilities	8	202,436	13,082	215,526
Due to other funds	32,064	1,700,000	-	1,732,064
Advances from other funds	111,105	-	-	111,105
Deferred revenues	-	274,564	-	274,564
Total Liabilities	143,177	2,477,397	17,265	2,637,839
Fund Balances:				
Restricted to:				
Purpose of fund	-	393,597	-	393,597
Assigned to:				
Capital Projects	167,947	-	5,259,230	5,427,177
Total Fund Balances	167,947	393,597	5,259,230	5,820,774
Total Liabilities and Fund Balances	\$ 311,124	\$ 2,870,994	\$ 5,276,495	\$ 8,458,613

City of Lake Worth, Florida

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Capital Projects Fund
For the Fiscal Year Ended September 30, 2012**

	Improvement	Beach Redevelopment	Capital Projects	Total Non-Major Capital Projects Funds
Revenues:				
Utility and other taxes	\$ -	\$ -	\$ 379,622	\$ 379,622
Intergovernmental	-	2,545,522	192,986	2,738,508
Investment income	8,487	-	21,835	30,322
Total Revenues	8,487	2,545,522	594,443	3,148,452
Expenditures:				
Current:				
General government	37	-	104,070	104,107
Transportation	-	-	4,289	4,289
Culture and recreation	-	26	-	26
Capital outlay	-	2,826,280	316,055	3,142,335
Debt service:				
Interest and fiscal charges	4,803	-	-	4,803
Total Expenditures	4,840	2,826,306	424,414	3,255,560
Excess (deficiency) of revenues over expenditures	3,647	(280,784)	170,029	(107,108)
Other financing sources (uses):				
Transfers in	-	405,000	1,829,442	2,234,442
Transfers out	-	(13,597)	(932,455)	(946,052)
Total other financing sources (uses)	-	391,403	896,987	1,288,390
Net change in fund balances	3,647	110,619	1,067,016	1,181,282
Fund Balances, beginning of year	164,300	282,978	4,192,214	4,639,492
Fund Balances, end of year	\$ 167,947	\$ 393,597	\$ 5,259,230	\$ 5,820,774

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Building Permit Fund
For the Fiscal Year Ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ 420,000	\$ 420,000	\$ 740,624	\$ 320,624
Charges for services	100	100	1,745	1,645
Investment income	-	-	1,442	1,442
Miscellaneous	-	-	11	11
Total Revenues	<u>420,100</u>	<u>420,100</u>	<u>743,822</u>	<u>323,722</u>
Expenditures:				
Current:				
Public safety	510,606	514,406	512,856	1,550
Total Expenditures	<u>510,606</u>	<u>514,406</u>	<u>512,856</u>	<u>1,550</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(90,506)	(94,306)	230,966	325,272
Other Financing Sources (Uses):				
Appropriated fund balance	90,506	94,306	-	(94,306)
Total Other Financing Sources (Uses):	<u>90,506</u>	<u>94,306</u>	<u>-</u>	<u>(94,306)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	230,966	<u>\$ 230,966</u>
Fund Balance at Beginning of Year			<u>376,746</u>	
Fund Balance at End of Year			<u>\$ 607,712</u>	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Golf Fund
For the Fiscal Year Ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 1,498,984	\$ 1,498,984	\$ 1,148,008	\$ (350,976)
Miscellaneous	-	-	26,471	26,471
Total Revenues	<u>1,498,984</u>	<u>1,498,984</u>	<u>1,174,479</u>	<u>(324,505)</u>
Expenditures:				
Current:				
Culture and recreation	1,392,657	1,386,523	1,199,250	187,273
Capital outlay	58,000	64,134	66,134	(2,000)
Principal	24,977	24,977	-	24,977
Interest and fiscal charges	23,299	23,299	16,598	6,701
Total Expenditures	<u>1,498,933</u>	<u>1,498,933</u>	<u>1,281,982</u>	<u>216,951</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	51	51	(107,503)	(107,554)
Other Financing Sources (Uses):				
Appropriated fund balance	(51)	(51)	-	51
Total Other Financing Sources (Uses):	<u>(51)</u>	<u>(51)</u>	<u>-</u>	<u>51</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(107,503)	<u>\$ (107,500)</u>
Fund Balance at Beginning of Year			584,631	
Prior period adjustment			<u>(2,469,535)</u>	
Fund Balance Assets at Beginning of Year			<u>(1,884,904)</u>	
Fund Balance at End of Year			<u>\$ (1,992,407)</u>	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Budget and Actual – Beach
For the Fiscal Year Ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 848,800	\$ 848,800	\$ 865,979	\$ 17,179
Miscellaneous	-	-	4,152	4,152
Total Revenues	<u>848,800</u>	<u>848,800</u>	<u>870,131</u>	<u>21,331</u>
Expenditures:				
Current:				
Transportation	134,120	134,120	82,950	51,170
Culture and recreation	999,680	1,006,956	1,026,790	(19,834)
Capital outlay	-	3,879	3,879	-
Total Expenditures	<u>1,133,800</u>	<u>1,144,955</u>	<u>1,113,619</u>	<u>31,336</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(285,000)	(296,155)	(243,488)	52,667
Other Financing Sources (Uses):				
Transfers In	285,000	285,000	-	(285,000)
Appropriated fund balance	-	11,155	-	(11,155)
Total Other Financing Sources (Uses):	<u>285,000</u>	<u>296,155</u>	<u>-</u>	<u>(296,155)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(243,488)	<u>\$ (243,488)</u>
Fund Balance at Beginning of Year			<u>275,153</u>	
Fund Balance at End of Year			<u>\$ 31,665</u>	

City of Lake Worth, Florida

***Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Parking Improvement Fund
For the Fiscal Year Ended September 30, 2012***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment income	\$ -	\$ -	\$ 4	\$ 4
Total Revenues	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Expenditures:				
Current:	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>4</u>	<u>\$ 4</u>
Fund Balance at Beginning of Year			<u>150,494</u>	
Fund Balance at End of Year			<u>\$ 150,498</u>	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Foreclosure Fund
For the Fiscal Year Ended September 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment income	\$ 8,000	\$ 8,000	\$ 1,393	\$ (6,607)
Miscellaneous	45,000	45,000	40,959	(4,041)
Total Revenues	<u>53,000</u>	<u>53,000</u>	<u>42,352</u>	<u>(10,648)</u>
Expenditures:				
Current:				
Public safety	391,001	391,001	127,385	263,616
Total Expenditures	<u>391,001</u>	<u>391,001</u>	<u>127,385</u>	<u>263,616</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(338,001)	(338,001)	(85,033)	252,968
Other Financing Sources (Uses):				
Transfers Out	(91,500)	(252,284)	(252,284)	-
Appropriated fund balance	429,501	590,285	-	(590,285)
Total Other Financing Sources (Uses):	<u>338,001</u>	<u>338,001</u>	<u>(252,284)</u>	<u>(590,285)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(337,317)	<u>\$ (337,317)</u>
Fund Balance at Beginning of Year			<u>1,006,818</u>	
Fund Balance at End of Year			<u>\$ 669,501</u>	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Grant Fund
For the Fiscal Year Ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 1,488,296	\$ 1,488,296	\$ 822,911	\$ 665,385
Total Revenues	<u>1,488,296</u>	<u>1,488,296</u>	<u>822,911</u>	<u>665,385</u>
Expenditures:				
Current:				
Public safety	478,406	478,406	162,020	316,386
Culture and recreation	315,878	315,878	233,062	82,816
Capital outlay	1,012,532	907,532	500,078	407,454
Total Expenditures	<u>1,806,816</u>	<u>1,701,816</u>	<u>895,160</u>	<u>806,656</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(318,520)	(213,520)	(72,249)	(141,271)
Other Financing Sources (Uses):				
Transfers In	53,520	53,520	18,520	(35,000)
Transfers Out	-	(115,000)	(115,000)	-
Appropriated fund balance	265,000	275,000	-	(275,000)
Total Other Financing Sources (Uses):	<u>318,520</u>	<u>213,520</u>	<u>(96,480)</u>	<u>(310,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(168,729)	<u>\$ (168,729)</u>
Fund Balance at Beginning of Year			<u>324,039</u>	
Fund Balance at End of Year			<u>\$ 155,310</u>	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Tree Beautification Fund
For the Fiscal Year Ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Total Revenues	1,000	1,000	-	(1,000)
Expenditures:				
Current:				
Physical environment	2,266	2,266	1,550	716
Total Expenditures	2,266	2,266	1,550	716
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,266)	(1,266)	(1,550)	(284)
Other Financing Sources (Uses):				
Appropriated fund balance	1,266	1,266	-	(1,266)
Total Other Financing Sources (Uses):	1,266	1,266	-	(1,266)
Net Change in Fund Balance	\$ -	\$ -	(1,550)	\$ (1,550)
Fund Balance at Beginning of Year			10,688	
Fund Balance at End of Year			\$ 9,138	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Utility Conservation Fund
For the Fiscal Year Ended September 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 719,700	\$ 719,700	\$ 661,746	\$ (57,954)
Investment income	5,000	5,000	3,008	(1,992)
Total Revenues	<u>724,700</u>	<u>724,700</u>	<u>664,754</u>	<u>(59,946)</u>
Expenditures:				
Current:				
General government	1,460,244	1,460,875	657,262	803,613
Capital outlay	-	869	869	-
Total Expenditures	<u>1,460,244</u>	<u>1,461,744</u>	<u>658,131</u>	<u>803,613</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(735,544)	(737,044)	6,623	743,667
Other Financing Sources (Uses):				
Appropriated fund balance	<u>735,544</u>	<u>737,044</u>	-	<u>(737,044)</u>
Total Other Financing Sources (Uses):	<u>735,544</u>	<u>737,044</u>	-	<u>(737,044)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	6,623	<u>\$ 6,623</u>
Fund Balance at Beginning of Year			<u>1,162,962</u>	
Fund Balance at End of Year			<u>\$ 1,169,585</u>	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Simpkin Trust Fund
For the Fiscal Year Ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment income	\$ -	\$ -	\$ 2,539	\$ 2,539
Total Revenues	-	-	2,539	2,539
Expenditures:				
Current:				
Culture and recreation	-	-	528	(528)
Total Expenditures	-	-	528	(528)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	2,011	2,011
Other Financing Sources (Uses):				
Transfers Out	-	(103,870)	(103,870)	-
Appropriated fund balance	-	103,870	-	(103,870)
Total Other Financing Sources (Uses):	-	-	(103,870)	(103,870)
Net Change in Fund Balance	\$ -	\$ -	(101,859)	\$ (101,859)
Fund Balance at Beginning of Year			606,705	
Fund Balance at End of Year			\$ 504,846	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Library Trust Fund
For the Fiscal Year Ended September 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment income	\$ -	\$ -	\$ 598	\$ 598
Miscellaneous	1,300	1,300	11,722	10,422
Total Revenues	<u>1,300</u>	<u>1,300</u>	<u>12,320</u>	<u>11,020</u>
Expenditures:				
Current:				
Culture and recreation	1,300	1,300	116	1,183
Total Expenditures	<u>1,300</u>	<u>1,300</u>	<u>116</u>	<u>1,183</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	12,204	12,204
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	12,204	<u>\$ 12,204</u>
Fund Balance at Beginning of Year			<u>162,465</u>	
Fund Balance at End of Year			<u>\$ 174,669</u>	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Law Enforcement and Firefighter Education Fund
For the Fiscal Year Ended September 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 6,437	\$ 6,437
Total Revenues	<u>-</u>	<u>-</u>	<u>6,437</u>	<u>6,437</u>
Expenditures:				
Current:				
Public safety	<u>2,522</u>	<u>2,522</u>	<u>-</u>	<u>2,522</u>
Total Expenditures	<u>2,522</u>	<u>2,522</u>	<u>-</u>	<u>2,522</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,522)	(2,522)	6,437	8,959
Other Financing Sources (Uses):				
Appropriated fund balance	<u>2,522</u>	<u>2,522</u>	<u>-</u>	<u>(2,522)</u>
Total Other Financing Sources (Uses):	<u>2,522</u>	<u>2,522</u>	<u>-</u>	<u>(2,522)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>6,437</u>	<u>\$ 6,437</u>
Fund Balance at Beginning of Year			<u>26,583</u>	
Fund Balance at End of Year			<u>\$ 33,020</u>	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Law Enforcement Confiscated Property Fund
For the Fiscal Year Ended September 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 12,383	\$ 12,383
Investment income	-	-	145	145
Total Revenues	-	-	12,528	12,528
Expenditures:				
Current:				
Public safety	3,911	36,494	28	36,466
Total Expenditures	3,911	36,494	28	36,466
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,911)	(36,494)	12,500	48,994
Other Financing Sources (Uses):				
Appropriated fund balance	3,911	36,494	-	(36,494)
Total Other Financing Sources (Uses):	3,911	36,494	-	(36,494)
Net Change in Fund Balance	\$ -	\$ -	12,500	\$ 12,500
Fund Balance at Beginning of Year			36,494	
Fund Balance at End of Year			\$ 48,994	

