

**CITY OF LAKE WORTH, FLORIDA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2008

**CITY OF LAKE WORTH, FLORIDA**  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Prepared by  
Finance Department

Mark Bates  
Administrative Services Director

Barbara Hiller  
Controller

# CITY OF LAKE WORTH, FLORIDA

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## **INTRODUCTORY SECTION**

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## FINANCE DEPARTMENT

7 North Dixie Highway · Lake Worth, Florida 33460 · Phone: 561-586-1654

September 28, 2009

To the Citizens of the City of Lake Worth:

The Comprehensive Annual Financial Report of the City of Lake Worth, Florida (the City), for the fiscal year ended September 30, 2008, is submitted herewith. This report was prepared by the staff of the Finance Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, are accurate in all material respects and are reported in a manner designed to present fairly the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the respective changes in financial position and cash flows, where applicable, thereof of the City. All disclosures necessary to enable the readers to gain an understanding of the City's financial activity have been included.

### ORGANIZATION AND CONTENT

The organization and content of this report is based primarily on the financial reporting standards set by the Governmental Accounting Standards Board (GASB) and recommendations of the Government Finance Officers Association of the United States and Canada (GFOA). The report is designed to meet the needs of a wide variety of readers and is divided into four principal sections:

**Introductory Section**—This section includes the names of both elected and appointed officials who are responsible for policy matters and the management of the City's affairs, an organization chart of key management positions, and this transmittal letter which discusses the major factors that affected the operating results for the year.

**Financial Section**—This section includes the independent auditors' report on the City's financial statements, management's discussion and analysis, the basic financial statements, notes to the financial statements, required supplementary information, and the combining and individual fund statements and schedules and other financial information. The basic financial statements present an overview of financial activities of the City.

**Statistical Section**—Although this section contains substantial financial information, these tables differ from financial statements in that they present some non-accounting data, cover more than two fiscal years, and highlight social and economic data, financial trends and political characteristics of the City.

**Compliance Section**—The City is required to undergo an annual audit under *Government Auditing Standards*. This section includes report of independent certified public accountants on compliance and on internal control over financial reporting based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*. The City is also required to undergo an annual Single Audit performed under the provisions of the 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, State of Florida. The information related to the Single Audit, including the schedule of expenditures of federal awards, findings and recommendations and auditors' reports on internal control and compliance with applicable laws and regulations are included in the compliance section.

## **THE CITY**

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

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

## **THE REPORTING ENTITY**

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

## **ECONOMIC CONDITION AND OUTLOOK**

The City obtains a major portion of its General Fund annual financial resources from ad valorem property taxes. Lake Worth also operates Electric, Water and Sewer Utilities, Solid Waste collection and Golf

Course enterprises that reflect substantial capital investments to provide services and receive substantial revenues from their enterprise operations.

Property taxes have declined over the prior year due to a reduction in City tax rates. Property tax revenues in 2008 comprise approximately 45% of annual General Fund annual resources providing funding for \$15.7 million of the total \$35.2 million annual budget. Although City property tax receipts decreased by \$637,000 from the prior year, they have increased by \$4.5 million since 2005. This 4-year increase has been outpaced by the \$5.2 million increase in Public Safety expenditures. Past increases in annual tax collections stem from exceptional increases to City property values coupled with minimal adjustment to the City tax rate. A majority of increased annual tax receipts has been used for continuing operations, primarily Public Safety, leaving Lake Worth vulnerable to the effects of reduced property values and financial growth in the future.

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

As property values and annual tax revenues have increased over the past five years, so too has the General Fund annual operating budget. The City has increased its employee compensation and benefits over the past several years with annual pay adjustments of 5% and significant increases in the cost of annual retirement contributions. Financial resources from property taxes is therefore moving away from non-recurring capital costs toward meeting the annual cost of continuing operations. To mitigate this impact, the City took deliberate steps to eliminate over 25 staff positions during the 2007/08 fiscal year. Pay and benefits make up the majority of the City's annual operating costs and therefore have a large and continuing impact on the City's financial condition. Conversely, most capital projects typically reflect relatively small continuing cost and therefore have a modest impact on the City's on-going financial condition.

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

The City's Utility operations continue to address challenges regarding reliability, maintaining competitive billing rates and meeting capital infrastructure and maintenance needs. Management turnover and weather repairs reflect the need for a comprehensive plan for maintenance and improvement to the City's utility infrastructure. 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 must be created and refined. City electrical generators nearing the end of their expected useful life may need to be replaced or repaired at substantial cost. The City has recently completed

replacement of a large sewer pumping station using short-term bank financing and the City's future potable water supply is embracing both capital expansion and comprehensive financial planning.

## **MAJOR INITIATIVES**

By resolution, the City Commission adopted major policies to safeguard the City's finances. Restricting the use of the undesignated fund balance was accomplished by setting a long-term goal to work gradually toward creating a 15% emergency designation of General Fund annual expenditures. Funds in excess of this balance would be available for capital projects and other community initiatives.

In August 2008, the City approved transition of its Police Department operations, staff and equipment to the Palm Beach County Sheriff beginning October 1, 2008. The transfer of police service was accomplished through an Interlocal Agreement whereby the City's annual contractual fee is paid to the Sheriff in equal monthly amounts. The transfer also resulted in City payment of employees leave balances that were in excess of balances accepted as a transfer to the County Sheriff. The City will continue making annual Police Pension Plan contributions for transferred employees until such time as the Plan is fully funded. The City also pays for maintenance, utilities and property insurance of the local station occupied and used by the Sheriff as its operational headquarters.

In April 2008, the City approved an Interlocal Agreement with the Palm Beach County Water Department to install piping and purchase potable water in bulk for resale to customers. This Interlocal Agreement was originally selected as a lowest cost alternative to supply customers with needed amounts of potable water. Subsequent to September 30, 2008, the City Commission halted work on the County bulk water pipeline and voted to not abide by the Interlocal Agreement. Commission actions during 2009 reflect plans to obtain additional loan financing in order to complete construction of a reverse osmosis water facility to supply customers with potable water.

The City's Enterprise Utility operations are analyzing needed infrastructure improvements including the provision of potable water, 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 also plans to conduct an analysis of user fees and rates during the coming year that will help ensure the financial stability of City Utility operations is maintained.

## **ACCOUNTING AND BUDGETARY CONTROLS**

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

Management is responsible for establishing and maintaining internal control designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP). The internal control is designed to provide reasonable,

rather than absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management.

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

Annually, tests are performed by auditors to determine the adequacy of the City's internal control, including that portion related to federal awards programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's audit for the fiscal year ended September 30, 2008, disclosed material weaknesses in internal control. These weaknesses are being addressed through the City Manager with the all City Departments including the Finance Department.

New reporting requirements of the Government Accounting Standards Board (GASB) provided a 3-year implementation period for governments to begin reporting their capital infrastructure in their financial statements. The City's financial administration completed infrastructure reporting requirements for the year ending September 30, 2008. This City annual audit continues to show many areas of recommended improvement that will be addressed by management and staff in future years.

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

## **DEBT ADMINISTRATION**

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

In November 2004, the City's Electric and Water Funds issued a 30-year \$69,925,000 revenue bond at a synthetic fixed rate of approximately 3.698% using auction rate securities. This bond was used to refund outstanding revenue bonds, refund debt with FMFA and fund improvements to the electrical distribution system and provision of potable water supply for the City's Water Utility. This debt was refinanced in May 2008 due to impacts bond underwriter ratings and substantially increased variable interest costs associated with the weekly auction rate securities market. The refinancing was accomplished at a fixed rate of 4.2% through bank qualified loans over a 20-year period. This refinancing removed bond reserve requirements that were used to pay costs of the bond refunding and resulted in a higher annual debt repayment due to the higher interest rate and shorter repayment term.

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

The Debt Service Fund is used to accumulate resources (cash and investments) for the payment of general long-term debt principal and interest according to the requirements of the Series 1992 Bonds and Series 1996 Bonds resolutions. During 2008, the principal source of revenue for this fund was ad valorem taxes along with interest earned on sinking fund investments.

## **CASH MANAGEMENT**

The City maintains several bank cash and investment accounts for all funds, except for those accounts that are legally restricted. Under this program, all available cash temporarily idle during the year was pooled and invested in various money market instruments, including Treasury bills, funds and agencies of the federal government through the State Board of Administration's State of Florida Investment Pool and Salem Trust. Investments are selected based upon current and anticipated liquidity requirements, yield, market diversification and anticipated market movements.

## **RISK MANAGEMENT**

The City participates in a self-insurance pool administered by Southeast Risk Management Association (SERMA). The City and four other municipalities contribute to this pooled fund. The City is subject to supplemental assessments in the event of deficiencies which result from a specific claim against the City in excess of the reinsurance available. The City is also covered by Florida Statutes under the Doctrine of Sovereign Immunity 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.

In May 2008, City property insurance with SERMA halted and the City became self-insured for property claim coverage through the Florida Municipal Insurance Trust (FMIT). There was no estimated liability for incurred but not reported (IBNR) claims regarding property coverage as of September 30, 2008.

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.

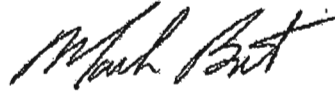
## **INDEPENDENT AUDIT**

Florida Statutes require an annual audit by independent certified public accountants. The accounting firm of MarcumRachlin, a division of Marcum LLP was selected by the City Commission for the 2008 audit and their independent auditors' report on the basic financial statements of the City is included in the financial section of this report.

## ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the service of the 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,

A handwritten signature in black ink, appearing to read "Mark Bates", written in a cursive style.

Mark Bates, C.P.A.  
Administrative Services Director

# **CITY OF LAKE WORTH, FLORIDA**

## **ELECTED OFFICIALS**

As of September 30, 2008

Mayor	Jeff Clemens
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Vice Mayor	Retha Lowe
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**Commissioners:**

District 1	Retha Lowe
District 2	Cara Jennings
District 3	Jo-Ann Golden
District 4	Dave Vespo



# **CITY OF LAKE WORTH, FLORIDA**

## **MANAGEMENT TEAM**

SEPTEMBER 30, 2008

**Robert Baldwin**  
City Manager

**Mark Bates, C.P.A.**  
Administrative Services Director

**Larry A. Karns**  
City Attorney

**William E. Smith**  
Police Chief

**Paul B. Blockson III**  
Fire Chief

**Joseph S. Kroll**  
Public Services Director

**William C. Bucklew**  
Building and Zoning  
Director

**Joan Oliva**  
Community Redevelopment  
Executive Director

**Rachel Bach**  
Community Development  
Director

**G. Allen Sirmans**  
Labor Attorney

**Vacant**  
Utilities Director

**Pam Lopez**  
City Clerk

**Charles Stevens**  
Information Services  
Director

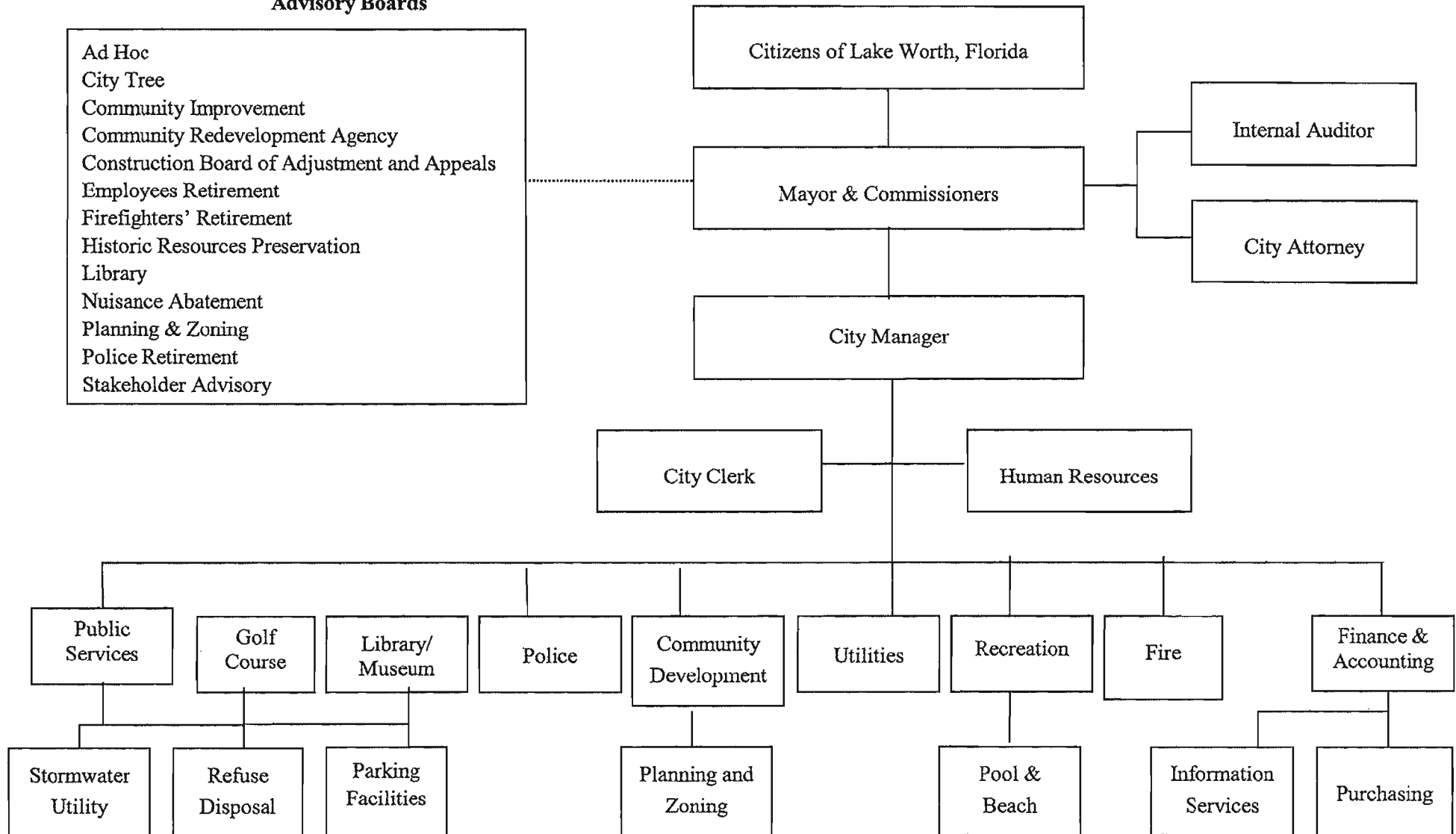
**Diane Clark**  
Human Resources  
Director

# CITY OF LAKE WORTH, FLORIDA

## ORGANIZATION CHART

### Advisory Boards

Ad Hoc  
City Tree  
Community Improvement  
Community Redevelopment Agency  
Construction Board of Adjustment and Appeals  
Employees Retirement  
Firefighters' Retirement  
Historic Resources Preservation  
Library  
Nuisance Abatement  
Planning & Zoning  
Police Retirement  
Stakeholder Advisory



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## **FINANCIAL SECTION**

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**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (including the Community Redevelopment Trust Fund) of the City of Lake Worth, Florida (the City) as of and for the year ended September 30, 2008, 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 financial statements of the Firefighters' Pension Trust Fund, which represents 17.95% and (13.95%), respectively, of the assets and revenues 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 Firefighters' Pension Trust Fund, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (including the Community Redevelopment Trust Fund) of the City of Lake Worth, Florida, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States.



In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-10 and pages 69-75, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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*, and is not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Marcum Rachlin*

a division of Marcum LLP  
West Palm Beach, Florida  
September 28, 2009



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2008. Please read it in conjunction with the financial statements, which follow this section:

### **Financial Highlights**

- The financial health of the City is coming under increasing pressure as City property values reached a plateau in 2007 following two years of historic increases (30% and 32%, respectively in 2005 and 2006) and a period of almost no growth in 2008. This reflects a pull-back from an unusually strong real estate market that included business and residential expansions. Decreases in assessed property value are expected to decline further in the coming year leading to increasing pressure on financial resources for maintenance of public infrastructure and staff compensation and benefits.
- The total net assets of the City at September 30, 2008 were \$225 million, reflecting an increase of \$33 million from 2007. Of this amount, \$89 million (unrestricted net assets) may be used to meet the ongoing obligations to the residents of the City and its' creditors.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$4 million. The City has designated \$5.2 million of unreserved fund balance for emergency purposes only and \$2.2 million has been designated for special projects.
- The City has \$1.2 million in voter approved general obligation bonds outstanding.
- At September 30, 2008, the Utilities Department has total debt outstanding of \$ 74.1 million including revenue bonds payable in the amount of \$66 million and notes payable of \$6.8 million. In May 2008, the balance due on the City's 2004 Water and Electric Utility revenue bonds was refunded. This refunding was caused by impacts on the auction rate securities market and declines in bond insurance ratings. The purpose of this original 2004 bond was to refund outstanding revenue bonds, refund debt with the FMFA and to fund improvements to the electrical distribution system and to provide funding for the City's potable water system in response to reduced groundwater withdrawal limits required by the South Florida Water Management District.

### **Overview of the Financial Statements**

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

#### *Government-Wide Financial Statements*

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

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

The Statement of Activities measures the success of the City's operations over the past year and can be used to determine whether the City has successfully recovered all its costs through its services provided. 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, community redevelopment and 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 11 to 12 of this report.

### **Fund Financial Statements**

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

The City maintains sixteen individual governmental funds. Information is presented separately for the general fund, as it is considered a major fund. Data for the other governmental funds are aggregated into a single presentation. Individual fund data for these other non-major funds is provided in the form of combining statements on pages 76 to 77 in this report.

The basic governmental fund financial statements can be found on pages 13 to 16 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operation of providing water service, electric utility service, local and regional sewer service, golf course, stormwater and refuse collection and disposal. The City uses internal service funds to account for the financing of insurance services and information technology provided to other funds of the City on a cost-reimbursement basis. The services of the insurance fund primarily support governmental rather than business-type functions and as such, they have been included within governmental activities in the government-wide statements. The services of the information technology fund primarily support the business-type functions and as such, have been included in the business-type 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, local and regional sewer funds are major funds and are presented separately. Data for the other nonmajor enterprise funds are aggregated into a single presentation. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Separate information is provided for each of the City's nonmajor enterprise funds and internal service funds in combining schedules on pages 79 to 84. The basic proprietary fund financial statements can be found on pages 17 to 21 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 22 to 23 of this report. In addition, the combining schedules are presented on pages 85 to 86 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 24 of this report.

**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 69 of this report.

### **Government-Wide Financial Analysis**

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

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$37,530	\$37,226	\$118,707	\$110,926	\$116,017	\$148,152
Capital assets	61,512	32,808	109,054	113,105	170,566	145,913
Total assets	<u>99,042</u>	<u>70,034</u>	<u>227,761</u>	<u>224,031</u>	<u>286,583</u>	<u>294,065</u>
Current liabilities	3,589	2,826	13,913	11,672	17,502	14,498
Noncurrent liabilities	9,856	12,612	74,301	74,472	84,157	87,084
Total liabilities	<u>13,445</u>	<u>15,438</u>	<u>88,214</u>	<u>86,144</u>	<u>101,659</u>	<u>101,582</u>
Net assets						
Invested in capital assets, net of related debt	57,367	25,517	69,885	84,542	127,252	110,059
Restricted	8,525	9,086	698	10,062	9,223	19,148
Unrestricted	19,705	19,993	68,964	43,283	88,669	63,276
Total net assets	<u>\$85,597</u>	<u>\$54,596</u>	<u>\$139,547</u>	<u>\$137,887</u>	<u>\$225,144</u>	<u>\$192,483</u>

As shown in Table A-1, net assets amounted to \$225 million at the end of fiscal 2008. The major component of this category is “invested in capital assets, net of related debt,” which represents the City’s investment in its capital assets, net of the amounts borrowed to purchase these assets. This category of net assets increased from \$111 million in fiscal 2007 to \$127 million in fiscal 2008 due to the inclusion of the governmental activities infrastructure assets such as roadways and sidewalks. An additional portion of the City’s net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$88,669) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year. There was a decrease of \$9.364 million in restricted net assets reported in connection with the City business-type activities. This decrease resulted from the removal of restrictions on certain assets associated with revenue bonds that were refunded during the current fiscal year.

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.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General revenues:						
Taxes	\$ 26,575	\$ 22,640	\$ -	\$ -	\$ 26,575	\$ 22,640
Intergovernmental - unrestricted	1,287	4,185	-	-	1,287	4,185
Investment earnings - unrestricted	1,113	1,576	2,436	2,831	3,549	4,407
Miscellaneous	216	790	370	182	586	972
Gain on sale of capital assets	-	-	-	-	-	-
Program revenues:						
Charges for services	5,452	4,705	84,363	79,553	89,815	84,258
Operating	1,594	3,752	-	491	1,594	4,243
Capital	2,405	810	1,422	2,020	3,827	2,830
Total revenues	<u>38,642</u>	<u>38,458</u>	<u>88,591</u>	<u>85,077</u>	<u>127,233</u>	<u>123,535</u>
Expenses:						
General government	3,595	4,333	-	-	3,595	4,333
Public safety	24,219	25,032	-	-	24,219	25,032
Physical environment	1,246	1,271	-	-	1,246	1,271
Transportation	2,062	1,985	-	-	2,062	1,985
Culture and recreation	6,376	4,564	-	-	6,376	4,564
Community redevelopment	1,662	699	-	-	1,662	699
Interest on long-term debt	353	389	-	-	353	389
Electric utility	-	-	57,491	46,947	57,491	46,947
Water utility	-	-	9,619	7,532	9,619	7,532
Local and regional sewer	-	-	10,447	11,281	10,447	11,281
Golf course	-	-	2,023	2,191	2,023	2,191
Stormwater	-	-	1,307	837	1,307	837
Refuse collection and disposal	-	-	3,811	5,247	3,811	5,247
Total expenses	<u>39,513</u>	<u>38,273</u>	<u>84,698</u>	<u>74,035</u>	<u>124,211</u>	<u>112,308</u>
Increase in net assets						
before transfers	(871)	185	3,893	11,042	3,022	11,227
Transfers	2,850	5,121	(2,850)	(5,121)	-	-
Increase in net assets	<u>1,979</u>	<u>5,306</u>	<u>1,043</u>	<u>5,921</u>	<u>3,022</u>	<u>11,227</u>
Net assets, beginning of year,						
as previously reported	54,596	49,290	137,887	131,966	192,483	181,256
Prior period adjustment	29,022	-	617	-	29,639	-
Net assets, beginning of year,						
as restated	<u>83,618</u>	<u>49,290</u>	<u>138,504</u>	<u>131,966</u>	<u>222,122</u>	<u>181,256</u>
Net assets, end of year	<u>\$ 85,597</u>	<u>\$ 54,596</u>	<u>\$ 139,547</u>	<u>\$ 137,887</u>	<u>\$ 225,144</u>	<u>\$ 192,483</u>

*Governmental Activities:*

Total revenues remained almost identical as the prior year with increased property tax and fee service revenues roughly equal to declines in intergovernmental resources, investment income, operating revenues and grant revenues. The largest outflow of resources for the City is represented in its public safety function; this represents costs related to providing police and fire services as well as various ancillary services for the protection of the City's residents and businesses. The increase in culture and

recreation expenses during 2008 related to FEMA grants and rebuilding of the beach pier that was damaged by hurricanes in 2005.

#### *Business-Type Activities:*

Revenues increased \$3.5 million from fiscal year 2007 to fiscal year 2008. Charges for services increased \$4.8 million reflecting rate adjustments primarily in the electric, water and sewer utilities. Capital contributions decreased \$600,000 reflecting a further reduction in development activity. Total expenses increased \$10.6 million due to major electrical system repairs as well as water system repairs. Reduced refuse costs are largely attributable to the City's promotion of recycling resulting in lower disposal fees.

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

#### *Governmental Funds*

General Fund – The General Fund recognized \$35 million of revenue during the year, offset by \$37.9 million of expenditures. Property taxes declined to \$15.7 million from \$16.4 million in the prior year and continues to represent the largest source of revenue. The City reduced its millage rate to 7.2959 mills for fiscal year 2008 which more than offset the small increase in property values and resulted in a \$700,000 annual decrease in local property tax revenue. Public safety expenditures increased by \$2 million to \$25.7 million representing the largest portion (67.8%) of expenditures. Public safety expenditures continue to be the largest outflow of resources for the City. Given the current environment and the City's commitment to maintaining and improving the safety of residents, it is expected that this trend will continue and expand in the coming years. The increase in public safety expenditures of \$2 million over last year results from increased wages in collective bargaining agreements, higher retirement contributions, increased overtime and labor relations costs. Capital outlay expenditures of \$3.3 million remained at the same levels as last year. The change in fund balance reflects a decrease of approximately \$921,000.

#### *Proprietary Funds*

The City implemented rate adjustments to electric, water and sewer operations during the fiscal year. These adjustments resulted in total revenue increases in electric operations of \$4.8 million. Continuing drought conditions prompting water conservation measures resulted in a small increase to annual water revenues of \$600,000. Local sewer revenues remained level with last year while regional sewer revenues declined by \$700,000. Total operating expenses increased by \$8.1 million largely due to higher electric costs of \$9.1 million.

### **General Fund Budgetary Highlights**

The City's budgeted revenues decreased \$4.3 million from the original to the final budget. The main component of this change was the transfer of the federal grants to a newly created fund to monitor City grants.

The City's budgeted expenditures decreased from \$45.8 million to \$40.1 million from the original to the final budget. The main component of the change was a decrease to capital outlay due to several large projects being deferred until future years.



## Capital Assets and Debt Administration

### Capital Assets

As of September 30, 2008, the City had \$171 million invested in a variety of capital assets which represents a net increase (additions, deductions and depreciation) of \$25 million from the prior year. This increase is attributable to the inclusion of the City's governmental activities infrastructure assets which created a net increase of \$29 million. Also, construction-in-progress increased mostly due to the continuing costs of the City's beach pier rebuild which reopened in May 2009. Additional information on the City's capital assets can be found in note 7 of this report.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 5.0	\$ 4.9	\$ 1.6	\$ 1.6	\$ 6.6	\$ 6.5
Land held for future use	-	-	0.4	0.4	0.4	0.4
Construction in progress	3.9	1.4	19.4	20.9	23.3	22.3
Infrastructure	65.4	20.6	-	-	65.4	20.6
Land improvements	-	-	3.5	3.2	3.5	3.2
Buildings and structures	10.6	10.5	17.3	15.6	27.9	26.1
Recreational facilities	1.9	1.4	-	-	1.9	1.4
Plant and equipment	18.8	12.3	197.8	194.1	216.6	206.4
Total capital assets	105.6	51.1	240.0	235.8	345.6	286.9
Accumulated depreciation	44.1	18.3	130.9	122.7	175.0	141.0
Net capital assets	<u>\$ 61.5</u>	<u>\$ 32.8</u>	<u>\$ 109.1</u>	<u>\$ 113.1</u>	<u>\$ 170.6</u>	<u>\$ 145.9</u>

### Debt Administration

As of September 30, 2008, the City had total debt outstanding of \$82.3 million. Of this amount, \$1.2 million comprises debt backed by the full faith and credit of the government and \$70.6 million is secured by specified enterprise fund revenue sources.

