

CITY OF EAGLE LAKE, FLORIDA

FINANCIAL STATEMENTS

September 30, 2008

TABLE OF CONTENTS

PART I - REQUIRED SUPPLEMENTAL INFORMATION - MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis	I-VII
---	-------

PART II - FINANCIAL SECTION

Independent Auditors' Report	1
---	---

Basic Financial Statements:

Government-wide Statements:

Statement of Net Assets	2
-------------------------------	---

Statement of Activities	3
-------------------------------	---

Governmental Funds:

Balance Sheet - Governmental Funds	4
--	---

Reconciliation of the Balance Sheet to the Statement of Net Assets	5
--	---

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6
---	---

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	7
--	---

Proprietary Funds:

Statement of Net Assets - Proprietary Funds	8
---	---

Statement of Revenues, Expense and Changes in Fund Net Assets - Proprietary Fund	9
---	---

Statement of Cash Flows - Proprietary Funds	10
---	----

Notes to Financial Statements	11-26
--	-------

PART III - REQUIRED SUPPLEMENTAL INFORMATION

Budgetary Comparison Schedule - General Fund	27
--	----

Budgetary Comparison Schedule - Community Redevelopment Authority	28
---	----

PART IV - COMPLIANCE

Report on Internal Control over Financial Reporting and on Compliance and on Other Matters based upon an Audit of Financial Statements performed in Accordance with Government Auditing Standards	29-31
---	-------

PART V - INDEPENDENT AUDITORS' MANAGEMENT LETTER

.....	32-35
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MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

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, 2008. 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 \$4,929,122 (net assets). Of this amount, \$814,967 (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 \$57,058.
- As of the close of the current fiscal year, the City's general fund (governmental fund level) reported ending fund balance of \$455,370, a decrease of \$5,288 in comparison with the prior year. Of this total amount, \$240,571 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, 2008

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, 2008

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,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Current and other assets	\$ 695,201	\$ 622,496	\$ 2,041,765	\$ 1,931,839	\$ 2,736,966	\$ 2,554,335
Capital assets	2,136,277	2,400,305	4,058,858	3,886,192	6,195,135	6,286,497
Total assets	\$ 2,831,478	\$ 3,022,801	\$ 6,100,623	\$ 5,818,031	\$ 8,932,101	\$ 8,840,832
Long-term liabilities outstanding	\$ 1,454,749	\$ 1,411,131	\$ 2,236,458	\$ 2,161,064	\$ 3,691,207	\$ 3,572,195
Other liabilities	159,256	105,891	209,574	233,624	368,830	339,515
Total liabilities	\$ 1,614,005	\$ 1,517,022	\$ 2,446,032	\$ 2,394,688	\$ 4,060,037	\$ 3,911,710
Net assets:						
Invested in capital assets, net of related debt	\$ 697,924	\$ 1,036,608	\$ 1,871,159	\$ 1,770,786	\$ 2,569,083	\$ 2,807,394
Restricted	229,064	215,354	1,121,266	1,091,407	1,350,330	1,306,761
Unrestricted	290,485	253,817	662,166	561,150	952,651	814,967
Total net assets	\$ 1,217,473	\$ 1,505,779	\$ 3,654,591	\$ 3,423,343	\$ 4,872,064	\$ 4,929,122

Fifty-seven percent (57%) 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 six percent (26%) 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, 2008

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	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 479,417	\$ 451,195	\$ 949,014	\$ 945,133	\$ 1,428,431	\$ 1,396,328
Operating grants and contributions	31,027	45,426	-	-	31,027	45,426
Capital grants and contributions	519,771	321,316	381,345	17,850	901,116	339,166
General revenues:						
Property taxes	527,824	589,534	-	-	527,824	589,534
Franchise/Public Ser. Tax	330,358	327,823	-	-	330,358	327,823
State shared revenues	236,678	222,307	-	-	236,678	222,307
Other	23,388	9,037	89,094	41,640	112,482	50,677
Total revenues	2,148,463	1,966,638	1,419,453	1,004,623	3,567,916	2,971,261
Expenses:						
General government	639,791	682,648	-	-	639,791	682,648
Library	66,672	93,224	-	-	66,672	93,224
Law enforcement	432,451	446,031	-	-	432,451	446,031
Building and code enforcement	23,591	55,577	-	-	23,591	55,577
Streets	207,127	132,044	-	-	207,127	132,044
Stormwater	4,386	5,648	-	-	4,386	5,648
Parks and recreation	276,348	250,333	-	-	276,348	250,333
Community redevelopment	18,448	34,527	-	-	18,448	34,527
Interest on long-term debt	65,969	64,304	-	-	65,969	64,304
Public utilities	-	-	944,200	1,149,867	944,200	1,149,867
Total expenses	1,734,783	1,764,336	944,200	1,149,867	2,678,983	2,914,203
Increase (decrease) in net assets before transfers	413,680	202,302	475,253	(145,244)	888,933	57,058
Transfers	123,337	86,004	(123,337)	(86,004)	-	-
Increase (decrease) in net assets	537,017	288,306	351,916	(231,248)	888,933	57,058
Net assets - October 1	680,456	1,217,473	3,302,675	3,654,591	3,983,131	4,872,064
Net assets - September 30	\$ 1,217,473	\$ 1,505,779	\$ 3,654,591	\$ 3,423,343	\$ 4,872,064	\$ 4,929,122

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2008

Governmental activities: Governmental activities net assets increased by \$288,306 as compared to an increase of \$537,017 for the prior year. Several reasons contributed to the decrease. The City received capital contributions and grants totaling \$321,316 compared to \$519,771 in the prior year.

