

CITY OF EAGLE LAKE, FLORIDA

FINANCIAL STATEMENTS

September 30, 2010

# TABLE OF CONTENTS

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

<b>Management's Discussion and Analysis</b> .....	I-VII
---	-------

## **PART II - FINANCIAL SECTION**

<b>Independent Auditors' Report</b> .....	1-2
---	-----

### **Basic Financial Statements:**

#### **Government-wide Statements:**

Statement of Net Assets .....	3
-------------------------------	---

Statement of Activities .....	4
-------------------------------	---

#### **Governmental Funds:**

Balance Sheet - Governmental Funds .....	5
--	---

Reconciliation of the Balance Sheet to the Statement of Net Assets .....	6
--	---

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	7
---	---

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	8
--	---

#### **Proprietary Funds:**

Statement of Net Assets - Proprietary Funds .....	9
---	---

Statement of Revenues, Expense and Changes in Fund Net Assets - Proprietary Fund .....	10
---	----

Statement of Cash Flows - Proprietary Funds .....	11
---	----

<b>Notes to Financial Statements</b> .....	12-28
--	-------

## **PART III - REQUIRED SUPPLEMENTAL INFORMATION**

Budgetary Comparison Schedule - General Fund .....	29
--	----

Budgetary Comparison Schedule - Community Redevelopment Authority .....	30
---	----

## **PART IV - COMPLIANCE**

Report on Internal Control over Financial Reporting and on Compliance and on Other Matters based upon an Audit of Financial Statements performed in Accordance with Government Auditing Standards .....	31-32
---	-------

## **PART V - INDEPENDENT AUDITORS' MANAGEMENT LETTER**

.....	33-35
-------	-------

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **September 30, 2010**

---

As management of the City of Eagle Lake, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 3.

#### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,058,815 (net assets). Of this amount, \$847,623 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$25,618.
- As of the close of the current fiscal year, the City's general fund (governmental fund level) reported ending fund balance of \$797,140, an increase of \$63,263 in comparison with the prior year. Of this total amount, \$472,979 is available for spending at the government's discretion.

#### Overview of the Financial Statements

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

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police, streets, stormwater maintenance, parks and recreation and community redevelopment. The business-type activities of the City include the water, wastewater and sanitation departments.

The government-wide financial statements can be found on pages 3 and 4 of this report.

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

### **September 30, 2010**

---

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

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The basic governmental fund financial statements can be found on pages 5 through 8 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 9 to 11 of this report.

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 to 28 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2010**

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's general fund and CRA Fund Budgetary Comparison. Required supplementary information can be found on pages 29 and 30 of this report.

Government-wide Financial Analysis

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current and other assets	\$ 912,393	\$ 930,777	\$ 1,803,035	\$ 1,742,025	\$ 2,715,428	\$ 2,672,802
Capital assets	2,389,288	2,467,205	3,746,199	3,815,028	6,135,487	6,282,233
<b>Total assets</b>	<b>\$ 3,301,681</b>	<b>\$ 3,397,982</b>	<b>\$ 5,549,234</b>	<b>\$ 5,557,053</b>	<b>\$ 8,850,915</b>	<b>\$ 8,955,035</b>
Long-term liabilities outstanding	\$ 1,377,717	\$ 1,336,858	\$ 2,078,471	\$ 2,265,835	\$ 3,456,188	\$ 3,602,693
Other liabilities	95,527	63,811	266,003	229,716	361,530	293,527
<b>Total liabilities</b>	<b>\$ 1,473,244</b>	<b>\$ 1,400,669</b>	<b>\$ 2,344,474</b>	<b>\$ 2,495,551</b>	<b>\$ 3,817,718</b>	<b>\$ 3,896,220</b>
Net assets:						
Invested in capital assets, net of related debt	\$ 1,072,284	\$ 1,202,355	\$ 1,688,219	\$ 1,591,578	\$ 2,760,503	\$ 2,793,933
Restricted	268,657	293,870	1,107,730	1,123,389	1,376,387	1,417,259
Unrestricted	487,496	501,088	408,811	346,535	896,307	847,623
<b>Total net assets</b>	<b>\$ 1,828,437</b>	<b>\$ 1,997,313</b>	<b>\$ 3,204,760</b>	<b>\$ 3,061,502</b>	<b>\$ 5,033,197</b>	<b>\$ 5,058,815</b>

Fifty-five percent (55%) of the City's net assets reflect its investment in capital assets (e.g., land, buildings, sewer and water system, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2010**

The following is a summary of the information presented in the Statement of Activities on page 4 of this report.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
Revenues:						
Program Revenues:						
Charges for services	\$ 352,087	\$ 328,057	\$ 933,061	\$ 896,971	\$ 1,285,148	\$ 1,225,028
Operating grants and contributions	64,819	100,720	-	-	64,819	100,720
Capital grants and contributions	148,142	139,699	11,500	8,750	159,642	148,449
General revenues:						
Property taxes	724,338	611,795	-	-	724,338	611,795
Franchise/Public Ser. Tax	369,990	379,395	-	-	369,990	379,395
State shared revenues	219,159	209,406	-	-	219,159	209,406
Other	31,227	19,722	4,036	2,406	35,263	22,128
<b>Total revenues</b>	<b>1,909,762</b>	<b>1,788,794</b>	<b>948,597</b>	<b>908,127</b>	<b>2,858,359</b>	<b>2,696,921</b>
Expenses:						
General government	661,644	621,465	-	-	661,644	621,465
Library	105,669	87,631	-	-	105,669	87,631
Law enforcement	413,865	429,672	-	-	413,865	429,672
Building and code enforcement	55,247	65,385	-	-	55,247	65,385
Streets	130,841	142,182	-	-	130,841	142,182
Stormwater	8,086	17,767	-	-	8,086	17,767
Parks and recreation	187,670	183,413	-	-	187,670	183,413
Community redevelopment	48,312	67,451	-	-	48,312	67,451
Interest on long-term debt	66,934	64,732	-	-	66,934	64,732
Public utilities	-	-	1,076,016	991,605	1,076,016	991,605
<b>Total expenses</b>	<b>1,678,268</b>	<b>1,679,698</b>	<b>1,076,016</b>	<b>991,605</b>	<b>2,754,284</b>	<b>2,671,303</b>
Increase (decrease) in net assets before transfers	231,494	109,096	(127,419)	(83,478)	104,075	25,618
Transfers	91,164	59,780	(91,164)	(59,780)	-	-
Increase (decrease) in net assets	322,658	168,876	(218,583)	(143,258)	104,075	25,618
Net assets - October 1	1,505,779	1,828,437	3,423,343	3,204,760	4,929,122	5,033,197
Net assets - September 30	\$ 1,828,437	\$ 1,997,313	\$ 3,204,760	\$ 3,061,502	\$ 5,033,197	\$ 5,058,815

