

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**TOWN OF LAKE PARK, FLORIDA**

**Fiscal Year Ended September 30, 2007**

**Prepared by  
Finance Department**

**Anne M. Costello  
Finance Director**

# THE TOWN OF LAKE PARK, FLORIDA

## FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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## INTRODUCTORY SECTION



# TOWN OF LAKE PARK

## FINANCE DEPARTMENT

June 16, 2008

The Honorable Mayor,  
Members of the Town Commission and Citizens  
Town of Lake Park, Florida

The Comprehensive Annual Financial Report (CAFR) of the Town of Lake Park, Florida, (the "Town") for the fiscal year ended September 30, 2007, is hereby submitted. Florida law and the Rules of the Auditor General for the State of Florida require every municipality to complete a set of audited financial statements annually within twelve months of the close of the fiscal year. This report is published to fulfill that requirement for the year ended September 30, 2007. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Town. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

### ORGANIZATION AND CONTENT

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

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

**Financial Section** – This section includes the opinion of the Town's independent auditors, management's discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, required supplementary information, and the combining and individual fund statements and schedules and other financial information. The basic financial statements present an overview of financial activities of the Town.

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

**Compliance Section** – The Town is required to undergo an annual audit under *Government Auditing Standards*. This section includes the schedule of expenditures of federal awards and state financial assistance, schedule of local financial assistance, and report of independent certified public accountants on compliance and on internal controls over financial reporting based on an audit of the basic financial statements performed in accordance with *Government Auditing Standards*.

## PROFILE OF THE TOWN

Originally incorporated in 1923 as Kelsey City, the city was renamed in 1939 to the Town of Lake Park. The Town of Lake Park is a political subdivision of the State of Florida with a population of approximately 9,100 residents, ideally located in the southeastern part of the State on the Atlantic Intracoastal Waterway. The Town is primarily residential but has several types of light industry and shopping centers.

The Town of Lake Park operates under a commission-manager form of government. Policymaking and legislative authority are vested in a governing commission consisting of the Mayor, Vice-Mayor and three Commissioners. The governing body is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the Town Manager and Town Attorney. The Mayor and Commission Members are elected on a non-partisan basis. All are elected for three-year terms.

Elections are staggered with only the Mayor being elected in one election year, two commissioners are elected in the next election year and the remaining two commissioners are elected in the next election year. The Town Manager is responsible for carrying out the policies and ordinances of the governing commission, for overseeing the day-to-day operations of the government and for appointing the heads of the various departments.

The Town of Lake Park provides a full range of services, including building inspections, code enforcement, residential and commercial sanitation service, recreation and cultural events. Police and fire protection are contracted through Palm Beach County. Water and sewer service is provided through a separate utility authority.

The Town's financial statements also include the Lake Park Community Redevelopment Agency (the CRA is a dependent special district established by the Town, under authority granted by Florida Statute 163, Section III). The Town is financially accountable for the CRA which is included in the Town's financial statements as a blended component unit reported in a governmental (special revenue) fund, the Community Redevelopment Fund.

The Town is required by State law to adopt an annual budget for the general fund. The annual budget serves as the foundation for the Town's financial planning and control. The budget is prepared by fund, function (e.g., public safety) and department (e.g., police). The Town Manager may transfer resources within a department as needed. Budgetary transfers between departments require the approval of the Town Commission.

## LOCAL ECONOMY

Palm Beach County is the third most populous county in the State of Florida. The latest population estimate prepared by the University of Florida indicates that the current population of the County is approximately 1.2 million. Projections show the population growing at an estimated annual rate of 1.6 percent over the next 15 years, with corresponding increases in service businesses and light industry.

The Town of Lake Park currently enjoys a favorable economic environment and local indicators point to continued growth and stability. The region has a varied manufacturing and light industrial base that adds to the stability of the unemployment rate. The economic base of the Town has historically been dependent on the real estate and construction industries associated with producing housing for the increasing population of the County. During the winter and spring months many businesses rely on the economic gain from the increase in tourism. Tourists are drawn to south Florida due to our warm weather and major league baseball training camps.

The reconstruction of Park Avenue in the downtown area and the expansion of Congress Avenue

have added to the Town's beauty and economic growth. The construction of Target, Murphy USA fueling station (at Wal-Mart), and Kelsey Properties commercial buildings were completed during the prior fiscal year. The completion of these projects has resulted in an increase in business development and property values in the Town. There are several projects in progress that are anticipated to be completed during the year including Kohl's department store, Bank of America and Chick-fil-A and Sonic restaurants. These projects will add to the desirability of the Town for business and economic development opportunities.

Based on current projections, the future economic outlook indicates that the increase in population and light industry will continue over the next fifteen years. Additionally, the Scripps Research Institute, a major bio-tech research organization, has decided to open a major research facility in northern Palm Beach County. This is expected to have a major influence on the Town and surrounding areas by creating new jobs, promoting the opening of complimentary businesses to provide goods and services to Scripps and helping to strengthen and diversify the local economy.

## ACCOUNTING AND BUDGETARY CONTROLS

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

Management of the government is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP). The internal control is designed to provide reasonable, rather than absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimate and judgments by management.

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

Annually, tests are performed by external auditors to determine the adequacy of the Town's internal control, including that portion related to federal awards programs, as well as to determine that the Town has complied with applicable laws and regulations. The audit cited certain deficiencies in internal control over financial reporting that are being addressed in the subsequent fiscal year.

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

As demonstrated by the basic financial statements and schedules included in the financial section of the report, the government continues to meet its responsibility for sound financial management.

## MAJOR INITIATIVES

During recent years, the Town has devoted a significant amount of time, energy and resources to the

continuing growth and redevelopment of the Town. The Town continued its work with the older neighborhoods to develop improvement plans and then commit the financial resources to help them achieve their goals. Systematic resurfacing of streets and repair of the storm drainage system in the Town has continued. With additional Community Development Block Grant funds received from Palm Beach County, the Town has repaired a large portion of drainage on the Town's southwest side.

The Commission and staff are continuing to move ahead with ambitious plans to revitalize the Town, and develop the western corridor. Grant monies will continue to be vigorously pursued to supplement Town funds for operations and improvements.

#### CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Lake Park for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2006. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. This report must satisfy both U.S Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

A Certificate of Achievement is valid for a period of one year only. The Town of Lake Park has received a Certificate of Achievement for the past two years (2005 & 2006). We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### INDEPENDENT AUDIT

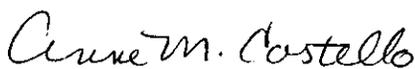
Florida Statutes require an annual audit by independent certified public accountants. The accounting firm of Nowlen, Holt & Miner, PA was selected by the Audit Committee and approved by the Town Commission for the 2006-2007 audit and their report on the basic financial statements of the Town is included in the financial section of this report.

#### ACKNOWLEDGEMENTS

A comprehensive annual financial report of this type and depth, illustrating the results of operations of the entire Town and its various diversified funds and activities, could not have been prepared so completely without the dedication and efficiency of the entire Finance Department staff; Deborah Doiron, Merry Ann Catusus, Glen Dale, and Paul Wayland. Their dedication and hard work is greatly appreciated. My appreciation is also extended to our independent auditors, Nowlen, Holt & Miner, P.A. for their cooperation and guidance.

Special appreciation is extended to the Mayor, Town Commission, Town Manager, and Department Heads for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,



Anne M. Costello  
Director of Finance

# TOWN OF LAKE PARK

## List of Principal Officials

September 30, 2007

### Mayor

Paul W. Castro

### Vice Mayor

Ed Daly

### Town Commission

G. Chuck Balius

Jeffrey Carey

Patricia Osterman

### Town Manager

Maria V. Davis

### Finance Director

Anne M. Costello

Public Works Director

Vacant

Community Development Director

Patrick Sullivan

Library Director

Vacant

Community Affairs Director

Vacant

Town Clerk

Vivian Mendez

Harbor Marina Manager

Vacant

Human Resources Director

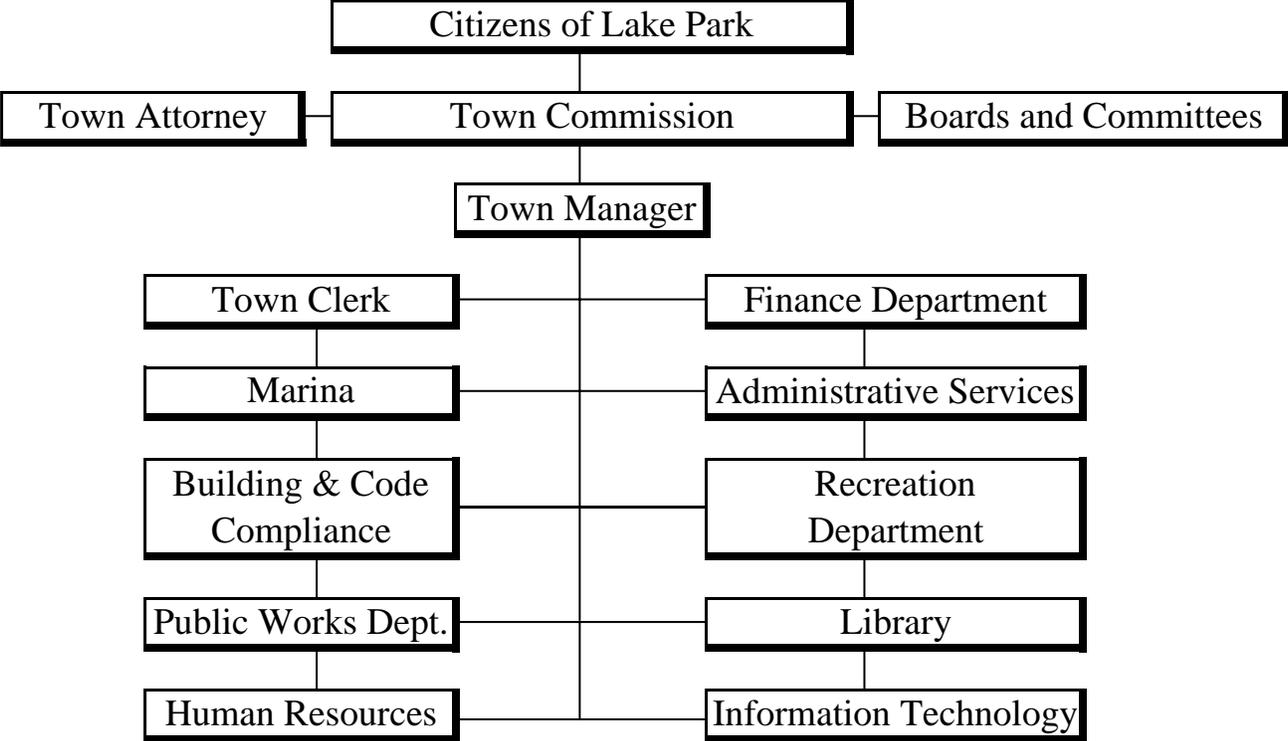
Bambi McKibbon-Turner

Information Technology Director

Hoa Hoang

# TOWN OF LAKE PARK, FLORIDA

## ORGANIZATIONAL CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Lake Park  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

## FINANCIAL SECTION



# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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EVERETT B. NOWLEN (1930-1984), CPA  
EDWARD T. HOLT, CPA  
WILLIAM B. MINER, CPA  
ROBERT W. HENDRIX, JR., CPA  
JANET R. BARICEVICH, CPA

KATHLEEN A. MINER, CPA  
ROBERT W. HELMREICH, CPA  
TERRY L. MORTON, JR., CPA  
N. RONALD BENNETT, CPA  
J. MICHAEL STEVENS, CPA  
DANIEL A. KIRCHMAN, CPA  
ALEXIA G. VARGA, CPA  
BRIAN J. BRESCIA, PFS, CPA  
DONALD D. RINZEL, CPA

## INDEPENDENT AUDITOR'S REPORT

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BELLE GLADE, FLORIDA 33430-0338  
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FAX (561) 996-6248

The Honorable Mayor and Members of the Town Commission  
Town of Lake Park, 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 Town of Lake Park, Florida as of and for the year ended September 30, 2007 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Lake Park's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 Town of Lake Park, Florida, as of September 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2008, on our consideration of the Town of Lake Park's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 11 and the required supplementary information on pages 62 through 73 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Park's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
June 16, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Lake Park, Florida (Town) administration offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2007. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in the transmittal letter and the accompanying basic financial statements.

The information contained within this Management's Discussion and Analysis (MD&A) is only a component of the entire financial statement report. Readers should take time to read and evaluate all sections of the report, including the Notes to the Financial Statements and the Required Supplementary Information that is provided in addition to this MD&A.

### Financial Highlights

- The assets of the Town of Lake Park exceeded its liabilities at September 30, 2007 by \$8,865,829. Of this amount, unrestricted net assets of \$3,984,951 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$971,511, of which an increase of \$1,135,630 was associated with governmental activities and a decrease of \$164,119 was related to business-type activities. These changes in net assets can be attributed to the increases in Due to the General Fund liability accounts as a result of the cash deficit situation in the Marina Fund and a prior period adjustment for grant revenues recorded in the Sanitation Fund that should have been credited to the General Fund.
- As of the close of the 2007 Fiscal Year, the Town of Lake Park's General Fund reported ending fund balance of \$2,108,808, a decrease of \$503,323 from the prior year. This decrease is the net result of prior period adjustments for the unremitted obligations to the CRA, cost recovery write-offs and grant revenue due from the Sanitation Fund (see Notes to Financial Statements #14), in addition to the 2007 non-remittance to the CRA in the amount of \$688,755. Of this amount \$1,098,462 is reserved or specifically designated and not available for spending and \$1,010,346 is unreserved, undesignated and available for future uses by the Town Commission.
- At the end of the 2007 Fiscal Year, the unreserved fund balance for the general fund represented 10.7% of total general fund expenditures or just over 30 days of available funding.
- The Town of Lake Park's total long term obligations decreased by only \$44,950. General Obligation debt realized a decrease of \$455,577 due to scheduled principal payments along with a decrease in Capital Lease obligations in the amount of \$54,947. However, Claims and Settlements liabilities increased in the amount of \$741,783 for the settlement of the judgment in favor of the Board of Trustees of the Town of Lake Park Firefighters' Pension Plan (see Notes to the Financial Statements #15). Business activities saw a decrease in debt obligations in the amount of \$185,846 due principal retirement.

## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements that include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government wide statements by providing information about the Town's most significant funds. (3) Notes to the basic financial statements expand upon information reported in the government-wide and governmental fund statements.

## REPORTING ON THE TOWN AS A WHOLE

### **Statement of Net Assets and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the Town's net assets and changes therein. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities present information about the following:

- Governmental activities - All of the Town's basic services are considered to be governmental activities, including general government, community development, public safety, public services, library, and recreation. Property taxes, sales taxes, utility taxes, and franchise fees finance most of these activities.
- Proprietary activities/Business type activities - The Town charges a fee to customers to cover all or most of the cost of the services provided. The Town's Sanitation Fund and Marina are reported in this category.

## REPORTING ON THE TOWN'S MOST SIGNIFICANT FUNDS

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law. However, management establishes other funds, which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's four kinds of funds, governmental, proprietary, fiduciary, and special revenue, use different accounting approaches as explained below.

- Governmental funds - Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out, with the balances

remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The basic governmental fund financial statements can be found on pages 15-18 of this report.

- Enterprise funds - The Town has two enterprise funds, Sanitation and Marina, which charge customers for the services they provide. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The basic proprietary fund financial statements can be found on pages 19-21 of this report.
- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 22-23 of this report.
- Special Revenue funds - Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Town has two funds in this category: Grant & Entitlements Fund and Streets & Roads Fund. The combining fund financial statements can be found on pages 74-75 of this report.

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-61 of this report.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information for pension benefits can be found on pages 62-64 of this report.

The Town adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule for the General Fund is included as *required supplementary information* on pages 65-73 to demonstrate compliance with this budget. The Town also adopts an annual budget for the Streets and Roads Fund, Community Redevelopment Fund, and Debt Service Fund. A budgetary comparison schedule for the Community Redevelopment Fund is also included as supplementary information in the combining and individual fund financial statements and schedules section of this report.

The combining and individual fund statements and schedules are presented immediately following the required supplementary information on pages 74-79 of this report.

## Government-Wide Financial Analysis

**Net Assets:** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, governmental activity assets exceeded liabilities by \$4,257,683. Business-type activity assets exceeded liabilities by \$4,608,146. The Town-wide total net assets were \$8,865,829 at the close of the fiscal year ended September 30, 2007. The Statement of Net Assets is on page 12 of this report.

The Town's investment in capital assets (e.g., land, buildings, equipment and vehicles, less any related debt used to acquire those assets that is still outstanding) was \$4,641,031 or 52% of total net assets at September 30, 2007. Capital assets total \$15,968,981 at September 30, 2007, or 73% of all assets, which total \$21,858,270. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town'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.

An additional portion of the net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,984,951) may be used to meet the government's ongoing obligations to citizens and creditors. The following table reflects the condensed Statement of Net Assets for the current year as compared to the prior year.

	<b>Net Assets</b>					
	2007	2006	2007	2006	2007	2006
<b>Assets:</b>						
Current and other assets	\$ 5,398,209	\$ 4,705,085	\$ 491,080	\$ 1,305,034	\$ 5,889,289	\$ 6,055,119
Capital assets	6,619,331	5,739,986	9,349,650	9,323,166	15,968,981	15,063,152
Total assets	<u>12,017,540</u>	<u>10,445,071</u>	<u>9,840,730</u>	<u>10,628,200</u>	<u>21,858,270</u>	<u>21,118,271</u>
<b>Liabilities:</b>						
Long-term liabilities	7,279,060	7,048,288	4,911,834	5,107,039	12,190,894	12,155,327
Other liabilities	480,797	755,093	320,750	267,591	801,547	1,022,684
Total liabilities	<u>7,759,857</u>	<u>7,803,381</u>	<u>5,232,584</u>	<u>5,374,630</u>	<u>12,992,441</u>	<u>13,178,011</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	179,115	(1,219,252)	4,461,916	4,240,204	4,641,031	3,020,952
Restricted	239,847	149,558	-	61,648	239,847	211,206
Unrestricted	3,838,721	3,711,384	146,230	996,718	3,984,951	4,708,102
Total net assets	<u>\$ 4,257,683</u>	<u>\$ 2,641,690</u>	<u>\$ 4,608,146</u>	<u>\$ 5,298,570</u>	<u>\$ 8,865,829</u>	<u>\$ 7,940,260</u>

**Governmental Activities:** Governmental activities increased the Town's net assets by \$1,135,630 while net assets for business activities decreased by \$164,119 for 2007 resulting in a net increase of \$971,511 or 12%. The following is a summary of the changes in net assets for the years ended September 30, 2007 and 2006:

### Changes in Net Assets

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 1,049,949	\$ 1,005,082	\$ 2,703,874	\$ 2,501,714	\$ 3,753,823	\$ 3,506,796
Operating grants and contributions	127,787	1,161,632	-	259,527	127,787	1,421,159
Capital grants and contributions	366,002	226,097	825	-	366,827	226,097
General revenues:						
Taxes	8,360,336	7,623,607	-	-	8,360,336	7,623,607
Intergovernmental	1,062,715	39,629	-	-	1,062,715	39,629
Investment earnings	306,398	262,647	78,419	62,167	384,817	324,814
Miscellaneous revenues	24,658	-	7,168	-	31,826	-
Gain on sale of equipment	-	-	14,720	-	14,720	-
Transfers	75,000	-	(75,000)	-	-	-
Total revenues	<u>\$ 11,372,845</u>	<u>\$ 10,318,694</u>	<u>\$ 2,730,006</u>	<u>\$ 2,823,408</u>	<u>\$ 14,088,131</u>	<u>\$ 13,142,102</u>

Property taxes increased as a result of higher property valuations in the Town. Charges for services increased due to higher building permit revenues resulting from development activity in the Town as well as increased code violation fines. The increase in Charges for Services for Business Activities is the result of the Marina being fully operational for the entire year and increased revenues in the amount of approximately \$187,000 for fiscal year 2007.

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Expenses:						
General government	\$ 2,237,149	\$ 1,704,011	\$	\$	\$ 2,237,149	\$ 1,704,011
Public safety	5,008,257	4,377,568	-	-	5,008,257	4,377,568
Physical environment	652,725	953,466	-	-	652,725	953,466
Transportation	573,501	820,777	-	-	573,501	820,777
Culture and recreation	1,450,650	1,242,254	-	-	1,450,650	1,242,254
Interest on long-term debt	314,933	334,083	-	-	314,933	334,083
Marina	-	-	1,610,274	1,143,506	1,610,274	1,143,506
Sanitation	-	-	1,283,851	1,245,151	1,283,851	1,245,151
Total expenses	<u>10,237,215</u>	<u>9,432,159</u>	<u>2,894,125</u>	<u>2,388,657</u>	<u>13,131,340</u>	<u>11,820,816</u>
Increase in net assets	1,135,630	886,535	(164,119)	434,751	971,511	1,321,286
Net assets - beginning of year, as restated	3,122,053	1,755,155	4,772,265	4,863,819	7,894,318	6,618,974
Net assets - end of year	<u>\$ 4,257,683</u>	<u>\$ 2,641,690</u>	<u>\$ 4,608,146</u>	<u>\$ 5,298,570</u>	<u>\$ 8,865,829</u>	<u>\$ 7,940,260</u>

For the most part, the changes in expenses closely paralleled inflation and the demand for services. A noteworthy item is expenditures for public safety. The Town's contractual obligations

with the Palm Beach County Sheriff's Office increased approximately \$339,500 (16%) and with Palm Beach County Fire-Rescue approximately \$379,700 (24%) for services in 2007. Higher personnel costs resulting from collective bargaining agreements and additional supervisory personnel for the Sheriff's office were major contributing factors to these increases. Expenditures for Physical Environment (public works) reflected a decrease of approximately \$300,000 due to the lack of hurricane activity in 2007. Transportation (streets & roads) saw a decrease in expenditures of \$205,000 resulting from positions being transferred to Grounds Maintenance. Correspondingly, Culture and Recreation increased due to these transfers.

Business-type Activities: Business-type activities decreased the Town's net assets by \$164,119 for 2007. The Marina was fully operational for the entire fiscal year and had a decrease in net assets of \$321,410 due to depreciation and interest on debt while the Sanitation Fund realized an increase in net assets of \$157,291.