The City's program revenues went from \$1,030,215 in 2007 to \$817,937 in 2008 due primarily to capital contributions and grants totaling \$321,316 in 2008 compared to \$519,771 in 2007. Total governmental activities expenses increased from \$1,734,783 in 2007 to \$ 1,764,336 in 2008, a two percent (2%) increase.

Business-type activities: Business-type activities decreased the City's net assets by \$231,248 in 2008 compared to an increase of \$351,916 in 2007. Several reasons contributed to the decrease.

- Capital contributions declined in 2008 from \$381,345 in 2007 to \$17,850 in 2008. The decrease is a result of a decline in impact fees due to reduced residential development in the City during 2008.
- Operating revenue consisting of charges for services decreased \$3,881 from \$949,014 in 2007 to \$945,133 in 2008.
- Total expenses increased \$205,667 in 2008 from \$944,200 in 2007 to \$1,149,867 in 2008. Several reasons contributed to the increase.
 - Depreciation expense increased \$13,000.
 - Operating expenses for the water department increased approximately \$40,000 mainly due to purchases of new water meters.
 - Wastewater treatment expenses increased approximately \$40,000 mainly attributable to higher usage due to the addition of a second lift station.
 - Engineering expenses in both the water and sewer department increased approximately \$40,000 related to the City's utility master plan.
 - Personal services increased approximately \$51,000 due to a reallocation of existing employees from the streets department which is reported as a function of the governmental activities.

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 \$547,636, a decrease of \$20,061 in comparison with the prior year. Of this total, \$240,571 for the general fund and \$91,711 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, 2008

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

- Total governmental funds revenues decreased by \$180,400, excluding transfers from the enterprise fund and impact fees due to decreased capital grants and contributions for various City projects.
- Total governmental funds expenditures decreased by approximately \$24,400.

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 2008 and 2007 are discussed above under the "business-type activities" heading.

General Fund Budgetary Highlights

Actual resources were less than budgeted resources by \$230,294 due mainly to lesser than expected resources from grant funding agencies and a decline in building department related revenues caused by reduced residential development in the City during 2008. Actual charges to appropriations were less than budgeted by \$183,807 due mainly to lower than expected outflows of resources for legal services, engineering services and capital expenditures.

The CRA's actual resources exceeded budget by \$2,529 and actual charges to appropriations were less than budgeted by \$69,041 due mainly to lower than expected outflows related to prior year fund balance carry-over contingency.

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, 2008, amounts to \$6,286,497 (net of accumulated depreciation) which is an increase of 1.5%. This increase is largely the result of street repaving.

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	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Land	\$ 225,891	\$ 225,891	\$ 28,527	\$ 28,527	\$ 254,418	\$ 254,418
Buildings and improvements	1,282,892	1,678,269	3,972,196	3,802,191	5,255,088	5,480,460
Equipment	79,970	43,501	58,135	55,474	138,105	98,975
Construction in progress	524,381	325,783	-	-	524,381	325,783
Infrastructure	23,143	126,861	-	-	23,143	126,861
Total	\$ 2,136,277	\$ 2,400,305	\$ 4,058,858	\$ 3,886,192	\$ 6,195,135	\$ 6,286,497

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2008

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 \$3,505,502, which represents a decrease of 3.3% over the prior year.

Revenue Notes and Notes Payable

as of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenue notes	\$ 1,300,000	\$ 1,265,000	\$ 2,217,277	\$ 2,141,805	\$ 3,517,277	\$ 3,406,805
Notes payable	109,945	98,697	-	-	109,945	98,697
Total	\$ 1,409,945	\$ 1,363,697	\$ 2,217,277	\$ 2,141,805	\$ 3,627,222	\$ 3,505,502

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 2009 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
- Take over of the Mt. Olive water system
- Increased cost of energy

All of these significant factors were considered in preparing the City's budget for the 2009 fiscal year, and are expected to influence the City's fiscal year 2009 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



The NCT Group CPA's, L.L.P.

Certified Public Accountants and Consultants

Independent Auditor's Report

Honorable Mayor, City Commissioners
and City Manager
City of Eagle Lake, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Lake, Florida, 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 of Eagle Lake's management. Our responsibility is to express opinions 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, each major fund, and the aggregate remaining fund information of the City of Eagle Lake, Florida, as of September 30, 2008, 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 February 13, 2009 on our consideration of the City of Eagle Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The NCT Group CPA's, LLP
The NCT Group CPA's LLP
Winter Haven, Florida
February 13, 2009

