

CITY OF AUBURNDALE, FLORIDA

FINANCIAL STATEMENTS AND AUDITORS' REPORTS

September 30, 2009

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MANAGEMENTS' DISCUSSION AND ANALYSIS

**City of Auburndale
Management's Discussion and Analysis
September 30, 2009**

The City of Auburndale's Management's Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities. The analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify the changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues of concern.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and currently known facts, it may be useful to read it in conjunction with the City's financial statements and auditor's report (beginning on Page 1).

Financial Highlights

- The assets of the City of Auburndale exceeded its liabilities at September 30, 2009 by \$51,572,220 (net assets). Of this amount, \$1,121,169 (unrestricted net assets) may be used to meet the City's ongoing obligations.
- The City's total net assets increased by \$537,590 or 1.04%.
- As of September 30, 2009, the City of Auburndale's governmental funds reported combined ending fund balances of \$3,801,855, a decrease of \$12,325,593 in comparison with the prior year ending balance of \$16,127,448. This reduction in fund balance is partially due to the completion of major projects in Fiscal Year 2008-2009.
- The City of Auburndale's total net long-term liabilities increased by \$741,169 during the fiscal year.

UNDERSTANDING THE BASIC FINANCIAL STATEMENTS

The financial statements focus on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability. The Statement of Net Assets and Statement of Activities, seeks to give the user a combined overview of the City's financial position; eliminates interfund activities, and "other people's money", such as pension funds, which can mislead users when incorporated in a combined manner.

The reporting model requires the use of accrual accounting (which focuses on economic resources) at the top most level, while maintaining modified accrual accounting (which focuses on current financial resources – budget resources) at the individual fund level. The impact of long-term financial decisions can be more properly matched to the period in which the expense or revenue is more properly attributed. More fairness in presentation is achieved and the impacts of long-term decisions are promptly recorded as the transactions occur, as opposed to the traditional method of recording them when the bill is paid.

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The MD&A is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements (pages 3-4) consist of a Statement of Net Assets and a Statement of Activities. Both statements represent an overview of the City as a whole, separating its operations between Governmental and Business-type activities. The governmental activities of the City include general government, public safety, streets, sanitation, and parks and recreation. The business-type activities of the City consist of the Public Utilities system. All information is presented utilizing the economic resource measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenue is earned and the expense attributed. The City's Community Redevelopment Agency is shown as a Component Unit of Government -- which is a governmental unit over which the City can exercise influence and/or may be obligated to provide financial subsidy. Fiduciary funds, such as pension trust funds, are excluded from the Government-wide Financial Statements as they represent money and funds legally set aside for use by the employee groups they benefit. Florida law requires municipalities to fund pension plans on an actuarially sound basis; therefore it is important for the user to study the Fund Financial Statements as well as the footnotes and statistical sections of this report.

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. The focus of the Statement of Net Assets (the "unrestricted net assets") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increase or decrease 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 City's net assets changed during the most recent fiscal year, focusing on both the gross and net cost of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities.

The City has three defined benefit pension plans established for the exclusive benefit of its employees and beneficiaries and one 401A Money Purchase Plan for General Employees, who were hired after October 1, 2006.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. 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 the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two separate governmental funds – the General Fund and the Community Redevelopment Agency Fund. Information is presented separately for each fund in the governmental fund Balance Sheet and the governmental fund Statement of Revenue, Expenditures and Change in Fund Balances for the General Fund.

In September, following two Public Hearings the City adopts an annual appropriated budget each year. Budgetary comparison statements have been provided to demonstrate compliance with the budget (pages 41-42).

The basic Governmental Funds financial statements can be found on pages 5 - 8. The presentation is on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance for each fund.

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Proprietary Funds - The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses an enterprise fund to account for its Public Utilities system. Internal Service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City does not utilize internal service funds. The basic proprietary fund financial statements can be found on pages 9-11 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on pages 12-13 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 14-40 of this report.

Infrastructure Assets - The City implemented the infrastructure portion related to general governmental activities in 2006. Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, and underground pipes not associated with a utility, etc) have not been reported nor depreciated in governmental financial statements. Accounting standard requires that these assets be valued and reported within the governmental column of the government-wide statement. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management system or the modified approach, which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The City of Auburndale has elected to depreciate its infrastructure assets.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the current year, the City's assets exceeded liabilities by \$51,572,220. Last year the City's assets exceeded liabilities by \$51,034,630.

The following table reflects the condensed Statement of Net Assets for the current year, as compared to the prior year. For more detailed information see the Statement of Net Assets on page 3.

Statement of Net Assets (Summary)

As of September 30, 2009

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$5,567,641	\$17,362,960	\$6,543,983	\$15,543,735	\$12,111,624	\$32,906,695
Capital assets	\$39,091,987	\$25,313,056	\$61,857,318	\$52,419,693	\$100,949,305	\$77,732,749
Total assets	\$44,659,628	\$42,676,016	\$68,401,301	\$67,963,428	\$113,060,929	\$110,639,444
Long-term liabilities outstanding	\$17,469,738	\$15,900,244	\$37,414,769	\$39,223,094	\$54,884,507	\$54,143,338
Other liabilities	\$2,625,861	\$1,842,602	\$3,978,341	\$3,618,874	\$6,604,202	\$5,461,476
Total liabilities	\$20,095,599	\$17,742,846	\$41,393,110	\$41,861,968	\$61,488,709	\$59,625,673
Net assets:						
Invested in capital assets, net of related debt	\$23,598,906	\$20,701,610	\$23,176,110	\$20,823,861	\$46,775,016	\$41,525,471
Restricted	\$2,275,755	\$2,362,788	\$1,400,280	\$1,817,722	\$3,676,035	\$4,180,510
Unrestricted	-\$1,310,632	\$1,868,772	\$2,431,801	\$3,459,877	\$1,121,169	\$5,328,649
Total net assets	\$24,564,029	\$24,933,170	\$27,008,191	\$26,101,460	\$51,572,220	\$51,034,630

Ninety one percent (91%) or \$46,775,016 of the City's net assets reflect its investment in capital assets (land, buildings, improvements, infrastructure, vehicles 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.

Seven percent (7%) or \$3,676,035 of the City's net assets represent resources that are subject to external restrictions on how they may be used (debt service, reserves, and impact fees). The remaining balance of unrestricted net assets \$1,121,169 or 2% of net assets may be used to meet the City's ongoing obligations to citizens and creditors.

The City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

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Statement of Activities - Net Assets of the City represent the difference between Assets and Liabilities of the City using the economic resources measurement focus and accrual basis of accounting. The City has in place many charges that are designed to recover in part or in whole the cost of providing services. Florida case law prevents the City from recovering more than the cost of the services provided, except for proprietary activities. In the Governmental Activities, clearly the largest source of revenue comes from the Ad Valorem Taxes at \$4,451,470 or 27% of total general revenue \$16,498,425, which includes an Interfund Transfer of \$1,090,866. Operating Grants were received for the General Government, Library, Police and Fire Department. Capital Grants and Contributions were received for the Police, Fire, Streets and Parks and Recreation. The following table reflects the condensed Statement of Activities for the current year. For more detailed information see the Statement of Activities on page 4.

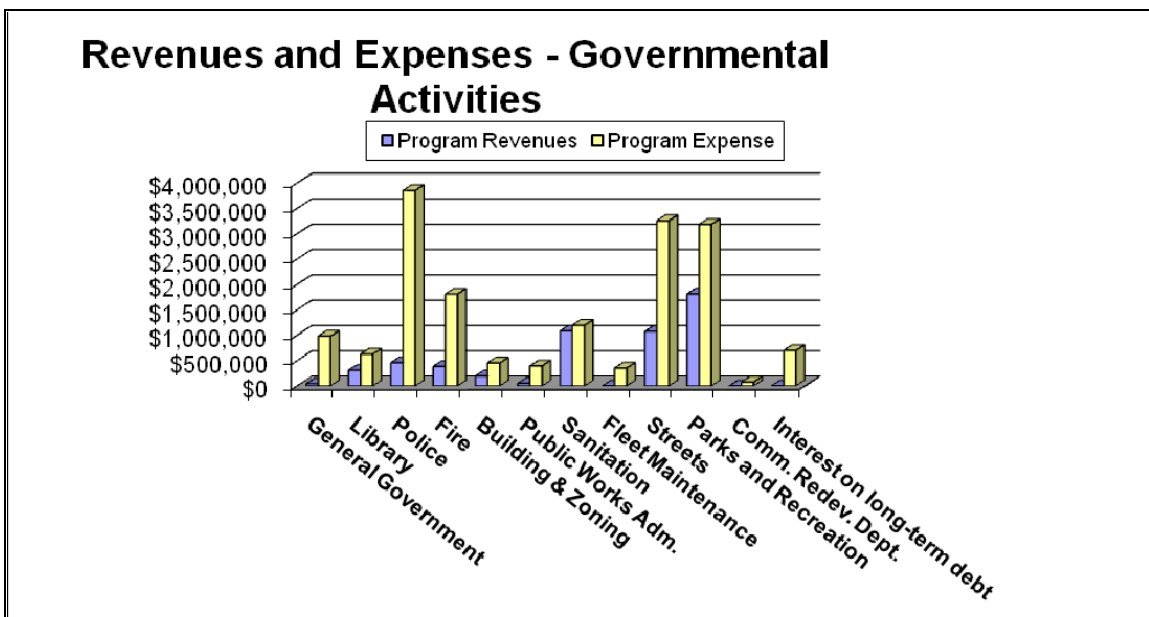
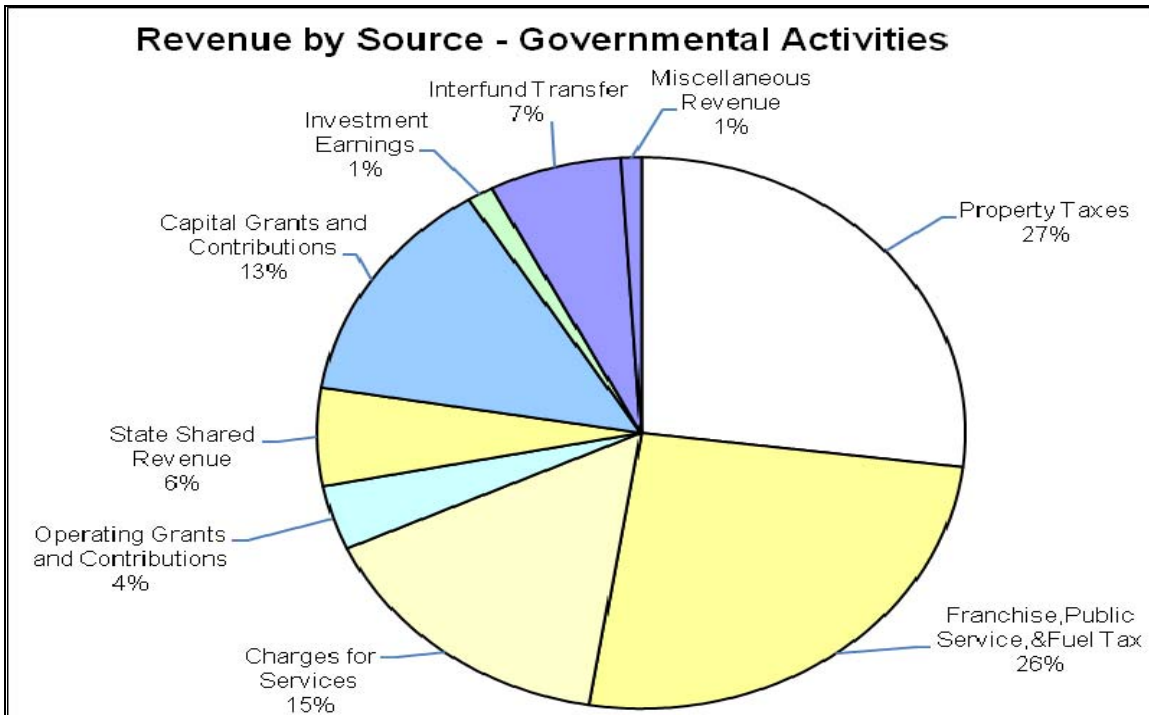
Statement of Activities (Summary)