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

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 1.2	\$ 1.5	\$ -	\$ -	\$ 1.2	\$ 1.5
Revenue bonds	-	-	66.0	66.0	66.0	66.0
Notes payable	6.6	7.3	6.8	7.3	13.4	14.6
Capital leases	0.4	0.5	1.3	1.6	1.7	2.1
	<u>\$ 8.2</u>	<u>\$ 9.3</u>	<u>\$ 74.1</u>	<u>\$ 74.9</u>	<u>\$ 82.3</u>	<u>\$ 84.2</u>

The City's total debt decreased by \$1.9 million due to the net effect of scheduled principal payments. Additional information on the City's long term debt can be found in note 9 of this report.

### **Economic Factors and Next Year's Budget and Rates**

The State of Florida, by constitution, does not have a state personal income tax and therefore the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property taxes supplemented by a limited array of other permitted taxes (sales, gasoline, and utilities) and fees (franchise, occupational license) for their governmental activities. During the past year, the State legislature placed new restrictions on local governments' ability to raise additional funds through property taxes. 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.

Local, national and international economic factors influence the City's revenues in a variety of ways. Economic growth may be measured by a variety of indicators such as employment growth, unemployment, new construction and assessed values, diversification of the property tax base, and enterprise fund revenue and net asset growth. Generally, the City's economic activity is focused mainly on redevelopment while maintaining the City's seaside ambiance. In order to maintain the City's financial condition in the face of rising operating and personnel costs, the number of employee staff positions is being reduced in the coming year.

Funding in the amount of \$5 million has been pledged by Palm Beach County for improvements to the municipal beach complex however this project was involved in court challenges by local groups that is awaiting a legal resolution at September 30, 2008.

The Park of Commerce (POC) annexation program was initiated by an agreement between the City and Palm Beach County executed in November of 1996. Its' purpose is consistent with objectives of both the City and the County: to improve the infrastructure, clean up derelict properties and broaden the City's tax base. The POC area will require design, funding and installation substantial infrastructure improvements to promote its development and use. Since 2000, the City of Lake Worth has annexed approximately 122 acres of industrial and multifamily land.

In November of 2004, the City hired the EDSA consultant team to prepare an Evaluation and Appraisal Report (EAR), an update and revision to the existing Zoning Code and/or Land Development Regulations (LDR) and amend the Comprehensive Plan. Local governments must prepare an Evaluation and Appraisal Report (EAR) once every seven years analyzing the progress they have made in implementing the comprehensive plan. In order to implement both the EAR and the revised LDR it will be necessary to amend the existing Comprehensive Plan. It is anticipated that the amendments will occur in two phases to be completed in 2009.

### **Requests for Information**

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

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## **BASIC FINANCIAL STATEMENTS**

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# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 10,005,656	\$ 16,072,049	\$ 26,077,705
Investments	17,932,347	26,688,534	44,620,881
Accounts receivable, net	2,689,625	13,907,120	16,596,745
Accrued interest receivable	113,775	256,416	370,191
Internal balances	4,479,171	(4,479,171)	-
Due from other governments	1,684,404	170,472	1,854,876
Inventories	174,392	5,375,025	5,549,417
Land held for resale	395,175	-	395,175
Prepaid items	26,725	127,903	154,628
Restricted assets	-	40,220,613	40,220,613
Capital assets:			
Non-depreciable	8,835,996	21,435,140	30,271,136
Depreciable, net	52,675,786	87,618,622	140,294,408
Investment in joint venture	-	20,066,289	20,066,289
Unamortized debt issuance costs	29,445	302,692	332,137
Total assets	<u>99,042,497</u>	<u>227,761,704</u>	<u>326,804,201</u>
<u>LIABILITIES</u>			
Accounts payable	1,817,119	4,639,799	6,456,918
Accrued liabilities	1,326,316	4,540,268	5,866,584
Unearned revenues	396,566	-	396,566
Accrued interest payable	48,153	-	48,153
Liabilities payable from restricted assets	-	4,733,647	4,733,647
Net pension obligation	1,612	-	1,612
Long-term debt:			
Due within one year	2,681,682	2,790,176	5,471,858
Due in more than one year	7,173,626	71,510,840	78,684,466
Total liabilities	<u>13,445,074</u>	<u>88,214,730</u>	<u>101,659,804</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	57,367,332	69,885,540	127,252,872
Restricted for:			
Debt service	295,341	-	295,341
Renewal and replacement	-	500,000	500,000
Capital projects	7,233,631	-	7,233,631
Landfill postclosure care costs	-	197,848	197,848
Law enforcement	311,300	-	311,300
Trusts	684,379	-	684,379
Unrestricted	19,705,440	68,963,586	88,669,026
Total net assets	<u>\$ 85,597,423</u>	<u>\$ 139,546,974</u>	<u>\$ 225,144,397</u>

See notes to basic financial statements

# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,595,041	\$ 2,337,022	\$ 90,543	\$ -	\$ (1,167,476)	\$ -	\$ (1,167,476)
Public safety	24,218,855	1,536,383	1,287,153	97,256	(21,298,063)	-	(21,298,063)
Physical environment	1,246,126	573,727	14,039	5,427	(652,933)	-	(652,933)
Transportation	2,062,494	367,892	-	-	(1,694,602)	-	(1,694,602)
Culture and recreation	6,376,490	150,229	202,401	2,241,404	(3,782,456)	-	(3,782,456)
Community redevelopment	1,661,848	487,013	-	60,500	(1,114,335)	-	(1,114,335)
Interest on long-term debt	353,096	-	-	-	(353,096)	-	(353,096)
Total governmental activities	39,513,950	5,452,266	1,594,136	2,404,587	(30,062,961)	-	(30,062,961)
Business-type activities:							
Electric	57,490,812	57,474,801	-	195,541	-	179,530	179,530
Water	9,619,267	9,879,269	-	184,667	-	444,669	444,669
Local sewer	5,262,561	5,277,244	-	183,099	-	197,782	197,782
Regional sewer	5,184,429	3,481,035	-	845,469	-	(857,925)	(857,925)
Golf course	2,023,117	1,921,702	-	12,616	-	(88,799)	(88,799)
Stormwater	1,307,365	1,651,158	-	-	-	343,793	343,793
Refuse collection and disposal	3,810,654	4,678,227	-	-	-	867,573	867,573
Total business-type activities	84,698,205	84,363,436	-	1,421,392	-	1,086,623	1,086,623
Total primary government	\$ 124,212,155	\$ 89,815,702	\$ 1,594,136	\$ 3,825,979	(30,062,961)	1,086,623	(28,976,338)
General revenues:							
Taxes:							
Property taxes					17,339,044	-	17,339,044
Franchise fees based on gross receipts					401,349	-	401,349
Utilities service taxes					5,381,664	-	5,381,664
Gas taxes					864,888	-	864,888
Sales and use taxes					2,587,555	-	2,587,555
Intergovernmental - unrestricted					1,287,185	-	1,287,185
Investment earnings - unrestricted					1,113,149	2,436,509	3,549,658
Miscellaneous					216,465	370,328	586,793
Transfers					2,849,991	(2,849,991)	-
Total general revenues and transfers					32,041,290	(43,154)	31,998,136
Change in net assets					1,978,329	1,043,469	3,021,798
Net assets, beginning, as reported					54,596,451	137,886,827	192,483,278
Prior period adjustment					29,022,643	616,678	29,639,321
Net assets, beginning, as restated					83,619,094	138,503,505	222,122,599
Net assets, ending					\$ 85,597,423	\$ 139,546,974	\$ 225,144,397

See notes to the basic financial statements.

# CITY OF LAKE WORTH, FLORIDA

## BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 375,677	\$ 8,882,060	\$ 9,257,737
Investments	11,331,638	6,547,692	17,879,330
Accounts receivable, net	2,395,387	294,238	2,689,625
Accrued interest receivable	76,165	37,251	113,416
Due from other funds	4,001,771	343,321	4,345,092
Due from other governments	1,684,404	-	1,684,404
Inventories	174,392	-	174,392
Land held for resale	-	395,175	395,175
Prepaid items	23,025	3,700	26,725
Advances to other funds	549,259	335,063	884,322
Total assets	<u>\$ 20,611,718</u>	<u>\$ 16,838,500</u>	<u>\$ 37,450,218</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts and contracts payable	\$ 1,640,318	\$ 172,261	\$ 1,812,579
Accrued liabilities	1,326,316	-	1,326,316
Due to other funds	1,015,997	199,996	1,215,993
Advances from other funds	-	233,788	233,788
Unearned revenues	396,566	-	396,566
Deferred revenues	98,003	-	98,003
Total liabilities	<u>4,477,200</u>	<u>606,045</u>	<u>5,083,245</u>
Fund balances:			
Reserved for:			
Encumbrances	1,740,878	298,457	2,039,335
Inventories	174,392	-	174,392
Land held for resale	-	395,175	395,175
Prepaid items	23,025	3,700	26,725
Advances	549,259	335,063	884,322
Debt service	-	295,341	295,341
Capital projects	-	4,045,257	4,045,257
Unreserved, designated for:			
Special projects	2,225,713	-	2,225,713
Emergencies	5,193,918	-	5,193,918
Subsequent year's expenditures - General fund	2,183,092	-	2,183,092
Subsequent year's expenditures - Special revenue funds	-	94,567	94,567
Unreserved, undesignated, reported in:			
General fund	4,044,241	-	4,044,241
Special revenue funds	-	8,316,059	8,316,059
Capital projects fund	-	2,448,836	2,448,836
Total fund balances	<u>16,134,518</u>	<u>16,232,455</u>	<u>32,366,973</u>
Total liabilities and fund balances	<u>\$ 20,611,718</u>	<u>\$ 16,838,500</u>	<u>\$ 37,450,218</u>

See notes to basic financial statements.

# CITY OF LAKE WORTH, FLORIDA

## RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

Total fund balances - governmental funds (Page 13) \$32,366,973

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 61,511,782

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds 98,003

Unamortized bond issuance costs are not available to pay for current period expenditures and therefore are not reported in the governmental funds. 29,445

Net pension obligation resulting from underfunding of the pension plans (1,612)

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

Accrued interest payable	\$ (48,153)	
Bonds payable	(1,170,000)	
Note payable	(6,608,023)	
Capital leases payable	(411,684)	
Compensated absences	(1,368,969)	
Other post-employment benefits	(159,077)	
Arbitrage rebate payable	<u>(137,555)</u>	
		(9,903,461)

Internal service funds are used by management to charge the costs of certain activities such as insurance to individual funds. The assets and liabilities of the insurance internal service fund is included in governmental activities in the statement of net assets.

Internal service fund net assets	\$2,362,276	
Less due to business-type activities for "Look-Back" allocation	<u>(865,983)</u>	
		<u>1,496,293</u>

Total net assets - governmental activities (Page 11) \$85,597,423

See notes to basic financial statements.



# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 15,730,702	\$ -	\$ 15,730,702
Utility and other taxes	6,282,858	-	6,282,858
Licenses and permits	2,023,268	-	2,023,268
Fines and forfeitures	830,403	-	830,403
Charges for services	1,300,479	454,053	1,754,532
Intergovernmental	7,248,216	2,215,020	9,463,236
Investment income	519,218	513,013	1,032,231
Rents and royalties	248,659	-	248,659
Miscellaneous	1,058,646	25,569	1,084,215
Total revenues	<u>35,242,449</u>	<u>3,207,655</u>	<u>38,450,104</u>
Expenditures:			
Current:			
General government	2,783,084	232,575	3,015,659
Public safety	25,696,523	35,573	25,732,096
Physical environment	372,472	73,993	446,465
Transportation	1,949,482	-	1,949,482
Culture and recreation	3,767,047	1,223	3,768,270
Community redevelopment	-	1,416,380	1,416,380
Capital outlay	3,259,664	1,390,402	4,650,066
Debt service:			
Principal	93,700	1,057,710	1,151,410
Interest and fiscal charges	19,154	340,973	360,127
Total expenditures	<u>37,941,126</u>	<u>4,548,829</u>	<u>42,489,955</u>
Deficiency of revenues over expenditures	<u>(2,698,677)</u>	<u>(1,341,174)</u>	<u>(4,039,851)</u>
Other financing sources (uses):			
Transfers in	6,425,934	4,649,257	11,075,191
Transfers out	<u>(4,648,141)</u>	<u>(3,187,059)</u>	<u>(7,835,200)</u>
Total other financing sources (uses)	<u>1,777,793</u>	<u>1,462,198</u>	<u>3,239,991</u>
Net change in fund balances	(920,884)	121,024	(799,860)
Fund balances, beginning	<u>17,055,402</u>	<u>16,111,431</u>	<u>33,166,833</u>
Fund balances, ending	<u>\$ 16,134,518</u>	<u>\$ 16,232,455</u>	<u>\$ 32,366,973</u>

See notes to basic financial statements.

# CITY OF LAKE WORTH, FLORIDA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

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

Net change in fund balances - total governmental funds (Page 15)	\$ (799,860)
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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.

Capital outlay	\$ 4,420,703	
Depreciation expense	<u>(4,662,315)</u>	
		(241,612)

The net effect of the various miscellaneous transactions involving capital assets (i.e. sales, trade ins and donations) is to decrease net assets	(77,540)
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Some revenues reported in the statement of activities are not reported in the governmental funds because they have no effect on current financial resources	98,003
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Repayment of principal is an expenditure in the governmental funds, but reduces the long-term liability in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal paid on bonds	\$ 350,000	
Principal paid on note	707,710	
Principal paid on capital lease	93,700	
Amortization of issuance costs	<u>(3,333)</u>	
		1,148,077

Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds.

Net pension obligation	\$ (26,859)	
Accrued interest payable	7,031	
Compensated absences	1,901,425	
Other post-employment benefits	(159,077)	
Arbitrage rebate	<u>(137,555)</u>	
		1,584,965

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 insurance internal service fund is reported with governmental activities.

Internal service fund change in net assets	\$ 704,092	
"Look-Back" allocation of net revenues to business-type activities	<u>(437,796)</u>	
		266,296

Change in net assets of governmental activities (Page 12)	<u>\$ 1,978,329</u>
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See notes to basic financial statements.

# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2008

	Major Funds				Nonmajor Funds	Business- type Activities- Enterprise Funds	Internal Service Funds
	Electric	Water	Local Sewer	Regional Sewer	Other Enterprise Funds		
<u>ASSETS</u>							
Current assets:							
Cash and cash equivalents	\$ 3,150,605	\$ 10,028,696	\$ 1,015,496	\$ 1,701,891	\$ 119,814	\$ 16,016,502	\$ 803,466
Investments	8,548,820	8,829,271	4,606,441	780,205	3,923,797	26,688,534	53,017
Restricted assets:							
Cash and cash equivalents	-	-	-	40,808	-	40,808	-
Accounts receivable, net	9,965,567	1,450,005	718,398	897,492	875,658	13,907,120	-
Accrued interest receivable	91,875	95,061	31,218	5,287	32,975	256,416	359
Due from other funds	453,471	59,832	42,617	-	1,171,489	1,727,409	1,402,378
Due from other governments	77,003	80,537	-	12,932	-	170,472	-
Inventories	5,187,756	152,526	-	-	34,743	5,375,025	-
Prepaid items	118,652	3,295	-	-	5,956	127,903	-
Total current assets	<u>27,593,749</u>	<u>20,699,223</u>	<u>6,414,170</u>	<u>3,438,615</u>	<u>6,164,432</u>	<u>64,310,189</u>	<u>2,259,220</u>
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	500,901	82,655	-	-	-	583,556	-
Investments	19,536,649	18,313,546	232,032	-	197,848	38,280,075	-
Deposits	1,316,174	-	-	-	-	1,316,174	-
Capital assets:							
Land	268,392	71,120	37,259	-	1,193,360	1,570,131	-
Land held for future use	68,364	-	376,309	-	-	444,673	-
Construction-in-progress	6,093,241	13,309,925	5,970	11,200	-	19,420,336	-
Land improvements	-	-	-	-	3,474,941	3,474,941	-
Buildings and structures	-	1,540,894	14,058,754	-	1,698,336	17,297,984	-
Plant and equipment	122,180,898	31,671,294	-	38,422,984	5,422,446	197,697,622	80,594
Accumulated depreciation	(79,881,441)	(14,164,160)	(7,392,892)	(24,296,614)	(5,134,296)	(130,869,403)	(63,116)
Advances to other funds	-	-	-	-	233,788	233,788	335,063
Investment in joint venture	-	-	-	20,066,289	-	20,066,289	-
Unamortized debt issuance costs	95,811	95,811	111,070	-	-	302,692	-
Total noncurrent assets	<u>70,178,989</u>	<u>50,921,085</u>	<u>7,428,502</u>	<u>34,203,859</u>	<u>7,086,423</u>	<u>169,818,858</u>	<u>352,541</u>
Total assets	<u>97,772,738</u>	<u>71,620,308</u>	<u>13,842,672</u>	<u>37,642,474</u>	<u>13,250,855</u>	<u>234,129,047</u>	<u>2,611,761</u>

(Continued)

See notes to basic financial statements.

# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS (Continued)

SEPTEMBER 30, 2008

	Major Funds				Nonmajor Funds	Business- type Activities- Enterprise	Internal Service Funds
	<u>Electric</u>	<u>Water</u>	<u>Local Sewer</u>	<u>Regional Sewer</u>	<u>Other Enterprise Funds</u>	<u>Funds</u>	<u>Funds</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts and contracts payable	\$ 4,404,931	\$ 76,176	\$ 5,822	\$ 22,379	\$ 79,021	\$ 4,588,329	\$ 56,010
Accrued liabilities	2,500,498	1,940,932	24,086	-	64,759	4,530,275	9,993
Due to other funds	2,078,858	1,340,627	497,340	23,139	2,168,922	6,108,886	150,000
Current portion of compensated absences	334,130	101,258	24,921	-	116,092	576,401	16,760
Current portion of capital leases	-	-	-	-	296,308	296,308	-
Current portion of landfill postclosure care costs	-	-	-	-	30,000	30,000	-
Current portion of revenue bonds payable	675,000	675,000	-	-	-	1,350,000	-
Current portion of notes payable	-	-	255,000	265,707	-	520,707	-
Total current liabilities	<u>9,993,417</u>	<u>4,133,993</u>	<u>807,169</u>	<u>311,225</u>	<u>2,755,102</u>	<u>18,000,906</u>	<u>232,763</u>
Payable from restricted assets:							
Current:							
Accounts and contracts payable	170,520	-	-	-	-	170,520	-
Noncurrent:							
Deposits payable	<u>3,957,136</u>	<u>605,991</u>	-	-	-	<u>4,563,127</u>	-
Total payable from restricted assets	<u>4,127,656</u>	<u>605,991</u>	-	-	-	<u>4,733,647</u>	-
Noncurrent liabilities:							
Compensated absences	47,803	65,341	238	-	137,371	250,753	16,722
Other post-employment benefits	89,481	29,827	9,942	-	44,740	173,990	-
Capital lease payable	-	-	-	-	1,003,534	1,003,534	-
Advances from other funds	-	-	-	-	1,219,385	1,219,385	-
Landfill postclosure care costs	-	-	-	-	60,000	60,000	-
Notes payable	-	-	4,335,000	1,954,550	-	6,289,550	-
Revenue bonds payable	<u>31,854,381</u>	<u>31,861,910</u>	-	-	-	<u>63,716,291</u>	-
Total noncurrent liabilities	<u>31,991,665</u>	<u>31,957,078</u>	<u>4,345,180</u>	<u>1,954,550</u>	<u>2,465,030</u>	<u>72,713,503</u>	<u>16,722</u>
Total liabilities	<u>46,112,738</u>	<u>36,697,062</u>	<u>5,152,349</u>	<u>2,265,775</u>	<u>5,220,132</u>	<u>95,448,056</u>	<u>249,485</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	30,880,968	16,064,306	2,495,400	14,137,570	6,289,818	69,868,062	17,478
Restricted for:							
Renewal and replacement	250,000	250,000	-	-	-	500,000	-
Landfill postclosure care costs	-	-	-	-	197,848	197,848	-
Unrestricted	<u>20,529,032</u>	<u>18,608,940</u>	<u>6,194,923</u>	<u>21,239,129</u>	<u>1,543,057</u>	<u>68,115,081</u>	<u>2,344,798</u>
Total net assets	<u>\$ 51,660,000</u>	<u>\$ 34,923,246</u>	<u>\$ 8,690,323</u>	<u>\$ 35,376,699</u>	<u>\$ 8,030,723</u>	<u>138,680,991</u>	<u>\$ 2,362,276</u>
Adjustment to reflect the consolidation of internal service fund activities related to business-type activities						865,983	
						<u>\$ 139,546,974</u>	

See notes to basic financial statements.

# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Major Funds				Nonmajor Funds	Business- type	
	Electric	Water	Local Sewer	Regional Sewer	Other Enterprise Funds	Activities- Enterprise Funds	Internal Service Funds
Operating revenues:							
Charges for services	\$56,268,104	\$ 9,879,269	\$5,277,244	\$ 3,481,035	\$8,251,087	\$ 83,156,739	\$ 6,177,810
Late fees and service charges	1,206,697	-	-	-	-	1,206,697	-
Total operating revenues	<u>57,474,801</u>	<u>9,879,269</u>	<u>5,277,244</u>	<u>3,481,035</u>	<u>8,251,087</u>	<u>84,363,436</u>	<u>6,177,810</u>
Operating expenses:							
Cost of services	46,054,886	4,706,290	4,085,150	3,301,276	6,178,268	64,325,870	-
General and administrative	3,565,690	959,445	532,520	676,063	447,064	6,180,782	5,044,473
Depreciation	4,886,024	1,083,433	520,225	1,159,212	607,748	8,256,642	2,497
Total operating expenses	<u>54,506,600</u>	<u>6,749,168</u>	<u>5,137,895</u>	<u>5,136,551</u>	<u>7,233,080</u>	<u>78,763,294</u>	<u>5,046,970</u>
Operating income (loss)	<u>2,968,201</u>	<u>3,130,101</u>	<u>139,349</u>	<u>(1,655,516)</u>	<u>1,018,007</u>	<u>5,600,142</u>	<u>1,130,840</u>
Nonoperating revenues (expenses):							
Investment income	839,677	1,133,703	234,415	88,672	140,042	2,436,509	13,263
Interest expense	(1,724,919)	(1,381,749)	(184,018)	(60,185)	(87,539)	(3,438,410)	-
Swap termination fee	(1,532,613)	(1,532,613)	-	-	-	(3,065,226)	-
Intergovernmental revenue	195,541	11,655	-	-	12,616	219,812	-
Other	332,182	1,617	10,517	-	26,012	370,328	80,918
Total nonoperating revenues (expenses)	<u>(1,890,132)</u>	<u>(1,767,387)</u>	<u>60,914</u>	<u>28,487</u>	<u>91,131</u>	<u>(3,476,987)</u>	<u>94,181</u>
Income (loss) before contributions and transfers	<u>1,078,069</u>	<u>1,362,714</u>	<u>200,263</u>	<u>(1,627,029)</u>	<u>1,109,138</u>	<u>2,123,155</u>	<u>1,225,021</u>
Capital contributions	-	173,012	183,099	845,469	-	1,201,580	-
Transfers in	-	-	-	-	3,060,102	3,060,102	19,071
Transfers out	<u>(3,848,030)</u>	<u>(1,103,183)</u>	<u>-</u>	<u>-</u>	<u>(827,951)</u>	<u>(5,779,164)</u>	<u>(540,000)</u>
Change in net assets	<u>(2,769,961)</u>	<u>432,543</u>	<u>383,362</u>	<u>(781,560)</u>	<u>3,341,289</u>	<u>605,673</u>	<u>704,092</u>
Net assets, beginning, as reported	54,429,961	33,874,025	8,306,961	36,158,259	4,689,434		1,658,184
Prior period adjustment	-	616,678	-	-	-		-
Net assets, beginning, as restated	<u>54,429,961</u>	<u>34,490,703</u>	<u>8,306,961</u>	<u>36,158,259</u>	<u>4,689,434</u>		<u>1,658,184</u>
Net assets, ending	<u>\$51,660,000</u>	<u>\$34,923,246</u>	<u>\$8,690,323</u>	<u>\$35,376,699</u>	<u>\$8,030,723</u>		<u>\$ 2,362,276</u>
Adjustment to reflect the consolidation of internal service fund activities related to business-type activities						437,796	
Change in net assets of business-type activities						<u>\$ 1,043,469</u>	

See notes to basic financial statements.

# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Major Funds				Nonmajor Funds	Business- type Activities- Enterprise Funds	Internal Service Funds
	Electric	Water	Local Sewer	Regional Sewer	Other Enterprise Funds		
Cash flows from operating activities:							
Receipts from customers	\$55,538,411	\$10,363,350	\$5,165,276	\$3,504,941	\$8,288,525	\$82,860,503	\$ 6,177,810
Payments to suppliers	(38,794,839)	(1,055,581)	(3,038,631)	(3,272,340)	(3,765,043)	(49,926,434)	(3,148,610)
Payments to employees	(5,677,838)	(2,310,954)	(865,254)	(281,129)	(2,427,978)	(11,563,153)	(346,525)
Payments for interfund services used	(2,834,475)	(1,230,625)	(861,725)	(603,300)	(447,064)	(5,977,189)	-
Other cash received	332,182	1,617	10,517	-	26,012	370,328	80,918
Net cash provided by (used in) operating activities	<u>8,563,441</u>	<u>5,767,807</u>	<u>410,183</u>	<u>(651,828)</u>	<u>1,674,452</u>	<u>15,764,055</u>	<u>2,763,593</u>
Cash flows from non-capital financing activities:							
Due from other funds	466,279	(23,287)	(7,536)	-	(237,363)	198,093	(1,185,346)
Due to other funds	376,941	(454,004)	7,904	2,205	309,061	242,107	(611,200)
Transfer from other funds	-	-	-	-	3,060,102	3,060,102	19,071
Transfer to other funds	(3,848,030)	(1,103,183)	-	-	(827,951)	(5,779,164)	(540,000)
Net cash provided by (used in) non-capital financing activities	<u>(3,004,810)</u>	<u>(1,580,474)</u>	<u>368</u>	<u>2,205</u>	<u>2,303,849</u>	<u>(2,278,862)</u>	<u>(2,317,475)</u>
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets, net	(719,337)	(2,019,624)	(732,533)	(82,595)	(283,841)	(3,837,930)	(19,975)
Due from other funds	(6,427)	-	(34,030)	-	-	(40,457)	-
Due to other funds	196,781	1,155,372	395,228	11,200	46,000	1,804,581	150,000
Payments made on advances from other funds	-	-	-	-	(104,809)	(104,809)	-
Payments received on advances to other funds	-	-	-	-	28,443	28,443	22,851
Swap termination fee	(1,532,613)	(1,532,613)	-	-	-	(3,065,226)	-
Contributed capital	-	173,012	183,099	845,469	-	1,201,580	-
Payment of bond insurance costs	(97,850)	(97,850)	-	-	-	(195,700)	-
Proceeds from refunding debt	33,000,000	33,000,000	-	-	-	66,000,000	-
Payment to refunding bond agent	(33,000,000)	(33,000,000)	-	-	-	(66,000,000)	-
Principal paid on capital debt	(187,500)	(187,500)	(255,000)	(259,027)	(284,929)	(1,173,956)	-
Interest paid on advances	-	-	-	-	(31,252)	(31,252)	-
Interest paid on capital debt	(1,118,568)	(775,515)	(187,018)	(60,185)	(56,287)	(2,197,573)	-
Grant proceeds	118,538	11,655	-	-	12,616	142,809	-
Net cash provided by (used in) capital and related financing activities	<u>(3,346,976)</u>	<u>(3,273,063)</u>	<u>(630,254)</u>	<u>454,862</u>	<u>(674,059)</u>	<u>(7,469,490)</u>	<u>152,876</u>
Cash flows from investing activities:							
Proceeds from sales/maturities of investments	15,976,896	28,971,043	-	-	101,473	45,049,412	-
Purchases of investments	(22,193,358)	(24,542,474)	(186,597)	(30,687)	(3,397,044)	(50,350,160)	(2,085)
Investment in joint venture	-	-	-	-	(78,445)	-	-
Interest and dividends received	761,377	1,054,710	230,288	87,973	110,947	2,245,295	13,216
Net cash provided by (used in) investing activities	<u>(5,455,085)</u>	<u>5,483,279</u>	<u>43,691</u>	<u>(21,159)</u>	<u>(3,184,624)</u>	<u>(3,133,898)</u>	<u>11,131</u>
Net change in cash and cash equivalents	(3,243,430)	6,397,549	(176,012)	(215,920)	119,618	2,881,805	610,125
Cash and cash equivalents, beginning	<u>6,894,936</u>	<u>3,713,802</u>	<u>1,191,508</u>	<u>1,958,619</u>	<u>196</u>	<u>13,759,061</u>	<u>193,341</u>
Cash and cash equivalents, ending	<u>\$ 3,651,506</u>	<u>\$10,111,351</u>	<u>\$1,015,496</u>	<u>\$1,742,699</u>	<u>\$ 119,814</u>	<u>\$16,640,866</u>	<u>\$ 803,466</u>
Current assets:							
Unrestricted assets	\$ 3,150,605	\$10,028,696	\$1,015,496	\$1,701,891	\$ 119,814	\$16,016,502	\$ 803,466
Restricted assets	-	-	-	40,808	-	40,808	-
Noncurrent assets:							
Restricted assets	500,901	82,655	-	-	-	583,556	-
	<u>\$ 3,651,506</u>	<u>\$10,111,351</u>	<u>\$1,015,496</u>	<u>\$1,742,699</u>	<u>\$ 119,814</u>	<u>\$16,640,866</u>	<u>\$ 803,466</u>

See notes to basic financial statements.

# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

(Continued)

September 30, 2008

	Major Funds				Nonmajor Funds	Business- type Activities- Enterprise Funds	Internal Service Funds
	<u>Electric</u>	<u>Water</u>	<u>Local Sewer</u>	<u>Regional Sewer</u>	<u>Other Enterprise Funds</u>		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	<u>\$2,968,201</u>	<u>\$3,130,101</u>	<u>\$139,349</u>	<u>\$ (1,655,516)</u>	<u>\$1,018,007</u>	<u>\$5,600,142</u>	<u>\$1,130,840</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	4,886,024	1,083,433	520,225	1,159,212	607,748	8,256,642	2,497
Other non-operating income	332,182	1,617	10,517	-	26,012	370,328	80,918
Change in assets and liabilities:							
Accounts receivable, net	(2,094,108)	320,583	(111,968)	23,906	37,438	(1,824,149)	-
Due from other governments	-	34,383	-	-	-	34,383	-
Prepaid items	110,783	98,613	-	-	(5,956)	203,440	1,561,022
Inventories	162,955	4,935	-	-	1,465	169,355	-
Accounts and contracts payable	672,148	(316,495)	(130,038)	(179,430)	(40,806)	5,379	(11,752)
Accrued liabilities	1,210,665	1,251,789	(20,874)	-	(9,404)	2,432,176	991
Deposits payable	157,718	129,115	-	-	-	286,833	-
Compensated absences	67,392	(94)	(6,970)	-	25,208	85,536	(923)
Other post-employment benefits	89,481	29,827	9,942	-	44,740	173,990	-
Landfill postclosure care costs	-	-	-	-	(30,000)	(30,000)	-
Total adjustments	<u>5,595,240</u>	<u>2,637,706</u>	<u>270,834</u>	<u>1,003,688</u>	<u>656,445</u>	<u>10,163,913</u>	<u>1,632,753</u>
Net cash provided by (used in) operating activities	<u>\$8,563,441</u>	<u>\$5,767,807</u>	<u>\$410,183</u>	<u>\$ (651,828)</u>	<u>\$1,674,452</u>	<u>\$15,764,055</u>	<u>\$2,763,593</u>
Supplemental disclosure of noncash capital and related financing and investing activities:							
Amortization of debt issuance costs and discount	<u>\$28,850</u>	<u>\$28,734</u>	<u>\$6,168</u>	<u>\$-</u>	<u>\$-</u>	<u>\$63,752</u>	<u>\$-</u>
Increase in fair market value of investments	<u>\$12,874</u>	<u>\$12,833</u>	<u>\$6,835</u>	<u>\$416</u>	<u>\$6,564</u>	<u>\$39,522</u>	<u>\$79</u>

See notes to basic financial statements.

# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2008

	Pension Trust Funds	Agency Fund
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,504,602	\$ 173,564
Investments at fair value:		
U.S. Government and agency funds	13,402,735	-
Money market funds	1,662,444	-
Corporate bonds	30,989,808	-
Common stocks	43,442,452	-
Mutual funds	15,107,821	-
Total investments at fair value	<u>104,605,260</u>	<u>-</u>
Accounts receivable	-	5,038
Accrued interest, dividends and contributions receivable	737,530	-
Due from broker	538,791	-
Due from State of Florida	-	395
Prepaid items	12,196	-
Total assets	<u>110,398,379</u>	<u>\$ 178,997</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	604,664	\$ 200
Deposits payable	-	178,797
Total liabilities	<u>604,664</u>	<u>\$ 178,997</u>
Net assets held in trust for pension benefits	<u>\$ 109,793,715</u>	

See notes to basic financial statements.



# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Pension Trust <u>Funds</u>
ADDITIONS	
Contributions:	
Employer	\$ 6,055,046
Plan members	<u>3,735,127</u>
Total contributions	<u>9,790,173</u>
Investment income:	
Interest and dividends	4,864,123
Net change in fair value of investments	<u>(21,178,213)</u>
	(16,314,090)
Less investment expenses	<u>678,891</u>
Net investment income	<u>(16,992,981)</u>
Total additions	<u>(7,202,808)</u>
DEDUCTIONS	
Pension benefits	11,710,610
Contribution refunds	253,576
Administrative expenses	<u>317,675</u>
Total deductions	<u>12,281,861</u>
Change in net assets	(19,484,669)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Net assets, beginning of year	<u>129,278,384</u>
Net assets, end of year	<u>\$ 109,793,715</u>

See notes to basic financial statements.

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## **NOTES TO FINANCIAL STATEMENTS**

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# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **A. Financial Reporting Entity**

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

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

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

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 FINANCIAL STATEMENTS (Continued)

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

#### C. 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.

The City reports the following major governmental fund:

**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.

The City reports the following major proprietary 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.

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

**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.

Additionally, the City reports the following fund types:

**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.

Fiduciary Funds:

The *pension trust funds* account for the activities of the City's Employees' Retirement System Pension Fund; Police Officers' Relief and Retirement Pension Plan, and the Firefighters' Pension Trust Fund Plan that accumulate resources for pension benefits.

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

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

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

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.



# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

#### D. Assets, Liabilities and Net Assets or Equity

##### 1. Deposits and Investments

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

All investments, except the Local Government Surplus Funds Trust Fund (LGIP), are reported at fair value. The LGIP 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."

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

##### 2. Interfund Receivables and Payables (Continued)

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

##### 3. Receivables

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

Utility (electric, water, local and regional sewer, stormwater and refuse collection and disposal) operating revenue is generally recognized on the basis of cycle billings rendered monthly. The City recognizes revenue and a related receivable for the estimated unbilled consumption as of September 30<sup>th</sup> of each year.

##### 4. Inventories

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

##### 5. Prepaid Items

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

##### 6. Restricted Assets

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

##### 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 two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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 \$1,802,234 and \$1,802,119, respectively, for the year ended September 30, 2008. Of this amount, \$77,317 and \$420,371 for the Electric Fund and Water Fund, respectively, was capitalized as part of the cost of the Electric and Water Fund capital assets.

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

	<u>Years</u>
Water and sewer systems	5-50
Buildings and structures	10-40
Infrastructure	4-20
Land improvements	4-50
Recreation facilities	30
Equipment	3-15

##### 8. Compensated Absences

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

##### 9. Long-Term Obligations

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

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

##### 10. Fund Equity/Net Assets

###### *Fund Equity*

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

###### *Net Assets*

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

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

##### 11. Use of Estimates

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

### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Excess of Expenditures over Appropriations

The following expenditures exceeded appropriations by the amounts indicated:

##### General Fund:

##### Current:

##### General Government:

Finance	\$ 10,719
Building maintenance	52,807
Garage	90,163

##### Public Safety:

Police	152,947
Fire	240,718

##### Physical Environment:

Cemetery	25,229
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##### Public Works:

Administration	96,495
Streets, sidewalks and drains	2,567
Transit system	1,852

##### Culture and Recreation:

Library	25,529
Pool and beach	50,692

##### Debt Service:

Principal	93,700
Interest and fiscal charges	19,154

##### Community Redevelopment Agency Fund:

##### Debt Service:

Principal	23,440
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# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

#### B. Fund Deficits

The Golf Course Fund and Information Technology Fund have deficit balances in unrestricted net assets as of September 30, 2008 of \$1,517,030 and \$4,134, respectively. The total net assets for both funds are positive; however the unrestricted category is negative due to the portion of net assets designated as "invested in capital assets" exceeding the total net assets. The Refuse Collection and Disposal Fund has an unrestricted deficit of \$1,679,666 as of September 30, 2008, and a total fund deficit of \$469,320. In addition, the Law Enforcement and Firefighter Education Fund and the Capital Improvements Capital Projects Fund have unreserved undesignated deficits of \$4,813 and \$182,416, respectively.

#### C. Prior Period Adjustments

##### Governmental Activities

The net assets of the governmental activities as of October 1, 2007 were restated to capitalize infrastructure assets and record accumulated depreciation for those assets acquired prior to October 1, 2002 in accordance with GASB statement No. 34. The restatement was as follows:

Infrastructure assets	\$50,222,815
Less accumulated depreciation	<u>(21,200,172)</u>
	<u>\$29,022,643</u>

##### Proprietary Funds – Water Fund

The net assets of the Water Fund and business-type activities as of October 1, 2007 were restated to properly reflect construction-in-progress, plant and equipment and accumulated depreciation. The restatement was as follows:

Construction-in-progress:	
Plant improvements	\$(927,051)
Capitalized interest	<u>375,209</u>
	<u>(551,842)</u>
Plant and equipment	1,093,129
Accumulated depreciation	<u>75,391</u>
	<u>\$ 616,678</u>

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3. DEPOSITS AND INVESTMENTS

#### *Deposits*

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

#### *Investments*

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

The State Board of Administration administers the Local Government Surplus Funds Trust Fund (LGIP) and the Fund B Surplus Funds Trust Fund. (Fund B), both of which are governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the LGIP and Fund B. The LGIP is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair value of the position in the LGIP is equal to the value of the pool shares. The Fund B is accounted for as a fluctuating NAV pool. As of September 30, 2008, the fair value factor for Fund B was \$ .798385 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP. The investments in the LGIP and Fund B are not insured by FDIC or any other governmental agency.

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Investments* (Continued)

As of September 30, 2008, the City had the following investments:

	Maturities	Fair Value
<b>City's Investments:</b>		
Money Market Funds	N/A	\$ 12,881,826
Repurchase Agreements	N/A	26,967,271
State Board of Administration:		
LGIP	8.5 days	4,416,329
SBA Fund B	9.36 years	202,972
U.S. Government Agencies:		
Federal Home Loan Bank	3/30/2009 through 02/28/2013	31,048,468
Federal Home Loan Mortgage Corporation	12/1/2008 through 12/16/2010	280,180
Federal National Mortgage Association Pool	6/1/2012	734,794
Federal Farmers Credit Bank	06/30/2009 through 07/15/2011	6,366,540
Taxable Fixed Income Funds	N/A	2,576
		<u>\$ 82,900,956</u>
<b>Pension Funds:</b>		
General and Police Pension Trust Funds:		
U.S. Government Agencies:		
Federal Home Loan Bank	2/18/2011	\$ 292,570
Federal National Mortgage Association	3/15/2011 through 3/15/2016	847,707
Federal National Mortgage Association Pool	2/1/2016 through 7/1/2034	1,710,240
Federal Home Loan Mortgage Corporation Pool	2/1/2018 through 6/1/2021	711,786
Federal Home Loan Mortgage Corporation CMO	4/15/2015	357,774
U.S. Treasury Bonds and Notes	5/15/2017 through 2/15/2037	2,904,075
Corporate Obligations	2/1/2009 through 9/15/2038	23,092,556
Mortgage-backed Securities	N/A	5,385,291
		<u>\$ 35,301,999</u>

#### Firefighters Pension Trust Fund:

Investment Type	Fair Value	Investment Maturities			
		Less Than 1	1 - 5	6 - 10	More Than 10
Corporate bonds	\$2,511,961	\$ 125,498	\$ 742,884	\$ 987,252	\$ 656,327
U.S. Agencies	4,737,681	-	1,242,415	2,326,822	1,168,444
U.S. Treasuries	1,840,902	-	692,914	973,499	174,489
Total	<u>\$9,090,544</u>	<u>\$ 125,498</u>	<u>\$2,678,213</u>	<u>\$4,287,573</u>	<u>\$1,999,260</u>



# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Interest Rate Risk*

The City has an investment policy that limits the maturities on individual investments to no more than five years. In addition, insured or fully collateralized certificates of deposits of banks maturities shall be no greater than 3 years.

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

#### *Credit Risk*

The City's investment policy does not address the requirement of ratings by a nationally recognized statistical rating organization (NRSRO), i.e. Standard and Poor's and Moody's Investment Services. The LGIP is rated AAAM by Standard and Poors. The Fund B is not rated by an NRSRO. The City's investments in money market funds, repurchase agreements and taxable fixed income funds were not rated. Of the City's investment in U.S. Government Agencies, \$963,708 was not rated; however, the remaining was rated AAA by Standard and Poor's.

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

<u>Rating</u>	<u>General</u> Fair <u>Value</u>	<u>Police</u> Fair <u>Value</u>
BBB	\$ 118,479	\$ 46,898
BBB+	114,171	35,130
AA-	1,792,685	575,750
A-	2,320,820	642,875
A	7,470,892	2,649,690
A+	3,350,980	1,101,705
AA-	1,656,661	471,769
AAA	6,801,077	2,278,720
Not Rated	2,912,017	961,680
Total	<u>\$ 26,537,782</u>	<u>\$8,764,217</u>

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Credit Risk* (Continued)

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

<u>Rating</u>	<u>Fair Value</u>
Aaa	\$5,522,561
Aa1	96,927
Aa2	287,729
Aa3	340,650
A1	326,477
A2	620,802
A3	300,788
Baa1	11,993
Not rated	<u>1,582,617</u>
Total	<u>\$9,090,544</u>

#### *Concentration of Credit Risk*

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

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

#### *Concentration of Credit Risk* (Continued)

The Firefighters' Pension Trust Fund does not allow investments in a single issuer to exceed 5% of plan net assets, other than those of the U.S. Government or its agencies. More than 5% of the Fund plan net assets are invested in debt securities issued by the Federal National Mortgage Association. These investments represented 18.41% of Plan Net Assets.

#### *Custodial Credit Risk*

##### **Deposits**

For deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City, as of September 30, 2008, had a bank account for the Community Redevelopment Agency which was not covered by Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*. As of September 30, 2008, the bank balance in this account was \$5,004,160. Of this amount, \$100,000 was insured by FDIC and \$4,904,160 was uninsured and uncollateralized. As of October 3, 2008, the FDIC coverage was increased to \$250,000.

##### **Investments**

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

#### *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.

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 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 1<sup>st</sup> and are levied the following October. Taxes are payable on November 1<sup>st</sup>, with discounts allowed of 1% to 4% if paid prior to March 1<sup>st</sup> of the following calendar year. All unpaid taxes on real and personal property become delinquent and subject to lien on April 1<sup>st</sup>. 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 7.2959 mills, leaving a margin of 2.7081 mills under the maximum possible assessment of 10 mills. There are no material delinquent taxes as of September 30, 2008.

### NOTE 5. RECEIVABLES

Accounts, special assessments and other receivables, including restricted accounts receivable and the related allowance for doubtful accounts as of September 30, 2008, are as follows:

	General	Nonmajor Governmental Funds	Electric	Water	Local Sewer	Regional Sewer	Nonmajor Enterprise Funds	Total
Customer accounts	\$ 465,156	\$ -	\$ 10,212,380	\$ 1,282,621	\$ 664,384	1,128,244	1,036,208	\$ 14,788,993
Utility and other taxes	587,187	35,672	219,311	-	-	-	-	842,170
Claims and assessments	21,729	146,956	-	195,797	-	-	75,640	440,122
Intergovernmental	1,432,757	145,137	43,443	47,906	69,522	378,530	-	2,117,295
Other receivables	-	5,000	308,237	68,715	68,063	-	26,577	476,592
Gross receivables	2,506,829	332,765	10,783,371	1,595,039	801,969	1,506,774	1,138,425	18,665,172
Less allowance for doubtful accounts	(111,442)	(38,527)	(817,804)	(145,034)	(83,571)	(609,282)	(262,767)	(2,068,427)
	<u>\$ 2,395,387</u>	<u>\$ 294,238</u>	<u>\$ 9,965,567</u>	<u>\$ 1,450,005</u>	<u>\$ 718,398</u>	<u>\$ 897,492</u>	<u>\$ 875,658</u>	<u>\$ 16,596,745</u>

### 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, 2008:

#### *Due to/from Other Funds*

Due to	General Fund	Non-Major Governmental	Electric	Water	Local Sewer	Regional Sewer	Non-Major Enterprise	Internal Service	Total
General fund	\$ -	\$ 107,746	\$ 1,297,687	\$ 1,305,877	\$ 464,967	\$ 20,387	\$ 655,107	\$ 150,000	\$ 4,001,771
Non-major governmental	-	-	25,129	-	-	-	318,192	-	343,321
Electric	321,976	41,266	-	-	-	-	90,229	-	453,471
Water	38,041	21,791	-	-	-	-	-	-	59,832
Local sewer	42,617	-	-	-	-	-	-	-	42,617
Non-major enterprise	49,100	28,443	641,403	-	-	-	452,543	-	1,171,489
Internal service	564,263	750	114,639	34,750	32,373	2,752	652,851	-	1,402,378
	<u>\$ 1,015,997</u>	<u>\$ 199,996</u>	<u>\$ 2,078,858</u>	<u>\$ 1,340,627</u>	<u>\$ 497,340</u>	<u>\$ 23,139</u>	<u>\$ 2,168,922</u>	<u>\$ 150,000</u>	<u>\$ 7,474,879</u>

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Due to/from Other Funds (Continued)*

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.

#### *Advances to/from Other Funds*

<u>Advances to</u>	<u>Advances from</u>				<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental</u>	<u>Non-Major Enterprise</u>	<u>Internal Service</u>	
Non-major enterprise	\$ 549,259	\$ 335,063	\$ -	\$ 335,063	\$ 1,219,385
Non-major governmental	-	-	233,788	-	233,788
Total	<u>\$ 549,259</u>	<u>\$ 335,063</u>	<u>\$ 233,788</u>	<u>\$ 335,063</u>	<u>\$ 1,453,173</u>

The balance of \$1,219,385 represents interfund loans from the General Fund to the Refuse Collection and Disposal Fund for equipment purchases and from the Capital Improvement Fund and the Internal Service Fund to the Golf Course Fund for construction of the cart barn. These amounts are not expected to be paid within one year.

The balance of \$233,788 represents an 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.

#### *Interfund Transfers*

<u>Transfers In</u>	<u>Transfers Out</u>							<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental</u>	<u>Electric</u>	<u>Water</u>	<u>Local Sewer</u>	<u>Non-Major Enterprise</u>	<u>Internal Service</u>	
General fund	\$ -	\$ 106,770	\$ 3,848,030	\$ 1,103,183	\$ -	\$ 827,951	\$ 540,000	\$ 6,425,934
Non-major governmental	4,629,070	20,187	-	-	-	-	-	4,649,257
Non-major enterprise funds	-	3,060,102	-	-	-	-	-	3,060,102
Internal Service	19,071	-	-	-	-	-	-	19,071
	<u>\$ 4,648,141</u>	<u>\$ 3,187,059</u>	<u>\$ 3,848,030</u>	<u>\$ 1,103,183</u>	<u>\$ -</u>	<u>\$ 827,951</u>	<u>\$ 540,000</u>	<u>\$ 14,154,364</u>

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

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### NOTE 7. CAPITAL ASSETS

The following summarizes capital asset activity for the fiscal year ended September 30, 2008:

	Beginning Balance as Restated*	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities</b>					
Capital assets, not being depreciated:					
Land	\$ 4,909,923	\$ 105,019	\$ 52,300	\$ -	\$ 4,962,642
Construction-in-progress	1,350,797	3,229,593	25,240	(681,796)	3,873,354
Total capital assets, not being depreciated	6,260,720	3,334,612	77,540	(681,796)	8,835,996
Capital assets, being depreciated:					
Infrastructure	70,830,172	45,817	-	(5,476,461)	65,399,528
Buildings and structures	10,529,176	87,322	-	-	10,616,498
Recreational facilities	1,390,478	535,076	-	-	1,925,554
Equipment	12,312,841	417,876	98,649	6,158,257	18,790,325
Total capital assets, being depreciated	95,062,667	1,086,091	98,649	681,796	96,731,905
Less accumulated depreciation for:					
Infrastructure	27,123,363	2,946,735	-	(3,045,239)	27,024,859
Buildings and structures	3,541,441	331,905	-	-	3,873,346
Recreational facilities	589,667	87,381	-	-	677,048
Equipment	8,237,982	1,296,294	98,649	3,045,239	12,480,866
Total accumulated depreciation	39,492,453	4,662,315	98,649	-	44,056,119
Total capital assets, being depreciated, net	55,570,214	(3,576,224)	-	681,796	52,675,786
Governmental activities capital assets, net	\$ 61,830,934	\$ (241,612)	\$ 77,540	\$ -	\$ 61,511,782
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 1,570,131	\$ -	\$ -	\$ -	\$ 1,570,131
Land held for future use	444,673	-	-	-	444,673
Construction-in-progress	20,327,115	3,591,297	565,214	(3,932,862)	19,420,336
Total capital assets, not being depreciated	22,341,919	3,591,297	565,214	(3,932,862)	21,435,140
Capital assets, being depreciated:					
Land improvements	3,181,748	100,908	-	192,285	3,474,941
Buildings and structures	15,600,568	219,945	-	1,477,471	17,297,984
Plant and equipment	195,287,878	244,498	17,266	2,263,106	197,778,216
Total capital assets, being depreciated	214,070,194	565,351	17,266	3,932,862	218,551,141
Less accumulated depreciation for:					
Land improvements	1,213,066	123,536	-	-	1,336,602
Buildings and structures	8,287,456	652,124	-	-	8,939,580
Plant and equipment	113,190,124	7,483,479	17,266	-	120,656,337
Total accumulated depreciation	122,690,646	8,259,139	17,266	-	130,932,519
Total capital assets, being depreciated, net	91,379,548	(7,693,788)	-	3,932,862	87,618,622
Business-type activities capital assets, net	\$ 113,721,467	\$ (4,102,491)	\$ 565,214	\$ -	\$ 109,053,762

\* Amounts restated for prior period adjustments (see Note 2)

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 7. CAPITAL ASSETS (Continued)

Depreciation expense for the fiscal year ended September 30, 2008 was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 458,342
Public safety	731,826
Physical environment	673,444
Transportation	2,630,952
Culture and recreation	162,120
Community redevelopment	<u>5,631</u>
Total depreciation expense - governmental activities	<u>\$ 4,662,315</u>

Business-type activities:

Electric	\$ 4,886,024
Water	1,083,433
Local sewer	520,225
Regional sewer	1,159,212
Golf course	146,429
Stormwater	212,242
Refuse collection and disposal	<u>249,077</u>
Subtotal	8,256,642
Information technology fund*	<u>2,497</u>
Total depreciation expense - business-type activities	<u>\$ 8,259,139</u>

\* Depreciation on capital assets held by the information technology internal service fund are charged to the various funds based on their usage of assets.

### NOTE 8. INVESTMENT IN JOINT VENTURE

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

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

The City's share of this debt as of September 30, 2008 was \$2,220,257 and is reflected as a liability in the Regional Sewer Fund.

#### Reserve Capacity Percentages:

Entity	September 30, 2007 and Prior		September 30, 2008	
	Flow Allocation		Flow Allocation	
	(MGD)	Percentage	(MGD)	Percentage
City of Lake Worth	12.5	22.727%	12.5	19.531%
City of Riviera Beach	8.0	14.546%	8.0	12.500%
City of West Palm Beach	17.0	30.909%	17.0	26.563%
Town of Palm Beach	5.0	9.091%	5.0	7.813%
Palm Beach County	12.5	22.727%	21.5	33.593%
Total	55.0	100.000%	64.0	100.000%

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 FINANCIAL STATEMENTS (Continued)

### NOTE 9. LONG-TERM DEBT

The following is a summary of the changes in long-term liabilities for the year ended September 30, 2008 for both governmental and business-type activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,520,000	\$ -	\$ 350,000	\$ 1,170,000	\$ 370,000
Note payable	7,315,733	-	707,710	6,608,023	731,956
Capital lease	505,384	-	93,700	411,684	411,684
Compensated absences	3,270,394	622,304	2,523,729	1,368,969	1,168,042
Other post-employment benefits	-	309,619	150,542	159,077	-
Arbitrage rebate payable	-	137,555	-	137,555	-
Total governmental activities	<u>\$12,611,511</u>	<u>\$ 1,069,478</u>	<u>\$ 3,825,681</u>	<u>\$ 9,855,308</u>	<u>\$2,681,682</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$66,375,000	\$66,000,000	\$66,375,000	\$66,000,000	\$1,350,000
Unamortized bond discount and deferred amount on refunding	<u>(357,811)</u>	<u>(953,575)</u>	<u>(377,677)</u>	<u>(933,709)</u>	<u>-</u>
Total bonds payable	66,017,189	65,046,425	65,997,323	65,066,291	1,350,000
Notes payable	7,324,284	-	514,027	6,810,257	520,707
Capital leases	1,584,771	-	284,929	1,299,842	296,308
Compensated absences	776,023	568,851	484,238	860,636	593,161
Other post-employment benefits	-	338,645	164,655	173,990	-
Landfill postclosure care costs	<u>120,000</u>	<u>-</u>	<u>30,000</u>	<u>90,000</u>	<u>30,000</u>
Total business-type activities	<u>\$75,822,267</u>	<u>\$65,953,921</u>	<u>\$67,475,172</u>	<u>\$74,301,016</u>	<u>\$2,790,176</u>

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

#### *Governmental Activities*

#### **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 \$370,000 to \$410,000 through August 1, 2011, with semiannual interest payments at 5.00% to 5.40% interest per annum. As of September 30, 2008, the principal amount outstanding on the bonds is \$1,170,000.