CITY OF EAGLE LAKE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
as of **September 30, 2008**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 336,486	\$ 543,248	\$ 879,734
Receivables, current:			
Customer accounts, net	26,768	119,084	145,852
Intergovernmental	20,563	-	20,563
Franchise and public service taxes	31,398	-	31,398
Inventory	-	10,749	10,749
Internal balances	(8,073)	8,073	-
Restricted assets:			
Cash and cash equivalents	215,354	1,224,286	1,439,640
Deferred loan costs	-	26,399	26,399
Capital assets:			
Non-depreciable	551,674	28,527	580,201
Depreciable, net	1,848,631	3,857,665	5,706,296
TOTAL ASSETS	3,022,801	5,818,031	8,840,832
LIABILITIES			
Accounts payable	22,419	7,631	30,050
Unemployment claim payable	15,253	-	15,253
Accrued payroll	37,188	21,295	58,483
Due to other governments	-	71,820	71,820
Liabilities payable from restricted assets:			
Accrued interest payable	31,031	10,037	41,068
Customer deposits	-	122,841	122,841
Long-term liabilities:			
Due within one year	46,693	83,825	130,518
Due in more than one year	1,364,438	2,077,239	3,441,677
TOTAL LIABILITIES	1,517,022	2,394,688	3,911,710
NET ASSETS			
Invested in capital assets, net of related debt	1,036,608	1,770,786	2,807,394
Restricted for:			
Water system improvements	-	663,003	663,003
Sewer system improvements	-	406,184	406,184
Revenue bond retirement	32,005	22,220	54,225
Building code enforcement	57,563	-	57,563
Transportation infrastructure	23,600	-	23,600
Public building improvements	97,470	-	97,470
Parks and recreation facilities	4,161	-	4,161
Lighting project	555	-	555
Unrestricted	253,817	561,150	814,967
TOTAL NET ASSETS	\$ 1,505,779	\$ 3,423,343	\$ 4,929,122

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2008

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	\$ 682,648	\$ 97,300	\$ 3,673	\$ 137,285	\$ (444,390)	\$ -	\$ (444,390)
Building and code enforcement	55,577	34,801	-	-	(20,776)	-	(20,776)
Library	93,224	26,184	35,000	-	(32,040)	-	(32,040)
Community redevelopment	34,527	2,383	6,753	-	(25,391)	-	(25,391)
Law enforcement	446,031	14,815	-	12,536	(418,680)	-	(418,680)
Streets	132,044	203,684	-	-	71,640	-	71,640
Stormwater	5,648	43,248	-	163,646	201,246	-	201,246
Parks and recreation	250,333	28,780	-	7,849	(213,704)	-	(213,704)
Interest on long-term debt	64,304	-	-	-	(64,304)	-	(64,304)
Total governmental activities	<u>1,764,336</u>	<u>451,195</u>	<u>45,426</u>	<u>321,316</u>	<u>(946,399)</u>	<u>-</u>	<u>(946,399)</u>
Business-type activities:							
Water utility	416,505	400,122	-	9,425	-	(6,958)	(6,958)
Wastewater utility	538,134	304,613	-	8,425	-	(225,096)	(225,096)
Sanitation	195,228	240,398	-	-	-	45,170	45,170
Total business-type activities	<u>1,149,867</u>	<u>945,133</u>	<u>-</u>	<u>17,850</u>	<u>-</u>	<u>(186,884)</u>	<u>(186,884)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,914,203</u>	<u>\$ 1,396,328</u>	<u>\$ 45,426</u>	<u>\$ 339,166</u>	<u>(946,399)</u>	<u>(186,884)</u>	<u>(1,133,283)</u>
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					589,534	-	589,534
Franchise taxes					133,009	-	133,009
Public service taxes					194,814	-	194,814
State shared revenue					222,307	-	222,307
Investment earnings					9,037	41,404	50,441
Other revenues					-	236	236
Transfers					86,004	(86,004)	-
Total general revenues, special items, and transfers					<u>1,234,705</u>	<u>(44,364)</u>	<u>1,190,341</u>
Change in net assets					288,306	(231,248)	57,058
NET ASSETS - beginning of year					<u>1,217,473</u>	<u>3,654,591</u>	<u>4,872,064</u>
NET ASSETS - end of year					<u>\$ 1,505,779</u>	<u>\$ 3,423,343</u>	<u>\$ 4,929,122</u>

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
as of September 30, 2008

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Equity in pooled cash and cash equivalents	\$ 239,558	\$ 96,928	\$ 336,486
Receivables, net			
Customer accounts, net	26,768	-	26,768
Intergovernmental	20,563	-	20,563
Franchise and public service taxes	31,398	-	31,398
Due from other funds	1,417	-	1,417
Restricted assets:			
Cash and cash equivalents	214,799	555	215,354
TOTAL ASSETS	<u>\$ 534,503</u>	<u>\$ 97,483</u>	<u>\$ 631,986</u>
LIABILITIES AND FUND BALANCE			
Accounts payable	\$ 18,619	\$ 3,800	\$ 22,419
Accrued payroll	37,188	-	37,188
Unemployment claim payable	15,253	-	15,253
Due to other funds	8,073	1,417	9,490
TOTAL LIABILITIES	<u>79,133</u>	<u>5,217</u>	<u>84,350</u>
FUND BALANCE			
Reserved:			
Revenue bond retirement	32,005	-	32,005
Building code enforcement	57,563	-	57,563
Transportation infrastructure	23,600	-	23,600
Public building improvements	97,470	-	97,470
Parks and recreation facilities	4,161	-	4,161
Lighting project	-	555	555
Unreserved, reported in:			
General fund	240,571	-	240,571
Special revenue fund	-	91,711	91,711
TOTAL FUND BALANCE	<u>455,370</u>	<u>92,266</u>	<u>547,636</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 534,503</u>	<u>\$ 97,483</u>	<u>\$ 631,986</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, 2008

FUND BALANCES-TOTAL GOVERNMENTAL FUNDS	\$ 547,636
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.	2,400,305
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds.	(31,031)
Long-term liabilities (including compensated absences) are not payable from current resources and therefore they are not reported in the governmental funds.	<u>(1,411,131)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,505,779</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, 2008