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### September 30, 2010

---

Governmental activities: Governmental activities net assets increased by \$168,876 as compared to an increase of \$322,658 for the prior year. The main reason for the decline is a decrease in property taxes of \$112,543 and a \$31,384 decrease in the operating transfer from the business-type activities.

The City's program revenues went from \$565,048 in 2009 to \$568,476 in 2010, a 1% increase. Total governmental activities expenses increased from \$1,678,268 in 2009 to \$ 1,679,698 in 2010, a .01% percent increase.

Business-type activities: Business-type activities decreased the City's net assets by \$143,258 in 2010 compared to a decrease of \$218,583 in 2009. Several reasons contributed to the decrease.

- Operating revenue consisting of charges for services decreased \$36,090 from \$933,061 in 2009 to \$896,971 in 2010.
- Total expenses decreased \$84,411 in 2010 from \$1,076,016 in 2009 to \$991,605 in 2010.
- Operating transfers to the general fund decreased \$31,384 in 2010 from \$91,164 in 2009 to \$59,790 in 2010.

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

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

As of the end of the current fiscal year, the City's governmental funds (the general fund and CRA) reported ending fund balances of \$896,379, an increase of \$49,225 in comparison with the prior year. Of this total, \$472,979 for the general fund and \$99,239 for the CRA constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved by enabling legislation or contract and can only be spent on the purposes for which it is intended.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2010**

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

- Total governmental funds revenues decreased by \$99,811, excluding transfers from the enterprise fund and impact fees due to decreased tax revenue and capital grants for various City projects.
- Total governmental funds expenditures increased by approximately \$100,393 due to increased capital related expenditures.

Proprietary funds: The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The major changes between 2010 and 2009 are discussed above under the "business-type activities" heading.

General Fund Budgetary Highlights

Actual resources were less than budgeted resources by \$534,690 due mainly to lesser than expected resources from grant funding agencies. Actual charges to appropriations were less than budgeted by \$522,310 due mainly to lower than expected outflows of resources for engineering services and capital expenditures.

The CRA's actual resources exceeded budget by \$1,678 and actual charges to appropriations were less than budgeted by \$4,284 due mainly to lower than expected outflows.

Capital Assets and Debt Administration

Capital assets: The city's investment in capital assets for its governmental and business type activities as of September 30, 2010, amounts to \$6,282,233 (net of accumulated depreciation) which is an increase of 2.78%. This increase is the result of current year capital asset additions in excess of depreciation expense.

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

**Capital Assets Activity**

(net of depreciation)  
as of September 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Land	\$ 225,891	\$ 225,891	\$ 28,527	\$ 28,527	\$ 254,418	\$ 254,418
Buildings and improvements	1,595,996	1,513,723	3,632,187	3,462,183	5,228,183	4,975,906
Equipment	32,716	40,806	44,344	315,890	77,060	356,696
Construction in progress	91,394	172,250	17,762	8,428	109,156	180,678
Infrastructure	443,291	514,535	-	-	443,291	514,535
<b>Total</b>	<b>\$ 2,389,288</b>	<b>\$ 2,467,205</b>	<b>\$ 3,722,820</b>	<b>\$ 3,815,028</b>	<b>6,112,108</b>	<b>6,282,233</b>

Additional information on the City's capital assets can be found in note 6 on page 22 of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2010**

---

Long-Term Debt: As shown in the table below, the City had total long-term debt outstanding of \$3,508,819, which represents an increase of 3.97% over the prior year.

**Revenue Notes and Notes Payable**

as of September 30,

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
Revenue notes	\$ 1,230,000	\$ 1,190,000	\$ 2,057,980	\$ 2,243,970	\$ 3,287,980	\$ 3,433,970
Notes payable	87,004	74,849	-	-	87,004	74,849
<b>Total</b>	<b>\$ 1,317,004</b>	<b>\$ 1,264,849</b>	<b>\$ 2,057,980</b>	<b>\$ 2,243,970</b>	<b>\$ 3,374,984</b>	<b>\$ 3,508,819</b>

Additional information on the City's long-term debt can be found in note 7 on page 24 of this report.

**Economic Factors and Next Year's Budgets and Rates**

It is anticipated that the following significant items will affect the 2011 fiscal year:

- Long-term debt payment for sewer line expansion
- Long-term debt payment for water line expansion
- Ongoing drainage improvements
- Ongoing building renovations
- Potential refinancing of the Public Improvement Revenue Bonds, Series 1999

All of these significant factors were considered in preparing the City's budget for the 2011 fiscal year, and are expected to influence the City's fiscal year 2011 financial results.