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Governmental Activities* (Continued)

#### **Bonds and Notes Payable** (Continued)

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

	<u>Principal</u>	<u>Interest</u>
Fiscal year ending September 30:		
2009	\$ 370,000	\$ 62,528
2010	390,000	43,103
2011	410,000	22,140
	<u>\$ 1,170,000</u>	<u>\$ 127,771</u>

**Community Redevelopment Agency (CRA) Revenue Note, Series 2005 (Series 2005 Note)** - On May 25, 2005, the City issued a CRA Series 2005 \$8,000,000 Private Placement Revenue Note. The note was issued for the purpose of funding improvements in the designated CRA area of the City. The Series 2005 Note is due in annual principal installments of \$731,956 to \$926,601 through August 1, 2016, with semiannual interest payments at 3.426% per annum. The note is payable as to both principal, redemption premium, if any, and interest, from a lien on and pledge of tax increment revenues. As of September 30, 2008, the principal amount outstanding on the note is \$6,608,023.

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

	<u>Principal</u>	<u>Interest</u>
Fiscal year ending September 30:		
2009	\$ 731,956	\$ 226,391
2010	757,032	201,314
2012	782,968	175,287
2013	809,793	148,554
2014	837,536	128,810
2015-2016	2,688,738	178,301
	<u>\$ 6,608,023</u>	<u>\$ 1,058,657</u>

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Business-Type Activities*

##### **Revenue Bonds Payable**

Business-type revenue bonds payable as of September 30, 2008 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, Auctions Rate Securities. The 2008 Series Bonds are due in annual principal installments of \$1,350,000 to \$4,640,000 through May 1, 2028 with interest at a fixed coupon rate of 4.2% payable semi-annually. As of September 30, 2008, the principal amount outstanding on the bonds is \$66,000,000.

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

	<u>Principal</u>	<u>Interest</u>
Fiscal year ending September 30:		
2009	\$ 1,350,000	\$ 2,512,650
2010	2,275,000	2,667,525
2011	2,370,000	2,569,980
2012	2,470,000	2,468,340
2013	2,580,000	2,362,290
2014 - 2018	14,650,000	10,053,750
2019 - 2023	18,075,000	6,630,225
2024 - 2028	<u>22,230,000</u>	<u>2,466,205</u>
	<u>\$66,000,000</u>	<u>\$31,730,965</u>

##### **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, 2008, the principal outstanding on the note is \$4,590,000.

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Business-Type Activities* (Continued)

##### Notes Payable (Continued)

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

	<u>Principal</u>	<u>Interest</u>
Fiscal year ending September 30:		
2009	\$ 255,000	\$ 245,611
2010	255,000	231,966
2011	255,000	218,321
2012	255,000	204,676
2013	255,000	191,031
2014-2016	<u>3,315,000</u>	<u>491,221</u>
	<u>\$4,590,000</u>	<u>\$1,582,826</u>

**Note payable to ECR** - In May 1998, ECR issued a State of Florida revolving loan for plant expansion of which Lake Worth's portion as a system participant was \$4,605,600 with interest rates between 2.36% - 3.17%. The note is due monthly through fiscal year 2016. As of September 30, 2008 the principal outstanding is \$2,220,257.

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

	<u>Principal</u>	<u>Interest</u>
Fiscal year ending September 30:		
2009	\$ 265,707	\$ 53,505
2010	272,559	46,653
2011	279,588	39,624
2012	286,799	32,413
2013	294,196	25,016
2014-2016	<u>821,408</u>	<u>29,097</u>
	<u>\$2,220,257</u>	<u>\$226,308</u>

#### ***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.

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Bond Covenants (Continued)*

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, 2008, the City's debt limit was \$739,492,671.

#### *Advanced Refunding*

On May 1, 2008, the City issued \$66,000,000 in Utility System Refunding and Improvement Bonds, Series 2008, with interest at 4.2%. The total proceeds (along with \$375,000) of funding from the City) was used to advance refund \$66,375,000 of the City's Water and Electric Utility Revenue Refunding Bonds, Series 2004 Auction Rate Series, which had a synthetic fixed rate of 3.698%, with variable coupon rates based on 65% of the one month London Interbank Offering Exchange Rate (LIBOR) plus .27%. At the time of the refunding, the interest rate swap entered into by the City in November 2004 was terminated, and the City was required to make a swap termination payment of \$3,058,000. As a result of the refunding, the City reduced its total debt service requirements by \$60,832,435 which resulted in net present value savings of \$31,335,318.

#### *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, 2008 are as follows:

<u>Source of Revenue Pledged</u>	Government Activities	Business Activities	Local Sewer System
	CRA	Electric and Water Revenues	
Current revenue pledged	\$4,597,363	\$14,041,139	\$ 893,989
Current debt service	958,347	3,921,772	439,018
Total future revenues pledged	7,666,771	97,730,965	6,172,826
Description of debt	CRA Revenue Note, Series 2005	Electric and Water Revenue Bonds, Series 2008	Sewer System Subordinated Lien Revenue Note, Series 2006
Purpose of debt	To fund Gateway Improvement	Refunding	To fund improvements
Term of commitment	2005 - 2016	2008 - 2028	2006 - 2016
Percentage of debt service to pledged revenues (current year)	20.8%	27.4%	49%

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Capital Leases*

##### **Governmental Activities**

The City entered into a lease agreement as lessee to finance the acquisition of Motorola dispatch equipment. The annual lease payments are paid by the General 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. The City, in October 2008, sold the equipment held under this lease and paid off the outstanding balance. The equipment was sold as a result of the City's Police Department being transferred to the Palm Beach County Sheriff's Office.

##### **Business-type Activities**

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

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets:		
Machinery and equipment	\$ 708,000	\$ 1,104,239
Less accumulated depreciation	<u>(79,650)</u>	<u>(227,482)</u>
Total	<u>\$ 628,350</u>	<u>\$ 876,757</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Fiscal year ending September 30:		
2009	\$ 451,412	\$ 341,219
2010	-	341,219
2011	-	314,829
2012	-	309,551
2013	<u>-</u>	<u>103,182</u>
Total minimum lease payments	451,412	1,410,000
Less amount representing interest	<u>(39,728)</u>	<u>(110,158)</u>
Present value of net minimum lease payments	<u>\$ 411,684</u>	<u>\$ 1,299,842</u>

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Landfill Postclosure Care Cost*

Pursuant to GASB Statement No. 18, the City is required to recognize a liability equal to the estimated total current cost of postclosure care for its landfill. The postclosure care of the City's landfill is mandated by state and federal laws and regulations and consists of certain maintenance and monitoring functions at the landfill site for 20 years after its closure. The landfill is closed and the percentage of landfill capacity used to date is 100%. As of September 30, 2008, the outstanding liability for postclosure care costs is \$90,000. Of this amount, \$30,000 is classified as a current liability and \$60,000 is classified as a long-term liability. These liabilities are recorded in the Refuse Collection and Disposal Fund.

### NOTE 10. EMPLOYEE RETIREMENT SYSTEMS

#### *Description of Plans*

The City contributes to three single-employer retirement systems covering substantially all full-time employees. The Employees' Retirement System, the Police Officers' Relief and Retirement System and the Firefighters' Pension Trust Fund (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. The City does not issue stand-alone financial reports for the Employees' and Police Officers' pension plans, but a separate report is issued for the Firefighters' pension plan.

#### *Employees' Retirement System (ERS)*

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

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Employees' Retirement System (ERS)* (Continued)

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

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

With less than 10 years of continuous service, a refund of member contributions except such portion necessary to lawfully retire a just debt of each member.

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

Employees are required by a Lake Worth City Ordinance to contribute 7.8% of their annual salary to the ERS. The City is required to contribute the remaining amounts necessary to fund the system, based on an amount determined by the plan's actuaries as of October 1<sup>st</sup> of 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, 2007, 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	<u>288</u>
Fully, partially and nonvested active plan participants	<u>312</u>



# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Employees' Retirement System (ERS)* (Continued)

The financial statements of the ERS are shown below.

#### **Employees' Retirement System Statement of Plan Net Assets September 30, 2008**

##### ASSETS

Cash and cash equivalents	<u>\$ 2,019,857</u>
Investments at fair value:	
U.S. Government and agency funds	5,146,417
Corporate bonds	21,391,365
Common stocks	23,741,229
Mutual funds	<u>9,950,145</u>
	60,229,156
Accrued interest, dividends and contributions receivable	418,639
Due from broker	335,597
Prepaid items	<u>4,827</u>
Total assets	63,008,076

##### LIABILITIES

Accounts payable and other liabilities	<u>259,805</u>
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##### NET ASSETS

Net assets held in trust for pension benefits	<u>\$ 62,748,271</u>
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#### **Employees' Retirement System Statement of Changes in Plan Net Assets Fiscal Year Ended September 30, 2008**

Additions:	
Contributions:	
Employer	\$ 2,836,692
Plan members	<u>2,183,539</u>
Total contributions	5,020,231
Investment income:	
Interest and dividends	2,709,302
Net change in fair value of investments	<u>(11,781,628)</u>
	(9,072,326)
Less investment expenses	<u>346,880</u>
Net investment income	<u>(9,419,206)</u>
Total additions	<u>(4,398,975)</u>

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

(Continued)

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

#### *Employees' Retirement System (ERS) (Continued)*

Deductions:	
Pension benefits	\$ 7,726,379
Contribution refunds	201,993
Administrative expenses	89,406
Total deductions	<u>8,017,778</u>
Change in net assets	(12,416,753)
Net assets - beginning	<u>75,165,024</u>
Net assets - ending	<u>\$62,748,271</u>

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

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

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

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

With less than 10 years of continuous service, a refund of member contributions except such portion necessary to lawfully retire a just debt of each member.

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

Police employees are required by a Lake Worth City Ordinance to contribute 7.06% of their annual salary to the PRS. The City is required to contribute the remaining amounts necessary to fund the system, based on an amount determined by the plan's actuaries as of October 1<sup>st</sup> of 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, 2007, 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	<u>74</u>
Fully, partially and nonvested active plan participants	<u>86</u>

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

The financial statements of the PRS are shown below.

#### **Police Officers' Relief and Retirement System Statement of Plan Net Assets September 30, 2008**

<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 1,781,864</u>
Investments at fair value:	
U.S. Government and agency funds	1,677,735
Corporate bonds	7,086,482
Common stock	8,987,294
Mutual funds	<u>3,238,142</u>
	<u>20,989,653</u>
Accrued interest, dividends and contributions receivable	130,662
Due from broker	89,059
Prepaid items	<u>2,899</u>
Total assets	<u>22,994,137</u>
<u>LIABILITIES</u>	
Accounts payable and other liabilities	<u>96,233</u>
<u>NET ASSETS</u>	
Net assets held in trust for pension benefits	<u>\$22,897,904</u>

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

#### **Police Officers' Relief and Retirement System Statement of Changes in Plan Net Assets Fiscal Year Ended September 30, 2008**

Additions:	
Contributions:	
Employer	\$ 1,414,687
Plan members	609,341
Total contributions	<u>2,024,028</u>
Investment income:	
Interest and dividends	931,194
Net change in fair value of investments	<u>(4,119,517)</u>
	(3,188,323)
Less investment expenses	<u>145,476</u>
Net investment income	<u>(3,333,799)</u>
Total additions	<u>(1,309,771)</u>
Deductions:	
Pension payments	2,750,001
Contribution refunds	51,583
Administrative expenses	<u>84,838</u>
Total deductions	<u>2,886,422</u>
Change in net assets	(4,196,193)
Net assets - beginning	<u>27,094,097</u>
Net assets - ending	<u>\$ 22,897,904</u>

#### *Firefighters' Pension Trust Fund (FPTF)*

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Firefighters' Pension Trust Fund (FPTF) (Continued)*

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

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

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

With less than 10 years of continuous service, a refund of member contributions except such portion necessary to lawfully retire a just debt of each member.

With 10 or more years of continuous service, either a refund of member contributions or the accrued benefit starting at age 50 after an actuarial reduction.

Firefighters are required by a Lake Worth City Ordinance to contribute 11.25% of their annual salary to the FPTF. The City is required to contribute the remaining amounts necessary to fund the system, based on an amount determined by the plan's actuaries as of October 1<sup>st</sup> 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, 2007, 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	<u>41</u>
Fully, partially and nonvested active plan participants	<u>56</u>

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Summary of Significant Accounting Policies*

The financial statements of the FPTF can be obtained by contacting City's Finance Department.

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. Investments are carried at fair value, which is determined as follows: securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price; and commercial paper, time deposits and short-term investment pools are valued at cost, which approximates fair value. Purchases and sales of securities are reflected on a trade-date basis. Gains or losses on sales of securities are based on average cost. Dividends and interest income are recorded as earned.

#### *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>2008</u>	<u>2007</u>	<u>2006</u>
<b>Employees' Retirement System</b>			
Annual Pension Cost (APC)	\$2,856,150	\$2,788,079	\$2,166,939
Contributions made	2,836,692	2,783,777	2,162,016
% of APC contributed	99.3%	99.8%	99.8%
NPO (overfunding) end of year	(33,893)	(53,351)	(57,653)
<b>Police Officers' Relief and Retirement System</b>			
Annual Pension Cost (APC)	\$1,416,278	\$1,136,619	\$1,066,114
Contributions made	1,414,687	1,053,525	1,064,230
% of APC contributed	99.9%	92.7%	99.8%
NPO (overfunding) end of year	63,498	61,907	(21,187)
<b>Firefighters' Pension Trust Fund</b>			
Annual Pension Cost (APC)	\$1,809,477	\$1,276,588	\$ 945,168
Contributions made	1,803,667	1,277,405	944,351
% of APC contributed	99.7%	100.0%	99.9%
NPO (overfunding) end of year	(27,993)	(33,803)	(34,620)

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Funding Policy and Annual Required Contributions (Continued)*

	<u>ERS</u>	<u>PRS</u>	<u>FPTF</u>
Annual Required Contribution (ARC)	\$2,852,077	\$1,496,092	\$1,803,579
Interest on Net Pension Obligation (NPO)	(4,535)	(1,657)	(2,650)
Adjustment to ARC	<u>8,608</u>	<u>(78,157)</u>	<u>8,548</u>
Annual Pension Cost (APC)	2,856,150	1,416,278	1,809,477
Contributions made	<u>2,836,692</u>	<u>1,414,687</u>	<u>1,803,667</u>
Increase (decrease) in NPO	19,458	1,591	5,810
NPO at beginning of year	<u>(53,351)</u>	<u>61,907</u>	<u>(33,803)</u>
NPO at end of year	<u>\$ (33,893)</u>	<u>\$ 63,498</u>	<u>\$ (27,993)</u>

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

	<u>Employees'</u> <u>Retirement</u> <u>System</u>	<u>Police Officers'</u> <u>Relief and</u> <u>Retirement System</u>	<u>Firefighters' Pension</u> <u>Trust Fund</u>
Actuarial valuation date	October 1, 2007	October 1, 2007	October 1, 2007
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumptions:			
Investment rate of return*	8.50%	8.50%	8.50%
Projected salary increases*	6.50%	6.50%	6.50%
Changes since last valuation	No change	No change	No change
*Includes inflation at	4.00%	4.00%	4.00%

#### *Funding Status and Funding Progress*

The funded status of the Plans as of October 1, 2007, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

<u>Plan</u>	<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as</u> <u>Percentage</u> <u>Of Annual</u> <u>Covered</u> <u>Payroll</u> <u>Obligation</u>
Employees' Retirement System	October 1, 2007	\$67,657,306	\$87,690,523	\$20,033,217	77.2%	12,104,052	165.5%
Police Officers' Relief and Retirement System	October 1, 2007	25,388,486	35,103,779	9,715,293	72.3%	4,883,436	198.9%
Firefighters' Pension Trust Fund	October 1, 2007	24,248,823	37,267,034	13,018,211	65.1%	4,349,180	299.3%



# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Funding Status and Funding Progress*

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

#### *Firefighters' and Police Relief and Pension Funds—Division 2 (Division 2 Fund)*

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

The Division 2 Fund financial statements can be obtained by contacting the City's Finance Department. For the year ended September 30, 2008, payments made by the State of Florida, on behalf of the City, to the Division 2 Fund totaled approximately \$1,105,000.

#### **Eligibility**

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

#### **Payroll of Participants**

The Firefighters and Police Officers departments' total payroll was \$13,729,883 for fiscal 2008, of which \$4,994,657 and \$8,131,724 was paid to participants in the firefighter and police officers' funds, respectively.

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

#### *Plan Description*

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

(Continued)

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

#### *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 costs 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 required 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 members	N/A
Normal Cost	\$ 240,952
Interest on Normal Cost	-
Amortization	407,312
Interest on Amortization	-
Annual OPEB cost	648,264
Contributions made	(315,197)
Increase in net OPEB obligation	333,067
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 333,067</u>

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

Fiscal year ended	9/30/2008
Annual OPEB cost	\$ 648,264
Percentage of OPEB cost contributed	48.7%
Net OPEB obligation	\$ 333,067

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

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

#### *Funded Status and Funding Progress*

The funded status of the plan as of October 1, 2007 was as follows:

Actuarial accrued liability	\$ 7,799,266
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 7,799,266
Funded ratio	\$ -
Covered payroll	\$ 17,689,510
UAAL as a percentage of covered payroll	44.1%

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

#### *Actuarial Methods and Assumptions*

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

Actuarial valuation date	10/1/2007
Actuarial cost method	Entry age
Amortization method	Level percent, closed
Remaining amortization period	20 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return	4.25%
Projected salary increases	6.50%
Healthcare inflation rate	10% ultimate

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 12. COMMITMENTS AND CONTINGENCIES

#### *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.

#### *Litigation, Claims and Assessments*

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

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 12. COMMITMENTS AND CONTINGENCIES (Continued)

#### *Grants*

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

#### *Other*

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

### NOTE 13. SELF-INSURANCE PROGRAM

#### *Risk Management*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the South East Risk Management Association (SERMA), a public entity risk pool with four municipal members in Broward and Palm Beach County, Florida. SERMA provided the City with auto liability, general liability, property, and workers' compensation coverages. SERMA has self-insured retentions of \$750,000 for workers' compensation, \$225,000 for liability coverage, \$225,000 for public official liability, and \$50,000 for property coverage; all retentions are per occurrence. SERMA provided excess insurance of up to \$1,000,000 per event for liability, statutorily required coverages for workers' compensation, and for all pool members, \$50,000,000 of scheduled limit coverage for property. Risk of loss is transferred but members are subject to supplementary assessment in the event that pool assets are not sufficient to meet obligations. The municipalities included in SERMA are covered by Florida Statute 768.28 under the Doctrine of Sovereign Immunity, which limits the amount of liability of municipalities to individual claimants to \$100,000 or \$200,000 for all claims relating to the same incident. The amounts of settlements have not exceeded insurance coverage in the past three fiscal years. As of September 30, 2008, the City's allocation of SERMA's retained earnings did not result in any additional assessments due from City.

The insurance of City property with SERMA halted on May 16, 2008 and the City became self-insured for property claim coverage through the Florida Municipal Insurance Trust (FMIT). The FMIT coverage provides the City with a self-insured retention of \$50,000 per property claim; \$100,000 per utility plant facility claim; and \$300,000 for power plant boiler and machinery claims. The aggregate FMIT property coverage is \$113,326,544 with a building contents aggregate coverage of \$11,173,090. There were no claims or liabilities incurred but not reported on the City's property coverage for the period ending September 30, 2008.

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 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 a restricted investment 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 subsequent years. The escrow is held in a Florida State Board of Administration Investment Account, and is reported as part of the City's pooled investments. The escrow is calculated based on estimates made by a registered professional engineer. Such estimates are subject to change due to inflation, technology or applicable laws and regulations. At September 30, 2008, the escrow was based on the following estimates:

Cost of closure	\$ 2,376,000
Annual long-term care/postclosure costs	30,000
Date of landfill closure	October 1991

The schedule of cash receipts and disbursements for the year ended September 30, 2008, is as follows:

Balance, September 30, 2007	\$ 192,311
Deposits - interest income	<u>5,537</u>
Balance, September 30, 2008	<u>\$ 197,848</u>

There were no withdrawals made from the Sanitary Landfill Management Escrow Account for the fiscal year ended September 30, 2008. This account is included in the Refuse Collection and Disposal Fund. The postclosure care costs for the fiscal year ended September 30, 2008, were funded from the operating revenue of the Refuse Collection and Disposal Fund.

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### NOTE 15. COMMUNITY REDEVELOPMENT TRUST FUND

Pursuant to Florida Statute 163.387, listed below is a summary of the sources and amounts of deposits to, and the purpose and amounts of withdrawals from, the Community Redevelopment Trust Fund (CRA) for the fiscal year ended September 30, 2008:

	<u>Deposits</u>	<u>Withdrawals</u>
Source of deposits:		
Ad valorem taxes received from City	\$ 3,041,519	\$ -
Ad valorem taxes received from Palm Beach County	1,555,844	-
Investment income	328,577	-
Local grant from Palm Beach County	40,000	-
Federal grant from Environmental Protection Agency	20,500	-
Miscellaneous	7,000	-
Purpose of withdrawals:		
Regular salaries/wages	-	192,031
Professional services	-	44,121
Other contractual services	-	13,316
Travel and training	-	5,739
Telephone and utility costs	-	37,178
Operating supplies	-	2,310
Books, memberships and dues	-	2,621
Miscellaneous expenses	-	221,314
Rentals and leases	-	43,700
Economic development	-	21,356
Tax increment rebate	-	217,163
Promotional activity	-	28,548
Promotional activity - Evening on the Avenue	-	25,000
Promotional activity- Street Banners	-	9,948
Promotional activity- Christmas Street	-	6,653
Façade program	-	133,284
Brownfield redevelopment	-	15,616
Neighborhood enhancements	-	147,651
Streetscape	-	110,605
Loan interest	-	250,637
Principal	-	707,710
Gateway improvements	-	379,893
Community policing	-	187,538
Residence redevelopment program	-	76,707
Land	-	105,019
Capital Outlay	-	97,573
Dixie highway improvement	-	17,575
Community grants in aid and other grants	-	38,233
	<u>\$4,993,440</u>	<u>\$ 3,139,039</u>

# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### NOTE 16. SUBSEQUENT EVENTS

#### *Transfer of City Police Services*

On October 1, 2008, police services were transferred from the City to the Palm Beach County Sheriff's Department under an Interlocal Agreement approved by the City Commission. The Agreement provides for the provision of police services through the County Sheriff's Department including transfer of existing City Police Department staff, equipment and vehicles. The City's existing police service facility, including maintenance and utility costs, is provided to the Sheriff Department use at no charge by the Agreement. The Agreement includes an annual fee for each fiscal year of service to be paid by the City to the County Sheriff's Department in equal monthly amounts.

#### *Approval for Transfer of City Fire Services*

On April 12, 2009, the City Commission approved an Interlocal Agreement that provides for transfer of City fire rescue services to the Palm Beach County Fire Rescue Department effective October 1, 2009. The Agreement provides for continuation of fire rescue services by the County including transfer of existing City Fire Rescue Department certified staff, equipment and vehicles. The City's fire rescue facility will be provided for use by County Fire Rescue Department staff with utilities and maintenance costs being paid by the County. The funding of the County Fire Rescue Agreement comes from an annual County Municipal Services Taxing Unit (MSTU) property tax assessment and an annual supplemental payment from the City in December of each year.

#### *Withdrawal from SERMA Risk Pool*

On October 1, 2008, the City concluded its participation in the SERMA Risk Pool becoming a separate, self-insured municipality for general insurance coverage. The City's general insurance areas include auto liability, general liability, and workers compensation. The City's self-insurance program included purchase of excess claim coverage through the Florida Municipal Insurance Trust (FMIT) and continued a self-insured retention on claims that is similar in nature and amount to those provided by SERMA.

#### *Bulk Water Interlocal Agreement*

Due to limits on surficial well water withdrawals by the South Florida Water Management District, the City approved an Interlocal Agreement for purchase of bulk potable water from the Palm Beach County Water Utility that became effective May 6, 2008. This agreement included a water production plant impact fee payment of \$5.98 million to the Palm Beach County Water Utility on May 6, 2009. The City Commission voted not to approve this impact fee payment on May 5, 2009 and directed the City Attorney to pursue legislative arbitration of the Interlocal Agreement, which is still ongoing. The City Commission also subsequently approved temporary bulk potable water purchases from the City of West Palm Beach while taking steps for construction of a Reverse Osmosis water production facility to meet long-term potable water needs.



# CITY OF LAKE WORTH, FLORIDA

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 16. SUBSEQUENT EVENTS (Continued)

#### *5-Year Notice – Withdrawal of City Electric Utility from FMPA*

In December 2008 the City Commission voted to inform the Florida Municipal Power Association (FMPA) of its withdrawal from an All Requirements Project (ARP) electrical power purchasing agreement in December 2013, after a required 5-year notification period. Withdrawal from the ARP agreement will require the City's Electric Utility to purchase electrical power from other generation sources beginning January 1, 2014. During the 5-year notice period, it is advantageous for the City to limit electrical demand growth in the system. Future costs associated with the ARP after the withdrawal period are developed by a calculated difference in the City's available generation during year 5 of the notice period and the system peak demand during year 5. Increases in the City's demand load could result in required payments to the FMPA upon withdrawal from the ARP.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF LAKE WORTH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Fund Budgetary Basis Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 15,512,203	\$ 15,512,203	\$ 15,730,702	\$ 218,499
Utility service taxes	4,798,000	4,798,000	5,283,661	485,661
Sales and use taxes	940,000	940,000	864,888	(75,112)
Franchise fees	115,000	115,000	134,309	19,309
	<u>21,365,203</u>	<u>21,365,203</u>	<u>22,013,560</u>	<u>648,357</u>
Licenses and permits:				
Business	1,628,575	1,628,575	1,080,716	(547,859)
Non-business	759,250	909,250	942,552	33,302
	<u>2,387,825</u>	<u>2,537,825</u>	<u>2,023,268</u>	<u>(514,557)</u>
Fines and forfeitures:				
Public safety	239,000	239,000	196,361	(42,639)
Library fines	10,000	10,000	10,305	305
Violations of local ordinances	1,110,000	1,110,000	623,737	(486,263)
	<u>1,359,000</u>	<u>1,359,000</u>	<u>830,403</u>	<u>(528,597)</u>
Charges for services:				
General government	169,300	169,300	65,095	(104,205)
Public safety	495,625	751,505	716,285	(35,220)
Physical environment	20,000	20,000	23,950	3,950
Transportation	465,000	465,000	367,892	(97,108)
Culture and recreation	254,500	254,500	127,257	(127,243)
	<u>1,404,425</u>	<u>1,660,305</u>	<u>1,300,479</u>	<u>(359,826)</u>
Intergovernmental:				
Federal grants	4,404,995	2,742,966	1,924,761	(818,205)
State grants	275,000	157,387	139,710	(17,677)
State shared revenue	5,530,999	5,530,999	5,044,308	(486,691)
Grants from other local units	30,000	30,000	139,437	109,437
	<u>10,240,994</u>	<u>8,461,352</u>	<u>7,248,216</u>	<u>(1,213,136)</u>
Interfund services provided	2,670,303	2,670,303	2,640,864	(29,439)
Investment income	420,000	420,000	519,218	99,218
Rents and royalties	183,550	183,550	248,659	65,109
Miscellaneous	666,777	666,777	1,058,646	391,869
Total revenues	<u>40,698,077</u>	<u>39,324,315</u>	<u>37,883,313</u>	<u>(1,441,002)</u>

(Continued)

See note to budgetary comparison schedule.