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 994,603	\$ 73,076	\$ 1,067,679
Licenses and permits	16,510	-	16,510
Intergovernmental revenue	557,702	12,576	570,278
Charges for services	174,212	2,383	176,595
Fines and forfeitures	9,283	-	9,283
Other	46,626	9,565	56,191
Total revenues	<u>1,798,936</u>	<u>97,600</u>	<u>1,896,536</u>
EXPENDITURES:			
General government	744,909	-	744,909
Public safety	404,179	-	404,179
Physical environment	55,577	-	55,577
Transportation	122,135	-	122,135
Economic development	-	47,889	47,889
Culture/recreation	308,939	-	308,939
Capital outlay	350,242	49,106	399,348
Debt service	100,026	15,378	115,404
Total expenditures	<u>2,086,007</u>	<u>112,373</u>	<u>2,198,380</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(287,071)</u>	<u>(14,773)</u>	<u>(301,844)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out)	86,004	-	86,004
Insurance recovery	132,358	-	132,358
Impact fees	63,421	-	63,421
Total other financing sources	<u>281,783</u>	<u>-</u>	<u>281,783</u>
NET CHANGE IN FUND BALANCE	(5,288)	(14,773)	(20,061)
FUND BALANCE, beginning of year	<u>460,658</u>	<u>107,039</u>	<u>567,697</u>
FUND BALANCE, end of year	<u>\$ 455,370</u>	<u>\$ 92,266</u>	<u>\$ 547,636</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, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (20,061)

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	396,934
This is the amount of depreciation recorded in the current period	(84,085)
This is the book value of dispositions recorded in the current period	(48,821)

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	46,248
This amount represents the change in compensated absence liability	(2,630)
This amount represents the change in accrued interest	721

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 288,306

CITY OF EAGLE LAKE, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
as of September 30, 2008

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 543,248
Customer accounts receivable, net	119,084
Due from other funds	8,073
Inventory	<u>10,749</u>
Total current assets	<u>681,154</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	1,224,286
Capital assets:	
Non-depreciable	28,527
Depreciable, net	3,857,665
Deferred loan costs	<u>26,399</u>
Total noncurrent assets	<u>5,136,877</u>
TOTAL ASSETS	<u>5,818,031</u>
LIABILITIES	
Current liabilities:	
Accounts payable	7,631
Due to other governments	71,820
Accrued payroll	21,295
Accrued interest payable	10,037
Bonds and notes payable, current	<u>83,825</u>
Total current liabilities	<u>194,608</u>
Noncurrent liabilities:	
Compensated absences	19,259
Liabilities payable from restricted assets:	
Customer deposits	122,841
Bonds and notes payable, noncurrent portion	<u>2,057,980</u>
Total noncurrent liabilities	<u>2,200,080</u>
TOTAL LIABILITIES	<u>2,394,688</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,770,786
Restricted for:	
Water system improvements (expendable)	663,003
Sewer system improvements (expendable)	406,184
Revenue bond retirement (expendable)	22,220
Unrestricted	<u>561,150</u>
TOTAL NET ASSETS	<u>\$ 3,423,343</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, 2008

	Enterprise Fund
OPERATING REVENUES:	
Charges for services:	
Water and sewer customer user fees	\$ 704,735
Sanitation customer user fees	240,398
Total charges for services	<u>945,133</u>
Total operating revenues	<u>945,133</u>
OPERATING EXPENSES:	
Personal services	244,423
Operating expenses	653,290
Depreciation	181,191
Total operating expenses	<u>1,078,904</u>
OPERATING INCOME	<u>(133,771)</u>
NONOPERATING REVENUE (EXPENSE):	
Interest expense	(70,963)
Interest revenue	41,404
Other revenue	236
Total nonoperating revenues (expenses)	<u>(29,323)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(163,094)</u>
CAPITAL CONTRIBUTIONS	
Impact fees	17,850
Total capital contributions	<u>17,850</u>
TRANSFERS IN (OUT)	<u>(86,004)</u>
Change in net assets	(231,248)
TOTAL NET ASSETS - beginning of year	<u>3,654,591</u>
TOTAL NET ASSETS - end of year	<u><u>\$ 3,423,343</u></u>

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
for the year ended September 30, 2008

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 952,548
Payments to suppliers	(675,396)
Payments for salaries and benefits	(226,609)
Net cash flows from operating activities	<u>50,543</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Increase in customer deposits	19,056
Decrease in amounts due to other governments	557
Other revenue	235
Transfers to other funds	(86,004)
Net cash flows from noncapital financing activities	<u>(66,156)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets, net of related payables	(8,525)
Proceeds from borrowings	-
Principal paid on long-term debt	(75,472)
Interest paid on borrowings	(67,049)
Capital contributions received, net of change in related receivable	17,850
Net cash flows from capital and related financing activities	<u>(133,196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on invested funds	41,404
Net cash flows from investing activities	<u>41,404</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(107,405)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,874,939</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,767,534</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (133,770)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	181,191
(Increase) decrease in accounts receivable	7,415
Increase (decrease) in amounts due to other funds	(8,073)
Increase (decrease) in accounts payable	(17,212)
Increase (decrease) in accrued wages and comp absences	17,813
Bond cost amortization	3,179
Net cash flows from operating activities	<u>\$ 50,543</u>
Noncash financing and investing activities:	<u>\$ -</u>

See Accompanying Notes to Financial Statements

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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, 2008

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, 2008

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, 2008

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 solid waste collection, 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, 2008

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

CASH AND CASH EQUIVALENTS - The City maintains a central pooled cash account that is used by the general and enterprise funds of the City. Interest income earned in the pooled cash account is allocated to the individual funds based on their respective balances. Each fund's equity in pooled cash is recorded on its respective balance sheet in the caption "equity in pooled cash and cash equivalents." The financial statement caption "equity in pooled cash and cash equivalents" includes all deposits with banks including 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, 2008, 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 totaled \$31,257 at September 30, 2008. 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, 2008, such reserves totaled \$5,245.