**Requests for information**

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

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Lake, Florida, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Eagle Lake, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Lake, Florida, as of September 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2010 on our consideration of the City of Eagle Lake Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages I through VII and 29 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*The NCT Group CPA's, LLP*

December 2, 2010

**CITY OF EAGLE LAKE, FLORIDA**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
as of September 30, 2010

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 470,133	\$ 382,161	\$ 852,294
Receivables, current:			
Customer accounts, net	9,982	108,519	118,501
Intergovernmental	55,299	-	55,299
Franchise and public service taxes	29,231	-	29,231
Inventory	-	10,749	10,749
Internal balances	41,971	(41,971)	-
Restricted assets:			
Cash and cash equivalents	324,161	1,262,047	1,586,208
Deferred loan costs	-	20,520	20,520
Capital assets:			
Non-depreciable	398,141	36,955	435,096
Depreciable, net	2,069,064	3,778,073	5,847,137
<b>TOTAL ASSETS</b>	<b>3,397,982</b>	<b>5,557,053</b>	<b>8,955,035</b>
<b>LIABILITIES</b>			
Accounts payable	15,648	11,291	26,939
Accrued payroll	18,750	7,947	26,697
Due to other governments	-	71,820	71,820
Liabilities payable from restricted assets:			
Accrued interest payable	29,413	9,927	39,340
Customer deposits	-	128,731	128,731
Long-term liabilities:			
Due within one year	52,634	102,614	155,248
Due in more than one year	1,284,224	2,163,221	3,447,445
<b>TOTAL LIABILITIES</b>	<b>1,400,669</b>	<b>2,495,551</b>	<b>3,896,220</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,202,355	1,591,578	2,793,933
Restricted for:			
Water system improvements	-	672,803	672,803
Sewer system improvements	-	418,474	418,474
Revenue bond retirement	-	32,112	32,112
Building code enforcement	15,401	-	15,401
Transportation infrastructure	100,965	-	100,965
Public building improvements	157,845	-	157,845
Parks and recreation facilities	15,140	-	15,140
Stormwater management	4,519	-	4,519
Unrestricted	501,088	346,535	847,623
<b>TOTAL NET ASSETS</b>	<b>\$ 1,997,313</b>	<b>\$ 3,061,502</b>	<b>\$ 5,058,815</b>

See Accompanying Notes to Financial Statements

**CITY OF EAGLE LAKE, FLORIDA**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
for the year ended September 30, 2010

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
<b>PRIMARY GOVERNMENT</b>							
<b>Governmental activities:</b>							
General government	\$ 621,465	\$ 58,124	\$ -	\$ 20,278	\$ (543,063)	\$ -	\$ (543,063)
Building and code enforcement	65,385	25,130	-	-	(40,255)	-	(40,255)
Library	87,631	-	81,069	-	(6,562)	-	(6,562)
Community redevelopment	67,451	-	2,814	-	(64,637)	-	(64,637)
Law enforcement	429,672	5,307	15,737	-	(408,628)	-	(408,628)
Streets	142,182	164,729	-	-	22,547	-	22,547
Stormwater	17,767	44,916	-	113,477	140,626	-	140,626
Parks and recreation	183,413	29,851	1,100	5,944	(146,518)	-	(146,518)
Interest on long-term debt	64,732	-	-	-	(64,732)	-	(64,732)
<b>Total governmental activities</b>	<b>1,679,698</b>	<b>328,057</b>	<b>100,720</b>	<b>139,699</b>	<b>(1,111,222)</b>	<b>-</b>	<b>(1,111,222)</b>
<b>Business-type activities:</b>							
Water utility	364,792	396,251	-	3,750	-	35,209	35,209
Wastewater utility	449,740	274,314	-	5,000	-	(170,426)	(170,426)
Sanitation	177,073	226,406	-	-	-	49,333	49,333
<b>Total business-type activities</b>	<b>991,605</b>	<b>896,971</b>	<b>-</b>	<b>8,750</b>	<b>-</b>	<b>(85,884)</b>	<b>(85,884)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,671,303</b>	<b>\$ 1,225,028</b>	<b>\$ 100,720</b>	<b>\$ 148,449</b>	<b>(1,111,222)</b>	<b>(85,884)</b>	<b>(1,197,106)</b>
<b>GENERAL REVENUES</b>							
Taxes:							
Property taxes, levied for general purposes					611,795	-	611,795
Franchise taxes					159,583	-	159,583
Public service taxes					219,812	-	219,812
State shared revenue					209,406	-	209,406
Investment earnings					1,001	2,406	3,407
Other revenues					18,721	-	18,721
Transfers					59,780	(59,780)	-
Total general revenues, special items, and transfers					1,280,098	(57,374)	1,222,724
Change in net assets					168,876	(143,258)	25,618
<b>NET ASSETS - beginning of year</b>					<b>1,828,437</b>	<b>3,204,760</b>	<b>5,033,197</b>
<b>NET ASSETS - end of year</b>					<b>\$ 1,997,313</b>	<b>\$ 3,061,502</b>	<b>\$ 5,058,815</b>

See Accompanying Notes to Financial Statements

**CITY OF EAGLE LAKE, FLORIDA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
as of September 30, 2010

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 370,894	\$ 99,239	\$ 470,133
Receivables, net			
Customer accounts, net	9,982	-	9,982
Intergovernmental	55,299	-	55,299
Franchise and public service taxes	29,231	-	29,231
Due from other funds	41,971	-	41,971
Restricted assets:			
Cash and cash equivalents	324,161	-	324,161
<b>TOTAL ASSETS</b>	<u>\$ 831,538</u>	<u>\$ 99,239</u>	<u>\$ 930,777</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 15,648	\$ -	\$ 15,648
Accrued payroll	18,750	-	18,750
<b>TOTAL LIABILITIES</b>	<u>34,398</u>	<u>-</u>	<u>34,398</u>
<b>FUND BALANCE</b>			
Reserved:			
Revenue bond retirement	30,291	-	30,291
Building code enforcement	15,401	-	15,401
Transportation infrastructure	100,965	-	100,965
Public building improvements	157,845	-	157,845
Parks and recreation facilities	15,140	-	15,140
Stormwater management	4,519	-	4,519
Unreserved, reported in:			
General fund	472,979	-	472,979
Special revenue fund	-	99,239	99,239
<b>TOTAL FUND BALANCE</b>	<u>797,140</u>	<u>99,239</u>	<u>896,379</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 831,538</u>	<u>\$ 99,239</u>	<u>\$ 930,777</u>