### **Financial Analysis of the Governments' Funds**

As noted earlier, the Town of Lake Park uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds.** The focus of the Town's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town'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.

At September 30, 2007, the Town's primary operating fund, the general fund, reported ending fund balance of \$2,108,808, a decrease of \$503,323 from the prior year. This decrease is attributable to the adjustment recorded for the non-payment of tax increment funds to the Community Redevelopment Agency. Of this amount, \$1,162,309 (55%) is considered unreserved fund balance however; \$151,963 is designated for specific purposes. The balance, \$1,010,346, is undesignated and available for spending at the Town's discretion. The remainder of fund balance (\$946,499) is reserved to indicate that it is not available for new spending because it has already been committed.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12 percent of total general fund expenditures, while total fund balance represents 22 percent of that same amount. This is a significant decrease from 2006 due to the adjustment for unremitted tax increment funds to the Community Redevelopment Agency for the past seven years.

### **General Fund Budgetary Highlights**

The annual General Fund budget is adopted after two public hearings and approval of the Town Commission. Any amendments that would exceed the original budget at the fund level or would require funds to be transferred from contingency would require a formal budget amendment requiring an ordinance and two readings by the Town Commission. The original General Fund appropriation was increased approximately \$1,384,000 by the Town Commission during the year.

The Town's actual revenues of \$9,736,738 were \$832,765 under amended revenue projections due primarily to appropriations from undesignated fund balance of \$750,037 that was used for the unanticipated acquisitions or expenditures that arose during the fiscal year. Most significant

among these being; the renovation of Lake Shore Park, the acquisition of a trailer to house the Recreation Department, the purchase of two large generators for hurricane preparedness, increased legal fees resulting from litigation, facility repairs not provided for in the budget and operational shortfalls in several departments.

### Capital Asset and Debt Administration

**Capital assets.** The Town's investment in capital assets at September 30, 2007 amounts to \$15,968,981 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, equipment and vehicles and infrastructure. The Town's net capital assets at September 30, 2007 and 2006 are summarized as follows:

#### Capital Assets (Net of depreciation)

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 663,717	\$ 663,717	\$ 81,157	\$ 81,157	\$ 744,874	\$ 744,874
Construction in progress	137,880	-	52,021	-	189,901	-
Buildings	3,620,935	3,724,285	-	8,675,968	3,620,935	12,400,253
Equipment and vehicles	410,676	378,357	713,640	566,041	1,124,316	944,398
Streets, roads, and sidewalks	1,786,123	973,627	8,502,832	-	10,288,955	973,627
Total assets	<u>\$ 6,619,331</u>	<u>\$ 5,739,986</u>	<u>\$ 9,349,650</u>	<u>\$ 9,323,166</u>	<u>\$ 15,968,981</u>	<u>\$ 15,063,152</u>

Capital projects completed during the current fiscal year included the following:

- The southern two thirds of Lake Shore Park were completely renovated to include landscaping, the installation of a heart trail, playground equipment and a picnic pavilion.
- Landscape and irrigation improvements were installed along 10<sup>th</sup> Street.
- A used FEMA trailer was purchased, renovated and installed at the ball field complex to house the Recreation Department.
- Drainage improvements were constructed in the Neighborhood Target Area that included Bayberry Drive from 7<sup>th</sup> Street to 8<sup>th</sup> Street. The project consisted of additional storm water drainage along with street and sidewalk replacements, reconstruction of swales and new sod.

Additional information on the Town's capital assets can be found in note 5 on pages 41-42 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town had \$12,190,894 in outstanding long-term debt consisting of bonds payable of \$10,863,300, capital lease obligations of \$315,671 and compensated absences of \$123,927. The Town's net long-term debt decreased by \$110,646 during the current fiscal year due to scheduled annual repayments but increased by \$146,213 due to unamortized bond premiums not reported in the prior year long-term debt schedule.

The Town's outstanding debt is summarized as follows:

	Governmental Activities		Business Activities		Total	
	2007	2006	2007	2006	2007	2006
General						
obligation bonds	\$ 6,313,300	\$ 6,768,877	\$ -	\$ -	\$ 6,313,300	\$ 6,768,877
Revenue bonds	-	-	4,550,000	4,795,595	4,550,000	4,795,595
Capital lease						
obligations	124,150	179,097	191,521	287,367	315,671	466,464
Claims and						
settlements	741,783	-	-	-	741,783	-
Compensated						
absences	99,827	100,314	24,100	24,077	123,927	124,391
Unamortized						
premium	-	-	146,213	-	146,213	-
Total	<u>\$ 7,279,060</u>	<u>\$ 7,048,288</u>	<u>\$ 4,911,834</u>	<u>\$ 5,107,039</u>	<u>\$ 12,190,894</u>	<u>\$ 12,155,327</u>

Additional information on the Town's debt can be found in note 6 on pages 43-48 of this report.

### **Economic factors and Next Year's Budgets and Rates**

The Town has a stable property tax base. Property taxes represent approximately 45% of the budgeted General Fund revenues of the Town. The balance of revenue comes from sales and use taxes, intergovernmental revenues, utility taxes, charges for Town services, licenses, permits and fines.

For fiscal year 2007-2008, the Town Commission adopted a General Fund budget of \$10,497,415, representing a .7% decrease from the final amended budget for fiscal year 2006-2007. Excluding the payments budgeted for the CRA for the current year and an amount towards the delinquent payments, the General Fund budget actually decreased 11% from the prior year.

Due to legislative mandates and property tax reform, the Town levied the rolled-back millage rate of 7.6350 mills, which represents a decrease of .365 mills. The legislature also mandated that in addition to reducing the budget to the roll-back rate, the Town must reduce the budget by another 9% unless a super majority of the Town Commission voted against it. A reduction of an additional 9% would have resulted in significant cuts to basic services. The Town Commission chose not to cut services to its citizenry and voted against the additional 9% reduction in budget. Fortunately, property values increased a healthy 10.6% from Fiscal Year 2006, and the Town enjoyed an increase in new construction of approximately \$19.5 million from 2006. The major new construction projects opened are Chick-fil-A located on Northlake Blvd., and Bank of America and Sonic, both located on Congress Ave. Construction on Kohl's department store is scheduled to begin later in the fiscal year.

In an effort to off-set some of the impact on the general fund revenue, the Town Commission increased user fees wherever possible. Additionally, employee cost of living and merit increases were kept at a minimum and budgets were "stripped" of basic provisions for training and conferences.

Notwithstanding the budget cuts, the Town Commission kept its promise to the citizenry to match a Florida Inland Navigational District (FIND) grant utilizing a construction reserve fund account for the completion of the replacement of the northern portion of the seawall and the attendant restoration of Lake Shore Park.

Another factor in the economic outlook for the Town is its Community Redevelopment Agency (CRA). Now that the Town is properly contributing its tax increment finance revenue to the CRA, several infrastructure projects have been completed or are underway. Tenth (10<sup>th</sup>) Street has been resurfaced from Lake Shore Drive to Park Avenue in the amount of \$350,000. A new Streetscape Project on Park Avenue from 7<sup>th</sup> to 10<sup>th</sup> Streets is currently under construction. This project is estimated at \$290,000. The alleyways south of Park Ave. from 7<sup>th</sup> to 10<sup>th</sup> Streets and north of Park Avenue from 10<sup>th</sup> Street to Northern Drive are being refurbished for an estimated amount of \$1.2 million. Additionally, sidewalk replacements in the amount of \$100,000 are planned for various areas throughout the CRA.

The economic outlook for Fiscal Year 2008/2009 is of great concern. The State electorate voted for a constitutional amendment which is a significant departure from the existing "Save Our Homes" Act. This new amendment doubles the homestead exemption for residential properties. It also provides for "portability" of an existing homestead exemption. The projected impact of this amendment on the taxable values within the Town is an estimated reduction of approximately \$40,000,000. Additionally, property values have declined, which further exacerbates the diminishing revenue stream. The estimated financial impact to the general fund as a result of reduced property values is approximately \$500,000. Further, state sales tax and other state sharing revenue streams are anticipated to be reduced by an estimated \$52,000. Lastly, the Governor is seriously considering mandating that an additional 4% be cut from the budget.

Given the above anticipated financial factors and a minimal amount of new construction to be added to the tax rolls, the Town Commission will be faced with some very difficult choices. The greatest impact on the general fund is police and fire services. The police contract is projected to increase by 8% or \$208,775. In order to maintain the same level of police services, the Town will more than likely be faced with having to implement a reduction in force (RIF) of Town staff, a reduction in services to the public and an increase in the millage rate.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning information provided in this report or requests for additional financial information should be directed to:

Finance Department  
Town of Lake Park  
535 Park Avenue  
Lake Park, FL 33403  
(561) 881-3350

## BASIC FINANCIAL STATEMENTS

**TOWN OF LAKE PARK, FLORIDA**  
**Statement of Net Assets**  
**September 30, 2007**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Pooled cash and cash equivalents	\$ 3,258,082	\$ 1,439,912	\$ 4,697,994
Accounts receivable, net	248,148	197,543	445,691
Due from other governments	472,253		472,253
Internal balances	1,269,072	(1,269,072)	
Inventory	11,654	31,914	43,568
Prepaid Items	139,000	297	139,297
Unamortized bond costs		90,486	90,486
Capital assets			
Capital assets not being depreciated	801,597	133,178	934,775
Capital assets being depreciated, net of accumulated depreciation	5,817,734	9,216,472	15,034,206
<b>Total assets</b>	<u>12,017,540</u>	<u>9,840,730</u>	<u>21,858,270</u>
<b>Liabilities</b>			
Accounts payable	257,971	86,403	344,374
Accrued expenses	88,001	22,120	110,121
Accrued interest payable	74,097	93,167	167,264
Unearned revenue	59,978	46,823	106,801
Deposits	750	72,237	72,987
Noncurrent liabilities:			
Due within one year	1,288,715	197,867	1,486,582
Due in more than one year	5,990,345	4,713,967	10,704,312
<b>Total liabilities</b>	<u>7,759,857</u>	<u>5,232,584</u>	<u>12,992,441</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	179,115	4,461,916	4,641,031
Restricted for:			
Debt service	239,847		239,847
Unrestricted	3,838,721	146,230	3,984,951
<b>Total net assets</b>	<u>\$ 4,257,683</u>	<u>\$ 4,608,146</u>	<u>\$ 8,865,829</u>

See notes to the financial statements.

**TOWN OF LAKE PARK, FLORIDA**  
**Statement of Activities**  
**For the Year Ended September 30, 2007**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Activities</b>
<b>Government:</b>		
Governmental activities		
General government	\$ 2,237,149	\$ 33,232
Public safety	5,008,257	967,365
Physical environment	652,725	
Transportation	573,501	
Culture and recreation	1,450,650	49,352
Interest on long-term debt	314,933	
Total governmental activities	<u>10,237,215</u>	<u>1,049,949</u>
Business-type activities		
Marina	1,610,274	1,279,927
Sanitation	1,283,851	1,423,947
Total business-type activities	<u>2,894,125</u>	<u>2,703,874</u>
<b>Total</b>	<u><u>\$ 13,131,340</u></u>	<u><u>\$ 3,753,823</u></u>

Program Revenues		Net Expense (Revenue) and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 103,021	\$	\$ (2,100,896)	\$	\$ (2,100,896)
7,950	3,435	(4,029,507)		(4,029,507)
	40,000	(612,725)		(612,725)
	15,709	(557,792)		(557,792)
16,816	306,858	(1,077,624)		(1,077,624)
		(314,933)		(314,933)
<u>127,787</u>	<u>366,002</u>	<u>(8,693,477)</u>		<u>(8,693,477)</u>
	825		(329,522)	(329,522)
			140,096	140,096
	<u>825</u>		<u>(189,426)</u>	<u>(189,426)</u>
<u>\$ 127,787</u>	<u>\$ 366,827</u>	<u>\$ (8,693,477)</u>	<u>\$ (189,426)</u>	<u>\$ (8,882,903)</u>

**General Revenues:**

Taxes:				
Property taxes		\$ 6,262,727	\$	\$ 6,262,727
Franchise fees		629,365		629,365
Utility service taxes		668,400		668,400
Sales taxes		260,282		260,282
Communication services taxes		539,562		539,562
Unrestricted intergovernmental shared revenues		1,062,715		1,062,715
Sale of surplus property			14,720	14,720
Miscellaneous revenues		24,658	7,168	31,826
Investment earnings		306,398	78,419	384,817
Transfers		75,000	(75,000)	
<b>Total general revenues and transfers</b>		<u>9,829,107</u>	<u>25,307</u>	<u>9,854,414</u>
<b>Change in net assets</b>		1,135,630	(164,119)	971,511
<b>Net assets, beginning of year, as restated</b>		<u>3,122,053</u>	<u>4,772,265</u>	<u>7,894,318</u>
<b>Net assets, end of year</b>		<u>\$ 4,257,683</u>	<u>\$ 4,608,146</u>	<u>\$ 8,865,829</u>

See notes to the financial statements.

**TOWN OF LAKE PARK, FLORIDA**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2007**

	<b>Major Governmental Funds</b>		<b>Nonmajor</b>	<b>Total</b>
	<b>General</b>	<b>CRA Fund</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>Assets</b>				
Pooled cash and cash equivalents	\$ 2,221,069	\$ 429,246	\$ 607,767	\$ 3,258,082
Accounts receivable, net	226,646		21,502	248,148
Due from other governments	279,915		192,338	472,253
Due from other funds	688,100	500,000		1,188,100
Advances to other funds	725,000	1,330,674		2,055,674
Inventory	11,654			11,654
Prepaid items	138,000	1,000		139,000
<b>Total assets</b>	<b>\$ 4,290,384</b>	<b>\$ 2,260,920</b>	<b>\$ 821,607</b>	<b>\$ 7,372,911</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 134,454	\$ 14,641	\$ 108,876	\$ 257,971
Accrued items	77,349		10,652	88,001
Unearned revenue	138,349		199,222	337,571
Due to other funds	500,000		144,028	644,028
Advance from other funds	1,330,674			1,330,674
Deposits	750			750
<b>Total liabilities</b>	<b>2,181,576</b>	<b>14,641</b>	<b>462,778</b>	<b>2,658,995</b>
<b>Fund balances</b>				
<b>Reserved for/reported in:</b>				
Inventories and prepaids	149,654	1,000		150,654
Encumbrances	71,845	14,954	4,217	91,016
Advances to other funds	725,000	1,330,674		2,055,674
Debt service/debt service fund			239,847	239,847
<b>Unreserved</b>				
Designated for community improvement	79,032			79,032
Designated for library improvements	21,531			21,531
Designated for landscape improvements	51,400			51,400
<b>Undesignated, reported in</b>				
General fund	1,010,346			1,010,346
Special revenue funds		899,651	(50,072)	849,579
Capital projects funds			164,837	164,837
<b>Total fund balances</b>	<b>2,108,808</b>	<b>2,246,279</b>	<b>358,829</b>	<b>4,713,916</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,290,384</b>	<b>\$ 2,260,920</b>	<b>\$ 821,607</b>	<b>\$ 7,372,911</b>

See notes to the financial statements.

**TOWN OF LAKE PARK, FLORIDA**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2007**

Total Fund Balances - Governmental Funds		\$ 4,713,916
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$ 11,102,226	
Less accumulated depreciation	<u>(4,482,895)</u>	6,619,331
Revenue is recognized when earned in the government-wide statements, regardless of activity. Governmental funds report based on modified accrual, i.e., both measurable and available		
Grant revenues	<u>277,593</u>	277,593
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Accrued interest payable on long-term debt	(74,097)	
Compensated absences	(99,827)	
Judgments payable	(741,783)	
General obligation bonds	(6,313,300)	
Capital leases	<u>(124,150)</u>	<u>(7,353,157)</u>
Net assets of governmental activities		<u>\$ 4,257,683</u>

See notes to the financial statements.

**TOWN OF LAKE PARK**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2007**

	<u>Major Governmental Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>CRA Fund</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Revenues				
Taxes	\$ 6,451,675	\$	\$ 835,048	\$ 7,286,723
Licenses and permits	695,726			695,726
Intergovernmental	1,659,956	273,769	390,252	2,323,977
Charges for services	254,759			254,759
Fines and forfeitures	220,724			220,724
Miscellaneous	373,156	24,764	23,348	421,268
Total revenues	<u>9,655,996</u>	<u>298,533</u>	<u>1,248,648</u>	<u>11,203,177</u>
Expenditures				
Current				
General government	1,580,151	32,971	88,131	1,701,253
Public safety	4,992,454			4,992,454
Physical Environment	551,320			551,320
Transportation	293,967		279,040	573,007
Culture and Recreation	1,188,504		142,170	1,330,674
Capital outlay	783,959	173,297	169,516	1,126,772
Debt service				
Principal	50,848		459,675	510,523
Interest charges	6,853		313,441	320,294
Total expenditures	<u>9,448,056</u>	<u>206,268</u>	<u>1,451,973</u>	<u>11,106,297</u>
Excess (deficiency) of revenues over (under) expenditures	<u>207,940</u>	<u>92,265</u>	<u>(203,325)</u>	<u>96,880</u>
Other financing sources (uses)				
Transfers in	75,000	688,755	103,250	867,005
Transfer out	(792,005)			(792,005)
Proceeds from sale of assets	5,742			5,742
Total other financing sources (uses)	<u>(711,263)</u>	<u>688,755</u>	<u>103,250</u>	<u>80,742</u>
Net change in fund balances	(503,323)	781,020	(100,075)	177,622
Fund balances				
Beginning of year, as restated	2,612,131	1,465,259	458,904	4,536,294
End of year	<u>\$ 2,108,808</u>	<u>\$ 2,246,279</u>	<u>\$ 358,829</u>	<u>\$ 4,713,916</u>

See notes to the financial statements.

**TOWN OF LAKE PARK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of the Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2007**

Net change in fund balances - total governmental funds		\$ 177,622
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives		
Expenditures for capital assets	\$ 1,326,649	
Less: current year depreciation	<u>(437,302)</u>	889,347
Gains and losses on disposal of capital assets are reported in the statement of activities, whereas in the governmental funds the proceeds from the sale increases financial resources. The difference is the net book value of the assets retired.		
		(10,002)
Governmental Funds report revenues when earned and available. However, in the Statement of Activities, revenues are recognized when earned, regardless of availability.		
FEMA grant	85,255	
Park Avenue Streetscape grant	50,168	
Lakeshore Park Playground grant	<u>142,170</u>	277,593
The repayment of long-term debt consumes the current financial resources of governmental funds. However, these transactions do not have any effect on net assets of the governmental activities.		
Long term debt repayments:		
General obligation bonds	455,577	
Capital lease obligations	<u>54,947</u>	510,524
The adjustment to prior year fund balance in the general fund for amounts due to the CRA Fund are offset in the government-wide statements for governmental activities.		
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in settlement claims	(741,783)	
Change in compensated absences	487	
Change in accrued interest	5,360	
Change in net pension obligation	<u>26,482</u>	<u>(709,454)</u>
Change in net assets of governmental activities		<u><u>\$ 1,135,630</u></u>

See notes to the financial statements.

**TOWN OF LAKE PARK, FLORIDA**  
**Statement of Net Assets**  
**Enterprise Funds**  
**September 30, 2007**

	<u>Major Enterprise Funds</u>		<u>Total Enterprise Funds</u>
	<u>Marina Fund</u>	<u>Sanitation Fund</u>	
Assets			
Current assets			
Pooled cash and cash equivalents	\$ 111,407	\$ 1,328,505	\$ 1,439,912
Accounts receivable, net	83,201	114,342	197,543
Prepaid expenses	297		297
Inventory	31,914		31,914
Total current assets	<u>226,819</u>	<u>1,442,847</u>	<u>1,669,666</u>
Noncurrent Assets			
Unamortized bond issue costs	90,486		90,486
Capital assets not being depreciated	69,021	64,157	133,178
Capital assets net of accumulated depreciation	8,489,835	726,637	9,216,472
Total Noncurrent Assets	<u>8,649,342</u>	<u>790,794</u>	<u>9,440,136</u>
Total Assets	<u>8,876,161</u>	<u>2,233,641</u>	<u>11,109,802</u>
Liabilities			
Current liabilities			
Accounts payable	55,518	30,885	86,403
Accrued payroll and payroll taxes	7,280	14,840	22,120
Due to other funds		544,072	544,072
Advance from other funds	725,000		725,000
Deferred revenue	46,823		46,823
Deposits payable - slip rentals	72,237		72,237
Accrued interest payable	93,167		93,167
Compensated absences payable, current portion	2,250	5,911	8,161
Capital lease obligations payable, current portion		99,706	99,706
Bonds payable, current maturities	90,000		90,000
Total current liabilities	<u>1,092,275</u>	<u>695,414</u>	<u>1,787,689</u>
Long-term liabilities			
Compensated absences payable, less current portion	2,146	13,793	15,939
Capital lease obligations payable, less current portion		91,815	91,815
Bonds payable, net of unamortized premium and current maturities	<u>4,606,213</u>		<u>4,606,213</u>
Total long-term liabilities	<u>4,608,359</u>	<u>105,608</u>	<u>4,713,967</u>
Total liabilities	<u>5,700,634</u>	<u>801,022</u>	<u>6,501,656</u>
Net Assets			
Invested in capital assets, net of related debt	3,862,643	599,273	4,461,916
Unrestricted	(687,116)	833,346	146,230
Total net assets	<u>\$ 3,175,527</u>	<u>\$ 1,432,619</u>	<u>\$ 4,608,146</u>

See notes to the financial statements.

**TOWN OF LAKE PARK, FLORIDA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Enterprise Funds**  
**For the Year Ended September 30, 2007**

	<b>Major Enterprise Funds</b>		<b>Total</b>
	<b>Marina Fund</b>	<b>Sanitation Fund</b>	<b>Enterprise Funds</b>
Operating revenue			
Charges for services	\$ 1,279,927	\$ 1,420,506	\$ 2,700,433
Miscellaneous	4,541	18,037	22,578
Total operating revenues	<u>1,284,468</u>	<u>1,438,543</u>	<u>2,723,011</u>
Operating expenses			
Personal services	279,710	480,327	760,037
Operating expenses	795,539	565,695	1,361,234
Depreciation	307,860	227,856	535,716
Total operating expenses	<u>1,383,109</u>	<u>1,273,878</u>	<u>2,656,987</u>
Operating income (loss)	<u>(98,641)</u>	<u>164,665</u>	<u>66,024</u>
Nonoperating revenues (expenses)			
Amortization	3,576		3,576
Transfer to General Fund		(75,000)	(75,000)
Interest revenue	820	77,599	78,419
Interest expense	(227,165)	(9,973)	(237,138)
Total nonoperating revenues (expenses)	<u>(222,769)</u>	<u>(7,374)</u>	<u>(230,143)</u>
Change in net assets	(321,410)	157,291	(164,119)
Net assets - beginning of year, as restated	<u>3,496,937</u>	<u>1,275,328</u>	<u>4,772,265</u>
Net assets - ending	<u>\$ 3,175,527</u>	<u>\$ 1,432,619</u>	<u>\$ 4,608,146</u>

See notes to the financial statements.