City of Lake Worth, Florida

**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Special Donations Fund
For the Fiscal Year Ended September 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Investment income	\$ -	\$ -	\$ 609	\$ 609
Miscellaneous	62,165	87,165	737	(86,428)
Total Revenues	<u>62,165</u>	<u>87,165</u>	<u>1,346</u>	<u>(85,819)</u>
Expenditures:				
Current:				
General government	2,352	-	-	-
Culture and recreation	59,813	87,165	33,629	53,536
Total Expenditures	<u>62,165</u>	<u>87,165</u>	<u>33,629</u>	<u>53,536</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(32,283)	(32,283)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(32,283)</u>	<u>\$ (32,283)</u>
Fund Balance at Beginning of Year			<u>112,171</u>	
Fund Balance at End of Year			<u>\$ 79,888</u>	

City of Lake Worth, Florida

Non-Major Enterprise Funds

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.

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
Non-Major Enterprise Funds
September 30, 2012***

	<u>Stormwater</u>	<u>Refuse Collection and Disposal</u>	<u>Total Non-Major Enterprise Funds</u>
Assets:			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 74,638	\$ 53,693	\$ 128,331
Investments	3,817,746	1,993,341	5,811,087
Restricted assets:			
Accounts receivable, net	3	381,822	381,825
Accrued interest receivable	9,333	5,369	14,702
Due from other funds	32,064	-	32,064
<i>Total Current Assets</i>	<u>3,933,784</u>	<u>2,434,225</u>	<u>6,368,009</u>
<i>Noncurrent Assets:</i>			
Restricted assets:			
Investments	-	207,681	207,681
Capital Assets:			
Land	138,346	343,700	482,046
Construction in progress	547,278	-	547,278
Land improvements	241,637	9,883	251,520
Construction	-	75,123	75,123
Infrastructure	2,504,258	-	2,504,258
Machinery and Equipment	584,694	77,465	662,159
Vehicles	723,559	2,727,449	3,451,008
Accumulated depreciation	(1,889,237)	(2,624,375)	(4,513,612)
Advances to other funds	111,105	-	111,105
<i>Total Noncurrent Assets</i>	<u>2,961,640</u>	<u>816,926</u>	<u>3,778,566</u>
Total Assets	<u>6,895,424</u>	<u>3,251,151</u>	<u>10,146,575</u>

City of Lake Worth, Florida

**Combining Statement of Net Assets
Non-Major Enterprise Funds
September 30, 2012**

Liabilities:

Current Liabilities:

Accounts and contracts payable	123,653	45,018	168,671
Accrued liabilities	18,486	49,574	68,060
Due to other funds	-	84,650	84,650
Compensated absences - current	531	51,281	51,812
Capital leases - current	-	102,373	102,373
Total Current Liabilities	<u>142,670</u>	<u>332,896</u>	<u>475,566</u>

Noncurrent Liabilities:

Compensated absences	17,305	46,865	64,170
Other post-employment benefits	10,391	79,048	89,439
Advances from other funds	-	185,674	185,674
Total Noncurrent Liabilities	<u>27,696</u>	<u>311,587</u>	<u>339,283</u>
Total Liabilities	<u>170,366</u>	<u>644,483</u>	<u>814,849</u>

Net Assets:

Invested in Capital Assets, net of debt	2,850,535	609,245	3,459,780
Restricted for:			
Landfill postclosure care costs	-	207,681	207,681
Unrestricted	3,874,523	1,789,742	5,664,265
Total Net Assets	<u>\$ 6,725,058</u>	<u>\$ 2,606,668</u>	<u>\$ 9,331,726</u>

City of Lake Worth, Florida

***Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Non-Major Enterprise Funds
For the Fiscal Year Ended September 30, 2012***

	<u>Storm Water</u>	<u>Refuse Collection and Disposal</u>	<u>Total Non-Major Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 1,936,918	\$ 5,491,867	\$ 7,428,785
Total operating revenues	<u>1,936,918</u>	<u>5,491,867</u>	<u>7,428,785</u>
Operating expenses:			
Cost of services	1,707,698	3,891,051	5,598,749
General and administrative	38,198	-	38,198
Depreciation	276,349	80,253	356,602
Total operating expenses	<u>2,022,245</u>	<u>3,971,304</u>	<u>5,993,549</u>
Operating income (loss)	(85,327)	1,520,563	1,435,236
Nonoperating revenues (expenses):			
Investment income	21,426	32,932	54,358
Interest and fiscal charges	-	(17,356)	(17,356)
Loss on disposal of fixed asset	(64,545)	-	(64,545)
Other	35,393	39,922	75,315
Total nonoperating revenues (expenses)	<u>(7,726)</u>	<u>55,498</u>	<u>47,772</u>
Income (loss) before transfers and contributions	(93,053)	1,576,061	1,483,008
Transfers out	<u>(356,117)</u>	<u>(439,029)</u>	<u>(795,146)</u>
Change in Net Assets	(449,170)	1,137,032	687,862
Net Assets, beginning of year	<u>7,433,452</u>	<u>1,471,087</u>	<u>8,904,539</u>
Prior period adjustment	<u>(259,224)</u>	<u>(1,451)</u>	<u>(260,675)</u>
Net Assets, beginning, as restated	<u>7,174,228</u>	<u>1,469,636</u>	<u>8,643,864</u>
Net Assets, end of year	<u>\$ 6,725,058</u>	<u>\$ 2,606,668</u>	<u>\$ 9,331,726</u>

City of Lake Worth, Florida

**Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Fiscal Year Ended September 30, 2012**

	<u>Stormwater</u>	<u>Refuse Collection and Disposal</u>	<u>Total Non-Major Enterprise Funds</u>
Cash flows from operating activities:			
Receipts from customers	\$ 1,946,106	\$ 5,608,221	\$ 7,554,327
Payments to suppliers	(1,051,417)	(1,841,395)	(2,892,812)
Payments to employees	(370,712)	(1,164,397)	(1,535,108)
Payments for interfund services provided	(252,329)	(877,675)	(1,130,004)
Other receipts	35,393	39,922	75,315
Net cash provided by operating activities	<u>307,041</u>	<u>1,764,677</u>	<u>2,071,718</u>
Cash flows from non-capital financing activities:			
Due to (from) to other funds	(946)	2,041	1,095
Transfer to other funds	(356,117)	(439,029)	(795,146)
Net cash (used in) non-capital financing activities	<u>(357,063)</u>	<u>(436,988)</u>	<u>(794,051)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets, net	(210,573)	(32,958)	(243,531)
Advances from (to) other funds	32,064	(84,650)	(52,586)
Principal paid on capital debt	-	(299,461)	(299,461)
Interest paid on advance	-	(7,267)	(7,267)
Interest paid on capital debt	-	(10,089)	(10,089)
Net cash provided by (used in) capital and related financing activities	<u>(178,509)</u>	<u>(434,425)</u>	<u>(612,934)</u>
Cash flows from investing activities:			
Purchase of investments	-	(886,908)	(886,908)
Sale of investments	61,814	-	61,814
Interest and dividends received	21,426	32,932	54,358
Net cash (used in) investing activities	<u>83,240</u>	<u>(853,976)</u>	<u>(770,736)</u>
Net change in cash and cash equivalents	(145,291)	39,288	(106,003)
Cash and cash equivalents, beginning	219,929	14,405	234,334
Cash and cash equivalents, ending	<u>\$ 74,638</u>	<u>\$ 53,693</u>	<u>\$ 128,331</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (85,327)	\$ 1,520,563	\$ 1,435,236
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	276,349	80,253	356,602
Other non operating income	35,393	39,922	75,315
Change in assets and liabilities:			
Accounts receivable, net	9,188	116,354	125,542
Accounts and contracts payable	61,379	9,416	70,795
Accrued liabilities	(3,765)	(13,301)	(17,066)
Compensated absences	7,984	(10,902)	(2,918)
Other Post - employment benefits	5,840	22,372	28,212
Total adjustments	392,368	244,114	636,482
Net cash provided by (used in) operating activities	<u>\$ 307,041</u>	<u>\$ 1,764,677</u>	<u>\$ 2,071,718</u>

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City of Lake Worth, Florida

Internal Service Funds

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.

Employee Benefits

Was established to enable centralized oversight, management and funding of the City's employee benefits.

