

CITY OF EAGLE LAKE, FLORIDA

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

September 30, 2007

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MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2007

As management of the City of Eagle Lake, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 2.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,872,064 (net assets). Of this amount, \$952,651 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$799,025.
- As of the close of the current fiscal year, the City's general fund (governmental fund level) reported ending fund balance of \$460,659, an increase of \$33,224 in comparison with the prior year. Of this total amount, \$231,595 is available for spending at the government's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. 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 presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported in a manner similar to the approach used by private-sector business in that revenue are recognized when earned or established criteria are satisfied and expenses reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the year, and expenses are reported even though they may not have used cash during the current fiscal year.

Both of the government-wide financial 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). The governmental activities of the City include general government, police, streets, stormwater maintenance, parks and recreation and community redevelopment. The business-type activities of the City include the water, wastewater and sanitation departments.

The government-wide financial statements can be found on pages 2 and 3 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

Fund financial statements: Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the City, rather than reporting on the City as a whole. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds, the General Fund and the Community Redevelopment Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The basic governmental fund financial statements can be found on pages 4 through 7 of this report.

Proprietary funds: The City utilizes one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City used an enterprise fund to account for its water, sewer and sanitation departments.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer operations.

The basic proprietary fund financial statements can be found on pages 8 to 10 of this report.

All of the city's funds are considered major funds.

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 on pages 11 to 26 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund and CRA Fund Budgetary Comparison. Required supplementary information can be found on pages 27 and 28 of this report.

Government-wide Financial Analysis

A comparative analysis of government-wide data is presented below:

Statement of Net Assets (Summary)
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$ 622,488	\$ 695,201	\$ 1,689,796	\$ 2,041,765	\$ 2,312,284	\$ 2,736,966
Capital assets	1,710,877	2,136,277	4,177,935	4,058,858	5,888,812	6,195,135
Total assets	\$ 2,333,365	\$ 2,831,478	\$ 5,867,731	\$ 6,100,623	\$ 8,201,096	\$ 8,932,101
Long-term liabilities outstanding	\$ 1,519,071	\$ 1,454,749	\$ 2,290,991	\$ 2,236,458	\$ 3,810,062	\$ 3,691,207
Other liabilities	133,838	159,256	184,157	209,574	317,995	368,830
Total liabilities	\$ 1,652,909	\$ 1,614,005	\$ 2,475,148	\$ 2,446,032	\$ 4,128,057	\$ 4,060,037
Net assets:						
Invested in capital assets, net of related debt	\$ 309,370	\$ 697,924	\$ 1,928,102	\$ 1,871,159	\$ 2,237,472	\$ 2,569,083
Restricted	136,796	229,064	748,697	1,121,266	885,493	1,350,330
Unrestricted	234,290	290,485	715,784	662,166	950,074	952,651
Total net assets	\$ 680,456	\$ 1,217,473	\$ 3,392,583	\$ 3,654,591	\$ 4,073,039	\$ 4,872,064

Fifty-three percent (53%) of the City's net assets reflect its investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Twenty eight percent (28%) of the City's net assets represents resources that are subject to external restrictions on how they may be used and are reported as restricted net assets. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

The following is a summary of the information presented in the Statement of Activities on page 3 of this report.

Statement of Activities (Summary)
For the year ended September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program Revenues:						
Charges for services	395,381	479,417	823,217	949,014	1,218,598	1,428,431
Operating grants and contributions	31,695	31,027			31,695	31,027
Capital grants and contributions	22,996	519,771	925,906	381,345	948,902	901,116
General revenues:						
Property taxes	379,291	527,824			379,291	527,824
Franchise/Public Ser. Tax	310,165	330,358			310,165	330,358
State shared revenues	281,276	236,678			281,276	236,678
Other	17,495	23,388	27,432	89,094	44,927	112,482
Total revenues	1,438,299	2,148,463	1,776,555	1,419,453	3,214,854	3,567,916
Expenses:						
General government	630,748	639,791			630,748	639,791
Library	61,247	66,672			61,247	66,672
Police	387,097	432,451			387,097	432,451
Building and zoning		23,591			-	
Streets	236,268	207,127			236,268	207,127
Stormwater	9,016	4,386			9,016	4,386
Parks and recreation	171,346	276,348			171,346	276,348
Community redevelopment	14,668	18,448			14,668	18,448
Interest on long-term debt	67,480	65,969			67,480	65,969
Public utilities			740,486	944,200	740,486	944,200
Total expenses	1,577,870	1,734,783	740,486	944,200	2,318,356	2,655,392
Increase (decrease) in net assets before transfers	(139,571)	413,680	1,036,069	475,253	896,498	912,524
Transfers	123,337	123,337	(123,337)	(123,337)	-	-
Increase (decrease) in net assets	(16,234)	537,017	912,732	351,916	896,498	912,524
Net assets - October 1	696,690	680,456	2,479,851	3,392,583	3,176,541	4,073,039
Net assets - September 30	680,456	1,217,473	3,392,583	3,744,499	4,073,039	4,985,563

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2007

Governmental activities: Governmental activities net assets increased by \$537,017 as compared to a decrease of \$16,234 for the prior year. Several reasons contributed to the increase. The City received capital contributions and grants totaling \$519,771 compared to \$22,996 in the prior year.

The City's program revenues went from \$450,072 in 2006 to \$1,030,215 in 2007 due primarily to capital contributions and grants totaling \$519,771 in 2007 compared to \$22,996 in 2006. Total governmental activities expenses increased from \$1,577,870 in 2006 to \$1,734,783 in 2007 with the increase mainly the result of repair and maintenance expenses incurred in the parks and recreation department in 2007.

Business-type activities: Business-type activities increased the City's net assets by \$351,916 in 2007 compared to \$912,732 in 2006. This decrease is mainly due to a decrease in capital contributions in 2007 which totaled \$381,345 versus \$925,906 in 2006 and is largely attributable to higher impact fees due to greater residential development in the City during 2006.