**TOWN OF LAKE PARK, FLORIDA**  
**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended September 30, 2007**

	<b>Major Enterprise Funds</b>		<b>Total Enterprise Funds</b>
	<b>Marina Fund</b>	<b>Sanitation Fund</b>	
Cash flows from operating activities:			
Cash received from customers	\$ 1,283,009	\$ 1,413,188	\$ 2,696,197
Cash paid to suppliers	(791,050)	(583,508)	(1,374,558)
Cash paid to employees	(278,839)	(483,783)	(762,622)
Cash received from General Fund	311,060	17,766	328,826
Other receipts	4,541	18,037	22,578
Net cash provided (used) by operating activities	<u>528,721</u>	<u>381,700</u>	<u>910,421</u>
Cash flows from noncapital financing activities:			
Operating transfers in (out)		(75,000)	(75,000)
Net cash provided (used) by noncapital financing activities		<u>(75,000)</u>	<u>(75,000)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of property and equipment	(162,617)	(399,582)	(562,199)
Interest paid on debt	(227,165)	(9,973)	(237,138)
Principal repayments on capital lease obligation		(95,846)	(95,846)
Principal repayments on revenue bonds	(90,000)		(90,000)
Net cash provided (used) by capital and related financing activities	<u>(479,782)</u>	<u>(505,401)</u>	<u>(985,183)</u>
Cash flows from investing activities:			
Interest on investments	820	77,599	78,419
Net increase (decrease) in cash and cash equivalents	<u>49,759</u>	<u>(121,102)</u>	<u>(71,343)</u>
Cash and cash equivalents at beginning of year	<u>61,648</u>	<u>1,449,607</u>	<u>1,511,255</u>
Cash and cash equivalents at end of year	<u>\$ 111,407</u>	<u>\$ 1,328,505</u>	<u>\$ 1,439,912</u>
Cash flows from operating activities:			
Operating income (loss)	<u>\$ (98,641)</u>	<u>\$ 164,665</u>	<u>\$ 66,024</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	307,860	227,856	535,716
Provision for uncollectible accounts	18,091	366	18,457
Change in assets and liabilities:			
(Increase) in accounts receivable	(73,863)	(7,684)	(81,547)
(Increase) in inventory	(31,914)		(31,914)
Decrease in prepaid expenses	21,677		21,677
Increase (decrease) in accounts payable	14,726	(17,813)	(3,087)
Increase (decrease) in accrued liabilities	871	(3,456)	(2,585)
Increase in deposits	12,031		12,031
Increase in deferred revenue	46,823		46,823
Increase (decrease) in due to other funds	311,060	17,766	328,826
Total adjustments	<u>627,362</u>	<u>217,035</u>	<u>844,397</u>
Net cash provided (used) by operating activities	<u>\$ 528,721</u>	<u>\$ 381,700</u>	<u>\$ 910,421</u>
Noncash Investing, Capital and Financing Activities			
Amortization of bond issue costs	<u>\$ 5,807</u>		<u>\$ 5,807</u>
Amortization of premium on bonds	<u>\$ 9,383</u>		<u>\$ 9,383</u>
Property, plant and equipment disposals	<u>\$</u>	<u>\$ 156,375</u>	<u>\$ 156,375</u>

See notes to the financial statements.

**TOWN OF LAKE PARK, FLORIDA**  
**Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**September 30, 2007**

	<u>Pension Trust Funds</u>
<b>Assets</b>	
Cash	\$ 34,262
Investments:	
Closed end equity funds	1,404,000
Closed end taxable bond funds	565,397
Receivables	
Contributions	667,510
Interest and dividends	875
Prepaid retirement benefits	10,622
Total assets	<u>2,682,666</u>
<b>Liabilities</b>	
Termination refunds payable	641,783
<b>Net Assets</b>	
Held in trust for pension benefits	<u><u>\$ 2,040,883</u></u>

See notes to the financial statements.

**TOWN OF LAKE PARK, FLORIDA**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended September 30, 2007**

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Employer	\$ 662,463
Investment income	
Net appreciation in fair value of investments	218,197
Interest and dividends	54,646
Net investment income	<u>272,843</u>
Total additions	935,306
Deductions	
Retirement benefits	166,881
Refunds of contributions	866,874
Administrative expenses	30,695
Total deductions	<u>1,064,450</u>
Change in net assets	(129,144)
Net assets held in trust for pension benefits	
Net assets - beginning of year	<u>2,170,027</u>
Net assets - end of year	<u><u>\$ 2,040,883</u></u>

See notes to the financial statements.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

*A. Reporting Entity*

The Town of Lake Park, Florida (the “Town”) was incorporated in 1923. The Town’s Charter was approved by the Laws of Florida, Chapter 61-2375. The Town is governed by an elected Mayor and Town Commission which appoints a Town Manager. The Town provides the following services: public safety, recreation, sanitation, streets and roads, planning and zoning, and general administrative services.

In accordance with Statement 14 of the Government Accounting Standards Board, the underlying concept of the governmental financial reporting entity is that governmental organizations are responsible to elected governing officials; therefore, financial reporting should report on the elected officials' accountability for those organizations. Furthermore, the financial statements of the reporting entity should allow users to distinguish between the primary government and its component units, if any, by communicating information about the component units and their relationships with the primary government. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Determining factors of financial accountability includes appointment of a voting majority, imposition of will, financial benefit or burden on a primary government, or fiscal dependency. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

*Community Redevelopment Agency (CRA)*

Based on the application of these criteria, management has determined that the Lake Park Community Redevelopment Agency (the “CRA”) is a dependent special district established by the Town of Lake Park, Florida, under authority granted by Florida Statute 163, Section III. The CRA is included in the Town’s financial reporting entity as a blended component unit reported in a governmental (special revenue) fund, the *Community Redevelopment Fund*. The purpose of the CRA is to promote and guide the physical and economic development of certain areas in the Town of Lake Park. The CRA is a legally separate entity established by ordinance of the Lake Park Town Commission. The governing body of the CRA consists of the Town Commission and the Town handles the management and administration of the CRA’s financial matters. Separate financial statements for the CRA are not prepared.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*B. Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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.

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

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

The government-wide financial statements and proprietary fund financial statements are reported using the accrual basis of accounting and the economic resources measurement focus. Fiduciary funds use the accrual basis of accounting and, except for agency funds, the economic resources measurement focus. Agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenue to be available if it is collected within ninety days of the end of the current fiscal year, except for property taxes, for which the period is 60 days.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Unearned revenue consists primarily of grant funds and occupational licenses and other fees collected in advance of the year to which they relate.

Expenditures are generally recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due. Property taxes, intergovernmental revenue, franchise fees, charges for services and investment income are all considered susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be measurable and available only when received in cash by the Town. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

*General Fund*

The general fund is the primary operating fund and is used to account for all financial resources applicable to the general operations of the Town except those required to be accounted for in another fund.

*CRA Fund*

The CRA fund is a special revenue fund and is used to account for all financial resources applicable to the promotion of the physical and economic development of certain areas in the Town of Lake Park.

The Town reports the following major (and only) proprietary funds:

*Marina Fund*

This enterprise fund accounts for the operations of the Town's municipal marina, which are financed primarily by user charges.

*Sanitation Fund*

This enterprise fund accounts for the operations of the Town's garbage and trash collection services, which are financed primarily by user charges.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Additionally, the Town reports the following non-major funds:

*Special Revenue Funds*

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. In addition to CRA fund, a major governmental fund, the Town has two non-major special revenue funds: the Streets and Roads Fund and Grants and Entitlements Fund.

*Debt Service Fund*

This fund is used to account for resources accumulated and payments made for principal and interest financed by the proceeds of the Town's general obligation bond which are payable from ad valorem taxes.

*Capital Projects Funds*

Capital Projects Fund and Special Projects Fund are used to account for construction and renovation projects.

*Fiduciary Funds*

Fiduciary fund are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The pension trust funds are held under the terms of a formal trust agreement. The Fiduciary Funds of the Town are as follows:

*Retired Police Officers' Pension Fund* - This fund was established in 2004 to receive and invest Town contributions in a defined benefit pension plan and to disburse these monies to Police retirees in accordance with the Pension Plan Ordinance.

*Municipal Firemen's Pension Fund* - This fund was established to receive and invest Town, State and Fire employees' contributions in a defined benefit pension plan and to disburse these monies to Fire employees in accordance with the Pension Plan Ordinance. This plan was terminated and at September 30, 2007, the Town recognized the estimated liability of \$741,783 for the final distribution of net plan assets. (See Note 15.)

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private sector guidance for their

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

*Fiduciary Funds (Continued)*

business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private sector guidance.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's marina and sanitation enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

*Cash and Cash Equivalents*

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to a known amount of cash, and at the day of purchase, have a maturity date no longer than three months.

*Accounts Receivable*

Accounts receivable represent amounts due from local businesses for franchise taxes, utility taxes, delinquent property taxes and other charges in the General Fund, and solid waste disposal fees and marina slip rentals in the Enterprise Funds. The Town does not require collateral for accounts receivable. Accounts receivable are net of allowances for uncollectible accounts determined based on the age of the individual receivable, with age categories ranging from 30 days past due to several years past due. Generally the allowance includes accounts over 90 days past due. Accounts receivable are written off on an individual basis in the year the Town deems them uncollectible.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

*Investments*

Investments are reported at fair value, which is determined by using various third party pricing sources. The Local Government Surplus Funds Trust is a “2a-7 like” pool and, thus, these investments are valued using the pooled share price. Investments in the Local Government Surplus Funds Trust are reported as cash and cash equivalents.

*Interfund Transactions*

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “advance to/advance from other funds.” Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Transfers and interfund balances totally within governmental activities and those that are totally within business-type activities are eliminated and not presented in the government wide financial statements. Transfers and balances between governmental and business-type activities are presented in the government-wide financial statements.

*Inventories*

Inventories are valued at cost determined on a first-in, first-out basis. Inventories in the general fund consist of expendable supplies held for consumption. The initial cost is recorded as an asset at the time the individual inventory items are purchased and are charged against operations in the period when used.

*Prepaid Items/Expenses*

Expenditures for various administrative costs extending over more than one accounting year are accounted for as prepaid items/expenses and allocated between accounting periods.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

*Capital Assets and Depreciation*

Capital assets, which include property, plant, infrastructure, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of \$750 or more and an estimated life in excess of one year. In accordance with GASB Statement No. 34, the Town has elected not to record infrastructure assets purchased prior to October 1, 2003 in the accompanying financial statements.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized as assets in the government-wide statement of net assets. General capital assets are carried at historical cost. Where cost cannot be determined from the available records, estimated historical cost has been used to record the estimated value of the assets. Assets acquired by gifts or bequests are recorded at their fair value at the date of acquisition.

Capital assets of the enterprise funds are capitalized in the fund. The valuation basis for enterprise fund capital assets is the same as those used for general capital assets. Additionally, net interest cost is capitalized on enterprise fund projects during the construction period.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated lives for each major class of depreciable fixed assets are as follows:

Buildings and infrastructure	30-50 years
Building improvements	7- 50 years
Equipment and vehicles	5 years
Docks and channels	20 years

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

*Deferred Revenue*

The government reports deferred revenue on its government wide statement of net assets, proprietary statement of net assets, and governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Deferred revenue in the General Fund is composed of grant funds that were not received within ninety days of fiscal year end, and of business tax fees received prior to September 30, 2007 for the fiscal year beginning October 1, 2007. Deferred revenue in the Special Projects Fund is composed of unexpended grant funds.

*Compensated Absences*

Unused compensated absences are payable upon separation from service. Vacation is accrued as a liability when the employee earns benefits. This means that the employee has rendered services that give rise to a vacation liability and it is probable that the Town will compensate the employee in some manner, e.g., in cash or paid time-off, now or upon termination or retirement. The Town uses the vesting method in accruing sick leave liability. Under the vesting method, the liability for sick leave is accrued for employees who are eligible to receive termination payments upon separation. The Town's policy is to allow employees to accumulate annual leave to a maximum of 240 hours. At the time of retirement or termination all annual leave is payable at 100% to the employee. Except for liabilities incurred by employment terminations, such benefits are paid only when taken.

Compensated absences are accrued when incurred in the government-wide and proprietary financial statements. Benefits that were earned but not used during the current year were accrued at employees' pay rates in effect at September 30, 2007. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. For the governmental funds, compensated absences are liquidated by the general fund. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide financial statements as well as the Enterprise Fund. The Town does not contribute to post-employment benefits for employees.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

*Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Unamortized debt issue costs are included in assets and unamortized bond premiums are presented as an addition to bonds payable.

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

*Net Assets*

Equity in the government-wide statement of net assets and the proprietary funds is displayed in three categories: 1) invested in capital assets net of related debt, 2) net pension asset, 3) restricted, and 4) unrestricted. Net assets invested in capital assets net of related debt consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Net pension assets represent pension contributions above the actuarially required amount. Net assets are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net assets consist of all net assets that do not meet the definition of the other three components.

*Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Unreserved fund balance amounts that are reported as designations of fund balances represent tentative plans for financial resource utilization in a future period. The following is a description of the reserves used by the Town.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

*Fund Equity* (Continued)

*Reserved for debt service* – Restricted for future debt service expenditures.

*Reserved for inventories, prepaid items and deposits* – Indicates that a portion of fund balance is segregated since these items do not represent “available spendable resources.”

*Reserved for encumbrances* – Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as part of the budgetary accounting system in the General Fund. Encumbrances outstanding at year end, if any, are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

*Reserved for advances to other funds* – Advances to other funds are reserved from fund balance since they are not available for appropriation and expenditure at the balance sheet date.

*Use of Estimates*

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include the collectibility of accounts receivable, the use and recoverability of inventory, the useful lives and impairment of tangible assets, and the realization of net pension assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

*A. Budgetary Data*

Formal budgetary integration is employed as a management control device during the year for the General Fund and the enterprise funds. All budgets are legally enacted. The annual appropriated budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. Except for budgeting capital expenditures and not budgeting for depreciation, the annual appropriated budgets for the enterprise funds are adopted on a basis consistent with generally accepted accounting principles. For budgeting purposes, current year

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

*A. Budgetary Data* (Continued)

encumbrances are not treated as expenditures. In 2007, the other funds with legally adopted budgets include the Community Redevelopment Fund, Streets and Roads Funds, Debt Service Fund, Marina Fund, and Sanitation fund.

The procedures for establishing budgetary data are as follows:

- Prior to September 1, the Town Manager submits a proposed operating budget to the Town Commission for the next fiscal year commencing the following October 1<sup>st</sup>. The proposed budget includes expenditures and the means of financing them.
- Public hearings are conducted at the Town Hall to obtain taxpayer comments.
- The Town advises the Palm Beach County Tax Collector's office of the proposed millage rate, the rolled back millage rate and the day, time and place of the public hearing for budget acceptance.
- A public hearing is held to obtain taxpayer input and to adopt the final budget and millage rate.
- Upon completion of the public hearings and prior to October 1, a final operating budget and related millage rates are legally enacted through the passage of an ordinance. Estimated beginning fund balances are considered in the budgetary process.
- Changes or amendments to the total budgeted expenditures of the Town or a department must be approved by the Town Commission; however, changes within a department which do not affect the total departmental expenditures may be approved by the Town Manager. Accordingly, the legal level of control is at the department level.
- All unencumbered balances lapse on September 30th.

Budgeted amounts are as originally adopted, or as amended by appropriate action. During the year several supplementary appropriations were necessary. However, actual expenditures for fiscal year ending September 30, 2007 exceeded amounts budgeted in the General Fund by \$8,663 in Information Technology and \$443,229 in Transfers Out. In addition, a street sweeper purchased in the Streets and Roads Fund in the amount of \$92,804 was not budgeted.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

*A. Budgetary Data* (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

*B. Property Taxes*

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 the County Tax Collector. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment rolls meet all of the appropriate requirements of State law. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills for operating purposes.

The tax levy of the Town is established by the Town Commission prior to October 1 of each year during the budget process. The Palm Beach County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board, and special district tax requirements. The millage rate assessed by the Town for the year ended September 30, 2007, was 9.3000 (\$9.30 for each \$1,000 of assessed valuation), which includes 1.30 mills for debt service.

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are offered for sale for all delinquent taxes on real property.

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. The certificate holder may make application for a tax deed on any unredeemed tax certificate after a period of two years. The County holds unsold certificates. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations. At September 30, 2007, unpaid delinquent taxes are not material and have not been recorded by the Town.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

*C. Contractual and Legal Obligations to Pay*

The Town failed to make the required annual incremental tax contributions to the Community Redevelopment Agency (CRA) since its inception, causing penalties and interest for non-payment to accrue beginning in fiscal year ending September 30, 2000. The General Fund made a payment of \$500,000 on December 7, 2007 toward the 2007 principal due. (See Note 13.) Annual payments of current and prior year obligations will continue to be paid by the General Fund. In addition, the Town failed to pay the 2006 and 2007 actuarially required pension contribution of \$8,834 and \$17,768, respectively, to the Police retirement fund by September 30, 2007. A payment of \$26,602 was made on January 18, 2008.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Deposits

As of September 30, 2007, the carrying amount of deposits (including fiduciary funds) were \$1,496,758 and the bank balances were \$1,793,280. The Town also had \$725 of petty cash. In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are considered insured for custodial credit risk purposes.

The Town maintains a pooled account for cash and cash equivalents that is available for use by all funds. Each fund's portion of the pooled account is displayed on the financial statements as "Pooled cash and cash equivalents". Interest income from pooled checking accounts is allocated back to the General Fund. Investment income from the pooled SBA accounts is allocated to the following funds based on each fund's relative equity in the pool: General, CRA, Debt Service, Marina, and Sanitation.

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments

As of September 30, 2007, the Town held the following investments:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
State Board of Administration Investment Pool	N/R	\$ 3,229,034	34 days
Money market funds	N/R	5,739	N/A
Closed end taxable bond funds	N/R	565,397	N/R
Closed end equity funds	N/R	<u>1,404,000</u>	N/A
Total investments		<u>\$ 5,204,170</u>	

All the investments other than the State Board of Administration are held in the fiduciary funds. The credit ratings are Moody's.

*Interest rate risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the time to maturity, the greater the exposure to interest rate risks. The Town limits its exposure to fair value losses resulting from rising interest rates by structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools unless it is anticipated that long-term securities can be held to maturity without jeopardizing the liquidity requirements. The Retirement Funds do not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

*Custodial credit risk* – For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2007 all investments were insured or collateralized, except the Town's two pension funds, in which the underlying securities are held by counterparty, or by its trust department or agent but not in the Town's name and is uninsured and unregistered. However, all securities are registered in the funds' names.

*Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. There was no exposure to foreign currency risk in the Town's investments at September 30, 2007.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments

The money market and closed end funds are owned by the Pension Trust Funds.

The Town is authorized to invest its funds as follows:

1. Interest-bearing checking or savings accounts in qualified public depositories, as defined in Chapter 280, Florida Statutes;
2. Interest-bearing time deposits in qualified public depositories, as defined in Chapter 280, Florida Statutes;
3. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Chapter 163, Florida Statutes;
4. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
5. Direct obligations of the United States Treasury;
6. Federal agencies and instrumentalities;
7. Securities of, or interest in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. sections 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian;
8. Other investments authorized by law or by ordinance by the Town.

The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

Investments of the Fire and Police Retirement Fund can consist of the following:

1. Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings, building, and loan association insured by the Saving Insurance Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.
3. Stocks, bonds or other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia, provided that the corporation is listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market. Bonds or other evidence of indebtedness must hold a rating in one of the highest classifications by a major rating service.
  - a. Investments in equities shall not exceed 70% of the Pension Fund's total assets at cost.
  - b. Not more than then (5) percent of the Pension Fund's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed (5) percent of the outstanding capital stock of that company.
  - c. Not more than five (5) percent of the Fund's fixed income portfolio (at cost) shall be invested in the securities of any single corporate issuer. This limitation does not include issues of any U.S. government agency.
4. Commingled stock, bond, real estate or money market funds whose investments are restricted to securities meeting the above criteria.
5. Foreign securities, provided they do not exceed 10% of the Pension Fund's assets at cost.

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 3 – DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)

6. Real estate through a security listed on one or more of the recognized national exchanges or other unit investment trust with shares redeemable on demand, provided the holdings do not exceed 10% of the Pension Fund’s assets at cost.