As of September 30, 2009

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$2,560,384	\$2,895,751	\$8,509,582	\$8,329,670	\$11,069,966	\$11,225,421
Operating Grants and Contrib.	\$625,350	\$691,393	\$0	\$0	\$625,350	\$691,393
Capital Grants and Contrib.	\$2,218,465	\$1,882,324	\$1,063,680	\$3,508,845	\$3,282,145	\$5,391,169
General Revenues:						
Property Taxes & CRA	\$4,451,470	\$4,424,327	\$0	\$0	\$4,451,470	\$4,424,327
Franchise/Public Ser. Tax	\$3,485,825	\$3,332,692	\$0	\$0	\$3,485,825	\$3,332,692
Other	\$2,066,065	\$2,278,459	\$143,777	\$353,855	\$2,209,842	\$2,632,314
Total Revenues	\$15,407,559	\$15,504,946	\$9,717,039	\$12,192,370	\$25,124,598	\$27,697,316
Expenses:						
General Government	\$981,315	\$1,118,729	\$0	\$0	\$981,315	\$1,118,729
Library	\$625,097	\$658,840	\$0	\$0	\$625,097	\$658,840
Police	\$3,849,287	\$3,686,545	\$0	\$0	\$3,849,287	\$3,686,545
Fire	\$1,810,347	\$1,804,116	\$0	\$0	\$1,810,347	\$1,804,116
Building and Zoning	\$454,294	\$421,448	\$0	\$0	\$454,294	\$421,448
Public Works	\$394,272	\$464,819	\$0	\$0	\$394,272	\$464,819
Sanitation	\$1,193,009	\$1,283,465	\$0	\$0	\$1,193,009	\$1,283,465
Fleet Maintenance	\$350,448	\$335,462	\$0	\$0	\$350,448	\$335,462
Streets	\$3,256,032	\$1,379,755	\$0	\$0	\$3,256,032	\$1,379,755
Parks and Recreation	\$3,184,397	\$2,941,564	\$0	\$0	\$3,184,397	\$2,941,564
Community Redevelopment	\$73,664	\$221,584	\$0	\$0	\$73,664	\$221,584
Interest on Long-Term Debt	\$695,404	\$533,306	\$0	\$0	\$695,404	\$533,306
Public Utilities	\$0	\$0	\$7,719,442	\$7,681,203	\$7,719,442	\$7,681,203
Total Expenses	\$16,867,566	\$14,849,633	\$7,719,442	\$7,681,203	\$24,587,008	\$22,530,836
Change in net assets before transfers	-\$1,460,007	\$655,313	\$1,997,597	\$4,511,167	\$537,590	\$5,166,480
Transfers	\$1,090,866	\$1,163,033	(\$1,090,866)	(\$1,163,033)	\$0	\$0
Inc. (decrease) in net assets	(\$369,141)	\$1,818,346	\$906,731	\$3,348,134	\$537,590	\$5,166,480
Net assets - October 1	\$24,933,170	\$23,114,824	\$26,101,460	\$22,753,326	\$51,034,630	\$45,868,150
Restated fixed asset additions		\$0	\$0	\$0	\$0	\$0
Net assets - September 30	\$24,564,029	\$24,933,170	\$27,008,191	\$26,101,460	\$51,572,220	\$51,034,630

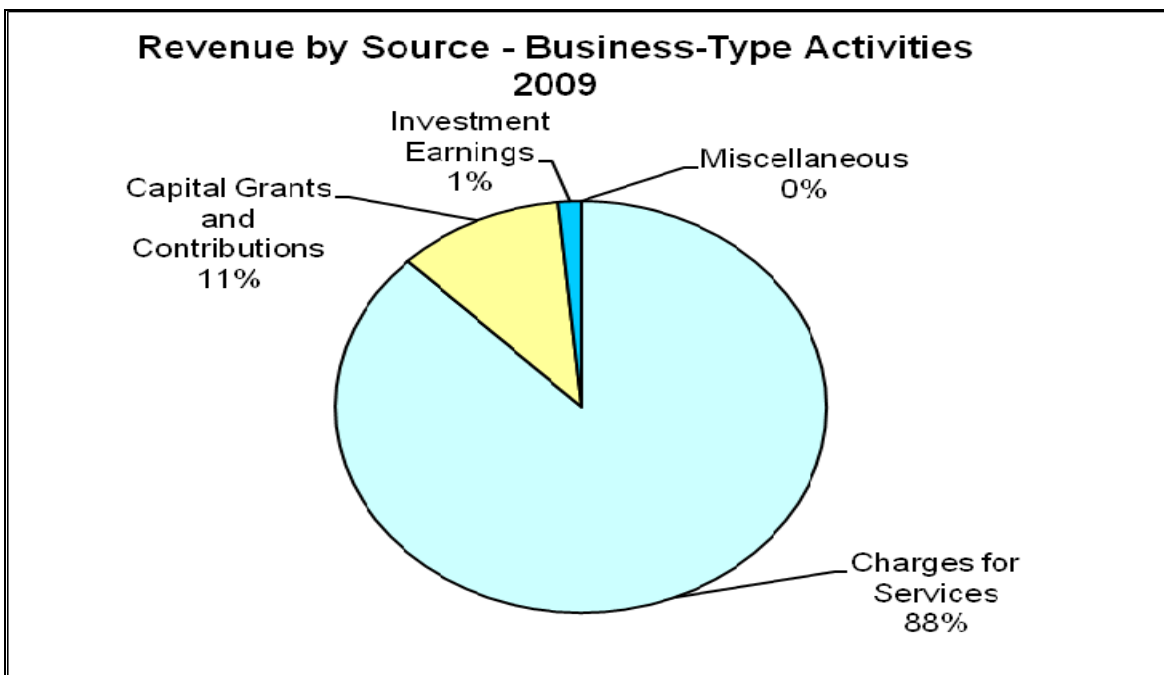
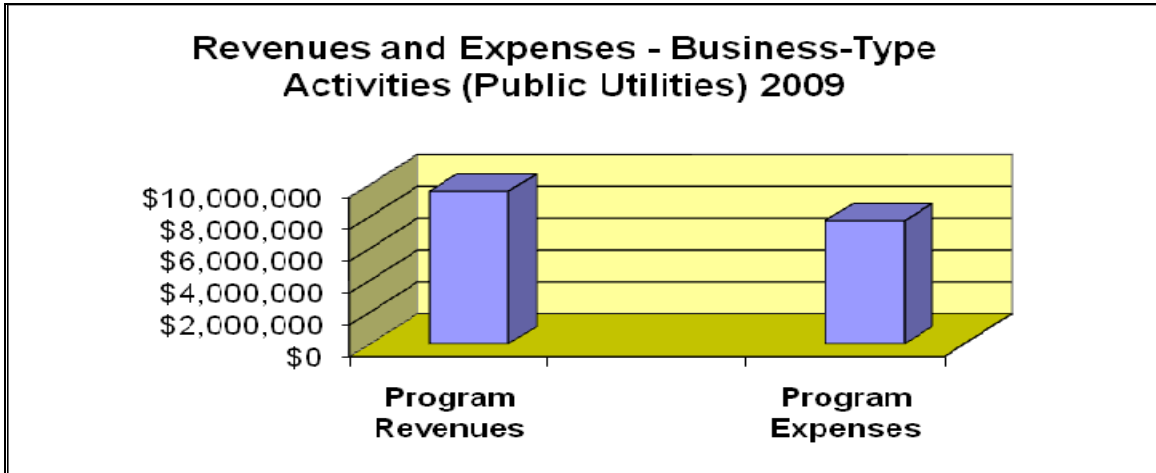
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Governmental Activities - Governmental activities decreased the City's net assets by \$369,141 for the current year, as shown on Page 4. Approximately 67% or \$11,094,226 of the Governmental activities operations are funded by General Revenue sources (including transfers) that are not attributable to any one particular activity. The City is dependent upon property taxes and taxes on utilities, both through franchise and through direct taxation of those utilities.



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Business-type activities - Business-type activities increased the City's net assets by \$906,731.



In total, Fiscal Year 2008/2009 resulted in a \$537,590 improvement in Net Assets, indicating favorable results for the year. Governmental Fund changes were favorable because of the Ad-valorem taxes, public service tax, transfers in from Public Utilities and State shared revenues. Compensated absences liabilities totaled \$1,030,447 and increased by \$58,295 from the previous year (see Footnote 7, Page 26). For the year residential growth and commercial growth have been slow. Major businesses that provide property taxes and utility revenue include: the Coca Cola Plant which opened in March 2003, the Osprey Energy Plant (Calpine Corporation) which began operations in March 2004, Wal-Mart Super Center which opened April 2004 and Lowes Home Improvement Store which opened in March 2008.

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FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds 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 September 30, 2009, the City's governmental funds reported combined ending fund balances of \$3,801,855 (page 5). Approximately 15% or \$553,374 constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance, \$3,248,481, is reserved as indicated and not available for new spending because funds have already been committed. Total Fund Balance in Fiscal Year 2008 was \$16,127,448.

The General Fund is the chief operating fund of the City. At September 30, 2009, the unreserved fund balance of the General Fund was -\$181,511, while the total fund balance was \$3,066,970. The General Fund Balance has decreased from \$15,614,082 in Fiscal Year 2008. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. During the current fiscal year, the fund balance of the City's General Fund decreased by \$12,547,112 (page 7). The large decrease in fund balance and unreserved fund balance of the General Fund is primarily due to the Improvements to the Lake Myrtle Park Sports Complex and specifically the Soccer Fields. As authorized by the City Commission, on October 19, 2009, the City borrowed \$4,000,000 to reimburse General Fund accounts that had been spent down to construct the Lake Myrtle Park Soccer Fields.

The Community Redevelopment Agency was created with Ordinance No. 772, in June of 1992. The CRA Board was restructured to include the City Commission and two City residents, with Ordinance No. 1117, in July of 2003. The Board hired an attorney to assist with extending the CRA entity for an additional 20 years. The amendment to the redevelopment plan extended the time certain for completing all redevelopment financed by increment revenue for 30 years from the date of Resolution No. 2005-11 was adopted or from May 2, 2005. In November of each year, the CRA entertains public comment on new projects to be included in the Board's adopted Capital Improvements Program. The CRA receives property tax increment funds from the County and City, which combined were \$1,288,650. Total fund balance equal \$734,885.

Major CRA projects this year include: Update Streetscape (\$27,808), and Redesign Downtown Park (\$77,769) and Tennis Court Facility (\$871,525). The CRA spent \$1,088,820 during the year, with \$1,044,649 being capital outlay.

As a look forward at CRA collections, the 2009/2010 Fiscal Year Budget projects revenues of \$1,653,000, with revenue from Carry Over Prior Year of \$350,000. The tax increment collection from the County in December 2009 was \$725,550 and the City tax increment was \$407,452 for a total of \$1,133,002. Staff will prepare a Budget Amendment to reflect the FY 2009/2010 revenues and modify the expenditures to the current year receipts.

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Business-type Activities Funds - The City's Public Utilities system provided Operating Income of \$1,783,630 that resulted in a primary Net Revenue Bond Coverage of 1.37. Last year the Operating Income was \$1,885,802 with Net Revenue Bond Coverage of 1.59. City Resolution Number 95-10 requires the City to maintain net revenues sufficient to cover 1.05 times the bond service requirement. Actual debt service payments for the year totaled \$2,818,546.

The City's practice has been to provide water and sewer service in a quality manner at an affordable price. After the Water Master Plan Study was presented, projects were identified for construction purposes and Water and Sewer Rate Study was completed in December 2006. It was determined the City would need to Bond for the infrastructure improvements at an estimated \$22 million – which was completed in April 2008. We created a Construction Fund to track the Water and Sewer Bond expenditures. As a result of the Water and Sewer Rate Study which was required for the 2008 Bond Issue, the sewer rates were increased by 15% effective January 1, 2008 and an additional 10% effective October 1, 2008. These needed and anticipated increased revenues aided in providing continued quality services to our citizenry.

During Fiscal Year 2008/2009, the following capital improvements were made:

- Water Department expenses including Radio Read Water Meter Replacements - \$50,196.
- Allred Wastewater Treatment improvements totaled \$20,560 for lift station upgrades.
- Water Bond Projects total \$430,197 for fiscal year. The Berkley Road Water Plant was completed in August 2009
- Wastewater Bond Projects total \$8,373,222 for the fiscal year. Plans are to complete the expansion of the Regional Wastewater Plant in April 2010.