- Operating revenue consisting of charges for services increased from \$823,217 in 2006 to \$949,014 mainly because of an increase in the City water rates and commercial garbage rates.
- Total expenses increased from \$740,486 in 2006 to \$944,200 in 2007 due primarily to an increase of \$108,745 in contract sanitation expenses as well as an increase in depreciation expense of \$40,728 and an increase in interest expense of \$18,372 due to increased borrowings.

Financial Analysis of the Government's Funds

Governmental funds: The focus of the City's governmental funds statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds (the general fund and CRA) reported ending fund balances of \$567,698, an increase of \$46,595 in comparison with the prior year. Of this total, \$231,595 for the general fund and \$69,954 for the CRA constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved by enabling legislation or contract and can only be spent on the purposes for which it is intended.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

Activity during the current fiscal year included the following key components:

- Total governmental funds revenues increased by \$654,983, excluding transfers from the enterprise fund and impact fees due to increased property tax revenue and increased capital grants and contributions for various City projects.
- Total governmental funds expenditures increased by \$613,121 primarily due to increased capital outlay and debt service expenditures.

Proprietary funds: The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The major changes between 2007 and 2006 are discussed above under the "business-type activities" heading.

General Fund Budgetary Highlights

The general fund's budget was amended subsequent to September 30, 2007. Actual resources were less than budgeted resources by \$60,917 due mainly to greater than expected resources from grant funding agencies. Actual charges to appropriations were less than budgeted by \$59,492 due mainly to lower than expected outflows of resources for legal services.

The CRA's actual resources exceeded budget by \$7,041 and actual charges to appropriations were less than budgeted by \$60,830 due mainly to lower than expected outflows related to the decorative street light project.

Capital Assets and Debt Administration

Capital assets: The city's investment in capital assets for its governmental and business type activities as of September 30, 2007, amounts to \$6,195,135 (net of accumulated depreciation) which is an increase of 5%. This increase is largely the result of various City projects including drainage improvements and building renovation.

Information on the City's capital assets is summarized in the following table.

Capital Assets Activity

(net of depreciation)
as of September 30.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Land	\$225,891	\$225,891	\$28,527	\$28,527	\$254,418	\$254,418
Buildings and improvements	1,322,286	1,282,892	3,472,121	3,993,330	4,794,407	5,276,222
Equipment	87,137	79,970	46,768	37,001	133,905	116,971
Construction in progress	75,563	524,381	630,519		706,082	524,381
Infrastructure		23,143				23,143
Total	\$1,710,877	\$2,136,277	\$4,177,935	\$4,058,858	\$5,888,812	\$6,195,135

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2007

Additional information on the City's capital assets can be found in note 6 on page 20 of this report.

Long-Term Debt: As shown in the table below, the City had total long-term debt outstanding of \$3,627,222, which represents a decrease of 3% over the prior year.

Revenue Notes and Notes Payable
as of September 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2007	2006	2007	2006	2007
Revenue notes	\$1,335,000	\$1,300,000	\$1,701,360	\$2,217,277	\$3,036,360	\$3,517,277
Notes payable	120,766	109,945	577,582	0	\$698,348	109,945
Total	\$1,455,766	\$1,409,945	\$2,278,942	\$2,217,277	\$3,734,708	\$3,627,222

Additional information on the City's long-term debt can be found in note 7 on page 22 of this report.

Economic Factors and Next Year's Budgets and Rates

It is anticipated that the following significant items will affect the 2008 fiscal year:

- Long-term debt payment for sewer line expansion
- Long-term debt payment for water line expansion
- Contract with Polk County Sheriff
- Ongoing drainage improvements
- Ongoing building renovations
- Property tax roll back and potential tax reforms

All of these significant factors were considered in preparing the City's budget for the 2008 fiscal year, and are expected to influence the City's fiscal year 2008 financial results.

Requests for information

This financial report is designed to provide a general overview of the City of Eagle Lake, Florida, finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Eagle Lake, P.O. Box 129, Eagle Lake, Florida 33839.

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of City Commission
City of Eagle Lake, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of **City of Eagle Lake, Florida** as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **City of Eagle Lake, Florida's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the **City of Eagle Lake, Florida** as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2008 on our consideration of **City of Eagle Lake, Florida's** internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison schedules, as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

January 30, 2008

CITY OF EAGLE LAKE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
as of September 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 91,066	\$ 621,958	\$ 713,024
Receivables, current:			
Customer accounts, net	51,316	126,499	177,815
Intergovernmental	253,958		253,958
Franchise and public service taxes	32,713		32,713
Inventories		10,749	10,749
Restricted assets:			
Cash and cash equivalents	266,148	1,252,981	1,519,129
Deferred loan costs		29,578	29,578
Capital assets:			
Non-depreciable	750,272	28,527	778,799
Depreciable, net	1,386,005	4,030,331	5,416,336
TOTAL ASSETS	2,831,478	6,100,623	8,932,101
LIABILITIES			
Accounts payable	52,129	24,843	76,972
Construction costs payable	65,493		65,493
Accrued payroll and expenses	9,881	3,560	13,441
Due to other governments		71,263	71,263
Liabilities payable from restricted assets:			
Accrued interest payable	31,753	6,123	37,876
Customer deposits		103,785	103,785
Long-term liabilities:			
Due within one year	46,248	75,471	121,719
Due in more than one year	1,408,501	2,160,987	3,569,488
TOTAL LIABILITIES	1,614,005	2,446,032	4,060,037
NET ASSETS			
Invested in capital assets, net of related debt	697,924	1,871,159	2,569,083
Restricted for:			
Water system improvements		682,125	682,125
Sewer system improvements		439,141	439,141
Revenue bond retirement	32,747		32,747
Police education	121		121
Building code enforcement	63,495		63,495
Transportation infrastructure	77,326		77,326
Public building improvements	41,898		41,898
Parks and recreation facilities	13,477		13,477
Unrestricted	290,485	662,166	952,651
TOTAL NET ASSETS	\$ 1,217,473	\$ 3,654,591	\$ 4,872,064

