

TOWN OF LAKE PLACID, FLORIDA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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TOWN OF LAKE PLACID, FLORIDA
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INDEPENDENT AUDITOR'S REPORT

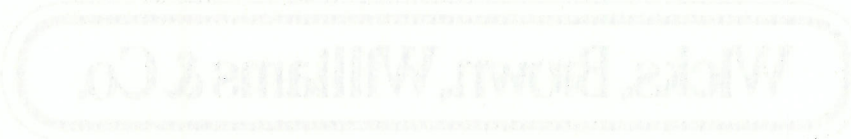
Honorable Mayor and Members of the Town Council
Town of Lake Placid, Florida

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 Placid, Florida, as of and for the year ended September 30, 2010, 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 Placid, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Placid, Florida as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Infrastructure Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, on our consideration of Town of Lake Placid, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.



Honorable Mayor and Members of the Town Council (continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wicks, Brown, Williams & Co.

Wicks, Brown, Williams & Co.

June 30, 2011

TOWN OF LAKE PLACID, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(Unaudited)

This discussion and analysis, of the Town of Lake Placid, is to inform readers of the Town's financial performance, provide an overview of the activities, for the fiscal year ending September 30, 2010. The information contained in this Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions. This discussion and analysis is intended to be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The Town of Lake Placid's combined assets exceeded liabilities by \$11,499,394. Total Net Assets represent an increase in net assets of \$288,835, from last year.
- Compared to last year, net assets from Governmental Activities changed by \$165,629. Net assets from Business-Type Activities changed by \$123,206.

OVERVIEW OF THE FINANCIAL STATEMENTS

This section, of the discussion and analysis, serves as an introduction to the Town of Lake Placid's basic financial statements. The Town's basic financial statements are comprised of three components: Government Wide-Financial Statements, Fund Financial Statements and Notes to the Financial Statements.

Government Wide-Financial Statements

The Government-Wide Financial Statements are designed to provide readers with a broad view of the Town of Lake Placid's overall financial status. Financial statements consist of the Statement of Net Assets and the Statement of Activities.

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

The Statement of Net Assets combines and consolidates governmental funds current financial resources with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes to the Town's property tax base and the condition of the Town's infrastructure, to assess the overall health and financial condition of the Town.

The *Statement of Activities* presents information on how the Town's net assets changed during the most recent fiscal year. All of the current year revenue and expenses are taken into account regardless of when cash is received or paid.

Both, the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting.

TOWN OF LAKE PLACID, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(Unaudited)

For classification reasons, the Statement of Net Assets and the Statement of Activities is divided into two kinds of activities: Governmental Activities and Business Activities.

- Governmental Activities – The Town's basic services are reported here, including: general administration, planning and zoning, public safety, transportation and recreation.

Ad Valorem Taxes, Utility Service Taxes, Sales Taxes, Local Option Gas Taxes, Surtaxes, Local Communication Service Taxes and franchise fees finance most of these activities.

- Business Activities – The Town's water, wastewater, cemetery and sanitation operations are reported here. The Town charges a fee to customers to help cover all or most of the cost for services it provides.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The Town of Lake Placid, like other states and local governments, uses fund accounting to ensure and demonstrate compliance with financial related requirements. The Town's fund financial statements only provide detailed information about the most significant funds, not the Town as a whole. Each fund is considered a separate accounting entity and has its own accounts and sub-accounts, respectfully. The Town's funds are also divided into two categories: Governmental Funds and Proprietary Funds.

Governmental Fund Types – The Town's basic services are reported in Governmental Funds. The statements focus on how money flows into and out of those funds and the balances left over at year-end, which are available for spending. General Fund expenditures are incurred to provide general administration, planning and zoning, public safety, transportation and recreational services and facilities. These funds are reported using an accounting method, identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The government fund statements also provide a detailed short-term view of the Town's general operations and the basic services it provides. The Town of Lake Placid maintains the General Fund and the Infrastructure Fund, both of which are considered to be major funds. The General Fund and Infrastructure Fund information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances.

Proprietary Fund Types - The Town of Lake Placid charges customers a fee for services provided. A large number of customers live within the Town limits. These services are reported as Proprietary Funds, which include water, wastewater, cemetery and sanitation operations. Business-type funds are reported using an accrual method of accounting. Proprietary Fund information is presented separately in the Fund Financial Statements of Net Assets, the Statement of Revenues, Expenditures, and Change in Fund Balances and the Statement of Cash Flows.

Notes to the Financial Statements

Notes to the Financial Statements are additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

TOWN OF LAKE PLACID, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(Unaudited)

Notes to Financial Statements help explain the computation of specific items, as well as provide a more comprehensive assessment of the Town's financial condition. The Notes to Financial Statements may include information on debt, accounts, contingent liabilities, or contextual information explaining the financial numbers.

The information contained within the notes not only supplements financial statement information, but may also clarify line-items that are part of the financial statements. The Notes to the Financial Statements are also used to explain the method of accounting used to prepare the financial statements, and they provide valuations for how particular accounts have been represented. Notes to the Financial Statements can be found immediately after the Statements of Cash Flows.

GOVERNMENT-WIDE - FINANCIAL ANALYSIS

The government-wide financial statements report information about the Town as a whole.

Statement of Net Assets

The Statement of Net Assets includes all of the government's assets and liabilities. Net assets may serve over time as a useful indicator of the Town's financial position. The Statement of Net Assets is divided into two categories: Governmental Activities and Business-Type Activities.

At the end of the fiscal year, September 30, 2010, the Town reported positive balances in all three categories of net assets: the Town as a whole, as well as for its separate governmental and business-type activities.

Statement of Net Assets
As of September 30, 2010

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 2,427,164	\$ 2,217,534	\$ 1,244,553	\$ 994,834	\$ 3,671,717	\$ 3,212,368
Capital assets	1,989,236	2,057,063	7,968,064	8,178,288	9,957,300	10,235,351
Total assets	4,416,400	4,274,597	9,212,617	9,173,122	13,629,017	13,447,719
Other liabilities	45,797	73,173	264,128	241,841	309,925	315,014
Long-term liabilities	110,104	106,554	1,709,594	1,815,592	1,819,698	1,922,146
Total liabilities	155,901	179,727	1,973,722	2,057,433	2,129,623	2,237,160
Net assets:						
Invested in capital assets						
net of related debt	1,964,043	1,939,575	6,312,620	6,408,316	8,276,663	8,347,891
Restricted	826,058	762,266	222,418	231,085	1,048,476	993,351
Unrestricted	1,470,398	1,393,029	703,857	476,288	2,174,255	1,869,317
Total net assets	\$ 4,260,499	\$ 4,094,870	\$ 7,238,895	\$ 7,115,689	\$11,499,394	\$11,210,559

The largest portion of the Town's net assets of \$8,276,663 reflects the Town's investment in capital assets less any related outstanding debt used to acquire those assets. The Town uses these capital assets to supply services to citizens.

TOWN OF LAKE PLACID, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(Unaudited)

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 resources needed to repay these debts must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Town's net assets of \$1,048,476 represents resources that are subjected to external restrictions, on how they may be used. The major restrictions on net assets are funding sources restrictions. The remaining balance of total net assets of \$2,174,255 is unrestricted and may be utilized to meet the Town's obligations to citizens and creditors.