INTERFUND BALANCES - 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, 2008

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 the proceeds of which were 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, 2008.

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 20 days per year to a maximum total of 30 days (15 days for permanent part-time employees). Accrued vacation is paid by the City upon retirement or termination at the employee's current hourly rate of pay. 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 12 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, 2008

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 - Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when on fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide presentation.

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 \$1,306,761 of restricted net assets, of which \$1,251,981 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."

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
[September 30, 2008](#)

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

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.

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, 2008](#) 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 Ordinance. 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.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Compliance With Finance Related Legal and Contractual Provisions - the City had no material violations of finance related legal and contractual provisions.
- B. Deficit Fund Balance or Net Assets of Individual Funds - As of September 30, 2008, 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, 2008 no budgetary fund had an excess of expenditures over appropriations.

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 "equity in pooled 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>2,319,159</u>
Total cash and cash equivalents	\$	<u>2,319,374</u>

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2008 was as follows:

	Balance October 1, 2007	Reclassi- fications	Additions	Deletions	Balance September 30, 2008
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 225,891	\$ -	\$ -	\$ -	\$ 225,891
Construction in process	524,381	(488,883)	290,285	-	325,783
Total	<u>\$ 750,272</u>	<u>\$ (488,883)</u>	<u>\$ 290,285</u>	<u>\$ -</u>	<u>\$ 551,674</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 2,475,387	\$ 466,062	\$ -	\$ -	\$ 2,941,449
Equipment	385,704	22,821	1,650	(181,126)	229,049
Infrastructure	23,419	-	104,999	-	128,418
Total capital assets being depreciated	<u>2,884,510</u>	<u>488,883</u>	<u>106,649</u>	<u>(181,126)</u>	<u>3,298,916</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,192,495)	-	(70,685)	-	(1,263,180)
Equipment	(305,734)	-	(12,119)	132,305	(185,548)
Infrastructure	(276)	-	(1,281)	-	(1,557)
Total accumulated depreciation	<u>(1,498,505)</u>	<u>-</u>	<u>(84,085)</u>	<u>132,305</u>	<u>(1,450,285)</u>
Depreciable capital assets, net	<u>\$ 1,386,005</u>	<u>\$ 488,883</u>	<u>\$ 22,564</u>	<u>\$ (48,821)</u>	<u>\$ 1,848,631</u>
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 28,527	\$ -	\$ -	\$ -	\$ 28,527
Construction in process	-	-	-	-	-
Total	<u>\$ 28,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,527</u>
Capital assets being depreciated:					
Utility plant	\$ 6,277,150	\$ -	\$ -	\$ -	\$ 6,277,150
Equipment	131,409	-	8,525	-	139,934
Total capital assets being depreciated	<u>6,408,559</u>	<u>-</u>	<u>8,525</u>	<u>-</u>	<u>6,417,084</u>
Less accumulated depreciation for:					
Utility plant	(2,304,954)	-	(170,005)	-	(2,474,959)
Equipment	(73,274)	-	(11,186)	-	(84,460)
Total accumulated depreciation	<u>(2,378,228)</u>	<u>-</u>	<u>(181,191)</u>	<u>-</u>	<u>(2,559,419)</u>
Depreciable capital assets, net	<u>\$ 4,030,331</u>	<u>\$ -</u>	<u>\$ (172,666)</u>	<u>\$ -</u>	<u>\$ 3,857,665</u>

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 6 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

<u>Governmental Activities:</u>	
General government	\$ 46,063
Library	3,219
Law enforcement	553
Roads and streets	14,371
Parks and recreation	<u>19,879</u>
Total depreciation expense - governmental activities	<u>\$ 84,085</u>
<u>Business-type Activities:</u>	
Water	\$ 60,511
Wastewater	<u>120,680</u>
Total depreciation expense - business-type activities	<u>\$ 181,191</u>

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended [September 30, 2008](#):

	Balance October 1, 2007	Additions	Reductions	Balance September 30, 2008	Amounts Due within One Year
<u>Governmental Activities</u>					
Long-term debt:					
Revenue bond:					
Public Improvements, Series 1999	\$ 1,300,000	\$ -	\$ (35,000)	\$ 1,265,000	\$ 35,000
Lease payable:					
Suntrust leasing corporation	109,945	-	(11,248)	98,697	11,693
Total long-term debt	1,409,945	-	(46,248)	1,363,697	46,693
Other liabilities:					
Compensated absences	44,804	8,420	(5,790)	47,434	-
Total long-term liabilities	1,454,749	8,420	(52,038)	1,411,131	<u>\$ 46,693</u>
Less amount due in one year				(46,693)	
Net long-term liabilities due after one year	<u>\$ 1,454,749</u>	<u>\$ 8,420</u>	<u>\$ (52,038)</u>	<u>\$ 1,364,438</u>	
<u>Business-type Activities</u>					
Long-term debt:					
Revenue certificates:					
Water and Sewer, Series 2001	\$ 1,627,707	\$ -	\$ (75,472)	\$ 1,552,235	\$ 77,334
Water and Sewer, Series 2007	589,570	-	-	589,570	6,491
Total long-term debt	2,217,277	-	(75,472)	2,141,805	83,825
Other liabilities:					
Compensated absences	19,181	1,269	(1,191)	19,259	-
Total long-term liabilities	2,236,458	1,269	(76,663)	2,161,064	<u>\$ 83,825</u>
Less amount due in one year				(83,825)	
Net long-term liabilities due after one year	<u>\$ 2,236,458</u>	<u>\$ 1,269</u>	<u>\$ (76,663)</u>	<u>\$ 2,077,239</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 4.99% 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 City was in compliance with all significant requirements of the bond resolution as of September 30, 2008.
- 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 ending February 29, 2016. The lease obligation bears interest at a rate of 3.879%.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