# CITY OF LAKE WORTH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION

### BUDGETARY COMPARISON SCHEDULE

#### GENERAL FUND

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Fund Budgetary Basis Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
General government:				
City commission	\$ 325,749	\$ 349,749	\$ 271,100	\$ 78,649
City manager	687,489	698,164	542,771	155,393
City clerk	330,725	330,725	326,671	4,054
Finance	994,571	1,021,595	1,032,314	(10,719)
Internal auditing	50,000	50,000	38,050	11,950
Purchasing	388,718	389,194	364,509	24,685
Independent auditing	85,000	116,050	67,610	48,440
Personnel	559,652	564,602	453,710	110,892
City attorney	663,257	713,257	668,729	44,528
Community development	756,694	756,694	499,964	256,730
Civil service board	10,000	10,000	6,549	3,451
Insurance	3,500	3,500	2,095	1,405
Building maintenance	1,163,517	1,188,517	1,241,324	(52,807)
Judgments and settlements	-	25,000	25,000	-
Garage	-	-	90,163	(90,163)
	<u>6,018,872</u>	<u>6,217,047</u>	<u>5,630,559</u>	<u>586,488</u>
Public safety:				
Police	13,356,203	14,032,083	14,185,030	(152,947)
Fire	9,127,678	9,127,678	9,368,396	(240,718)
Building and zoning	942,096	988,696	962,973	25,723
Code and administration	1,624,104	1,624,104	1,371,806	252,298
Civil defense	11,600	11,600	2,200	9,400
	<u>25,061,681</u>	<u>25,784,161</u>	<u>25,890,405</u>	<u>(106,244)</u>
Physical environment:				
Cemetery	<u>347,243</u>	<u>347,243</u>	<u>372,472</u>	<u>(25,229)</u>
Transportation:				
Public works:				
Administration	549,271	549,271	645,766	(96,495)
Streets, drains and sidewalks	1,154,322	1,154,322	1,156,889	(2,567)
Traffic control	129,146	129,146	97,799	31,347
Transit system	-	-	1,852	(1,852)
Parking facilities	<u>65,420</u>	<u>65,420</u>	<u>64,398</u>	<u>1,022</u>
	<u>1,898,159</u>	<u>1,898,159</u>	<u>1,966,704</u>	<u>(68,545)</u>

(Continued)

See note to budgetary comparison schedule.

# CITY OF LAKE WORTH, FLORIDA

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Fund Budgetary Basis Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation:				
Library	\$ 661,010	\$ 670,743	\$ 696,272	\$ (25,529)
Recreation	776,764	752,981	701,255	51,726
Parks	1,854,800	1,854,799	1,579,718	275,081
Pool and beach	915,822	911,322	962,014	(50,692)
	<u>4,208,396</u>	<u>4,189,845</u>	<u>3,939,259</u>	<u>250,586</u>
Contingency	398,701	185,635	-	185,635
Capital outlay	<u>7,890,277</u>	<u>4,456,465</u>	<u>2,986,819</u>	<u>1,469,646</u>
Debt service:				
Principal	-	-	93,700	(93,700)
Interest and fiscal charges	-	-	19,154	(19,154)
	<u>-</u>	<u>-</u>	<u>112,854</u>	<u>(112,854)</u>
Total expenditures	<u>45,823,329</u>	<u>43,078,555</u>	<u>40,899,072</u>	<u>2,179,483</u>
Deficiency of revenues over expenditures	<u>(5,125,252)</u>	<u>(3,754,240)</u>	<u>(3,015,759)</u>	<u>738,481</u>
Other financing sources (uses):				
Transfers in	5,872,958	5,988,958	6,425,934	436,976
Transfers out	(3,742,988)	(5,684,559)	(4,656,641)	1,027,918
Appropriated fund balance	<u>2,995,282</u>	<u>3,449,841</u>	<u>-</u>	<u>(3,449,841)</u>
Total other financing sources	<u>5,125,252</u>	<u>3,754,240</u>	<u>1,769,293</u>	<u>(1,984,947)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,246,466)</u>	<u>\$ (1,246,466)</u>
Fund balance, beginning			17,055,402	
Difference between GAAP and budgetary basis			<u>325,582</u>	
Fund balance, ending			<u>\$16,134,518</u>	

See note to budgetary comparison schedule.

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# CITY OF LAKE WORTH, FLORIDA

## NOTE TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2008

### NOTE 1. BUDGETS AND LEGAL COMPLIANCE

The City follows these procedures in establishing budgetary data:

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

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# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	Actuarial Value of Assets (1)	Actuarial Accrued Liabilities (AAL) (2)	(Overfunded) Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1):(2)	Covered Payroll (3)	UAAL (Overfunded) as a Percentage of Covered Payroll [(2) - (1)]:(3)
<b>Employees' Retirement System: <sup>(a)</sup></b>						
October 1, 2007	\$67,657,306	\$87,690,523	\$ 20,033,217	77.2%	\$ 12,104,052	165.5%
October 1, 2006	64,708,484	85,236,861	20,528,377	75.9%	11,318,124	181.4%
October 1, 2005	64,297,738	82,722,268	18,424,530	77.7%	11,874,629	155.2%
October 1, 2004	66,023,332	78,339,026	12,315,694	84.3%	11,838,619	104.0%
October 1, 2003	67,846,771	73,841,492	5,994,721	91.9%	11,393,749	52.6%
October 1, 2002	69,185,629	71,280,258	2,094,629	97.1%	12,499,165	16.8%
<b>Police Officers' Relief and Retirement System: <sup>(a)</sup></b>						
October 1, 2007	\$25,388,486	\$35,103,779	\$ 9,715,293	72.3%	\$ 4,883,436	198.9%
October 1, 2006	23,626,275	33,711,879	10,085,604	70.1%	4,427,671	227.8%
October 1, 2005	22,734,299	32,208,121	9,473,822	70.6%	4,679,513	202.5%
October 1, 2004	22,500,081	30,949,284	8,449,203	72.7%	4,808,730	175.7%
October 1, 2003	22,194,654	27,293,096	5,098,442	81.3%	3,819,162	133.5%
October 1, 2002	22,032,804	25,443,409	3,410,605	86.6%	4,255,362	80.1%
<b>Firefighters' Pension Trust Fund: <sup>(b)</sup></b>						
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	11,242,641	65.6%	3,634,139	309.4%
October 1, 2005	19,934,210	30,812,122	10,877,912	64.7%	3,419,472	318.1%
October 1, 2004	19,313,960	21,891,245	2,577,285	88.2%	3,107,664	82.9%
October 1, 2003	17,739,412	20,264,496	2,525,034	87.5%	2,899,107	87.1%
October 1, 2002	17,319,197	18,006,295	687,098	96.2%	3,074,070	22.4%

<sup>(a)</sup> Actuarial cost method is entry age normal

<sup>(b)</sup> Actuarial cost method is frozen entry age

Source: Gabriel, Roeder, Smith & Company, Actuaries

**CITY OF LAKE WORTH, FLORIDA**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended September 30:	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
Employees' Retirement System:		
2008	\$2,852,077	99.5%
2007	2,783,603	100%
2006	2,162,016	100%
2005	1,913,694	100%
2004	1,227,118	100%
2003	60,748	100%
Police Officers' Relief and Retirement System:		
2008	\$1,496,092	94.6%
2007	1,053,508	100%
2006	1,064,230	100%
2005	1,117,701	100%
2004	903,703	100%
2003	621,485	100%
Firefighters' Pension Trust Fund:		
2008	\$1,803,579	100%
2007	1,277,405	100%
2006	944,351	100%
2005	840,401	100%
2004	610,633	100%
2003	335,655	100%

Source: Gabriel, Roeder, Smith & Company, Actuaries

# CITY OF LAKE WORTH, FLORIDA

## OTHER POST EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS (Dollar Amount in Thousands) (Unaudited)

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Accrued Liability (AAL) Entry Age</u>	(b-a) <u>Unfunded AAL (UAAL)</u>	(a/b) <u>Funded Ratio</u>	(c) <u>Annual Covered Payroll</u>	(b-a)/c UAAL as a Percentage of Covered <u>Payroll</u>
October 1, 2007	\$ -	\$ 7,799,266	\$ 7,799,266	0.0%	\$ 17,689,510	44.1%

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

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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## NONMAJOR GOVERNMENTAL FUNDS

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### Special Revenue Funds

**Community Redevelopment Agency Fund** — To account for the receipt and disbursements of funds used for physical and economic redevelopment of targeted areas within the City.

**Law Enforcement and Firefighter Education Fund** — To account for state contributions for police and firefighter education and the expenditures incurred.

**Library Trust Fund** — To account for the receipt and disbursement of monies for the library.

**Incentive Trust Fund** — To account for the receipt and disbursement of monies for tuition expenditures of City employees.

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

**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.

**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.

**Simpkin Trust Fund** — To account for the receipt and disbursement of donated monies for the library.

**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.

**Building Education Surcharge Fund** — Was established to account for the fees collected from building permits that are stipulated for use on inspector training and certification.

### Debt Service Fund

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

### Capital Projects Funds

**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.

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

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## CITY OF LAKE WORTH, FLORIDA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	Special Revenue												Debt Service	Capital Projects		Total		Total Nonmajor
	Community Redevelopment Agency	Grants	Tree Beautification	Law Enforcement and Firefighter Education	Library Trust	Incentive Trust	Summer Food Program	Law Enforcement Confiscated Property	Special Donation	Simpkin Trust	Parking Improvement	Building Education Surcharge	Total Special Revenue	Debt Service	Capital Projects	Improvement	Total Capital Projects	Governmental Funds
<b>ASSETS</b>																		
Cash and cash equivalents	\$ 4,974,341	\$ 897,960	\$ 23,113	\$ 187	\$ 9,321	\$ 9,894	\$ 12,096	\$ 276,176	\$ 21,222	\$ 5,168	\$ 150,000	\$ 12,727	\$ 6,392,205	\$ -	\$ 2,472,190	\$ 17,665	\$ 2,489,855	\$ 8,882,060
Investments	5,483,230	-	-	-	214,155	-	-	34,887	102,151	674,235	-	-	6,508,658	-	-	39,034	39,034	6,547,692
Accounts receivable, net	5,000	145,137	-	-	-	-	-	-	-	-	-	-	150,137	-	144,101	-	144,101	294,238
Accrued interest receivable	29,549	-	-	-	1,533	-	-	237	691	4,976	-	-	36,985	-	-	265	265	37,251
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	295,341	25,129	22,851	47,980	343,321
Land held for resale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	395,175	-	395,175	395,175
Prepaid items	3,700	-	-	-	-	-	-	-	-	-	-	-	3,700	-	-	-	-	3,700
Advances to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	335,063	335,063	335,063
Total assets	\$ 10,495,820	\$ 1,043,097	\$ 23,113	\$ 187	\$ 225,009	\$ 9,894	\$ 12,096	\$ 311,300	\$ 124,064	\$ 684,379	\$ 150,000	\$ 12,727	\$ 13,091,686	\$ 295,341	\$ 3,036,595	\$ 414,878	\$ 3,451,473	\$ 16,838,500
<b>LIABILITIES AND FUND BALANCES</b>																		
<b>Liabilities:</b>																		
Accounts and contracts payable	\$ 65,313	\$ 106,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,491	\$ -	\$ 770	\$ -	\$ 770	\$ 172,261
Due to other funds	29,653	136,052	-	5,000	-	-	-	-	-	-	-	750	171,455	-	98	28,443	28,541	199,996
Advances from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	233,788	233,788	233,788
Total liabilities	94,966	242,230	-	5,000	-	-	-	-	-	-	-	750	342,946	-	868	262,231	263,099	606,045
<b>Fund balances:</b>																		
Reserved for:																		
Encumbrances	289,157	-	-	-	-	-	-	-	-	-	-	-	289,157	-	9,300	-	9,300	298,457
Land held for resale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	395,175	-	395,175	395,175
Prepaid items	3,700	-	-	-	-	-	-	-	-	-	-	-	3,700	-	-	-	-	3,700
Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	335,063	335,063	335,063
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	295,341	-	-	-	295,341
Capital projects	4,045,257	-	-	-	-	-	-	-	-	-	-	-	4,045,257	-	-	-	-	4,045,257
Unreserved, designated for:																		
Subsequent year's expenditures	94,567	-	-	-	-	-	-	-	-	-	-	-	94,567	-	-	-	-	94,567
Unreserved, undesignated (deficit)	5,968,173	800,867	23,113	(4,813)	225,009	9,894	12,096	311,300	124,064	684,379	150,000	11,977	8,316,059	-	2,631,252	(182,416)	2,448,836	10,764,895
Total fund balances	10,400,854	800,867	23,113	(4,813)	225,009	9,894	12,096	311,300	124,064	684,379	150,000	11,977	12,748,740	295,341	3,035,727	152,647	3,188,374	16,232,455
Total liabilities and fund balances	\$ 10,495,820	\$ 1,043,097	\$ 23,113	\$ 187	\$ 225,009	\$ 9,894	\$ 12,096	\$ 311,300	\$ 124,064	\$ 684,379	\$ 150,000	\$ 12,727	\$ 13,091,686	\$ 295,341	\$ 3,036,595	\$ 414,878	\$ 3,451,473	\$ 16,838,500

**CITY OF LAKE WORTH, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	Special Revenue													Debt Service	Capital Projects			
	Community Redevelopment Agency	Grants	Tree Beautification	Law Enforcement and Firefighter Education	Library Trust	Incentive Trust	Summer Food Program	Law Enforcement Confiscated Property	Special Donation	Simpkin Trust	Parking Improvement	Building Education Surcharge	Total Special Revenue	Debt Service	Capital Projects	Improvement	Total Capital Projects	Total Nonmajor Governmental Funds
Revenues:																		
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,366	\$ 10,366	\$ -	\$ 443,687	\$ -	\$ 443,687	\$ 454,053
Intergovernmental	1,616,344	439,837	5,426	14,232	-	-	-	139,181	-	-	-	-	2,215,020	-	-	-	-	2,215,020
Investment income	328,577	-	-	-	9,098	-	-	6,036	4,109	29,537	-	-	377,357	68,747	54,151	12,758	66,909	513,013
Miscellaneous	7,000	10,000	-	-	5,643	-	-	-	2,876	-	-	-	25,519	-	-	50	50	25,569
Total revenues	1,951,921	449,837	5,426	14,232	14,741	-	-	145,217	6,985	29,537	-	10,366	2,628,262	68,747	497,838	12,808	510,646	3,207,655
Expenditures:																		
Current:																		
General government	-	217,592	-	-	-	2,717	-	-	7,210	-	-	5,056	232,575	-	-	-	-	232,575
Public safety	-	-	-	39	-	-	-	35,534	-	-	-	-	35,573	-	-	-	-	35,573
Physical environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,993	-	73,993	73,993
Culture and recreation	-	-	-	-	1,223	-	-	-	-	-	-	-	1,223	-	-	-	-	1,223
Community redevelopment	1,416,380	-	-	-	-	-	-	-	-	-	-	-	1,416,380	-	-	-	-	1,416,380
Capital outlay	764,312	598,020	2,500	-	-	-	-	25,570	-	-	-	-	1,390,402	-	-	-	-	1,390,402
Debt service:																		
Principal	707,710	-	-	-	-	-	-	-	-	-	-	-	707,710	350,000	-	-	-	1,057,710
Interest and fiscal charges	250,637	-	-	-	-	-	-	-	-	-	-	-	250,637	82,018	-	8,318	8,318	340,973
Total expenditures	3,139,039	815,612	2,500	39	1,223	2,717	-	61,104	7,210	-	-	5,056	4,034,500	432,018	73,993	8,318	82,311	4,548,829
Excess (deficiency) of revenues over expenditures	(1,187,118)	(365,775)	2,926	14,193	13,518	(2,717)	-	84,113	(225)	29,537	-	5,310	(1,406,238)	(363,271)	423,845	4,490	428,335	(1,341,174)
Other financing sources (uses):																		
Transfers in	3,041,519	1,166,642	20,187	-	-	-	-	-	-	-	-	-	4,228,348	420,909	-	-	-	4,649,257
Transfers out	-	-	-	-	(11,000)	-	-	-	(20,187)	(30,000)	-	-	(61,187)	(3,060,102)	(65,770)	-	(65,770)	(3,187,059)
Total other financing sources (uses)	3,041,519	1,166,642	20,187	-	(11,000)	-	-	-	(20,187)	(30,000)	-	-	4,167,161	(2,639,193)	(65,770)	-	(65,770)	1,462,198
Net change in fund balances	1,854,401	800,867	23,113	14,193	2,518	(2,717)	-	84,113	(20,412)	(463)	-	5,310	2,760,923	(3,002,464)	358,075	4,490	362,565	121,024
Fund balances (deficit), beginning	8,546,453	-	-	(19,006)	222,491	12,611	12,096	227,187	144,476	684,842	150,000	6,667	9,987,817	3,297,805	2,677,652	148,157	2,825,809	16,111,431
Fund balances (deficit), ending	\$ 10,400,854	\$ 800,867	\$ 23,113	\$ (4,813)	\$ 225,009	\$ 9,894	\$ 12,096	\$ 311,300	\$ 124,064	\$ 684,379	\$ 150,000	\$ 11,977	\$ 12,748,740	\$ 295,341	\$ 3,035,727	\$ 152,647	\$ 3,188,374	\$ 16,232,455

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Intergovernmental:				
County shared revenue	\$ 2,881,834	\$ 2,881,834	\$ 1,616,344	\$(1,265,490)
Investment income	300,000	300,000	328,577	28,577
Miscellaneous	-	-	7,000	7,000
Total revenues	<u>3,181,834</u>	<u>3,181,834</u>	<u>1,951,921</u>	<u>(1,229,913)</u>
Expenditures:				
Current:				
Community redevelopment	1,667,387	1,809,162	1,374,190	434,972
Capital outlay	11,067,681	10,940,759	977,711	9,963,048
Debt service:				
Principal	684,270	684,270	707,710	(23,440)
Interest and fiscal charges	<u>274,080</u>	<u>274,080</u>	<u>250,637</u>	<u>23,443</u>
Total expenditures	<u>13,693,418</u>	<u>13,708,271</u>	<u>3,310,248</u>	<u>10,398,023</u>
Deficiency of revenues over expenditures	<u>(10,511,584)</u>	<u>(10,526,437)</u>	<u>(1,358,327)</u>	<u>9,168,110</u>
Other financing sources (uses):				
Transfers in	3,342,339	3,342,339	3,041,519	(300,820)
Transfers out	(515,000)	(515,000)	-	515,000
Appropriated fund balance	<u>7,684,245</u>	<u>7,699,098</u>	<u>-</u>	<u>(7,699,098)</u>
Total other financing sources	<u>10,511,584</u>	<u>10,526,437</u>	<u>3,041,519</u>	<u>(7,484,918)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,683,192	<u>\$ 1,683,192</u>
Fund balance, beginning			8,546,453	
Difference between GAAP and budgetary basis			<u>171,209</u>	
Fund balance, ending			<u>\$ 10,400,854</u>	

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## NONMAJOR ENTERPRISE FUNDS

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**Golf Course Fund** — To account for the operation and maintenance of the municipal golf course.

**Stormwater Fund** — To account for the operation and maintenance of the stormwater utility system.

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

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# CITY OF LAKE WORTH, FLORIDA

## COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2008

	<u>Golf Course</u>	<u>Storm- water</u>	<u>Refuse Collection and Disposal</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 30,101	\$ 89,173	\$ 540	\$ 119,814
Investments	-	3,923,797	-	3,923,797
Accounts receivable, net	-	220,386	655,272	875,658
Accrued interest receivable	-	32,975	-	32,975
Due from other funds	-	701,994	469,495	1,171,489
Inventories	34,743	-	-	34,743
Prepaid items	5,956	-	-	5,956
Total current assets	<u>70,800</u>	<u>4,968,325</u>	<u>1,125,307</u>	<u>6,164,432</u>
Noncurrent assets:				
Restricted assets:				
Investments	-	-	197,848	197,848
Capital assets:				
Land	1,193,360	-	-	1,193,360
Land improvements	1,222,473	2,242,585	9,883	3,474,941
Buildings and structures	1,698,336	-	-	1,698,336
Plant and equipment	999,594	1,165,479	3,257,373	5,422,446
Accumulated depreciation	(2,372,258)	(807,384)	(1,954,654)	(5,134,296)
Advances to other funds	-	233,788	-	233,788
Total noncurrent assets	<u>2,741,505</u>	<u>2,834,468</u>	<u>1,510,450</u>	<u>7,086,423</u>
Total assets	<u>2,812,305</u>	<u>7,802,793</u>	<u>2,635,757</u>	<u>13,250,855</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts and contracts payable	16,446	47,903	14,672	79,021
Accrued liabilities	24,559	-	40,200	64,759
Due to other funds	684,833	414,457	1,069,632	2,168,922
Current portion of compensated absences	12,719	-	103,373	116,092
Current portion of capital leases	29,060	-	267,248	296,308
Current portion of landfill postclosure care costs	-	-	30,000	30,000
Total current liabilities	<u>767,617</u>	<u>462,360</u>	<u>1,525,125</u>	<u>2,755,102</u>
Noncurrent liabilities:				
Compensated absences	64,234	-	73,137	137,371
Other post-employment benefits	14,913	-	29,827	44,740
Capital leases payable	35,805	-	967,729	1,003,534
Advances from other funds	770,126	-	449,259	1,219,385
Landfill postclosure care costs	-	-	60,000	60,000
Total noncurrent liabilities	<u>885,078</u>	<u>-</u>	<u>1,579,952</u>	<u>2,465,030</u>
Total liabilities	<u>1,652,695</u>	<u>462,360</u>	<u>3,105,077</u>	<u>5,220,132</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	2,676,640	2,600,680	1,012,498	6,289,818
Restricted for landfill postclosure care	-	-	197,848	197,848
Unrestricted (deficit)	<u>(1,517,030)</u>	<u>4,739,753</u>	<u>(1,679,666)</u>	<u>1,543,057</u>
Total net assets	<u>\$ 1,159,610</u>	<u>\$ 7,340,433</u>	<u>\$ (469,320)</u>	<u>\$ 8,030,723</u>

# CITY OF LAKE WORTH, FLORIDA

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Golf Course</u>	<u>Storm- water</u>	<u>Refuse Collection and Disposal</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:				
Charges for services	<u>\$1,921,702</u>	<u>\$1,651,158</u>	<u>\$4,678,227</u>	<u>\$8,251,087</u>
Total operating revenues	<u>1,921,702</u>	<u>1,651,158</u>	<u>4,678,227</u>	<u>8,251,087</u>
Operating expenses:				
Cost of services	1,703,997	1,015,590	3,458,681	6,178,268
General and administrative	169,104	79,417	198,543	447,064
Depreciation	<u>146,429</u>	<u>212,242</u>	<u>249,077</u>	<u>607,748</u>
Total operating expenses	<u>2,019,530</u>	<u>1,307,249</u>	<u>3,906,301</u>	<u>7,233,080</u>
Operating income (loss)	<u>(97,828)</u>	<u>343,909</u>	<u>771,926</u>	<u>1,018,007</u>
Nonoperating revenues (expenses):				
Investment income	4,249	130,256	5,537	140,042
Interest expense	(26,296)	-	(61,243)	(87,539)
Intergovernmental revenue	12,616	-	-	12,616
Other	<u>-</u>	<u>-</u>	<u>26,012</u>	<u>26,012</u>
Total nonoperating revenues (expenses)	<u>(9,431)</u>	<u>130,256</u>	<u>(29,694)</u>	<u>91,131</u>
Income (loss) before transfers	<u>(107,259)</u>	<u>474,165</u>	<u>742,232</u>	<u>1,109,138</u>
Transfers in	-	3,060,102	-	3,060,102
Transfers out	<u>(198,543)</u>	<u>(167,700)</u>	<u>(461,708)</u>	<u>(827,951)</u>
Change in net assets	(305,802)	3,366,567	280,524	3,341,289
Net assets (deficit), beginning	<u>1,465,412</u>	<u>3,973,866</u>	<u>(749,844)</u>	<u>4,689,434</u>
Net assets (deficit), ending	<u>\$1,159,610</u>	<u>\$7,340,433</u>	<u>\$ (469,320)</u>	<u>\$8,030,723</u>

# CITY OF LAKE WORTH, FLORIDA

## COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Golf Course	Storm- water	Refuse Collection and Disposal	Total Nonmajor Enterprise Funds
Cash flows from operating activities:				
Receipts from customers	\$ 1,921,702	\$ 1,701,958	\$ 4,664,865	\$ 8,288,525
Payments to suppliers	(1,106,805)	(988,286)	(1,669,952)	(3,765,043)
Payments to employees	(672,194)	-	(1,755,784)	(2,427,978)
Payments for interfund services provided	(169,104)	(79,417)	(198,543)	(447,064)
Other cash received	-	-	26,012	26,012
Net cash provided by (used in) operating activities	(26,401)	634,255	1,066,598	1,674,452
Cash flows from non-capital financing activities:				
Due from other funds	15,285	(117,253)	(135,395)	(237,363)
Due to other funds	283,648	98,590	(73,177)	309,061
Transfer from other funds	-	3,060,102	-	3,060,102
Transfer to other funds	(198,543)	(167,700)	(461,708)	(827,951)
Net cash provided by (used in) non-capital financing activities	100,390	2,873,739	(670,280)	2,303,849
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets, net	(63,309)	(202,355)	(18,177)	(283,841)
Due to other funds	-	46,000	-	46,000
Payments made on advances from other funds	(45,703)	-	(59,106)	(104,809)
Payments received on advances to other funds	-	28,443	-	28,443
Principal paid on capital debt	(27,630)	-	(257,299)	(284,929)
Interest paid on advance	(22,259)	-	(8,993)	(31,252)
Interest paid on capital debt	(4,037)	-	(52,250)	(56,287)
Grant proceeds	12,616	-	-	12,616
Net cash used in capital and related financing activities	(150,322)	(127,912)	(395,825)	(674,059)
Cash flows from investing activities:				
Proceeds from sales/maturities of investments	101,473	-	-	101,473
Purchases of investments	-	(3,391,507)	(5,537)	(3,397,044)
Interest and dividends received	4,870	100,540	5,537	110,947
Net cash provided by (used in) investing activities	106,343	(3,290,967)	-	(3,184,624)
Net increase in cash and cash equivalents	30,010	89,115	493	119,618
Cash and cash equivalents, beginning	91	58	47	196
Cash and cash equivalents, ending	\$ 30,101	\$ 89,173	\$ 540	\$ 119,814
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (97,828)	\$ 343,909	\$ 771,926	\$ 1,018,007
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	146,429	212,242	249,077	607,748
Other non-operating income	-	-	26,012	26,012
Change in assets and liabilities:				
Accounts receivable, net	-	50,800	(13,362)	37,438
Prepaid items	(5,956)	-	-	(5,956)
Inventories	1,465	-	-	1,465
Accounts and contracts payable	(52,880)	27,304	(15,230)	(40,806)
Accrued liabilities	(23,250)	-	13,846	(9,404)
Compensated absences	(9,294)	-	34,502	25,208
Other post-employment benefits	14,913	-	29,827	44,740
Landfill postclosure care costs	-	-	(30,000)	(30,000)
Total adjustments	71,427	290,346	294,672	656,445
Net cash provided by (used in) operating activities	\$ (26,401)	\$ 634,255	\$ 1,066,598	\$ 1,674,452
Supplemental disclosure of noncash investing activities:				
Increase in fair market value of investments	\$ -	\$ 6,564	\$ -	\$ 6,564

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## INTERNAL SERVICE FUNDS

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**Insurance** — 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.