Statement of Activities

The Changes in Net Assets presents the operating results of the Town as well as miscellaneous revenue, expenses, capital revenue, capital expenses and the combined net change for the fiscal year.

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenue:						
Program revenues:						
Charges for services	\$ 46,346	\$ 31,881	\$ 1,616,799	\$ 1,487,700	\$ 1,663,145	\$ 1,519,581
Operating grants and contributions	135,199	213,505	-	-	135,199	213,505
Capital grants and contributions	408,826	30,000	-	598,059	408,826	628,059
General revenues:						
Property taxes	759,862	804,426	-	-	759,862	804,426
Other taxes	659,275	568,846	-	-	659,275	729,616
Other	292,785	386,423	4,936	30,072	297,721	255,725
Total revenues	<u>2,302,293</u>	<u>2,035,081</u>	<u>1,621,735</u>	<u>2,115,831</u>	<u>3,924,028</u>	<u>4,150,912</u>
Operating Expenses:						
General government	338,436	353,732	-	-	338,436	353,732
Public safety	716,120	706,413	-	-	716,120	706,413
Transportation	591,904	267,669	-	-	591,904	267,669
Culture and recreation	454,681	452,851	-	-	454,681	452,851
Interest on long-term liabilities	1,104	-	-	-	1,104	-
Water	-	-	630,629	618,390	630,629	618,390
Waste water	-	-	400,831	362,345	400,831	362,345
Sanitation	-	-	445,238	429,112	445,238	429,112
Cemetery	-	-	56,250	71,785	56,250	71,785
Total operating expenses	<u>2,102,245</u>	<u>1,780,665</u>	<u>1,532,948</u>	<u>1,481,632</u>	<u>3,635,193</u>	<u>3,262,297</u>
Increase (decrease) in net assets before transfers	200,048	254,416	88,787	634,199	288,835	888,615
Transfers	(34,419)	82,679	34,419	(82,679)	-	-
Change in net assets	165,629	337,095	123,206	551,520	288,835	888,615
Net assets - October 1	4,094,870	3,757,775	7,115,689	6,564,169	11,210,559	10,321,944
Net assets - September 30	<u>\$ 4,260,499</u>	<u>\$ 4,094,870</u>	<u>\$ 7,238,895</u>	<u>\$ 7,115,689</u>	<u>\$ 11,499,394</u>	<u>\$ 11,210,559</u>

Governmental Activities

Compared to last year, the Town's governmental net assets changed by \$165,629. The primary reason for this increase represents capital grant activity. Grant revenue increased by \$378,826.

TOWN OF LAKE PLACID, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(Unaudited)

The Transportation grant was for highway landscaping and landscaping of County roads by way of the Keep Lake Placid Beautiful project. The grant revenue also caused a circumlocutory increase in operating revenue. On the other hand, the County reimbursements for recreational activity and other donations decreased by (\$92,652).

Business-Type Activities

The Town's total business-type net assets decreased \$123,206, from last year. The leading cause for the change in net assets was a decrease in grant revenue.

Water System charges for services and operating expenses slightly increased. The increase in expenses was due to Water System's financial support to Wastewater expenses.

Wastewater charges for services slightly increased; however, the increase was not enough to compensate operating expenses. Wastewater loss before capital contributions and transfers was (\$115,770). The transfers-in of \$225,609 caused an overall positive change in net assets. An operating transfer-in, from the Water fund, of \$98,940 was to compensate for payroll allocations of \$78,019, Town insurance allocation of \$3,860, health insurance allocation of \$8,061 and building rent of \$9,000. And in the earliest stage of proposing the possibility of acquiring Highlands Utility Corporation Wastewater Plant, Town Council approved an additional \$10,000, from the Water Fund, to compensate for engineering services, to estimate the long-term and short-term capital repairs and maintenance to meet state requirements. The transfers-in also consisted of a transfer-in from the Water Fund of \$66,669, for the repayment of the Department of Environmental Protection (SRF Loan I), and a transfer-in from the Infrastructure Account of \$50,000 to support with the purchase of a second wastewater plant.

Sanitation charges for services increased. The increase in revenue was as a result of increases in commercial service fees and additional trash pickups. Commercial fees are paid with the monthly utility bills. Additional trash pickups are individually invoiced and paid separate. Service fees for residential collection is billed via County tax roll and collected with property taxes by the Highlands County Board of County Commissioners.

Cemetery revenue decreased. This decrease was due to a decline in salary and applicable tax allocation and a decrease in miscellaneous expenses.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

There was a difference in revenue of \$70,922 between the fund statements and the Statement of Activities. The difference was due to unearned intergovernmental revenue of \$55,922 that did not provide current financial resources for fund reporting and unearned miscellaneous revenue of \$15,000 for a future bike trail.

General Government, which includes administrative, planning and zoning expenses, are offset with revenues collected from taxes and governmental fees. This fiscal year, General Government expenses increased \$27,194. An increase in Health insurance of \$6,851, an increase in Engineering of \$13,388, for a civic center, and the Town's zoning and planning consultant cost increased by \$12,152. All contributed in this increase.

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SEPTEMBER 30, 2010
(Unaudited)

Public Safety, which includes police and code enforcement, experienced an overall decrease in expenses of \$29,207. The decrease was balanced within all accounts. Public Safety expenses are offset with revenues collected from taxes and governmental fees.

Transportation, which includes streets and roads, had an increase in expenses of \$326,974. This increase was primarily caused by grant activity. The Florida Highway Right of Way grant from the Florida Department of Transportation, in the amount of \$300,000, was awarded to the Town of Lake Placid to install irrigation along the right-of-way from the south end of the Town Limits to the North end of the Town limits on, both sides of Highway 27. The Town also planted palms and Florida natural vegetation along the east and west right-of-ways. The Forestry Grant, in the amount of \$10,000, was secured by Keep Lake Placid Beautiful, which enabled the Town to install irrigation, palms and natural vegetation along CR 17 (North Main Street).

Recreation, which includes parks and recreational areas, decreased costs by (\$1,514). Parks and recreation operating expenses are primarily offset with revenues collected from general governmental taxes and fees. The County also provides financial support to this department; however, the reimbursable support from the County government decreased (\$35,103).

The General *Infrastructure Account*, which relates to fixed capital expenditure and fixed capital outlay related with the construction or improvement of public facilities, land acquisitions or improvement, design and engineering costs related thereto, had no changes in debt service and capital outlay. Infrastructure expenses decreased (\$33,612). This decrease was due to the prior year purchase of a police car. Infrastructure expenses were offset by revenues collected from Infrastructure Surtax and interest income.

Proprietary Funds

There are no significant differences between the fund statements and the Statement of Activities.

Business-type activities, which include: Water, Wastewater, Cemetery and Sanitation netted an increase in last year's business-type expenses. There was an approximately four percent increase, which equals to \$51,316. Water, Wastewater and Sanitation jointly contributed to this increase.

Water System operational and capital outlay obligations are being met timely. When compared to last year, water expenses increased \$12,239. Foremost, there are two line items that caused this increase. The increase in professional services caused this increase in expenses.