A reconciliation of deposit and investments as shown on the statement of net assets and statement of fiduciary net assets for the Town is as follows:

By Category:	
Deposits	\$1,496,758
Petty cash	725
Investments	5,204,170
Total deposits and investments	<u>\$6,701,653</u>
Presented in the statement of net assets	
Governmental activities	
Cash and cash equivalents	\$ 3,258,082
Business-type activities	
Cash and cash equivalents	1,439,912
Total statements of net assets	<u>4,697,994</u>
Presented in the statement of fiduciary net assets	
Pension trust funds	
Cash and cash equivalents	34,262
Investments	1,969,397
Total fiduciary funds	<u>2,003,659</u>
Total deposits and investments	<u>\$6,701,653</u>

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 4 – RECEIVABLES**

Receivables at September 30, 2007, were as follows:

	General Fund	Nonmajor Governmental Funds	Marina Fund	Sanitation Fund	Total
Accounts receivable	\$ 12,603	\$ 1,455	\$101,292	\$ 111,942	\$ 227,292
Accrued receivables	214,043	20,047		6,774	240,864
Total receivables	226,646	21,502	101,292	118,716	468,156
Less allowance for uncollectible accounts			(18,091)	(4,374)	(22,465)
Accounts receivable, net	<u>\$226,646</u>	<u>\$ 21,502</u>	<u>\$ 83,201</u>	<u>\$ 114,342</u>	<u>\$ 445,691</u>

**NOTE 5 – CAPITAL ASSETS**

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

**Primary Government**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 663,717	\$	\$	\$ 663,717
Construction in progress		137,880		137,880
Capital assets being depreciated:				
Buildings	6,933,836	124,047		7,057,883
Improvements	1,003,284	821,242		1,824,526
Machinery and equipment	1,225,925	243,480	(51,185)	1,418,220
<b>Total at historical cost:</b>	9,826,762	1,326,649	(51,185)	11,102,227
Less accumulated depreciation for:				
Buildings	(3,209,551)	(227,397)		(3,436,948)
Improvements	(29,657)	(8,746)		(38,403)
Machinery and equipment	(847,568)	(201,159)	41,183	(1,007,544)
<b>Total accumulated depreciation</b>	(4,086,776)	(437,302)	41,183	(4,482,895)
<b>Governmental activities capital assets, net</b>	<u>\$5,739,986</u>	<u>\$ 889,347</u>	<u>(\$10,002)</u>	<u>\$6,619,331</u>

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 5 – CAPITAL ASSETS** (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 30,611
Public safety	41,106
Physical environment	100,580
Transportation	7,434
Culture and recreation	<u>257,571</u>
<b>Total depreciation expense governmental activities</b>	<b><u><u>\$437,302</u></u></b>

The capital asset activity of business-type activities for the year ended September 30, 2007 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 81,157	\$	\$	\$ 81,157
Construction in progress		52,021		52,021
Capital assets being depreciated:				
Improvements	9,029,746	132,484		9,162,230
Machinery and equipment	<u>1,404,132</u>	<u>377,695</u>	<u>(156,375)</u>	<u>1,625,452</u>
<b>Total at historical cost:</b>	<u>10,515,035</u>	<u>562,200</u>	<u>(156,375)</u>	<u>10,920,860</u>
Less accumulated depreciation for:				
Improvements	(353,778)	(305,620)		(659,398)
Machinery and equipment	<u>(838,091)</u>	<u>(230,096)</u>	<u>156,375</u>	<u>(911,812)</u>
<b>Total accumulated depreciation</b>	<u>(1,191,869)</u>	<u>(535,716)</u>	<u>156,375</u>	<u>(1,571,210)</u>
<b>Business-type activities capital assets, net</b>	<u><u>\$9,323,166</u></u>	<u><u>\$ 26,484</u></u>	<u><u>\$</u></u>	<u><u>\$9,349,650</u></u>

Construction Commitments

Contracts awarded but not yet completed were as follows:

<u>Project Description</u>	<u>Estimated Costs</u>
Drainage Improvements – Bayberry Drive	\$ 145,000
Less Payments	<u>68,360</u>
Balance to completion	<u><u>\$ 76,460</u></u>

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 6 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2007, was as follows:

	Balance October 1, 2006	Additions	Reductions	Balance September 30, 2007	Amount due within one year
<u>Governmental activities</u>					
General obligation bonds	\$ 6,768,877	\$	\$ 455,577	\$6,313,300	\$ 477,269
Capital lease obligations	179,097		54,947	124,150	49,698
Claims and settlements (Note 12)		741,783		741,783	741,783
Compensated absences payable	100,314	165,049	165,536	99,827	19,965
<b>Total</b>	<b>\$ 7,048,288</b>	<b>\$906,832</b>	<b>\$676,059</b>	<b>\$7,279,060</b>	<b>\$1,288,715</b>
<u>Business-type activities:</u>					
Revenue bonds payable	\$ 4,640,000	\$	\$ 90,000	\$4,550,000	\$ 90,000
Capital lease obligations	287,367		95,846	191,521	99,706
Compensated absences payable	24,077	39,218	39,195	24,100	8,161
<b>Total</b>	<b>\$ 4,951,444</b>	<b>\$39,218</b>	<b>\$225,041</b>	<b>4,765,621</b>	<b>\$197,867</b>
Unamortized premium				146,213	
				<b>\$4,911,834</b>	

The debt service for general obligation bonds are payable from a separate ad valorem tax levy for the debt service fund. Capital lease obligations and compensated absences are generally liquidated by the General Fund.

General Obligation Bonds: The Town's outstanding governmental activities general obligation bonds at September 30, 2007, are summarized as follows:

General Obligation Bonds, Series 1997: On March 11, 1997, the voters of the Town approved the issuance of up to \$9,806,000 general obligation bonds for the purpose of financing the repair and redevelopment of the Town Hall, marina and other projects, and the construction of a new fire/medical facility and library addition. On August 7, 1997, the Town issued \$4,800,000 Town of Lake Park, Florida, General Obligation Bonds, Series 1997. Principal and interest at 4.96% are payable in semi-annual installments of \$189,725 on January 1 and July 1, commencing January 1, 1998, through maturity on July 1, 2017.

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

General Obligation Bonds (Continued)

General Obligation Bonds, Series 1997: (Continued)

The required debt service payments on the Series 1997 bond at September 30, 2007 are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2008	\$ 235,356	\$ 144,094	\$ 379,450
2009	247,174	132,276	379,450
2010	259,586	119,864	379,450
2011	272,621	106,829	379,450
2012	286,310	93,140	379,450
2013	300,687	78,763	379,450
2014	315,787	63,663	379,450
2015	331,644	47,806	379,450
2016	348,297	31,153	379,450
2017	<u>365,786</u>	<u>13,661</u>	<u>379,448</u>
	<u>\$2,963,248</u>	<u>\$ 831,249</u>	<u>\$3,794,498</u>

General Obligation Bond, Series 1998: On November 17, 1998, the Town issued a \$5,000,000 Town of Lake Park, Florida, General Obligation Bond, Series 1998. This bond represents the second and final series of the bonds approved by the voters of the Town in a special referendum on March 11, 1997, for the purpose of financing the repair and redevelopment of the Town Hall, marina and other projects, and the construction of a new fire/medical facility and library addition. Principal and interest at 4.46% are payable in semi-annual installments of \$194,329 on January 1 and July 1, commencing July 1, 1999, through maturity on July 1, 2018.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

General Obligation Bonds (Continued)

The required debt service payments on the Series 1998 bond at September 30, 2007 are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2008	\$ 241,913	\$ 146,744	\$ 388,657
2009	252,822	135,835	388,657
2010	264,224	124,433	388,657
2011	276,140	112,517	388,657
2012	288,593	100,064	388,657
2013	301,608	87,049	388,657
2014	315,209	73,448	388,657
2015	329,424	59,233	388,657
2016	344,280	44,377	388,657
2017	359,806	28,851	388,657
2018	<u>376,033</u>	<u>12,624</u>	<u>388,657</u>
	<u>\$3,350,052</u>	<u>\$ 925,175</u>	<u>\$4,275,227</u>

Obligations Under Capital Lease: The Town's outstanding governmental activities obligations under capital lease at September 30, 2007 are summarized as follows:

Equipment: Lease purchase agreements dated March 2005 through September 2006 for copiers and other equipment with an original cost of \$259,982 and accumulated depreciation in an amount of \$155,066. Minimum future lease payments under these agreements at September 30, 2007, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2008	\$ 49,698	\$ 5,142	\$ 54,840
2009	39,699	2,816	42,515
2010	22,979	1,233	24,212
2011	<u>11,774</u>	<u>210</u>	<u>11,984</u>
	<u>\$124,150</u>	<u>\$ 9,401</u>	<u>\$133,551</u>

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

Revenue Bonds: The Town's outstanding business-type activities revenue bonds at September 30, 2007 are summarized as follows:

Revenue Bonds, Series 2003A: On May 12, 2003 the Town entered into an agreement with the Florida Municipal Loan Council (the "Council") to borrow funds for the construction of improvements at the Town's marina. On May 16, 2003, the Council issued \$4,810,000 Florida Municipal Loan Council Revenue Bonds, Series 2003A, dated May 1, 2003, to finance the Town's project and pay the costs of issuance for the bonds. The Town is required to meet certain minimum financial amounts, debt limitations and reporting requirements. Interest on the bonds is payable by the Town semi-annually on April 20 and October 20 and principal payments are due on April 20. Debt service on the bonds is payable from the net revenues of the marina operations.

The debt service requirements and interest rates of the bonds at September 30, 2007, are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	3.00	\$ 90,000	\$ 223,600	\$ 313,600
2009	3.00	95,000	220,900	315,900
2010	5.00	95,000	218,050	313,050
2011	5.00	100,000	213,300	313,300
2012	5.00	105,000	208,300	313,300
2013	5.25	115,000	203,050	318,050
2014	5.25	120,000	197,012	317,012
2015	5.25	125,000	190,713	315,713
2016	5.25	130,000	184,150	314,150
2017	5.25	140,000	177,325	317,325
2018	5.25	145,000	169,975	314,975
2019	5.25	155,000	162,363	317,363
2020	5.25	160,000	154,225	314,225
2021	5.00	170,000	145,825	315,825
2022	5.00	180,000	137,325	317,325
2023	4.50	185,000	128,325	313,325
2024	4.50	195,000	120,000	315,000
2025	4.50	205,000	111,225	316,225
2026	5.00	215,000	102,000	317,000
2027	5.00	225,000	91,250	316,250
2028	5.00	235,000	80,000	315,000

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

Revenue Bonds (Continued)

Revenue Bonds, Series 2003A (Continued)

<u>Year Ending</u> <u>September 30</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2029	5.00	\$ 245,000	\$ 68,250	\$ 313,250
2030	5.00	260,000	56,000	316,000
2031	5.00	275,000	43,000	318,000
2032	5.00	285,000	29,250	314,250
2033	5.00	<u>300,000</u>	<u>15,000</u>	<u>315,000</u>
		<u>\$4,550,000</u>	<u>\$3,650,413</u>	<u>\$8,200,413</u>

Obligations Under Capital Lease: Obligations under capital lease of the Town's business-type activities at September 30, 2007, consisted of the following:

Vehicles: Lease purchase agreements dated June 2004 through March 2006 for sanitation vehicles with an original cost of \$492,750. The accumulated depreciation on the vehicles at September 30, 2007 was \$292,732. The capital lease obligations are payable from the net revenues of the Sanitation operations.

The minimum future lease payments due under this agreement at September 30, 2007, are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Amount</u>
2008	\$ 99,706	\$ 5,986	\$105,692
2009	84,600	2,182	86,782
2010	4,657	254	4,911
2011	<u>2,558</u>	<u>52</u>	<u>2,610</u>
	<u>\$191,521</u>	<u>\$ 8,474</u>	<u>\$199,995</u>

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

Annual Maturities: The aggregate maturities for all long-term debt of the Town with scheduled maturities (excluding compensated absences and claims and settlements), are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Amount</u>
2008	\$ 716,673	\$ 525,566	\$ 1,242,239
2009	719,295	494,009	1,213,304
2010	646,446	463,834	1,110,280
2011	663,093	432,908	1,096,001
2012	679,903	401,504	1,081,407
2013-2017	3,942,528	1,480,254	5,422,782
2018-2022	1,186,033	782,337	1,968,370
2023-2027	1,025,000	552,800	1,577,800
2028-2032	1,300,000	276,500	1,576,500
2033	300,000	15,000	315,000
	<u>\$11,178,971</u>	<u>\$5,424,712</u>	<u>\$16,603,683</u>

**NOTE 7 DEFERRED COMPENSATION PLAN ASSETS**

Employees of the Town may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the Town. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. A third party administers the deferred compensation plan.

In 1999, the Town Adopted GASB-32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Town modified its Deferred Compensation Plan to conform with the changes in the Internal Revenue Code brought about by the Small Business Job Protection Act of 1996 (the "Act"). The Act requires that eligible deferred compensation plans established and maintained by governmental employers be amended to provide that all assets of the plan be held in trust, or under one or more appropriate annuity contracts or custodial accounts, for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, these plan assets are no longer property of the Town and will no longer be subject to the claims of the Town's general creditors.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 7 DEFERRED COMPENSATION PLAN ASSETS** (Continued)

Because the Town has little administrative involvement and does not perform the investing function for funds in the Plan, the Town's activities do not meet the criteria for inclusion in the fiduciary funds of a government.

**NOTE 8 - PENSION PLANS**

Defined Contribution Plan:

The General Employees Retirement Plan is a defined contribution pension plan established by the Town to provide benefits at retirement for all current employees. The Town's finance director is the plan administrator. At September 30, 2007, there were approximately 76 plan members. The Town is required to contribute 5% of the plan members' annual compensation and matches 50% of the employees' voluntary contributions under the deferred compensation plan, up to a maximum of 2.5% of participants' annual compensation. Total contributions for the year ended September 30, 2007 were \$124,485 by the Town and \$86,664 by the employees. Plan provisions and contribution requirements are established and may be amended by the Town Commission.

Defined Benefit Plans: The Town administers two single employer, defined benefit pension plans that cover no current Town employees. The Retired Police Officers' Pension Fund (RPOPF) covers certain police retirees and the Municipal Firemen's Pension Fund (MFPF) is a terminated pension plan that covered substantially all former full-time fire department employees. The plans are established by the Town and administered by a separate board of trustees for each plan. The RPOPF and MFPF plans are included as blended component units in the financial statements of the Town of Lake Park as pension trust funds. The plans do not issue stand alone financial reports.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting: All pension fund financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments: Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Post-retirement Benefits: The Town offers continuation of health and life insurance benefits to employees upon retirement. The cost of such benefits is paid by the retirees and the Town has no further liability for post-retirement benefits.

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 8 - PENSION PLANS** (Continued)

*The Retired Police Officers' Pension Fund*

Effective October 1, 2001, the Palm Beach County Sheriff's Office (PBSO) was contracted to provide police services for the Town in connection with the transfer of Town police services to the PBSO, the active plan members of the plan were terminated and eligible for a lump sum payout. Effective November 20, 2002, the Town terminated the Municipal Police Officers' Retirement Trust Fund and distributed lump sum payouts to the vested participants. On October 15, 2003, the Town established the Retired Police Officers' Pension Fund for the retirees covered by the original plan and transferred substantially all remaining assets of the original plan to the new plan in April 2004. Accordingly, at September 30, 2007 only four years of plan information was available for the Retired Police Officers' Pension Fund.

The plan is a substituted trust established on October 1, 2003 by Town Ordinance No. 12-2003 to provide the retired members of the previous defined benefit pension plan with the monthly retirement benefits that were accrued under the prior plan. Accordingly, the Retired Police Officers' Pension Fund covers only retirees and has no active plan members or employees of the Town that are eligible to participate and the provisions of the Retired Police Officers' Pension Fund as established by Town ordinance, do not address any provisions related to vesting, eligibility for retirement, future retirement benefits, other benefits, or employee contributions. The Town is required to contribute actuarially determined amounts sufficient to fund the plan. At October 1, 2006, the date of the latest actuarial valuation, the RPOPF included three service retirees and four disability retirees.

Schedule of Employer Contributions

<u>Year Ended September 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2004	\$ 9,622	100%
2005	26,482	100%
2006	7,959	100%
2007	17,768	100%

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 8 - PENSION PLANS** (Continued)

*The Retired Police Officers' Pension Fund* (Continued)

Annual Pension Costs and Related Information: The significant actuarial assumptions used in the most recent actuarial valuation of the Retired Police Officers' Pension Fund are summarized as follows:

Valuation date	October 1, 2005
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level dollar amount - closed
Remaining amortization period	15 years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increase *	N/A
*Included inflation at	N/A
Post retirement COLA	N/A

Three Year Trend Information

	<u>Actuarially Determined Contribution</u>	<u>Percentage of APC* Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 9,622	100%	
2005	26,482	100	
2006	7,959	100	

\* Annual Pension Cost from Town sources.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 8 - PENSION PLANS** (Continued)

*Municipal Firemen's Pension Fund*

On October 1, 2001 the Palm Beach County Fire Rescue Department was contracted to provide fire protection and emergency medical services for the Town. In connection with the transfer of Town fire protection and emergency medical services to Palm Beach County Fire Rescue, the active plan members of the Municipal Firemen's Pension Fund were terminated and eligible for a lump sum payout. There were no retirees under the plan at the time of termination. On June 29, 2002, the Municipal Firemen's Pension Fund was terminated and the Board of Trustees has since distributed lump sum payouts to the vested participants with the remaining pro-rata distributions being made during the fiscal year ended September 30, 2007 according to the calculations performed by the actuary. At September 30, 2007 the Municipal Firemen's Pension Trust Fund is considered a terminated pension plan and actuarial information is not provided.

However, the Board of Trustees of the Municipal Firemen's Pension Trust Fund actuarially determined a lump sum payout of accrued pension benefits, including interest, to be approximately \$2.1 million as of January 6, 2003, which was \$641,783 more than the fair value of the plan net assets. The Board of Trustees of the Municipal Firemen's Pension Trust Fund, through its attorney, made a demand that the Town pay the Municipal Firemen's Pension Trust Fund the shortfall of \$641,783, plus accrued interest and attorney fees to the date of settlement. The Town, based on the advice of its legal counsel, did not believe that it was obligated to pay any additional amounts resulting from the decision of the Board of Trustees to make an immediate, lump sum payout of accrued pension benefits and filed an action asking the court to determine whether the Town must pay the shortfall.

In October 2007, the 4<sup>th</sup> District Court of Appeal reversed the trial court's ruling in favor of the Town, and held that the Town had a legal obligation to fund the actuarial deficiency of \$641,783, that was created when the pension plan was terminated and the pension board decided to distribute the assets in the form of lump sum payments to each member. The District Court remanded the case to the circuit court for further proceedings consistent with the District Court's opinion. The circuit court will ultimately enter an order directing the Town to pay a specific amount to the board of trustees, which could include prejudgment interest and will include an award of attorney's fees.

If prejudgment interest is awarded on that amount from the date the pension fund was terminated (June 29, 2002), then an additional \$346,562 will be due and owing, for a total of \$988,345. The District Court also granted the board of trustees' motion for attorney's fees. A statement of the board's attorney's fees in this case has not been received. The Town's legal council estimates that the board's attorney's fees will be in the \$100,000 range, and perhaps more.

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 9 - PENSION PLANS FINANCIAL INFORMATION**

Generally accepted accounting principles (GAAP) requires that financial statements for individual pension plans be presented in the notes to the financial statements of the primary government if separate, GAAP financial reports have not been issued. The individual pension funds of the Town of Lake Park, Florida do not have separate GAAP reports issued and the financial information for these is presented below.

**Statement of Fiduciary Net Assets  
September 30, 2007**

	<u>Retired Police Officers' Pension Fund</u>	<u>Municipal Firemen's Pension Fund</u>
<b>ASSETS</b>		
Cash	\$ 21,006	\$ 13,256
Investments		
Closed end equity funds	1,404,000	
Closed end taxable bond funds	565,397	
Receivables:		
Contributions	25,727	641,783
Interest and dividends	875	<u>          </u>
Prepaid retirement benefits	<u>10,622</u>	
Total assets	<u>2,027,627</u>	<u>655,039</u>
<b>LIABILITY</b>		
Termination refunds payable	<u>          </u>	<u>641,783</u>
<b>NET ASSETS held in trust for pension benefits</b>	<u><u>\$ 2,027,627</u></u>	<u><u>\$ 13,256</u></u>

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 9 - PENSION PLANS FINANCIAL INFORMATION** (Continued)

**Statement of Changes in Fiduciary Net Assets  
For the Fiscal Year Ended September 30, 2007**

	<u>Retired Police Officers' Pension Fund</u>	<u>Municipal Firemen's Pension Fund</u>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 20,680	\$ 641,783
Investment income		
Net appreciation in fair value of investments	218,197	
Interest and dividends	<u>49,788</u>	<u>4,858</u>
Net investment income	<u>267,985</u>	<u>4,858</u>
Total additions	<u>288,665</u>	<u>646,641</u>
<b>DEDUCTIONS</b>		
Retirement benefits	166,881	
Refunds of contributions		866,874
Administrative expenses	<u>10,604</u>	<u>20,091</u>
Total deductions	<u>177,485</u>	<u>886,965</u>
Changes in net assets	111,180	(240,324)
Net assets, beginning of year	<u>1,916,447</u>	<u>253,580</u>
Net assets, end of year	<u>\$ 2,027,627</u>	<u>\$ 13,256</u>

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 10 - DEFICIT FUND EQUITY**

At September 30, 2007 the following funds had deficits in fund equity which will be eliminated through future revenue of those funds:

<u>Fund</u>	<u>Deficit</u> <u>Fund Equity</u>
Streets and Roads Fund	\$ 49,593
Special Projects Fund	\$ 185,672

**NOTE 11 – JOINTLY GOVERNED ORGANIZATION**

The Town, through an interlocal agreement with certain other municipalities and Palm Beach County, created the Seacoast Utility Authority (“Seacoast”) which provides water and sewer service to the citizens of each of the participating municipalities and a portion of Palm Beach County. Seacoast’s governing board is comprised of one member from each participating entity. Seacoast is an Independent Authority organized under the laws of the State of Florida, and the Town has no participating equity ownership in Seacoast. The Town paid \$48,951 to Seacoast during the fiscal year for water and sewer service.

**NOTE 12 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance through the Florida League of Cities, Inc., a statewide commercial insurance program. The policy for comprehensive property, casualty and liability insurance provides coverage with a deductible of \$1,000 for property and casualty and \$25,000 for liability claims per occurrence, with a combined annual cap of \$1 million. The Town does not retain any risk of loss under this policy.

The Town has established a risk management program for workers’ compensation where premiums are paid from each department to the Florida League of Cities who fully insures all claims to a statutory level. The Town does not retain any risk of loss under this policy. There were no significant reductions in insurance coverage from the prior year. The amount of insurance settlements has not exceeded the Town’s insurance coverage in any of the prior three fiscal years.

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 12 – RISK MANAGEMENT** (Continued)

The Town currently reports all of its risk management activities in the general fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the U.S. Department of Homeland Security and the State of Florida. Any disallowed claims, including amounts already received, might constitute a liability of the Town for the return of those funds.

Litigation

The Town is a defendant in various lawsuits arising in the ordinary course of normal operations. Although the ultimate outcome of some of these lawsuits cannot be determined at the present time, it is the opinion of management, based upon consultation with legal counsel, that the outcome of one of these actions will materially affect the financial position of the Town and, accordingly, is recognizing a current year liability of \$741,783 for the settlement of the judgment in favor of the Board of Trustees of the Town of Lake Park Firefighters’ Pension Plan. (See Note 15.)