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Fiduciary Funds - The General Employee Pension Fund funding requirement was \$693,551 for the current year. This was an \$13,599 (2%) increase over prior year funding of \$679,952. The General Employee Pension Board hired an independent actuary to prepare the valuations beginning in 2008 and hired a pension attorney in 2009. In October 2002, the City used demutualization funds (\$688,383) given by the Principal Financial Group to fund and amend the multiplier for the Defined Benefit Plan to 2.75%. Calculations were done to provide for the increase; however the actuarial report for 2002 showed returns on investments below the expectation and a revision of the valuation interest rate accounted for the increased contribution requirement. These increased costs along with the current economic conditions prompted City Staff to recommend and the City Commission to authorize reducing the multiplier to 2.5% for all years after October 1, 2003. Employees under the Defined Benefit Plan contribute 2% of salary. Per the General Employee Pension Actuarial Report dated September 30, 2009, participants in the Plan are: 56 retirees currently receiving benefits, 40 vested terminated employees, 29 current vested employees, and 60 current non-vested employees for a total of 185 participants. Effective October 1, 2006, the City implemented a Defined Contribution Plan for all new hires and froze the current enrollment into the Principal Financial Group Defined Benefit Plan. The City now has a 401A Plan administered through the International City Managers Association (ICMA) and contributes 8% to the employee's account. The employees contribute 2% of salary and have a five year vesting period for the Plan. For fiscal year 2008-2009, the City expenses for the 401A Plan were \$48,983. As of September 30, 2009 there were 30 active participants in this Plan and no retirees for the Plan.

The Fire Pension Fund is funded by State contributions, employee contributions, return on investments, and a City contribution to make the funds actuarially sound. The City contributed \$109,106 for the current fiscal year and \$64,507 for the prior fiscal year. Ordinance Numbers 1275 and 1328 modified the Plan: the employee contributes 6.6% of salary for the Pension benefit, provides for eligible retirement with 25 years of service regardless of age, provides an additional compensation of \$22 per month for every year of service for future retirees, and increased the Fire Pension multiplier to 3.5%. Normal retirement is age 55 with 10 years of service. The Plan is administered by the Firefighter Pension Board. Per the Firefighter Pension Actuarial Report dated September 30, 2009, participants in the plan are: nine retirees currently receiving benefits, six vested terminated employees, seven current vested employees, and 11 current non-vested employees for a total of 33 participants.

The Police Pension Fund is funded by State contributions, employee contributions, return on investments, and a City contribution to make the funds actuarially sound. The City contributed \$221,884 for the current fiscal year and \$124,385 for the prior year. Ordinance No. 1256 modified the Plan: the employee contributes 2.5% of salary for the Pension benefit, provides for eligible retirement with 20 years of service regardless of age, and provides an additional compensation of \$20 per month for every year of service for future retirees. Normal retirement is age 55 with 10 years of service. The Plan is administered by the Police Pension Board and the current pension multiplier for the Police Pension is 3.25%. Per the Police Officer Actuarial Report dated September 30, 2009, participants in the plan are: 16 retirees currently receiving benefits, six vested terminated employees, 15 current vested employees, and 19 current non-vested employees for a total of 56 participants.

Note 9, pages 31-34, will provide more information regarding the City's three Pension Trust Funds.

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ANALYSIS OF SIGNIFICANT BUDGET VARIANCES

Budget variance reporting is only included for the General Fund and Community Redevelopment Authority and appear on pages 41-42. For the revenues in the General Fund, the differences between the original budget and the final amended budget amounted to \$2,100,000. On a budgetary basis, including other financing sources, the net change in budgetary fund balance for the General Fund was a negative \$2,612,933. This variance was directly affected by the Other Revenue Sources for the Construction of Lake Myrtle Sports Complex. We brought into the budget \$9,442,540 in funds previously acquired from Polk Board of County Commissioners for the Lake Myrtle Park Projects. Summarized below are the significant Budgetary Variances accompanied by an explanation:

GENERAL FUND REVENUE COMPARISON:

- The collection for Taxes was \$7,317,204 and \$286,704 more than the Final Budget of \$7,030,500.
- Licenses and Permit collections were \$245,293 and \$182,107 less than the Final Budget of \$427,400.
- Intergovernmental Revenue collections were \$3,596,526 and \$259,862 more than the Final Budget of \$3,336,664.
- Charges for Services collections were \$2,364,900 and \$416,288 less than the Final Budget of \$2,781,188.
- The collections for Other Sources had revenue of \$12,961,083 and were \$2,908,355 less than the final budget of \$15,869,438. The City moved \$9,442,540 into the Budget from a previously acquired Bond issue borrowed through an Interlocal Agreement with Polk County Board of County Commissioners. These funds were acquired for the construction of the Lake Myrtle Sports Complex.

GENERAL FUND EXPENSE COMPARISON:

- Unallocated General Services expenses were \$1,682,482 and provided a positive variance of \$728,318 compared to the Final Budget of \$2,410,800
- Capital Outlay expenses were \$16,313,999 and provided a negative variance of \$720,789 compared to the Final Budget of \$15,593,210.
- Debt Service expenses for the General Fund were \$1,500,921 and provided a negative variance of \$91,221 compared to the Final Budget of \$1,409,700.
- Contingency expenses were \$18,936 and provided a positive variance of \$273,455 compared to the Final Budget of \$292,391.
- Overall the expenditures for General Government were less than budgeted by \$367,657 and totaled \$29,431,333.

COMMUNITY REDEVELOPMENT AGENCY COMPARISON:

- The Community Redevelopment Agency completed the year with collection of \$1,310,339, which was a positive variance of \$67,339 compared to the Final Budget of \$1,243,000.
- The Community Redevelopment Agency expenses for the year were \$1,088,820 and less than the budgeted amount by \$154,180.
- The Community Redevelopment Agency had an excess of resources over appropriations of \$221,519 for the year.

**City of Auburndale
Management's Discussion and Analysis
September 30, 2009**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2009 amounts to \$100,949,305 (net of accumulated depreciation). The capital assets increased from \$77,732,749 in 2008 largely due to the developer contributions and construction in progress values included with this reporting period. This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles, and equipment.

City of Auburndale Capital Assets

September 30, 2009 (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
	Land	\$3,821,316	\$3,694,698	\$11,188,910	\$11,188,908	\$15,010,226
Buildings	\$18,319,838	\$10,033,430	\$38,689,376	\$38,982,713	\$57,009,214	\$49,016,143
Vehicles & Equipment	\$2,928,239	\$2,739,423	\$685,379	\$713,092	\$3,613,618	\$3,452,515
Infrastructure	\$5,946,377	\$6,255,569	\$0	\$0	\$5,946,377	\$6,255,569
Construction in Progress	\$8,076,217	\$2,589,936	\$11,293,653	\$1,534,980	\$19,369,870	\$4,124,916
Total	\$39,091,987	\$25,313,056	\$61,857,318	\$52,419,693	\$100,949,305	\$77,732,749

Additional information on the City's capital assets can be found on page 24 and 25 of the Notes to the Financial Statements in this report.

Long-term Debt - At the end of the current fiscal year, the Governmental Activities had total debt outstanding of \$16,937,456. The debt consists of: \$1,500,000 for the 2009 Public Improvement Bond Utility Relocates, \$6,340,000 for the 2008 Public Improvement Bond BOCC Baseball, \$3,965,000 for the 2007 Public Improvement Bond BOCC Soccer, \$5,010,000 for the 2006 Public Safety Bonds, \$296,408 for Installment loan for Equipment, and (-\$173,952) premium discounts net. Both the Series 2008 debt of \$6,340,000 and Series 2007 debt of \$3,965,000 is fully funded through an Interlocal Agreement with Polk County and use of the 5th Cent Tourist Tax. These funds were used to construct the Lake Myrtle Park Sports Complex. The new Series 2009 debt of \$4,000,000 acquired on October 20, 2009 reimburses the City for funds expended during the construction completion of the Lake Myrtle Park Sports Complex.

As shown in Note 7, page 26, the Business-type Activities had total debt outstanding of \$38,092,968, which consists of \$2,720,000 for the 2003 Water and Sewer Bond, \$1,200,000 for the 2004 Water and Sewer Note, \$12,780,000 for the 2006 Water and Sewer Bonds, \$22,125,000 for the 2007 Water and Sewer Bonds and Premium Discounts net of -\$732,032.

In 2003, the City took the upfront-savings option on the 1995 Water and Sewer Bonds (\$300,000) and refinanced the 1993 Water and Sewer Bonds. Neither the refinance nor the upfront savings option impacted the length of the original loan or the payment amounts; however it did create the Premiums (discount) net value.

In December 2006, the 1995 Water and Sewer, Series Bond was refinanced. This action did not lengthen the terms of the bond or cost the City.

Additional information on the City's long-term debt can be found on page 26-29 of the Notes to the Financial Statement in this report.

SUBSEQUENT EVENTS

Lake Myrtle Sports Complex Borrowing:

As history regarding this project, in 2007 the City Commission issued a \$4,485,000 bond for the construction of the Soccer Complex at Lake Myrtle Park. In 2008, a \$5,000,000 bond issue was authorized for the construction of the Baseball Complex. Both projects were approved through an Interlocal Agreement for the related debt service to be paid from Polk County Tourist Tax dollars from Polk County Board of County Commissioners. Up-front money was also provided for these projects and brought the County's contribution to \$12 million.

In October 2009 in order to fund the Lake Myrtle Sports Complex projects of Lake Myrtle Baseball and Lake Myrtle Soccer, the City borrowed an additional \$4 million dollars. The City proposes to use \$1 million for the Baseball Project and \$3 million for the Soccer Project. The bond borrowing was for 15 years through SunTrust Bank and will allow the City to reimburse various reserves and meet the contractual arrangements of the sports facilities. All major construction of both baseball and soccer facilities were complete.

City Staff and County Staff are working on additional revenues to help with this new debt service. County Staff has suggested that additional Tourist Tax dollars will come available in 2010 or 2011 that would be earmarked for offsetting this expense. This would be a similar arrangement to the existing \$12 million debt service in which the City is reimbursed by the County for principal and interest payments.

Regional Wastewater Treatment Facility:

In October 2009, in order to complete the expansion project for the Regional Wastewater Treatment Facility, the City borrowed \$2 million through a 15- year Bond with SunTrust Bank. The expansion of the Regional Wastewater Treatment Facility doubles the capacity of the treatment facility to 4 million gallons per day. As history related to this project in 2007, the City Commission authorized a \$22,125,000 bond issue for this expansion project and construction of a Water Treatment Plant. The Water Treatment Plant became operational in November 2008.

**City of Auburndale
Management's Discussion and Analysis
September 30, 2009**

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The City of Auburndale, Florida is located in Polk County. It encompasses approximately 20.12 square miles. The City was incorporated in 1911 and has a 2009 estimated population of 14,033 according to the Bureau of Economic and Business Research University of Florida.

The City is governed by a Mayor and a four member City Commission who are elected at large to serve staggered four-year terms. The current members of the Commission are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
William E. Sterling Jr.	Mayor	December 2009
Keith Cowie	Commissioner	December 2011
Allen Johnson	Commissioner	December 2011
Richard Hamann	Commissioner	December 2009
Ronnie Spears	Commissioner	December 2009

Administration of the operations of the City is carried out by a City Manager who is appointed by the Commissioners and who is an employee of the City. The present City Manager is Robert R. Green, appointed City Manager in April 1991. For Fiscal Year 2008-2009 there were 190 budgeted employees.

The area has seen substantial growth in the last few years. The City is a desirable location for both residences and businesses. The "leading indicators" of growth, such as platting of parcels of lands, site plans of lands, requested land use and zoning changes, have all been very strong, indicating the outlook for continued growth is favorable

In the conduct of municipal government, various lawsuits, commitments, and contingencies will arise. However, none are considered to pose any significant loss to the City.

The legal disputes with the City of Polk City over the Auburndale owned and annexed Sprayfield near Interstate 4 were dismissed in December 2008. The City continues to annex property to improve the tax base. As a policy, the City does not provide utility service without the property owner signing an annexation agreement. The annexation agreement provides that the property will be annexed whenever the property does become contiguous with the City limits. For the current year, the City annexed 2 acres and is comprised of 12,878 acres.