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 639,791	\$ 110,108	\$	\$ 312,155	\$ (217,528)	\$	\$ (217,528)
Building and code enforcement	23,591	75,434			51,843		51,843
Library	66,672	26,013	27,570		(13,089)		(13,089)
Community redevelopment	18,448	1,652	3,457		(13,339)		(13,339)
Law enforcement	432,451	9,297		6,000	(417,154)		(417,154)
Streets	207,127	209,217			2,090		2,090
Stormwater	4,386	40,736		163,139	199,489		199,489
Parks and recreation	276,348	6,960		38,477	(230,911)		(230,911)
Interest on long-term debt	65,969				(65,969)		(65,969)
Total governmental activities	1,734,783	479,417	31,027	519,771	(704,568)		(704,568)
Business-type activities:							
Water utility	368,487	402,713		322,425		356,651	356,651
Wastewater utility	369,438	311,516		58,920		998	998
Sanitation	206,275	234,785				28,510	28,510
Total business-type activities	944,200	949,014		381,345		386,159	386,159
TOTAL PRIMARY GOVERNMENT	\$ 2,678,983	\$ 1,428,431	\$ 31,027	\$ 901,116	(704,568)	386,159	(318,409)
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					527,824		527,824
Franchise taxes					137,708		137,708
Public service taxes					192,650		192,650
State shared revenue					236,678		236,678
Investment earnings					18,832	85,440	104,272
Other revenues					4,556	3,654	8,210
Transfers					123,337	(123,337)	
Total general revenues, special items, and transfers					1,241,585	(34,243)	1,207,342
Change in net assets					537,017	351,916	888,933
NET ASSETS - as previously reported					680,456	3,392,583	4,073,039
Restatement (see Note 13)						(89,908)	(89,908)
NET ASSETS - restated					680,456	3,302,675	3,983,131
NET ASSETS - end of year					\$ 1,217,473	\$ 3,654,591	\$ 4,872,064

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
as of September 30, 2007

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Equity in pooled cash and cash equivalents	\$ 22,112	\$ 68,954	\$ 91,066
Receivables, net			
Customer accounts, net	50,316	1,000	51,316
Intergovernmental	253,958		253,958
Franchise and public service taxes	32,713		32,713
Restricted assets:			
Cash and cash equivalents	<u>229,063</u>	<u>37,085</u>	<u>266,148</u>
TOTAL ASSETS	<u>\$ 588,162</u>	<u>\$ 107,039</u>	<u>\$ 695,201</u>
LIABILITIES AND FUND EQUITY			
Accounts payable	\$ 52,129	\$	\$ 52,129
Construction costs payable	65,493		65,493
Accrued payroll	<u>9,881</u>		<u>9,881</u>
TOTAL LIABILITIES	<u>127,503</u>		<u>127,503</u>
FUND BALANCE			
Reserved:			
Revenue bond retirement	32,747		32,747
Police education	121		121
Building code enforcement	63,495		63,495
Transportation infrastructure	77,326		77,326
Public building improvements	41,898		41,898
Parks and recreation facilities	13,477		13,477
Lighting project		37,085	37,085
Unreserved, reported in:			
General fund	231,595		231,595
Special revenue fund		69,954	69,954
TOTAL FUND BALANCE	<u>460,659</u>	<u>107,039</u>	<u>567,698</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 588,162</u>	<u>\$ 107,039</u>	<u>\$ 695,201</u>

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
as of September 30, 2007

FUND BALANCES-TOTAL GOVERNMENTAL FUNDS	\$ 567,698
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	2,136,277
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds.	(31,753)
Long-term liabilities (including compensated absences) are not payable from current resources and therefore they are not reported in the governmental funds.	<u>(1,454,749)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,217,473</u>

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
for the year ended September 30, 2007

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 940,991	\$ 75,226	\$ 1,016,217
Licenses and permits	23,402		23,402
Intergovernmental revenue	772,691		772,691
Charges for services	192,714	1,652	194,366
Fines and forfeitures	10,311		10,311
Other	50,983	9,033	60,016
Total revenues	<u>1,991,092</u>	<u>85,911</u>	<u>2,077,003</u>
EXPENDITURES:			
General government	564,082		564,082
Public safety	446,222		446,222
Physical environment	4,386		4,386
Transportation	193,314		193,314
Economic development		36,678	36,678
Culture/recreation	311,173		311,173
Capital outlay	529,415	20,420	549,835
Debt service	101,667	15,442	117,109
Total expenditures	<u>2,150,259</u>	<u>72,540</u>	<u>2,222,799</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(159,167)</u>	<u>13,371</u>	<u>(145,796)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out)	123,337		123,337
Impact fees	69,054		69,054
Total other financing sources	<u>192,391</u>		<u>192,391</u>
NET CHANGE IN FUND BALANCE	33,224	13,371	46,595
FUND BALANCE, beginning of year	<u>427,435</u>	<u>93,668</u>	<u>521,103</u>
FUND BALANCE, end of year	<u>\$ 460,659</u>	<u>\$ 107,039</u>	<u>\$ 567,698</u>

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
for the year ended September 30, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 46,595**

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

This is the amount of capital assets recorded in the current period	522,248
This is the amount of depreciation recorded in the current period	(92,026)
This is the book value of dispositions recorded in the current period	(4,822)

Long-term obligations are reported in the government-wide statement of activities and changes in net assets as liabilities, but not at the fund level as they do not require the use of current financial resources and therefore are reported as revenues when received and expenditures when paid:

This amount represents long-term debt repayments, excluding inter-fund debt	45,821
This amount represents the change in compensated absence liability	18,501
This amount represents the change in accrued interest	700

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 537,017**

CITY OF EAGLE LAKE, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
as of September 30, 2007

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 621,958
Customer accounts receivable, net	126,499
Inventory	10,749
Total current assets	<u>759,206</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	1,252,981
Capital assets:	
Non-depreciable	28,527
Depreciable, net	4,030,331
Deferred loan costs	29,578
Total noncurrent assets	<u>5,341,417</u>
TOTAL ASSETS	<u>6,100,623</u>
LIABILITIES	
Current liabilities:	
Accounts payable	24,843
Due to other governments	71,263
Accrued payroll	3,560
Accrued interest payable	6,123
Bonds and notes payable, current	75,471
Total current liabilities	<u>181,260</u>
Noncurrent liabilities:	
Compensated absences	19,181
Liabilities payable from restricted assets:	
Customer deposits	103,785
Bonds and notes payable, noncurrent portion	2,141,806
Total noncurrent liabilities	<u>2,264,772</u>
TOTAL LIABILITIES	<u>2,446,032</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,871,159
Restricted for:	
Water system improvements (expendable)	682,125
Sewer system improvements (expendable)	439,141
Unrestricted	662,166
TOTAL NET ASSETS	<u>\$ 3,654,591</u>

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
for the year ended September 30, 2007

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Charges for services:	
Water and sewer customer user fees	\$ 714,229
Sanitation customer user fees	234,785
Total charges for services	<u>949,014</u>
Total operating revenues	<u>949,014</u>
OPERATING EXPENSES:	
Personal services	166,799
Operating expenses	539,181
Depreciation	168,835
Total operating expenses	<u>874,815</u>
OPERATING INCOME	<u>74,199</u>
NONOPERATING REVENUE (EXPENSE):	
Interest expense	(69,385)
Interest revenue	85,440
Other revenue	3,654
Total nonoperating revenues (expenses)	<u>19,709</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>93,908</u>
CAPITAL CONTRIBUTIONS	
Impact fees	381,345
Total capital contributions	<u>381,345</u>
TRANSFERS IN (OUT)	<u>(123,337)</u>
Change in net assets	351,916
TOTAL NET ASSETS - as previously reported	3,392,583
Restatement (see Note 12)	(89,908)
TOTAL NET ASSETS - restated	<u>3,302,675</u>
TOTAL NET ASSETS - end of year	<u>\$ 3,654,591</u>

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
for the year ended September 30, 2007

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 935,302
Payments to suppliers	(584,458)
Payments for salaries and benefits	(161,793)
Net cash flows from operating activities	<u>189,051</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in customer deposits	6,982
Decrease in amounts due to other governments	(18,645)
Transfers to other funds	(123,337)
Net cash flows from noncapital financing activities	<u>(135,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(49,907)
Proceeds from borrowings	651,455
Principal paid on long-term debt	(661,235)
Interest paid on borrowings	(67,673)
Capital contributions received, net of change in related receivable	381,345
Net cash flows from capital and related financing activities	<u>253,985</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on invested funds	85,440
Net cash flows from investing activities	<u>85,440</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	393,476
CASH AND CASH EQUIVALENTS, beginning of year	1,481,463
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,874,939</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 74,199
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	168,835
(Increase) decrease in accounts receivable	(13,712)
Increase (decrease) in amounts due to other funds	(38,313)
Increase (decrease) in accounts payable	(10,298)
Increase (decrease) in accrued wages and comp absences	5,006
Bond cost amortization	3,334
Net cash flows from operating activities	<u>\$ 189,051</u>
Noncash financing and investing activities:	<u>\$ none</u>

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements for their business-type activities and proprietary fund types. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

The City of Eagle Lake, Florida (the "City") is a Municipal Corporation incorporated in 1921 by Chapter 8943, Laws of Florida. The Corporation operates under a charter form of government created by an unnumbered City Ordinance dated November 11, 1975, and most recently recodified and readopted by Ordinance No. 596 in 1978 and again in 1993 by Ordinance No. 93-7. The City is governed by a board of five elected commissioners. These financial statements include all of the funds, organizations, agencies, departments and account groups of the City (the "primary government") and any "legally separate entities ("component units") required by generally accepted accounting principles to be included in the reporting entity.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Certain of the component units, although legally separate, are presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds and account groups are combined with those of the primary government for financial reporting purposes. The entity included as a blended component unit of the primary government is the Eagle Lake Community Redevelopment Authority ("CRA") which was created by Ordinance 00-06. The CRA does not issue a separately audited Component Unit Financial Statement (CUFS). The financial reporting entity does not include the assets of the employee 401 defined contribution pension plan, which were determined not to be assets of the City.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

B. BASIC FINANCIAL STATEMENTS

The basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide Financial Statements - The required government-wide financial statements are the Statement of Net Assets and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements. The City has no fiduciary funds, however, if it did they would be excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *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 or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The City does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *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 or segment, 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*.

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. Due to the City's fund structure, there were no non-major funds. The various funds are reported by type within the financial statements.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

B. BASIC FINANCIAL STATEMENTS (cont...)

The following fund types and funds are used and reported by the City:

a) **Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Eagle Lake Community Redevelopment Authority** (the "CRA") was created by City Ordinance No. 00-06 pursuant to Florida Statutes chapter 163. Due to its profile in the community, the City electively added the Eagle Lake CRA as a major fund. The CRA has the power to levy taxes or appropriate funds to preserve and enhance the downtown Eagle Lake area. The CRA receives the incremental ad valorem taxes generated in future years by the increase in property values in the redevelopment area. The CRA's property taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The City commission also serves as the CRA's Board of Directors along with two additional appointed board members.

b) **Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City has one *Enterprise Fund* which accounts for the activities associated with providing potable water, sanitary sewer collection, and sanitation services to area residents.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

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

Operating revenues shown for proprietary operations generally result from producing or providing goods and services such as water and sewer. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services.