City of Lake Worth, Florida

**Combining Statement of Net Assets
Internal Service Funds
For the Fiscal Year Ended September 30, 2012**

	Information Technology	Insurance	City Garage	Employee Benefits	Total Internal Service Funds
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 551,179	\$ 507,349	\$ 796,732	\$ 1,302,577	\$ 3,157,837
Investments	-	6,718,271	-	-	6,718,271
Accrued interest receivable	-	23,850	-	-	23,850
Due from other funds	-	25,760	-	-	25,760
Inventories	-	-	141,074	-	141,074
Prepaid items	-	31,232	-	-	31,232
Total Current Assets	551,179	7,306,462	937,806	1,302,577	10,098,024
Noncurrent Assets:					
Restricted assets:					
Capital Assets:					
Construction in progress	19,859	-	-	-	19,859
Machinery & Equipment	755,286	-	-	-	755,286
Vehicles	57,764	-	839,554	-	897,318
Accumulated depreciation	(516,220)	-	(172,368)	-	(688,588)
Advances to other funds	-	2,236,518	-	-	2,236,518
Total Noncurrent Assets	316,689	2,236,518	667,186	-	3,220,393
Total Assets	867,868	9,542,980	1,604,992	1,302,577	13,318,417
Liabilities:					
Current Liabilities:					
Accounts and contracts payable	18,070	1,876	-	9,580	29,526
Accrued liabilities	13,844	27,001	99,843	283,800	424,488
Compensated absences - current	8,154	-	1,321	-	9,475
Total Current Liabilities	40,068	28,877	101,164	293,380	463,489
Noncurrent Liabilities:					
Compensated absences	13,200	-	13,544	-	26,744
Total Noncurrent Liabilities	13,200	-	13,544	-	26,744
Total Liabilities	53,268	28,877	114,708	293,380	490,233
Net Assets:					
Invested in Capital Assets, net of debt	316,689	-	417,383	-	734,072
Restricted for:					
Emergencies	-	5,193,918	-	-	5,193,918
Unrestricted	497,911	4,320,185	1,072,901	1,009,197	6,900,194
Total Net Assets	\$ 814,600	\$ 9,514,103	\$ 1,490,284	\$ 1,009,197	\$ 12,828,184

City of Lake Worth, Florida

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended September 30, 2012**

	Information Technology	Insurance	Garage	Employee Benefits	Total Internal Service Funds
Operating revenues:					
Charges for services	\$ 1,541,343	\$ 1,182,863	\$ 820,498	\$ 7,084,836	\$ 10,629,540
Intergovernmental Revenue	-	-	-	20,264	20,264
Total operating revenues	<u>1,541,343</u>	<u>1,182,863</u>	<u>820,498</u>	<u>7,105,100</u>	<u>10,649,804</u>
Operating expenses:					
Cost of services	1,046,378	1,427,867	543,004	6,107,754	9,125,003
Capital Outlay					
Depreciation	87,827	-	117,126	-	204,953
Total operating expenses	<u>1,134,205</u>	<u>1,427,867</u>	<u>660,130</u>	<u>6,107,754</u>	<u>9,329,956</u>
Operating income (loss)	407,138	(245,004)	160,368	997,346	1,319,848
Nonoperating revenues (expenses):					
Investment income	-	46,395	-	-	46,395
Other	347	220,169	109,515	11,851	341,882
Total nonoperating revenues (expenses)	347	266,564	109,515	11,851	388,277
Income (loss) before transfers and contributions	407,485	21,560	269,883	1,009,197	1,708,125
Capital contributions	-	-	499,951	-	499,951
Transfers in	-	5,193,918	-	-	5,193,918
Transfers out	-	(923,387)	-	-	(923,387)
Change in Net Assets	407,485	4,292,091	769,834	1,009,197	6,478,607
Net Assets, beginning of year	407,115	5,222,012	720,450	-	6,349,577
Net Assets, end of year	<u>\$ 814,600</u>	<u>\$ 9,514,103</u>	<u>\$ 1,490,284</u>	<u>\$ 1,009,197</u>	<u>\$ 12,828,184</u>

City of Lake Worth, Florida

**Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended September 30, 2012**

	<u>Insurance</u>	<u>Information Technology</u>	<u>Garage</u>	<u>Employee Benefits</u>	<u>Total Non-Major Internal Service Funds</u>
Cash flows from operating activities:					
Receipts from customers	\$ 1,167,856	\$ 1,541,343	\$ 820,498	\$ 7,105,100	\$ 10,634,797
Payments to suppliers	(1,460,654)	(835,643)	(266,092)	(5,814,374)	(8,376,764)
Payments to employees	(90,710)	(282,314)	(201,106)	-	(574,129)
Other receipts	<u>220,169</u>	<u>347</u>	<u>109,515</u>	<u>11,851</u>	<u>341,882</u>
Net cash provided by (used in) operating activities	<u>(163,339)</u>	<u>423,733</u>	<u>462,815</u>	<u>1,302,577</u>	<u>2,025,786</u>
Cash flows from non-capital financing activities:					
Due to (from) to other funds	74,217	(2,100)	-	-	72,117
Transfer from other funds	5,193,918	-	-	-	5,193,918
Transfer to other funds	<u>(923,387)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(923,387)</u>
Net cash provided by (used in) non-capital financing activities	<u>4,344,748</u>	<u>(2,100)</u>	<u>-</u>	<u>-</u>	<u>4,342,648</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets, net	-	(117,243)	(305,045)	-	(422,288)
Advances from (to) other funds	25,760	-	-	-	25,760
Contributed capital	<u>-</u>	<u>-</u>	<u>499,951</u>	<u>-</u>	<u>499,951</u>
Net cash provided by (used in) capital and related financing activities	<u>25,760</u>	<u>(117,243)</u>	<u>194,906</u>	<u>-</u>	<u>103,423</u>
Cash flows from investing activities:					
Purchase of investments	(4,719,972)	-	-	-	(4,719,972)
Interest and dividends received	<u>46,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,395</u>
Net cash provided by (used in) investing activities	<u>(4,673,577)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,673,577)</u>
Net change in cash and cash equivalents	(466,408)	304,390	657,721	1,302,577	1,798,280
Cash and cash equivalents, beginning	<u>973,757</u>	<u>246,789</u>	<u>139,011</u>	<u>-</u>	<u>1,359,557</u>
Cash and cash equivalents, ending	<u>\$ 507,349</u>	<u>\$ 551,179</u>	<u>\$ 796,732</u>	<u>\$ 1,302,577</u>	<u>\$ 3,157,837</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (245,004)	\$ 407,138	\$ 160,368	\$ 997,346	\$ 1,319,848
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	87,827	117,126	-	204,953
Other non operating income	220,169	347	109,515	11,851	341,882
Change in assets and liabilities:					
Accounts receivable, net	(15,007)	-	-	-	(15,007)
Prepaid items	(3,040)	-	-	-	(3,040)
Inventories	-	-	(8,498)	-	(8,498)
Accounts and contracts payable	(10,560)	(11,624)	-	9,580	(12,604)
Accrued liabilities	(109,897)	(63,849)	84,993	283,800	195,047
Compensated absences	<u>-</u>	<u>3,894</u>	<u>(689)</u>	<u>-</u>	<u>3,205</u>
Total adjustments	<u>81,665</u>	<u>16,595</u>	<u>302,447</u>	<u>305,231</u>	<u>705,938</u>
Net cash provided by (used in) operating activities	<u>\$ (163,339)</u>	<u>\$ 423,733</u>	<u>\$ 462,815</u>	<u>\$ 1,302,577</u>	<u>\$ 2,025,786</u>

City of Lake Worth, Florida

Fiduciary Funds

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

Pension Trust Funds

Employees' Retirement System Pension Fund

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

Police Officers' Relief and Retirement System Pension Fund

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

Firefighters' Pension Trust Fund

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

Agency Fund

Agency Fund

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

City of Lake Worth, Florida

***Combining Statement of Plan Net Assets
Pension Trust Funds
September 30, 2012***

	Employees' Retirement System	Police Officers' Relief and Retirement System	Firefighters' Pension Trust Fund	Total Pension Trust Funds
Assets:				
Cash and cash equivalents	\$ 767,263	\$ 728,738	\$ 363,248	\$ 1,859,249
Investments at fair value:				
U.S. Government and agency funds	7,271,158	2,785,393	4,844,351	14,900,902
Money market funds	7,180,772	2,722,861	615,158	10,518,791
Corporate bonds	4,820,360	1,883,469	3,825,709	10,529,538
Common stocks	28,394,188	11,692,715	12,356,876	52,443,779
Real Estate	4,169,508	669,514	1,595,298	6,434,320
Mutual funds	7,280,249	2,412,511	7,273,691	16,966,451
Total investments at fair value	<u>59,116,235</u>	<u>22,166,463</u>	<u>30,511,083</u>	<u>111,793,781</u>
Accounts receivable				
Accrued interest, dividends and contributions receivable	436,792	354,498	245,463	1,036,753
Due from broker	51,262	57,560	80,890	189,712
Prepaid items	12,906	3,899	-	16,805
Total Assets	<u>60,384,458</u>	<u>23,311,158</u>	<u>31,200,684</u>	<u>114,896,300</u>
Liabilities:				
Accounts payable	89,611	37,011	45,413	172,035
Due for Securities purchased	621,357	166,405	-	787,762
Deffered Revenue	-	-	74,840	74,840
Total Liabilities	<u>710,968</u>	<u>203,416</u>	<u>120,253</u>	<u>1,034,637</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 59,673,490</u>	<u>\$ 23,107,742</u>	<u>\$ 31,080,431</u>	<u>\$ 113,861,663</u>

City of Lake Worth, Florida

***Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Fiscal Year Ended September 30, 2012***

	Employees' Retirement System	Police Officers' Relief and Retirement System	Firefighters' Pension Trust Fund	Total Pension Trust Funds
Additions:				
Contributions:				
Employer	\$ 3,293,953	\$ 1,668,512	\$ 1,733,046	\$ 6,695,511
Chapter 175	-	-	112,242	112,242
Plan members	939,638	136,770	116,754	1,193,162
Roll Over	-	-	420,339	420,339
Total contributions	<u>4,233,591</u>	<u>1,805,282</u>	<u>2,382,381</u>	<u>8,421,254</u>
Investment Income:				
Interest and dividends	1,356,219	481,833	818,797	2,656,849
Net change in fair value of investments	<u>8,593,138</u>	<u>3,394,915</u>	<u>4,671,082</u>	<u>16,659,135</u>
Total investment income	9,949,357	3,876,748	5,489,879	19,315,984
Less investment expenses	<u>(403,872)</u>	<u>(144,014)</u>	<u>(169,160)</u>	<u>(717,046)</u>
Net investment income	9,545,485	3,732,734	5,320,719	18,598,938
Other Income	<u>7,757</u>	<u>1,867</u>	<u>4,324</u>	<u>13,948</u>
Total Additions	<u>13,786,833</u>	<u>5,539,883</u>	<u>7,707,424</u>	<u>27,034,140</u>
Deductions:				
Pension benefits	8,420,269	3,229,384	3,035,976	14,685,629
Administrative expenses	<u>107,830</u>	<u>82,105</u>	<u>146,630</u>	<u>336,565</u>
Total Deductions	<u>8,528,099</u>	<u>3,311,489</u>	<u>3,182,606</u>	<u>15,022,194</u>
Change in Net Assets	5,258,734	2,228,394	4,524,818	12,011,946
Net Assets, beginning of year	<u>54,414,756</u>	<u>20,879,348</u>	<u>26,555,613</u>	<u>101,849,717</u>
Net Assets, end of year	<u>\$ 59,673,490</u>	<u>\$ 23,107,742</u>	<u>\$ 31,080,431</u>	<u>\$ 113,861,663</u>

See accompanying notes to the basic financial statements.

City of Lake Worth, Florida

*Statement of Changes In Assets And Liabilities
Agency Fund
For the Year Ended September 30, 2012*

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2012
Cash and Cash Equivalents	\$ 5,783	\$ 21,802	\$ (22,801)	\$ 4,784
Accounts Receivable	-	5,000	(5,000)	-
Total Assets	<u>\$5,783</u>	<u>\$26,802</u>	<u>(\$27,801)</u>	<u>\$4,784</u>
Deposit Payable	5,783	21,802	(22,801)	4,784
Total Liabilities	<u>\$ 5,783</u>	<u>\$ 21,802</u>	<u>\$ (22,801)</u>	<u>\$ 4,784</u>

City of Lake Worth, Florida

Discretely Presented Component Unit

Community Redevelopment Agency Fund

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

NSP2 Fund

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

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.