**NOTE 13 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

In governmental accounting, interfund loans are reported as interfund receivables in lender funds and interfund payables in borrower funds. There is no net effect in the governmental-wide financial statements. The current portion of the interfund loan is reported in the governmental funds as Due to and Due from other funds and the non-current portion is reported as Advance to and Advance from other funds. The composition of interfund balances at September 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Due to/from</u>	<u>Advance</u>	<u>Total</u>
CRA	General Fund	\$500,000	\$1,330,674	\$1,830,674
General Fund	Marina Fund		\$ 725,000	\$ 725,000
General Fund	Sanitation Fund	\$544,072		\$ 544,072

At September 30, 2007, the General Fund owed the CRA Fund \$1,830,674 for unpaid incremental tax revenue from fiscal year 2000 to the present. (See Note 2.) The advance from the CRA to the General Fund includes outstanding principal of \$1,390,019 and penalties and interest of \$440,655. Payment of \$500,000 was made on December 7, 2007 toward the 2007 principal due.

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 13 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS** (Continued)

The advance from the General Fund to the Marina Fund resulted from a cash overdraft in the Marina Fund’s pooled cash and cash equivalents account. The receivable from the Sanitation Fund to the General Fund is for prior year and current year grant revenue that was reported in the wrong fund. (See Note 14.)

Interfund transfers during the year ended September 30, 2007 are as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
CRA Fund	\$688,755	
General Fund		\$688,755
Nonmajor Government	103,250	
General Fund		103,250
General Fund	75,000	
Sanitation Fund		75,000

The transfer of \$688,755 from the General Fund to the CRA Fund included the \$511,718 for the 2007 incremental tax obligation and \$177,037 in penalties and interest. Prior period adjustments were made to both funds to correct for accounting errors made in the prior period financial statements. (See Note 14.)

The transfers were also used to: (1) fund a deficit fund balance in the Grants & Entitlements Fund; (2) use budgeted revenue in the General Fund to finance the purchase of a street sweeper in the Streets and Roads Fund; and (3) make payment in lieu of taxes for the Sanitation Fund.

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

In the prior period financial statements, errors were made in accounting in several funds:

Governmental-wide financial statements

Errors in accounts receivable and in accounting for designated contributions had no effect on the current year change in net assets. However, the error in accounts receivable caused the change in net assets to be overstated by \$112,480 in the prior year. An error in reporting designated contributions and related expenditures in prior years overstated deposit liabilities and understated revenues, expenses and net assets by \$66,538. The error in reporting grant revenue had no net effect to the Statement of Net Assets, but resulted in an understatement of net assets and changes in net assets of governmental activities and an overstatement of business-type activities net assets and changes in net assets of \$526,305.

**TOWN OF LAKE PARK, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS** (Continued)

General Fund

The General Fund had errors in accounts receivable, advances payable, designated contributions and related expenditures, and grant revenue. The overstatement of accounts receivable in the general fund caused the prior year fund balance and net change in fund balance to be overstated \$112,480. The understatement of expenses payable to and the related advance from the CRA caused the fund balance to be overstated by \$1,141,919 and the net change in fund balance to be overstated by \$438,887 in the prior year. Designated contributions and related expenditures were understated in prior years, causing an overstatement of deposit liabilities and an understated designated fund balance and net change in fund balance of \$66,538. The error in reporting grant revenue caused the fund balance and net change in fund balance to be understated \$526,305 in the prior year.

CRA Fund

The understatement of transfers and advances receivable from the General Fund caused the fund balance to be understated by \$1,141,919 and the net change in fund balance to be understated by \$438,887 in the prior year. In the Statement of Net Assets for governmental funds, which is reported using full accrual, the prior adjustment to the CRA offsets the prior year adjustment to the General Fund, resulting in no net effect.

Sanitation Fund

The error in accounting for grant revenue in the Sanitation Fund caused net assets and the change in net assets to be overstated by \$526,305 in the prior year.

	<u>General Fund</u>	<u>CRA Fund</u>	<u>Sanitation Fund</u>	<u>Government- wide</u>
Beginning fund balance, as previously reported	\$3,273,687	\$ 323,340	\$1,801,633	\$7,940,260
Accounts receivable	(112,480)			(112,480)
Advance to/from other funds	(1,141,919)	1,141,919		
Designated contributions (net of related expenditures)	66,538			66,538
Grant revenue	526,305		(526,305)	
Beginning fund balance, as corrected	<u>\$2,612,131</u>	<u>\$1,465,259</u>	<u>\$1,275,328</u>	<u>\$ 7,894,318</u>

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 15 – SUBSEQUENT EVENTS**

Firefighters' Pension Settlement

On October 3, 2007, the fourth District of the District Court of Appeal of the State of Florida ruled in favor of the Board of Trustees of the Town of Lake Park Firefighters' Pension Plan ("Plan"), overturning a previous summary judgment in favor of the Town. The Court found that the Town failed to fund the actuarial deficiency of the Plan upon termination of the Plan and that the subsequent distribution of the Plan was not equitable to all Plan members. The District Court remanded the case to the circuit court for further proceedings consistent with the District Court's opinion. The circuit court will ultimately enter an order directing the Town to pay a specific amount to the board of trustees, which could include prejudgment interest and will include an award of attorney's fees. The Town is obligated to pay the actuarial deficiency, as well as and attorneys fees, which is estimated to be \$741,783. Accordingly, the Town has recorded the liability for payment at September 30, 2007, which will be paid from unreserved, undesignated fund balances of the general fund. If prejudgment interest is awarded from the date the pension fund was terminated (June 29, 2002), then an estimated additional \$346,562 will be due and owing.

Property Tax Reform

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 becomes effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which becomes effective on January 1, 2009.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 15 – SUBSEQUENT EVENTS** (Continued)

Property Tax Reform (Continued)

Based on information received from the Palm Beach County Property Appraiser's Office, the estimated annual loss of property tax revenues for the Town from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$551,000. At present, there is no accurate way to determine the impact of the portability and assessment cap on non-homestead property provisions in terms of potential loss of property tax revenues.

Investments

As discussed in Note 3, at September 30, 2007, the Town had \$3,229,034 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool ("Pool"). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 50% of their balance or \$8 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

**TOWN OF LAKE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 15 – SUBSEQUENT EVENTS** (Continued)

Investments (Continued)

As of April 30, 2008, the Town has \$3,028,717 and \$261,257 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

FIDUCIARY FUNDS

Pension Trust Funds

*Retired Police Officers' Pension Trust Fund*

**TOWN OF LAKE PARK, FLORIDA**  
**Required Supplemental Information**  
**September 30, 2007**

Schedule of Funding Progress

Retired Police Officers' Pension Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2003	\$ 2,095,114	\$ 2,177,473	\$ 82,359	96.22%	N/A	N/A
10/1/2004	1,924,445	2,156,800	232,355	89.23%	N/A	N/A
10/1/2005	1,971,286	2,030,035	58,749	97.11%	N/A	N/A
10/1/2006	1,919,359	2,061,642	142,283	93.10%	N/A	N/A

Note 1: The Retired Police Officers' Pension Fund was established on October 1, 2003. The most recent actuarial valuation of the plan was at October 1, 2006. The fund is a substituted trust established to provide retired members of the predecessor Town of Lake Park Police Pension Plan with the monthly retirement benefits that were accrued under the former retirement plan. Accordingly, the plan includes only services retirees and has no active members.

**TOWN OF LAKE PARK, FLORIDA**  
**Required Supplemental Information**  
**September 30, 2007**

Schedule of Employer and State Contributions

Retired Police Officers' Pension Fund

<u>Fiscal Year Ended September 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
2004	\$ 9,622	\$ 9,622	\$	100.0%
2005	26,482	26,482		100.0%
2006	7,959	7,959		100.0%
2007	17,768	17,768		100.0%

**TOWN OF LAKE PARK, FLORIDA**  
**Notes to the Trend Data**  
**September 30, 2007**

	Retired Police Officers' Pension Fund
	<hr/>
Contribution rates as of 9/30/06:	
Town	N/A
Plan Members	N/A
Actuarially Determined Contribution	7,959
Contributions Made	7,959
Valuation date	10/1/2005
Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Amortized Method	Level dollar amount, closed
Remaining Amortization Period	15 Years
Asset Valuation Method	Market
Actuarial Assumption:	
Investment rate of return	8%
Projected salary increase *	N/A
*Includes inflation at	N/A
Post Retirement cost of living adjustments	N/A

(\*) Annual pension costs from Town members.

GENERAL FUND

**TOWN OF LAKE PARK, FLORIDA**  
**Budgetary Comparison Schedule -**  
**General Fund**  
**For the year ended September 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget</b> <b>Positive</b> <b>(Negative)</b>
Revenues				
Taxes				
General property taxes	\$ 4,968,498	\$ 5,153,910	\$ 5,153,910	\$
Franchise taxes				
Electricity	535,807	595,807	604,641	8,834
Gas	3,675	3,675	3,424	(251)
Solid Waste	22,500	22,500	21,300	(1,200)
Utility taxes				
Electricity	575,000	575,000	549,648	(25,352)
Water	120,000	120,000	116,381	(3,619)
Gas	2,500	2,500	2,371	(129)
Total taxes	<u>6,227,980</u>	<u>6,473,392</u>	<u>6,451,675</u>	<u>(21,717)</u>
Licenses and permits				
Building permits	250,000	368,000	365,902	(2,098)
Alarm permits	5,000	5,000	4,806	(194)
Business tax receipts	325,000	325,000	313,523	(11,477)
Occupational license applications	2,400	7,900	9,036	1,136
Contractors fees	2,000	2,000	2,459	459
Total licenses and permits	<u>584,400</u>	<u>707,900</u>	<u>695,726</u>	<u>(12,174)</u>
Intergovernmental revenues				
State shared revenues				
Local government sales tax	727,898	727,898	675,208	(52,690)
Local communication services taxes	544,795	544,795	539,562	(5,233)
State revenue sharing	253,135	253,135	268,050	14,915
Alcoholic beverage licenses	11,000	13,500	14,354	854
Motor fuel tax refund	3,520	3,520	5,035	1,515
County shared revenues				
County occupation licenses	25,000	25,000	34,165	9,165
Grant revenues				
State hurricane relief			17,766	17,766
Mirror Ballroom grant	100,000	100,000	100,000	
State aid to libraries	15,000	15,816	15,816	
Total intergovernmental revenues	<u>1,680,348</u>	<u>1,683,664</u>	<u>1,669,956</u>	<u>(13,708)</u>

(Continued)

See notes to the budgetary comparison schedules.

**TOWN OF LAKE PARK, FLORIDA**  
**Budgetary Comparison Schedule -**  
**General Fund**  
**For the year ended September 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues (Continued)				
Charges for services				
Administrative fees				
Sanitation	\$ 80,000	\$ 80,000	\$ 80,000	\$
CRA Fund	24,925	24,925	24,925	
Marina Fund	78,000	78,000	78,000	
Plan review fees	7,500	17,500	18,605	1,105
Parks and recreation	39,300	47,800	45,939	(1,861)
Other charges for services	4,750	6,250	7,290	1,040
Total charges for services	<u>234,475</u>	<u>254,475</u>	<u>254,759</u>	<u>284</u>
Fines and forfeitures				
Court fines	25,000	25,000	18,887	(6,113)
Code violations	10,000	110,000	167,775	57,775
Code violations - administrative cost	25,000	25,000	11,266	(13,734)
Parking violations		10,000	6,400	(3,600)
Alarm violations	14,000	14,000	7,125	(6,875)
Occupational license penalties	6,500	6,500	7,161	661
Library fines	2,800	2,800	2,110	(690)
Total fines and forfeitures	<u>83,300</u>	<u>193,300</u>	<u>220,724</u>	<u>27,424</u>
Miscellaneous revenue				
Interest earnings	188,000	218,000	240,581	22,581
Interest earnings - tax collector	8,800	13,800	17,705	3,905
Rent	12,600	26,550	27,241	691
Sale of surplus property	10,000	40,000	5,742	(34,258)
Transfer from renewal and replacement fund	75,000			
Transfer from sanitation fund		75,000	75,000	
Miscellaneous revenues	20,020	133,385	77,629	(55,756)
Fund balance appropriation	60,000	750,037		(750,037)
Total miscellaneous revenues	<u>374,420</u>	<u>1,256,772</u>	<u>443,898</u>	<u>(812,874)</u>
Total revenues	<u>\$ 9,184,923</u>	<u>\$ 10,569,503</u>	<u>\$ 9,736,738</u>	<u>\$ (832,765)</u>

(Continued)

See notes to the budgetary comparison schedules.

**TOWN OF LAKE PARK, FLORIDA**  
**Budgetary Comparison Schedule -**  
**General Fund**  
**For the year ended September 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<b>Variance with</b> <b>Final Budget</b> <b>Positive</b> <b>(Negative)</b>
	<u>Original</u>	<u>Final</u>		
(Continued)				
Expenditures				
General government				
Legislative				
Personal services	\$ 51,333	\$ 51,458	\$ 51,445	\$ 13
Operating expenditures	62,818	75,943	65,294	10,649
Total Legislative	<u>114,151</u>	<u>127,401</u>	<u>116,739</u>	<u>10,662</u>
Town manager				
Personal services	299,397	257,010	238,481	18,529
Operating expenditures	25,490	34,690	30,509	4,181
Total Town manager	<u>324,887</u>	<u>291,700</u>	<u>268,990</u>	<u>22,710</u>
Personnel				
Personal services	114,374	121,574	121,323	251
Operating expenditures	37,932	62,932	62,737	195
Debt service	1,950	1,750	1,062	688
Total Personnel	<u>154,256</u>	<u>186,256</u>	<u>185,122</u>	<u>1,134</u>
Town clerk				
Personal services	117,971	114,721	114,250	471
Operating expenditures	48,700	55,397	50,829	4,568
Debt service	7,594	9,147	10,577	(1,430)
Total Town clerk	<u>174,265</u>	<u>179,265</u>	<u>175,656</u>	<u>3,609</u>
Finance				
Personal services	324,330	377,353	289,360	87,993
Operating expenditures	92,000	129,650	109,206	20,444
Debt service	5,050	5,050	5,023	27
Total Finance	<u>421,380</u>	<u>512,053</u>	<u>403,589</u>	<u>108,464</u>
Legal				
Operating expenditures	<u>236,250</u>	<u>326,250</u>	<u>291,812</u>	<u>34,438</u>
Information technology				
Personal services		53,211	51,307	1,904
Operating expenditures	24,700	16,605	16,519	86
Capital outlay	43,450	62,470	76,516	(14,046)
Contingency	10,000	5,550	2,157	3,393
Total Information technology	<u>78,150</u>	<u>137,836</u>	<u>146,499</u>	<u>(8,663)</u>
Non-departmental				
Operating expenditures	101,000	17,426	12,379	5,047
Mirror ballroom	125,000	130,918	114,051	16,867
Contingency	201,724	586,559	447,660	138,899
Total Non-departmental	<u>427,724</u>	<u>734,903</u>	<u>574,090</u>	<u>160,813</u>
Total General government	<u>1,931,063</u>	<u>2,495,664</u>	<u>2,162,497</u>	<u>333,167</u>

See notes to the budgetary comparison schedules.

(Continued)

**TOWN OF LAKE PARK, FLORIDA**  
**Budgetary Comparison Schedule -**  
**General Fund**  
**For the year ended September 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Public Safety				
Law enforcement				
Operating expenditures	\$ 2,427,934	\$ 2,435,734	\$ 2,432,956	\$ 2,778
Fire department				
Operating expenditures	1,983,757	1,983,757	1,983,757	
Community development				
Personal services	465,641	461,516	383,472	78,044
Operating expenditures	237,200	244,575	192,754	51,821
Debt service	4,300	4,300	3,896	404
Total Community development	707,141	710,391	580,122	130,269
Total Public safety	5,118,832	5,129,882	4,996,835	133,047
Physical environment				
Public works				
Personal services	205,203	237,583	229,266	8,317
Operating expenditures	36,750	58,350	50,796	7,554
Capital outlay		55,165	52,965	2,200
Debt service	2,400	2,400	2,314	86
Hurricane debris collection and disposal		130,000	129,924	76
Total Public works	244,353	483,498	465,265	18,233
Vehicle maintenance				
Personal services	112,651	120,926	117,662	3,264
Operating expenditures	26,400	28,825	23,672	5,153
Capital outlay	3,500	3,500	3,450	50
Total Vehicle maintenance	142,551	153,251	144,784	8,467
Total Physical environment	386,904	636,749	610,049	26,700
Transportation				
Facility maintenance				
Personal services	142,320	149,483	123,726	25,757
Operating expenditures	90,700	218,119	155,722	62,397
Capital outlay	100,000	74,400	71,356	3,044
Debt service	4,214	4,214	4,214	
Total Transportation	337,234	446,216	355,018	91,198

(Continued)

See notes to the budgetary comparison schedules.

**TOWN OF LAKE PARK, FLORIDA**  
**Budgetary Comparison Schedule -**  
**General Fund**  
**For the year ended September 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Culture and recreation				
Library				
Personal services	\$ 301,057	\$ 332,582	\$ 319,719	\$ 12,863
Operating expenditures	80,435	96,197	87,345	8,852
Capital outlay	45,003	44,523	45,608	(1,085)
Debt service	2,000	2,050	2,028	22
Total Library	<u>428,495</u>	<u>475,352</u>	<u>454,700</u>	<u>20,652</u>
Park maintenance				
Personal services	364,462	364,462	309,372	55,090
Operating expenditures	98,900	113,814	85,981	27,833
Capital outlay	7,500	45,055	40,787	4,268
Debt service	32,335	32,335	28,587	3,748
Total Park maintenance	<u>503,197</u>	<u>555,666</u>	<u>464,727</u>	<u>90,939</u>
Recreation				
Personal services	196,968	201,593	182,159	19,434
Operating expenditures	142,130	200,505	196,764	3,741
Capital outlay	25,000	79,100	71,583	7,517
Debt service	15,100			
Total Recreation	<u>379,198</u>	<u>481,198</u>	<u>450,506</u>	<u>30,692</u>
Total Culture and recreation	<u>1,310,890</u>	<u>1,512,216</u>	<u>1,369,933</u>	<u>142,283</u>
Total expenditures	<u>9,084,923</u>	<u>10,220,727</u>	<u>9,494,332</u>	<u>726,395</u>
Transfers out				
CRA fund			688,755	(688,755)
Grants and entitlements fund			3,250	(3,250)
Marina fund		232,000		232,000
Streets and roads fund	100,000	116,776	100,000	16,776
Total Transfers out	<u>100,000</u>	<u>348,776</u>	<u>792,005</u>	<u>(443,229)</u>
Total expenditures and transfers	<u>9,184,923</u>	<u>10,569,503</u>	<u>10,286,337</u>	<u>283,166</u>
Net change in fund balances	<u>\$</u>	<u>\$</u>	<u>\$ (549,599)</u>	<u>\$ (549,599)</u>

See notes to the budgetary comparison schedules.

CRA FUND

**TOWN OF LAKE PARK, FLORIDA**  
**Budgetary Comparison Schedule -**  
**Community Redevelopment Fund**  
**For the Year Ended September 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 223,563	\$ 275,403	\$ 273,769	\$ (1,634)
Investment income	10,000	20,000	24,764	4,764
Transfer from General Fund			688,755	688,755
Total revenues	233,563	295,403	987,288	691,885
Expenditures				
General government	54,925	64,590	32,971	31,619
Capital outlay	150,000	190,000	188,251	1,749
Unappropriated	28,638	40,813		40,813
Total expenditures	233,563	295,403	221,222	74,181
Net change in fund balances	\$	\$	\$ 766,066	\$ 766,066

See notes to the budgetary comparison schedules.

**TOWN OF LAKE PARK**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**SEPTEMBER 30, 2007**

**NOTE A - BUDGETARY ACCOUNTING**

An appropriated budget has been legally adopted for the General Fund and Community Redevelopment Fund on the same modified-accrual basis used to reflect revenue and expenditures, except that for budgetary purposes, revenue includes capital leases issued, transfers, and proceeds from the sale of capital assets. Expenditures include encumbrances and capital outlays are reflected as current expenditures within each governmental function. The Town Commission approved budget amendments for the General Fund totaling \$1,384,580 during the year, which increased the original General Fund appropriations from \$9,189,923 to a revised total of \$10,569,503. For the Community Redevelopment Fund, approved budget amendments totaled \$61,840 during the year, which increased the original appropriations from \$233,563 to a revised total of \$295,403.

The Town follows these procedures in establishing the annual budget:

1. Prior to September 1, the Town Manager submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Town Hall to obtain taxpayer comments.
3. The Town advises the Palm Beach County Tax Collector's office of the proposed millage rate, the rolled back millage rate and the day, time and place of the public hearing for budget acceptance.
4. A public hearing is held to obtain taxpayer input and to adopt the final budget and millage rate.
5. The budget and related millage rates are legally enacted through passage of an ordinance.
6. Changes or amendments to the total budgeted expenditures of the Town or a department must be approved by the Town Commission; however, changes within a department which do not affect the total departmental expenditures may be approved by the Town Manager. Accordingly, the legal level of control is at the department level.
7. All unencumbered balances lapse at the end of each fiscal year.

**TOWN OF LAKE PARK  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
SEPTEMBER 30, 2007**

**NOTE A - BUDGETARY ACCOUNTING** (Continued)

The reported budgetary data represents the final appropriated budget after amendments adopted by the Town Commission. An appropriated budget is legally required and has been legally adopted for the General Fund, Debt Service Fund, Streets and Roads Special Revenue Fund, and the Community Redevelopment Special Revenue Fund, on the same modified-accrual basis used to reflect actual revenues and expenditures, except that for budgetary purposes, current year encumbrances are treated as expenditures and transfers in and transfers out are treated as revenues and expenditures, respectively. The operations of the Town's other funds are non-budgeted financial activities, which are not legally required to adopt budgets. Budgetary comparison schedules for the Debt Service Fund and Streets and Roads Special Revenue Fund, non-major funds, are not required to be presented and may be found in Other Supplementary Information at pages 76 and 77.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary control in the General Fund. Encumbrances outstanding at year end, if any, are reported as reservations of fund balance for subsequent year expenditures. For budgetary purposes, current year encumbrances are treated as expenditures and any unencumbered balances lapse at year end.