See Accompanying Notes to Financial Statements

**CITY OF EAGLE LAKE, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS -**  
**GOVERNMENTAL FUNDS**  
as of September 30, 2010

---

<b>FUND BALANCES-TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 896,379</b>
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	2,467,205
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds.	(29,413)
Long-term liabilities (including compensated absences) are not payable from current resources and therefore they are not reported in the governmental funds.	<u>(1,336,858)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,997,313</u></b>

See Accompanying Notes to Financial Statements

**CITY OF EAGLE LAKE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
for the year ended September 30, 2010

	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Taxes	\$ 1,038,168	\$ 65,779	\$ 1,103,947
Licenses and permits	21,869	-	21,869
Intergovernmental revenue	420,692	-	420,692
Charges for services	147,879	2,475	150,354
Fines and forfeitures	3,837	-	3,837
Other	27,186	474	27,660
Total revenues	<u>1,659,631</u>	<u>68,728</u>	<u>1,728,359</u>
<b>EXPENDITURES:</b>			
General government	525,415	-	525,415
Public safety	429,047	-	429,047
Physical environment	65,385	-	65,385
Transportation	121,309	-	121,309
Economic development	-	67,451	67,451
Culture/recreation	243,327	-	243,327
Capital outlay	195,441	-	195,441
Debt service	102,446	15,315	117,761
Total expenditures	<u>1,682,370</u>	<u>82,766</u>	<u>1,765,136</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(22,739)</u>	<u>(14,038)</u>	<u>(36,777)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in (out)	59,780	-	59,780
Impact fees	26,222	-	26,222
Total other financing sources	<u>86,002</u>	<u>-</u>	<u>86,002</u>
<b>NET CHANGE IN FUND BALANCE</b>	63,263	(14,038)	49,225
<b>FUND BALANCE, beginning of year</b>	<u>733,877</u>	<u>113,277</u>	<u>847,154</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 797,140</u>	<u>\$ 99,239</u>	<u>\$ 896,379</u>

See Accompanying Notes to Financial Statements

**CITY OF EAGLE LAKE, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**  
for the year ended September 30, 2010

---

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 49,225

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

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

This is the amount of capital assets recorded in the current period	189,048
This is the amount of depreciation recorded in the current period	(111,131)

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

This amount represents long-term debt repayments, excluding inter-fund debt	52,155
This amount represents the change in compensated absence liability	(11,296)
This amount represents the change in accrued interest	<u>875</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 168,876

**CITY OF EAGLE LAKE, FLORIDA**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**  
as of September 30, 2010

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 382,161
Customer accounts receivable, net	108,519
Inventory	10,749
Total current assets	<u>501,429</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	1,262,047
Capital assets:	
Non-depreciable	36,955
Depreciable, net	3,778,073
Deferred loan costs	20,520
Total noncurrent assets	<u>5,097,595</u>
<b>TOTAL ASSETS</b>	<u>5,599,024</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	11,291
Due to other governments	71,820
Accrued payroll	7,947
Accrued interest payable	9,927
Due to other funds	41,971
Bonds and notes payable, current	102,614
Total current liabilities	<u>245,570</u>
Noncurrent liabilities:	
Compensated absences	21,865
Liabilities payable from restricted assets:	
Customer deposits	128,731
Bonds and notes payable, noncurrent portion	2,141,356
Total noncurrent liabilities	<u>2,291,952</u>
<b>TOTAL LIABILITIES</b>	<u>2,537,522</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,591,578
Restricted for:	
Water system improvements (expendable)	672,803
Sewer system improvements (expendable)	418,474
Revenue bond retirement (expendable)	32,112
Unrestricted	346,535
<b>TOTAL NET ASSETS</b>	<u>\$ 3,061,502</u>

See Accompanying Notes to Financial Statements

**CITY OF EAGLE LAKE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUND**  
for the year ended September 30, 2010

	<u>Enterprise Fund</u>
<b>OPERATING REVENUES:</b>	
Charges for services:	
Water and sewer customer user fees	\$ 670,565
Sanitation customer user fees	<u>226,406</u>
Total charges for services	<u>896,971</u>
Total operating revenues	<u>896,971</u>
<b>OPERATING EXPENSES:</b>	
Personal services	276,617
Operating expenses	467,992
Depreciation	<u>183,827</u>
Total operating expenses	<u>928,436</u>
<b>OPERATING INCOME</b>	<u>(31,465)</u>
<b>NONOPERATING REVENUE (EXPENSE):</b>	
Interest expense	(63,169)
Interest revenue	<u>2,406</u>
Total nonoperating revenues (expenses)	<u>(60,763)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(92,228)</u>
<b>CAPITAL CONTRIBUTIONS</b>	
Impact fees	<u>8,750</u>
Total capital contributions	<u>8,750</u>
<b>TRANSFERS IN (OUT)</b>	<u>(59,780)</u>
Change in net assets	(143,258)
<b>TOTAL NET ASSETS - beginning of year</b>	<u>3,204,760</u>
<b>TOTAL NET ASSETS - end of year</b>	<u>\$ 3,061,502</u>

See Accompanying Notes to Financial Statements

**CITY OF EAGLE LAKE, FLORIDA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
for the year ended September 30, 2010

	<b>Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 901,566
Payments to suppliers	(509,889)
Payments for salaries and benefits	(275,108)
Net cash flows from operating activities	<u>116,569</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Increase in customer deposits	(3,697)
Decrease in amounts due to other governments	(1,670)
Transfers to other funds	(59,780)
Net cash flows from noncapital financing activities	<u>(65,147)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets, net of related payables	(276,035)
Principal paid on long-term debt	(86,010)
Interest paid on borrowings	(60,002)
Bond proceeds	272,000
Capital contributions received, net of change in related receivable	8,750
Net cash flows from capital and related financing activities	<u>(141,297)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on invested funds	2,406
Net cash flows from investing activities	<u>2,406</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(87,469)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,731,677</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,644,208</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (31,465)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	183,827
(Increase) decrease in accounts receivable	4,595
Increase (decrease) in amounts due to other funds	(10,534)
Increase (decrease) in accounts payable	(31,363)
Increase (decrease) in accrued wages and comp absences	1,509
Net cash flows from operating activities	<u>\$ 116,569</u>
<b>Noncash financing and investing activities:</b>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Certain of the component units, although legally separate, are presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds and account groups are combined with those of the primary government for financial reporting purposes. The entity included as a blended component unit of the primary government is the Eagle Lake Community Redevelopment Authority ("CRA") which was created by Ordinance 00-06. The CRA does not issue a separately audited Component Unit Financial Statement (CUFS). The financial reporting entity does not include the assets of the employee 457 defined contribution pension plan, which were determined not to be assets of the City.