**City of Auburndale
Management's Discussion and Analysis
September 30, 2009**

In 2005, the City Commission authorized an impact fee study for water and wastewater utilities and another study for general fund impact fees including, police, fire and recreation. Both Impact Fee Studies were completed in December 2005. City Staff requested both engineering firms to provide a phased-in five-year fee schedules, including 3% inflation adjustments supported by their studies. The fee schedule allowed the City to automatically adjust the impact fee schedules in October in each year through 2010. The Ordinance amending all Impact Fees and schedule were approved by the City Commission and effective February 1, 2006.

The City is poised for growth in the next few years, as there are many platted subdivisions. Currently there are major road improvement projects underway near the City and throughout the City including: Hwy 559 (Main Street), Bolender Road, Berkley Road, and Recker Hwy. These road improvements will be great benefit to the current citizens and future citizens.

Some of the construction that is underway includes: the Economic Development Sports Marketing Building (located adjacent to the Lake Myrtle Sports Complex off Berkley Road), Florida Youth Soccer Building (located within the Lake Myrtle Sports Complex off Berkley Road), Tire Kingdom (located along Highway 92 W), and a new processing line for Coca Cola (located on Main Street). The City's Berkley Road Water Plant was completed in November 2009, the City's Cindy Hummel Tennis Facility was completed in March 2010, and the expansion to the Regional Wastewater Plant is expected by April 2010.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Auburndale's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City of Auburndale, Finance Department, P. O. Box 186, Auburndale, FL 33823, call 863-968-5133, or email slowrance@auburndalefl.com.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission
City of Auburndale, 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 **City of Auburndale, Florida** as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **City of Auburndale, Florida's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the **City of Auburndale, Florida** as of September 30, 2009, 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 April 14, 2010 on our consideration of **City of Auburndale, Florida's** internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT

(cont...)

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Auburndale, Florida's** basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Section 218.97, *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Auburndale, Florida's** basic financial statements. The other supplementary information consisting of the miscellaneous statistics section, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The miscellaneous statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
April 14, 2010

CITY OF AUBURNDALE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
as of [September 30, 2009](#)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 544,843	\$ 2,076,450	\$ 2,621,293
Receivables, current:			
Customer accounts, net	155,774	910,049	1,065,823
Intergovernmental	567,612	25,000	592,612
Franchise and public service taxes	225,566		225,566
Prepaid pension contribution	340,000		340,000
Inventory	13,716		13,716
Restricted assets:			
Cash and cash equivalents	3,234,765	2,868,146	6,102,911
Capital assets:			
Non-depreciable	12,600,648	22,482,563	35,083,211
Depreciable, net	26,491,339	39,374,755	65,866,094
Unamortized bond issue costs	485,365	664,338	1,149,703
TOTAL ASSETS	44,659,628	68,401,301	113,060,929
LIABILITIES			
Accounts payable	320,426	204,197	524,623
Accrued payroll	229,464	36,716	266,180
Construction costs payable	722,208	1,252,578	1,974,786
Payable from restricted assets:			
Accrued interest payable	217,418	584,523	801,941
Customer deposits		870,327	870,327
Long-term liabilities:			
Due within one year	1,136,345	1,030,000	2,166,345
Due in more than one year	17,469,738	37,414,769	54,884,507
TOTAL LIABILITIES	20,095,599	41,393,110	61,488,709
NET ASSETS			
Invested in capital assets, net of related debt	23,598,906	23,176,110	46,775,016
Restricted for:			
Debt retirement	1,106,255	1,303,970	2,410,225
Building and permitting fees	243,589		243,589
Fire rescue and safety	170,645		170,645
Law enforcement	132,922		132,922
Recreation improvements	337,115		337,115
Stormwater improvements	281,863		281,863
Transportation	3,366		3,366
Water and sewer improvements		96,310	96,310
Unrestricted	(1,310,632)	2,431,801	1,121,169
TOTAL NET ASSETS	\$ 24,564,029	\$ 27,008,191	\$ 51,572,220

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2009

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	\$ 981,315	\$ 43,892	\$	\$	\$ (937,423)	\$	\$ (937,423)
Library	625,097	42,594	264,878		(317,625)		(317,625)
Police	3,849,287	156,807	273,162	28,336	(3,390,982)		(3,390,982)
Fire	1,810,347	275,085	87,310	20,501	(1,427,451)		(1,427,451)
Building and zoning	454,294	193,881			(260,413)		(260,413)
Public works administration	394,272	50,325			(343,947)		(343,947)
Sanitation	1,193,009	1,080,163			(112,846)		(112,846)
Fleet maintenance	350,448				(350,448)		(350,448)
Streets	3,256,032	78,316		994,225	(2,183,491)		(2,183,491)
Parks and recreation	3,184,397	639,321		1,175,403	(1,369,673)		(1,369,673)
Community redevelopment	73,664				(73,664)		(73,664)
Interest on long-term debt	695,404				(695,404)		(695,404)
Total governmental activities	16,867,566	2,560,384	625,350	2,218,465	(11,463,367)		(11,463,367)
Business-type activities:							
Water and sewer utility	7,719,442	8,509,582		1,063,680		1,853,820	1,853,820
Total business-type activities	7,719,442	8,509,582		1,063,680		1,853,820	1,853,820
TOTAL PRIMARY GOVERNMENT	\$ 24,587,008	\$ 11,069,966	\$ 625,350	\$ 3,282,145	(11,463,367)	1,853,820	(9,609,547)
GENERAL REVENUES:							
Taxes:							
Property taxes, levied for general purposes					3,162,820		3,162,820
Property taxes, levied for community redevelopment					1,288,650		1,288,650
Franchise taxes					1,007,769		1,007,769
Public service taxes					2,478,056		2,478,056
Fuel taxes levied for transportation purposes					738,468		738,468
State shared revenue					947,850		947,850
Investment earnings					212,590	142,881	355,471
Miscellaneous					167,157	896	168,053
Transfers					1,090,866	(1,090,866)	
TOTAL					11,094,226	(947,089)	10,147,137
CHANGE IN NET ASSETS					(369,141)	906,731	537,590
NET ASSETS - beginning of year					24,933,170	26,101,460	51,034,630
NET ASSETS - end of year					\$ 24,564,029	\$ 27,008,191	\$ 51,572,220

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
as of September 30, 2009

	<u>General Fund</u>	<u>Community Redevelopment Authority</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ (391,566)	\$ 936,409	\$ 544,843
Receivables, net			
Customer accounts, net	147,451		147,451
Intergovernmental	567,612		567,612
Franchise and public service taxes	225,566		225,566
Inventory	13,716		13,716
Prepaid pension contribution	340,000		340,000
Restricted assets:			
Cash and cash equivalents	<u>3,234,765</u>		<u>3,234,765</u>
TOTAL ASSETS	<u>\$ 4,137,544</u>	<u>\$ 936,409</u>	<u>\$ 5,073,953</u>
LIABILITIES AND FUND BALANCE			
Accounts payable	\$ 314,048	\$ 6,378	\$ 320,426
Construction liabilities payable	527,062	195,146	722,208
Accrued payroll	<u>229,464</u>		<u>229,464</u>
TOTAL LIABILITIES	<u>1,070,574</u>	<u>201,524</u>	<u>1,272,098</u>
FUND BALANCE			
Reserved for:			
Inventory	13,716		13,716
Bond retirement	2,065,265		2,065,265
Building and permitting fees	243,589		243,589
Fire rescue and safety	170,645		170,645
Law enforcement	132,922		132,922
Recreation improvements	337,115		337,115
Stormwater improvements	281,863		281,863
Transportation	3,366		3,366
Unreserved, reported in:			
General fund	(181,511)		(181,511)
Special revenue fund		<u>734,885</u>	<u>734,885</u>
TOTAL FUND BALANCE	<u>3,066,970</u>	<u>734,885</u>	<u>3,801,855</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,137,544</u>	<u>\$ 936,409</u>	<u>\$ 5,073,953</u>

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
as of September 30, 2009

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,801,855
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.	39,091,987
Accounts receivable that were not available were not recorded as assets/revenue in the governmental funds.	8,323
Unamortized bond issue costs are not assets in the governmental funds.	485,365
Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in governmental funds.	(217,418)
Long-term liabilities (including certain accounts payable, compensated absences and unfunded post employment obligations) are not payable from current resources and therefore they are not reported in the governmental funds.	<u>(18,606,083)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 24,564,029</u>

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
for the year ended September 30, 2009

	<u>General Fund</u>	<u>Community Redevelopment Authority</u>	<u>Total</u>
REVENUES			
Taxes	\$ 7,317,204	\$ 1,288,650	\$ 8,605,854
Licenses and permits	245,293		245,293
Intergovernmental revenue	3,801,319		3,801,319
Charges for services	2,364,900		2,364,900
Fines and forfeitures	29,854		29,854
Other	303,540	21,689	325,229
Total revenues	<u>14,062,110</u>	<u>1,310,339</u>	<u>15,372,449</u>
EXPENDITURES			
General government	1,256,697		1,256,697
Public safety	5,288,204		5,288,204
Physical environment	1,637,303		1,637,303
Economic environment		44,171	44,171
Transportation	679,423		679,423
Culture/recreation	2,959,578		2,959,578
Capital outlay	16,313,999	1,044,649	17,358,648
Debt service	1,500,921		1,500,921
Total expenditures	<u>29,636,125</u>	<u>1,088,820</u>	<u>30,724,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(15,574,015)</u>	<u>221,519</u>	<u>(15,352,496)</u>
OTHER FINANCING SOURCES (USES)			
Capital contributions - impact fees	54,418		54,418
Capital contributions - other	10,619		10,619
Debt proceeds	1,871,000		1,871,000
Operating transfers in (out)	1,090,866		1,090,866
Total other financing sources	<u>3,026,903</u>		<u>3,026,903</u>
NET CHANGE IN FUND BALANCE	(12,547,112)	221,519	(12,325,593)
FUND BALANCE - beginning of year	<u>15,614,082</u>	<u>513,366</u>	<u>16,127,448</u>
FUND BALANCE - end of year	<u>\$ 3,066,970</u>	<u>\$ 734,885</u>	<u>\$ 3,801,855</u>

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, 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, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (12,325,593)
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, 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.	15,086,233
This is the depreciation expense for the current period	(1,285,975)
This is the gain or loss on capital assets disposed during the year	(21,327)
This is the change in receivables for revenues accrued when earned in the government-wide statement of net assets but not accrued in the governmental funds	(29,053)
Long-term obligations including bonds and notes payable and compensated absences are reported as liabilities in the government-wide statement of activities but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources:	
This is the debt proceeds reported as revenue in the governmental funds	(1,871,000)
This is the repayment of bond principal reported as an expenditure in governmental funds	899,592
This is the change in accrued interest payable on long-term obligations	(18,507)
This is the bond discount and issuance costs capitalized during the year	
This amount represents amortization of discount and bond issue costs.	(75,568)
This is the change in accrued compensated absences during the year	(50,162)
This is the change in the net OPEB liability during the year	<u>(677,781)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (369,141)</u>

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
as of September 30, 2009

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,076,450
Due from other governments	25,000
Customer accounts receivable, net	910,049
Total current assets	<u>3,011,499</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	2,868,146
Capital assets:	
Non-depreciable	22,482,563
Depreciable, net	39,374,755
Unamortized bond issue costs	664,338
Total noncurrent assets	<u>65,389,802</u>
TOTAL ASSETS	<u>68,401,301</u>
LIABILITIES	
Current liabilities:	
Accounts payable	204,197
Accrued payroll	36,716
Construction costs payable	1,252,578
Bonds and notes payable, current portion	1,030,000
Total current liabilities	<u>2,523,491</u>
Noncurrent liabilities:	
Compensated absences	199,479
Post employment obligation payable	152,322
Payable from restricted assets:	
Accrued interest payable	584,523
Customer deposits	870,327
Bonds and notes payable, noncurrent portion	37,062,968
Total noncurrent liabilities	<u>38,869,619</u>
TOTAL LIABILITIES	<u>41,393,110</u>
NET ASSETS	
Invested in capital assets, net of related debt	23,176,110
Restricted for:	
Debt retirement	1,303,970
Sewer improvements	71,215
Water improvements	25,095
Unrestricted	2,431,801
TOTAL NET ASSETS	<u>\$ 27,008,191</u>