All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise and public service taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e. revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

CASH AND CASH EQUIVALENTS - Includes all bank demand deposits, certificates of deposit, money-market and savings accounts and all short-term highly liquid investment securities with a maturity of three months or less when purchased. At September 30, 2007, all of the City's cash and investments met this definition.

RECEIVABLES - The City accrues the unbilled service of its enterprise fund which represents the estimated value of service from the last billing date to year end and totalled \$31,251 at September 30, 2007. A reserve for doubtful accounts is maintained in the enterprise fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2007, such reserves totaled \$1,661.

INTERFUND BALANCES - The current portion of the interfund receivable and payable balances (denoted as "due from (to) other funds - current") represent expenditures or revenue attributable to one fund, but initially recorded in another fund. To the extent any current interfund balances exist, management anticipates that they will be settled in cash as opposed to a permanent transfer.

INVENTORY - Enterprise fund inventories are valued at the lower of cost or market determined on a first-in, first-out basis.

CAPITAL ASSETS - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, infrastructure, and furniture and equipment. Governmental fund infrastructure assets (e.g., roads, bridges, sidewalks, streets, drainage systems and lighting system) acquired prior to October 1, 2003, have not been reported. Capital assets are defined by City resolution as tangible property or improvements with an individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	20-40
Utility plant in service	38-49
Machinery and equipment	3-15

RESTRICTED ASSETS - Include cash and investments that are legally restricted to specific uses by external parties. The City generally uses restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

INTEREST COSTS - Interest costs are capitalized when incurred on debt where the proceeds are used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2007. Total interest charged to expense in the government-wide statement of activities was \$135,354.

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, discounts and issuance costs are deferred and amortized over the life of the bonds using the bonds outstanding method. Bond issuance costs are reported as assets, net of amortization. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES - Employees accumulate vacation days ranging from 6 to 28 days per year to a maximum total of 30 days (15 days for part-time employees). Accrued vacation is paid by the City upon retirement or termination. Accrued vacation paid upon the death of an active employee is not subject to the 15 or 30 day maximum.

Employees accumulate sick days ranging from 6 to 17 days per year without limitation. The City pays accrued sick leave to employees retiring or terminating with continuous service of at least two years at 25 percent to 50 percent of accrued sick leave depending on their years of service up to a maximum of 800 paid hours for employees hired prior to September 25, 2006, and 400 paid hours for employees hired thereafter.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

The liability for these compensated absences is recorded as long-term in the government wide statements and in the proprietary fund financial statements because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable from expendable available financial resources.

INTERFUND TRANSFERS - Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the Government-wide Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

CONNECTION FEES AND IMPACT FEES - Water and sewer connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received, which reserve capacity in the City's future water or sewer facilities, are deferred and reported as capital contributions when the requirements of the Developer agreements are met by the City.

EQUITY CLASSIFICATIONS -

Government-wide Statements - Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$1,350,330 of restricted net assets, of which \$1,317,585 is restricted by enabling legislation.
- c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance represents amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, the County, independent districts and the County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2007 was 8.5.

All taxes are due and payable on November 1 (levy date) of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTE 3 - BUDGETARY LAW AND PRACTICE

The budget is adopted by Ordinance on a City-wide basis for all City funds on or before October 1 of each year as required by State Statute. City Ordinance establishes the legal level of budgetary control at the individual fund level. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations subject to notification of the City commission; however, any revisions that alter the total expenditure of any fund must be approved by resolution. Budgets for all funds are adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes. These differences are usually not significant for the governmental funds, however they are for the enterprise fund as the budget includes capital outlay and debt principal repayments as expenses and does not include depreciation.

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Compliance With Finance Related Legal and Contractual Provisions - The City has no material violations of finance related legal and contractual provisions including with respect to investment of funds and long-term debt covenants.
- B. Deficit Fund Balance or Net Assets of Individual Funds - As of September 30, 2007, no individual fund had a deficit fund balance or net assets deficit.
- C. Excess of Expenditures Over Budget Appropriations in Individual Funds - For the year ended September 30, 2007, no budgetary fund had an excess of expenditures over appropriations.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 5 - DEPOSITS AND INVESTMENTS

DEPOSITS IN FINANCIAL INSTITUTIONS - Cities in Florida are required by State Statute Chapter 280 - "Security for Public Deposits Act", to deposit operating funds only with financial institutions who are members of the State of Florida collateral pool ("qualified public depositories"). The State of Florida collateral pool is a multiple financial institution collateral pool with the ability to make additional assessments to satisfy the claims of governmental entities if any member financial institution fails. This ability provides protection which is similar to depository insurance.

INVESTMENTS - The types of investments in which the City may invest are governed by State Statutes and City Policy. According to State Statutes, the City is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury and federal agencies and instrumentalities or repurchase agreements fully collateralized by such securities; and interest in an entity registered under the Investment Company Act of 1940 whose investments are limited to U.S. Governments. According to City policy, the City is authorized to invest in obligations issued or unconditionally guaranteed by the U.S. Government or its agencies and instrumentalities, including open-ended mutual funds whose underlying securities are comprised of these securities, direct obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit and savings accounts in State qualified public depositories.

The captions on the government-wide statement of net assets for "cash and cash equivalents", both restricted and unrestricted, are summarized below. There were no investment securities maintained during the year.