Wastewater, which consists of Sewage treatment and disposal services, continues to show signs of improvement. Procedures have been taken to increase wastewater customers. The Town is in contract to purchase a privately owned wastewater plant, south of the city limits. When the acquisition is concluded, wastewater services will be transferred over to the Town and the existing customer will have no break in service. When compared to last year, wastewater expenses increased \$38,486.

Professional costs also increased by \$38,904. The foreseen acquisition of the privately owned wastewater plant caused the wastewater expenses to increase. Legal counsel expenses increased \$24,801. Engineering expenses increased \$10,000. Most of these costs were offset with revenue from the increase in charges for services. Wastewater expenses are normally offset by revenues collected from wastewater service fees, grinder pumps reimbursement and operating support from Water System.

TOWN OF LAKE PLACID, FLORIDA
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(Unaudited)

Sanitation, which includes miscellaneous trash and brush disposal for residential and commercial customers, has also proven to be self-sustaining. Compared to last year, the overall Sanitation expenses increased \$16,126. The increase was due to: professional services increased by \$4,031, landfill cost increased by \$8,797 and repair and maintenance increased by \$14,752. Sanitation and refuse removal services are limited to commercial and residential customers, residing within the town's limits.

No significant change in Cemetery operations. *Cemetery*, which includes cemetery lot sales, mausoleum spaces and memorial fees, experienced a decrease in expenses of (\$15,535). A decrease in personal services was the main cause for this decrease in Cemetery expenses. The Cemetery Account was charged too much of the Public Works Director's wages, and an allocation adjustment was made causing a decrease in salary and employee benefits of (\$13,758). Cemetery services are extended to the general public.

BUDGETARY HIGHLIGHTS

This fiscal year, General Fund overall actual to budget variance was a positive \$167,305, while Infrastructure was a positive \$92,379.

The cause of the General budget variance is due to actual revenue exceeding budgeted revenue by \$48,641 and actual expenditures less budgeted expenses of \$74,007, which resulted in an excess of revenues over expenditures of \$122,648 more than budgeted. In addition, General Fund had other financing sources (uses) in the amount of \$44,657 more than budgeted, resulting in a net change in fund balances of \$167,305 more than budgeted. Both capital outlay and transfers out had negative budget variances of \$49,359 and \$7,875, respectively, due to unbudgeted activity and a reduction in transfer income.

The cause of the Infrastructure budget variance is due to total revenue of (\$52,640) less than anticipated and \$61,863 more than budgeted total expenditures, which resulted in a shortage of revenues over expenditures of \$9,223. In addition, Infrastructure Fund had other financing (uses) in the amount of \$83,156 less than budgeted, resulting in a net change in fund balances of \$92,379, more than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Town's investment in capital assets, for its governmental and business-type activities, as of September 30, 2010, is \$9,957,300. This investment in capital assets includes land, buildings, improvements, vehicles and equipment, water system and wastewater system improvements and upgrades.

Governmental Activities

Government-Activities capital assets convey a net decrease of (\$67,827), from the prior year. For further details, see Note 4 – Capital Assets.

This year's Government-Type capital projects completed

- Soccer fields (two and three) are complete
- Purchase of equipment

TOWN OF LAKE PLACID, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(Unaudited)

Future Governmental projects

- Increase Parking areas for vehicles and boat trailers (Recreation)
- Tennis Court (Recreation)
- Volleyball Court (Recreation)
- Beautification of U.S. 27 median (Administered through FDOT)
- Renovation of DeVane Park
- Sidewalk along Tangerine Street
- Sidewalk along W. Interlake Blvd (Funded by Safe Route to School)
- Parking Space on N. Main Ave
- Sidewalks on S. Main Ave

Business-Type Activities

Business-Type capital assets convey a net decrease of (\$210,224), from the prior year. For further details, see Note 4 – Capital Assets.

This year's Business-Type capital projects withdrawn

- Community Budget Issue Request 10% complete (CBIR grant award -administered through FDEP)

This year's Business-Type capital projects completed

- Water meters

Business-Type capital projects in progress, as of September 30, 2010

- Water meters
- Reclaim water project (permit)
- Wastewater downtown connections
- Wastewater Plant assessment

Future Business-Type projects

- Wastewater Plant acquisition
- Wastewater Plant Improvement

Long-term Debt

At the end of the fiscal year, the Town's total long-term debt outstanding is as follows:

	Debt Outstanding					
	As of September 30, 2010					
	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Capitalized						
Leases	\$ 25,193	\$ 15,999	\$ -	\$ -	\$ 25,193	\$ 15,999
Notes payable	-	-	-	16,198	-	16,198
Loans payable	-	-	1,655,444	1,753,774	1,655,444	1,753,774
Total Debt	\$ 25,193	\$ 15,999	\$ 1,655,444	\$ 1,769,972	\$ 1,680,637	\$ 1,785,971

TOWN OF LAKE PLACID, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010
(Unaudited)

Governmental Activities

Total governmental debt outstanding is \$25,193. The Town paid \$7,773 on a capitalized lease for a 2009 Ford Crown Victoria. This fiscal year, the Town acquired a three year capitalized leases for a 2010 Ford Crown Victoria in the amount of \$26,302. The first payment of \$9,375 was made in June.

Business-Type Activities

The remaining balances on Business-Type loan payables are currently \$1,655,444. From water utility revenue, the Town of Lake Placid paid two (2) semi-annual payments to the State of Florida Department of Environmental Protection (*SRF Loan I*) for the construction of the wastewater treatment plant, the North Main Street lift station and the maintenance warehouse. The principal payments amounted to \$50,559.

From wastewater service fees, the Town paid two (2) semi-annual payments to the Department of Environmental Protection (*SRF Loan II*) for the Gravity and Low Pressure Wasterwater Collection System. Total principal paid was \$47,771. In August 2010, loan 78703P was adjusted. As a result of Amendment 1, the total repayment amount decreased (\$796). This adjustment was due to a recalculation of capitalized interest. The total project cost did not change; the Capitalized Interest decreased by (\$811) and the Capitalized Interest, for the Loan Service Fee, increased \$15. This change caused the August semi-annual loan repayment to decrease (\$27). Hereafter, the semi-annual repayment will be \$30,681 each, which includes interest.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the third year, the General Fund adopted the final levying of Ad Valorem taxes at an operating millage rate of 3.81 mills.

The following key factors were considered in preparing the Town's business-type budgets for the 2010-2011 fiscal year:

- There will be three employees retiring. The Cemetery employee and the Public Works Director will retire the end of December 2010. The Utility Mechanic will retire in March 2011.
- Starting in October, the general mowing of Oak Hill Cemetery will be contracted to an outside business.
- The Town of Lake Placid is under contract to purchase a wastewater plant, from Highlands Utility Corporation and Pugh Septic Tank Services, for \$500,000. The Town will not attain financing. Lake Placid Water Treatment Plant and Distribution Lines Design and Water Main Trunk Line Loop project, funded by the Community Budget Issue Request (CBIR grant administered through Florida Department Environment Protection), was 10% complete. Town Council voted to end the project and modify the contract to re-appropriate \$451,341 to the purchase of the private wastewater collection and treatment system. The FDEP approved the amendment and re-appropriated the Water project fund to the Wastewater Plant purchase. The remaining cash will be draw from the Infrastructure Account. As of September 30, 2010, the contract is in the final stage of acquisition. The acquisition is expected to be completed in early October. Over the next few years, the plant will require costly repairs.