City of Lake Worth, Florida

**Combining Statement of Net Assets
Discretely Presented Component Unit
For the Year Ended September 30, 2012**

	Community Redevelopment Agency	NSP2	CRA Capital Project	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 152,154	\$ 538,416	\$ 8,458	\$ 699,028
Investments	1,739,476	-	466,951	2,206,427
Accounts receivable, net	-	465,963	-	465,963
Accrued interest receivable	3,180	-	854	4,034
Due from other funds	953	2,715	-	3,668
Due from component Unit	-	558	-	558
Land held for resale	-	12,987,473	-	12,987,473
Prepaid items	7,148	20,500	-	27,648
Deposits	12,500	-	-	12,500
Advances to other funds	420,500	-	-	420,500
Total Assets	\$ 2,335,911	\$ 14,015,625	\$ 476,263	\$ 16,827,799
Liabilities:				
Accounts and contracts payable	\$ 6,166	\$ 70,814	\$ -	\$ 76,980
Accrued liabilities	3,854	372,191	80	376,125
Due to other funds	2,715	953	-	3,668
Due to Component Unit	2,155	4,731	485	7,371
Advances from other funds	-	420,500	-	420,500
Total Liabilities	14,890	869,189	565	884,644
Fund Balances:				
Restricted for:				
Purpose of fund	1,893,373	138,463	-	2,031,836
Assigned to:				
Capital projects	-	-	475,698	475,698
Non Spendable:				
Land held for resale	-	12,987,473	-	12,987,473
Prepaid items	7,148	20,500	-	27,648
Advances	420,500	-	-	420,500
Total Fund Balances	2,321,021	13,146,436	475,698	15,943,155
Total Liabilities and Fund Balances	\$ 2,335,911	\$ 14,015,625	\$ 476,263	\$ 16,827,799

City of Lake Worth, Florida

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Discretely Presented Component Unit
For the Year Ended September 30, 2012**

	Community Redevelopment Agency	NSP2	CRA Capital Projects	Total Component Unit
Revenues:				
Intergovernmental	\$ 1,284,837	\$ 10,214,249	\$ -	\$ 11,499,086
Investment income	6,576	17	1,275	7,868
Miscellaneous	9,502	-	-	9,502
Total Revenues	1,300,915	10,214,266	1,275	11,516,456
Expenditures:				
Current:				
Community redevelopment	586,498	2,290,995	313	2,877,806
Capital outlay	-	-	156,015	156,015
Debt service:				
Principal	1,014,765	-	-	1,014,765
Interest and fiscal charges	172,753	-	-	172,753
Total Expenditures	1,774,016	2,290,995	156,328	4,221,339
Net change in fund balances	(473,101)	7,923,271	(155,053)	7,295,117
Fund Balances, beginning of year	2,794,122	5,223,165	630751	8,648,038
Fund Balances, end of year	\$ 2,321,021	\$ 13,146,436	\$ 475,698	\$ 15,943,155

See accompanying notes to the basic financial statements

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III

STATISTICAL SECTION

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

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

City of Lake Worth, Florida

**NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS (accrual basis of accounting)**

	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:							
Invested in capital assets, net of related debt	\$ 23,461,231	\$ 25,550,312	\$ 57,367,332	\$ 60,803,680	\$ 59,067,959	\$ 60,345,422	\$ 63,132,112
Restricted	10,934,880	9,086,004	8,524,651	9,638,809	12,939,913	5,630,464	6,374,614
Unrestricted	14,894,093	19,960,135	19,705,440	13,434,653	13,881,744	21,765,696	2,624,576
Total governmental activities net assets	49,290,204	54,596,451	85,597,423	83,877,142	85,889,616	87,741,582	72,131,302
Business-Type Activities:							
Invested in capital assets, net of related debt	76,919,792	85,288,499	69,885,540	56,576,537	61,357,659	73,065,801	52,326,963
Restricted	10,858,741	10,061,616	697,848	699,540	702,125	705,973	6,133,216
Unrestricted	44,187,657	42,536,712	68,963,586	75,130,114	78,489,217	66,760,756	93,064,714
Total business-type activities net assets	131,966,190	137,886,827	139,546,974	132,406,191	140,549,001	140,532,530	151,524,893
Total Government:							
Invested in capital assets, net of related debt	100,381,023	110,838,811	127,252,872	117,380,217	120,425,618	133,411,223	115,459,075
Restricted	21,793,621	19,147,620	9,222,499	10,338,349	13,642,038	6,336,437	12,507,830
Unrestricted	59,081,750	62,496,847	88,669,026	88,564,767	92,370,961	88,526,452	95,689,290
Total government net assets	\$ 181,256,394	\$ 192,483,278	\$ 225,144,397	\$ 216,283,333	\$ 226,438,617	\$ 228,274,112	\$ 223,656,195

City of Lake Worth, Florida

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

	2006	2007	2008	2009	2010	2011	2012
Expenses:							
Governmental activities:							
General Government	\$ 3,357,391	\$ 4,332,707	\$ 3,595,041	\$ 4,447,237	\$ 1,808,565	\$ 2,779,104	\$ 2,625,404
Public Safety	21,659,488	25,031,728	24,218,855	26,611,820	20,206,868	19,077,692	18,513,803
Physical Environment	1,273,494	1,271,527	1,246,126	2,810,190	3,171,382	2,510,728	2,021,308
Transportation	4,539,585	1,984,675	2,062,494	3,813,671	3,869,570	1,382,039	3,388,138
Culture and Recreation	4,034,193	4,564,347	6,376,489	2,320,000	2,867,839	4,761,357	4,480,875
Community Redevelopment	434,412	699,254	1,661,848	1,341,898	1,514,545	2,664,189	-
Interest on Long-term Debt	378,695	389,230	353,096	303,538	266,896	228,457	21,401
Total Governmental Activities	<u>35,677,258</u>	<u>38,273,468</u>	<u>39,513,949</u>	<u>41,648,354</u>	<u>33,705,665</u>	<u>33,403,566</u>	<u>31,050,929</u>
Business-type activities:							
Electric	56,080,287	46,947,158	57,490,812	55,353,581	53,936,852	49,596,103	52,552,814
Water	6,535,047	7,531,626	9,619,267	8,942,867	9,171,596	8,712,797	10,569,901
Local Sewer	9,692,162	5,558,581	5,262,561	5,676,010	6,174,317	5,460,696	6,239,262
Regional Sewer	5,082,477	5,723,073	5,184,429	5,611,951	4,884,662	3,815,581	6,070,749
Golf Course	2,171,315	2,190,970	2,023,117	1,641,346	1,436,970	1,343,390	-
Storm water	815,732	836,700	1,307,365	1,081,029	1,124,438	2,092,756	2,075,984
Refuse Collection and Disposal	3,774,872	5,247,076	3,810,654	3,538,792	3,419,697	3,245,043	3,954,656
Total Business-type Activities	<u>84,151,892</u>	<u>74,035,184</u>	<u>84,698,205</u>	<u>81,845,576</u>	<u>80,148,532</u>	<u>74,266,366</u>	<u>81,463,366</u>
Total Government Expenses	<u>119,829,150</u>	<u>112,308,652</u>	<u>124,212,154</u>	<u>123,493,930</u>	<u>113,854,197</u>	<u>107,669,932</u>	<u>112,514,295</u>
Program revenues:							
Governmental activities:							
Charges for service:							
General Government	1,893,398	1,920,609	2,337,022	1,548,336	2,846,869	2,332,345	2,062,610
Public Safety	1,469,251	1,697,091	1,536,383	876,141	1,099,226	717,382	526,601
Physical environment	316,389	507,040	573,727	34,005	17,995	82,768	25,250
Transportation	488,994	457,878	367,892	471,675	614,943	793,998	650,724
Culture and recreation	151,109	122,410	150,229	246,592	353,038	316,993	1,543,131
Community Redevelopment	-	-	487,013	4,139	-	-	-
Operating Grants and Contributions	6,158,444	3,752,060	1,594,136	840,361	879,328	1,948,280	940,072
Capital Grants and contributions	336,396	809,702	2,404,587	2,422,946	3,477,733	4,683,790	3,550,824
Total Governmental Activities Program Revenues	<u>10,813,981</u>	<u>9,266,790</u>	<u>9,450,989</u>	<u>6,444,195</u>	<u>9,289,132</u>	<u>10,875,556</u>	<u>9,279,212</u>
Business-type activities:							
Charges for Services:							
Electric	60,786,014	52,706,489	57,474,801	58,406,242	59,380,987	55,903,189	53,885,218
Water	8,348,026	9,278,503	9,879,269	10,178,854	11,392,126	12,004,104	11,731,448
Local and Regional Sewer	5,175,080	5,265,096	5,277,244	5,613,738	6,417,177	6,983,675	7,705,072
Regional Sewer	3,804,657	4,135,849	3,481,035	4,913,736	5,613,322	5,043,689	6,586,821
Golf Course	2,012,331	2,028,454	1,921,702	1,476,811	1,348,186	1,184,647	-
Storm water	1,649,918	1,594,645	1,651,158	1,364,897	1,582,863	1,564,276	1,936,918
Refuse Collection and Disposal	4,334,017	4,544,261	4,678,227	4,543,339	4,601,480	4,906,260	5,491,867
Operating Grants and Contributions	41,803	491,000	-	-	-	-	-
Capital Grants and contributions	10,912,745	2,020,250	1,421,392	1,026,062	173,887	148,343	-
Total Business-type Activities Program Revenues	<u>97,064,591</u>	<u>82,064,547</u>	<u>85,784,828</u>	<u>87,523,679</u>	<u>90,510,028</u>	<u>87,738,183</u>	<u>87,337,344</u>
Total Program Revenues	<u>\$ 107,878,572</u>	<u>\$ 91,331,337</u>	<u>\$ 95,235,817</u>	<u>\$ 93,967,874</u>	<u>\$ 99,799,160</u>	<u>\$ 98,613,739</u>	<u>\$ 96,616,556</u>

* 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)