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 City was in compliance with all significant requirements of the loan agreement as of September 30, 2008.
- 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 series 2007 bond 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, 2008](#), were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	58,652	56,887	92,928	53,639
2014 - 2018	280,431	243,920	502,489	230,352
2019 - 2023	320,000	174,100	572,208	160,634
2024 - 2028	405,000	86,500	234,332	95,938
2029 - 2033	95,000	4,750	81,226	76,514
2034 - 2038	-	-	100,017	57,723
2039 - 2043	-	-	123,154	34,586
2044 - 2048	-	-	86,800	7,465
Total	\$ 1,363,697	\$ 816,288	\$ 2,141,805	\$ 954,474

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 8 - CAPITAL LEASE

The city has entered into a lease agreement as lessee for financing the acquisition and installation of decorative street lights. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, is recorded at the present value of the future minimum lease payments as of the inception date.

	Governmental Activities
Asset:	
Buildings and improvements	\$ 140,267
Less: Accumulated Depreciation	(3,526)
Total	\$ 136,741

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, we are follows:

	Governmental Activities
<u>Fiscal year ending September 30</u>	
2009	\$ 15,315
2010	15,315
2011	15,315
2012	15,315
2013	15,315
2014 - 2016	37,184
Total minimum lease payments	113,759
Less: Amount representing interest	(15,062)
Present value of minimum lease payments	\$ 98,697

NOTE 9 - INTERFUND TRANSACTIONS

Interfund receivables and payables as of September 30, 2008, consisted of:

Receivable Fund	Payable Fund	Amount
Enterprise Fund	General Fund	\$ 8,073
General Fund	Community Redevelopment Fund	\$ 1,417

Interfund transfers for the year ended September 30, 2008, consisted of:

Receiving Fund	Paying Fund	Amount
General Fund	Enterprise Fund	\$ 86,004

The transfer from the enterprise fund to the general fund is a budgeted annual operating transfer to finance services accounted for in the general fund.

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

The City commission has established by Resolution an Internal Revenue Code Section 457 defined contribution pension plan covering all full-time employees and permanent 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 Signature Benefit Solutions, Inc. 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, 2008. Pension costs are accrued and funded on a current basis and all required contributions for the year were made. Pension expense totaled \$33,151 for the year ended September 30, 2008. The City's payroll totalled approximately \$540,000 of which pension contributions were provided on approximately \$475,000.

NOTE 11 - 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, 2008, is presented below:

	Water & Sewer System	Sanitation System	Total
Condensed statement of revenues, expenses and changes in net assets:			
Operating revenues	\$ 704,735	\$ 240,398	\$ 945,133
Operating expenses	(702,485)	(195,228)	(897,713)
Depreciation	(181,191)	-	(181,191)
Non-operating revenues (expenses):			
Interest income	41,404	-	41,404
Interest expense	(70,963)	-	(70,963)
Other income	236	-	236
Capital contributions	17,850	-	17,850
Transfers	(66,000)	(20,004)	(86,004)
Change in net assets	<u>\$ (256,414)</u>	<u>\$ 25,166</u>	<u>\$ (231,248)</u>

Summary information from statement of net assets:

Capital assets, net	<u>\$ 3,886,192</u>	<u>\$ -</u>	<u>\$ 3,886,192</u>
Long-term debt	<u>\$ 2,161,064</u>	<u>\$ -</u>	<u>\$ 2,161,064</u>

CITY OF EAGLE LAKE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

NOTE 12 - 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAGLE LAKE, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
for the year ended September 30, 2008

	<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	\$ 1,054,300	\$ 1,054,300	\$ 1,031,289	\$ (23,011)
Licenses and permits	18,900	18,900	16,510	(2,390)
Intergovernmental revenue	706,066	706,066	557,702	(148,364)
Charges for services	242,827	242,827	181,893	(60,934)
Fines and forfeitures	14,100	14,100	9,283	(4,817)
Other	44,868	44,868	46,626	1,758
Impact fees	56,452	56,452	63,421	6,969
Operating transfers in	103,000	103,000	103,495	495
Amounts available for appropriations	<u>2,240,513</u>	<u>2,240,513</u>	<u>2,010,219</u>	<u>(230,294)</u>
CHARGES TO APPROPRIATIONS (outflows):				
General government	775,227	775,227	651,476	123,751
Public safety	387,633	387,633	404,179	(16,546)
Physical environment	77,728	77,728	55,577	22,151
Transportation	123,634	123,634	122,135	1,499
Culture/recreation	246,043	246,043	316,619	(70,576)
Capital outlay	472,946	472,946	350,242	122,704
Debt service	100,850	100,850	100,026	824
Total charges to appropriations	<u>2,184,061</u>	<u>2,184,061</u>	<u>2,000,254</u>	<u>183,807</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	56,452	56,452	\$ 9,965	\$ (46,487)
Unspent impact fees carried forward	<u>(56,452)</u>	<u>(56,452)</u>		
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	\$ 2,010,219
Differences - budget to GAAP:	
Accrual adjustments for GAAP presentation	(7,681)
Budgetary inflows representing interfund reimbursements that are recorded as expenditures for financial reporting purposes	(17,491)
Budgetary outflows representing interfund transactions that are recorded as revenues for financial reporting purposes	(36,686)
Impact fees and transfers from other funds are inflows of budgetary resources but are other financing sources for financial reporting purposes	<u>(149,425)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,798,936</u>