Equity in pooled cash and cash equivalents:		
Cash on hand	\$	215
Deposits in financial institutions:		
Insured or fully collateralized bank deposits, including non-negotiable certificates of deposit		<u>2,231,938</u>
Total cash and cash equivalents	\$	<u>2,232,153</u>

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2007 was as follows:

	Balance October 1, 2006	Reclassi- fications	Additions	Deletions	Balance September 30, 2007
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 225,891	\$	\$	\$	\$ 225,891
Construction in process	75,563		453,640	(4,822)	524,381
Total	<u>\$ 301,454</u>	<u>\$</u>	<u>\$ 453,640</u>	<u>\$ (4,822)</u>	<u>\$ 750,272</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,456,598	\$	\$ 18,789	\$	\$ 2,475,387
Equipment	359,304		26,400		385,704
Infrastructure			23,419		23,419
Total capital assets being depreciated	<u>2,815,902</u>		<u>68,608</u>		<u>2,884,510</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,134,312)		(58,183)		(1,192,495)
Equipment	(272,167)		(33,567)		(305,734)
Infrastructure			(276)		(276)
Total accumulated depreciation	<u>(1,406,479)</u>		<u>(92,026)</u>		<u>(1,498,505)</u>
Depreciable capital assets, net	<u>\$ 1,409,423</u>	<u>\$</u>	<u>\$ (23,418)</u>	<u>\$</u>	<u>\$ 1,386,005</u>
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 28,527	\$	\$	\$	\$ 28,527
Construction in process	630,519	(677,772)	47,253		
Total	<u>\$ 659,046</u>	<u>\$ (677,772)</u>	<u>\$ 47,253</u>	<u>\$</u>	<u>\$ 28,527</u>
Capital assets being depreciated:					
Utility plant	\$ 5,622,335	\$ 654,815	\$	\$	\$ 6,277,150
Equipment	105,947	22,957	2,505		131,409
Total capital assets being depreciated	<u>5,728,282</u>	<u>677,772</u>	<u>2,505</u>		<u>6,408,559</u>
Less accumulated depreciation for:					
Utility plant	(2,150,214)	1,822	(156,562)		(2,304,954)
Equipment	(59,179)	(1,822)	(12,273)		(73,274)
Total accumulated depreciation	<u>(2,209,393)</u>		<u>(168,835)</u>		<u>(2,378,228)</u>
Depreciable capital assets, net	<u>\$ 3,518,889</u>	<u>\$ 677,772</u>	<u>\$ (166,330)</u>	<u>\$</u>	<u>\$ 4,030,331</u>

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$ 37,110
Library	4,179
Law enforcement	18,327
Roads and streets	13,380
Parks and recreation	<u>19,030</u>
Total depreciation expense - governmental activities	<u>\$ 92,026</u>

Business-type Activities:

Water	\$ 46,287
Wastewater	<u>122,548</u>
Total depreciation expense - business-type activities	<u>\$ 168,835</u>

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2007:

	Balance October 1, 2006	Additions	Reductions	Balance September 30, 2007	Amounts Due within One Year
<u>Governmental Activities</u>					
Long-term debt:					
Revenue bond:					
Public Improvements, Series 1999	\$ 1,335,000	\$	\$ (35,000)	\$ 1,300,000	\$ 35,000
Lease payable:					
Suntrust leasing corporation	120,766		(10,821)	109,945	11,248
Total long-term debt	1,455,766		(45,821)	1,409,945	46,248
Other liabilities:					
Compensated absences	63,305		(18,501)	44,804	
Total long-term liabilities	1,519,071		(64,322)	1,454,749	<u>\$ 46,248</u>
Less amount due in one year				(46,248)	
Net long-term liabilities due after one year	<u>\$ 1,519,071</u>	<u>\$</u>	<u>\$ (64,322)</u>	<u>\$ 1,408,501</u>	
<u>Business-type Activities</u>					
Long-term debt:					
Revenue certificates:					
Water and Sewer, Series 2001	\$ 1,701,360	\$	\$ (73,653)	\$ 1,627,707	\$ 75,471
Water and Sewer, Series 2007		589,570		589,570	
Notes payable:					
Citrus and Chemical Bank Note dated 10-13-05	577,582	10,000	(587,582)		
Total long-term debt	2,278,942	599,570	(661,235)	2,217,277	75,471
Other liabilities:					
Compensated absences	12,049	7,132		19,181	
Total long-term liabilities	2,290,991	606,702	(661,235)	2,236,458	<u>\$ 75,471</u>
Less amount due in one year				(75,471)	
Net long-term liabilities due after one year	<u>\$ 2,290,991</u>	<u>\$ 606,702</u>	<u>\$ (661,235)</u>	<u>\$ 2,160,987</u>	

Notes to Long-Term Obligations Table

Governmental Activities:

- The 1999 Public Improvement Revenue Bonds are secured by all of the non advalorem revenues of the City. The bonds are payable semi-annually as to interest on October 1 and April 1 and annually on April 1 as to principal. The bonds bear interest at 5.0% with a final payment due April 1, 2029. The cash with fiscal agent at year end represents the October 1, 2006 interest payment remitted prior to year end.
- The Suntrust Leasing Corporation lease payable is financing for the decorative lighting project. The debt service and related capital expenditures related to this lease agreement are to be paid from the Community Redevelopment Fund. Principal and interest on the lease obligation are due monthly for a term of 10 years. The lease obligation bears interest at a rate of 3.879%.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 7 - LONG-TERM OBLIGATIONS (cont...)

Business-Type Activities:

- The 2001 State of Florida Department of Environmental Protection Revolving Fund Water and Sewer Revenue Certificates (CS 12090401P) are secured by water and sewer revenues. The loan is payable semiannually with principal and interest payments due on January 15 and July 15. The loan bears interest at a weighted average rate of 2.453% with a final maturity of January 15, 2025. The loan agreement requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The loan proceeds were used to fund sewer system improvements.
- The USDA Rural Utilities Service Series 2007 Water Revenue Bonds are secured by the net revenues of the water and sewer systems. The series 2007 bonds bear interest at 4.125% with a final maturity of September 1, 2046. The proceeds were used to construct extensions and improvements to the water system. The bonds require the maintenance of sinking, reserve and renewal and replacement funds.