TOWN OF LAKE PLACID, FLORIDA
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(Unaudited)

- With the exception of the budgeted transfer of \$66,669, to compensate the FDEP loan payments, Water System will not assist the Wastewater Account with operational cost.

- Employees did not receive a salary increase for inflation and the cost of living.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Lake Placid finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Town's Certified Municipal Clerk, Town of Lake Placid, 311 W. Interlake Blvd., Lake Placid, Florida 33852.

Report was prepared by Rachel Osborne, Utility Accountant.

TOWN OF LAKE PLACID, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,230,571	\$ 371,026	\$ 2,601,597
Cash on deposit with agent	-	57,481	57,481
Accounts receivable, net	43,432	160,718	204,150
Due from other governments	90,292	77,399	167,691
Internal balances	48,878	(48,878)	-
Inventory	-	150,331	150,331
Prepaid items	13,991	22,649	36,640
Loan issuance costs	-	32,360	32,360
Restricted asset - cash and cash equivalents	-	421,467	421,467
Capital assets:			
Non-depreciable	566,050	1,872,378	2,438,428
Depreciable, net	1,423,186	6,095,686	7,518,872
Total Assets	4,416,400	9,212,617	13,629,017
Liabilities			
Accounts payable	36,951	59,260	96,211
Accrued liabilities	8,846	5,819	14,665
Accrued interest payable	-	6,113	6,113
Customer deposits payable	-	192,936	192,936
Noncurrent liabilities:			
Due within one year	29,958	117,448	147,406
Due in more than one year	80,146	1,592,146	1,672,292
Total Liabilities	155,901	1,973,722	2,129,623
Net Assets			
Invested in capital assets, net of related debt	1,964,043	6,312,620	8,276,663
Restricted for:			
Law enforcement	2,483	-	2,483
Infrastructure	823,575	-	823,575
Cemetery long-term care	-	165,024	165,024
Debt service	-	57,394	57,394
Unrestricted	1,470,398	703,857	2,174,255
Total Net Assets	\$ 4,260,499	\$ 7,238,895	\$ 11,499,394

See accompanying notes to financial statements.

TOWN OF LAKE PLACID, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 338,436	\$ 20,722	\$ -	\$ -
Public safety	716,120	13,361	14,398	-
Transportation	591,904	-	6,491	310,000
Culture and recreation	454,681	12,263	114,310	98,826
Debt service:				
Interest on long-term debt	1,104	-	-	-
Total Governmental Activities	2,102,245	46,346	135,199	408,826
Business-Type Activities:				
Water	630,629	834,229	-	-
Wastewater	400,831	284,212	-	-
Sanitation	445,238	460,636	-	-
Cemetery	56,250	37,722	-	-
Total Business-Type Activities	1,532,948	1,616,799	-	-
Total Primary Government	\$ 3,635,193	\$ 1,663,145	\$ 135,199	\$ 408,826

General Revenues:

Taxes:

Property taxes

Gas taxes

Sales and use taxes

Infrastructure surtax

Communications services tax

Franchise fees

Utility taxes

State shared revenues

Investment earnings

Miscellaneous

Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - October 1, 2009

Net Assets - September 30, 2010

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (317,714)	\$ -	\$ (317,714)
(688,361)	-	(688,361)
(275,413)	-	(275,413)
(229,282)	-	(229,282)
(1,104)	-	(1,104)
<u>(1,511,874)</u>	<u>-</u>	<u>(1,511,874)</u>
-	203,600	203,600
-	(116,619)	(116,619)
-	15,398	15,398
-	(18,528)	(18,528)
-	83,851	83,851
<u>(1,511,874)</u>	<u>83,851</u>	<u>(1,428,023)</u>
759,862	-	759,862
77,084	-	77,084
72,061	-	72,061
136,229	-	136,229
145,795	-	145,795
211,300	-	211,300
228,106	-	228,106
69,877	-	69,877
9,298	4,272	13,570
310	664	974
2,000	-	2,000
<u>(34,419)</u>	<u>34,419</u>	<u>-</u>
<u>1,677,503</u>	<u>39,355</u>	<u>1,716,858</u>
165,629	123,206	288,835
4,094,870	7,115,689	11,210,559
<u>\$ 4,260,499</u>	<u>\$ 7,238,895</u>	<u>\$ 11,499,394</u>

TOWN OF LAKE PLACID, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Infrastructure Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,390,016	\$ 840,555	\$ 2,230,571
Accounts receivable, net	43,432	-	43,432
Due from other funds	192,782	21,280	214,062
Due from other governments	78,552	11,740	90,292
Prepaid items	13,991	-	13,991
Total Assets	\$ 1,718,773	\$ 873,575	\$ 2,592,348
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 36,951	\$ -	\$ 36,951
Accrued liabilities	8,846	-	8,846
Deferred revenue	70,922	-	70,922
Due to other funds	39,917	50,000	89,917
Advances from other funds	75,267	-	75,267
Total Liabilities	231,903	50,000	281,903
Fund Balances:			
Reserved for:			
Law Enforcement	2,483	-	2,483
Designated for:			
Capital improvements	448,080	-	448,080
Subsequent years budget	150,000	-	150,000
Unreserved, reported in:			
General Fund	886,307	-	886,307
Special Revenue Funds	-	823,575	823,575
Total Fund Balances	1,486,870	823,575	2,310,445
Total Liabilities and Fund Balances	\$ 1,718,773	\$ 873,575	\$ 2,592,348

See accompanying notes to financial statements

TOWN OF LAKE PLACID, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Fund Balances - Total Governmental Funds	\$ 2,310,445
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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 funds. Those capital assets consist of:

Capital assets, non-depreciable	566,050
Capital assets, depreciable, net of accumulated depreciation of \$1,673,034.	1,423,186

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	70,922
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Long-term debt	(25,193)
Compensated absences	(84,911)

Net Assets of Governmental Activities	<u><u>\$ 4,260,499</u></u>
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See accompanying notes to financial statements.

TOWN OF LAKE PLACID, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General	Infrastructure	Total Governmental Funds
Revenues:			
Taxes	\$ 1,422,147	\$ 136,229	\$ 1,558,376
Licenses and permits	16,437	-	16,437
Intergovernmental revenues	613,965	-	613,965
Fines and forfeitures	13,164	-	13,164
Investment earnings	6,083	3,215	9,298
Miscellaneous revenues	20,115	16	20,131
Total Revenues	2,091,911	139,460	2,231,371
Expenditures:			
Current:			
General government	324,683	-	324,683
Public safety	678,865	-	678,865
Transportation	569,879	-	569,879
Culture and recreation	373,583	-	373,583
Debt service			
Principal retirement	9,375	7,733	17,108
Interest and other debt service	-	1,104	1,104
Capital outlay	91,948	-	91,948
Total Expenditures	2,048,333	8,837	2,057,170
Excess of Revenues Over Expenditures	43,578	130,623	174,201
Other Financing Sources (Uses):			
Debt proceeds	26,302	-	26,302
Transfers in	36,000	-	36,000
Transfers out	(3,575)	(66,844)	(70,419)
Total Other Financing Sources (Uses)	58,727	(66,844)	(8,117)
Net Change in Fund Balances	102,305	63,779	166,084
Fund Balances - October 1, 2009	1,384,565	759,796	2,144,361
Fund Balances - September 30, 2010	\$ 1,486,870	\$ 823,575	\$ 2,310,445

See accompanying notes to financial statements

TOWN OF LAKE PLACID, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ 166,084
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay expenditures are capitalized as capital assets and are allocated over their estimated useful lives as depreciation expense. These amounts are:</p>	
Capital outlay	91,948
Depreciation expense	(159,775)
<p>Revenues recognized in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Intergovernmental revenue	55,922
Miscellaneous revenue	15,000
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.</p>	
Debt proceeds	(26,302)
<p>Expenses that are reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds. This activity consists of:</p>	
Decrease in compensated absences	5,644
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.</p>	
Debt repayments	17,108
Change in Net Assets of Governmental Activities	\$ 165,629

See accompanying notes to financial statements.