	2006	2007	2008	2009	2010	2011	2012
Net Expense (Revenue):							
Governmental activities	\$ (24,863,277)	\$ (29,006,678)	\$ (30,062,961)	\$ (35,204,159)	\$ (24,416,533)	\$ (22,528,010)	\$ (21,771,717)
Business-type activities	12,912,699	8,029,363	1,086,623	5,678,103	10,361,496	13,471,813	5,873,978
Total Government Net Expenses	\$ (11,950,578)	\$ (20,977,315)	\$ (28,976,338)	\$ (29,526,056)	\$ (14,055,037)	\$ (9,056,197)	\$ (15,897,739)
General Revenues:							
Governmental activities:							
Taxes:							
Property Taxes	\$ 13,162,483	\$ 16,367,654	\$ 17,339,044	\$ 14,784,901	\$ 7,764,745	\$ 6,773,150	\$ 6,592,349
Franchise Taxes	124,548	126,043	401,349	88,226	99,913	43,337	42,836
Utility Taxes	6,478,627	5,217,773	5,283,661	5,498,780	5,709,719	5,864,811	5,335,753
Sales Tax	971,351	928,943	3,550,446	3,098,708	3,153,448	3,170,175	3,170,202
Intergovernmental - Unrestricted	4,383,743	4,184,826	1,287,185	2,653,336	2,212,812	1,215,448	1,245,229
Investment Earnings - Unrestricted	1,121,130	1,576,297	1,126,412	1,168,908	360,493	146,788	85,908
Miscellaneous	1,014,453	790,207	203,202	404,767	1,296,289	17,599	200,291
Transfers	4,895,213	5,121,182	2,849,991	5,786,252	6,640,517	7,379,240	2,310,223
Total Governmental Activities	32,151,548	34,312,925	32,041,290	33,483,878	27,237,936	24,610,548	18,982,791
Business-type activities:							
Investment Earnings - Unrestricted	2,730,865	2,830,772	2,436,509	2,160,175	1,430,064	488,511	-
Miscellaneous	1,304,750	181,684	370,328	470,149	2,991,767	753,910	3,834,357
Transfers	(4,895,213)	(5,121,182)	(2,849,991)	(5,786,252)	(6,640,517)	(7,379,244)	(2,310,223)
Total Business-type Activities	(859,598)	(2,108,726)	(43,154)	(3,155,928)	(2,218,686)	(6,136,823)	1,524,134
Total General & Business Type Revenues	\$ 31,291,950	\$ 32,204,199	\$ 31,998,136	\$ 30,327,950	\$ 25,019,250	\$ 18,473,725	\$ 20,506,925
Change in Net Assets:							
Governmental Activities	\$ 7,288,271	\$ 5,306,247	\$ 1,978,329	\$ (1,720,281)	\$ 2,821,403	\$ 2,082,538	\$ (2,788,926)
Business-type Activities	12,053,101	5,920,637	1,043,469	2,522,175	8,142,810	7,334,994	7,398,112
Total	\$ 19,341,372	\$ 11,226,884	\$ 3,021,798	\$ 801,894	\$ 10,964,213	\$ 9,417,532	\$ 4,609,186

City of Lake Worth, Florida

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

	2006	2007	2008	2009	2010	2011	2012
General Fund:							
Reserved	\$ 1,128,001	\$ 1,314,269	\$ 2,487,554	\$ 559,088	\$ 1,555,329	\$ -	\$ -
Unreserved, designated	14,995,636	8,217,901	9,602,723	6,613,235	5,193,918	-	-
Unreserved, undesignated	880,097	7,523,232	4,044,241	-	843,977	-	-
Committed to:							
Emergencies	-	-	-	-	-	5,193,918	-
Assigned to:							
Incentive	-	-	-	-	-	8,435	8,435
Non Spendable:							
Inventories	-	-	-	-	-	33,259	16,225
Prepaid items	-	-	-	-	-	244,617	1,535,674
Advances	-	-	-	-	-	1,620,324	3,823,324
Unassigned	-	-	-	-	-	2,015,792	-
Total general fund	\$ 17,003,734	\$ 17,055,402	\$ 16,134,518	\$ 7,172,323	\$ 7,593,224	\$ 9,116,345	\$ 5,383,658
All Other Governmental Funds:							
Reserved	8,559,106	6,105,141	5,372,993	3,524,765	3,300,192	-	-
Unreserved, designated	650,000	1,472,218	94,567	4,381,973	6,627,823	-	-
Unreserved, undesignated, reported							
Special Revenue Funds	3,672,632	6,248,591	8,316,059	2,505,388	5,589,788	-	-
Capital Projects Funds	1,719,784	2,285,481	2,448,836	4,678,219	1,145,425	-	-
Restricted for:							
Purpose of fund	-	-	-	-	-	3,010,642	1,318,521
Committed to:							
Purpose of fund	-	-	-	-	-	3,469,027	2,709,902
Assigned to:							
Capital projects	-	-	-	-	-	3,679,589	5,427,177
Incentive	-	-	-	-	-	-	-
Non Spendable:							
Land held for resale	-	-	-	-	-	5,619,085	3,697
Prepaid items	-	-	-	-	-	32,829	-
Advances	-	-	-	-	-	420,000	-
Unassigned	-	-	-	-	-	-	(7,793,624)
Debt Service	-	-	-	-	-	250,206	-
Total All Other Governmental Funds	14,601,522	16,111,431	16,232,455	15,090,345	16,663,228	16,481,378	1,665,673
Total Governmental Funds	\$ 31,605,256	\$ 33,166,833	\$ 32,366,973	\$ 22,262,668	\$ 24,256,452	\$ 25,597,723	\$ 7,049,331

Note: The city implemented GASB Statement No 54 "Fund Balance Reporting and Governmental Fund type Definitions" in fiscal year 2011

City of Lake Worth, Florida

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

	2006	2007	2008	2009	2010	2011	2012
Revenues:							
Property Taxes	\$ 13,162,483	\$ 16,367,654	\$ 15,730,702	\$ 14,784,901	\$ 7,764,745	\$ 6,082,587	\$ 5,879,132
Utility and Other Taxes	7,574,526	6,272,759	6,282,858	6,419,989	6,633,934	6,709,122	6,192,834
Licenses and Permits	1,533,893	1,585,733	2,023,268	1,098,442	1,260,724	1,122,704	1,311,181
Fines and Forfeitures	1,104,399	1,152,089	830,403	469,519	482,635	340,140	253,858
Charges for Services	1,448,133	1,740,069	1,754,532	1,372,515	2,921,690	6,587,720	7,326,862
Intergovernmental	10,845,569	8,685,590	9,463,236	8,274,109	13,058,025	10,575,314	8,621,673
Investment Income	1,089,137	1,541,807	1,032,231	1,168,908	360,493	146,788	85,908
Rents and Royalties	232,716	227,138	248,659	240,412	267,022	28,256	811
Miscellaneous	1,047,467	857,903	1,084,215	404,767	1,307,012	204,917	281,729
Total Revenues	38,038,323	38,430,742	38,450,104	34,233,562	34,056,280	31,797,548	29,953,988
Expenditures:							
Current:							
General Government	2,988,876	3,464,922	3,015,659	3,549,190	5,481,014	5,743,061	6,805,608
Public Safety	21,500,274	23,950,597	25,732,096	27,037,184	20,011,801	19,090,029	18,290,151
Physical Environment	587,369	545,716	446,465	2,098,908	2,367,405	2,351,909	2,006,693
Transportation	4,449,617	1,855,955	1,949,482	1,276,444	1,743,460	1,052,798	875,626
Culture and Recreation	3,652,772	4,130,611	3,768,270	2,088,088	2,406,296	2,196,355	3,938,839
Community Redevelopment	434,412	697,877	1,416,380	1,295,003	1,489,780	2,257,690	-
Capital Outlay	8,858,645	5,899,197	4,650,066	11,366,391	3,716,428	3,567,570	8,338,374
Debt Service:							
Principal	432,338	1,109,544	1,151,410	1,101,956	1,212,102	1,338,833	-
Interest and Other Fiscal Charges	438,058	395,929	360,127	310,955	274,727	237,272	21,401
Total Expenditures	43,342,361	42,050,348	42,489,955	50,124,119	38,703,013	37,835,517	40,276,692
Deficiency of Revenues Over Expenditures	(5,304,038)	(3,619,606)	(4,039,851)	(15,890,557)	(4,646,733)	(6,037,969)	(10,322,704)
Other Financing Sources (Uses):							
Transfers In	8,841,954	9,549,961	11,075,191	21,323,530	12,643,285	9,577,618	9,338,075
Transfers Out	(3,946,741)	(4,368,778)	(7,835,200)	(15,537,278)	(6,002,768)	(2,198,378)	(7,027,852)
Sale of Capital Assets	57,510	-	-	-	-	-	-
Note Issued	708,000	-	-	-	-	-	-
Total Other Financing Sources (Uses)	5,660,723	5,181,183	3,239,991	5,786,252	6,640,517	7,379,240	2,310,223
Net Change in Fund Balances	\$ 356,685	\$ 1,561,577	\$ (799,860)	\$ (10,104,305)	\$ 1,993,784	\$ 1,341,271	\$ (8,012,481)
Debt Service as a Percentage of Non-capital Expenditures	2.59%	4.35%	4.16%	3.78%	4.44%	4.82%	0.07%

NOTE: In 2012 the City's Community Redevelopment Agency no longer qualified as a blended component unit and therefore is no longer included in this statement.

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	Real Property			Railroad Property	Total Net Assessed Value (1)	Total Direct Tax Rate
		Residential Property	Commercial Property	Other Property			
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
2011	2010	1,053,076	53,324		3,735	1,110,135	5.03
2012	2011	990,200	52,992		3,825	1,047,017	5.49

Note: Property in the city 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-403V

City of Lake Worth, Florida

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

Fiscal Year	Tax Roll Year	City of Lake Worth										Overlapping Rates (1)		
		General Operations	Debt Service	Total City	Palm Beach County	Palm Beach County School Board	South Florida Water Management District	Florida Inland Navigation District	Palm Beach County Health Care District	Children's Services Council	Total Direct and Overlapping Rates			
2003	2002	8.53	1.95	10.48	4.79	8.57	0.70 *	0.04	1.13	0.04	0.04	0.69	25.75	
2004	2003	8.40	1.73	10.13	4.77	8.16	0.70 *	0.04	1.10	0.04	0.69	0.69	25.58	
2005	2004	8.40	1.51	9.91	4.72	8.11	0.70 *	0.04	1.08	0.04	0.69	0.69	25.24	
2006	2005	8.40	0.27	8.67	4.72	7.87	0.70 *	0.04	1.97	0.04	0.69	0.69	24.66	
2007	2006	8.15	0.23	8.38	4.48	7.87	0.70 *	0.04	0.97	0.04	0.62	0.62	23.05	
2008	2007	7.30	0.21	7.51	3.98	7.87	0.70 *	0.03	0.89	0.03	0.58	0.58	20.97	
2009	2008	8.07	0.23	8.30	3.97	7.25	0.62	0.03	1.00	0.03	0.60	0.60	21.78	
2010	2009 (2)	5.00	0.30	5.30	4.56	7.98	0.62	0.03	1.15	0.03	0.69	0.69	20.34	
2011	2010	4.99	0.04	5.03	4.99	8.18	0.24	0.03	1.13	0.03	0.75	0.75	20.36	
2012	2011	5.49	-	5.49	4.99	7.78	0.18	0.03	1.12	0.03	0.73	0.73	20.32	

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 & Detailed Millage Chart)

(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 Ended September 30,	Total Taxes Levied for Year (2)	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	
2003	9,521,810	9,067,114	9,067,114	95.22%	52,711	9,119,825	9,119,825	95.78%
2004	10,529,683	9,670,092	9,670,092	91.84%	29,599	9,699,691	9,699,691	92.12%
2005	11,667,950	10,586,310	10,586,310	90.73%	37,442	10,623,752	10,623,752	91.05%
2006	13,325,225	10,919,319	10,919,319	81.94%	307,246	11,226,565	11,226,565	84.25%
2007	16,975,285	16,469,083	16,469,083	97.02%	25,799	16,494,882	16,494,882	97.17%
2008	15,671,110	12,547,122	12,547,122	80.07%	-	12,547,122	12,547,122	80.07%
2009	15,338,883	14,469,190	14,469,190	94.33%	243,567	14,784,904	14,784,904	96.39%
2010	7,965,615	7,434,810	7,434,810	93.34%	329,935	7,764,745	7,764,745	97.48%
2011	6,096,193	5,841,442	5,841,442	95.82%	241,144	6,082,586	6,082,586	99.78%
2012	5,752,832	5,728,138	5,728,138	99.57%	150,994	5,879,132	5,879,132	102.20%

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

(1) Includes discounts taken by property taxpayers.