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# CITY OF LAKE WORTH, FLORIDA

## COMBINING STATEMENT OF NET ASSETS INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2008

	<u>Insurance</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 747,919	\$ 55,547	\$ 803,466
Investments	53,017	-	53,017
Accrued interest receivable	359	-	359
Due from other funds	1,217,114	185,264	1,402,378
Total current assets	<u>2,018,409</u>	<u>240,811</u>	<u>2,259,220</u>
Noncurrent assets:			
Capital assets:			
Plant and equipment	-	80,594	80,594
Accumulated depreciation	-	(63,116)	(63,116)
Advances to other funds	335,063	-	335,063
Total noncurrent assets	<u>335,063</u>	<u>17,478</u>	<u>352,541</u>
Total assets	<u>2,353,472</u>	<u>258,289</u>	<u>2,611,761</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts and contracts payable	4,540	51,470	56,010
Accrued liabilities	-	9,993	9,993
Due to other funds	-	150,000	150,000
Current portion of compensated absences	-	16,760	16,760
Total current liabilities	<u>4,540</u>	<u>228,223</u>	<u>232,763</u>
Non-current liabilities:			
Compensated absences	-	16,722	16,722
Total liabilities	<u>4,540</u>	<u>244,945</u>	<u>249,485</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	17,478	17,478
Unrestricted	2,348,932	(4,134)	2,344,798
Total net assets	<u>\$2,348,932</u>	<u>\$ 13,344</u>	<u>\$2,362,276</u>

# CITY OF LAKE WORTH, FLORIDA

## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Insurance</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
Operating revenues:			
Charges for services	\$4,908,966	\$1,268,844	\$6,177,810
Total operating revenues	<u>4,908,966</u>	<u>1,268,844</u>	<u>6,177,810</u>
Operating expenses:			
General and administrative	3,641,735	1,402,738	5,044,473
Depreciation	<u>-</u>	<u>2,497</u>	<u>2,497</u>
Total operating expenses	<u>3,641,735</u>	<u>1,405,235</u>	<u>5,046,970</u>
Operating income (loss)	<u>1,267,231</u>	<u>(136,391)</u>	<u>1,130,840</u>
Nonoperating revenues (expenses):			
Investment income	13,263	-	13,263
Other income	<u>80,918</u>	<u>-</u>	<u>80,918</u>
Total nonoperating revenues (expenses)	<u>94,181</u>	<u>-</u>	<u>94,181</u>
Income (loss) before transfers	<u>1,361,412</u>	<u>(136,391)</u>	<u>1,225,021</u>
Transfers in	-	19,071	19,071
Transfers out	<u>(390,000)</u>	<u>(150,000)</u>	<u>(540,000)</u>
Change in net assets	971,412	(267,320)	704,092
Net assets, beginning	<u>1,377,520</u>	<u>280,664</u>	<u>1,658,184</u>
Net assets, ending	<u>\$2,348,932</u>	<u>\$ 13,344</u>	<u>\$2,362,276</u>



# CITY OF LAKE WORTH, FLORIDA

## COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Insurance	Information Technology	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from customers	\$ 4,908,966	\$ 1,268,844	\$ 6,177,810
Payments to suppliers	(2,079,817)	(1,068,793)	(3,148,610)
Payments to employees	-	(346,525)	(346,525)
Other cash received	80,918	-	80,918
Net cash provided by (used in) operating activities	<u>2,910,067</u>	<u>(146,474)</u>	<u>2,763,593</u>
Cash flows from non-capital financing activities:			
Due from other funds	(1,194,968)	9,622	(1,185,346)
Due to other funds	(611,200)	-	(611,200)
Transfer from other funds	-	19,071	19,071
Transfer to other funds	(390,000)	(150,000)	(540,000)
Net cash provided by (used in) non-capital financing activities	<u>(2,196,168)</u>	<u>(121,307)</u>	<u>(2,317,475)</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(19,975)	(19,975)
Due to other funds	-	150,000	150,000
Payments received on advances to other funds	22,851	-	22,851
Net cash provided by (used in) capital and related financing activities	<u>22,851</u>	<u>130,025</u>	<u>152,876</u>
Cash flows from investing activities:			
Purchase of investments	(2,085)	-	(2,085)
Interest and dividends received	13,216	-	13,216
Net cash provided by investing activities	<u>11,131</u>	<u>-</u>	<u>11,131</u>
Net increase (decrease) in cash and cash equivalents	747,881	(137,756)	610,125
Cash and cash equivalents, beginning	38	193,303	193,341
Cash and cash equivalents, ending	<u>\$ 747,919</u>	<u>\$ 55,547</u>	<u>\$ 803,466</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating income (loss)	\$ 1,267,231	\$ (136,391)	\$ 1,130,840
Adjustments to reconcile operating (income) loss to net cash used in operating activities:			
Depreciation	-	2,497	2,497
Other non-operating income	80,918	-	80,918
Change in assets and liabilities:			
Prepaid items	1,561,022	-	1,561,022
Accounts and contracts payable	896	(12,648)	(11,752)
Accrued liabilities	-	991	991
Compensated absences	-	(923)	(923)
Total adjustments	<u>1,642,836</u>	<u>(10,083)</u>	<u>1,632,753</u>
Net cash provided by (used in) operating activities	<u>\$ 2,910,067</u>	<u>\$ (146,474)</u>	<u>\$ 2,763,593</u>
Supplemental disclosure of noncash investing activities:			
Increase in fair market value of investments	<u>\$ 79</u>	<u>\$ -</u>	<u>\$ 79</u>

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## **FIDUCIARY FUNDS**

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### **Pension Trust Funds**

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

**Police Officers' Relief and Retirement System Pension Fund** – To account for the accumulation of resources to be used for retirement benefits for police officers. Resources are provided by annual employee and employer contributions and investment earnings. Individual participation is based upon years of service. Individuals may withdraw their equity upon retirement.

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

### **Agency Fund**

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.

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# CITY OF LAKE WORTH, FLORIDA

## COMBINING STATEMENT OF PLAN NET ASSETS PENSION TRUST FUNDS

SEPTEMBER 30, 2008

	Employees' Retirement System	Police Officers' Relief and Retirement System	Firefighters' Pension Trust Fund	Total Pension Trust Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,019,857	\$ 1,781,864	\$ 702,881	\$ 4,504,602
Investments at fair value:				
U.S. Government and agency funds	5,146,417	1,677,735	6,578,583	13,402,735
Money market funds	-	-	1,662,444	1,662,444
Corporate bonds	21,391,365	7,086,482	2,511,961	30,989,808
Common stocks	23,741,229	8,987,294	10,713,929	43,442,452
Mutual funds	9,950,145	3,238,142	1,919,534	15,107,821
Total investments at fair value	60,229,156	20,989,653	23,386,451	104,605,260
Accrued interest, dividends and contributions receivable	335,597	130,662	271,271	737,530
Due from broker	418,639	89,059	31,093	538,791
Prepaid items	4,827	2,899	4,470	12,196
Total assets	63,008,076	22,994,137	24,396,166	110,398,379
<u>LIABILITIES</u>				
Accounts payable and other liabilities	259,805	96,233	248,626	604,664
<u>NET ASSETS</u>				
Net assets held in trust for pension benefits	\$62,748,271	\$22,897,904	\$ 24,147,540	\$ 109,793,715

# CITY OF LAKE WORTH, FLORIDA

## COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS PENSION TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Employees' Retirement <u>System</u>	Police Officers' Relief and Retirement <u>System</u>	Firefighters' Pension Trust <u>Fund</u>	Total Pension Trust <u>Funds</u>
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ 2,836,692	\$ 1,414,687	\$ 1,803,667	\$ 6,055,046
Plan members	<u>2,183,539</u>	<u>609,341</u>	<u>942,247</u>	<u>3,735,127</u>
Total contributions	<u>5,020,231</u>	<u>2,024,028</u>	<u>2,745,914</u>	<u>9,790,173</u>
Investment income:				
Interest and dividends	2,709,302	931,194	1,223,627	4,864,123
Net change in fair value of investments	<u>(11,781,628)</u>	<u>(4,119,517)</u>	<u>(5,277,068)</u>	<u>(21,178,213)</u>
	(9,072,326)	(3,188,323)	(4,053,441)	(16,314,090)
Less investment expenses	<u>346,880</u>	<u>145,476</u>	<u>186,535</u>	<u>678,891</u>
Net investment income (loss)	<u>(9,419,206)</u>	<u>(3,333,799)</u>	<u>(4,239,976)</u>	<u>(16,992,981)</u>
Total additions	<u>(4,398,975)</u>	<u>(1,309,771)</u>	<u>(1,494,062)</u>	<u>(7,202,808)</u>
<b>DEDUCTIONS</b>				
Pension payments	7,726,379	2,750,001	1,234,230	11,710,610
Contribution refunds	201,993	51,583	-	253,576
Administrative expenses	<u>89,406</u>	<u>84,838</u>	<u>143,431</u>	<u>317,675</u>
Total deductions	<u>8,017,778</u>	<u>2,886,422</u>	<u>1,377,661</u>	<u>12,281,861</u>
Change in net assets	(12,416,753)	(4,196,193)	(2,871,723)	(19,484,669)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
Net assets, beginning	<u>75,165,024</u>	<u>27,094,097</u>	<u>27,019,263</u>	<u>129,278,384</u>
Net assets, ending	<u>\$62,748,271</u>	<u>\$22,897,904</u>	<u>\$24,147,540</u>	<u>\$109,793,715</u>

# CITY OF LAKE WORTH, FLORIDA

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Balance October 1, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2008</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 138,754	\$ 99,232	\$ 64,422	\$ 173,564
Accounts receivable	33,722	57,258	85,942	5,038
Due from State of Florida	395	-	-	395
Total assets	<u>\$ 172,871</u>	<u>\$ 156,490</u>	<u>\$ 150,364</u>	<u>\$ 178,997</u>
 <u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 200	\$ -	\$ 200
Deposit payable	172,871	60,166	54,240	178,797
Total liabilities	<u>\$ 172,871</u>	<u>\$ 60,366</u>	<u>\$ 54,240</u>	<u>\$ 178,997</u>

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## **STATISTICAL SECTION**

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## STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b>	
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. These schedules include:</i>	<b>88</b>
<b>Revenue Capacity</b>	
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	<b>93</b>
<b>Debt Capacity</b>	
<i>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.</i>	<b>98</b>
<b>Demographic and Economic Information</b>	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	<b>105</b>
<b>Operating Information</b>	
<i>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.</i>	<b>107</b>

*Sources: Unless other wise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

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# CITY OF LAKE WORTH, FLORIDA

## NET ASSETS BY COMPONENT

LAST SIX FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 15,560,753	\$ 19,061,486	\$ 20,317,332	\$ 23,461,231	\$ 25,517,534	\$ 57,367,332
Restricted	7,028,110	8,411,366	7,407,188	10,934,880	9,086,004	8,524,651
Unrestricted	<u>14,745,582</u>	<u>14,147,796</u>	<u>14,354,348</u>	<u>14,894,093</u>	<u>19,992,913</u>	<u>19,705,440</u>
Total governmental activities net assets	<u>37,334,445</u>	<u>41,620,648</u>	<u>42,078,868</u>	<u>49,290,204</u>	<u>54,596,451</u>	<u>85,597,423</u>
Business-type activities:						
Invested in capital assets, net of related debt	61,801,733	74,636,125	77,689,949	76,919,792	84,541,855	69,885,540
Restricted	7,539,912	8,150,013	9,861,417	10,858,741	10,061,616	697,848
Unrestricted	<u>21,488,402</u>	<u>17,836,790</u>	<u>22,700,280</u>	<u>44,187,657</u>	<u>43,283,356</u>	<u>68,963,586</u>
Total business-type activities net assets	<u>90,830,047</u>	<u>100,622,928</u>	<u>110,251,646</u>	<u>131,966,190</u>	<u>137,886,827</u>	<u>139,546,974</u>
Total government:						
Invested in capital assets, net of related debt	77,362,486	93,697,611	98,007,281	100,381,023	110,059,389	127,252,872
Restricted	14,568,022	16,561,379	17,268,605	21,793,621	19,147,620	9,222,499
Unrestricted	<u>36,233,984</u>	<u>31,984,586</u>	<u>37,054,628</u>	<u>59,081,750</u>	<u>63,276,269</u>	<u>88,669,026</u>
Total primary government net assets	<u>\$ 128,164,492</u>	<u>\$ 142,243,576</u>	<u>\$ 152,330,514</u>	<u>\$ 181,256,394</u>	<u>\$ 192,483,278</u>	<u>\$ 225,144,397</u>

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

# CITY OF LAKE WORTH, FLORIDA

## CHANGES IN NET ASSETS

LAST SIX FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses:						
Governmental activities:						
General government	\$ 4,259,195	\$ 5,134,986	\$ 3,575,710	\$ 3,357,391	4,332,707	3,595,041
Public safety	16,648,310	19,242,773	21,267,956	21,659,488	25,031,728	24,218,855
Physical environment	261,468	267,116	706,525	1,273,494	1,271,527	1,246,126
Transportation	1,395,107	1,499,033	4,495,261	4,539,585	1,984,675	2,062,494
Culture and recreation	3,261,240	3,736,504	3,544,092	4,034,193	4,564,347	6,376,490
Community redevelopment	-	-	258,129	434,412	669,255	1,661,848
Interest on long-term debt	344,335	272,278	304,387	378,695	389,229	353,096
Depreciation (portion not allocated to functions)	359,104	256,204	-	-	-	-
Total governmental activities	26,528,759	30,408,894	34,152,060	35,677,258	38,243,468	39,513,950
Business-type activities:						
Electric	35,690,080	35,854,577	42,728,189	56,080,287	46,947,158	57,490,812
Water	4,053,014	7,740,328	5,412,204	6,535,047	7,531,626	9,619,267
Local sewer	7,332,854	8,807,491	9,506,528	9,692,162	5,558,581	5,262,561
Regional sewer	*	*	*	5,082,477	5,723,073	5,184,429
Golf course	1,283,116	1,671,319	1,972,107	2,171,315	2,190,970	2,023,117
Stormwater	591,904	539,692	701,522	815,732	836,700	1,307,365
Refuse collection and disposal	3,329,434	3,213,871	3,541,314	3,774,872	5,247,076	3,810,654
Total business-type activities	52,280,402	57,827,278	63,861,864	84,151,892	74,035,184	84,698,205
Total primary government expenses	\$78,809,161	\$88,236,172	\$98,013,924	\$119,829,150	\$112,278,652	\$124,212,155
Program revenues:						
Governmental activities:						
Charges for services:						
General government	\$ 51,398	\$ 92,386	\$ 1,764,704	\$ 1,893,398	1,920,609	2,337,022
Public safety	2,740,162	2,852,058	1,674,694	1,469,251	1,697,091	1,536,383
Physical environment	34,953	40,250	247,462	316,389	507,040	573,727
Transportation	303,028	508,574	468,584	488,994	457,878	367,892
Culture and recreation	329,308	280,800	193,724	151,109	122,410	150,229
Community redevelopment	-	-	-	-	-	487,013
Operating grants and contributions	228,235	99,247	3,976,864	6,158,444	3,752,060	1,594,136
Capital grants and contributions	443,568	403,502	473,199	336,396	809,702	2,404,587
Total governmental activities program revenues	4,130,652	4,276,817	8,799,231	10,813,981	9,266,790	9,450,989
Business-type activities:						
Charges for services:						
Electric	42,738,419	42,738,419	45,186,261	60,786,014	52,706,489	57,474,801
Water	6,852,982	7,422,498	7,498,550	8,348,026	9,278,503	9,879,269
Local and Regional Sewer	5,517,120	6,665,757	7,144,828	5,175,080	5,265,096	5,277,244
Regional sewer	*	*	*	3,804,657	4,135,849	3,481,035
Golf course	1,469,581	1,717,167	1,799,645	2,012,331	2,028,454	1,921,702
Stormwater	663,115	669,476	851,215	1,649,918	1,594,645	1,651,158
Refuse collection and disposal	3,447,310	3,522,791	3,564,745	4,334,017	4,544,261	4,678,227
Operating grants and contributions	-	-	-	41,803	491,000	-
Capital grants and contributions	2,882,666	12,407,774	8,407,889	10,912,745	2,020,250	1,421,392
Total business-type activities program revenues	63,571,193	75,143,882	74,453,133	97,064,591	82,064,547	85,784,828
Total primary government program revenues	\$67,701,845	\$79,420,699	\$83,252,364	\$107,878,572	\$91,331,337	\$95,235,817

\*Local and regional sewer combined for 2003 - 2005

# CITY OF LAKE WORTH, FLORIDA

## CHANGES IN NET ASSETS

(Continued)

LAST SIX FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Net (expense) revenue:						
Governmental activities	\$ (22,398,107)	\$ (26,132,077)	\$ (25,352,829)	\$ (24,863,277)	\$ (29,006,678)	\$ (30,062,961)
Business-type activities	11,290,791	17,316,604	10,591,269	12,912,699	8,029,363	1,086,623
Total government net expense	<u>\$ (11,107,316)</u>	<u>\$ (8,815,473)</u>	<u>\$ (14,761,560)</u>	<u>\$ (11,950,578)</u>	<u>\$ (20,977,315)</u>	<u>\$ (28,976,338)</u>
General revenues and other changes in net assets:						
Governmental activities:						
Taxes:						
Property taxes	\$ 9,241,458	\$ 10,046,492	\$ 11,182,050	\$ 13,162,483	16,367,654	17,339,044
Franchise fees based on gross receipts	28,438	68,885	107,187	124,548	126,043	401,349
Utility service taxes	4,254,895	5,012,095	4,854,066	6,478,627	5,217,773	5,381,664
Gas taxes	599,636	654,020	932,734	971,351	928,943	864,888
Sales and use taxes (1)	-	-	-	-	-	2,587,555
Intergovernmental - unrestricted	3,789,285	5,436,224	4,330,470	4,383,743	4,184,828	1,287,185
Investment earnings - unrestricted	476,697	220,266	326,669	1,121,130	1,576,297	1,113,149
Miscellaneous	577,753	853,817	209,536	1,014,453	790,205	216,465
Interfund services provided (used)	1,745,925	1,815,800	-	-	-	-
Gain on sale of capital assets	-	-	503,630	-	-	-
Transfers	5,441,951	6,310,681	6,077,675	4,895,213	5,121,182	2,849,991
Total governmental activities	<u>26,156,038</u>	<u>30,418,280</u>	<u>28,524,017</u>	<u>32,151,548</u>	<u>34,312,925</u>	<u>32,041,290</u>
Business-type activities:						
Investment earnings - unrestricted	445,765	273,413	1,784,203	2,730,866	2,830,772	2,436,509
Miscellaneous	452,691	301,303	443,297	1,304,750	181,684	370,328
Interfund services provided (used)	(1,745,925)	(1,815,800)	-	-	-	-
Transfers	(5,441,951)	(6,310,681)	(6,077,675)	(4,895,213)	(5,121,182)	(2,849,991)
Total business-type activities	<u>(6,289,420)</u>	<u>(7,551,765)</u>	<u>(3,850,175)</u>	<u>(859,597)</u>	<u>(2,108,726)</u>	<u>(43,154)</u>
Total primary government	<u>\$ 19,866,618</u>	<u>\$ 22,866,515</u>	<u>\$ 24,673,842</u>	<u>\$ 31,291,951</u>	<u>\$ 32,204,199</u>	<u>\$ 31,998,136</u>
Change in net assets:						
Governmental activities	\$ 3,757,931	\$ 4,286,203	\$ 3,171,188	\$ 7,288,271	\$ 5,306,247	\$ 1,978,329
Business-type activities	5,001,371	9,764,839	6,741,094	12,053,102	5,920,637	1,043,469
Total primary government	<u>\$ 8,759,302</u>	<u>\$ 14,051,042</u>	<u>\$ 9,912,282</u>	<u>\$ 19,341,373</u>	<u>\$ 11,226,884</u>	<u>\$ 3,021,798</u>

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

(1) Prior to 2008, sales and use taxes were included as part of intergovernmental revenues.

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

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund:						
Reserved	\$ 600,852	\$ 538,068	\$ 1,269,254	\$ 804,996	\$ 1,314,269	\$ 2,487,554
Unreserved, designated	12,697,783	12,237,322	10,833,870	10,923,873	8,217,901	9,602,723
Unreserved, undesignated	<u>1,951,503</u>	<u>2,577,541</u>	<u>2,388,948</u>	<u>5,274,865</u>	<u>7,523,232</u>	<u>4,044,241</u>
Total general fund	<u>15,250,138</u>	<u>15,352,931</u>	<u>14,492,072</u>	<u>17,003,734</u>	<u>17,055,402</u>	<u>16,134,518</u>
All other governmental funds:						
Reserved	478,625	516,695	12,696,247	8,535,530	6,314,898	5,372,993
Unreserved, designated	-	-	792,749	650,000	1,472,218	94,567
Unreserved, undesignated, reported in:						
Special revenue funds	2,300,038	2,087,493	1,214,563	3,696,208	6,248,591	8,316,059
Debt service fund	3,840,418	3,900,425	-	-	-	-
Capital projects fund	<u>409,029</u>	<u>1,906,753</u>	<u>2,129,875</u>	<u>1,719,784</u>	<u>2,075,724</u>	<u>2,448,836</u>
Total all other governmental funds	<u>7,028,110</u>	<u>8,411,366</u>	<u>16,833,434</u>	<u>14,601,522</u>	<u>16,111,431</u>	<u>16,232,455</u>
Total governmental funds	<u>\$22,278,248</u>	<u>\$23,764,297</u>	<u>\$31,325,506</u>	<u>\$31,605,256</u>	<u>\$33,166,833</u>	<u>\$32,366,973</u>

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



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

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:						
Property taxes	\$ 14,124,427	\$ 15,781,492	\$ 11,182,050	\$ 13,162,483	\$ 16,367,654	\$ 15,730,702
Utility and other taxes	-	-	5,893,987	7,574,526	6,272,759	6,282,858
Licenses and permits	756,755	1,060,942	1,374,814	1,533,893	1,585,733	2,023,268
Fines and forfeitures	987,168	879,097	978,151	1,104,399	1,152,089	830,403
Charges for services	1,714,926	1,834,029	1,764,131	1,448,133	1,740,069	1,754,532
Intergovernmental	4,461,088	5,938,973	8,458,181	10,845,569	8,685,590	9,463,236
Investment income	460,415	204,401	317,034	1,089,137	1,548,507	1,032,231
Rents and royalties	-	-	232,072	232,716	227,138	248,659
Miscellaneous	<u>577,753</u>	<u>881,861</u>	<u>519,129</u>	<u>1,047,467</u>	<u>851,203</u>	<u>1,084,215</u>
Total revenues	<u>23,082,532</u>	<u>26,580,795</u>	<u>30,719,549</u>	<u>38,038,323</u>	<u>38,430,742</u>	<u>38,450,104</u>
Expenditures:						
Current:						
General government	4,059,132	4,958,605	3,208,674	2,988,876	3,464,922	3,015,659
Public safety	15,590,552	17,948,641	20,515,766	21,500,274	23,950,597	25,732,096
Physical environment	258,899	265,511	543,581	587,369	545,716	446,465
Transportation	1,336,453	1,430,392	4,060,283	4,449,617	1,855,955	1,949,482
Culture and recreation	2,985,552	3,232,031	3,468,637	3,652,772	4,130,611	3,768,270
Community redevelopment	-	-	231,271	434,412	697,877	1,416,380
Capital outlay	2,154,802	3,200,162	4,891,397	8,858,645	5,899,197	4,650,066
Debt service:						
Principal	1,335,000	1,405,000	1,480,000	432,338	1,109,545	1,151,410
Interest and other fiscal charges	<u>346,483</u>	<u>274,555</u>	<u>243,888</u>	<u>438,058</u>	<u>395,928</u>	<u>360,127</u>
Total expenditures	<u>28,066,873</u>	<u>32,714,897</u>	<u>38,643,497</u>	<u>43,342,361</u>	<u>42,050,348</u>	<u>42,489,955</u>
Deficiency of revenues over expenditures	<u>(4,984,341)</u>	<u>(6,134,102)</u>	<u>(7,923,948)</u>	<u>(5,304,038)</u>	<u>(3,619,606)</u>	<u>(4,039,851)</u>
Other financing sources (uses):						
Transfers in	7,872,329	10,286,140	9,589,199	8,841,954	9,549,961	11,075,191
Transfers out	(2,430,378)	(3,975,459)	(3,511,524)	(3,946,741)	(4,368,778)	(7,835,200)
Sale of capital assets	-	-	564,000	57,510	-	-
Note issued	<u>-</u>	<u>-</u>	<u>8,000,000</u>	<u>708,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>5,441,951</u>	<u>6,310,681</u>	<u>14,641,675</u>	<u>5,660,723</u>	<u>5,181,183</u>	<u>3,239,991</u>
Net change in fund balances	<u>\$ 457,610</u>	<u>\$ 176,579</u>	<u>\$ 6,717,727</u>	<u>\$ 356,685</u>	<u>\$ 1,561,577</u>	<u>\$ (799,860)</u>
Debt service as a percentage of non-capital expenditures	5.99%	5.13%	4.46%	2.01%	4.15%	3.96%

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

# CITY OF LAKE WORTH, FLORIDA

## NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

### LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Tax Revenue <u>Year</u>	<u>Real Property</u>			Total Net Assessed <u>Value</u>	Total Direct Tax <u>Rate</u>
		<u>Residential Property</u>	<u>Personal Property</u>	<u>Railroad Property</u>		
1999	1998	\$ 630,636	\$ 53,680	\$ 2,204	\$ 686,520	11.18
2000	1999	668,030	58,267	2,344	728,641	11.08
2001	2000	696,299	56,110	2,217	754,626	11.32
2002	2001	750,021	57,860	2,132	810,013	11.32
2003	2002	844,802	60,239	2,170	907,211	10.48
2004	2003	960,195	74,988	2,908	1,038,091	10.13
2005	2004	1,101,296	69,814	2,993	1,174,103	9.91
2006	2005	1,460,926	66,821	2,511	1,530,258	8.70
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

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

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

# 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)							Total Direct and Overlapping Rates
		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	
1999	1998	8.66	2.53	11.18	4.86	9.68	0.70	*	0.05	1.05	0.44	27.96
2000	1999	8.66	2.43	11.08	4.95	9.04	0.70	*	0.04	0.98	0.47	27.26
2001	2000	8.95	2.37	11.32	4.94	8.95	0.70	*	0.04	1.50	0.57	28.01
2002	2001	8.95	2.37	11.32	4.81	8.78	0.70	*	0.04	1.13	0.62	27.39
2003	2002	8.53	1.95	10.48	4.79	8.57	0.70	*	0.04	1.13	0.04	25.75
2004	2003	8.40	1.73	10.13	4.77	8.16	0.70	*	0.04	1.10	0.69	25.58
2005	2004	8.40	1.51	9.91	4.72	8.11	0.70	*	0.04	1.08	0.69	25.24
2006	2005	8.40	0.30	8.70	4.72	7.87	0.70	*	0.04	1.97	0.69	24.69
2007	2006	8.15	0.23	8.38	4.48	7.87	0.70	*	0.04	0.97	0.62	23.05
2008	2007	7.30	0.21	7.51	3.98	7.36	0.62	*	0.03	0.89	0.58	20.97

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.

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

\*Includes the Everglades construction project.