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
for the year ended September 30, 2009

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	\$ 8,509,582
Total charges for services	<u>8,509,582</u>
OPERATING EXPENSES	
Personal services	1,368,408
Operating expenses	3,424,562
Depreciation	1,932,982
Total operating expenses	<u>6,725,952</u>
OPERATING INCOME	<u>1,783,630</u>
NONOPERATING REVENUE (EXPENSE)	
Interest revenue	142,881
Interest expense	(993,490)
Sale of property	896
Total nonoperating revenues (expenses)	<u>(849,713)</u>
Income (loss) before contributions and transfers	<u>933,917</u>
CAPITAL CONTRIBUTIONS	
Developer contributions	784,000
Capital grants	25,000
Impact fees	254,680
Total capital contributions	<u>1,063,680</u>
TRANSFERS IN (OUT)	<u>(1,090,866)</u>
Change in net assets	906,731
TOTAL NET ASSETS - beginning of year	<u>26,101,460</u>
TOTAL NET ASSETS - end of year	<u>\$ 27,008,191</u>

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the year ended September 30, 2009

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 8,530,322
Payments to suppliers	(3,521,851)
Payments for salaries and benefits	(1,208,474)
Net cash flows from operating activities	<u>3,799,997</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase (decrease) in customer deposits	(1,659)
Transfers (to) from other funds, net of change in due to	(1,111,725)
Net cash flows from noncapital financing activities	<u>(1,113,384)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets, net of change in construction payables	(9,282,445)
Principal paid on notes, bonds and lease obligations	(980,000)
Interest paid on borrowings, net of amortizations	(1,807,561)
Capital contributions received, net of change in related receivables	254,680
Net cash flows from capital and related financing activities	<u>(11,815,326)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on invested funds	142,881
Other investing activities, net	3,896
Net cash flows from investing activities	<u>146,777</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,981,936)
CASH AND CASH EQUIVALENTS, beginning of year	<u>13,926,532</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,944,596</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,783,630
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,932,982
(Increase) decrease in accounts receivable	20,740
Increase (decrease) in accounts payable and accrued expenses	62,645
Net cash flows from operating activities	<u>\$ 3,799,997</u>
Noncash financing and investing activities:	
Infrastructure donations from developers	<u>\$ 784,000</u>
Interest expense added to capital assets	<u>\$ 890,976</u>

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
as of September 30, 2009

	Employee Benefit Plans
ASSETS	
Receivables:	
Accrued income	\$ 38,108
Total receivables	<u>38,108</u>
Investments, at fair value:	
Short term money market	1,294,313
Fixed income investments	6,914,773
Equity securities	<u>13,119,415</u>
Total investments	<u>21,328,501</u>
Total assets	<u>21,366,609</u>
LIABILITIES	
Prepaid employer contributions	<u>340,000</u>
NET ASSETS	<u><u>\$ 21,026,609</u></u>

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
for the year ended September 30, 2009

	Employee Benefit Plans
ADDITIONS	
Contributions:	
City	\$ 1,024,541
Plan members	163,988
State of Florida	188,568
Total contributions	<u>1,377,097</u>
Investment income (loss)	<u>(1,724,816)</u>
Less investment expenses:	
Performance evaluation	39,375
Custodial fees	50,838
Total investment expenses	<u>90,213</u>
Net investment income (loss)	<u>(1,815,029)</u>
Total additions	<u>(437,932)</u>
DEDUCTIONS	
Administrative expenses	111,530
Benefit and termination payments	1,122,008
Total deductions	<u>1,233,538</u>
NET INCREASE	(1,671,470)
NET ASSETS	
Balance - beginning of year	<u>22,698,079</u>
Balance - end of year	<u><u>\$ 21,026,609</u></u>

See Accompanying Notes to Financial Statements

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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. 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 not chosen to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

The City implemented the general provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as of September 30, 2003.

A. REPORTING ENTITY

The **City of Auburndale, Florida** (the "City") is a municipal corporation governed by a board of five elected commissioners and was established in 1911 by a special act of the Florida legislature, laws of the State of Florida Chapter 8324. The City was subsequently reincorporated by a special act in 1925, Chapter 10301.

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 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. These entities include: (1) the Municipal Firefighters' Pension Trust Fund established pursuant to Florida Statute chapter 175 and Ordinance No. 799, (2) the Municipal Police Officers' Pension Trust Fund established pursuant to Florida Statute chapter 185 and Ordinance No. 823, (3) the General Employees' Pension Trust Fund, restated by Resolution 2000-20, (4) the Other Post Employment Benefits Trust (OPEB Trust) established pursuant to City Ordinance 1294, and (5) the Auburndale Community Redevelopment Authority (the "CRA") which was created by City Ordinance No. 772 pursuant to Florida Statutes chapter 163. All of the component units issue separate component unit financial statements except the OPEB Trust and the CRA, which may be obtained by contacting the City's Finance Department.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

B. BASIC FINANCIAL STATEMENTS (cont...)

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.
- **Auburndale Community Redevelopment Authority** (the "CRA") was created by City Ordinance No. 772 pursuant to Florida Statutes chapter 163. Due to its profile in the community, the City electively added the Auburndale CRA as a major fund. The CRA has the power to levy taxes or appropriate funds to preserve and enhance the designated CRA district which includes the downtown Auburndale 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 CRA's Board members consist of the City Commission and two appointed citizens.

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 and sewer collection, treatment and disposal services to area residents.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

B. BASIC FINANCIAL STATEMENTS (cont...)

c) **Fiduciary Funds:**

- Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. The City's fiduciary funds are presented in the fiduciary fund financial statements by type (i.e. employee benefit plans). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The City's employee benefit plans are comprised of three *Pension Trust Funds* which accumulate resources to provide retirement benefits to City employees and one Other Post Employment Benefit Trust which accumulates resources for payment of retiree health benefits. The three pension trust funds are the Police Officers' Pension Trust Fund, Firefighters' Pension Trust Fund, and the General Employees' Pension Trust Fund.

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

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

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

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

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING (cont...)

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 taxes, licenses, 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.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

CASH AND CASH EQUIVALENTS - The City maintains a central pooled cash account that is used by all operating funds of the City and its component unit CRA. In addition, deposits and investments are separately held by the pension trust funds. Interest income earned in the pooled cash and investments account is allocated to the funds. Each fund's equity in pooled cash is recorded on its respective balance sheet in the caption "cash and cash equivalents." Amounts, if any, reported as deficits in pooled cash do not represent actual overdrawn balances in any bank account, but merely report a negative cash balance in the particular fund. The financial statement caption "cash and cash equivalents" includes all deposits with banks and financial institutions including certificates of deposit and all highly-liquid investments (with original maturities of three months or less), including repurchase agreements.

INVESTMENTS - Debt securities owned are reported at cost plus accrued interest which approximates fair value. Investments in pooled accounts are reported at fair value as determined by the fund manager. Money market funds and common stocks are reported at fair value based upon quoted market prices. Purchases and sales of investments are reflected on trade dates. Net realized gains or losses on sales of investments are based on the cost of investments applied on a first-in, first-out basis and are reflected in current operating results.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

CUSTOMER ACCOUNTS RECEIVABLE - The City accrues unbilled service of its enterprise fund, which represents the estimated value of service from the last billing date to year end and totaled \$193,606 at September 30, 2009. 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, 2009, such reserve totaled \$4,000.

INTERFUND RECEIVABLES AND PAYABLES - To the extent any interfund balances exist, management anticipates they will be settled in cash as opposed to a permanent transfer.

INVENTORIES - Inventories in governmental and enterprise funds consist of expendable supplies held for consumption and are recorded at the lower of cost or market computed on a average cost basis.

CAPITAL ASSETS - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, infrastructure and furniture and equipment. Capital assets are defined by City resolution as tangible property with an individual cost of \$1,000 or improvements having an initial cost of \$10,000 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 (over \$10,000) 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.

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

	<u>Years</u>
Utility plant in service	15-35
Buildings and improvements	10-40
Machinery and equipment	3-10
Infrastructure:	
Streets	80
Road resurfacing	10
Sidewalks	40
Drainage	50

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

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.

CONNECTION FEES AND IMPACT FEES - 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 and sewer facilities are deferred and reported as capital contributions when the requirements of the developer agreements are met by the City.

INTEREST COSTS - Interest costs are capitalized when incurred on debt where proceeds 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. Net interest cost capitalized in the enterprise fund for the year ended [September 30, 2009](#) totaled **\$890,976**.

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 payment 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 - The City's policies permit employees to accumulate vacation and sick time up to certain limits and to be compensated for these upon termination of employment. The liability for these compensated absences is recorded as long-term in the government-wide statements and in the proprietary fund financial statement because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable from expendable available financial resources.

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

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

PENSION COSTS - The provision for pension costs is recorded on an accrual basis equal to the actuarially determined annual pension cost. It is the City's policy to fund pension costs as they accrue.

ON-BEHALF PAYMENTS FOR FRINGE BENEFITS - The City receives on-behalf payments from the State of Florida to be used for Municipal Police Officers' Pension Plan and Municipal Firefighters' Pension Plan contributions which totaled \$118,683 and \$69,885, respectively, for the fiscal year ended September 30, 2009. Such payments are recorded as intergovernmental revenue and public safety expenses/expenditures in the government-wide and general fund financial statements, but are not budgeted and therefore are not included in the general fund budgetary basis financial statements.

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 certain restricted 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 \$3,676,035 of restricted net assets, of which \$1,265,810 is restricted by enabling legislation.
- c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
[September 30, 2009](#)

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 millage 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, 2009](#) was 5.5.

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. Budgets for all funds are adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes.

NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Compliance With Finance Related Legal and Contractual Provisions - The City has no material violations of finance related legal and contractual provisions including with respect to investment of funds and long-term debt covenants.
- B. Deficit Fund Balance or Net Assets of Individual Funds - As of [September 30, 2009](#), 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, 2009](#), no budgetary fund had an excess of expenditures over appropriations.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 5 - DEPOSITS AND INVESTMENTS

The captions on the government-wide statement of net assets for "cash and cash equivalents", both restricted and unrestricted, are comprised of the following:

Cash and cash equivalents:	
Cash on hand	\$ 4,280
Bank deposits in qualified public depositories	<u> 8,719,924</u>
Total cash and cash equivalents	<u>\$ 8,724,204</u>

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. All of the City's bank deposits were in qualified public depositories.