(2) Palm Beach County Tax Collector - Comparison of 2011/2012 Taxes Levied - <http://www.co.palm-beach.fl.us/papa/Millage.htm>

City of Lake Worth, Florida

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

	2012			2003			
	Value	Rank	Percent of Total Value	Value	Rank	Percent of Total Value	
Bellsouth Telecommunications Inc.	12,024,330	1	1.15%	-	-	-	
Palm Beach Mobile Home Park LLC	8,008,785	2	0.76%	-	-	-	
Palm Club Townhomes LLC	7,390,762	3	0.71%	-	-	-	
Tackett Patricia A & 1920 10th Ave LLC	7,056,973	4	0.67%	-	-	-	
GSG Investments	6,468,496	5	0.62%	-	-	-	
Arbor Square Realty CO LLC	5,562,160	6	0.53%	-	-	-	
Perrigo Florida Inc	4,342,436	7	0.41%	-	-	-	
Sutton Town & Country	6,595,270	8	0.63%	-	-	-	
Publix Super Markets Inc.	3,000,000	9	0.29%	-	-	-	
	4,359,027	10	0.42%	-	-	-	
				Tackett Patricia A	\$ 6,687,221	1	0.737%
				1926 Real Estate Inc	5,681,866	2	0.541%
				Falconi Angelo TR	4,904,410	3	0.626%
				Walgreen CO.	3,953,429	4	0.436%
				Crystal Palms	3,678,141	5	0.405%
				Arbor Living CTR of FLA inc	3,549,883	6	0.391%
				Akers Olen S TR & Patricia	3,403,170	7	0.375%
				Gulfstream Hotel LTD Partne	3,236,895	8	0.357%
				Carefree Park Corp	3,030,951	9	0.334%
				Southern Bell Tel & Tel Co.	2,999,579	10	0.331%
	<u>64,808,239.00</u>		<u>6.19%</u>	\$ 41,125,545			<u>4.533%</u>

Source: Tax roll provided by Palm Beach County Property Appraiser's Office.

Based on Lake Worth Top Ten Taxpayer Report

(1) Total Assessed Valuations \$ 1,047,017 Tax year 2012

\$ 907,211 Tax year 2003

City of Lake Worth, Florida

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

Fiscal Year	Amount of Special Assessments Recorded		Special Assessments Collected	Total Outstanding Assessments*
	Due During Fiscal Year			
2003	46,599		268,509	1,012,483
2004	10,472		243,110	779,845
2005	211,806		319,974	671,678
2006	179,524		221,431	629,771
2007	3,759		208,818	424,712
2008	130,620		94,587	460,744
2009	88,144		292,204	256,684
2010	24,901		20,641	260,943
2011	-		180,768	80,175
2012	-		22,967	57,208

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 benefitted property.

* Includes Floral Park, Island Estates, and High Ridge Road Watermain Project.

City of Lake Worth, Florida

**RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

FY Ended September 30,	Governmental Activities				Business-type Activities				Total Total	Percent of Personal Income	Debt Per Capita (2)
	General Obligation Bonds	Loan Payable	Capital Lease	Revenue Bonds (1)	Loan Payable	Capital Leases	Total	Total			
2003	5,060,000	-	-	6,835,000	9,375,000	80,377	21,350,377	21,350,377	0.04	603	
2004	3,655,000	-	-	4,985,000	8,915,000	59,868	17,614,868	17,614,868	0.03	499	
2005	2,175,000	8,000,000	-	70,095,577	-	33,049	80,303,626	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	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	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	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	77,742,906	N/A	2,213	
2010	410,000	5,119,035	-	61,536,648	6,034,550	695,393	73,695,626	73,695,626	N/A	2,040	
2011	-	4,336,067	545,505	56,744,327	12,445,305	401,833	69,591,465	69,591,465	N/A	1,933	
2012	-	-	545,505 *	56,792,006	13,566,736	102,373	70,461,115	70,461,115	N/A	2,019	

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 S19 for assessed value and population data.

* Debt was due to a Governmental Activity that is related to the Discretely Reported Component Unit.

City of Lake Worth, Florida

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	General Obligation Bonds	Less Amounts Available in Debt Service		Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capital (2)
		Fund	Fund			
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
2011	-	(250,208)		(250,208)	0.02%	-7
2012	-	-		-	0.00%	-

Note: Details regarding 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 S7 for property value data.

(2) See the Schedule of Demographic and Economic Statistics on page S19 for population data.

City of Lake Worth, Florida

**COMPUTATIONAL OF LEGAL DEBT LIMIT
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Taxable Assessed Valuation	<u>\$ 1,047,016,875</u>
Debt Limit (25% of Valuation)	\$ 261,754,219
Debt-contracting Margin	<u>\$ 187,281,186</u>
Percentage Debt-contracting Limit Remaining	<u>71.55%</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.

City of Lake Worth, Florida

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Government Unit	Net Debt Outstanding	Percentage Applicable to the City of Lake Worth (1)	Amount Applicable to the City of Lake Worth
Debt repaid with property taxes:			
Palm Beach County	\$ 422,585,662	1.29%	\$ 5,459,609
Other debt:			
Palm Beach School Board	26,323,038	1.29%	340,081
Subtotal, Overlapping Debt			5,459,609
City of Lake Worth Direct Debt			-
Total Direct and Overlapping Debt	990,200	52,992	\$ 5,459,609
			38,249

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 ration of assessed valuation of property of \$1,047,016,875 to the total assessed value of taxable property in the overlapping unit of \$125,336,113,099

City of Lake Worth, Florida

**PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Sewer Revenue (1)	Less Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2003	\$ 5,517,120	\$ 4,996,087	\$ 521,033	\$ 1,850,000	\$ 340,030	0.24
2004	6,665,757	6,504,374	161,383	252,780	490,000	0.22
2005	7,144,828	7,313,702	(168,874)	423,610	2,417,843	(0.06)
2006	10,126,856	12,954,937	(2,828,081)	446,638	226,415	(4.20)
2007	9,868,012	9,234,509	633,503	2,137,516	346,533	0.26
2008	5,511,659	4,617,670	893,989	255,000	244,202	1.79
2009	5,788,641	5,128,106	660,535	255,000	231,966	1.36
2010	6,511,978	5,522,422	989,556	255,000	91,804	2.85
2011	7,027,613	4,811,414	2,216,199	255,000	68,597	6.85
2012	7,737,291	5,582,647	2,154,644	255,000	191,031	4.83

Source: City of Lake Worth Finance Department

- (1) Gross revenue includes operating revenue and interest income minus uncollectible accounts.
 - (2) Total expense exclusive of depreciation, debt interest on revenue bonds, and uncollectible accounts
- * 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		Less		Net		Debt		Coverage
	Revenue (1)	Revenue (1)	Operating Expenses (2)	Operating Expenses (2)	Available Revenue	Service Principal	Service Interest		
2003	\$ 49,591,401	\$ 49,591,401	\$ 36,871,062	\$ 36,871,062	\$ 12,720,339	\$ 2,310,000	\$ 471,281	4.57	
2004	* 50,160,917	50,160,917	40,683,699	40,683,699	9,477,218	1,955,000	252,780	4.29	
2005	45,186,261	45,186,261	38,515,178	38,515,178	6,671,083	350,000	809,233	5.75	
2006	61,645,089	61,645,089	51,516,271	51,516,271	10,128,818	612,500	1,442,027	4.93	
2007	53,824,950	53,824,950	42,524,553	42,524,553	11,300,397	8,405,431	1,366,520	1.16	
2008	58,314,475	58,314,475	49,620,575	49,620,575	8,693,900	187,500	1,773,386	4.43	
2009	59,230,272	59,230,272	53,092,542	53,092,542	6,137,730	1,137,500	1,357,650	2.46	
2010	59,895,691	59,895,691	55,899,906	55,899,906	3,996,785	1,210,000	1,338,799	1.57	
2011	56,113,677	56,113,677	46,404,184	46,404,184	9,709,493	-	617,085	15.73	
2012	53,998,826	53,998,826	49,706,373	49,706,373	4,292,453	1,290,000	1,181,145	1.74	

Source: City of Lake Worth Finance Department

(1) Gross revenue includes operating revenue and interest income minus uncollectible accounts.

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

* 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,	Water Revenue (1)	Less Operating Expenses (2)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2003	* \$ 49,591,401	\$ 36,871,062	\$ 12,720,339	\$ 2,310,000	\$ 471,281	4.57
2004	* 50,160,917	40,683,699	9,477,218	1,955,000	252,780	4.29
2005	6,667,162	3,717,052	2,950,110	350,000	809,233	2.54
2006	8,348,026	4,276,412	4,071,614	408,333	919,273	3.07
2007	10,578,241	5,218,130	5,360,111	637,500	1,366,520	2.67
2008	11,012,972	5,665,735	5,347,237	187,500	1,773,386	2.73
2009	11,144,335	6,910,247	4,234,088	1,137,500	1,357,650	1.70
2010	11,878,935	8,793,880	3,085,055	1,185,000	1,338,415	1.22
2011	12,127,703	6,681,473	5,446,230	-	617,085	8.83
2012	11,803,738	6,989,981	4,813,757	1,290,000	1,181,145	1.95

Source: City of Lake Worth Finance Department

(1) Gross revenue includes operating revenue and interest income minus uncollectible accounts.

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

* Electric and water amounts have been combined.

City of Lake Worth, Florida

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Year	Population (1)	Personal Income (Amounts Expressed in Thousands)	Per Capita Personal Income (4)	Assessed Value (Amounts Expressed in Thousands) (2)	Per Capita Assessed Value (1) (2)	Unemployment Rate (3)
2003	35,292	\$ 1,567,106	\$ 44,404	\$ 907,211	26	9.0%
2004	35,570	1,725,963	48,523	1,038,091	29	8.0%
2005	36,040	1,840,563	51,070	1,174,103	33	5.0%
2006	36,412	2,033,100	55,836	1,530,258	42	5.8%
2007	37,044	2,176,298	58,749	2,016,075	54	4.3%
2008	35,133	2,081,279	59,240	2,957,971	84	7.6%
2009	36,725	1,906,395	51,910	2,686,741	73	9.8%
2010	36,173	1,900,023	52,526	1,933,338	53	11.0%
2011	34,910	1,867,685	53,500	1,147,575	33	10.3%
2012	34,901	N/A	N/A	1,106,256	32	8.7%

Sources:

- (1) University of Florida, Bureau of Economic Research
<http://www.bebr.ufl.edu/bebr-products/series/Florida%20Estimates%20of%20Population>
- (2) Palm Beach County Property Appraiser DR-403F Total Taxable Value
- (3) U.S. Department of Labor, Bureau of Labor Statistics <http://data.bls.gov/timeseries/LASST12000003>
- (4) University of Florida, Bureau of Economic Research (for Palm Beach County unable to find City of Lake Worth)
<http://www.bebr.ufl.edu/data/county/palm-beach>

N/A: Not Available.

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. Informational items are not consistently available for every year, and are reported significantly after the reporting period.