**NOTE B - BUDGET AND ACTUAL COMPARISONS**

The budgetary comparison schedule - General Fund, from page 65-69, and Community Redevelopment Fund, from page 70, are prepared under the basis of accounting used in preparing the appropriated budget. As indicated in Note A, for budgetary purposes, proceeds from the sale of fixed assets are treated as revenues, and current year encumbrances are treated as expenditures. As a result, revenues and expenditures reported in the budget and actual statement differ from the revenues and expenditures reported on the GAAP basis. These differences are reconciled as follows:

General Fund	<u>Revenues</u>	<u>Expenditures</u>
Current year encumbrances outstanding at year end	\$	\$ 71,845
Prior year encumbrances paid in the current year		(25,569)
Net encumbered amount		46,276
Transfers	75,000	792,005
Proceeds from the sale of capital assets	5,742	
Net differences – GAAP and budgetary basis	80,742	838,281
GAAP basis	9,655,996	9,448,056
Budgetary basis	<u>\$ 9,736,738</u>	<u>\$10,286,337</u>

**TOWN OF LAKE PARK  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
SEPTEMBER 30, 2007**

**NOTE B - BUDGET AND ACTUAL COMPARISONS** (Continued)

Community Redevelopment Fund	<u>Revenues</u>	<u>Expenditures</u>
Current year encumbrances outstanding at year end	\$	\$ 14,954
Prior year encumbrances paid in the current year		
Net encumbered amount		<u>14,954</u>
Transfers	688,755	
Proceeds from the sale of capital assets		
Net differences – GAAP and budgetary basis	<u>688,755</u>	<u>14,954</u>
GAAP basis	<u>298,533</u>	<u>206,268</u>
Budgetary basis	<u>\$ 987,288</u>	<u>\$ 221,222</u>

**NOTE C – EXPENDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2007, expenditures exceeded appropriations by \$8,663 for Information Technology and \$443,229 for transfers out in the General Fund. These over-expenditures were funded by savings in other departments in the General Fund.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Fund

Special Revenue Funds  
*Grants and Entitlements Fund*  
*Streets and Roads Fund*

Capital Projects Funds  
*Capital Projects Fund*  
*Special Projects Fund*

**TOWN OF LAKE PARK, FLORIDA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2007**

	Debt Service Fund	Special Revenue Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
		Grants & Entitlements Fund	Streets & Roads Fund	Capital Projects Bond Fund	Special Projects Fund	
<b>Assets</b>						
Pooled cash and cash equivalents	\$ 239,847	\$	\$ 17,411	\$ 350,509	\$	\$ 607,767
Accounts receivable			21,502			21,502
Due from other governments					192,338	192,338
Total assets	<u>\$ 239,847</u>	<u>\$</u>	<u>\$ 38,913</u>	<u>\$ 350,509</u>	<u>\$ 192,338</u>	<u>\$ 821,607</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$	\$	\$ 74,116	\$	\$ 34,760	\$ 108,876
Accrued items			10,652			10,652
Unearned revenue					199,222	199,222
Due to other funds					144,028	144,028
Total liabilities			84,768		378,010	462,778
<b>Fund balances (deficit)</b>						
Reserved for/reported in:						
Encumbrances						
			4,217			4,217
Debt Service / Debt Service Fund	239,847					239,847
Unreserved						
Undesignated (deficit)						
Special revenue funds						
			(50,072)			(50,072)
Capital projects fund						
				350,509	(185,672)	164,837
Total fund balances	<u>239,847</u>		<u>(45,855)</u>	<u>350,509</u>	<u>(185,672)</u>	<u>358,829</u>
Total liabilities and fund balances	<u>\$ 239,847</u>	<u>\$</u>	<u>\$ 38,913</u>	<u>\$ 350,509</u>	<u>\$ 192,338</u>	<u>\$ 821,607</u>

**TOWN OF LAKE PARK, FLORIDA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2007**

	Debt Service Fund	Special Revenue Funds		Capital Projects Funds		Total Nonmajor Governmental Funds
		Grants & Entitlements Fund	Streets & Roads Fund	Capital Projects Bond Fund	Special Projects Fund	
Revenues						
Taxes	\$ 835,048	\$	\$	\$	\$	\$ 835,048
Intergovernmental			382,948		7,304	390,252
Investment earnings	23,348					23,348
Total revenues	<u>858,396</u>		<u>382,948</u>		<u>7,304</u>	<u>1,248,648</u>
Expenditures						
Current						
General government					88,131	88,131
Transportation			279,040			279,040
Culture and recreation					142,170	142,170
Capital outlay			169,516			169,516
Debt service						
Principal	455,576		4,099			459,675
Interest charges	312,531		910			313,441
Total expenditures	<u>768,107</u>		<u>453,565</u>		<u>230,301</u>	<u>1,451,973</u>
Excess of revenues over (under) expenditures	<u>90,289</u>		<u>(70,617)</u>		<u>(222,997)</u>	<u>(203,325)</u>
Other financing sources (uses)						
Transfers in		3,250	100,000			103,250
Total other financing sources (uses)		<u>3,250</u>	<u>100,000</u>			<u>103,250</u>
Net changes in fund balances	90,289	3,250	29,383		(222,997)	(100,075)
Fund balances - beginning (deficit)	<u>149,558</u>	<u>(3,250)</u>	<u>(75,238)</u>	<u>350,509</u>	<u>37,325</u>	<u>458,904</u>
Fund balances - ending (deficit)	<u>\$ 239,847</u>	<u>\$</u>	<u>\$ (45,855)</u>	<u>\$ 350,509</u>	<u>\$ (185,672)</u>	<u>\$ 358,829</u>

**TOWN OF LAKE PARK, FLORIDA**  
**Budgetary Comparison Schedule -**  
**Debt Service Fund**  
**For the Year Ended September 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
	<u>          </u>	<u>          </u>		<u>          </u>
Revenues				
Taxes	\$ 822,129	\$ 822,129	\$ 835,048	\$ 12,919
Investment earnings	10,300	10,300	23,348	13,048
Fund balance appropriation	33,827	33,827		(33,827)
Total revenues	<u>866,256</u>	<u>866,256</u>	<u>858,396</u>	<u>(7,860)</u>
Expenditures				
Debt service	768,108	768,108	768,107	1
Debt service reserves	98,148	98,148		98,148
Total expenditures	<u>866,256</u>	<u>866,256</u>	<u>768,107</u>	<u>98,149</u>
Net change in fund balances - budgetary basis	<u>\$</u>	<u>\$</u>	<u>\$ 90,289</u>	<u>\$ 90,289</u>

**TOWN OF LAKE PARK, FLORIDA**  
**Budgetary Comparison Schedule -**  
**Streets and Roads Fund**  
**For the Year Ended September 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 450,752	\$ 450,752	\$ 382,948	\$ (67,804)
Transfer from General Fund	100,000	116,776	100,000	(16,776)
Total revenues	<u>550,752</u>	<u>567,528</u>	482,948	<u>(84,580)</u>
Expenditures				
Transportation	<u>550,752</u>	<u>567,528</u>	<u>448,508</u>	<u>119,020</u>
Net change in fund balances - budgetary basis	<u>\$</u>	<u>\$</u>	<u>\$ 34,440</u>	<u>\$ 34,440</u>

FIDUCIARY FUNDS

Pension Trust Funds

*Retired Police Officers' Pension Trust Fund*

*Municipal Firemen's Pension Trust Fund*

**TOWN OF LAKE PARK, FLORIDA**  
**Combining Statement of Fiduciary Net Assets**  
**September 30, 2007**

	Retured Police Officers' Pension Fund	Municipal Firemen's Pension Fund	Total
<b>ASSETS</b>			
Cash	\$ 21,006	\$ 13,256	\$ 34,262
Investments			
Closed end equity funds	1,404,000		1,404,000
Closed end taxable bond funds	565,397		565,397
Receivables			
Contributions	25,727	641,783	667,510
Interest and dividends	875		875
Prepaid retirement benefits	10,622		10,622
<b>Total assets</b>	<u>2,027,627</u>	<u>655,039</u>	<u>2,682,666</u>
<b>Liability</b>			
Termination refunds payable		641,783	641,783
<b>Net Assets</b>			
Held in trust for pension benefits	<u>\$ 2,027,627</u>	<u>\$ 13,256</u>	<u>\$ 2,040,883</u>

**TOWN OF LAKE PARK, FLORIDA**  
**Combining Statement of Changes in Net Assets**  
**Employee Retirement Funds**  
**For the Year Ended September 30, 2007**

	Retired Police Officers' Pension Fund	Municipal Firemen's Pension Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Additions:</b>			
Contributions:			
Employer	\$ 20,680	\$ 641,783	\$ 662,463
Investment income:			
Net appreciation in fair value of investments	218,197		218,197
Interest and dividends	<u>49,788</u>	<u>4,858</u>	<u>54,646</u>
Net investment income	<u>267,985</u>	<u>4,858</u>	<u>272,843</u>
Total additions	<u>288,665</u>	<u>646,641</u>	<u>935,306</u>
<b>Deductions:</b>			
Retirement benefits	166,881		166,881
Refunds of contributions		866,874	866,874
Administrative expenses	<u>10,604</u>	<u>20,091</u>	<u>30,695</u>
Total deductions	<u>177,485</u>	<u>886,965</u>	<u>1,064,450</u>
Change in net assets	111,180	(240,324)	(129,144)
Net assets held in trust for pension benefits, beginning of year	<u>1,916,447</u>	<u>253,580</u>	<u>2,170,027</u>
<b>Net assets held in trust for pension benefits, end of year</b>	<u>\$ 2,027,627</u>	<u>\$ 13,256</u>	<u>\$ 2,040,883</u>

STATISTICAL SECTION

## STATISTICAL SECTION

*This part of the Town of Lake Park's comprehensive annual financial report presents detailed unaudited information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the Town's overall financial health.*

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#### **Financial Trends**

*These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. These schedules include:*

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*These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.*

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*These schedules contain service and infrastructure data to help understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.*

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

**TOWN OF LAKE PARK, FLORIDA**  
*Net Assets by Component*  
*Last Four Fiscal Years*  
*(Accrual Basis of Accounting) Unaudited*

	Fiscal Year			
	2004	2005	2006	2007
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ (2,042,578)	\$ -	\$ (1,219,252)	\$ 179,115
Restricted	88,879	114,301	149,558	239,847
Unrestricted	2,268,630	1,640,854	3,711,384	3,838,721
<b>Total governmental activities net assets</b>	<u>\$ 314,931</u>	<u>\$ 1,755,155</u>	<u>\$ 2,641,690</u>	<u>\$ 4,257,683</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 1,957,744	\$ 3,666,688	\$ 4,240,204	\$ 4,461,916
Restricted	-	292,141	61,648	-
Unrestricted	2,094,262	904,990	996,718	146,230
<b>Total business-type activities net assets</b>	<u>\$ 4,052,006</u>	<u>\$ 4,863,819</u>	<u>\$ 5,298,570</u>	<u>\$ 4,608,146</u>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ (84,834)	\$ 3,666,688	\$ 3,020,952	\$ 4,641,031
Restricted	88,879	406,442	211,206	239,847
Unrestricted	4,362,892	2,545,844	4,708,102	3,984,951
<b>Total primary government net assets</b>	<u>\$ 4,366,937</u>	<u>\$ 6,618,974</u>	<u>\$ 7,940,260</u>	<u>\$ 8,865,829</u>

Information prior to fiscal year 2004 is not available.

**TOWN OF LAKE PARK, FLORIDA**  
*Changes in Net Assets*  
*Last Four Fiscal Years*  
*(Accrual Basis of Accounting) Unaudited*

	Fiscal Year			
	2004	2005	2006	2007
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,315,158	\$ 1,462,056	\$ 1,704,011	\$ 2,237,149
Public safety	3,106,822	3,870,758	4,377,568	5,008,257
Physical environment	440,968	462,674	953,466	652,725
Transportation	531,581	559,433	820,777	573,501
Culture and recreation	887,990	1,052,857	1,242,254	1,450,650
Interest on long-term debt	367,469	351,729	334,083	314,933
<b>Total governmental activities expenses</b>	<u>6,649,988</u>	<u>7,759,507</u>	<u>9,432,159</u>	<u>10,237,215</u>
Business-type activities:				
Marina	118,893	216,922	1,143,506	1,610,274
Sanitation	1,040,062	1,321,437	1,245,151	1,283,851
<b>Total business-type activities expenses</b>	<u>1,158,955</u>	<u>1,538,359</u>	<u>2,388,657</u>	<u>2,894,125</u>
<b>Total primary government expenses</b>	<u>\$ 7,808,943</u>	<u>\$ 9,297,866</u>	<u>\$ 11,820,816</u>	<u>\$ 13,131,340</u>
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 392,336	\$ 415,029	\$ 504,806	\$ 33,232
Public safety	221,502	607,252	451,805	967,365
Physical environment	-	-	-	-
Culture and recreation	44,670	38,817	48,471	49,352
Operating contributions and grants:				
General government	118,178	200,470	324,969	103,021
Public safety	-	-	-	7,950
Physical environment	-	22,662	10,000	-
Transportation	463,685	748,968	810,226	-
Culture and recreation	15,764	-	-	16,816
Capital contributions and grants:				
General government	76,697	327,408	226,097	-
Public safety	-	-	-	3,435
Physical environment	-	-	-	40,000
Transportation	-	-	-	15,709
Culture and recreation	-	-	-	306,858
<b>Total governmental activities program revenues</b>	<u>1,332,832</u>	<u>2,360,606</u>	<u>2,392,811</u>	<u>1,543,738</u>
Business-type activities:				
Charges for services:				
Marina	5,296	184,545	1,092,204	1,279,927
Sanitation	1,364,796	1,403,863	1,409,510	1,423,947
Operating contributions and grants				
Marina	210,807	22,098	-	-
Sanitation	-	354,529	259,527	-
Capital contributions and grants				
Marina	-	240,193	-	825
<b>Total business-type activities program revenues</b>	<u>1,580,899</u>	<u>2,205,228</u>	<u>2,761,241</u>	<u>2,704,699</u>
<b>Total primary government program revenues</b>	<u>\$ 2,913,731</u>	<u>\$ 4,565,834</u>	<u>\$ 5,154,052</u>	<u>\$ 4,248,437</u>

Information prior to fiscal year 2004 is not available.

**TOWN OF LAKE PARK, FLORIDA**  
*Changes in Net Assets*  
*Last Four Fiscal Years*  
*(Accrual Basis of Accounting) Unaudited*

	Fiscal Year			
	2004	2005	2006	2007
<b>Net (expense) revenue</b>				
Governmental activities	\$ (5,317,156)	\$ (5,398,901)	\$ (7,039,348)	\$ (8,693,477)
Business-type activities	421,944	666,869	372,584	(189,426)
<b>Total primary government net expense</b>	<u>\$ (4,895,212)</u>	<u>\$ (4,732,032)</u>	<u>\$ (6,666,764)</u>	<u>\$ (8,882,903)</u>
<b>General revenues and other changes in net assets</b>				
Governmental activities:				
Taxes:				
Property taxes	\$ 3,711,359	\$ 4,251,570	\$ 5,066,005	\$ 6,262,727
Franchise fees	473,764	518,641	631,811	629,365
Utility service taxes	618,080	651,733	671,970	668,400
Sales tax	661,796	-	-	260,282
Communication sales tax	500,277	-	-	539,562
Intergovernmental, unrestricted	39,468	1,266,350	720,919	1,062,715
Gain on sale of equipment	-	17,140	39,629	-
Miscellaneous revenue	-	-	-	24,658
Investment earnings	64,028	133,691	532,902	306,398
Transfers	(140,549)	-	262,647	75,000
<b>Total governmental activities</b>	<u>463,224</u>	<u>6,839,125</u>	<u>7,925,883</u>	<u>9,829,107</u>
Business-type activities				
Investment earnings	42,417	44,694	62,167	78,419
Gain on sale of equipment	-	100,250	-	14,720
Miscellaneous revenues	-	-	-	7,168
Transfers	140,549	-	-	(75,000)
<b>Total business-type activities</b>	<u>182,966</u>	<u>144,944</u>	<u>62,167</u>	<u>25,307</u>
<b>Total primary government</b>	<u>\$ 646,190</u>	<u>\$ 6,984,069</u>	<u>\$ 7,988,050</u>	<u>\$ 9,854,414</u>
<b>Changes in net assets</b>				
Governmental activities	\$ (4,853,932)	\$ 1,440,224	\$ 886,535	\$ 1,135,630
Business-type activities	604,910	811,813	434,751	(164,119)
<b>Total primary government</b>	<u>\$ (4,249,022)</u>	<u>\$ 2,252,037</u>	<u>\$ 1,321,286</u>	<u>\$ 971,511</u>

Information prior to fiscal year 2004 is not available.

**TOWN OF LAKE PARK, FLORIDA**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
*(Modified Accrual Basis of Accounting) Unaudited*

	<b>Fiscal Year</b>			
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>General fund</b>				
Reserved	\$ 127,553	\$ 128,114	\$ 95,607	\$ 9,381
Unreserved	-	-	-	-
Designated for subsequent years budget	250,000	232,446	232,446	-
Undesignated	854,757	837,592	252,655	162,832
	<u>1,232,310</u>	<u>1,198,152</u>	<u>580,708</u>	<u>172,213</u>
Total general fund	<u>\$ 1,232,310</u>	<u>\$ 1,198,152</u>	<u>\$ 580,708</u>	<u>\$ 172,213</u>
<b>All other governmental funds</b>				
Reserved	\$ 24,481	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Designated for capital projects	3,314,784	5,090,905	2,955,751	2,014,209
Designated for subsequent year's budget	-	-	-	-
Undesignated, reported in:				
Debt service fund	-	(199,652)	(199,652)	29,108
Special revenue funds	(7,045)	54,175	17,823	-
Capital projects fund	-	(244,666)	-	(187,647)
	<u>3,332,220</u>	<u>4,700,762</u>	<u>2,773,922</u>	<u>\$</u>
Total all other governmental funds	<u>\$ 3,332,220</u>	<u>\$ 4,700,762</u>	<u>\$ 2,773,922</u>	<u>\$</u>

**Fiscal Year**

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 5,778	\$ 8,617	\$ 44,961	\$ 177,971	\$ 135,074	\$ 946,499
-	-	-	-	-	-
-	-	-	-	-	151,963
844,854	1,590,425	1,879,919	2,672,593	3,138,613	1,010,346
<u>\$ 850,632</u>	<u>\$ 1,599,042</u>	<u>\$ 1,924,880</u>	<u>\$ 2,850,564</u>	<u>\$ 3,273,687</u>	<u>\$ 2,108,808</u>
\$ -	\$ -	\$ 88,879	\$ 114,301	\$ 149,558	\$ 1,590,692
-	-	-	-	-	-
995,018	37,698	-	-	-	-
-	-	-	-	-	-
(191,130)	(755)	-	-	-	849,579
61,951	(45,208)	(94,042)	135,371	244,852	164,837
<u>\$ 865,839</u>	<u>\$ (8,265)</u>	<u>\$ (5,163)</u>	<u>\$ -</u>	<u>\$ 394,410</u>	<u>\$ 2,605,108</u>

**TOWN OF LAKE PARK, FLORIDA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting) Unaudited**

	<b>Fiscal Year</b>			
	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Revenues</b>				
Taxes	\$ 3,683,036	\$ 3,715,803	\$ 4,147,131	\$ 4,362,132
Licenses and permits	285,141	434,425	339,578	365,051
Intergovernmental	1,486,212	1,359,453	2,308,263	1,933,638
Charges for services	82,946	78,889	388,342	394,239
Fines and forfeitures	139,585	161,613	233,237	150,464
Miscellaneous	485,289	331,328	372,532	257,149
<b>Total revenues</b>	<b>6,162,209</b>	<b>6,081,511</b>	<b>7,789,083</b>	<b>7,462,673</b>
<b>Expenditures</b>				
General government	875,020	901,006	965,743	1,163,835
Public safety	2,961,893	3,090,035	3,899,379	3,519,712
Physical environment	211,871	244,035	257,822	275,769
Transportation	244,507	262,567	339,520	363,213
Culture and recreation	658,654	696,025	725,023	779,045
Capital outlay	2,320,458	4,169,381	3,737,832	1,895,528
Debt service				
Principal	347,024	251,000	372,211	416,196
Interest	225,665	372,902	449,365	436,122
<b>Total expenditures</b>	<b>7,845,092</b>	<b>9,986,951</b>	<b>10,746,895</b>	<b>8,849,420</b>
Excess of revenues over (under) expenditures	(1,682,883)	(3,905,440)	(2,957,812)	(1,386,747)
<b>Other financing sources (uses)</b>				
Transfers in	266,796	371,375	372,343	130,099
Transfers out	(74,331)	(131,551)	(122,343)	(70,099)
Proceeds from sale of assets	-	-	-	-
Bonds issued	-	5,000,000	-	-
Capital lease obligations	-	-	163,528	-
<b>Total other financing sources (uses)</b>	<b>192,465</b>	<b>5,239,824</b>	<b>413,528</b>	<b>60,000</b>
Net change in fund balances	<b>\$ (1,490,418)</b>	<b>\$ 1,334,384</b>	<b>\$ (2,544,284)</b>	<b>\$ (1,326,747)</b>
Debt service as a percentage of non-capital expenditures	<b>13.34%</b>	<b>13.87%</b>	<b>15.04%</b>	<b>13.97%</b>

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 4,182,729	\$ 4,536,447	\$ 4,803,203	\$ 5,556,457	\$ 6,369,786	\$ 7,286,723
508,963	479,752	412,858	786,175	567,044	695,726
2,769,313	2,180,062	1,823,113	2,415,388	2,356,210	2,323,977
472,350	163,004	176,671	161,681	239,705	254,759
62,424	68,319	68,979	100,642	185,234	220,724
202,261	635,643	116,780	162,248	600,715	421,268
<u>8,198,040</u>	<u>8,063,227</u>	<u>7,401,604</u>	<u>9,182,591</u>	<u>10,318,694</u>	<u>11,203,177</u>
1,152,324	1,343,427	1,291,440	1,451,403	1,594,394	1,701,253
3,545,800	2,915,117	3,069,983	3,814,984	4,302,722	4,992,454
272,708	342,981	355,001	357,690	835,987	551,320
417,061	499,871	512,437	550,861	809,325	573,007
622,652	646,691	699,347	806,050	940,868	1,330,674
1,724,583	1,799,244	282,527	116,093	1,008,895	1,126,772
464,038	397,570	417,354	448,808	472,830	510,523
422,133	390,570	372,129	356,611	339,199	320,294
<u>8,621,299</u>	<u>8,335,471</u>	<u>7,000,218</u>	<u>7,902,500</u>	<u>10,304,220</u>	<u>11,106,297</u>
(423,259)	(272,244)	401,386	1,280,091	14,474	96,880
278,566	160,550	-	-	46,107	867,005
(214,290)	(81,164)	(140,549)	-	(46,107)	(792,005)
-	-	226,870	243,905	256,897	5,742
-	-	-	-	-	-
47,571	-	61,606	84,453	103,185	-
<u>111,847</u>	<u>79,386</u>	<u>147,927</u>	<u>328,358</u>	<u>360,082</u>	<u>80,742</u>
<u>\$ (311,412)</u>	<u>\$ (192,858)</u>	<u>\$ 549,313</u>	<u>\$ 1,608,449</u>	<u>\$ 374,556</u>	<u>\$ 177,622</u>
<u>14.74%</u>	<u>13.71%</u>	<u>13.32%</u>	<u>11.54%</u>	<u>9.57%</u>	<u>9.08%</u>

**TOWN OF LAKE PARK, FLORIDA**  
**Governmental Funds Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting) Unaudited**

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Franchise Fees</b>	<b>Utility Service Taxes</b>	<b>Communication Services Taxes</b>	<b>Sales Tax</b>	<b>Totals</b>
<b>2004</b>	\$ 3,711,359	\$ 473,764	\$ 618,080	\$ 500,277	\$ 661,796	\$ 5,965,276
<b>2005</b>	4,251,570	518,641	655,214	530,407	679,722	6,635,554
<b>2006</b>	5,066,005	631,811	673,848	532,902	720,919	7,625,485
<b>2007</b>	6,262,727	629,365	668,400	539,562	260,282	8,360,336

Information prior to fiscal year 2004 is not available.