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

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

**B. BASIC FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements** - The required government-wide financial statements are the Statement of Net Assets and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements. The City has no fiduciary funds, however, if it did they would be excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment, including depreciation. The City does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

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

**B. BASIC FINANCIAL STATEMENTS** (cont...)

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

**a) Governmental Funds:**

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

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

**b) Proprietary Funds:**

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

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

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

**C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING**

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

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

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

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

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

**CASH AND CASH EQUIVALENTS** - Includes all bank demand deposits, certificates of deposit, money-market and savings accounts and all short-term highly liquid investment securities with a maturity of three months or less when purchased. At September 30, 2010, all of the City's cash and investments met this definition.

**RECEIVABLES** - The City accrues the unbilled service of its enterprise fund which represents the estimated value of service from the last billing date to year end and totalled \$31,032 at September 30, 2010. 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, 2010, such reserves totalled \$4,555.

**INTERFUND BALANCES** - To the extent any current interfund balances exist, management anticipates that they will be settled in cash as opposed to a permanent transfer.

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

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

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

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

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

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

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

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

**INTEREST COSTS** - Interest costs are capitalized when incurred on debt the proceeds of which were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2010.

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

**COMPENSATED ABSENCES** - Employees accumulate vacation days ranging from 6 to 20 days per year to a maximum total of 30 days (15 days for permanent part-time employees). Accrued vacation is paid by the City upon retirement or termination at the employee's current hourly rate of pay. Accrued vacation paid upon the death of an active employee is not subject to the 15 or 30 day maximum.

Employees accumulate sick days ranging from 6 to 12 days per year without limitation. The City pays accrued sick leave to employees retiring or terminating with continuous service of at least two years at 25 percent to 50 percent of accrued sick leave depending on their years of service up to a maximum of 800 paid hours for employees hired prior to September 25, 2006 and 400 paid hours for employees hired thereafter.

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

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

Certain employees may accrue compensatory time when deemed in the best interest of the City in lieu of overtime payment. Hourly employees shall accrue compensatory time at a rate of time and a half for any time worked in excess of 80 hours in a single pay period. Salaried employees shall accrue compensatory time at a rate of one hour for every hour worked in excess of 80 hours in a single pay period. The usage of compensatory time shall be at the discretion of the City Manager. If the accrual of compensatory time exceeds 80 hours for any employee, payment of such accrual may be deemed in the best interest of the City. Any such payment can only be made at the City Manager's request and approval of the City Commission.

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

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

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

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

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

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

**EQUITY CLASSIFICATIONS -**

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

- a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$1,417,259 of restricted net assets, of which \$1,385,147 is restricted by enabling legislation.
- b) 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.

**NOTE 2 - PROPERTY TAX CALENDAR**

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, the County, independent districts and the County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2010 was 7.7658.

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.

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

**NOTE 3 - BUDGETARY LAW AND PRACTICE**

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

**NOTE 4 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A. Compliance With Finance Related Legal and Contractual Provisions - the City had no material violations of finance related legal and contractual provisions.
- B. Deficit Fund Balance or Net Assets of Individual Funds - As of September 30, 2010, 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, 2010 no budgetary fund had an excess of expenditures over appropriations.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

**NOTE 5 - DEPOSITS AND INVESTMENTS** (cont...)

According to City policy, the City is authorized to invest in obligations issued or unconditionally guaranteed by the U.S. Government or its agencies and instrumentalities, including open-ended mutual funds whose underlying securities are comprised of these securities, direct obligations of the U.S. Treasury, repurchase agreements, and certificates of deposit and savings accounts in State qualified public depositories.

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

Cash and cash equivalents:	
Cash on hand	\$ 265
Deposits in financial institutions:	
Insured or fully collateralized bank deposits, including non-negotiable certificates of deposit	<u>2,438,237</u>
Total cash and cash equivalents	<u><u>\$ 2,438,502</u></u>

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2010 was as follows:

	Balance October 1, 2009	Reclassi- fications	Additions	Deletions	Balance September 30, 2010
<b>Governmental Activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 225,891	\$ -	\$ -	\$ -	\$ 225,891
Construction in process	91,394	(91,394)	172,250	-	172,250
Total	<u>\$ 317,285</u>	<u>\$ (91,394)</u>	<u>\$ 172,250</u>	<u>\$ -</u>	<u>\$ 398,141</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	\$ 2,941,449	\$ -	\$ -	\$ -	\$ 2,941,449
Equipment	210,102	-	16,798	(5,700)	221,200
Infrastructure	455,446	91,394	-	-	546,840
Total capital assets being depreciated	<u>3,606,997</u>	<u>91,394</u>	<u>16,798</u>	<u>(5,700)</u>	<u>3,709,489</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,345,453)	-	(82,273)	-	(1,427,726)
Equipment	(177,386)	-	(8,708)	5,700	(180,394)
Infrastructure	(12,155)	-	(20,150)	-	(32,305)
Total accumulated depreciation	<u>(1,534,994)</u>	<u>-</u>	<u>(111,131)</u>	<u>5,700</u>	<u>(1,640,425)</u>
Depreciable capital assets, net	<u>\$ 2,072,003</u>	<u>\$ 91,394</u>	<u>\$ (94,333)</u>	<u>\$ -</u>	<u>\$ 2,069,064</u>
<b>Business-type activities:</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 28,527	\$ -	\$ -	\$ -	\$ 28,527
Construction in process	17,762	(283,675)	274,341	-	8,428
Total	<u>\$ 46,289</u>	<u>\$ (283,675)</u>	<u>\$ 274,341</u>	<u>\$ -</u>	<u>\$ 36,955</u>
<b>Capital assets being depreciated:</b>					
Utility plant	\$ 6,277,150	\$ -	\$ -	\$ -	\$ 6,277,150
Equipment	136,285	283,675	1,694	-	421,654
Total capital assets being depreciated	<u>6,413,435</u>	<u>283,675</u>	<u>1,694</u>	<u>-</u>	<u>6,698,804</u>
Less accumulated depreciation for:					
Utility plant	(2,644,963)	-	(170,004)	-	(2,814,967)
Equipment	(91,941)	-	(13,823)	-	(105,764)
Total accumulated depreciation	<u>(2,736,904)</u>	<u>-</u>	<u>(183,827)</u>	<u>-</u>	<u>(2,920,731)</u>
Depreciable capital assets, net	<u>\$ 3,676,531</u>	<u>\$ 283,675</u>	<u>\$ (182,133)</u>	<u>\$ -</u>	<u>\$ 3,778,073</u>