Maturities:

- Annual requirements to repay all long-term bonds and notes payable as of September 30, 2007, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 46,248	\$ 67,572	\$ 75,471	\$ 64,606
2009	46,693	65,685	83,825	62,743
2010	52,154	63,735	86,011	60,558
2011	52,634	61,505	88,255	58,314
2012	53,133	59,206	90,560	56,008
2013 - 2017	284,083	257,346	489,643	243,199
2018 - 2022	305,000	189,063	557,498	175,344
2023 - 2027	385,000	105,750	340,504	104,786
2028 - 2032	185,000	14,000	77,914	79,826
2033 - 2037			95,940	61,800
2038 - 2042			118,133	39,607
2043 - 2047			113,523	12,290
Total	<u>\$ 1,409,945</u>	<u>\$ 883,862</u>	<u>\$ 2,217,277</u>	<u>\$ 1,019,081</u>

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transfers are summarized below:

Receiving Fund	Paying Fund	Amount
General Fund	Enterprise Fund	\$ 123,337

The transfer from the Enterprise Fund to the General Fund is a budgeted transfer to finance personnel costs and services accounted for in the General Fund.

NOTE 9 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The City has outstanding debt secured by its water and sewer system revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivable, accounts payable, etc.), it is not possible to present segment information disclosures for some components of net assets, revenues and cash flows. Segment financial information that can be separately identified for the water and sewer system operations as of and for the year ended September 30, 2007, is presented below:

	Water & Sewer System	Sanitation System	Total
Condensed statement of revenues, expenses and changes in net assets:			
Operating revenues	\$ 714,229	\$ 234,785	\$ 949,014
Operating expenses	(499,705)	(206,275)	(705,980)
Depreciation	(168,835)		(168,835)
Non-operating revenues (expenses):			
Interest income	85,440		85,440
Interest expense	(69,385)		(69,385)
Other income	3,654		3,654
Capital contributions	381,345		381,345
Transfers	(94,827)	(28,510)	(123,337)
Change in net assets	\$ 351,916	\$	\$ 351,916

Summary information from statement of net assets:

Capital assets, net	\$ 4,058,858	\$	\$ 4,058,858
Long-term obligations	\$ 2,236,458	\$	\$ 2,236,458

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 10 - PENSION PLAN

The City council has established by Resolution an Internal Revenue Code Section 401 defined contribution pension plan covering all full-time employees and part-time employees working an average of 20 hours or more a week and who have completed 6 full months of employment. The plan Trust is administered by the International City Managers' Association and the assets of the plan are not considered part of the City's reporting entity. Benefits vest at a rate of 20% per year of service up to 100% vesting upon completion of the fifth year of service. Employees desiring to participate in the plan are required to contribute one and one-half percent of their salary and the City contributes seven percent of the employees' compensation. Most employees of the City were eligible and did participate in the plan during the year ended September 30, 2007. Pension costs are accrued and funded on a current basis and all required contributions for the year were made. Pension expense totaled \$40,650 for the year ended September 30, 2007. The City's payroll totalled approximately \$670,000 of which pension contributions were provided on approximately \$580,000.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Risk Management:

- Commercial insurance protection with normal deductibles is in place to limit the City's exposure from losses arising from liability and property damages for which there has been no significant reduction in coverages.
- The City's workers compensation coverage is provided through a local government pooled trust which has the ability to make further assessments of its member governments should the assets of the trust be insufficient to pay claims. To reduce this exposure, the Trust has purchased "excess of loss structure" coverage from commercial insurers for individual claims in excess of \$100,000, with each participating municipality named as an additional insured.

Unemployment Claims:

- The City has elected to reimburse the State directly for its unemployment claims rather than participate in the State insurance fund for this purpose. As a result, the cost for unemployment claims is deducted when paid. Such costs have been insignificant in the past and no provision for potential claims has been made in the financial statements

Litigation:

- The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of carrying out its public service. Management believes that any losses not covered by insurance which may ultimately be incurred as a result of the suits and claims will not be material.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 11 - COMMITMENTS AND CONTINGENCIES (cont...)

Construction Commitments:

- As of September 30, 2007, outstanding construction contracts on various City projects totalled \$139,508.

NOTE 12 - RESTATEMENT OF NET ASSETS

During the current year, it was determined that impact fee receipts totaling \$89,908, were incorrectly recorded as a revenue in the fiscal year ended September 30, 2006. These receipts related to impact fees collected on behalf of another municipality and were inadvertently reported as income rather than a liability. The beginning net assets of the business-type activities (the enterprise fund) as originally reported of \$3,392,583 has been decreased by the amount of the error, \$89,908, to a restated balance of \$3,302,675 in the current year financial statements. Had this error not occurred, the change in net assets of the business-type activities for the year ended September 30, 2006 would have been \$822,824 rather than the \$912,732 that was originally reported.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAGLE LAKE, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RESOURCES (inflows):				
Taxes	\$ 946,175	\$ 976,223	\$ 976,750	\$ 527
Licenses and permits	6,504	23,325	23,402	77
Intergovernmental revenue	1,090,769	712,805	786,074	73,269
Charges for services	196,031	198,130	198,142	12
Fines and forfeitures	11,100	11,221	11,221	
Impact fees		69,055	69,055	
Other	53,900	63,951	50,983	(12,968)
Operating transfers in	<u>132,600</u>	<u>146,188</u>	<u>146,188</u>	
Amounts available for appropriations	<u>2,437,079</u>	<u>2,200,898</u>	<u>2,261,815</u>	<u>60,917</u>
CHARGES TO APPROPRIATIONS (outflows):				
General government	641,420	649,811	615,968	33,843
Public safety	436,654	462,599	462,998	(399)
Physical environment	5,900	5,913	4,386	1,527
Transportation	212,722	196,718	194,139	2,579
Culture/recreation	242,329	318,985	316,786	2,199
Capital outlay	796,530	465,194	445,451	19,743
Debt service	<u>101,524</u>	<u>100,879</u>	<u>100,879</u>	
Total charges to appropriations	<u>2,437,079</u>	<u>2,200,099</u>	<u>2,140,607</u>	<u>59,492</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS		799	<u>\$ 121,208</u>	<u>\$ 120,409</u>
Excess carried forward		(799)		
NET CHANGE IN FUND BALANCE	<u>\$</u>	<u>\$</u>		