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: direct obligations issued or unconditionally guaranteed by the US Government, collateralized or federally-insured interest-bearing time deposits, obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank or obligations guaranteed by the Government National Mortgage Association or the Federal National Mortgage Association and repurchase agreements. In addition to the above types of investment, City policy allows investments in prime commercial paper, state and local government obligations, and statewide investment pools. The City Commission may also authorize by resolution, certain other types of investments in connection with the issuance of debt. These would be one-time investments not otherwise permitted by the City policy. The City's employee benefit plans are authorized by City Ordinances to invest in corporate stocks and bonds subject to certain limitations and held deposits and investment securities during the year and at September 30, 2009. Please refer to Notes 9 and 10 for information concerning investments held by these plans.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2009, was as follows:

	Balance October 1, 2008	Reclassifications	Additions	Deletions	Balance September 30, 2009
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 3,694,698		\$ 126,618		\$ 3,821,316
Infrastructure - land	703,115				703,115
Construction in process	2,589,936	(8,663,770)	14,150,051		8,076,217
Total non-depreciable capital assets	<u>\$ 6,987,749</u>	<u>\$ (8,663,770)</u>	<u>\$ 14,276,669</u>	<u>\$</u>	<u>\$ 12,600,648</u>
Capital assets being depreciated:					
Buildings and improvements	\$ 12,870,832	\$ 8,663,770	\$ 40,000		\$ 21,574,602
Equipment	6,295,179		769,564	(218,326)	6,846,417
Infrastructure:					
Road network	7,745,798				7,745,798
Sidewalks	298,445				298,445
Stormwater drainage	556,550				556,550
Total	<u>27,766,804</u>	<u>8,663,770</u>	<u>809,564</u>	<u>(218,326)</u>	<u>37,021,812</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,837,402)		(417,362)		(3,254,764)
Equipment	(3,555,756)		(559,421)	196,999	(3,918,178)
Infrastructure:					
Road network	(2,920,118)		(290,600)		(3,210,718)
Sidewalks	(44,194)		(7,461)		(51,655)
Stormwater drainage	(84,027)		(11,131)		(95,158)
Total accumulated depreciation	<u>(9,441,497)</u>		<u>(1,285,975)</u>	<u>196,999</u>	<u>(10,530,473)</u>
Depreciable capital assets, net	<u>18,325,307</u>	<u>\$ 8,663,770</u>	<u>(476,411)</u>	<u>(21,327)</u>	<u>\$ 26,491,339</u>
	<u>\$ 25,313,056</u>	<u>\$</u>	<u>\$ 13,800,258</u>	<u>\$ (21,327)</u>	<u>\$ 39,091,987</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 11,188,908		\$ 2		\$ 11,188,910
Construction in process	1,534,980	(553,857)	10,312,530		11,293,653
Total non-depreciable capital assets	<u>\$ 12,723,888</u>	<u>\$ (553,857)</u>	<u>\$ 10,312,532</u>	<u>\$</u>	<u>\$ 22,482,563</u>
Capital assets being depreciated:					
Utility plant	\$ 55,843,078	\$ 553,857	\$ 983,285		\$ 57,380,220
Equipment	1,583,392		77,790	(40,615)	1,620,567
Total	<u>57,426,470</u>	<u>553,857</u>	<u>1,061,075</u>	<u>(40,615)</u>	<u>59,000,787</u>
Less accumulated depreciation for:					
Utility plant	(16,860,365)		(1,830,479)		(18,690,844)
Equipment	(870,300)		(102,503)	37,615	(935,188)
Total accumulated depreciation	<u>(17,730,665)</u>		<u>(1,932,982)</u>	<u>37,615</u>	<u>(19,626,032)</u>
Capital assets being depreciated, net	<u>39,695,805</u>	<u>553,857</u>	<u>(871,907)</u>	<u>(3,000)</u>	<u>39,374,755</u>
Business-type activities capital assets, net	<u>\$ 52,419,693</u>	<u>\$</u>	<u>\$ 9,440,625</u>	<u>\$ (3,000)</u>	<u>\$ 61,857,318</u>

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 6 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$ 25,928
Library	31,496
Police	206,517
Fire	196,332
Building and zoning	7,037
Public works	7,151
Sanitation	78,624
Fleet maintenance	5,112
Streets	382,757
Parks and recreation	332,518
Community redevelopment	<u>12,503</u>
Total depreciation expense - governmental activities	<u>\$ 1,285,975</u>

Business-type Activities:

Water and sewer	<u>\$ 1,932,982</u>
Total depreciation expense - business-type activities	<u>\$ 1,932,982</u>

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended [September 30, 2009](#):

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Amounts Due within One Year
Governmental Activities					
Long-term debt:					
Bonds and notes payable:					
Public Improvements, Series 2009	\$	\$ 1,500,000	\$	\$ 1,500,000	\$ 291,604
Public Improvements, Series 2008	6,775,000		(435,000)	6,340,000	370,000
Public Improvements, Series 2007	4,200,000		(235,000)	3,965,000	245,000
Public Improvements, Series 2006	5,165,000		(155,000)	5,010,000	160,000
Installment loan for equipment		371,000	(74,592)	296,408	69,742
Less deferred amounts:					
Premiums (discounts), net	(195,562)		21,610	(173,952)	
Total bonds and notes payable	<u>15,944,438</u>	<u>1,871,000</u>	<u>(877,982)</u>	<u>16,937,456</u>	<u>1,136,346</u>
Other liabilities:					
Unfunded post employment benefits	159,879	819,244	(141,463)	837,660	
Compensated absences:					
Vacation	276,023	20,997		297,020	
Sick	504,783	29,165		533,948	
Total other liabilities	<u>940,685</u>	<u>869,406</u>	<u>(141,463)</u>	<u>1,668,628</u>	
Total long-term liabilities	<u>\$ 16,885,123</u>	<u>\$ 2,740,406</u>	<u>\$ (1,019,445)</u>	<u>18,606,084</u>	<u>\$ 1,136,346</u>
Less amount due in one year				<u>(1,136,346)</u>	
Net long-term debt due after one year				<u>\$ 17,469,738</u>	
Business-type Activities					
Long-term debt:					
Bonds and notes payable:					
Water and Sewer, Series 2003	\$ 3,000,000	\$	\$ (280,000)	\$ 2,720,000	\$ 295,000
Water and Sewer, Series 2004	1,415,000		(215,000)	1,200,000	225,000
Water and Sewer, Series 2006	13,265,000		(485,000)	12,780,000	510,000
Water and Sewer, Series 2007	22,125,000			22,125,000	
Less deferred amounts:					
Premiums (discounts), net	(778,816)		46,784	(732,032)	
Total bonds and notes payable	<u>39,026,184</u>		<u>(933,216)</u>	<u>38,092,968</u>	<u>1,030,000</u>
Other liabilities:					
Unfunded post employment benefits		160,641	(8,319)	152,322	
Compensated absences:					
Vacation	73,266		(5,564)	67,702	
Sick	123,644	8,133		131,777	
Total other liabilities	<u>196,910</u>	<u>168,774</u>	<u>(13,883)</u>	<u>351,801</u>	
Total long-term liabilities	<u>\$ 39,223,094</u>	<u>\$ 168,774</u>	<u>\$ (947,099)</u>	<u>38,444,769</u>	<u>\$ 1,030,000</u>
Less amount due in one year				<u>(1,030,000)</u>	
Net long-term debt due after one year				<u>\$ 37,414,769</u>	

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 7 - NOTES PAYABLE AND LONG-TERM DEBT (cont...)

Notes to Long-Term Obligations Table

Interest Included as Direct Expense:

- None of the interest on governmental activities long-term debt has been included in the direct expenses of any of the various programs.

Governmental Activities:

- Public Improvement Series 2009 - These revenue Bonds were issued on February 16, 2009, to fund the cost of relocating water and sewer lines in connection with a road widening project. The Bonds are secured by a pledge of non-advalorem revenues. The Bonds mature serially on December 1 of each year through December 2014, with interest at 2.75% payable semiannually on June 1 and December 1. These bonds require the maintenance of a debt sinking account.
- Public Improvement Series 2008 - These revenue bonds were issued on April 29, 2008, to fund construction of a county-wide baseball complex on a city-owned park. The bonds are secured by a pledge of county tourist taxes through an inter-local agreement with Polk County. The City will construct, own and maintain the park and the County will pay the City annually such amounts of its tourist tax receipts as required to fully pay the principal and interest on these bonds as they become due. The Bonds mature serially on December 1 of each year through December 2022, with interest ranging from 2.45% to 4.375% payable semiannually on June 1 and December 1. These bonds require the maintenance of a debt service sinking account and a bond reserve.
- Public Improvement Series 2007 - These revenue bonds were issued in April, 2007 to fund construction of a county-wide soccer complex on a city-owned park. The bonds are secured by a pledge of county tourist taxes through an inter-local agreement with Polk County. The City will construct, own and maintain the park and the County will pay the City annually such amounts of its tourist tax receipts to pay the principal and interest on these bonds as they become due. The Bonds mature serially on December 1 of each year through December 2021, with interest ranging from 3.5% to 4.1% payable semiannually on June 1 and December 1. These bonds require the maintenance of a debt service sinking account.
- Public Improvement Refunding Revenue Bonds, Series 2006 - These revenue bonds were issued March 1, 2006 to refund the Public Improvement, Series 1999 revenue bonds originally issued to fund the construction of new police and fire facilities. The bonds are repayable from non-ad valorem revenues. The bonds mature serially on December 1 of each year through December 1, 2029, with interest ranging from 3.25% to 4.375% payable semiannually on June 1 and December 1. The 2006 bonds require the maintenance of a principal and interest sinking account and a bond reserve account.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 7 - NOTES PAYABLE AND LONG-TERM DEBT (cont...)

Governmental Activities:

- **Installment Loan for Equipment** - This is a note payable to a commercial bank to purchase police cars. The loan is payable in five annual installments of principal and interest of \$81,768 through September 15, 2013.

Business-Type Activities:

Water and Sewer Revenue Bonds - The water and sewer revenue certificates series 2003, 2004, 2006 and 2007 are secured by the net revenues of the water and sewer system. The Series 2003, 2006 and 2007 bonds require the maintenance of a debt service sinking account and the 2003 Series requires a bond reserve of \$404,050 and the 2006 Series requires a renewal and replacement reserve of \$250,000.

- **Water and Sewer Revenue Bonds Series 2003** - The Series 2003 bonds were issued September 3, 2003 to refund the 1993 issue, the proceeds of which were used to fund water and sewer systems improvements. The bonds mature serially on December 1 of each year through December 1, 2016, with interest at 4% payable semiannually on June 1 and December 1 of each year.
- **Water and Sewer Revenue Series 2004** - The water and sewer series 2004 loan was issued January 20, 2004, to fund water and sewer improvements. The loan bears interest at 3.60% payable semi-annually on August 1 and February 1 with principal payments annually on February 1 and a final maturity on February 1, 2014.
- **Water and Sewer Revenue Bonds Series 2006** - These bonds were issued December 1, 2006, to refund the 1995 Series, the proceeds of which were used to fund water and sewer systems improvements, and mature serially on December 1 of each year through December 2026, with interest at 5.25% payable semiannually on June 1 and December 1 of each year.
- **Water and Sewer Revenue Bonds Series 2007** - These bonds were issued April 1, 2007, to fund water and sewer system improvements and mature serially on December 1 of each year through December 2037, with interest at an average rate of 4.3%, payable semiannually on June 1 and December 1 of each year.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 7 - NOTES PAYABLE AND LONG-TERM DEBT (cont...)

Pledged Revenues:

- The City has pledged certain future revenues, net of operation and maintenance expenses, for payment of debt. The following table provides a summary of the pledged revenues for the City's outstanding debt issues. Additional information regarding the City's pledged revenue can be found in the preceding sections of this note:

Pledged Revenue	Revenue Pledged Through	Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Current Year Net Revenue	Percentage of Net Revenues to Principal and Interest Paid
Water and sewer revenues	02/01/2037	\$ 67,649,221	\$ 2,818,546	\$ 3,859,493	136.93%

Maturities:

Annual requirements to repay all long-term bonds and notes payable as of [September 30, 2009](#), were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 1,136,345	\$ 584,676	\$ 1,030,000	\$ 1,794,977
2011	1,162,337	561,066	1,070,000	1,749,135
2012	1,198,361	537,620	1,120,000	1,701,514
2013	1,234,681	512,936	1,180,000	1,651,779
2014	1,184,684	486,159	1,220,000	1,599,509
2015 - 2019	4,850,000	1,968,469	4,655,000	7,239,731
2020 - 2024	4,470,000	993,011	5,315,000	6,073,694
2025 - 2029	1,530,000	312,053	6,765,000	4,636,166
2030 - 2034	345,000	29,969	8,375,000	3,050,006
2035 - 2039			8,095,000	1,122,688
Less unamortized: bond discount	(173,952)		(732,032)	
Total	<u>\$ 16,937,456</u>	<u>\$ 5,985,959</u>	<u>\$ 38,092,968</u>	<u>\$ 30,619,199</u>

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transactions are summarized below:

Interfund receivables and payables as of September 30, 2009 consisted of:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
None		<u>\$</u>

Interfund transfers for the year ending September 30, 2009 consisted of:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Enterprise Fund	<u>\$ 1,090,866</u>

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 AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 9 - PENSION TRUST FUNDS

Plan Descriptions - The City of Auburndale contributes to three single-employer defined benefit pension plans: the General Employees Pension Trust Fund, the Municipal Police Officers' Pension Trust Fund, and the Municipal Firefighters' Pension Trust Fund. Each plan provides retirement and disability benefits to plan members and beneficiaries. The plans are established by City Ordinance and the benefits and contribution requirements can be amended by the City Commission through ordinance. All three plans are administered by separate boards of trustees who are either appointed by the City Commission or elected by the plan members. It is the City's policy to annually fund the annual required contribution amount for each plan. Contributions are also provided to the Firefighters' and Police Officers' plans by the State of Florida from a tax collected on insurance premiums. Each plan issues a publicly available financial report that includes financial statements and required supplementary information (RSI) for that plan. Those reports may be obtained by contacting the City of Auburndale Finance Department, P.O. Box 186, Auburndale, FL 33823.