TOWN OF LAKE PLACID, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>			Variance with
	Original	Final	Actual	Final budget - Positive (Negative)
Revenues				
Taxes	\$ 1,392,038	\$ 1,392,038	\$ 1,422,147	\$ 30,109
Licenses and permits	10,200	10,200	16,437	6,237
Intergovernmental revenues	299,732	599,732	613,965	14,233
Fines and forfeitures	20,100	20,100	13,164	(6,936)
Investment earnings	21,000	21,000	6,083	(14,917)
Miscellaneous revenues	200	200	20,115	19,915
Total Revenues	<u>1,743,270</u>	<u>2,043,270</u>	<u>2,091,911</u>	<u>48,641</u>
Expenditures				
Current:				
General government	402,349	410,232	324,683	85,549
Public safety	687,120	697,980	678,865	19,115
Transportation	276,228	576,228	569,879	6,349
Culture and recreation	397,411	395,311	373,583	21,728
Debt service				
Principal retirement	-	-	9,375	(9,375)
Capital outlay	59,232	42,589	91,948	(49,359)
Total Expenditures	<u>1,822,340</u>	<u>2,122,340</u>	<u>2,048,333</u>	<u>74,007</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(79,070)</u>	<u>(79,070)</u>	<u>43,578</u>	<u>122,648</u>
Other Financing Sources (Uses)				
Debt proceeds	-	-	26,302	26,302
Transfers in	43,875	43,875	36,000	(7,875)
Transfers out	(29,805)	(29,805)	(3,575)	26,230
Total Other Financing Sources (Uses)	<u>14,070</u>	<u>14,070</u>	<u>58,727</u>	<u>44,657</u>
Net Change in Fund Balances	(65,000)	(65,000)	102,305	167,305
Fund Balances - October 1, 2009	1,384,565	1,384,565	1,384,565	-
Fund Balances - September 30, 2010	<u>\$ 1,319,565</u>	<u>\$ 1,319,565</u>	<u>\$ 1,486,870</u>	<u>\$ 167,305</u>

See accompanying notes to financial statements.

TOWN OF LAKE PLACID, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - INFRASTRUCTURE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final		Final budget - Positive (Negative)
Revenues				
Taxes	\$ 181,100	\$ 181,100	\$ 136,229	\$ (44,871)
Investment earnings	11,000	11,000	3,215	(7,785)
Miscellaneous revenue	-	-	16	16
Total Revenues	<u>192,100</u>	<u>192,100</u>	<u>139,460</u>	<u>(52,640)</u>
Expenditures				
Debt service				
Principal retirement	25,700	25,700	7,733	17,967
Interest and other debt service	-	-	1,104	(1,104)
Capital outlay	95,000	45,000	-	45,000
Total Expenditures	<u>120,700</u>	<u>70,700</u>	<u>8,837</u>	<u>61,863</u>
Excess of Revenues Over Expenditures	<u>71,400</u>	<u>121,400</u>	<u>130,623</u>	<u>9,223</u>
Other Financing (Uses)				
Transfers out	(100,000)	(150,000)	(66,844)	83,156
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(150,000)</u>	<u>(66,844)</u>	<u>83,156</u>
Net Change in Fund Balances	(28,600)	(28,600)	63,779	92,379
Fund Balances - October 1, 2009	759,796	759,796	759,796	-
Fund Balances - September 30, 2010	<u>\$ 731,196</u>	<u>\$ 731,196</u>	<u>\$ 823,575</u>	<u>\$ 92,379</u>

See accompanying notes to financial statements.

TOWN OF LAKE PLACID, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Enterprise Funds		
	Water	Wastewater	Sanitation
Assets			
Current Assets			
Cash and cash equivalents	\$ 110,675	\$ 91,598	\$ 131,458
Cash on deposit with agent	-	57,481	-
Accounts receivable, net	94,003	40,206	23,613
Due from other governments	76,298	-	1,101
Due from other funds	86,461	58,051	24,085
Inventory	43,045	6,873	-
Prepaid items	7,419	8,899	5,659
Total Current Assets	<u>417,901</u>	<u>263,108</u>	<u>185,916</u>
Noncurrent Assets			
Advances to other funds	-	-	-
Loan issuance costs	-	32,360	-
Restricted cash and cash equivalents	192,936	63,507	-
Capital assets - net	4,024,921	3,740,343	157,631
Total Noncurrent Assets	<u>4,217,857</u>	<u>3,836,210</u>	<u>157,631</u>
Total Assets	<u>4,635,758</u>	<u>4,099,318</u>	<u>343,547</u>
Liabilities			
Current Liabilities:			
Accounts payable	17,595	23,085	17,666
Accrued liabilities	2,769	620	1,995
Due to other funds	66,987	129,856	68,534
Compensated absences	17,423	-	-
Loans payable	-	73,688	-
Liabilities Payable From Restricted Assets:			
Accrued interest	-	6,113	-
Loan payable - current	-	26,337	-
Customer deposits payable	192,936	-	-
Total Current Liabilities	<u>297,710</u>	<u>259,699</u>	<u>88,195</u>
Noncurrent Liabilities:			
Compensated absences	12,464	1,638	22,625
Loan payable - net of current portion	-	1,555,419	-
Total Noncurrent Liabilities	<u>12,464</u>	<u>1,557,057</u>	<u>22,625</u>
Total Liabilities	<u>310,174</u>	<u>1,816,756</u>	<u>110,820</u>
Net Assets			
Invested in capital assets, net of related debt	4,024,921	2,084,899	157,631
Restricted for cemetery long-term care	-	-	-
Restricted for debt service	-	57,394	-
Unrestricted	300,663	140,269	75,096
Total Net Assets	<u>\$ 4,325,584</u>	<u>\$ 2,282,562</u>	<u>\$ 232,727</u>

See accompanying notes to financial statements.