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

**NOTE 6 - CAPITAL ASSETS** (cont...)

Depreciation expense was charged to the following programs and functions:

Governmental Activities:

General government	\$ 59,690
Library	1,593
Law enforcement	1,091
Stormwater	16,939
Roads and streets	12,366
Parks and recreation	<u>19,452</u>
Total depreciation expense - governmental activities	<u>\$ 111,131</u>

Business-type Activities:

Water	\$ 70,280
Wastewater	<u>113,547</u>
Total depreciation expense - business-type activities	<u>\$ 183,827</u>

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 7 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended September 30, 2010:

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Amounts Due within One Year
<b><u>Governmental Activities</u></b>					
<b>Long-term debt:</b>					
Revenue bond:					
Public Improvements, Series 1999	\$ 1,230,000	\$ -	\$ (40,000)	\$ 1,190,000	\$ 40,000
Lease payable:					
Suntrust leasing corporation	87,004	-	(12,155)	74,849	12,634
Total long-term debt	1,317,004	-	(52,155)	1,264,849	52,634
<b>Other liabilities:</b>					
Compensated absences	60,713	11,296	-	72,009	-
Total long-term liabilities	1,377,717	11,296	(52,155)	1,336,858	\$ 52,634
Less amount due in one year				(52,634)	
Net long-term liabilities due after one year	<u>\$ 1,377,717</u>	<u>\$ 11,296</u>	<u>\$ (52,155)</u>	<u>\$ 1,284,224</u>	
<b><u>Business-type Activities</u></b>					
<b>Long-term debt:</b>					
Bonds and notes payable:					
CS12090401P installment note to DEP	\$ 1,474,901	\$ -	\$ (79,244)	\$ 1,395,657	\$ 81,201
Water System Revenue Bonds, Series 2007	583,079	-	(6,766)	576,313	7,054
Water System Revenue Bonds, Series 2010	-	272,000	-	272,000	14,359
Total long-term debt	2,057,980	272,000	(86,010)	2,243,970	102,614
<b>Other liabilities:</b>					
Compensated absences	20,491	1,374	-	21,865	-
Total long-term liabilities	2,078,471	273,374	(86,010)	2,265,835	\$ 102,614
Less amount due in one year				(102,614)	
Net long-term liabilities due after one year	<u>\$ 2,078,471</u>	<u>\$ 273,374</u>	<u>\$ (86,010)</u>	<u>\$ 2,163,221</u>	

**Notes to Long-Term Obligations Table**

**Governmental Activities:**

- The 1999 Public Improvement Revenue Bonds are secured by all of the non advalorem revenues of the City. The bonds are payable semi-annually as to interest on October 1 and April 1 and annually on April 1 as to principal. The bonds bear interest at 4.99% with a final payment due April 1, 2029. The cash with fiscal agent at year end represents the October 1, 2010 interest payment remitted prior to year end. The City was in compliance with all significant requirements of the bond resolution as of September 30, 2010.
- The Suntrust Leasing Corporation lease payable is financing for the decorative lighting project. The debt service and related capital expenditures related to this lease agreement are to be paid from the Community Redevelopment Fund. Principal and interest on the lease obligation are due monthly for a term ending February 29, 2016. The lease obligation bears interest at a rate of 3.879%.

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

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

**Business-Type Activities:**

- The 2001 State of Florida Department of Environmental Protection Revolving Fund Water and Sewer Revenue Certificates (CS 12090401P) are secured by water and sewer revenues. The loan is payable semiannually with principal and interest payments due on January 15 and July 15. The loan bears interest at a weighted average rate of 2.453% with a final maturity of January 15, 2025. The loan agreement requires that funds be deposited into a sinking fund monthly at amounts which will fully fund the next succeeding principal and interest payments when due. The City was in compliance with all significant requirements of the loan agreement as of September 30, 2010.
- The USDA Rural Utilities Service Series 2007 and Series 2010 Water Revenue Bonds are secured by the net revenues of the water system. The series 2007 bonds bear interest at 4.125% with a final maturity of September 1, 2046. The series 2010 bonds bear interest at 3.25% with a final maturity of September 1, 2025. The bond proceeds were used to construct extensions and improvements to the water system. The bonds require the maintenance of sinking, reserve and renewal and replacement funds. The City was in compliance with all significant requirements of the loan agreement as of September 30, 2010.