Funding Policy and Annual Pension Cost - The City's annual pension cost for the current year and related information for each plan is as follows:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Contribution rates			
City	21.60%	14.70%	13.00%
Plan members	2.00%	2.50%	6.60%
Annual pension cost	\$693,551	\$221,884	\$110,196
Contributions made	\$693,551	\$221,884	\$109,106

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 9 - PENSION TRUST FUNDS (cont...)

Participant data for the City pension plans as of the current actuarial valuation date was as follows:

	as of October 1:		
	2007 General Employees	2007 Municipal Police	2007 Municipal Firefighters
Retirees and beneficiaries			
currently receiving benefits	57	15	6
DROP retirees			
Terminated vested employees	44	3	6
Active Employees:			
Vested	29	11	7
Nonvested	64	22	13
Totals	194	51	32

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 9 - PENSION TRUST FUNDS (cont...)

Actuarial methods and assumptions - The following is information as of the most recent actuarial valuations for each respective plan:

	General Employees	Police Officers	Fire Fighters
Actuarial valuation date	October 1, 2007	October 1, 2007	October 1, 2007
Actuarial cost method	Aggregate Cost	Frozen Entry Age	Frozen Entry Age
Mortality rate	RP 2000 Mortality Table	1983 Group Annuity Table	1983 Group Annuity Table
Remaining amortization period	N/A	28 years	30 years
Amortization method		Level percentage of pay	Level percentage of pay
Open or closed		Closed	Closed
Asset valuation method	4 year smooth	4 year smooth	4 year smooth
Investment rate of return	6.75%	8.00%	8.00%
Project salary increases	Table S-5 plus 3%	6.00%	6.00%
Inflation rate	3.00%	3.00%	3.00%

Three Year Trend Information - Annual pension cost and contribution amounts for the current and two preceding years is shown below:

Year Ended	Annual Pension Cost (APC)			Percentage of APC Contributed	Net Pension Obligation (Asset)	
	September 30	Employer	State			Total
General Employees' Plan						
2009	\$	693,551	-	693,551	100%	-
2008	\$	679,952	-	679,952	100%	-
2007	\$	981,456	-	981,456	100%	-
Police Officers' Plan						
2009	\$	221,884	\$ 113,050	\$ 334,934	100%	-
2008	\$	124,385	\$ 113,050	\$ 237,435	100%	-
2007	\$	94,941	\$ 113,050	\$ 207,991	100%	-
Firefighters' Plan						
2009	\$	110,196	\$ 106,573	\$ 216,769	100%	(9,991)
2008	\$	64,507	\$ 79,469	\$ 143,976	100%	(11,268)
2007	\$	38,886	\$ 79,469	\$ 118,355	108%	(11,268)

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 9 - PENSION TRUST FUNDS (cont...)

Funded Status and Funding Progress - The following is the funded status information for each plan as of the current actuarial valuation date:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Portion (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
General Employees Plan						
10/01/2007	\$ 13,840,789	\$ 15,709,395	\$ 1,868,606	88.11%	\$ 3,470,330	53.85%
Police Officers Plan						
10/01/2007	\$ 6,244,271	\$ 6,851,574	\$ 607,303	91.14%	\$ 1,446,102	42.00%
Firefighters' Plan						
10/01/2007	\$ 4,533,659	\$ 5,005,580	\$ 471,921	90.57%	\$ 802,481	58.81%

The general employees' plan utilizes the aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities. With respect to plans that use the aggregate actuarial cost method, GASB Statement No. 50, requires a schedule of funding progress to be presented calculated using the entry age actuarial cost method which is how it is presented above.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS PLAN

Plan Description: On October 15, 2007, the City Commission enacted Ordinance 1294 establishing the Other Post Employment Benefits Trust (the OPEB Trust) for accumulating funds and paying for post employment health, life and dental insurance premiums for eligible retired employees. The OPEB Trust is a single-employer defined benefit health care plan administered by the City which provides medical (including vision), dental and life insurance to eligible retirees and their spouses and beneficiaries. Ordinance 1294 assigned the authority to establish and amend plan benefit provisions to the City Commission.

For employees hired prior to 10/1/1996 or employees hired after that date with 20 years or more of service at retirement, the City pays 100% of the active premium rate up to age 65 then 100% of the Medicare supplement rate. Employees retiring with less than 20 years of service at retirement can continue their coverage and their spouses coverage under the City's group policy at the active employee rates but must pay 100% of the cost of the insurance. The Plan also pays 100% of the active employee premium rate up to age 65 then 100% of the Medicare supplement rate for spouses of employees who retired prior to 10/1/1996. Retirees who reside in locations where there is no coverage within the City group insurance network may opt out of the coverage and receive a cash reimbursement equal to the active employee premium rate instead of the coverage; or if Medicare eligible, the lesser of \$200 per month or the dollar equivalent of the cost of the Medicare supplement.

The City charges both the active employee and retired employee groups an equal, blended premium rate. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated using age adjusted premiums that approximate costs for retirees separately from those for active employees. The use of age adjusted premiums results in the inclusion of an implicit rate subsidy in the actuarial accrued liability. The City's annual required contribution rate in effect from October 1, 2008 to September 30, 2009 was 15.3% of covered payroll, of which only the actual out-of-pocket costs of \$149,782 was funded.

Participant Data:

	October 1, 2008
Retirees and beneficiaries currently receiving benefits:	
Pre-Medicare	18
Post-Medicare	33
Covered spouses receiving benefits:	9
Pre-Medicare	1
Post-Medicare	8
Active Employees:	
Vested	24
Nonvested	143
Totals	236

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

Annual OPEB Cost and Net OPEB Obligation - The following table summarizes activity related to the City's OPEB obligation for the year ended [September 30, 2009](#):

Calculation of the Annual Required Contribution:

Annual required contribution	\$ 979,885
Interest on net OPEB obligation	-
Adjustment to required contribution	-
Annual OPEB cost	979,885
Contributions made	(149,782)
Change in net OPEB obligation	830,103
Net OPEB obligation (asset), beginning of year	159,879
Net OPEB obligation (asset), end of year	\$ 989,982

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2009, are shown below. Additional years will be added until three years' data is presented.

Year Ended September 30	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net OPEB Obligation
2009	\$ 979,885	\$ 149,782	\$ 15%	\$ 989,982
2008	\$ 784,879	\$ 625,000	\$ 80%	\$ 159,879

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

Funded Status and Funding Progress: Information as to the funding progress of the OPEB Trust is presented below. The funded status of the plan shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because 2008 was the year of implementation of GASB Statement Nos. 43 and 45 and the City elected to apply the statement prospectively, only two years are presented. Additional years will be added until six year's of data are presented

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Portion (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2008	\$ 305,555	\$ 10,610,631	\$ 10,305,076	2.88%	\$ 6,225,657	165.53%
10/01/2007	\$ -	\$ 7,850,601	\$ 7,850,601	-	\$ 5,798,830	135.38%

Funding Policy: The contribution requirements of the City and plan members are established and may be amended by the City Commission. These contributions are neither guaranteed nor mandatory. The City has retained the right to unilaterally modify its payments toward retiree health care benefits.

Actuarial Methods and Assumptions: Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

The entry age normal actuarial cost method (level percent of pay) was used in the October 1, 2008 valuation. The actuarial assumptions included a 4% valuation interest rate and \$8,000 in administrative expenses annually. The annual health care cost trend rate is 9% in 2009, decreasing 1% per year to the ultimate rate of 5% in 2013. Both the rate of return and the health care cost trend rate include an assumed inflation rate of 3%. The actuarial valuation of assets was set at market value of investments as of the measurement date.

Condensed Financial Statements: The OPEB Trust does not issue a separate report and its condensed financial statements for the year ended [September 30, 2009](#), are presented below:

	OPEB Trust
ASSETS	
Investments, at fair value:	\$ 214,277
TOTAL ASSETS	214,277
NET ASSETS HELD IN TRUST FOR OPEB	\$ 214,277
	OPEB Trust
ADDITIONS	
Contributions:	
City	\$
Total contributions	-
Investment income (loss)	1,561
Less investment expenses:	
Custodial fees	1,526
Total investment expenses	1,526
Net investment income (loss)	35
Total additions	35
DEDUCTIONS	
Benefit payments	131,880
Total deductions	131,880
NET INCREASE	(131,845)
NET ASSETS, beginning of year	346,122
NET ASSETS, end of year	\$ 214,277

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS PLAN (cont...)

Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements shown above are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which they are remitted to the OPEB Trust. Benefits are recognized when due and payable.

Investments

Investments are reported at fair value as determined by the investment custodian. The City has contracted with the Florida Municipal Pension Trust Fund (FMIvT) to be the custodian and investment manager for the OPEB Trust's investments. Subject to the provisions of FMIvT's investment policy, the City selected an investment allocation ratio of not to exceed 60% of the OPEB Trust's assets invested in equity securities and 40% in fixed income securities. Within this 60/40 ratio, the FMIvT has target percentages of how it allocates a participant's investments among the various pooled accounts that it maintains for its participants. At September 30, 2009, the 60% target equity portfolio was 41% to Large Cap Equity Fund, 12% to the Small Cap Equity Fund, and 10% to International Equity Fund. The 40% target fixed income portfolio was 37% invested in the FMIvT Broad Market High Quality Bond Fund. Within certain limitations, FMIvT's investment policy allows for investments in: repurchase agreements; direct obligations of the US Treasury; authorized investments purchased by or through the State Board of Administration; commercial paper issued in the US by any corporation with a rating of A1/A+ or better; bankers acceptances with a rating of at least AA; non-negotiable certificates of deposit in Florida Qualified Public Depositories; obligations of agencies or instrumentalities of the Federal government; money market mutual master trust funds regulated by the SEC; mortgage obligations guaranteed by the US Government; and FMIvT portfolios. The full text of the FMIvT investment policy and the fund fact sheets and performance information for the FMIvT pooled accounts can be accessed on line at: www.floridaOPEB.com.

All of the Trust's investments are evidenced by shares of the applicable investment pools and are not exposed to custodial credit risk and are excluded from the concentration risk disclosure. The credit quality of the underlying securities within the FMIvT "Broad Market High Quality Bind Fund" was 94% government and AAA rated with the remainder ranging from AA to BAA. The Pool had a weighted average maturity of 4.8 years.

CITY OF AUBURNDALE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 11 - OTHER EMPLOYEE BENEFITS PLANS

Effective October 1, 2006, the City closed its defined benefit general employee pension plan for employees not already participating in that plan and instituted a defined contribution plan for employees hired on or after October 1, 2006, whereby the City contributes 8% of gross pay with the employee contributing 2%. The total cost of this plan to the City was \$48,983 for the year ended [September 30, 2009](#).

The City offers its employees a deferred compensation plan created pursuant to Internal Revenue Code Section 457. The Plan is available to all employees and permits them to defer a portion of their salary until future years. The assets are held in trust for each participant who is free to direct their investments to a variety of mutual fund offerings. Participation in the plan is optional.

The City has a cafeteria and flexpay plan whereby employees can elect to receive a cash subsidy or use it to pay for dependent health, dental and life insurance premiums with before tax dollars. The City's subsidy is fixed and ranges from \$98 to \$234 per month per employee depending on the employee's health insurance needs and the total cost for the year was \$182,263.

NOTE 12 - COMMITMENTS & 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, with the exception of attorney's fees which are not determinable.