(Other)		
Cemetery		Total
\$ 37,295	\$	371,026
-		57,481
2,896		160,718
-		77,399
15,554		184,151
100,413		150,331
672		22,649
<u>156,830</u>		<u>1,023,755</u>
75,267		75,267
-		32,360
165,024		421,467
45,169		7,968,064
<u>285,460</u>		<u>8,497,158</u>
<u>442,290</u>		<u>9,520,913</u>
914		59,260
435		5,819
42,919		308,296
-		17,423
-		73,688
-		6,113
-		26,337
-		192,936
<u>44,268</u>		<u>689,872</u>
-		36,727
-		1,555,419
-		1,592,146
<u>44,268</u>		<u>2,282,018</u>
45,169		6,312,620
165,024		165,024
-		57,394
187,829		703,857
<u>\$ 398,022</u>	<u>\$</u>	<u>7,238,895</u>

TOWN OF LAKE PLACID, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Funds		
	Water	Wastewater	Sanitation
Operating Revenues:			
Charges for services	\$ 815,329	\$ 256,822	\$ 460,636
Sale of cemetery plots and mausoleum spaces	-	-	-
Miscellaneous revenue	478	3,790	186
Total Operating Revenues	815,807	260,612	460,822
Operating Expenses:			
Personal services	294,689	133,269	162,682
Administrative	11,153	3,487	3,143
Utilities	33,903	21,187	2,297
Landfill fees	-	-	141,149
Repairs and maintenance	45,849	23,627	42,080
Supplies	36,781	5,592	30,579
Depreciation	117,856	112,480	45,472
Insurance	26,060	13,802	11,054
Professional	56,915	54,298	6,136
Miscellaneous	7,423	1,571	-
Total Operating Expenses	630,629	369,313	444,592
Operating Income (Loss)	185,178	(108,701)	16,230
Nonoperating Revenues (Expenses)			
System development fees	18,900	23,600	-
Perpetual care fees	-	-	-
Investment earnings	831	849	598
Interest expense	-	(31,518)	(646)
Total Nonoperating Revenue (Expenses)	19,731	(7,069)	(48)
Income (Loss) Before Transfers	204,909	(115,770)	16,182
Transfer in	-	225,609	16,844
Transfer out	(196,609)	(9,000)	(3,000)
Change in Net Assets	8,300	100,839	30,026
Total Net Assets, beginning of year	4,317,284	2,181,723	202,701
Total Net Assets, end of year	\$ 4,325,584	\$ 2,282,562	\$ 232,727

See accompanying notes to financial statements.

(Other)	
Cemetery	Total
\$ -	\$ 1,532,787
25,063	25,063
5,700	10,154
30,763	1,568,004
27,954	618,594
777	18,560
1,890	59,277
-	141,149
11,085	122,641
726	73,678
5,994	281,802
2,578	53,494
4,097	121,446
1,149	10,143
56,250	1,500,784
(25,487)	67,220
-	42,500
6,959	6,959
1,994	4,272
-	(32,164)
8,953	21,567
(16,534)	88,787
3,575	246,028
(3,000)	(211,609)
(15,959)	123,206
413,981	7,115,689
\$ 398,022	\$ 7,238,895

TOWN OF LAKE PLACID, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Funds		
	Water	Wastewater	Sanitation
Cash Flows from Operating Activities:			
Cash received from customers	\$ 812,709	\$ 247,660	\$ 460,294
Cash payments to suppliers for goods and services	(215,239)	(119,239)	(235,514)
Cash payments for employee services and benefits	(294,713)	(132,610)	(159,680)
Net Cash Provided (Used) by Operating Activities	302,757	(4,189)	65,100
Cash Flows from Noncapital Financing Activities:			
Transfer to other funds	(196,609)	(9,000)	(3,000)
Transfer from other funds	-	175,609	16,844
Cash received from perpetual care fees	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(196,609)	166,609	13,844
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(50,085)	(2,800)	-
Principal paid on notes payable	-	(98,330)	(16,198)
Interest paid	-	(29,728)	(646)
Capital contributions	18,900	20,000	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(31,185)	(110,858)	(16,844)
Cash Flows From Investing Activities			
Interest on cash	831	849	598
Net Cash Provided by Investing Activities	831	849	598
Net Increase (Decrease) in Cash and Cash Equivalents	75,794	52,411	62,698
Cash and Cash Equivalents - October 1, 2009	227,817	160,175	68,760
Cash and Cash Equivalents - September 30, 2010	303,611	212,586	131,458
Cash and Cash Equivalents Classified as:			
Cash and cash equivalents	\$ 110,675	\$ 91,598	\$ 131,458
Cash on deposit with agent	-	57,481	-
Restricted assets	192,936	63,507	-
Total Cash and Cash Equivalents	\$ 303,611	\$ 212,586	\$ 131,458

See accompanying notes to financial statements.

(Other)	
Cemetery	Totals
\$ 34,067	\$1,554,730
(22,225)	(592,217)
(42,573)	(629,576)
(30,731)	332,937
(3,000)	(211,609)
26,222	218,675
6,959	6,959
30,181	14,025
(18,693)	(71,578)
-	(114,528)
-	(30,374)
-	38,900
(18,693)	(177,580)
5,569	7,847
5,569	7,847
(13,674)	177,229
215,993	672,745
202,319	849,974
\$ 37,295	\$ 371,026
-	57,481
165,024	421,467
\$ 202,319	\$ 849,974

(continued)

TOWN OF LAKE PLACID, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

	Enterprise Funds		
	Water	Wastewater	Sanitation
Operating income (loss)	\$ 185,178	\$ (108,701)	\$ 16,230
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	117,856	112,480	45,472
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(13,057)	(9,380)	2,726
(Increase) in due from other governments	-	-	(1,101)
(Increase) in due from other funds	(9,956)	(4,451)	(2,178)
(Increase) in prepaid	(1,880)	(6,450)	(3,551)
Decrease in inventory	2,756	263	-
Increase in accounts payable	9,279	11,391	4,237
(Decrease) in accrued liabilities	(2,374)	(621)	(1,995)
Increase (decrease) in due to other funds	9,326	624	140
Increase in compensated absences	2,754	656	5,120
Increase in customer deposits	2,875	-	-
Net Cash Provided (Used) By Operating Activities	\$ 302,757	\$ (4,189)	\$ 65,100

Supplemental disclosure of noncash capital and related financing activities:

Amortization of loan issuance costs	\$ -	\$ 2,212	\$ -
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See accompanying notes to financial statements.

(Other)	
Cemetery	Totals
\$ (25,487)	\$ 67,220
5,994	281,802
481	(19,230)
-	(1,101)
(15,554)	(32,139)
(17)	(11,898)
2,823	5,842
94	25,001
(177)	(5,167)
1,112	11,202
-	8,530
-	2,875
<u>\$ (30,731)</u>	<u>\$ 332,937</u>

<u>\$ -</u>	<u>\$ 2,212</u>
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TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies and the presentation of the financial report of the Town of Lake Placid (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental units. This report, the accounting systems, and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB).

The following summary of the Town's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

A. Reporting Entity

The Town of Lake Placid is a municipality of the State of Florida and is located in Highlands County, Florida. In addition to the public safety, recreation and general government services provided to its approximately 1,800 residents, the Town operates water, wastewater, sanitation, and cemetery enterprises. The Town is governed by an elected mayor and four-member council.

In evaluating the Town as a reporting entity, there was no component units identified for which the Town is considered financially accountable.

B. Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Town at year end. The statement of activities demonstrates the degree to which direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Fund Financial Statement Presentation:

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net assets, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. The following is a brief description of the specific funds used by the Town.

Major Governmental Funds:

General Fund – This fund accounts for all financial resources except those required to be accounted for in another fund. Resources are generated primarily from local property and utilities service taxes, franchises, licenses and permits, and intergovernmental revenue. Expenditures are incurred to provide public safety, general government, public works, and recreational services.