Uses/outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,000,254
Differences - budget to GAAP:	
Accrual adjustments for GAAP presentation	(7,681)
Unbudgeted unemployment claim costs that are recorded as expenditures for financial reporting purposes	15,253
Insurance recovery representing a reduction in budgetary outflows that is recorded as other financing resources for financial reporting purposes	132,358
Budgetary inflows representing interfund reimbursements that are recorded as expenditures for financial reporting purposes	(17,491)
Budgetary outflows representing interfund transactions that are recorded as revenues for financial reporting purposes	<u>(36,686)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,086,007</u>

CITY OF EAGLE LAKE, FLORIDA
BUDGETARY COMPARISON SCHEDULE - COMMUNITY REDEVELOPMENT AUTHORITY
for the year ended September 30, 2008

	<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	\$ 74,371	\$ 74,371	\$ 73,076	\$ (1,295)
Charges for service	1,300	1,300	2,383	1,083
Intergovernmental revenue	15,000	15,000	12,576	(2,424)
Other	4,400	4,400	9,565	5,165
Amounts available for appropriations	<u>95,071</u>	<u>95,071</u>	<u>97,600</u>	<u>2,529</u>
CHARGES TO APPROPRIATIONS (outflows):				
Economic environment	114,034	114,034	47,889	66,145
Capital outlay	51,980	51,980	49,106	2,874
Debt service	15,400	15,400	15,378	22
Total charges to appropriations	<u>181,414</u>	<u>181,414</u>	<u>112,373</u>	<u>69,041</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>(86,343)</u>	<u>(86,343)</u>	<u>\$ (14,773)</u>	<u>\$ 71,570</u>
PRIOR YEAR FUND BALANCE REAPPROPRIATION	<u>86,343</u>	<u>86,343</u>		
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>		

COMPLIANCE



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

Honorable Mayor, City Commissioners
and City Manager
City of Eagle Lake, Florida

We have audited the financial statements of City of Eagle Lake as of and for the year ended September 30, 2008, and have issued our report thereon dated February 13, 2009. 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.

Internal Control Over Financial Reporting

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

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. 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

08-1 Disposal of Property, Plant and Equipment

Finding:

Our testing of the disposal of capital assets found that supporting documentation for certain disposals could not be provided for 50% of the disposals selected for testing. In addition, there did not appear to be a formal policy for disposals that do not require commission approval including required documentation showing review and approval of items selected for disposal.

Recommendation:

We recommend management implement policies and procedures so that evidence for all disposals would include supporting documentation and indicate evidence of approval by management and/or the commission.

08-1 Disposal of Property, Plant and Equipment - concluded

Management response:

The City Manager will periodically, but not less than once per year, develop a list of property which is no longer used or needed by the City. The Manager will report this list to the Commission together with a recommendation on the disposition of the property. Any property disposed of on recommendation of the Manager, whether by sale or transfer to another public agency, will be reported to the Commission immediately after the disposition of the property.

08-2 Journal entry approval

Finding:

Our review of journal entries found supporting documentation for entries, but there was no evidence of management approval.

Recommendation:

We recommend that journal entries include signature approval by the City Manager to ensure that evidence exists that entries have been adequately reviewed and approved.

Management response:

All journal entries are recorded in the financial work papers each month. All journal entries will be reviewed by the Manager and, as evidence of this review, the Manager will initial every page of journal entries.

08-3 Segregation of duties

Finding:

Our review of the controls over accounts payable revealed that the accounts payable clerk has access to setup new vendors in the accounting system; her duties also include the recording of the invoice and processing of the subsequent payment. Proper segregation of duties should exist within the accounting department to ensure accurate financial reporting and reduce risks of error and/or fraud within each transaction cycle.

Recommendation:

We recommend that management review the current organizational structure of the accounts payable transaction cycle and redefine the duties of the accounts payable clerk to ensure adequate segregation of duties for the payables transaction cycle.

Management response:

All purchases for the City are to be initiated by a purchase order, even if it is a blanket purchase order issued monthly. In an effort to segregate duties of the staff on purchases, the City Clerk will take over the duties of issuing purchase orders from the Accounts Payable Clerk. Through the bank reconciliation process to be performed by the City Manager and review of vendor maintenance reports each month, also to be performed by the City Manager, additional oversight will be implemented over the accounts payable transaction cycle.

08-4 Material Adjustment Recorded During the Audit

Finding:

Our audit procedures for testing of account balances found the following deficiencies:

- A material audit adjustment was made to the beginning trial balance to correct client journal entry recorded in error.

08-4 Material Adjustment Recorded During the Audit - concluded

- There were multiple account balances with unreconciled differences that were not corrected at the beginning of field work
- The trial balance presented at the beginning of the audit did not match the client general ledger
- The reconciliation of cash did not include several journal entries made to the trial balance, so the bank reconciliation presented at the beginning of field work did not represent the final cash balances recorded to the closing trial balance.

Recommendation:

We recommend the client establish procedures to ensure all account balances are reconciled and all journal entries are posted prior to the commencement of the audit. The trial balance provided to the auditor should serve as the management's representation that no further adjustments are needed and all accounts are reconciled.