**Maturities:**

- Annual requirements to repay all long-term bonds and notes payable as of September 30, 2010, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 52,634	\$ 61,505	\$ 102,614	\$ 66,206
2012	53,133	59,206	105,385	63,403
2013	58,652	56,888	108,236	60,520
2014	59,191	54,324	111,165	57,558
2015	59,751	51,457	114,178	54,511
2016 - 2020	281,488	216,990	619,147	223,751
2021 - 2025	350,000	141,500	650,835	134,277
2026 - 2030	350,000	45,000	71,691	86,049
2031 - 2035	-	-	88,277	69,463
2036 - 2040	-	-	108,698	49,042
2041 - 2045	-	-	133,846	23,894
2046 - 2050	-	-	29,898	1,271
Total	<u>\$ 1,264,849</u>	<u>\$ 686,870</u>	<u>\$ 2,243,970</u>	<u>\$ 889,945</u>

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 8 - CAPITAL LEASE**

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

	Governmental Activities
Asset:	
Buildings and improvements	\$ 140,267
Less: Accumulated Depreciation	(17,553)
Total	\$ 122,714

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, we are follows:

<u>Fiscal year ending September 30</u>	Governmental Activities
2011	\$ 15,315
2012	15,315
2013	15,315
2014	15,315
2015	15,315
2016 - 2019	6,550
Total minimum lease payments	83,125
Less: Amount representing interest	(8,276)
Present value of minimum lease payments	\$ 74,849

**NOTE 9 - INTERFUND TRANSACTIONS**

Interfund receivables and payables as of September 30, 2010, consisted of:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise Fund	\$ 41,971

Interfund transfers for the year ended September 30, 2010, consisted of:

Receiving Fund	Paying Fund	Amount
General Fund	Enterprise Fund	\$ 59,780

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

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

---

**NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN**

The City commission has established by Resolution an Internal Revenue Code Section 457 defined contribution pension plan covering all full-time employees and permanent part-time employees working an average of 20 hours or more a week and who have completed 6 full months of employment. The plan trust is administered by the Signature Benefit Solutions, Inc. and the assets of the plan are not considered part of the City's reporting entity. Benefits vest at a rate of 20% per year of service up to 100% vesting upon completion of the fifth year of service. Employees desiring to participate in the plan are required to contribute one and one-half percent of their salary and the City contributes seven percent of the employees' compensation. Most employees of the City were eligible and did participate in the plan during the year ended September 30, 2010. Pension costs are accrued and funded on a current basis and all required contributions for the year were made. Pension expense totaled \$33,961 for the year ended September 30, 2010. The City's payroll totalled approximately \$617,000 of which pension contributions were provided on approximately \$485,000.

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS**

Pursuant to the provisions of section 112.08011, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City's fully insured health and hospitalization plan. These retirees are completely responsible for payment of their insurance premiums and the City does not contribute toward this payment. Based upon prior experience, the assumed participation rate is zero percent and current insurance premiums are not affected by the requirements of section 112.08011, Florida Statutes. An actuarial projection with a zero assumed participation rate, which is consistent with actual results, would result in a Other Post Employment Benefit (OPEB) obligation of zero. Accordingly there is no OPEB obligation recorded in the financial statements.

**NOTE 12 - RISK MANAGEMENT AND LITIGATION**

During the ordinary course of its operations, the City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The City maintains commercial insurance coverage in amounts management feels is adequate to protect and safeguard the assets of the City. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2010. In the opinion of the City's management and legal counsel, legal claims and litigation are not anticipated to have material impact on the financial position of the City. The City's workers compensation coverage is provided through a nonassessable, nonprofit, tax-exempt risk sharing pool. Settled claims resulting from these risks have not exceeded insurance coverage.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

The City participates in several programs that are fully or partially funded by grants received from Federal, state, or county agency sources. Expenditures financed by grants are subject to audit by the appropriate grantor government/agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor government/agency. As of September 30, 2010, the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

**CITY OF EAGLE LAKE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2010

**NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUND**

The City has outstanding debt secured by its water and sewer system revenues. The water and sewer operations are accounted for in a single enterprise fund along with sanitation. Because many of the assets and liabilities of the enterprise fund are not separately identifiable with any one operating segment (e.g. cash, accounts receivable, accounts payable, etc.), it is not possible to present segment information disclosures for some components of net assets, revenues and cash flows. Segment financial information that can be separately identified for the water and sewer system operations as of and for the year ended September 30, 2010, is presented below:

	<u>Water System</u>	<u>Sewer System</u>	<u>Combined Water &amp; Sewer System</u>
<b>Condensed statement of revenues, expenses and changes in net assets:</b>			
Operating revenues	\$ 396,251	\$ 274,314	\$ 670,565
Operating expenses	(270,285)	(297,251)	(567,536)
Depreciation	(70,280)	(113,547)	(183,827)
Non-operating revenues (expenses):			
Interest income	2,406	-	2,406
Interest expense	(24,227)	(38,942)	(63,169)
Capital contributions	3,750	5,000	8,750
Transfers	(19,288)	(19,288)	(38,576)
Change in net assets	<u>\$ 18,327</u>	<u>\$ (189,714)</u>	<u>\$ (171,387)</u>

**Summary information from statement of net assets:**

Capital assets, net	<u>\$ 1,417,796</u>	<u>\$ 2,397,232</u>	<u>\$ 3,815,028</u>
Long-term debt	<u>\$ 848,313</u>	<u>\$ 1,395,657</u>	<u>\$ 2,243,970</u>

**NOTE 15 - FUTURE REVENUES THAT ARE PLEDGED**

The City has pledged various future revenue sources for various debt issues. For the water and sewer systems, the City has pledged future revenues, net of certain operating expenses. 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 note 7.