Construction Projects:

- The City has outstanding commitments on construction projects as of September 30, 2009, of approximately \$446,000 in the general fund, \$74,000 in the CRA and \$2.4 million in the water and sewer fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AUBURNDALE, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Unaudited)
for the year ended September 30, 2009

	<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	\$ 7,030,500	\$ 7,030,500	\$ 7,317,204	\$ 286,704
Licenses and permits	427,400	427,400	245,293	(182,107)
Intergovernmental revenue	3,336,664	3,336,664	3,596,526	259,862
Charges for services	2,781,188	2,781,188	2,364,900	(416,288)
Fines and forfeitures	64,000	64,000	29,854	(34,146)
Miscellaneous revenues	2,189,800	289,800	303,540	13,740
Other sources	11,869,438	15,869,438	12,961,083	(2,908,355)
Amounts available for appropriations	<u>27,698,990</u>	<u>29,798,990</u>	<u>26,818,400</u>	<u>(2,980,590)</u>
CHARGES TO APPROPRIATIONS (outflows):				
General government	1,272,826	1,272,826	1,219,337	53,489
Public safety	4,400,482	4,400,482	4,323,263	77,219
Physical environment	1,472,503	1,472,503	1,322,095	150,408
Transportation	636,914	636,914	569,995	66,919
Culture/recreation	2,310,164	2,310,164	2,480,305	(170,141)
Unallocated general services	2,410,800	2,410,800	1,682,482	728,318
Capital outlay	13,493,210	15,593,210	16,313,999	(720,789)
Debt service	1,409,700	1,409,700	1,500,921	(91,221)
Contingency	292,391	292,391	18,936	273,455
Total charges to appropriations	<u>27,698,990</u>	<u>29,798,990</u>	<u>29,431,333</u>	<u>367,657</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS			<u>\$ (2,612,933)</u>	<u>\$ (2,612,933)</u>
Excess carried forward				
NET CHANGE IN FUND BALANCE			<u>\$</u>	<u>\$</u>

Explanation of differences between budgetary inflows and outflows and GAAP

Revenues and Expenditures:

The only differences between the budgetary inflows and outflows presented above and the revenues and expenditures presented in the statement of revenues, expenditures and changes in fund balance are that the above amounts are grouped in accordance with the way they are presented in the budget, the on-behalf payments from the state for police and fire pension contributions, totaling \$204,792 are not budgeted and therefore not included in the actual revenues and expenditures, and the revenues include \$9,943,657 of prior year surplus budgeted and used in the current year.

CITY OF AUBURNDALE, FLORIDA
BUDGETARY COMPARISON SCHEDULE -
COMMUNITY REDEVELOPMENT AUTHORITY (Unaudited)
for the year ended September 30, 2009

	<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	\$ 1,228,000	\$ 1,228,000	\$ 1,288,650	\$ 60,650
Other	15,000	15,000	21,689	6,689
Amounts available for appropriations	<u>1,243,000</u>	<u>1,243,000</u>	<u>1,310,339</u>	<u>67,339</u>
CHARGES TO APPROPRIATIONS (outflows):				
Economic environment	51,000	51,000	44,171	6,829
Capital outlay	<u>1,192,000</u>	<u>1,192,000</u>	<u>1,044,649</u>	<u>147,351</u>
Total charges to appropriations	<u>1,243,000</u>	<u>1,243,000</u>	<u>1,088,820</u>	<u>154,180</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS			<u>221,519</u>	<u>\$ 221,519</u>
Prior year fund balance reappropriation				
NET CHANGE IN FUND BALANCE	<u>\$</u>	<u>\$</u>	<u>\$ 221,519</u>	

Explanation of differences between budgetary inflows and outflows and GAAP

Revenues and Expenditures:

There are no differences between the budgetary inflows and outflows presented above and the revenues and expenditures presented in the statement of revenues, expenditures and changes in fund balance.

See Auditors' Report

CITY OF AUBURNDALE, FLORIDA
SCHEDULE OF FUNDING PROGRESS
September 30, 2009

General Employees Pension Trust Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Portion (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2007	\$ 13,840,789	\$ 15,709,395	\$ 1,868,606	88.11%	\$ 3,470,330	53.85%

Additional years will be added until six years data is presented.

Municipal Police Officers' Pension Plan-Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Portion (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2007	\$ 6,244,271	\$ 6,851,574	\$ 607,303	91.14%	\$ 1,446,102	42.00%
10/01/2006	\$ 5,693,207	\$ 6,267,211	\$ 574,004	90.84%	\$ 1,232,703	46.56%
10/01/2005	\$ 5,187,485	\$ 5,718,016	\$ 530,531	90.72%	\$ 1,154,295	45.96%
10/01/2004	\$ 4,867,093	\$ 4,847,407	\$ (19,686)	100.41%	\$ 1,186,387	-1.66%
10/01/2003	\$ 4,781,558	\$ 4,803,212	\$ 21,654	99.55%	\$ 1,133,311	1.91%
10/01/2002	\$ 4,704,359	\$ 4,752,805	\$ 48,446	98.98%	\$ 1,110,292	4.36%

Municipal Firefighters' Pension Plan-Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Portion (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2007	\$ 4,533,659	\$ 5,005,580	\$ 471,921	90.57%	\$ 802,481	58.81%
10/01/2006	\$ 4,144,852	\$ 4,371,847	\$ 226,995	94.81%	\$ 668,807	33.94%
10/01/2005	\$ 3,808,777	\$ 4,039,599	\$ 230,822	94.29%	\$ 625,286	36.91%
10/01/2004	\$ 3,633,156	\$ 3,883,818	\$ 250,662	93.55%	\$ 601,329	41.68%
10/01/2003	\$ 3,630,541	\$ 3,881,739	\$ 251,198	93.53%	\$ 556,181	45.16%
10/01/2002	\$ 3,626,196	\$ 3,876,613	\$ 250,417	93.54%	\$ 593,467	42.20%

COMPLIANCE

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

Honorable Mayor and Members of the City Commission
City of Auburndale, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of **City of Auburndale, Florida**, as of and for the year ended September 30, 2009, and have issued our report thereon dated April 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

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

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

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

(cont...)

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects **City of Auburndale, Florida's** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of **City of Auburndale, Florida's** financial statements that is more than inconsequential will not be prevented or detected by **City of Auburndale, Florida's** internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs (finding 09-01) to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider finding 09-01 to be a material weakness.

We noted certain matters that we reported to management of **City of Auburndale, Florida** in a separate management letter dated April 14, 2010.

City of Auburndale, Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **City of Auburndale, Florida's** response and, accordingly, we express no opinion on it

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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
April 14, 2010

INDEPENDENT AUDITORS' MANAGEMENT LETTER

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Auburndale, Florida

We have audited the financial statements of the **City of Auburndale, Florida**, as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated April 14, 2010.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters as required by these standards 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 governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding 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 Auburndale, Florida** complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have no recommendations other than those reported in the accompanying schedule of findings and questioned costs.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the 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. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of the **City of Auburndale, Florida**, see footnote A of the summary of significant accounting policies in the notes to the 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(s) met. In connection with our audit, we determined that the **City of Auburndale, Florida** did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the **City of Auburndale, Florida** for the fiscal year ended September 30, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the **City of Auburndale, Florida'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.

Honorable Mayor and City Commissioners
City of Auburndale, Florida
Page Three...

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

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 the City Commission, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
April 14, 2010

SINGLE AUDIT SECTION

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH SECTION 215.97, FLORIDA STATUTES,
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor and Members of the City Commission
City of Auburndale, Florida

Compliance

We have audited the compliance of **City of Auburndale, Florida** with the types of compliance requirements described in the Florida Department of Financial Services, State Projects Compliance Supplement that are applicable to each of its major state financial assistance projects for the year ended September 30, 2009. **City of Auburndale, Florida's** major state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state financial assistance projects is the responsibility of **City of Auburndale, Florida's** management. Our responsibility is to express an opinion on **City of Auburndale, Florida's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Section 215.97, *Florida Statutes*; and Chapter 10.550, *Rules of the Auditor General*. Those standards and Section 215.97, *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state financial assistance project occurred. An audit includes examining, on a test basis, evidence about **City of Auburndale, Florida's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **City of Auburndale, Florida's** compliance with those requirements.

In our opinion, **City of Auburndale, Florida** complied, in all material respects, with the requirements referred to above that are applicable to each of its major state financial assistance projects for the year ended September 30, 2009.

Internal Control Over Compliance

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH SECTION 215.97, FLORIDA STATUTES,
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

(cont...)

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Commission, others within the entity, the State of Florida Office of the Auditor General, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
April 14, 2010

CITY OF AUBURNDALE, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the year ended September 30, 2009

State Agency/Pass-through Entity/ State Project	CFSA Number	Contract Grant Number	State Expenditures
Office of the Governor			
Direct programs:			
Office of Tourism, Trade and Economic Development			
Main Street Widening	31.002	OT020095	<u>\$1,023,833</u>
Total Office of the Governor			<u>1,023,833</u>
Total State Project Expenditures			<u>\$1,023,833</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of the **City of Auburndale, Florida**, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, Section 215.97, *Florida Statutes*, and Chapter 10.550, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - MAJOR PROGRAMS

Major state projects are identified in the summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

NOTE C - CONTINGENCY

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

CITY OF AUBURNDALE, FLORIDA
T.I.N. 59-6000268
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended September 30, 2009

Section I: Summary of Audit Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be a material weakness?	None reported
Noncompliance material to the financial statements noted?	No

State Projects Section

Internal control over major state financial assistance projects:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be a material weakness?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings related to State projects that are required to be disclosed in accordance under Chapter 10.557, <i>Rules of the Auditor General</i> ?	No

Major state financial assistance project:

31.0002 – Office of Governor: Office of Tourism, Trade
and Development: Main Street Widening

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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CITY OF AUBURNDALE, FLORIDA
T.I.N. 59-6000268
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended September 30, 2009

Section II: Financial Statement Findings

Finding 09-01: Cash Receipts

Condition: During our audit we noted that the internal controls over certain cash receipts were deficient in the following area:

- Internal controls over cash receipts at the Lake Myrtle Sports Complex are practically nonexistent. Cash concession receipts are collected in an unlocked cash draw that is utilized by several employees. Furthermore, cash is periodically removed from this draw as needed without proper accounting and there are no close-out procedures.

Criteria: City management is responsible for establishing adequate controls that provide reasonable assurance that cash collections are safeguarded against loss from unauthorized use or disposition. Internal controls over cash receipts should be implemented and enforced to reduce the risk that errors and/or fraud could occur and go undetected.

Effect: Inadequately designed and/or operating internal control procedures could result in incomplete deposits, improper use of cash or misstatement of revenues due to incorrect posting of cash receipts.

Cause: Internal control procedures have not been followed and/or designed properly which leaves cash vulnerable to errors and/or fraud.

Recommendation: Management should review the current procedures at the Lake Myrtle Sports Complex. Internal controls should be designed to minimize the risk that cash would be subject to error or mishandling. We recommend the implementation of a cash register system be made a priority and that proper closeout procedures are performed.

Management's response: City Management concurs with the City Auditor's recommendation related the Lake Myrtle Sports Complex. City Staff feels due to the portable nature of the City's current Lake Myrtle Sports Complex concession stand, space confinements, electricity need, etc., employees are dealing with the work conditions and cash management conditions as well as possible. City Staff feels that the current conditions at Lake Myrtle Sports Complex related to Baseball may continue to be an issue for internal controls and cash management for at least one more fiscal year until a Baseball Concession Building/Bathroom may be constructed. By July 2010, the Lake Myrtle Soccer Concession Building/Bathroom will be complete and will provide an opportunity for proper internal controls and cash management over the Soccer collections. As the Concession Buildings are constructed, City Staff has plans to implement a point-of-sale program to assist with cash management and internal controls over the collections

CITY OF AUBURNDALE, FLORIDA
T.I.N. 59-6000268
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended September 30, 2009

Section III: Findings Related to State Awards

None reported

Section IV: Findings Related to State Awards

City of Auburndale, Florida had no prior audit findings related to State awards

MISCELLANEOUS STATISTICS

CITY OF AUBURNDALE, FLORIDA
MISCELLANEOUS STATISTICS (Unaudited)
as of September 30, 2009

Date of incorporation	1911
Form of Government	Commission - Manager
Area	12,878 acres
Population	14,033 estimate
Fire protection:	
Number of stations	1
Number of firemen and officers (exclusive of volunteer firemen)	20
Police Protection:	
Number of stations	1
Number of policemen and officers	35
Municipal water departments:	
Average number of utility accounts	10,105
Average daily consumption	4.4MGD
Sewers:	
Sanitary and storm sewers	210 miles
Regional wastewater plant average flows	1.091MGD
Allred facility average flows	.725MGD
Recreation and culture:	
Number of parks	10
Number of libraries	1
Number of volumes	66,837
Employees:	
Full-time service	174
Part-time service	<u>12</u>
Total	<u><u>186</u></u>

See Auditors' Report