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

2008				Percent of
	Net		City Net	
<u>Taxpayer</u>	<u>Assessed</u>		<u>Assessed</u>	
	<u>Value</u>	<u>Rank</u>	<u>Value</u>	
Patricia A Tackett	\$ 14,347,202	1	0.49%	
Palm Club Apartments LLC	11,503,671	2	0.39%	
GP Centrepont LLC	9,437,060	3	0.32%	
GSG Investments	8,905,538	4	0.30%	
Palm Beach Mobile Home Park LLC	7,124,371	5	0.24%	
CSC Lake Worth LTD Partnership	6,806,471	6	0.23%	
Lake Worth Corners LLC	6,675,726	7	0.23%	
Lake Osborne Self Storage LLC	6,665,300	8	0.23%	
Walgreens Co	5,701,913	9	0.19%	
Arbor Square Realty Co LLC	5,452,611	10	0.18%	
	<u>\$ 82,619,863</u>		<u>2.79%</u>	

1999				
<u>Taxpayer</u>	<u>Net Assessed Value</u>	<u>Rank</u>	<u>Percent of Total City Net Assessed Value</u>	
One 926 Real Estate, Inc	\$ 5,247,298	1	0.76%	
Falconi Angelo	5,026,647	2	0.73%	
Akers, Kathryn J	3,354,312	3	0.49%	
Southern Bell Telephone and Company	3,159,681	4	0.46%	
Sutton Town & Country	3,000,000	5	0.44%	
Akers, Wayne L.	2,848,244	6	0.41%	
Crystal Palms	2,810,567	7	0.41%	
Gulfstream Hotel LTD	2,537,691	8	0.37%	
Ganot Corp	2,305,094	9	0.34%	
Arbor Living Centers of Florida	2,225,144	10	0.32%	
	<u>\$ 32,514,678</u>		<u>4.74%</u>	

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

(1)	Total assessed valuations of	\$ 2,957,970,682	2008
		686,520,000	1999

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

Fiscal Year Ended <u>September 30,</u>	Total Taxes Levied for Fiscal <u>Year</u>	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent <u>Year's</u>	Total Collections to Date	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
1999	\$7,721,714	\$7,610,107	98.55%	\$ 50,821	\$7,660,928	99.21%
2000	8,104,757	7,822,232	96.51%	83,028	7,905,260	97.54%
2001	8,592,744	8,297,482	96.56%	96,414	8,393,896	97.69%
2002	9,207,212	9,101,471	98.85%	51,790	9,153,261	99.41%
2003	9,521,810	9,067,114	95.22%	52,711	9,119,825	95.78%
2004	10,529,683	9,670,092	91.84%	29,599	9,699,691	92.12%
2005	11,667,950	10,586,310	90.73%	37,442	10,623,752	91.05%
2006	13,325,225	10,919,319	81.94%	307,246	11,226,565	84.25%
2007	16,975,285	16,469,083	97.02%	25,799	16,494,882	97.17%
2008	15,671,110	12,547,122	80.07%	-	12,547,122	80.07%

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

(1) Includes discounts taken by property tax payers.

# CITY OF LAKE WORTH, FLORIDA

## SPECIAL ASSESSMENT COLLECTIONS

### LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Amount of Special Assessments Recorded Due During Fiscal Year</u>	<u>Special Assessments Collected</u>	<u>Total Outstanding Assessments*</u>
1999	\$ 51,238	\$ 281,518	\$ 1,238,494
2000	831,526	251,294	1,818,726
2001	108,317	471,244	1,455,799
2002	40,206	261,613	1,234,393
2003	46,599	268,509	1,012,483
2004	10,472	243,110	779,845
2005	211,806	319,974	671,678
2006	179,524	221,431	629,771
2007	3,759	208,818	424,712
2008	130,620	102,530	452,802

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

Note: All special assessments are levied by adoption of a City resolution. Upon adoption of such resolution, a special assessment immediately becomes a lien upon the benefited property.

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

# CITY OF LAKE WORTH, FLORIDA

## RATIOS OF OUTSTANDING DEBT BY TYPE

### LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Governmental Activities			Business-Type Activities			Total	Percent of Assessed Value (1)	Debt Per Capita (2)
	General Obligation Bonds	Note Payable	Capital Lease	Revenue Bonds (1)	Note Payable	Capital Leases			
1999	\$10,010,000	\$ -	\$1,173,338	\$26,870,000	\$10,570,000	\$ 32,103	\$48,655,441	7.29%	1,599
2000	8,860,000	-	1,174,230	23,330,000	10,200,000	-	43,564,230	6.35%	1,396
2001	7,660,000	-	1,239,245	20,510,000	9,800,000	-	39,209,245	5.38%	1,256
2002	6,395,000	-	1,233,090	18,775,000	93,750,000	80,377	120,233,467	15.93%	3,422
2003	5,060,000	-	-	6,835,000	9,375,000	80,377	21,350,377	2.64%	603
2004	3,655,000	-	-	4,985,000	8,915,000	59,868	17,614,868	1.94%	499
2005	2,175,000	8,000,000	-	70,095,577	-	33,049	80,303,626	7.74%	2,258
2006	1,855,000	8,000,000	595,662	71,632,245	12,867,931	1,858,765	96,809,603	8.25%	2,686
2007	1,520,000	7,315,733	505,383	66,017,189	7,324,284	1,584,771	84,267,360	4.57%	2,314
2008	1,170,000	6,608,023	411,684	65,066,291	6,810,257	1,299,842	81,366,097	2.75%	2,316

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

(1) Net of unamortized bond discount and deferred amount on refunding

(2) See the Schedule of Demographic and Economic Statistics on page 95 for assessed value and population data.

# CITY OF LAKE WORTH, FLORIDA

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

### LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	General Obligation <u>Bonds</u>	Less Amounts Available in Debt Service <u>Fund</u>	<u>Total</u>	Percentage of Estimated Actual Taxable Value of <u>Property (1)</u>	Per <u>Capita (2)</u>
1999	\$ 10,010,000	\$ (3,115,780)	\$6,894,220	1.00%	221
2000	8,860,000	(3,252,420)	5,607,580	0.77%	5
2001	7,660,000	(3,380,212)	4,279,788	0.57%	122
2002	6,395,000	(3,726,178)	2,668,822	0.33%	75
2003	5,060,000	(3,840,418)	1,219,582	0.13%	35
2004	3,655,000	(3,900,425)	(245,425)	-0.02%	(7)
2005	2,175,000	(3,925,600)	(1,750,600)	-0.15%	(49)
2006	1,855,000	(4,165,678)	(2,310,678)	-0.15%	(63)
2007	1,520,000	(4,375,913)	(2,855,913)	-0.14%	(77)
2008	1,170,000	(295,341)	874,659	0.03%	25

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

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 84 for property value data.

(2) See the Schedule of Demographic and Economic Statistics on page 96 for population data.



# CITY OF LAKE WORTH, FLORIDA

## COMPUTATION OF LEGAL DEBT LIMIT

SEPTEMBER 30, 2008

Taxable assessed valuation	<u>\$ 2,957,970,682</u>
Debt limit (25% of valuation)	\$ 739,492,671
Outstanding general obligation debt: Series 1996 Bonds	<u>1,170,000</u>
Debt-contracting margin	<u>\$ 738,322,671</u>
Percentage debt-contracting limit remaining	<u>99.84%</u>

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

Source:

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

# CITY OF LAKE WORTH, FLORIDA

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

SEPTEMBER 30, 2008

<u>Government Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City of Lake Worth (1)</u>	<u>Amount Applicable to the City of Lake Worth</u>
Debt repaid with property taxes:			
Palm Beach County	\$ 537,526,705	1.74%	\$ 9,361,540
Other debt:			
Palm Beach School Board	33,940,189	1.74%	<u>591,101</u>
Subtotal, Overlapping Debt			9,361,540
City of Lake Worth Direct Debt			<u>1,170,000</u>
Total Direct and Overlapping Debt			<u>\$10,531,540</u>

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

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

(1) The City of Lake Worth's share of overlapping debt of approximately 1%, is determined by the ratio of assessed valuation of property of \$2,957,970,682 to the total assessed value of taxable property in the overlapping unit of \$169,842,589,840

# CITY OF LAKE WORTH, FLORIDA

## PLEDGED REVENUE COVERAGE

### LAST TEN FISCAL YEARS

<u>Fiscal Year Ended September 30,</u>	<u>Sewer Revenue (1)</u>	<u>Less Operating Expenses (2)</u>	<u>Net Available Revenue</u>	<u>Debt Service Principal</u>	<u>Debt Service Interest</u>	<u>Coverage</u>
1999	\$ 51,718,140 *	\$ 43,733,234	\$ 7,984,906	\$ 5,495,500	\$ 2,187,908	3.65
2000	54,690,872 *	47,165,724	7,525,148	5,366,615	2,302,829	3.27
2001	61,581,661 *	54,710,472	6,871,189	4,513,650	2,141,700	3.21
2002	56,073,613 *	5,450,381	50,623,232	3,344,330	1,666,510	30.38
2003	5,517,120	4,996,087	521,033	1,850,000	340,030	1.53
2004	6,665,757	6,504,374	161,383	252,780	490,000	0.33
2005	7,144,828	7,313,702	(168,874)	423,610	2,417,843	(0.07)
2006	10,126,856	12,954,937	(2,828,081)	446,638	226,415	(12.49)
2007	9,868,012	9,234,509	633,503	2,137,516	346,533	1.83
2008	5,511,659	4,617,670	893,989	255,000	184,018	4.86

(Continued)

Source: City of Lake Worth Finance Department

(1) Gross revenue includes operating revenue, interest income and other non-operating revenue.

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

\* Electric, Water, and Sewer amounts have been combined

# CITY OF LAKE WORTH, FLORIDA

## PLEDGED REVENUE COVERAGE

(Continued)

### LAST TEN FISCAL YEARS

<u>Fiscal Year Ended September 30,</u>	<u>Electric Revenue (1)</u>	<u>Less Operating Expenses (2)</u>	<u>Net Available Revenue</u>	<u>Debt Service Principal</u>	<u>Debt Service Interest</u>	<u>Coverage</u>
1999	\$51,718,140 *	\$43,733,234	\$7,984,906	\$5,495,500	\$2,187,908	3.65
2000	54,690,872 *	47,165,724	7,525,148	5,366,615	2,302,829	3.27
2001	61,581,661 *	54,710,472	6,871,189	4,513,650	2,141,700	3.21
2002	56,073,613 *	5,450,381	50,623,232	3,344,330	1,666,510	30.38
2003	49,591,401 ^	36,871,062	12,720,339	2,310,000	471,280	26.99
2004	50,160,917 ^	40,683,699	9,477,218	1,955,000	252,780	37.49
2005	45,186,261	38,515,178	6,671,083	350,000	809,233	8.24
2006	61,645,089	51,516,271	10,128,818	612,500	1,442,027	7.02
2007	53,824,950	42,524,553	11,300,397	8,405,431	1,366,520	8.27
2008	58,314,478	49,620,576	8,693,902	187,500	1,773,386	4.90

(Continued)

Source: City of Lake Worth Finance Department

(1) Gross revenue includes operating revenue, interest income and other non-operating revenue.

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

\* Electric, Water, and Sewer amounts have been combined

^ Electric and Water amounts have been combined

# CITY OF LAKE WORTH, FLORIDA

## PLEDGED REVENUE COVERAGE

(Continued)

### LAST TEN FISCAL YEARS

<u>Fiscal Year Ended September 30,</u>	<u>Water Revenue (1)</u>	<u>Less Operating Expenses (2)</u>	<u>Net Available Revenue</u>	<u>Debt Service Principal</u>	<u>Debt Service Interest</u>	<u>Coverage</u>
1999	\$51,718,140 *	\$43,733,234	\$7,984,906	\$5,495,500	\$2,187,908	3.65
2000	54,690,872 *	47,165,724	7,525,148	5,366,615	2,302,829	3.27
2001	61,581,661 *	54,710,472	6,871,189	4,513,650	2,141,700	3.21
2002	56,073,613 *	5,450,381	50,623,232	3,344,330	1,666,510	30.38
2003	49,591,401 ^	36,871,062	12,720,339	2,310,000	471,280	26.99
2004	50,160,917 ^	40,683,699	9,477,218	1,955,000	252,780	37.49
2005	6,667,162	3,717,052	2,950,110	350,000	809,233	3.65
2006	8,348,026	4,276,412	4,071,614	408,333	919,273	4.43
2007	10,578,241	5,218,130	5,360,111	637,500	1,366,520	3.92
2008	11,012,972	5,665,735	5,347,237	187,500	1,773,386	3.02

Source: City of Lake Worth Finance Department

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

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

\* Electric, Water, and Sewer amounts have been combined

^ Electric and Water amounts have been combined

**CITY OF LAKE WORTH, FLORIDA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value (Amounts Expressed in Thousands) (2)</u>	<u>Per Capita Assessed Value</u>	<u>Unemployment Rate (3)</u>
1999	31,209	\$ 686,520	22	6.0%
2000	31,209	728,641	23	6.3%
2001	35,133	754,626	21	6.9%
2002	35,387	810,013	23	9.4%
2003	35,292	907,211	26	9.0%
2004	35,570	1,038,091	29	8.0%
2005	36,040	1,174,103	33	5.0%
2006	36,412	1,530,258	42	5.8%
2007	37,044	2,016,075	54	4.3%
2008	35,133	2,957,971	84	7.6%

**Sources:**

- (1) University of Florida, Bureau of Economic Research
- (2) Palm Beach County Property Appraiser
- (3) U.S. Department of Labor, Bureau of Labor Statistics

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

# CITY OF LAKE WORTH, FLORIDA

## PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

### City of Lake Worth, Florida

<u>Employer</u>	2008	
	<u>Employees</u>	<u>Rank</u>
City of Lake Worth	487	1
Lake Worth High	330	2
Wayne Akers Ford	134	3
Highland Elementary	122	4
Publix	117	5
Lake Worth Community Middle	114	6
North Grade Elementary	114	7
Barton Elementary	99	8
	<u>1,517</u>	

### Palm Beach County, Florida

<u>Employer</u>	2008			1999		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
School board of PBC	21,707	1	3.42%	17,000	1	3.79%
Palm Beach County	11,293	2	1.78%	9,000	2	2.01%
Tenet Healthcare Corp	4,500	3	0.71%			
HCA	3,411	4	0.54%			
Florida Power & Light Headquarters	3,250	5	0.51%	2,300	10	0.51%
Florida Atlantic University	2,923	6	0.46%	3,100	8	0.69%
Office Depot	2,180	7	0.34%			
Boca Raton Resort & Club	2,200	8	0.35%			
The Breakers	2,300	9	0.36%			
Boca Raton Community Hospital	1,860	10	0.29%			
State of Florida				8,800	3	1.96%
Federal Government				5,900	4	1.32%
Columbia Palm Beach Health Care System				4,000	5	0.63%
Pratt & Whitney Aircraft				4,000	6	0.89%
Intracoastal Health Systems, Inc				3,200	7	0.71%
Flo Sun, Inc				2,500	9	0.56%
Total	<u>55,624</u>		<u>8.77%</u>	<u>59,800</u>		<u>13.07%</u>

Sources: Business Development Board of Palm Beach County.

# CITY OF LAKE WORTH, FLORIDA

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

### LAST TEN FISCAL YEARS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of employees:										
General government	-	-	-	-	-	-	84	87	89	74
Public safety	-	-	-	-	-	-	186	185	196	197
Physical environment	-	-	-	-	-	-	5	5	4	3
Transportation	-	-	-	-	-	-	18	14	11	-
Culture and recreation	-	-	-	-	-	-	70	69	61	59
Community redevelopment	-	-	-	-	-	-	3	4	3	2
Electric	-	-	-	-	-	-	83	85	82	82
Water and sewer	-	-	-	-	-	-	38	38	42	40
Refuse	-	-	-	-	-	-	34	32	32	30
Total full time employees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>521</u>	<u>519</u>	<u>520</u>	<u>487</u>

Source: City of Lake Worth Finance Department

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



**CITY OF LAKE WORTH, FLORIDA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Public safety:</b>										
<b>Police:</b>										
Police personnel and officers (2)	145	150	155	146	146	146	146	131	127	127
Police calls for service	54,971	56,160	54,040	56,001	53,674	51,749	57,050	54,416	48,054	35,773
Parking violations	5,863	990	-	8,849	8,387	8,792	10,169	10,106	6,494	1,077
Traffic violations	15,986	21,373	18,062	20,133	16,468	12,990	16,541	14,715	10,071	9,212
<b>Fire:</b>										
Fire personnel	68	64	64	64	64	64	64	154	61	61
Fire alarms answered	*	*	*	*	*	*	*	222	179	239
Fire inspections performed	*	*	*	*	*	*	*	2,109	1,108	2,200
<b>Planning and zoning:</b>										
Building permits issued - Residential (1)	2,404	2,641	2,531	3,499	3,604	4,266	5,838	5,239	3,198	2,090
Building permits issued - Commercial (1)	809	571	801	746	751	580	584	599	699	1,041
<b>Culture and recreation:</b>										
Golf course - attendance	77,875	79,047	74,525	74,525	90,614	65,527	58,228	63,572	59,239	n/a
Swimming pool - attendance	34,204	30,880	27,268	27,268	27,690	27,690	14,323	16,163	*	n/a
Fishing pier -attendance	127,419	150,865	152,372	152,372	145,044	127,568	2,100	(3)	(3)	(3)
<b>Public library:</b>										
Circulation, all media	86,962	80,758	81,622	59,522	120,240	120,240	120,240	81,421	79,284	83,336
Patrons registered	9,792	13,236	6,798	10,221	12,962	12,962	14,263	16,781	19,579	20,460
Patrons registered - inside City	8,215	8,215	5,169	7,581	9,558	9,558	10,952	12,671	14,499	15,205
<b>Utility system</b>										
<b>Water:</b>										
Total number of bills	11,878	12,056	11,189	11,261	13,099	12,903	13,269	13,109	13,295	150,843
Number of units billed	192,638	205,811	120,766	131,923	195,561	229,067	203,768	213,033	227,970	1,819,050
Total amount billed	\$ 389,994	\$ 425,009	\$ 309,897	\$ 312,795	\$ 537,211	\$ 676,308	\$ 545,675	\$ 735,160	\$ 976,155	9,695,764
Average selling price	\$ 2.0245	\$ 2.0224	\$ 2.5660	\$ 2.3710	\$ 2.7470	\$ 0.2836	\$ 2.7502	\$ 3.4509	\$ 4.2819	3.5400
Average bill	\$ 32.83	\$ 27.47	\$ 27.70	\$ 27.78	\$ 41.01	\$ 52.41	\$ 361.67	\$ 56.08	\$ 73.42	64.28
Number of connections	*	*	*	*	*	*	11,252	12,898	13,062	12,570
Water main breaks	*	*	*	*	*	*	*	32	24	22
<b>Sewer:</b>										
Total number of bills	10,974	11,050	12,181	12,312	11,546	11,429	11,597	12,016	11,983	137,800
Number of units billed	117,471	139,629	198,291	196,664	121,623	131,516	139,947	128,721	1,548,752	1,214,722
Total amount billed	\$ 294,326	\$ 303,540	\$ 463,288	\$ 457,822	\$ 317,657	\$ 331,724	\$ 346,870	\$ 441,674	\$ 5,549,999	\$ 4,947,558
Average selling price	\$ 2.5055	\$ 2.1739	\$ 2.3235	\$ 2.2948	\$ 2.6118	\$ 2.5223	\$ 2.4786	\$ 3.4312	\$ 3.5835	4.0729
Average bill	\$ 26.82	\$ 35.25	\$ 38.03	\$ 37.19	\$ 27.51	\$ 29.02	\$ 29.91	\$ 36.75	\$ 38.60	35.90
Number connections-local sewer	10,990	10,990	11,153	11,252	11,252	11,252	11,252	12,016	11,709	11,387

(Continued)

Sources: Various City Departments

Note: Indicators are not available for the general government function

(1) Includes new units and improvements to existing units.

(2) Includes part-time employees.

(3) Fishing pier closed during fiscal year

\*Information unavailable

# CITY OF LAKE WORTH, FLORIDA

## OPERATING INDICATORS BY FUNCTION/PROGRAM (Continued)

### LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Electric:										
Residential customers:										
Total number of bills-R	21,008	21,337	21,326	21,410	21,819	22,103	22,360	22,834	23,217	21,931
Number of units billed-R	23,858,294	24,449,558	25,859,439	26,850,876	25,321,571	26,627,595	32,385,122	21,844,047	30,439,162	19,864,899
Total amount billed-R	\$ 2,147,278	\$ 2,539,481	\$ 2,812,624	\$ 2,499,834	\$ 2,435,340	\$ 2,566,148	\$ 3,059,316	\$ 2,007,121	\$ 2,604,597	\$ 2,248,735
Average selling price-R	\$ 0.0900	\$ 0.1038	\$ 0.1087	\$ 0.0931	\$ 0.0962	\$ 0.0964	\$ 0.0948	\$ 0.0919	\$ 0.0856	0.1132
Average bill-R	\$ 102.21	\$ 119.02	\$ 131.89	\$ 116.76	\$ 111.62	\$ 116.10	\$ 136.82	\$ 87.90	\$ 112.18	102.53
Commercial customers:										
Total number of bills-C	2,971	3,008	3,073	3,075	2,952	2,943	2,918	3,132	3,163	2,889
Number of units billed-C	7,292,454	8,177,943	8,263,723	8,862,755	8,508,396	23,632,519	10,952,574	8,941,266	15,083,570	9,830,563
Total amount billed-C	\$ 744,061	\$ 944,285	\$ 996,731	\$ 941,608	\$ 921,389	\$ 2,064,660	\$ 1,141,489	\$ 923,404	\$ 1,323,690	\$ 914,662
Average selling price-C	\$ 0.1020	\$ 0.1154	\$ 0.1206	\$ 0.1062	\$ 0.1083	\$ 0.0874	\$ 0.1042	\$ 0.1032	\$ 0.0878	0.0930
Average bill-C	\$ 250.44	\$ 313.92	\$ 324.35	\$ 306.21	\$ 312.12	\$ 701.55	\$ 391.19	\$ 294.83	\$ 418.54	316.61
Private area lighting:										
Total number of bills-P	847	835	823	807	742	692	644	594	622	604
Number of units billed-P	206,674	206,720	210,023	204,870	99,086	95,340	99,644	91,759	202,116	98,277
Total amount billed-P	\$ 30,383	\$ 33,195	\$ 34,547	\$ 30,926	\$ 20,056	\$ 19,400	\$ 17,270	\$ 13,791	\$ 17,928	\$ 16,354
Average selling price-P	\$ 0.1470	\$ 0.1605	\$ 0.1644	\$ 0.1509	\$ 0.2024	\$ 0.2035	\$ 0.1733	\$ 0.1503	\$ 0.0887	\$ 0.1664
Average bill-P	\$ 35.87	\$ 39.75	\$ 41.98	\$ 38.32	\$ 27.03	\$ 28.03	\$ 26.82	\$ 23.22	\$ 28.81	\$ 27.10
Commercial-demand:										
Total number of bills-D	90	91	94	98	98	98	95	91	85	84
Number of units billed-D	6,410,973	8,174,352	7,635,196	7,941,478	5,279,001	11,395,799	7,316,879	5,987,995	4,798,856	5,412,900
Total amount billed-D	\$ 558,582	\$ 784,059	\$ 796,737	\$ 723,234	\$ 560,406	\$ 1,031,093	\$ 708,256	\$ 433,037	\$ 544,312	\$ 733,016
Average selling price-D	\$ 0.0871	\$ 0.0959	\$ 0.1043	\$ 0.0910	\$ 0.1062	\$ 0.0905	\$ 0.0968	\$ 0.0723	\$ 0.1134	\$ 0.1354
Average bill-D	\$ 6,206.47	\$ 8,616.03	\$ 8,475.93	\$ 7,379.94	\$ 5,718.43	\$ 10,521.36	\$ 7,455.33	\$ 4,758.65	\$ 6,372.43	\$ 8,717.73
Street lights:										
Total number of bills-SL	8	8	8	8	8	6	6	6	7	7
Number of units billed-SL	178,894	176,424	176,512	176,916	187,566	181,278	180,424	182,877	398,431	191,696
Total amount billed-SL	\$ 26,031	\$ 28,173	\$ 29,076	\$ 26,772	\$ 26,960	\$ 25,846	\$ 25,635	\$ 24,794	\$ 28,951	\$ 26,536
Average selling price-SL	\$ 0.1455	\$ 0.1596	\$ 0.1647	\$ 0.1513	\$ 0.1437	\$ 0.1426	\$ 0.1421	\$ 0.1356	\$ 0.0727	\$ 0.0115
Average bill-SL	\$ 3,253.88	\$ 3,521.63	\$ 3,634.50	\$ 3,346.50	\$ 3,370.00	\$ 4,307.67	\$ 4,272.55	\$ 4,132.33	\$ 3,903.54	\$ 3,836.49
Solid waste:										
Residential accounts	*	*	*	*	*	*	*	10,808	10,507	10,269
Commercial accounts	*	*	*	*	*	*	*	918	1,097	1,118

Sources: Various City Departments

Note: Indicators are not available for the general government function

(1) Includes new units and improvements to existing units.

(2) Includes part-time employees.

(3) Fishing pier closed during fiscal year

\*Information unavailable

# CITY OF LAKE WORTH, FLORIDA

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

### LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government:										
Number of general government buildings	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police:										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	*	*	*	*	*	*	*	35	35	35
Fire:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Transportation:										
Miles of streets:										
Streets - paved	101.20	101.20	101.66	101.66	101.66	101.66	101.66	101.66	101.66	101.66
Streets - unpaved	17.76	17.76	17.03	17.03	17.03	17.03	17.03	17.03	17.03	17.03
Number of street lights	1,431,152	1,411,392	1,412,096	1,415,328	1,500,528	1,087,668	1,082,544	1,265,421	1,265,421	1,265,421
Culture and recreation:										
Parks	18	18	18	18	18	18	18	18	18	18
Parks acreage	266.55	266.55	266.55	266.55	266.55	266.55	266.55	266.55	266.55	266.55
Tennis courts	7	7	7	7	7	7	7	7	7	7
Baseball/softball fields	9	9	9	9	9	9	9	9	9	9
Indoor/outdoor basketball courts	2	6	14	18	18	18	18	18	18	18
Public boat ramps	2	2	2	2	2	2	2	2	2	2
Community centers	2	2	2	2	2	2	2	2	2	2
Municipal gym	-	-	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
Utility system:										
Miles of mains	*	*	*	*	*	*	*	*	*	167
Fire hydrants - City of Lake Worth	536	536	620	620	620	620	620	620	620	684
Fire hydrants - Outside City of Lake Worth	*	*	*	*	*	*	*	*	*	243
Maximum daily capacity	*	*	*	*	*	*	*	*	*	12,900
Solid waste:										
Collection trucks	*	*	*	*	*	*	*	29	27	27
Water system:										
Total wells	12	12	12	14	14	14	14	14	14	18
Usable wells	12	12	14	12	12	12	12	12	12	12
Miles of water lines	130	130	130	130	130	130	130	130	130	167
Sewer system:										
Miles of sewer lines	100	100	100	100	100	100	100	100	100	99
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

\*Information is unavailable

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## **COMPLIANCE SECTION**

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**Report of Independent Certified Public Accountants on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an Audit of the  
Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (including the Community Redevelopment Trust Fund) of City of Lake Worth, Florida (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Firefighters' Pension Trust Fund, as described in our report on the City's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the

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deficiencies described in the accompanying schedule of findings and questioned costs, as items 08-01 through 08-07, to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies indicated above, we consider items 08-01 through 08-07 in the accompanying schedule of findings and questioned costs to be material weaknesses.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 08-12 through 08-15.