<u>Pledged Revenue</u>	<u>Total Principal and Interest Outstanding</u>	<u>Current Year Principal and Interest Paid</u>	<u>Current Year Revenue</u>	<u>% of Revenues to Principal and Interest Paid</u>
Water and sewer system net revenue	\$ 3,133,915	\$ 146,568	\$ 39,860	27%

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF EAGLE LAKE, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
for the year ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>RESOURCES (inflows):</b>				
Taxes	\$ 933,000	\$ 933,000	\$ 1,018,944	\$ 85,944
Licenses and permits	33,800	33,800	21,869	(11,931)
Intergovernmental revenue	921,100	926,100	420,692	(505,408)
Charges for services	166,407	166,407	152,092	(14,315)
Fines and forfeitures	8,000	8,000	3,837	(4,163)
Other	12,000	12,000	27,186	15,186
Operating transfers in	200,787	200,787	100,784	(100,003)
Amounts available for appropriations	<u>2,275,094</u>	<u>2,280,094</u>	<u>1,745,404</u>	<u>(534,690)</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
General government	645,973	645,973	600,632	45,341
Public safety	429,407	429,407	429,047	360
Physical environment	70,090	70,090	65,385	4,705
Transportation	109,185	109,185	121,309	(12,124)
Culture/recreation	242,342	247,342	243,327	4,015
Capital outlay	662,000	662,000	195,441	466,559
Debt service	115,900	115,900	102,446	13,454
Total charges to appropriations	<u>2,274,897</u>	<u>2,279,897</u>	<u>1,757,587</u>	<u>522,310</u>
<b>EXCESS (DEFICIENCY) OF RESOURCES</b>				
<b>OVER CHARGES TO APPROPRIATIONS</b>	197	197	<u>\$ (12,183)</u>	<u>\$ (12,380)</u>
Surplus carried forward	-	-		
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 197</u>	<u>\$ 197</u>		

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

**Sources/Inflows of resources**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,745,404
Differences - budget to GAAP:	
Accrual adjustments for GAAP presentation	(4,213)
Budgetary inflows representing interfund reimbursements that are recorded as expenditures for financial reporting purposes	(41,004)
Budgetary outflows representing interfund transactions that are recorded as revenues for financial reporting purposes	(30,000)
Revenues representing motor fuel taxes restricted for transportation infrastructure expenditures are not budgeted	49,224
Transfers from other funds are inflows of budgetary resources but are other financing sources for financial reporting purposes	<u>(59,780)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,659,631</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,757,587
Differences - budget to GAAP:	
Accrual adjustments for GAAP presentation	(4,213)
Budgetary inflows representing interfund reimbursements that are recorded as expenditures for financial reporting purposes	(41,004)
Budgetary outflows representing interfund transactions that are recorded as revenues for financial reporting purposes	<u>(30,000)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,682,370</u>

**CITY OF EAGLE LAKE, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE - COMMUNITY REDEVELOPMENT AUTHORITY**  
for the year ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RESOURCES (inflows):</b>				
Taxes	\$ 60,000	\$ 60,000	\$ 65,779	\$ 5,779
Charges for service	2,000	2,000	2,475	475
Other	5,050	5,050	474	(4,576)
Amounts available for appropriations	<u>67,050</u>	<u>67,050</u>	<u>68,728</u>	<u>1,678</u>
<b>CHARGES TO APPROPRIATIONS (outflows):</b>				
Economic environment	71,050	71,050	67,451	3,599
Debt service	16,000	16,000	15,315	685
Total charges to appropriations	<u>87,050</u>	<u>87,050</u>	<u>82,766</u>	<u>4,284</u>
<b>EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>				
	<u>(20,000)</u>	<u>(20,000)</u>	<u>\$ (14,038)</u>	<u>\$ 5,962</u>
<b>PRIOR YEAR FUND BALANCE REAPPROPRIATION</b>				
	<u>20,000</u>	<u>20,000</u>		
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ -</u>	<u>\$ -</u>		

# **COMPLIANCE**

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

To The Honorable Mayor, City Commission, and City Manager  
City of Eagle Lake, 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 Eagle Lake, Florida, as of and for the year ended September 30, 2010, which collectively comprise the City of Eagle Lake, Florida's basic financial statements and have issued our report thereon dated December 2, 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.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described below that we consider to be significant deficiencies in internal control over financial reporting (10-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Cash Receipts

- **Condition 10-1:** Two daily cash balance sheets were missing the required dual sign offs. This was noted in the prior year also.

**Cause of Condition:** Alternate procedures over cash receipts were not followed to ensure proper review of the daily cash received. This could result in the ability for errors and/or theft over daily cash receipts.

**Recommendation:** Procedures that have been established over the collections process should be followed at all times. Management should ensure that alternate procedures are in place and adhered to so that adequate controls are present over cash collections at all times.

**Corrective Action Plan:** More care will be taken in completing the daily sheets to ensure proper signatures; when there is an absence in the front office the policy is that the city manager or city clerk (whoever is available) will fill in for the absent employee.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Eagle Lake, Florida, in a separate letter dated December 2, 2010.

We did not audit the City of Eagle Lake, Florida's response to the findings identified in our audit, and accordingly, we express no opinion on it.

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

*The NCT Group CPAs, LLP*  
December 2, 2010

## MANAGEMENT LETTER

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

We have audited the financial statements of the City of Eagle Lake, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated December 2, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated December 2, 2010, 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 report:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except for finding 10-1.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted no deficiencies that would be considered material weaknesses.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, finding 10-1 on page 32 of the report on internal control over financial reporting and on compliance and other matters is considered a significant deficiency.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we have the following recommendation:

#### **Unrecorded liabilities**

**Condition 10-2:** There were four invoices detected from audit procedures that were recorded in the wrong accounting period.

**Cause of Condition:** A review of all invoices should be performed at year end to ensure that expenditures are recorded in the proper period.

**Recommendation:** Assigned staff should perform a review of invoices received at year end and subsequent to year end along with a review of outstanding purchase orders to ensure that all fiscal year expenditures have been captured and properly recorded.

**Corrective Action Plan:** At the end of the year the manager needs to work with the Deputy Clerk to review all invoices and corresponding purchase orders to ensure all documents are posted to the proper accounting period.

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 Eagle Lake, Florida, see footnote A of the summary of significant accounting policies in the notes to financial statements of the basic financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. In connection with our audit, we determined that the City of Eagle Lake, Florida 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 Eagle Lake, Florida for the fiscal year ended September 30, 2010, 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, 2010. 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 Eagle Lake, 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. The results of our assessment indicated that the City's overall financial condition, as defined by the Auditor General's guidelines, was not deteriorating.

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

*The NCT Group CPAs, LLP*

December 2, 2010