**TOWN OF LAKE PARK, FLORIDA**  
**General Governmental Revenue by Source**  
**Last Ten Fiscal Years**  
*(Modified Accrual Basis of Accounting) Unaudited*

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- governmental</u>	<u>Charges for Services</u>
1998	\$ 3,305,136	\$ 285,141	\$ 1,158,635	\$ 81,823
1999	3,340,126	434,425	1,135,751	77,015
2000	3,379,024	339,578	1,211,537	388,342
2001	3,594,025	365,051	1,172,447	394,239
2002	3,418,867	508,963	1,843,363	472,350
2003	3,580,692	479,752	1,360,445	163,004
2004	3,954,690	412,858	1,402,673	176,671
2005	4,637,685	786,175	1,538,637	161,681
2006	5,861,265	566,508	843,445	239,705
2007	7,286,723	695,726	2,323,977	254,759

<b>Fiscal Year</b>	<b>Fines and Forfeitures</b>	<b>Miscellaneous</b>	<b>Other Financing Sources</b>	<b>Total</b>	<b>Annual Percentage Increase (Decrease)</b>
1998	139,585	\$ 127,887	\$ 200,000	\$ 5,098,207	(3.8) %
1999	161,613	157,102	250,000	5,306,032	4.1 %
2000	233,237	129,026	463,528	5,680,744	7.1 %
2001	150,464	125,894	60,000	5,802,120	2.1 %
2002	62,424	188,848	324,980	6,494,815	11.9 %
2003	68,319	377,760	160,550	6,029,972	(7.2) %
2004	68,979	88,775	-	6,104,646	1.2 %
2005	100,642	142,127	-	7,366,947	20.7 %
2006	182,788	696,141	-	8,389,852	13.9 %
2007	220,724	421,268	-	11,203,177	33.5 %

**TOWN OF LAKE PARK, FLORIDA**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**  
**Unaudited**

Year	Real Property		Personal Property	Centrally Assessed Property	Assessed Value for Operations	Total Direct Tax Rate	Total Taxable Value (1)
	Residential	Commerical					
1998	\$ 114,671,555	\$ 70,112,682	\$ 29,731,683	\$ 656,174	\$ 215,172,094	8.3914	215,172,094
1999	117,288,814	71,553,403	30,352,466	669,941	219,864,624	8.3914	219,864,624
2000	138,971,356	117,061,877	28,694,715	692,324	285,420,272	11.1614	285,420,272
2001	145,630,576	123,636,530	30,157,262	730,032	300,154,400	10.9914	300,154,400
2002	160,685,977	129,724,663	33,497,336	732,819	324,640,795	10.9914	324,640,795
2003	175,705,535	139,504,494	36,001,397	859,592	352,071,018	10.8500	352,071,018
2004	213,547,796	175,020,828	38,469,559	897,274	427,935,457	10.2500	427,935,457
2005	275,026,756	197,918,997	38,469,559	897,274	512,312,586	9.9500	512,312,586
2006	343,048,900	277,146,764	43,072,903	899,238	664,167,805	9.8000	664,167,805
2007	362,447,556	319,364,915	50,439,255	1,038,292	733,290,018	8.5850	733,290,018

(1) Florida state law requires all property to be assessed at current fair market value. Accordingly, the estimated actual value is equal to the Total Assessed Value.

Source: Palm Beach County Property Appraiser

**TOWN OF LAKE PARK, FLORIDA**  
*Direct and Overlapping Property Tax Rates*  
*Last Ten Fiscal Years*  
*Rate per \$1,000 of Assessed Value*  
*Unaudited*

<b>Fiscal Year</b>	<b>Town of Lake Park Property Tax Rates</b>			<b>Overlapping Property Tax Rates - (1)</b>		
	<b>Operating Millage</b>	<b>General Obligation Debt Service</b>	<b>Total Town Millage</b>	<b>Operating Millage</b>	<b>General Obligation Debt Service</b>	<b>Total County Millage</b>
<b>1998</b>	8.3914	1.4782	9.8696	4.6000	0.2666	4.8666
<b>1999</b>	8.3914	1.4484	9.8398	4.6000	0.2582	4.8582
<b>2000</b>	8.3914	2.7700	11.1614	4.6000	0.3456	4.9456
<b>2001</b>	8.3914	2.7700	11.1614	4.6000	0.3362	4.9362
<b>2002</b>	8.3914	2.6000	10.9914	4.5500	0.3851	4.9351
<b>2003</b>	8.3500	3.0358	11.3858	4.5000	0.3084	4.8084
<b>2004</b>	8.3500	2.5000	10.8500	4.5000	0.2910	4.7910
<b>2005</b>	8.3500	1.9000	10.2500	4.5000	0.2677	4.7677
<b>2006</b>	8.2000	1.6000	9.8000	4.4500	0.2700	4.4775
<b>2007</b>	8.0000	1.3000	9.3000	4.2800	0.1975	3.9813

Note: All millage rates are based on \$1 for every \$1000 of assessed value

Source: Notice of Ad Valorem Taxes and Non-Ad Valorem Assessments

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

**Overlapping Property Tax Rates - (1)**

<b>Palm Beach County School District</b>			<b>Palm Beach</b>	
<b>Operating Millage</b>	<b>General Obligation Debt Service</b>	<b>Total School Millage</b>	<b>County Special Districts</b>	<b>Total</b>
9.060	0.497	9.557	2.3600	26.6532
9.179	0.503	9.682	2.2343	26.6143
8.587	0.456	9.043	2.1856	27.3356
8.487	0.431	8.918	2.2630	27.2786
8.547	0.401	8.948	2.4558	27.3303
8.427	0.352	8.779	2.4883	27.4615
8.251	0.320	8.571	2.5557	26.7677
8.158	0.274	8.432	2.5257	25.9754
7.880	0.220	8.100	2.5085	24.8860
7.712	0.160	7.872	2.3254	23.4787

**TOWN OF LAKE PARK, FLORIDA**  
*Principal Property Taxpayers*  
*Current Year and Nine Years Ago*  
*Unaudited*

	<b>2007</b>			
	<b>Taxable Assessed Valuation</b>	<b>Taxes</b>	<b>Rank</b>	<b>Percentage of Total Taxes Levied</b>
Wal Mart Stores East LP	\$ 25,024,653	\$ 214,837	1	3.46%
Lake Prk Owner LLC	20,298,612	174,264	2	2.81%
SC Lake Park Associates LLLP	13,000,000	111,605	3	1.80%
Lake Park Square Joint Venture	13,000,012	111,605	4	1.80%
Trust Lake Park LTD	10,700,000	91,860	5	1.48%
Twin Cities Investors Inc	10,462,106	89,817	6	1.45%
Smith, Nicholas S	11,269,257	96,747	7	1.56%
Northlake Square East LLC	10,000,999	85,859	8	1.28%
Earl Stewart LLC	8,436,659	72,429	9	1.17%
Lake Park Portfolio LLC	8,275,045	71,041	10	1.14%
WHCB Real Estate	-	-	-	-
New Plan Trust	-	-	-	-
J.D. & Catherine MacArthur Foundation	-	-	-	-
Phillip D. Lewis	-	-	-	-
Stuart Enterprised, Inc.	-	-	-	-
Theodore F. Gerson	-	-	-	-
Golden Bear Golf Center, Inc.	-	-	-	-
John A. Holley, Jr.	-	-	-	-
<b>Totals</b>	<b>\$ 130,467,343</b>	<b>\$ 1,120,064</b>		<b>17.95%</b>

	<b>1998</b>			
	<b>Taxable Assessed Valuation</b>	<b>Taxes</b>	<b>Rank</b>	<b>Percentage of Total Taxes Levied</b>
Wal Mart Stores East LP	\$ -	\$ -	-	-
Lake Prk Owner LLC	-	-	-	-
SC Lake Park Associates LLLP	-	-	-	-
Lake Park Square Joint Venture	-	-	-	-
Trust Lake Park LTD	-	-	-	-
Twin Cities Investors Inc	2,612,194	21,571	8	0.96%
Smith, Nicholas S	5,594,158	51,421	5	2.45%
Northlake Square East LLC	-	-	-	-
Earl Stewart LLC	-	-	-	-
Lake Park Portfolio LLC	-	-	-	-
WHCB Real Estate	9,064,819	88,949	1	3.97%
New Plan Trust	5,662,658	55,580	2	2.48%
J.D. & Catherine MacArthur Foundation	5,799,658	56,961	3	2.54%
Phillip D. Lewis	5,594,158	54,822	4	2.45%
Stuart Enterprised, Inc.	2,671,496	26,315	6	1.17%
Theodore F. Gerson	2,328,996	22,863	7	1.02%
Golden Bear Golf Center, Inc.	2,100,663	21,571	9	.92%
John A. Holley, Jr.	1,780,997	17,517	10	.78%
<b>Totals</b>	<b>\$ 43,209,797</b>	<b>\$ 417,570</b>		<b>18.74%</b>

Source: Palm Beach County Property Appraiser.

Note: Assessed values are established by the Palm Beach County Property Appraiser's office as of January 1st of each year.

**TOWN OF LAKE PARK, FLORIDA**  
*Property Tax Levies and Collections*  
*Last Ten Fiscal Years*  
*Unaudited*

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Amount of Current Taxes Collected (1)</b>	<b>Percent of Current Taxes Collected (1)</b>	<b>Amount of Delinquent Taxes Collected</b>
<b>1998</b>	\$ 2,242,166	\$ 2,158,785	96.3 %	\$ 15,706
<b>1999</b>	2,287,535	2,177,972	95.2 %	25,215
<b>2000</b>	3,102,751	2,968,734	95.7 %	13,782
<b>2,001</b>	3,235,477	3,073,411	95.0 %	32,712
<b>2002</b>	3,369,838	3,196,069	94.8 %	16,426
<b>2003</b>	3,625,081	3,517,408	97.0 %	19,212
<b>2004</b>	3,855,029	3,682,547	95.5 %	28,812
<b>2005</b>	4,407,224	4,119,485	93.5 %	132,085
<b>2006</b>	5,082,715	4,885,172	96.1 %	13,804
<b>2007</b>	6,209,531	5,989,731	96.5 %	18,140

<b>Fiscal Year</b>	<b>Total Collected for the Year</b>	<b>Ratio of Total Taxes Collected to Current Levy</b>	<b>Accumulated Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes to Current Levy</b>
<b>1998</b>	\$ 2,174,491	97.0 %	\$ 102,191	4.6 %
<b>1999</b>	2,203,187	96.3 %	127,875	5.6 %
<b>2000</b>	2,982,516	96.1 %	120,235	3.9 %
<b>2001</b>	3,106,123	96.0 %	110,002	3.4 %
<b>2002</b>	3,212,495	95.3 %	158,510	4.7 %
<b>2003</b>	3,536,620	97.6 %	158,510	4.4 %
<b>2004</b>	3,711,359	96.3 %	144,146	3.7 %
<b>2005</b>	4,251,570	96.5 %	181,547	4.1 %
<b>2006</b>	4,898,976	96.4 %	365,286	7.2 %
<b>2007</b>	6,007,871	96.8 %	383,426	6.2 %

(1) Includes discount taken for early payment of property taxes.

Source: Palm Beach County Property Appraiser

**TOWN OF LAKE PARK, FLORIDA**  
*Ratios of Outstanding Debt by Type*  
*Last Ten Fiscal Years*  
*Unaudited*

<b>Governmental Activities</b>					
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Capital Lease Obligations</b>	<b>Total Governmental Activities</b>	<b>Percentage of Taxable Value of Property</b>	<b>Per Capita(2)</b>
1998	\$ 4,634,512	\$ 97,732	\$ 4,732,244	1.74%	\$ 687.13
1999	9,428,125	77,034	9,505,159	3.42%	1,387.01
2000	9,099,105	197,682	9,296,787	3.35%	1,066.02
2001	8,754,434	129,803	8,884,237	2.67%	1,019.07
2002	8,393,364	58,285	8,451,649	2.78%	969.78
2003	8,015,113	22,609	8,037,722	1.90%	918.70
2004	7,618,861	63,113	7,681,974	1.47%	843.71
2005	7,203,749	113,870	7,317,619	1.40%	802.99
2006	6,768,877	179,097	6,947,974	1.08%	762.42
2007	6,313,300	124,150	6,437,450	0.88%	732.89

Note: Details about the Town's outstanding debt can be found in the notes to the financial statements.

(1) The Town does not have a legal debt margin

(2) Personal income information is not available for the population of the Town.

<b>Business-type Activities</b>				<b>Primary Government</b>		
<b>Marina Revenue Bonds</b>	<b>Loans Payable</b>	<b>Capital Lease Obligations</b>	<b>Total Business- type Activities</b>	<b>Total Primary Government</b>	<b>Population</b>	<b>Per Capita (2)</b>
-	\$ -	\$ 109,468	\$ 109,468	\$ 4,841,712	6,887	\$ 703.02
-	269,827	74,198	344,025	9,849,184	6,853	1,437.21
-	734,279	39,957	774,236	10,071,023	8,721	1,154.80
-	1,435,830	-	1,435,830	10,320,067	8,718	1,183.77
-	896,569	-	896,569	9,348,218	8,715	1,072.66
4,810,000	-	-	4,810,000	12,847,722	8,749	1,468.48
4,810,000	-	153,175	4,963,175	12,645,149	9,105	1,388.81
4,725,000	-	355,961	5,080,961	12,398,580	9,113	1,360.54
4,640,000	-	287,367	4,927,367	11,875,341	9,113	1,303.12
4,550,000	-	191,521	4,741,521	11,178,971	9,113	1,226.71

**TOWN OF LAKE PARK, FLORIDA**  
*Direct and Overlapping Governmental Activities Debt*  
*As of September 30, 2007*  
*Unaudited*

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated (1) Percentage Applicable to Town of Lake Park</u>	<u>Estimated (1) Share of Direct and Overlapping Debt</u>
<b>Overlapping debt:</b>			
<b>Direct debt - Town of Lake Park</b>			
General obligation bonds	\$ 6,313,300	100%	\$ 6,313,300
Obligations under capital lease	124,150	100%	124,150
<b>Other debt</b>			
Palm Beach County	313,515,000	0.684%	2,144,443
Palm Beach County School Board	38,580,000	0.684%	<u>263,887</u>
<b>Total direct and overlapping debt</b>			8,845,780
Estimated town population			<u>9,113</u>
Total per capita			\$ 970.68

(1) Estimates based on ratio of assessed taxable values.

Source: Finance Department, Town of Lake Park, Florida  
Palm Beach County Property Appraiser  
School Board of Palm Beach County

**TOWN OF LAKE PARK, FLORIDA**  
*Pledged-Revenue Coverage*  
*Last Ten Fiscal Years*  
*Unaudited*

<b>Marina Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Gross Revenue</b>	<b>Operating Expense (1)</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service (2)</b>	<b>Coverage</b>	
<b>1998</b>	\$ N/A	\$ N/A	\$ N/A	\$ N/A	N/A	
<b>1999</b>	N/A	N/A	N/A	N/A	N/A	
<b>2000</b>	N/A	N/A	N/A	N/A	N/A	
<b>2001</b>	N/A	N/A	N/A	N/A	N/A	
<b>2002</b>	N/A	N/A	N/A	N/A	N/A	
<b>2003</b>	N/A	N/A	N/A	N/A	N/A	
<b>2004</b>	247,172	81,465	165,707	231,625	0.72	
<b>2005</b>	234,161	192,934	41,227	316,625	0.13	
<b>2006</b>	1,098,735	812,296	286,439	314,925	0.91	
<b>2007</b>	1,285,288	1,075,249	210,039	316,525	0.66	

(1) Expense is exclusive of depreciation.

(2) Includes principal and interest of revenue bonds only.

**TOWN OF LAKE PARK, FLORIDA**  
*Demographic and Economic Statistics*  
*Last Ten Fiscal Years*  
*Unaudited*

<b>Fiscal Year</b>	<b>Population<sup>(1)</sup></b>	<b>Personal Income</b>	<b>Per Capita Personal Income<sup>(2)</sup></b>	<b>Median Age<sup>(2)</sup></b>	<b>Education Level in Years of Formal Schooling</b>	<b>School Enrollment<sup>(2)</sup></b>	<b>Unemployment Rate<sup>(2)</sup></b>
<b>1998</b>	6,887	N/A	36,057		N/A	657	6.2%
<b>1999</b>	6,853	N/A	36,057		N/A	633	5.8%
<b>2000</b>	8,721	N/A	40,044		N/A	633	4.1%
<b>2001</b>	8,718	N/A	41,907		N/A	515	5.5%
<b>2002</b>	8,715	N/A	42,430		N/A	515	5.5%
<b>2003</b>	8,749	N/A	43,626		N/A	516	6.3%
<b>2004</b>	9,105	N/A	48,380		N/A	482	5.7%
<b>2005</b>	9,113	N/A	44,050		N/A	430	4.2%
<b>2006</b>	9,113	N/A	44,518		N/A	386	3.7%
<b>2007</b>	9,113	N/A	40,864	35	N/A	420	4.0%

Data Sources:

(1) The population for 1997 through 2000 and 2003 through 2006 was obtained from the University of Florida, Bureau of Economic Business Administration. The population for 2001 and 2002 was obtained from the 2000 U.S. Census Bureau count.

(2) Business Development Board of Palm Beach County. Data is for the West Palm Beach to Boca Raton metropolitan area.

N/A - Not Available

**TOWN OF LAKE PARK, FLORIDA**  
*Principal Employers*  
*Current Year and Nine Years Ago*  
*Unaudited*

<b>Employer</b>	<b>2007</b>			<b>1998</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Town Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Town Employment</b>
Palm Beach County School District	21,707	1	N/A	16,800	1	N/A
Palm Beach County	11,293	2	N/A	9,000	2	N/A
Tenet Healthcare Corp.	4,794	3	N/A	N/A	N/A	N/A
Hospital Corporation of America	3,411	4	N/A	N/A	N/A	N/A
Florida Power & Light (Headquarters)	3,250	5	N/A	2,300	10	N/A
Florida Atlantic University	2,923	6	N/A	N/A	N/A	N/A
The Breakers	2,300	7	N/A	1,500	N/A	N/A
Office Depot (Headquarters)	2,180	8	N/A	1,500	N/A	N/A
Boca Raton Community Hospital	1,860	9	N/A	2,000	N/A	N/A
Boca Raton Resort & Club	1,650	10	N/A	1,850	N/A	N/A
<b>Totals</b>	<b>55,368</b>		<b>N/A</b>	<b>N/A</b>		<b>N/A</b>

Source:

<sup>(1)</sup> Business Development Board of Palm Beach County. Data is for the West Palm Beach to Boca Raton metropolitan area.

N/A - Not Available

**TOWN OF LAKE PARK, FLORIDA**  
*Full-time Equivalent Town Employees by Function/Program*  
*Last Ten Fiscal Years*  
*Unaudited*

<b>Full-time Equivalent Employees as of September 30,</b>										
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General government</b>										
Town Manager	3	4	3	3	3	3	3	3	3	3
Personnel	-	1	1	1	1	2	2	2	2	2
Town Clerk	3	3	3	2	2	2	2	2	2	2
Financial Trends	5	5	5	5	5	5	5	5	5	5
Information technology	-	-	-	-	-	-	-	-	1	1
<b>Public safety</b>										
Police	37	37	37	37	-	-	-	-	-	-
Fire	9	12	12	12	12	-	-	-	-	-
Community development	4	7	7	5	4	4	4	5	5	7
<b>Physical environment</b>										
Public works	9	9	7	7	6	6	5	7	8	9
Vehicle maintenance	3	3	3	3	2	2	2	2	2	2
<b>Transportation</b>										
Transportation	-	-	-	-	-	3	3	3	3	3
<b>Culture and recreation</b>										
Library	5	3	5	5	5	5	5	3	3	6
Park maintenance	7	6	6	6	6	6	6	6	6	8
Recreation	3	3	2	2	2	2	2	2	2	2
<b>Marina</b>										
	1	5	5	5	5	-	1	5	5	5
<b>Sanitation</b>										
	8	7	9	9	9	8	8	8	8	10
<b>Total</b>	<u><b>97</b></u>	<u><b>105</b></u>	<u><b>105</b></u>	<u><b>102</b></u>	<u><b>62</b></u>	<u><b>48</b></u>	<u><b>48</b></u>	<u><b>53</b></u>	<u><b>55</b></u>	<u><b>65</b></u>

**TOWN OF LAKE PARK, FLORIDA**  
**Operating Indicators by Function/Program**  
**Last Five Fiscal Years**  
**Unaudited**

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2006</b>	<b>2007</b>
<b>Public safety</b>					
<b>Community development</b>					
Code violations	865	960	1,571	1,534	1,612
Building permits issued	1,261	861	1,784	1,140	841
Financial Trends	24,600	16,796	37,679	20,121	24,835
<b>Transportation</b>					
Street resurfacing (miles)	-	-	-	3	-
Pot holes repaired	-	-	-	70	215
<b>Culture and recreation</b>					
<b>Library</b>					
Circulation	30,791	28,788	24,972	23,021	26,789
Programs offered	195	190	467	430	434
<b>Park maintenance</b>					
Acres of parks	69	69	69	69	69
<b>Recreation</b>					
Recreation programs offered	9	8	10	12	18
Recreation program attendance	307	289	304	394	431
Youth athletic participants	20	15	185	210	263
<b>Marina</b>					
Available slips	-	-	103	103	103
<b>Sanitation</b>					
Residential customers	363	377	369	357	3,698
Commercial customers	300	300	300	300	367
Refuse collected (tons)	44,257	11,610	12,685	11,381	9,222
Recyclables collected (tons)	310	248	283	282	573

Sources: Town departments

Note: Data is not available for fiscal years prior to 2000.