We noted certain other matters that we reported to management of the City in the accompanying schedule of findings and questioned costs.

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 them.

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

*Marcum Rachlin*

a division of Marcum LLP  
West Palm Beach, Florida  
September 28, 2009



**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 financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information (including the Community Redevelopment Agency) of the City of Lake Worth, Florida (the City) as of and for the year ended September 30, 2008 and have issued our report thereon dated September 28, 2009. We did not audit the financial statements of the Firefighters' Pension Trust Fund, which represents 17.95% and (13.95%), respectively, of the total assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Firefighters' Pension Trust Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States; 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 Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters, Report of Independent Certified Public Accountants on Compliance and on Internal Control over Compliance Applicable to Each Major Federal Awards Program and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 28, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports 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 significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as reported in the accompanying summary schedule of prior audit findings.
- 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 complied with Section 218.415, Florida Statutes.

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- 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, recommendations accompany this report in the schedule of findings and questioned costs.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, our findings accompany this report in the schedule of findings and questioned costs.
- 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 are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, our findings and recommendations are disclosed in the accompanying schedule of findings and questioned costs.
- 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 has made these disclosures in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City 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 for the fiscal year ended September 30, 2008, 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, 2008. In connection with our audit, we determined that these two reports were in agreement.

Honorable Mayor and City Commission  
City of Lake Worth, Florida  
Page Three

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

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States require us to indicate that this letter is intended solely for the information of the Mayor, City Commission, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Marcum Rachlin*

a division of Marcum LLP  
West Palm Beach, Florida  
September 28, 2009



**Report of Independent Certified Public Accountants on Compliance and on  
Internal Control over Compliance Applicable to Each Major Federal  
Awards Program**

The Honorable Mayor and 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 are applicable to each of its major federal programs for the fiscal year ended September 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in items 08-20, 06-18 and 06-21 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding identification of the federal percentage of participation in the acquisition of equipment and real property and requirements regarding the timely filing of required reports for all federal programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended September 30, 2008.

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Internal Control over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-19 to be a significant deficiency.

A *material weakness* is a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-19 to be a material weakness.

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 them.

Honorable Mayor and City Commission  
City of Lake Worth, Florida  
Page Three

This report is intended solely for the information and use of the Mayor, City Commission, management, and specific legislative or regulatory bodies and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Marcum Rachlin*

a division of Marcum LLP  
West Palm Beach, Florida  
September 28, 2009

**CITY OF LAKE WORTH, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2008**

<u>Federal Agency Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grant Number</u>	<u>Federal Expenditures</u>
<i><b>Department of Homeland Security</b></i>			
Pass-through Florida Department Community Affairs Public Assistance Grant	97.036	05-PA-G%-10-60-02-984	\$ 1,870,475
<i><b>Department of Housing and Urban Development</b></i>			
Pass-through Palm Beach County Housing and Community Development Community Development Block Grant Latona Avenue	14.218	B-05-UC-12-0004	12,147
<i><b>Department of Justice</b></i>			
Edward Byrne Memorial Grant	16.579	2005-DJBX-1405	2,414
<i><b>U.S. Department of Transportation</b></i>			
Pass thru Florida Department of Transportation Lake Worth I-95 Project	20.600	SC-08-13-03	36,092
<i><b>U.S. Environmental Protection Agency</b></i>			
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	BF-96462806-0	<u>15,616</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,936,744</u></u>

See notes to schedule of expenditures of federal awards.

# CITY OF LAKE WORTH, FLORIDA

## NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2008

### 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 the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



# CITY OF LAKE WORTH, FLORIDA

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

### I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2007 Schedule of Findings and Questioned Costs.

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

- 07-01 – Financial Records and Closing Process (revised and included in current year comment 08-01)
- 07-02 – Capital Assets (revised and included in current year comment 08-02)
- 07-03 – Grant Accounting (revised and included in current year comment 08-04)
- 07-04 – Encumbrances (revised and included in current year comment 08-08)
- 07-05 – Inventory – (revised and included in current year comment 08-05)
- 07-06 – Bond Covenant Compliance – (revised and included in current year comment 08-13)
- 07-08 – Fund Deficits (revised and included in current year comment 08-16)
- 07-09 – Finance Department Staffing (revised and included in current year comment 08-18)
- 06-12 – Interfund Reimbursements (revised and included in current year comment 08-11)
- 06-13 – Excess Funds in the Debt Service Fund (revised and included in current year comment 08-01)

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

- 07-07 – Investments
- 06-05 – Segregation of Duties
- 06-15 – Retroactive Recording of Infrastructure
- 06-16 – GASB No. 45
- 04-13 – Customer Utility Deposits (revised and included in prior year comment 07-01)
- 04-09 – Business Contingency Plan

### II. PRIOR YEAR FEDERAL AWARD FINDINGS

The following addresses the status of federal award findings reported in the fiscal year ended September 30, 2007 Schedule of Findings and Questioned Costs.

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

- 07-11 – Internal Controls over Compliance (revised and included in current year comment 08-20)
- 07-12 – Report Filing (Revised and included in current year comment 08-21)
- 06-18 – Capital Asset Identification

# CITY OF LAKE WORTH, FLORIDA

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (Continued)

### III. PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS

The following addresses the status of state financial assistance findings reported in the fiscal year ended September 30, 2007 Schedule of Findings and Questioned Costs.

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

- 06-21 – Capital Asset Identification

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

#### Financial Statements

Type of auditor’s report issued:

*Unqualified Opinion*

Internal control over financial reporting:

Material weakness(es) identified?

X Yes      No

Significant deficiency(ies) identified not considered to be material weakness?

     Yes X No

Noncompliance material to financial statements noted?

     Yes X No

#### Federal Awards Programs

Internal control over major federal awards programs:

Material weakness(es) identified?

X Yes      No

Significant deficiency(ies) identified not considered to be material weakness?

     Yes X No

Type of auditor’s report issued on compliance for major federal awards programs:

*Qualified Opinion*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

X Yes      No

Identification of major federal awards programs and state financial assistance projects:

#### Federal Awards Programs

#### Federal CFDA No.

U.S. Department of Homeland Security:

Federal Emergency Management Agency (FEMA)

97.036

Dollar threshold used to distinguish between Type A and Type B programs:

Federal \$300,000

Auditee qualified as low-risk auditee for federal awards programs?

     Yes X No

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Significant Deficiencies - Material Weaknesses

##### *08-01 Internal Control over Financial Reporting*

###### *Criteria*

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

###### *Condition*

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

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

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

- The revenues and expenses related to the Chapter 175 and 185 premium tax for the police and firefighters pension funds was not properly recorded at year end. An entry was proposed by the auditor and recorded by the City to adjust the books and records to reflect the proper amounts.
- Interest on the 2008 electric and water revenue bonds was not accrued as of the fiscal year end. This accrual amounted to approximately \$577,000 in each fund.
- We noted that amounts recorded in advance deposits in the electric fund totaling approximately \$280,000 were unchanged from prior years. Based upon our inquiries, City personnel investigated these liabilities and determined that they were not valid.
- The DROP contributions were not recorded correctly in the pension funds and an adjustment was made in the amount of approximately \$739,000 in the police pension fund and \$1.1 million in the general employees' pension fund.

#### *Effect*

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

#### *Cause*

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

#### *Recommendation*

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

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

The City should consider developing written monthly and year end closing procedures. These procedures should include timetables outlining appropriate due dates and instructions for schedules that should be prepared. The closing procedures should be documented in a formal checklist that indicates the individual responsible for the task, when it is due to be completed and when it is accomplished. The procedures should also assign a supervisory Finance Department individual to review the schedules. We also suggest that the Finance Department perform an analytical review of account balances with the prior year balances prior to closing the year end books and records to facilitate determining if significant variances exist, the reasons that support the variance, and if any adjustments are required.

We further recommend that employees responsible for the books and records and approval of journal entries be provided with more thorough training to improve and/or acquire different skills concerning the complexities of accounting, year-end closing procedures, and the preparation of supporting schedules for balances recorded in the general ledger at year-end. This training will lead to employees who are more efficient, effective, and communicative with regard to accounting and financial matters. Also, future financial statements will be more accurate and timely.

#### *View of Responsible Officials and Planned Corrective Action*

The City did develop written procedures for closing of its financial records during 2007/08. These procedures reflected initial steps to reflect duties and responsibilities of professional staff in the financial records of a financial system that was being replaced on 10-1-08. Financial management is in the process of preparing a more formal closing process for the City's new financial management system during 2009/10. Supervisory Finance Department personnel will be responsible for the review of transactions and balances recorded in the financial records. Accounting tasks such as monthly reconciliation, cross-checks, and reviews will continue to improve the accuracy of accounting data and financial information that comprise interim and year-end financial statements.

#### *08-02 Capital Assets*

##### *Criteria*

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

##### *Condition*

- A prior period adjustment in the amount of \$29,022,643 was required to be recorded to restate the opening capital assets reported in the governmental activities in order to capitalize infrastructure assets and record accumulated depreciation for those assets acquired prior to October 1, 2002 in accordance with GASB Statement No. 34.

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

- The improper calculation of capitalized interest in previous years, combined with the failure to transfer capitalized interest on completed projects to the correct asset category and record related depreciation, resulted in a prior period adjustment of \$616,678 in the water fund and the business-type activities.
- Capital asset roll-forward schedules initially provided, which detailed the City's capital assets, by category, for each proprietary fund and the governmental activities, as well as current year depreciation and accumulated depreciation, were not accurate. We noted that the accumulated depreciation and the current year depreciation expense was not allocated between the asset categories, but rather was in a lump sum. We further noted that certain assets were not reflected in the proper categories.
- In the 2008 fiscal year, capital asset records were input into the new system purchased to maintain capital asset records. We noted that, in several instances, useful lives were not properly input, and, as a result, depreciation was calculated using the incorrect life. We further noted that acquisition dates, in many instances, were also not accurately entered. Based on our analysis, adjustments were required in several funds to reflect the proper depreciation expense for the current year.
- During the fiscal year, the City sold capital assets at an auction. These assets could not be deleted from the capital asset records because City personnel were unable to identify the assets in the capital asset records.

#### *Effect*

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

#### *Cause*

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

#### *Recommendation*

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

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

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

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

Supervisory staff of the Finance Department have taken an active role in the recording and oversight of the record maintenance and reporting of the City's net capital assets as this was transitioned from the use of external accounting consultants using Excel spreadsheets to the use of the City's new financial accounting system on 10-1-08. Staff and supervisory errors in the manual transition of the more than 8,000 asset records have been subsequently corrected by new staff members in the Department and will not recur in future periods. Assignment of capital asset responsibilities to Finance Department staff will be reviewed by supervisory personnel to ensure that all assets are correctly captured and properly recorded in the financial records. A reconciliation will be performed to ensure the subsidiary ledger of the new financial software system is in agreement with amounts reflected on the general ledger. Asset supporting records will segregate capital assets and accumulated depreciation by asset category to facilitate the reconciliation, as well as the preparation of the required note disclosures in the financial statements. The Finance Department does plan to engage a consulting firm to perform an inventory of all City assets during 2009/10 to ensure the existence of all capital assets currently being reported.

#### **08-03 Deposits**

##### ***Criteria***

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

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

##### ***Condition***

- The bank reconciliations for the General Fund bank account, the Community Redevelopment Agency bank account and the Utilities bank account contained invalid reconciling items. We noted that each of these accounts contained transfers between accounts as reconciling items, however, the transfers never occurred. These transfers totaled approximately \$1.9 million and resulted in audit adjustments in numerous funds.



# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

- We noted that there were balances reflected on the books and records for cash accounts that had been closed out, as well as accounts that could not be identified.
- We noted that a public depository identification and acknowledgement form had not been obtained for the Community Redevelopment Agency bank account which had a balance of approximately \$5 million as of September 30, 2008. As such, the funds in excess of the FDIC level of \$100,000 as of the fiscal year end were not insured.

#### *Cause*

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

#### *Effect*

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

#### *Recommendation*

We recommend that all reconciling items included on the bank reconciliations be reviewed to determine their validity. All balances reflected on the books and records for cash should be validated.

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

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

All City bank reconciliations are reviewed and approved in writing each month by supervisory staff. Balances reflected on the books and records for cash are validated and reconciled to the balances reflected on the respective reconciliation. The cash transfer noted in this comment resulted from the planned transition to a pooled-cash process of the new financial accounting system which will not recur. The City has obtained and delivered appropriate forms to the State for from each qualified depository for each account. This State form was unknown to the City's financial management and has been corrected through the identification of this year's audit.

#### *08-04 Grant Accounting*

##### *Criteria*

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

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Condition*

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

#### *Cause*

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

#### *Effect*

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

#### *Recommendation*

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

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

During 2008 City financial supervisory staff implemented a Grant Fund to more easily identify and monitor expenditures incurred of reimbursable grants to ensure that the books and records reflect the proper related revenue. This implementation was done with good intent but was poorly performed in terms of its financial accounting execution. Recent staff replacements will help to ensure that grant funds are properly recorded and reviewed to ensure that the proper receivables/deferrals are recorded in the financial records. The City's new Controller will review financial records to ensure that all grant transactions have been properly recorded.

# **CITY OF LAKE WORTH, FLORIDA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

#### ***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 performing our 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. We noted that many quantities and dollar amounts were unchanged from the prior year indicating that they could be obsolete. We also noted that in various instances, quantities changed but prices did not. Currently included in inventory are 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 fully qualified 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***

We recommend 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.

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

Electric inventory identification and control is being moved to oversight by the Utility Director. The Utility Director will develop procedures of oversight and matching the correct employee with the responsibility for annual inventory of Utility inventory. The Utility Director will also recommend use of an independent source to evaluate current inventory usefulness at year-end and review the inventory disbursement process to ensure the FIFO method is continuing to be followed and any special inventory ordered is being utilized or is returned.

#### ***08-06 Receivables***

##### ***Criteria***

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

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Condition*

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

#### *Cause*

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

#### *Effect*

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

#### *Recommendation*

We recommend that procedures be put into place where accounts receivable balances are reviewed at least quarterly to determine validity and collectibility. Accrual calculations should be reviewed by supervisory personnel prior to entry into general ledger. For receivables that are determined to be uncollectible, the City should consider setting a dollar limit that requires written authorization by the City Attorney's office, with approval by the City Commission, to write the amounts off the books and records.

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

We further recommend that the City closely monitor receivables that are greater than sixty days and that although an allowance has been set up, the City continue to actively seek to recover those receivables.

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

The Finance Department has established procedures during 2008 where accounts receivable balances are reviewed quarterly to determine validity and collectibility. An array of receivable balances recorded into the general ledger in the prior year's general ledger will be transferred into the new financial system subsidiary accounts during 2009/10 to consolidate balances and improve monitoring. Revenue accrual calculations and Commission agenda actions are reviewed and approved by supervisory financial personnel prior to entry into general ledger, however staff absences and vacancies limited their effectiveness during the past year. The City halted account write-offs in early 2007 when it was determined that delinquent Utility accounts were being removed from the financial system. The Finance Department will recommend setting a dollar limit for all City billing account write-offs that requires written authorization by the City Manager's office and possible approval by the City Commission to remove balances from the financial records. The Finance Department is closely monitoring receivables greater than sixty days for both recording of allowances and to actively seek to recover those receivables through the help of a collection agency.

#### *08-07 Pension Benefit Calculations*

##### *Criteria*

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

##### *Condition*

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

##### *Cause*

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

##### *Effect*

Pension benefit expenses are misstated due to the incorrect calculations. Also, we were unable to perform the test of benefit payments for the one retiree whose benefit calculation form could not be located.

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Recommendation*

The calculation of the retiree benefit payments should be reviewed by the plans' actuary and corrective action should be taken to recover overpayments from retirees. Employee files should be periodically reviewed by someone knowledgeable of the plans for the proper inclusion of the required documentation.

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

This matter was identified and reported to the City Administration and Pension Boards by the Finance Department in late 2007. Until this time, the City's pension records had been maintained by a staff member in the City Clerk's office. At the recommendation of the Finance Department, administration of City pension plans, including calculation of retiree benefits, was transferred to a contracting agent in January 2008. All benefit calculations are now reviewed by the pension actuary.

#### **Control Deficiencies**

##### *08-08 Encumbrances*

#### *Criteria*

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

#### *Condition*

During the course of our audit, we noted a \$148,000 purchase order which was carried forward and reflected as an encumbrance at year end that did not have an outstanding commitment associated with it.

#### *Cause*

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

#### *Effect*

An inaccurate reporting of reserved fund balance.

#### *Recommendation*

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

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

As a planning step for implementing a new financial system on October 1, 2008, the Finance Department repeatedly trained, explained and counseled purchasing staff regarding the importance of open year end purchase orders. Since this specific item was not discussed with the Finance Director during the course of the audit, this appears to be an isolated error or oversight relating to transition of purchasing items to the new financial system. The Finance Department does have written procedures regarding the proper reporting and carry forward of open purchase orders at year end and will continue to work closely with purchasing staff members to ensure encumbrances are properly recorded and released.

#### *08-09 Retainages*

##### *Criteria*

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

##### *Condition*

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

##### *Cause*

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

##### *Effect*

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

##### *Recommendation*

We suggest that procedures be implemented to ensure that all retainages are recorded simultaneously when payments are made to the contractors. At year end, we further suggest that all progress billings for construction projects be reviewed to ensure retainages, where applicable, are properly recorded.

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

The Finance Department hired new staff members in 2009 to improve and address weaknesses in the oversight of capital projects, capital assets and grant accounting. The Department will implement procedures with the new staff to ensure that all retainages are recorded simultaneously when payments are made to the contractors. At year end, all progress billings for capital projects will be reviewed to ensure retainages, where applicable, are properly recorded in the financial records.

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *08-10 Tracking Capital Projects*

##### *Criteria*

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

##### *Condition*

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

##### *Cause*

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

##### *Effect*

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

##### *Recommendation*

We recommend that the City revise their current mechanism for tracking capital costs and record the capital costs in the funds to which they relate.

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

As noted in the responses above, the Finance Department hired new staff members in 2009 to improve and address weaknesses in the oversight of capital projects, capital assets and grant accounting. The Department will implement procedures with the new staff to ensure that tracking capital costs is done accurately in the City's financial records.

#### *08-11 Interfund Reimbursements*

##### *Criteria*

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



# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Condition*

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

#### *Effect*

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

#### *Cause*

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

#### *Recommendation*

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

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

The Finance Department has been addressing the allocation of interfund costs over the past year. Allocations of insurance costs, pension, information technology, garage costs and general administration are all areas that the City will review and adjust procedures over the coming years. During FY2009/10, the Finance Department will review and document the methodology used to derive the general administrative costs reimbursed from other City funds.

### **Noncompliance Matters**

#### **08-12 Investments**

#### *Criteria*

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

#### *Condition*

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

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Cause*

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

#### *Effect*

Noncompliance with the established policies which can result in exposure to undue risk.

#### *Recommendation*

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

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

The City's investment policy was adopted in August 2008 after consult with the City's Internal Auditor and Investment Manager. Implementation of the policy included a period of transition (verbally requested at between 3 and 6 months) to the Investment Manager allowing them to reduce their repurchase % through prudent laddering in the purchase of other investment securities. The Finance Department has always assigned responsibility to a supervisory staff for monitoring investments on a monthly basis to ensure that the City's investments comply with established policies.

### 08-13 *Bond Covenant Compliance*

#### *Criteria*

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

#### *Condition*

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

#### *Cause*

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

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Effect*

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

#### *Recommendation*

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

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

The City recognizes delays in the start of audit fieldwork contribute to delays in completion of the annual audited financial statements. The audit engagement letter reflected audit fieldwork for FY2008 beginning in February. In the future, the Finance Department will be ready no later than January following the September fiscal year end in coming years to have the audit begin. This should ensure the audited statements are completed by June.

### 08-14 *Unclaimed Property Report*

#### *Criteria*

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

#### *Condition*

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

#### *Cause*

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

#### *Effect*

The City is not in compliance with a Florida Statute.

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

#### *Recommendation*

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

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

The Finance Department is in the process of hiring new staff and will be reevaluating each position's responsibilities, including this process. The Finance Department supervisory staff will ensure the City is in compliance going forward.

#### **08-15 Labor Contracts**

#### *Criteria*

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

#### *Condition*

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

#### *Cause*

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

#### *Effect*

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

#### *Recommendation*

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

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

The City union contract negotiations were done unilaterally through the City Labor Attorney, resulting in agreements long after the conclusion of the previous contract. These agreements resulted in substantial retroactive calculations of pay and benefits. The City Labor Attorney did not provide briefs of the contract changes at the conclusion of negotiations. Therefore, specific details were unknown to the City's Human Resources and Finance Departments. A collaborative approach between Human Resources, Legal and Finance on future negotiations will ensure isolated contract changes are broadly known and specifically addressed.

#### **Other Matters**

##### *08-16 Fund Deficits*

#### *Criteria*

The Golf Course Fund and Information Technology Fund have deficit balances in unrestricted net assets as of September 30, 2008 of \$1,517,030 and \$4,134, respectively. The Refuse Collection and Disposal has an unrestricted deficit of \$1,679,666 as of September 30, 2008, and a total fund deficit of \$469,320. In addition, the Law Enforcement and Firefighters Education Fund and the Capital Improvements Capital Projects Fund have unreserved undesignated deficits of \$4,813 and \$182,416, respectively, as of September 30, 2008.

#### *Condition*

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*

We suggest 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 out made to the General Fund.

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

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

The Finance Department prepares monthly financial reports and distributes them to management staff and Commission. These reports reflect comparisons to approved budgets and includes a narrative for significant variances. The City Administration has been actively adjusting service rates/fees as well as constraining operating costs to help ensure continuing operations become self-supporting and avoid undue reliance on a subsidy from the General Fund. In addition, there has been some change in management personnel in these areas to better manage these areas.

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

##### *Criteria*

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

##### *Condition*

It was noted that the City has not had a review of the landfill long-term post-closure care costs since October of 1995.

##### *Cause*

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

##### *Effect*

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

##### *Recommendation*

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

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

The City Public Services Department will perform a reevaluation of the long term land fill care estimated liability during 2009/10 to ensure all current factors are taken into consideration in estimating the continuing cost of long-term care.

#### *08-18 Finance Department Staffing*

##### *Condition*

Client's responses for the FY2006 Management Letter Findings continually referred to the turnover of professional accounting staff and that a new City Financial Management Team would be assembled by

# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

the end of fiscal year 2008. During the 2007 fiscal year, there were several additions to the professional staff within the Finance Department. Also, shortly after the fiscal year end, another new addition and a transfer from another department to the professional staff made the department complete in the number of employees. During the 2008 fiscal year, the City was without a controller and that position was not filled until approximately six months after the year end. Although this position was filled, as of the completion of our audit engagement, several staff within the Finance Department left the employ of the City and therefore, the City is once again not fully staffed in the Finance Department.

#### *Recommendation*

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

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

The professional staff of the Finance Department was completely turned over in 2006/07 causing a loss of experience and a documented absence of standard processes and procedures. Since mid-2007, three new Finance staff worked to recreate and document standard City financial procedures. This was done while conducting County negotiations for water, Police and Fire, refinancing \$66 million of utility debt, improving utility account collections and implementing a new financial accounting system. Inexperienced accounting staff have been replaced subsequent to the 2008 audit and new staff are working to establish current policies and procedures with the new financial system and address remaining corrective actions that need to be implemented to strengthen the Finance Department. The re-establishment of a Department secretary and Senior Accountant for billing, receipts, investments and banking will help to speed the Department's improvements over that of the past year.

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

#### **Significant Deficiencies – Material Weakness**

##### *08-19 Internal Controls over Compliance*

#### *Criteria*

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

#### *Condition*

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

# **CITY OF LAKE WORTH, FLORIDA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**

#### ***Cause***

City personnel have not implemented procedures to ensure compliance with grant compliance.

#### ***Effect***

This creates a lack of sufficient controls over grant administration and the City risks losing certain grant funding.

#### ***Recommendation***

The City needs to have an adequate system of internal control over compliance in place that monitors and ensures compliance.

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

As discussed in many of management's responses above, the City Administration will establish an adequate system of internal control over grant awards that monitors and ensures compliance with all grant agreements. Many of these controls will come as a result of more narrow financial accounting job duties as a result of increased Department staffing. The planned development of a City Financial Procedures Manual during 2009/10 will also serve to document an array of internal control improvements for the City, including those relating to grant awards.

### **Noncompliance Matters**

#### ***08-20 Report Filing***

#### ***Criteria***

Circular A-133, Part C - §320 requires the completion of the audit and submission of the data collection form and reporting package within the earlier of 30 days after receipt of the auditor's or nine months after the end of the audit period.

#### ***Condition***

The City did not submit the reporting package by the due date of June 30, 2009.

#### ***Questioned Costs***

None.

#### ***Cause***

The late completion of the audit due to extensive adjustments required to properly present the City's financial statements.



# CITY OF LAKE WORTH, FLORIDA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

#### *Effect*

None.

#### *Recommendation*

We recommend that the City comply with Circular A-133 compliance requirements for timely audit completion and reporting by filing the required reports in a timely manner or obtaining a waiver in advance from the oversight agency.

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

As stated previously, the City recognizes delays in the start of audit fieldwork contribute to delays in completion of the annual audited financial statements. The audit engagement letter reflected audit fieldwork for FY2008 beginning in February. In the future, the Finance Department will be ready no later than January following the September fiscal year end in coming years to have the audit begin. This should ensure the audited statements are completed by June.

### PRIOR YEAR FEDERAL AWARD FINDINGS NOT IMPLEMENTED

#### Noncompliance Matters

##### *06-18 Capital Asset Identification*

#### *Criteria*

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

#### *Condition*

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

#### *Questioned Costs*

None.

#### *Cause*

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

# **CITY OF LAKE WORTH, FLORIDA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)**

#### ***Effect***

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

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

The City is aware of the requirements for identification of the federal percentage of participation in property acquisition as this was delivered personally to Finance staff following last year's audit. With the purchase of the new accounting software, a capital asset module was purchased. This module was put into operations with the transfer of capital asset information from the excel spreadsheets previously being used for capital asset management. The additions for the FY2008 were also inputted with the identification the asset was purchased with federal and/or state grant money. As noted in the responses above, the Finance Department hired new staff members in 2009 to improve and address weaknesses in the oversight of capital projects, capital assets and grant accounting. The Department will transfer these procedures to the new staff to ensure tracking of capital costs is done accurately in the City's financial records.

### **SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

#### **PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS NOT IMPLEMENTED**

##### **Noncompliance Matters**

##### ***06-21 Capital Asset Identification***

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

##### ***Criteria***

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

##### ***Condition***

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

##### ***Questioned Costs***

None.

# **CITY OF LAKE WORTH, FLORIDA**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

### **SECTION IV – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS (Continued)**

#### ***Effect***

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

#### ***Cause***

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

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

The City is aware of requirements for the identification of the state percentage of participation in property acquisition as this was delivered personally to Finance staff following last year's audit. With the purchase of the new accounting software, a capital asset module was purchased. This module was put into operations with the transfer of capital asset information from the excel spreadsheets previously being used for capital asset management. The additions for the FY2008 were also inputted with the identification the asset was purchased with federal and/or state grant money. As noted in the responses above, the Finance Department hired new staff members in 2009 to improve and address weaknesses in the oversight of capital projects, capital assets and grant accounting. The Department will transfer these procedures to the new staff to ensure tracking of capital costs is done accurately in the City's financial records.