City of Lake Worth, Florida

**FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
CURRENT YEAR AND NINE YEARS AGO**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Number of Employees:										
General Government	-	-	84	87	89	74	118	96	66	69
Public Safety	-	-	186	185	196	197	186	9	14	10
Physical Environment	-	-	5	5	4	3	4	4	15	13
Transportation	-	-	18	14	11	0	0	7	7	4
Culture and Recreation	-	-	70	69	61	59	73	30	42	16
Community Redevelopment	-	-	3	4	3	2	3	2	2	6
Electric	-	-	83	85	82	82	84	89	72	88
Water and Sewer	-	-	38	38	42	40	40	44	44	39
Refuse	-	-	34	32	32	30	31	30	28	28
Total Full Time Employees	-	-	521	519	520	487	539	311	290	273

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety:										
Police calls for service	53,674	51,749	57,050	54,416	48,054	35,773	-	-	-	-
Parking Violations	8,387	8,792	10,169	10,106	6,494	1,077	-	-	-	-
Traffic Violations	16,468	12,990	16,541	14,715	10,071	9,212	-	-	-	-
Fire:										
Fire Personnel	64	64	64	154	61	61	57	-	-	-
Fire Alarms Answered	*	*	*	222	179	239	212	-	-	-
Fire Inspections Performed	*	*	*	2,109	1,108	2,200	2,176	-	-	-
Building Department:										
Building Permits Issued-Res (1)	3499	3604	4266	5,838	5,239	3,198	2,090	1,560	1,211	1,309
Building Permits Issued-Com (1)	746	751	580	584	599	699	1,041	616	641	480
Culture and Recreation:										
Golf Course-Attendance	90,614	65,527	58,228	63,572	59,239	n/a	60,000	43,425	42,500	38,199
Swimming Pool-Attendance	27,690	27,690	14,323	16,163	n/a	n/a	15,000	13,000	@	@
Fishing Pier-Attendance	145,044	127,568	2,100	**	**	**	100,000	77,000	65,644	72,799
Public Library:										
Circulation-All Media	120,240	120,240	120,240	81,421	79,284	83,336	86,665	101,345	155,274	83,790
Patrons Registered	12,962	12,962	14,263	16,781	19,579	20,460	17,053	22,079	19,511	21,457
Patrons Registered-Inside City	9,558	9,558	10,952	12,671	14,499	15,205	13,014	15,505	14,567	16,281
Utility System:										
Water										
Total number of bills	13,099	12,903	13,269	13,109	159,537	150,843	12,581	12,494	150,255	153,898
Number of units billed	195,561	2,384,621	1,744,962	213,033	2,735,640	1,819,050	153,394	142,208	1,706,506	15,217,786
Total amount billed	537,211	676,308	4,799,041	735,160	11,713,861	9,695,764	844,862	904,388	10,852,667	12,045,014
Average selling price	\$ 2,7470	\$ 0,2836	\$ 2,7502	\$ 3,4509	\$ 4,2819	\$ 3,5400	\$ 5,5100	\$ 6,3500	\$ 6,3600	\$ 0,7900
Average bill	\$ 41.01	\$ 52.41	\$ 361.67	\$ 56.08	\$ 73.42	\$ 64.28	\$ 67.15	\$ 72.38	\$ 72.39	\$ 78.27
Number of connections	*	*	11,252	12,898	13,062	12,570	12,102	12,353	12,216	12,301
Water main breaks	*	*	*	32	24	22	26	48	22	30
Sewer										
Total number of bills		11,429	11,597	12,016	143,792	137,800	11,493	11,410	136,945	138,412
Number of units billed	121,623	131,516	139,947	128,721	1,548,752	1,214,722	103,251	98,100	1,177,201	11,345,142
Total amount billed	\$317,657	\$ 331,724	\$ 346,870	\$ 441,674	\$5,549,999	\$4,947,558	\$ 448,921	\$ 500,733	\$6,534,005	\$7,224,736
Average selling price	\$ 2,6118	\$ 2,5223	\$ 2,4786	\$ 3,4312	\$ 3,5835	\$ 4,0729	\$ 4,3500	\$ 5,1000	\$ 5,5500	\$ 0,6400
Average bill	\$ 27.51	\$ 29.02	\$ 29.91	\$ 36.75	\$ 38.60	\$ 35.90	\$ 39.06	\$ 43.88	\$ 47.72	\$ 52.20
Number conn-local sewer	11,252	11,252	11,252	12,016	11,709	11,387	11,925	11,097	11,108	11,106

Sources: Various City Departments
* Information unavailable

** Fishing pier closed during fiscal year
@ Swimming pool closed during fiscal year.

(Continued)

City of Lake Worth, Florida

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Electric										
Residential customers:										
T total number of bills-R	21,819	22,103	22,360	22,834	23,217	271,292	265,185	262,069	260,891	236,321
Number of units billed-R	25,321,571	26,627,595	32,385,122	21,844,047	30,439,162	307,201,231	411,030,957	689,827,968	661,734,180	670,732,013
T total amount billed-R	2,435,340	2,566,148	3,059,316	2,007,121	2,604,597	32,390,473	31,994,781	33,189,172	31,217,074	30,357,449
Average selling price-R	0.0962	0.0964	0.0948	0.0919	0.0856	0.1100	0.0800	0.0500	0.0500	0.0500
Average bill-R	111.62	116.10	136.82	87.90	112.18	119.39	120.65	126.64	119.66	128.46
Commercial customers:										
T total number of bills-C	2,952	2,943	2,918	3,132	3,163	34,978	34,037	33,374	35,400	33,758
Number of units billed-C	8,508,396	23,632,519	10,952,574	8,941,266	15,083,570	149,655,436	123,394,255	197,727,801	253,410,443	190,521,820
T total amount billed-C	921,389	2,064,660	1,141,489	923,404	1,323,690	12,904,732	13,120,479	12,743,567	16,866,100	11,852,622
Average selling price-C	0.1083	0.0874	0.1042	0.1032	0.0878	0.0900	0.1100	0.0600	0.0700	0.0600
Average bill-c	312.1200	701.5500	391.1900	294.8300	418.4900	368.9400	385.4800	381.8400	476.4500	351.1100
Private area lighting:										
T total number of bills-P	742	692	644	594	622	7,277	7,010	6,810	6,739	6,558
Number of units billed-P	99,086	95,340	99,644	91,759	202,116	2,438,972	2,397,284	2,333,560	2,070,352	2,339,530
T total amount billed-P	20,056	19,400	17,270	13,791	17,928	224,179	215,961	203,917	202,599	201,083
Average selling price-P	0.2024	0.2035	0.1733	0.1503	0.0887	0.0900	0.0900	0.0900	0.1000	0.0900
Average bill-P	27.03	28.03	26.82	23.22	28.82	30.81	30.81	29.94	30.06	30.66
Commercial demand:										
T total number of bills-D	98	98	95	91	85	1,002	975	932	908	1,056
Number of units billed-D	5,279,001	11,395,799	7,316,879	5,987,995	4,798,856	69,995,720	60,015,027	106,862,451	93,041,066	122,380,220
T total amount billed-D	560,406	1,031,093	708,256	433,037	544,312	8,458,129	7,927,918	7,825,890	6,169,848	7,571,587
Average selling price-D	0.1062	0.0905	0.0968	0.0723	0.1134	0.1200	0.1300	0.0700	0.0700	0.0600
Average bill-D	5,718.43	10,521.36	7,455.33	4,758.65	6,372.43	8,441.25	8,131.20	8,396.88	6,794.99	7,170.06
Street lights:										
T total number of bills-St.	8	6	6	6	7	95	103	108	108	108
Number of units billed-St.	187,566	181,278	180,424	182,877	398,431	4,937,232	4,969,264	4,974,384	4,359,714	5,013,600
T total amount billed-St.	26,960	25,846	25,635	24,794	28,951	378,043	372,785	364,262	355,775	360,750
Average selling price-St.	0.1437	0.1426	0.1421	0.1356	0.0727	0.0800	0.0800	0.0700	0.0900	0.0700
Average bill-St.	3,370.00	4,307.67	4,272.55	4,132.33	3,903.54	3,979.40	3,619.27	3,372.80	3,294.22	3,340.28
Solid waste:										
Residential accounts	*	*	*	10,808	10,507	10,509	935	22	9	8
Commercial accounts	*	*	*	918	1,097	1,135	1,107	1,083	1,068	1,085

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Number of general govt buildings	1	1	1	1	1	1	1	1	1	1
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	*	*	*	35	35	35	35	-	-	-
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Transportation:										
Miles of streets:										
Streets-paved	101.66	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	1,500,528	1,087,668	1,082,544	1,265,421	1,265,421	1,265,421	1,265,421	1,265,421	1,265,421	1,265,421
Culture and Recreation:										
Parks	18	18	18	18	18	18	11	11	11	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	8	8	8	8
Baseball/softball fields	9	9	9	9	9	9	9	10	10	10
Indoor/out basketball courts	18	18	18	18	18	18	4	4	4	4
Public boat ramps	2	2	2	2	2	2	1	1	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	1	1
Utility system:										
Fire hydrants- Lake Worth	620	620	620	620	620	684	695	941	959	964
Solid waste:										
Collection trucks	*	*	*	29	27	27	21	22	22	22
Water system:										
Total wells	14	14	14	14	14	18	18	18	18	18
Usable wells	12	12	12	12	12	12	12	12	17	17
Miles of water lines	130	130	130	130	130	167	161	157	155.096<	156
Sewer system:										
Miles of sewer lines	100	100	100	100	100	99	100	100	97.76<	98
Electric system:										
Generating plants	1	1	1	1	1	1	1	1	1	1
Miles of distribution lines	147	147	147	147	147	147	147	147	147	147

Sources: Various City Departments

Note: Indicators are not available for the general government function

* Information unavailable

< Decrease due to improved accuracy of data in GIS

IV

COMPLIANCE SECTION

City of Lake Worth, Florida

**Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2012**

Federal Agency/Pass-Through Grantor/ Program Title	CFDA Number	Contract/ Grant Number	Expenditures
U. S. Department of Housing and Urban Development			
NSP2	ARRA 14.256	B-09-CN-FL-0019	9,948,815
Total U.S. Department of Housing and Urban Development			<u>9,948,815</u>
U.S. Department of Environmental Protection			
Capitalization Grants for Drinking water	ARRA 66.468	DW501700	466,623
Capitalization Grants for Drinking water	ARRA 66.468	DW501701	6,707,712
Total U.S. Department of Environmental Protection			<u>7,174,335</u>
U.S. Department of Energy Efficiency & Renewable Energy			
Energy Efficiency	ARRA81.28	DE-EE0012150	91,807
Local Energy Assurance Planning	ARRA81.28	DE-OE0000403	80,776
Total U.S. Department of Energy Efficiency & Renewable Energy			<u>172,583</u>
U.S. Department of Housing and Urban Development Passed through Palm Beach County Housing and Community Development			
Sunset Park	14.218	R2009-0649	158,629
Total U.S Department of Urban Development			<u>158,629</u>
U.S. Department of Justice			
Suffleboard Court Restoration	16.808	2011-DJ-BX-0001	14,993
Total U.S. Department of Justice CFDA16.808			<u>14,993</u>
Justice Assistance 2009	16.738	2009-DJ-BX-0958	29,905
Justice Assistance 2011	16.738	2011-DJ-BX-2721	14,303
Total U.S. Department of Justice CFDA 16.738			<u>44,208</u>
ARRA Justice Assistance Grant Program	ARRA16.804	2010-SB-B9-0031	79,316
Total U.S. Department of Justice CFDA ARRA 16.804			<u>79,316</u>
Total U.S Department of Justice			<u>138,517</u>
Florida Fish & Wild Life Conservation Commission			
Bryant Park Boat Ramp	15.605	FWC0902	53,288
Total Florida Fish & Wild Life Conservation Commission			<u>53,288</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 17,646,167</u>

City of Lake Worth

Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2012

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: LOANS OUTSTANDING

The SRF loans of the City had a total outstanding balance of \$7,174,335 at September 30, 2012. These loan programs are also included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

NOTE 3: CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the City of Lake Worth, Florida. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.