Management response:

Every month the City Manager will assume the duties of reconciling the bank accounts. Through reviewing the monthly journal entries and reconciling the bank statements every month the Manager will ensure that the year end work will proceed easily and in a timely manner, with everything being reconciled at year end. Through ensuring that all accounts are balanced monthly I expect all accounts will be balanced and ready to be audited at year end

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 entity'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 the 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 described above, we consider item [08-4] to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Eagle Lake'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*.

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

The NCT Group (CPA's, LLP)

The NCT Group, CPA's L.L.P.
Winter Haven, Florida
February 13, 2009



The Honorable Mayor and City Commissioners
City of Eagle Lake, Florida

We have audited the financial statements of the City of Eagle Lake, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated February 13, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters dated February 13, 2009 which should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Eagle Lake, Florida complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have the following recommendation.

08-4 Material Adjustment Recorded During the Audit

Finding:

Our audit procedures for testing of account balances found the following deficiencies:

- A material audit adjustment was made to the beginning trial balance to correct client journal entry recorded in error.
- There were multiple account balances with unreconciled differences that were not corrected at the beginning of field work
- The trial balance presented at the beginning of the audit did not match the client general ledger
- The reconciliation of cash did not include several journal entries made to the trial balance, so the bank reconciliation presented at the beginning of field work did not represent the final cash balances recorded to the closing trial balance.

Recommendation:

We recommend the client establish procedures to ensure all account balances are reconciled and all journal entries are posted prior to the commencement of the audit. The trial balance provided to the auditor should serve as the management's representation that no further adjustments are needed and all accounts are reconciled.

Management response:

Every month the City Manager will assume the duties of reconciling the bank accounts. Through reviewing the monthly journal entries and reconciling the bank statements every month the Manager will ensure that the year end work will proceed easily and in a timely manner, with everything being reconciled at year end. Through ensuring that all accounts are balanced monthly I expect all accounts will be balanced and ready to be audited at year end

Section 10.554(1)(i)4., Rules of Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that has an effect on the financial statements that is less than material, but more than inconsequential. In connection with our audit, we have the following recommendations.

08-1 Disposal of Property, Plant and Equipment

Finding:

Our testing of the disposal of capital assets found that supporting documentation for certain disposals could not be provided for 50% of the disposals selected for testing. In addition, there did not appear to be a formal policy for disposals that do not require commission approval including required documentation showing review and approval of items selected for disposal.

Recommendation:

We recommend management implement policies and procedures so that evidence for all disposals would include supporting documentation and indicate evidence of approval by management and/or the commission.

Management response:

The City Manager will periodically, but not less than once per year, develop a list of property which is no longer used or needed by the City. The Manager will report this list to the Commission together with a recommendation on the disposition of the property. Any property disposed of on recommendation of the Manager, whether by sale or transfer to another public agency, will be reported to the Commission immediately after the disposition of the property.

08-2 Journal entry approval

Finding:

Our review of journal entries found supporting documentation for entries, but there was no evidence of management approval.

Recommendation:

We recommend that journal entries include signature approval by the City Manager to ensure that evidence exists that entries have been adequately reviewed and approved.

Management response:

All journal entries are recorded in the financial work papers each month. All journal entries will be reviewed by the Manager and, as evidence of this review, the Manager will initial every page of journal entries.

08-3 Segregation of duties

Finding:

Our review of the controls over accounts payable revealed that the accounts payable clerk has access to setup new vendors in the accounting system; her duties also include the recording of the invoice and processing of the subsequent payment. Proper segregation of duties should exist within the accounting department to ensure accurate financial reporting and reduce risks of error and/or fraud within each transaction cycle.

Recommendation:

We recommend that management review the current organizational structure of the accounts payable transaction cycle and redefine the duties of the accounts payable clerk to ensure adequate segregation of duties for the payables transaction cycle.

Management response:

All purchases for the City are to be initiated by a purchase order, even if it is a blanket purchase order issued monthly. In an effort to segregate duties of the staff on purchases, the City Clerk will take over the duties of issuing purchase orders from the Accounts Payable Clerk. Through the bank reconciliation process to be performed by the City Manager and review of vendor maintenance reports each month, also to be performed by the City Manager, additional oversight will be implemented over the accounts payable transaction cycle.

Section 10.554(1)(i) 5., Rules of Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements or abuses 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 annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed the following matters required to be disclosed.

08-5 Incorrect pay rate & incorrect vesting amounts used for accrued sick leave

Finding:

During our testing of accrual sick and vacation leave, we noted the calculation was not corrected for several selected employees.

Recommendation:

We recommend that management establish policy and procedures to ensure all employees' accrued sick and vacation leave is calculated correctly. It is important to calculate accrued sick and vacation correctly in order to avoid potential overpayment to employees during termination of employment.

Management response:

The manager will conduct a review quarterly to ensure the correct compilation of accrued vacation and sick leave for each employee.

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 the management letter, unless disclosed in the notes to the financial statements. For the legal authority of the City of Eagle Lake, Florida, see footnote A of the summary of significant accounting policies in the notes to financial statements of the basic 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 met. In connection with our audit, we determined that the City of Eagle Lake, Florida is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General requires that we determine whether the annual financial report for the City of Eagle Lake, Florida 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.

Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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. The results of our assessment indicated that the City's overall financial condition, as defined by the Auditor General's guidelines, was not deteriorating.

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

The NCT Group CPA's LLP

The NCT Group CPA's, L.L.P.
Winter Haven, Florida
February 13, 2009