Infrastructure Fund – This fund accounts for the voted one cent local option sales surtax. The proceeds for this surtax may only be expended on assets specified by statutes.

Major Proprietary Funds:

Water Fund - This fund accounts for the operations of the Town's water and reuse services to customers within the service area.

Wastewater Fund - This fund accounts for the operations of the Town's wastewater service to customers within the service area.

Sanitation Fund – This fund accounts for the operations of the Town's garbage service.

Non-Major Proprietary Fund:

Cemetery Fund – This fund accounts for the operations and maintenance of the Town's cemetery.

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. All assets and liabilities of the Town are recorded in these financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

The governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when susceptible to accrual (i.e., when they are both “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days after year-end. Property taxes, utility taxes, franchise taxes, and interest are susceptible to accrual. Intergovernmental revenues collected and held by other governments are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time. Expenditures are recognized in the accounting period in which the fund liability is incurred except for un-matured interest on debt which is recognized when due.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the Town has elected to follow all GASB Statements and all the Financial Accounting Standards Board Statements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement, in accounting for enterprise funds and business-type activities.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the proprietary funds relates to charges to customers for sales and services. The Water Fund and Wastewater Fund recognize system development and tap fees intended to recover the cost of the infrastructure as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

D. Budgets and Budgetary Accounting

The Town adopts budgets for its General, Special Revenue, and Enterprise Funds. During the year, the Town Council amended its budget ordinance. Budgets are prepared as follows:

General and Special Revenue Funds – The Town adopts an operating budget on a modified accrual basis, which is consistent with its accounting basis.

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Enterprise Funds - The Town adopts an operating budget on a modified accrual basis which is not the same basis of accounting as that used to account for the actual results of operations (accrual basis). The primary differences between the budgetary basis and the basis used to account for the results of operation are that the Town budgets capital outlays and debt service transfers, which includes principal payments. Additionally, the Town does not budget depreciation expense.

The level of budgetary control is at the object level (expense categories such as salaries, supplies, etc.) due to Town Council's required approval of budget transfers among expense categories.

Unexpended budgetary appropriations lapse at year-end. The Town utilizes purchase orders in the purchasing process to document the proper authorization of expenditures and monitors year to date expenditures on a monthly basis to avoid over-expenditures of the budget, but does not use formal encumbrance accounting.

E. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Town considers cash and cash equivalents to be cash on hand, cash in banks, and short-term investments with maturities less than three months when acquired, including restricted assets.

F. Inventory

In the Water Fund and Wastewater Fund, inventories are stated at cost, which is not in excess of market. Cost is determined on a weighted average method. In the Cemetery Fund, inventory includes costs incurred to construct a mausoleum at the Town's cemetery. These costs will be recognized as a reduction to proceeds as the sale of spaces and niches takes place.

G. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. Property Taxes

Ad valorem taxes for the current fiscal year (beginning October 1, 2009) are assessed on July 1, 2009 based on property values as of January 1, 2009. The taxes are billed in the month of November 2009 by the Highlands County Tax Collector who remits collected taxes to the Town monthly. Taxes are due November 1, 2009 and become delinquent April 1, 2010. Tax certificates are sold for delinquent taxes by June 1, 2010. Generally, the Town collects substantially all of its current year property taxes during the year in which they are due. No accrual for the property tax levy becoming due in November 2010 is included in the accompanying financial statements since such taxes are collected to finance expenditures of the next fiscal year.

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

I. Restricted Assets

Restricted assets in the proprietary funds consist of customer deposits, Wastewater loan reserve and debt service accounts, and a cemetery perpetual care fund. Customer deposits are used to ensure against nonpayment of billings and/or property damage. The deposits remain the property of the customers and therefore, are considered not available for current operations.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets purchased or acquired, are carried at historical cost. Contributed assets are recorded at fair market value as of the date received. The Town defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest is capitalized on Enterprise Fund assets during the period of construction. The amount of interest to be capitalized related to tax exempt borrowings is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized for the year ended September 30, 2010.

Depreciation is provided and is computed on the straight-line method over the following estimated useful lives:

Buildings	10 to 40 years
Plant and Improvements Other than Buildings	5 to 40 years
Equipment	5 to 15 years
Infrastructure	20 to 40 years

K. Compensated Absences

Vacation leave begins accumulating on the employee's date of hire. However, the employee is not eligible to use vacation benefits until after six months of employment. Vacation leave is earned each pay period based on the length of service. Upon voluntary separation of service, employees with up to 5 years of service will receive payment for up to but not more than 15 days. Employees with 6 to 15 years of service will receive payment for up to but not more than 20 days. Employees with 16 years or more of service will receive payment for up to but not more than 25 days. In addition, department heads shall be allowed to receive payment for an additional 8 days of accrued time. A liability has been recorded at September 30, 2010, for unused vacation leave.

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Sick leave accumulates at the rate of one sick day (8 hours) per month for all employees. However, new hires must be employed for three months before they can utilize sick time that has been accrued. Sick leave accrued shall not exceed a maximum of 960 hours. Upon separation of service, employees with 10 years of service will receive payment for up to but not more than 60 days. Employees with 20 years or more of service will receive payment for up to but not more than 90 days. A liability has been recorded at September 30, 2010, for unused vested sick leave.

L. Long-Term Debt

Long-term debt and other obligations financed are reported as liabilities in the applicable governmental activities and business-type activities. Loan issuance costs are deferred and amortized over the term of the loan using the straight-line method since the results are not significantly different from the effective interest method.

M. Fund Balance

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. Designations of fund balance represent use of financial resources for planned capital improvement projects and subsequent year's budget.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Cash and cash equivalents at September 30, 2010, consist of:

<u>Unrestricted:</u>	<u>Governmental</u>	<u>Business-type</u>
Petty cash and change funds	\$ 80	\$ 165
Demand deposits	2,220,491	370,861
Certificates of deposit	10,000	-
Total unrestricted cash	2,230,571	371,026
<u>Restricted:</u>		
Demand deposits	-	337,276
Certificates of deposit	-	44,191
Total restricted cash	-	421,467
Total cash and cash equivalents	\$ 2,230,571	\$ 849,974

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Deposits – Custodial Credit Risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. At year end, all deposits were entirely insured by federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to chapter 280.07, Florida Statutes. Other than the preceding, the Town has no policy on custodial credit risk.

Investments - Florida Statutes authorize the Town to invest in direct obligations of the U.S. Treasury, Florida State Board of Administration (SBA) Local Government Surplus Funds Trust Fund (“Florida PRIME”), savings accounts or certificates of deposit in qualified public depositories, and SEC registered money market funds.

NOTE 3 - RECEIVABLES AND DUE FROM OTHER GOVERNMENTS:

The following is a summary of accounts receivable at September 30, 2010, including the applicable allowances for uncollectible accounts:

	General	Water	Sewer	Sanitation	Cemetery
Receivables:					
Accounts	\$ -	\$ 104,905	\$ 42,614	\$ 26,701	\$ 2,896
Franchise fees	20,798	-	-	-	-
Utility taxes	22,634	-	-	-	-
Less: allowance for uncollectibles	-	(10,902)	(2,408)	(3,088)	-
Net total receivables	<u>\$ 43,432</u>	<u>\$ 94,003</u>	<u>\$ 40,206</u>	<u>\$ 23,613</u>	<u>\$ 2,896</u>

The Governmental receivable represents the balance due from Progress Energy for Franchise and Utility Tax fees. The Business-type receivable represents balances owed by customers.