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,261,815
Differences - budget to GAAP:	
Accrual adjustments for GAAP presentation	(17,359)
Budgetary inflows representing interfund reimbursements that are recorded as expenditures for financial reporting purposes	(22,851)
Budgetary outflows representing interfund transactions that are recorded as revenues for financial reporting purposes	(38,122)
Impact fees and transfers from other funds are inflows of budgetary resources but are other financing sources for financial reporting purposes	<u>(192,391)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,991,092</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,140,607
Differences - budget to GAAP:	
Accrual adjustments for GAAP presentation	70,625
Budgetary inflows representing interfund reimbursements that are recorded as expenditures for financial reporting purposes	(22,851)
Budgetary outflows representing interfund transactions that are recorded as revenues for financial reporting purposes	<u>(38,122)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,150,259</u>

CITY OF EAGLE LAKE, FLORIDA
BUDGETARY COMPARISON SCHEDULE - COMMUNITY REDEVELOPMENT AUTHORITY
for the year ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RESOURCES (inflows):				
Taxes	\$ 72,120	\$ 72,120	\$ 75,226	\$ 3,106
Charges for service	900	900	1,652	752
Other	<u>5,850</u>	<u>5,850</u>	<u>9,033</u>	<u>3,183</u>
Amounts available for appropriations	<u>78,870</u>	<u>78,870</u>	<u>85,911</u>	<u>7,041</u>
CHARGES TO APPROPRIATIONS (outflows):				
Economic environment	63,550	63,550	36,678	26,872
Capital outlay	54,500	54,500	20,420	34,080
Debt service	<u>15,320</u>	<u>15,320</u>	<u>15,442</u>	<u>(122)</u>
Total charges to appropriations	<u>133,370</u>	<u>133,370</u>	<u>72,540</u>	<u>60,830</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>(54,500)</u>	<u>(54,500)</u>	<u>\$ 13,371</u>	<u>\$ 67,871</u>
PRIOR YEAR FUND BALANCE REAPPROPRIATION	<u>54,500</u>	<u>54,500</u>		
NET CHANGE IN FUND BALANCE	<u>\$</u>	<u>\$</u>		

COMPLIANCE



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

Honorable Mayor and City Commissioners
City of Eagle Lake, Florida

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund as of and for the year ended September 30, 2007, which collectively comprise the **City of Eagle Lake, Florida's** basic financial statements and have issued our report thereon dated January 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of Eagle Lake, Florida's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **City of Eagle Lake, Florida's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **City of Eagle Lake, Florida's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **City of Eagle Lake, Florida's** internal control over financial reporting.

Honorable Mayor and City Commissioners
City of Eagle Lake, Florida

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 **City of Eagle Lake, Florida'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 **City of Eagle Lake, Florida's** financial statements that is more than inconsequential will not be prevented or detected by **City of Eagle Lake, Florida's** internal control

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 **City of Eagle Lake, Florida's** internal control.

Our consideration of 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City commission, management, others within the organization, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be 'N. J. ...', written over a horizontal line.

January 30, 2008

INDEPENDENT AUDITORS' MANAGEMENT LETTER



INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

We have audited the financial statements of the City of Eagle Lake, Florida, as of and for the year ended September 30, 2007, and have issued our report thereon dated January 30, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and have issued our report on compliance and internal control as required by these standards, which should be read in conjunction with this management letter. Our audit was also conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which requires that we address the following matters, if not otherwise addressed in the above reports:

- 1) **Prior Year Findings** - Continuing findings from our previous audit, updated for any changes, are as follows:

Material Weakness in Internal Controls over Financial Reporting

Last year we identified several areas where the City's internal controls over the year end accounting and financial reporting had not identified the appropriate accounting treatment resulting in the need for audit adjustments that in some cases were material to the financial statements and recommended the City obtain assistance in closing its books and preparing its financial statements.

During the current year we are extremely pleased to report that the City did close its books and prepared its own annual financial statements fully in accordance with generally accepted accounting principles. Accordingly, we consider this finding to be resolved.

- 2) **Current Year findings** - We are pleased to report we have no findings that were discovered within the scope of our current audit.

- 3) **Financial Emergencies** - As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. The results of our audit procedures disclosed no instances of the occurrence of any of the conditions described in Section 218.503(1), Florida Statutes. We also applied limited financial condition assessment procedures to financial information provided by management for the purpose of commenting on any deteriorating financial conditions that, if uncorrected, could lead to a condition described in Section 218.503 (1), Florida Statutes. The procedures we performed were solely for the purpose of reporting under Section 218.39(5), Florida Statutes, and are not intended to be and should not be viewed as an evaluation or financial assessment for any other purpose or any other periods.

- 4) **State Report** - As required by the Rules of the Auditor General, we determined that the annual financial report for the fiscal year ended September 30, 2007, filed with the Department of Banking Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007.


- 5) **Investment of Funds** - As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In this regard, the results of our audit procedures disclosed no instances of noncompliance.

- 6) **Violations of Laws, Rules, and Regulations**

None reported.

We would like to take this opportunity to thank the City Commission for allowing us the privilege to be of service and the City's staff and management for the courtesies and cooperation extended to us during our audit.

This management letter is intended solely for the information of the City Commission and management of the City of Eagle Lake, Florida and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be 'A. J. ...', written over a horizontal line.

January 30, 2008