**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, the discretely presented component unit, 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, 2012, and have issued our report thereon dated March 11, 2013. 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

Management of the City is responsible for establishing and maintaining effective 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 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 08-05 that we consider to be a significant deficiency in internal control over financial reporting. 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.

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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We also noted additional matters, such as items not considered significant enough to be significant deficiencies, that were communicated to the management of the City of Lake Worth, Florida in a separate management letter dated March 11, 2013.

The City'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.

Restriction on Use

This report is intended solely for the information and use of management, the City Commission, others within the entity, the Auditor General of the State of Florida, and Federal 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
March 11, 2013

TCBA Water Rice LLP



**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**

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* that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2012. The City's major Federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards and OMB Circular A-133 require that we plan and perform the compliance 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. A compliance 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 compliance audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

Opinion

In our opinion, the City of Lake Worth, Florida complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2012.

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 City's internal control over compliance with requirements that could have a direct and material effect on a major Federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 over compliance 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 was not 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.

Restricted Use

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

We also noted additional matters, such as items not considered significant enough to be significant deficiencies, that were communicated to the management of the City of Lake Worth, Florida in a separate management letter dated March 11, 2013.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of City of Lake Worth, Florida (the "City"), as of and for the year ended September 30, 2012, and have issued our report thereon dated March 11, 2013, which contained an unqualified opinion on those statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of Federal awards on page C2 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was

derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

West Palm Beach, Florida
March 11, 2013

TCBA Water Rice LLP

CITY OF LAKE WORTH, FLORIDA

Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 2012

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: Unqualified

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

Name of Federal Program

Neighborhood Stabilization Program
Capitalization Grants for Drinking Water

Dollar threshold used to distinguish between Type A and Type B programs: \$526,535

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, 2012
(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, 2012

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, 2011 Schedule of Findings and Questioned Costs.

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

- 08-16 Fund Deficits

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

- 08-05 Inventory

B. Prior Year Federal Award Findings

- None.

C. Prior Year State Financial Assistance Findings

- None.

CITY OF LAKE WORTH, FLORIDA

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2012
(Continued)

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Recurring Findings Over Two Years

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.

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

The condition still exists.

CITY OF LAKE WORTH, FLORIDA

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2012
(Continued)

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Recurring Findings Over Two Years (Continued)

M-08-05 Inventory (Continued)

Views of Responsible Officials and Planned Corrective Action

Obsolete and surplus material has been identified and set aside for disposal. The bids received for this material when offered in 2012 were less than scrap value and far less than the projections from the consultant; hence the decision was made to investigate alternatives for sale of this material. Alternatives are currently being pursued.

The warehouse has been reconfigured with appropriate shelving. Items purchased for specific projects that have not been completed would remain in inventory since the material is not charged to a project until used and there is no reason to dispose of standard material just because it might push inventory over the preferred maximum quantity.

The lack of oversight by Electric Fund personnel to ensure City policies are implemented and maintained is being addressed through the creation of a purchasing/warehouse manager reporting to utilities; this position is not yet filled. The person who fills this position would be charged with the oversight of inventory.

Person Responsible for Corrective Action: Utilities Director

Expected Completion Date: September 30, 2013

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CITY OF LAKE WORTH, FLORIDA
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2012
(Continued)

SECTION A – PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

M-08-16 Fund Deficits

Criteria

The Golf Course Fund and Information Technology Funds 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 Fund 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 Funds had 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's Status

The condition no longer exists. City management addressed this issue through the development of a business plan for the Golf course in FY 2012, it was believed that the annual deficit for FY 2012 would be \$0, however, due to moving up the greens renovation project the fund ended the year with a \$107,000 deficit. The business plan is, however, still viable and the City is moving forward with it in FY 2013 and believes that the plan will successfully return the Golf Course to a positive fund balance over the next several years.

**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, 2012, and have issued our report thereon dated March 11, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated March 11, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned Auditors’ Report or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as stated under the heading Prior Year Financial Statement Findings, Finding M-08-05.
- 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 did not have any such findings.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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) as its discretely-presented component unit. 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, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 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 of Lake Worth'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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

West Palm Beach, Florida
March 11, 2013

TCBA Water Air LLP

CITY OF LAKE WORTH, FLORIDA

Management Letter
Fiscal Year Ended September 30, 2012

I. CURRENT YEAR RECOMMENDATIONS

None.

II. STATUS PRIOR YEAR RECOMMENDATIONS AND MANAGEMENT’S RESPONSES

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, 2011. 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.

Finding Number	Prior Year Comment	Comment Has Been Addressed	Comment Not Implemented
ML-2011-01	<i>Update and Test Information Technology (IT) Disaster Recovery Plan</i>	✓	
ML-2011-02	<i>Formalize Information Technology (IT) Access Control Procedures</i>	✓	
ML-2011-03	<i>Improve Segregation of Duties</i>	✓	
ML-2011-04	<i>Assign Different Electronic Sign-off to Different Individuals</i>	✓	
M-11-05	<i>Davis Bacon Compliance</i>	✓	
ML-2010-01	<i>Review of Utility Billing Process</i>	✓	
ML-2010-03	<i>Provide Dual Combination for Cash Vault</i>	✓	

ML-2011-01 Update and Test Information Technology (IT) Disaster Recovery Plan

The City of Lake Worth (the City), Florida has a Disaster Recovery Plan. However, the existing plan has never been tested. Best practices require that organizations develop, implement and test a Disaster Recovery Plan. Currently, it is not known if the City would be able to timely resume operations after an unscheduled interruption or disaster.

Recommendation

We recommended that the City update and test their Disaster Recovery Plan as soon as possible. This test should include the return and restoration of back-up media from off-site storage.

CITY OF LAKE WORTH, FLORIDA

Management Letter
Fiscal Year Ended September 30, 2012

II. STATUS PRIOR YEAR RECOMMENDATIONS AND MANAGEMENT'S RESPONSES (Continued)

Current Year Status

The condition no longer exists. The City fully tested the Disaster Recovery plan in September 2012.

ML-2011-02 Formalize Information Technology (IT) Access Control Procedures

The City uses an informal process to grant, change and remove Users' access to critical information systems and resources. A formal Access Authorization Form was not being used. Ensuring reliable access controls are in place and operating effectively involves implementing and monitoring preventive, detective, and corrective procedures that address the various access risk points. Preventative procedures generally address the first risk point that involves initiating or granting access and include documented access policies and procedures and supporting documentation for approvals that grant access to systems/programs/networks, as well as maintaining these policies and procedures updated as practices change. Detective procedures generally address the second risk point that involves activities after access has been obtained and include monitoring of user accounts for compliance with logical access parameters, revoking access privileges for terminated users, and reviewing audit trail logs. Corrective procedures generally address the third and final risk point that involves taking actions that remediate matters that do not comply with policies and procedures identified through the preventive and/or detective procedures.

Recommendation

We had recommended that the City formalize their access control administration and procedures by implementing a formal way to grant, change and revoke access to critical IT resources. The financial management system owner should review Users' access privileges at least once every six months. The entire process should be documented and the appropriated records maintained for audit purposes. In addition, we recommend that the city conduct penetration testing of their network related to the financial management system.

Current Year Status

The condition no longer exists. Written Information Technology Access Control authorizations via the use of Navaline System Change Request (SCR) forms and New Employee I.T. Resources Request forms were implemented. The process for the use of these forms (which govern the type and level of access an employee has in the Navaline System) is that an employee's Department Head determines and gives written permission to add the employee to a "user group" that has certain permission for access. If those permissions extend to the General Ledger, then the Finance Department must also agree to that use.

CITY OF LAKE WORTH, FLORIDA

Management Letter
Fiscal Year Ended September 30, 2012

II. STATUS PRIOR YEAR RECOMMENDATIONS AND MANAGEMENT'S RESPONSES (Continued)

ML-2011-03 Improve Segregation of Duties

During our testing, we found one instance where an employee (Senior Accountant) had access to Accounts Payable and also had access to create new vendors. These are incompatible duties and they increase the potential for fraud.

Recommendation

We recommended that the City immediately revoke this employee's access to set up vendors. In addition, the recommendation in Finding ML-2011-02 applies here. A periodic review of access privileges can mitigate this vulnerability.

Current Year's Status

The condition no longer exists.

ML-2011-04 Assign Different Electronic Sign-off to Different Individuals

We noted 5 disbursements out of 40 checks wherein the supporting invoices were reviewed and approved by the same personnel in the department where the expenditure originated. We were made to understand by Management that this occurred due to a transition within the Parks and Recreation Department wherein the Division Head is the Department Head at the same time.

Recommendation

While we understand that the City has compensating controls to detect irregularities in the review and approval process of invoices, we suggested that its HTE system should not allow the same individual to sign off on both review and approval functions to preclude an opportunity to process fraudulent invoices without being easily detected.

Current Year's Status

The condition no longer exists.

CITY OF LAKE WORTH, FLORIDA

Management Letter
Fiscal Year Ended September 30, 2012

II. STATUS PRIOR YEAR RECOMMENDATIONS AND MANAGEMENT'S RESPONSES (Continued)

M-11-05 Davis Bacon Compliance

In testing Davis-Bacon requirements for the program, TCBA WR found that the interview forms completed by the City did not match the certified payroll data nor the driver's license obtained from the contractors employee records to ensure employees interviewed were actual employees working in the program.

Section 8.10 (1) of the agreement states that "The local government shall periodically interview a sufficient number of employees entitled to Davis-Bacon prevailing wages (covered employees) to verify that contractors or subcontractors are paying the appropriate wage rates".

The condition appears to be caused by the City's lack of verification of proper identification during the interview process.

Recommendation

We recommended that the City adopt a policy whereby all interviewees are required to present identification consistent with identification used for their employment at the contractor or subcontractor for each interview.

Current Year's Condition

The condition no longer exists.

ML-2010-01 Review of Utility Billing Process

Recommendation

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.

It was suggested 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.

Current Year's Status

The condition no longer exists. The Customer Service Supervisor who oversees Billing is responsible for reviewing the bill edits and billing controls. The Customer Service Manager is responsible for reviewing and approving/posting all miscellaneous charges and adjustments.

CITY OF LAKE WORTH, FLORIDA

Management Letter
Fiscal Year Ended September 30, 2012

**II. STATUS PRIOR YEAR RECOMMENDATIONS AND MANAGEMENT'S
RESPONSES (Continued)**

ML-2010-03 Provide Dual Combination for Cash Vault

Recommendation

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

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

Current Year Status

Although the cash vault can still be opened by a single combination, analysis of the issue determined that it would be cost prohibitive to replace or modify the Vault. Consequently, management determined that the alternative control of always having two people present when opening the vaults and safes would, be the most efficient and cost effective mechanism to address this issue.

- *End of Report* -