N/A: Not available.

**TOWN OF LAKE PARK, FLORIDA**  
*Capital Asset Statistics by Function/Program*  
*Last Five Fiscal Years*  
*Unaudited*

<b>Function/Program</b>	<b>Fiscal Year</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Public safety (contracted to Palm Beach County)</b>					
Police station - County	1	1	1	1	1
Fire station - County	1	1	1	1	1
Financial Trends					
<b>Transportation</b>					
Roads and streets					
Street lights	300	300	331	331	331
Lane miles	64	64	64	64	64
<b>Culture and recreation</b>					
Marina					
Wet slips	-	-	103	103	103
Library					
Books	26,430	28,048	29,582	30,413	28,257
<b>Leisure services</b>					
Ball fields - lighted	2	2	2	2	2
Basketball courts	1	1	1	1	2
Soccer fields	1	1	1	1	1
Tennis courts	2	2	2	2	6
Parks	5	5	5	5	5
<b>Sanitation</b>					
Garbage trucks	8	8	8	8	10
<b>Water and Sewer</b>					
(Provided by Seacoast Utility)					

Source: Town Departments, Town of Lake Park, Florida

## OTHER REPORTS



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE  
215 FIFTH STREET, SUITE 200  
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REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

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The Honorable Mayor and Members of the Town Commission  
Town of Lake Park, 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 Town of Lake Park, Florida, as of and for the year ended September 30, 2007, which collectively comprise the Town of Lake Park, Florida's basic financial statements and have issued our report thereon dated June 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Lake Park, Florida's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Lake Park, Florida's financial statements that is more than inconsequential will not be prevented or detected by the Town of Lake Park, Florida's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

*2007-1: Accounting for revenue and expenses*

The Town reported contributions and revenue designated for the library and for community beautification improvements in liability accounts. Qualifying expenditures were also recorded in the liability account and no adjustments were made to designate net contributions to fund balance. Capital expenditures were not accounted for as capital assets. In addition to understating capital assets, revenue and expenses, failure to properly account for financial activity circumvents the budget process and misrepresents current year activity. We recommend that the Town record restricted revenues and qualifying expenditures in a special revenue fund or reserve excess contributions to fund balance. Capital expenditures should be properly capitalized and depreciated.

*2007-2: Providing for an allowance for doubtful accounts*

The Town has experienced difficulty in managing billing for slip rentals in the Marina Fund and for developer fees in the General Fund. Consequently, the Town reported significant accounts receivable that was in excess of ninety days and is unlikely to be collected. Although management has hired a new Marina Director and established new billing procedures, we noted that no allowance for doubtful accounts was reported at September 30, 2007. We commend the Finance Director for improvements made at year-end in accounting for development recovery fees; however, we noted that the accounts receivable balance was in excess of estimated collections. Revenue and expenses for these fees are recorded in balance sheet accounts. Although such treatment is at the discretion of management, it fails to provide transparency in financial reporting as to the funds collected or disbursed for this activity, and makes reconciliation of balance sheet accounts inefficient and problematic.

We recommend that management record financial activity for developer recovery fees in revenue and expense accounts. We further recommend that management reconcile accounts receivable monthly to identify and collect balances in excess of developer deposits. For those accounts deemed to be uncollectible, we recommend that management establish an allowance for doubtful accounts.

*2007-3: Reconciliation of employee liability accounts*

The Town offers a variety of employee insurance benefits. At September 30, 2007, the Town offered two plans for offsetting qualifying medical expenses:

1. A HRA insurance account which was funded by Town contributions. Although discontinued for fiscal year 2008, employees had until January 31, 2008 to submit claims for medical expenses incurred through September 30, 2007.

2. An employee-funded flexible spending account (“flex plan”) funded by employee contributions through payroll deductions. In the flex plan, employees may apply future contributions against current medical expenses but, in accordance with IRS regulations and plan documents, any unused employee contributions to the Flex plan are forfeited if not used during the plan year. Forfeited contributions revert to the Town, whereas, expenses incurred in excess of contributions, which occur if an employee terminates employment before making the anticipated contributions, become the responsibility of the Town.

During payroll testing, we noted that the HRA insurance liability was being co-mingled with employee flex account transactions and that the account balance at year-end did not agree with statements from the third party administrator. We also noted that the account was not being reconciled to employee contributions or to third party statements. Deposits to the account were made on an as-needed basis to fund the account, and did not correspond to the amount withheld from employee paychecks. Although employees had the opportunity to submit claims through January 2008, no accrual was recorded for estimated claims liability. We noted that due to these issues, management was not able to identify:

- a. Revenue earned from forfeited contributions to the Flex accounts
- b. Flex expenses incurred from employees who terminated and received benefits in excess of contributions
- c. The amount of liability for prepaid employee Flex contributions
- d. The amount of liability for unused HRA insurance benefits

Failure to reconcile balance sheet accounts and employee-related liability accounts could result in a misstatement of the financial statements and a failure to properly account for current year revenue, expense, and liabilities. Separate asset and liability accounts should be maintained for benefits paid by the employer and those paid by employees to ensure account balances are properly stated and liabilities properly identified. Employee flex account withholding should be remitted to the Administrator each payroll period. The account should be reconciled monthly and should agree with supporting detail. Proper financial reporting is needed to provide management with the necessary information to assess the costs and benefits of the benefit program and to budget for anticipated liabilities.

#### *2007-4: Reporting grant revenue*

Financial reporting provides management with information necessary for assessing the financial condition and results of operations. Accordingly, financial resources (revenues) should be “matched” with corresponding expenditures. We noted during testing that hurricane-related expenditures dating back to fiscal year 2004 were reported in the General Fund, but grant revenue for these expenditures was reported in the Sanitation Fund. Failure to properly account for the revenue in the proper fund overstated the operational effectiveness of the Sanitation Fund, and understated that of the General Fund. We recommend that management establish internal controls over financial reporting to ensure that revenues are budgeted in the same fund as the related expense.

*2007-5: Capital Assets*

The Town has procedures in place to record the expense for capital acquisitions in capital outlay and to capitalize expenditures for assets with an acquisition cost in excess of \$750 and an estimated life over one year. However, at September 30, 2007, we noted a number of exceptions to these procedures:

- a. Significant additions to capital assets were recorded in other expense accounts, including contingency accounts and were not properly capitalized or depreciated.
- b. Construction in progress was capitalized in advance of completion of the project, understating the total cost of the project.
- c. Depreciation expense for fiscal year ending September 30, 2007 did not tie to fixed asset detail.
- d. The Town does not have a current inventory of physical assets.
- e. The general ledger account balance of capital assets does not agree with the audited financial statements.

We recommend that a physical inventory of capital assets be taken and reconciled to general ledger and fixed asset detail. Capital asset additions should be reconciled to capital outlay at least annually. This will also ensure that the capital outlay accounts are adequately funded for budgetary purposes. A review of expenditure accounts, such as repairs and maintenance and contingency, for transactions in excess of the capitalization threshold of \$750 will also help to identify reporting errors. We also recommend that improvements and construction projects be substantially completed before they are added to capital assets and then depreciated from the date of completion. The Town should consider increasing the capitalization threshold and setting it based on the class of asset to increase efficiency and the cost-effectiveness of capitalization.

*2007-6: Accounting for contractual and legal obligations to pay*

The Town failed to make the required annual incremental tax contributions to the Community Redevelopment Agency (CRA) since its inception. Penalties and interest for non-payment have accrued from fiscal year ending September 30, 2000. No adjustments were made to record the amounts due in either the General Fund or the CRA Fund. In addition, the Town failed to pay the actuarially required pension contribution to the Police retirement fund or to record the expense and liability for payment.

It is incumbent upon both the Town's management and its governing body to ensure that all legal obligations are met. Failure to record these obligations and to pay them in a timely manner constitutes a weakness in internal controls and fiduciary oversight. We recommend that the Finance Director, Town Manager, and Town Commission understand the legal and contractual obligations of the Town and establish policies and procedures to ensure that the obligations are properly recorded and paid.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that items 2007-4, 2007-5, and 2007-6 of the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Lake Park, 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. As outlined in finding 2007-6: *accounting for contractual and legal obligations to pay*, the results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Town of Lake Park, Florida in the attached management letter dated June 16, 2008.

The Town of Lake Park, Florida's response to the findings identified in our audit is described in the attached letter dated June 16, 2008. We did not audit Town of Lake Park, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Town Commission, 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.

*Nowlen, Holt & Mimer, P.A.*

June 16, 2008  
West Palm Beach, Florida



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NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT LETTER

The Honorable Mayor and Members of the Town Commission  
Town of Lake Park, Florida

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We have audited the basic financial statements of the Town of Lake Park, Florida, as of and for the year ended September 30, 2007, and have issued our report thereon dated June 16, 2008.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated June 16, 2008, should be considered in assessing the results of our audit.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which require that we address certain compliance and other matters in the management letter, if not already addressed in the auditor's report on internal control over financial reporting and on compliance and other matters.

The Town of Lake Park, Florida's responses to the findings identified in our audit are described in the attached letter dated June 16, 2008. We did not audit Town of Lake Park, Florida's response and, accordingly, we express no opinion on it.

PRIOR YEAR COMMENTS

The Rules of the Auditor General require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. All prior year comments continue to apply.

*2006-1: Electronic fund transfers*

The Town engages in electronic fund transfers for established payroll and tax obligations. Although the Finance Director reviews the payroll journal each pay period, the administrative assistant reviews, approves and submits the ACH transactions for payroll-related items. Payment

of sales tax obligations are submitted with no formal review process by the Finance Director. We recommend that transfer detail be submitted with supporting documentation and a cash disbursement journal to the Finance Director to review and authorize all electronic funds transfers.

#### *2006-2 Review of bank statements*

Although the Town has improved its internal controls over segregation of responsibilities in the Finance Department, the Town's Finance Director retains substantial control over and access to all Town financial records, including the preparation of checks, posting accounting transactions, reconciliation of the bank statements and general ledger accounts, and preparation of financial reports. To improve the internal controls over the Town's finances, we recommend that the Town Manager or designee review the bank statements upon receipt and the bank reconciliations upon completion. The unopened bank statement should be submitted to the Town Manager to review, initial, and date. After the reconciliation is completed, it should be submitted for review by the Finance Director with accompanying detail, including the bank statement and outstanding checks.

#### *2006-3 Retired Police Officers' Pension Fund*

The administration and accounting for the Town's Retired Police officers' Pension Fund (the "Fund") is contracted to an independent pension administrator. As identified in the prior year, we noted that the Town does not receive or reconcile monthly financial information from the Fund or otherwise verify the monthly activity of the Fund. In addition, the Fund administrator is not audited and there has been no independent review by the Town of the internal controls and procedures over Town pension funds at the Fund administrator's office. Although we were advised that the administrator has improved controls over preparing checks, there is no independent verification of this. We recommend that the Town request and reconcile monthly financial information from the administrator and that the internal controls be reviewed by the Town to ensure that all funds are adequately safeguarded.

#### *2001: Arbitrage Rebate Calculation*

The Town has not performed an arbitrage rebate calculation for its outstanding bond issues. We recommend that the Town determine if a calculation is required and, if so, contract for this service to accurately determine if there is an arbitrage rebate liability for its bond.

#### *Auditor General Report (2001)*

During 2002, the Auditor General performed an operational audit of the Town for the period October 1, 2000 through January 31, 2002 and issued their report thereon (report no. 03-041) detailing 44 findings and recommendations. In December 2004, the Auditor General published a report (report no. 2005-080) on the results of follow-up procedures conducted in September 2004 on the findings included in the original report. These reports are an integral part of the findings, recommendations, and disclosures required in our management letter for the year ending September 30, 2007 and should be read in conjunction with this report in considering the results of our audit.

The following findings and recommendations in the Auditor General's Reports were identified as having not been fully resolved or only partially resolved and requiring further action by the Town. The Town's management agrees that the following matters require further action.

*Written policies and procedures*

Although the Town has partially addressed this finding by revising policies and procedures, there has been no formal codification of the current policies and procedures. We recommend that a current accounting policies and procedures manual be compiled to reflect all existing policies and procedures.

CURRENT YEAR COMMENTS

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, accounting procedures, and internal controls. In connection with our audit for the fiscal year ended September 30, 2007, we had two comments in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* that are repeated below.

2007-7 Allocation of SBA interest income

At September 30, 2007, we noted that the Town was not properly allocating SBA interest income to all funds with SBA investment balances. The interest was allocated monthly to four of six funds by calculating the weighted average of the funds' total net cash and investment balance each month as a percentage of the total net cash and investment balance. After May, with the departure of the Assistant to the Finance Director, the spreadsheet that was used to calculate the allocation was no longer updated and the same percentages were used to allocate the interest for the remainder of the year. The Capital Projects Fund and Marina Fund were not allocated any portion of the interest and management was unable to provide an explanation for this. We recommend that the Town update their allocation method to include the Capital Projects Fund and Marina Fund and take the necessary steps to ensure that the method of allocation to each Fund is reasonable.

2007-8 Budget Over-expenditures

Contrary to Section 166.241(3), Florida Statutes, actual expenditures for fiscal year ending September 30, 2007 exceeded amounts budgeted in the General Fund by \$8,663 in Information Technology and \$443,229 in transfers out. Although a street sweeper purchased for the Streets and Roads Fund in the amount of \$92,804 was considered an approved budget expense in the Fund's agenda, the asset was not budgeted. We also noted significant budgetary variances in the Marina Fund for engineering fees. Although the Town had available resources to offset the over-expenditures, we recommend that the Town ensure that expenditures do not exceed budgetary

allotments. We recommend that the Town devote more time to the budgeting process and adjust the budget as needed during the fiscal year.

#### 2007-9 Contingency account

We also noted that the Town charged routine expenditures and capital outlay to contingency accounts. For transparency in the financial statements, we recommend that budgeted amounts in contingency be reallocated to the appropriate line item and cost center for the given expense. As noted in the previous comment, we recommend that the Town employ a more comprehensive and realistic budget process and review actual to budget comparison reports periodically to ensure that all departments are appropriately funded.

### OTHER MATTERS

#### Oversight Unit and Component Units

The Town of Lake Park, Florida, is a municipal corporation incorporated in 1923 pursuant to by the Laws of Florida, Chapter 61-2375. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Town has determined that there are no component units related to the Town.

#### Consideration of Financial Emergency Criteria

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, the results of our procedures did not disclose that the Town of Lake Park, Florida has met any of the conditions described in Section 218.503(1) during the fiscal year ended September 30, 2007.

#### Financial Condition Assessment Procedures

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town'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 management. The results of our procedures did not disclose any matters that are required to be reported.

#### Annual Financial Report

Section 10.554(1)(i)7.b., Rules of the Auditor General requires that we determine whether the annual financial report for the Town of Lake Park, Florida for the fiscal year ended September 30, 2007, 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, 2007. In connection with our audit, we noted that the two reports were in substantial agreement.

Investment of Public Funds

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the Town's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. The results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes, by the Town of Lake Park, Florida for the year ended September 30, 2007.

Violations of Contracts and Grant Provisions or Abuse

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and 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 for the fiscal year ended September 30, 2007, we did not have any such findings.

Matters Inconsequential to the Financial Statements

Section 10.554(1)(i)5., Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures; (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit for the fiscal year ended September 30, 2007, we did not have any such findings.

This report is intended for the information of management, members of the Town Commission, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*Nowlen, Holt & Mimer, P.A.*

June 16, 2008  
West Palm Beach, Florida



# TOWN OF LAKE PARK

## FINANCE DEPARTMENT

June 16, 2008

The Honorable Mayor,  
Town Commissioners and Town Manager

RE: Response to the Report on Internal Control and the Management Letter required by the Rules of the Auditor General for the State of Florida for the Fiscal Year ended September 30, 2007.

I have received a copy of the Report on Internal Control and the Management Letter and offer the following responses:

### **REPORT ON INTERNAL CONTROL**

#### **Internal Control over Financial Reporting**

##### **2007-1: Accounting for revenue and expenses**

Contributions and revenue designated for the Library and community beautification improvements are properly recorded in the appropriate revenue accounts within the General Fund. Accounts have been set up for operating and capital expenditures. These accounts will close to the designated reserve accounts for the proper category.

##### **2007-2: Providing for an allowance for doubtful accounts**

Procedures have been established to account for development recovery fees and bill the developers in a timely manner. Receivables for cost recovery are monitored on a regular basis and continuation of the development process is contingent upon payment of these fees. There has been no uncollectible accounts receivable since the implementation of this process.

At the Marina, the Dockmaster software program has been fully implemented and all of the billings are processed through this software. New customers are required to pay in advance for annual contracts and at the beginning of the month for monthly contracts via credit card. The payments are processed automatically when the bills are produced. Only long term existing customers are allowed to be billed and pay with a check or cash. Receivables are closely monitored and delinquent accounts are promptly notified. If remedy is not made within a reasonable timeframe, customers are then required to go on Auto Pay with a credit card. There have been no doubtful accounts since the implementation of this system.

### **2007-3: Reconciliation of employee liability accounts**

Prior to my tenure at the Town, employee-related liabilities were deducted from paychecks in a manner in which reconciliation was impossible. With the start of Fiscal Year 2008, benefit deductions were changed so that the premiums due are deducted in the month preceding coverage and billing. The effective date of coverage for new employees was also changed in order to facilitate this process. Accounts are reconciled on a monthly basis.

The Finance Department is still in the process of developing procedures to properly account for the flex account.

### **2007-4: Reporting grant revenue**

Revenues will be budgeted and recorded in the same fund as corresponding expenditures.

### **2007-5: Capital assets**

- a. Capital assets are being properly classified in the appropriate accounts to ensure inclusion in fixed asset reporting.
- b. Construction in progress will not be capitalized until the completion of the project.
- c. The Town paid additional fees to the prior audit firm to reconcile fixed assets for at least the past three fiscal years. The prior auditors have not released the work papers that reconcile fixed asset detail to general ledger detail and the audited financial statements. The fixed asset system in our financial reporting software has not been updated for several years. There is insufficient information in which to reconcile fixed asset detail.
- d. A physical inventory of assets will be completed prior to the end of this fiscal year.
- e. Upon completion of the physical inventory, adjustments will be made to reconcile the detail listing to the actual assets located and the general ledger will be adjusted accordingly. Capital assets will be reconciled annually thereafter. The capitalization threshold will be reviewed and recommendations will be made accordingly.

### **2007-6: Accounting for contractual and legal obligations to pay**

Adjustments have been made to record the amounts due from the General Fund to the Community Redevelopment Agency (CRA). Current year obligations have been paid timely according to statutory requirements. The Town has begun to pay the delinquents amounts due the CRA and will continue to do so annually as funds are available.

The required Town contributions to the Retired Police Pension Fund have been remitted. Future required annual contributions will be budgeted properly and remitted timely.

## **MANAGEMENT LETTER**

### **PRIOR YEAR COMMENTS**

#### **2006-1: Electronic fund transfers**

Transfer detail and supporting documentation will be approved by the Finance Director prior to the transfers being executed. The cash disbursements journal will be reviewed after the transfers take place.

#### **2006-2 Review of bank statements**

The unopened bank statements are reviewed, initialed and dated by the Finance Director and then given to the Assistant to the Finance Director for reconciliation. After the reconciliation is completed, it is submitted to the Director for review and approval.

#### **2006-3 Retired Police Officers' Pension Fund**

The Town has requested and receives monthly financial information from the administrator. Transactions will be reviewed and recorded in the general ledger in an effort to improve internal controls.

#### **2001: Arbitrage rebate calculation**

In order to determine if there is an arbitrage liability for the bond, the Town will contract with an arbitrage rebate professional. This is a highly specialized field and the Finance Director does not have the expertise to make this determination.

#### **Auditor General Report (2001)**

##### **Written policies and procedures**

Many of the policies and procedures of the Finance Department have been documented at this time. However there have been several changes, as evidenced by this audit and responses to this audit, this fiscal year. These policies and procedures will be reviewed and updated appropriately as time allows.

#### **CURRENT YEAR COMMENTS**

##### **2007-7: Allocation of SBA interest income**

Interest is allocated to all funds that have an investment balance by calculating the percentage of the total investment balance at month end with consideration given based on the timing of any transfers into or out of the accounts.

##### **2007-8: Budget over-expenditures**

Budget adjustments have been made to account for line item overages within departments. An ordinance amending the original budget was approved to appropriate funds for budgetary shortfalls. The budget is monitored on a continual basis for compliance. An additional amendment will be prepared, if necessary at the end of the fiscal year.

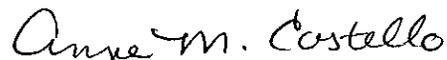
**2007-9: Contingency account**

With the approval of the budget amendment ordinance in May 2008, the Town Manager has been given authority to transfer between departments as long as the total budget does not change. This allows for transfers to be done from the contingency account to the appropriate line item and cost center to properly classify expenditures.

The budgets for Fiscal Year 2009 are being prepared with a more realistic approach, taking into consideration the charges against contingency this fiscal year. There should be substantially fewer transfers from contingency next fiscal year.

Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Anne M. Costello".

Anne M. Costello  
Finance Director