The following is a summary of the amounts due from other governments at September 30, 2010, which are considered fully collectible:

	Governmental	Business-type
State of Florida	\$ 33,613	\$ 76,298
Highlands County	56,679	1,101
	<u>\$ 90,292</u>	<u>\$ 77,399</u>

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 4 – CAPITAL ASSETS:

A. Changes in Capital Assets

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

	Beginning Balance	Increase	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 566,050	\$ -	\$ -	\$ 566,050
Total capital assets not being depreciated	566,050	-	-	566,050
Capital assets, being depreciated:				
Buildings	543,394	-	2,875	540,519
Improvements	1,380,167	38,492	3,564	1,415,095
Equipment	883,471	53,456	25,987	910,940
Infrastructure	229,666	-	-	229,666
Total capital assets being depreciated	3,036,698	91,948	32,426	3,096,220
Less accumulated depreciation for:				
Buildings	206,709	16,811	2,875	220,645
Improvements	572,020	60,534	3,564	628,990
Equipment	619,063	72,131	25,987	665,207
Infrastructure	147,893	10,299	-	158,192
Total accumulated depreciation	1,545,685	159,775	32,426	1,673,034
Total capital assets being depreciated, net	1,491,013	(67,827)	-	1,423,186
Governmental Activities Capital Assets, Net	\$ 2,057,063	\$ (67,827)	\$ -	\$ 1,989,236

	Beginning Balance	Increase	Decreases	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 287,233	\$ -	\$ -	\$ 287,233
Idle assets	1,585,145	-	-	1,585,145
Total capital assets not being depreciated	1,872,378	-	-	1,872,378
Capital assets, being depreciated:				
Buildings	146,013	-	-	146,013
Improvements	1,049,397	41,946	-	1,091,343
Equipment	7,815,239	29,632	-	7,844,871
Total capital assets being depreciated	9,010,649	71,578	-	9,082,227
Less accumulated depreciation for:				
Buildings	18,555	3,650	-	22,205
Improvements	1,923,275	204,651	-	2,127,926
Equipment	762,909	73,501	-	836,410
Total accumulated depreciation	2,704,739	281,802	-	2,986,541
Total capital assets being depreciated, net	6,305,910	(210,224)	-	6,095,686
Business-Type Activities Capital Assets, Net	\$ 8,178,288	\$ (210,224)	\$ -	\$ 7,968,064

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 4 – CAPITAL ASSETS:

Depreciation expense was charged to governmental functions as follows:

General government	\$ 15,164
Public safety	38,666
Transportation	23,436
Culture and recreation	82,509
Total	<u>\$ 159,775</u>

Depreciation expense was charged to business-type functions as follows:

Water	\$ 117,856
Wastewater	112,480
Sanitation	45,472
Cemetery	5,994
Total	<u>\$ 281,802</u>

Depreciation expense related to capital leases of governmental activities amounted to \$7,597.

During the fiscal year ended September 30, 2009, the Town completed construction on a Reuse System which has not been and is not currently in use. This idle property has a cost of \$1,585,145 at September 30, 2010.

NOTE 5 - RESTRICTED ASSETS:

The balances of the restricted asset accounts for business-type activities at September 30, 2010 are as follows:

Water:	
Customer deposits	<u>\$ 192,936</u>
Wastewater:	
Loan debt reserve and debt service accounts	<u>63,507</u>
Cemetery:	
Perpetual care fund	<u>165,024</u>
Total Restricted Assets	<u>\$ 421,467</u>

NOTE 6 – RISK MANAGEMENT:

The Town, in October 1996, entered into an agreement with other political subdivisions to join a local government risk management pool called Public Risk Management of Florida (PRM). PRM was organized to develop and administer a protected self-insured retention program for its member organizations. PRM provides the Town with coverage from risks in the areas of property, automobile, general liability, police professional, workmen’s compensation, public officials’ liability, and crime. Health insurance, which is provided by the Town to its employees, is purchased from a commercial carrier. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 6 – RISK MANAGEMENT: (continued)

PRM is a total risk and cost sharing pool for its members. PRM uses specific excess insurance to cover losses above predetermined self-insured retention levels and aggregate excess insurance to protect the loss fund in the event it becomes exhausted. In the event any or all of the reinsurance providers are unable to meet their obligations under existing agreements, PRM would be liable for such defaulted amounts.

Premium payments to PRM are allocated to each fund pro-ratably based upon the fund's share of the budgeted cost.

NOTE 7 – PLEDGED REVENUES:

The Town has pledged future revenues derived from the operation of the water and wastewater systems, net of operating and maintenance expenses, to repay two loans amounting to \$1,655,444 from the State of Florida, Department of Environmental Protection's State Revolving Loan Program. Proceeds from the loans provided financing for wastewater system improvements. The loans are payable solely from the net earnings of the water and wastewater systems and are payable through 2027. The total principal and interest remaining to be paid on the loans is \$1,879,161 with annual payments expected to require 36 percent of net revenues. Principal and interest payments for the current year were \$128,058, and net system revenues were \$350,993.

NOTE 8 – LONG-TERM LIABILITIES:

A. Long-term liability activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Capitalized leases	\$ 15,999	\$ 26,302	\$ 17,108	\$ 25,193	\$ 16,439
Compensated absences	90,555	52,195	57,839	84,911	13,519
Total Governmental Activities	\$ 106,554	\$ 78,497	\$ 74,947	\$ 110,104	\$ 29,958
Business-Type Activities:					
Note payable	\$ 16,198	\$ -	\$ 16,198	\$ -	\$ -
Loans payable	1,753,774	-	98,330	1,655,444	100,025
Compensated absences	45,620	27,024	18,494	54,150	17,423
Total Business-Type Activities	\$ 1,815,592	\$ 27,024	\$ 133,022	\$ 1,709,594	\$ 117,448

For governmental activities, capitalized leases are liquidated by the General Fund and Infrastructure Fund and compensated absences are liquidated by the General Fund.

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 8 – LONG-TERM LIABILITIES: (continued)

B. Loan Covenants

The loan agreements with the State of Florida, Department of Environmental Protection provides for:

- The Town to maintain rates and charges for the services furnished by the water and wastewater system to provide pledged revenue at least equal to 1.15 times the sum of payments due in such fiscal year. During 2010, the Town’s rate coverage ratio was 2.41.
- The Town to maintain a loan debt service account where six monthly deposits are made. The first five monthly deposits are one-sixth of the semiannual loan payment and the sixth monthly deposit is equal to at least the amount required to make the total on deposit in the account equal to the semiannual loan payment.
- The Town to deposit and maintain in the loan repayment reserve account an amount specified in the loan agreements. This account can only be used by the Town to cure a temporary and unexpected deficiency in any semiannual loan payment.

C. Loans Payable:

Loans payable for business-type activities at September 30, 2010 was as follows:

Loan payable - \$137,187 at 3.08% and \$942,813 at 1.86%; from the State of Florida, Department of Environmental Protection’s State Revolving Loan Program; semiannual payments of \$33,335 beginning December 15, 2003 through 2023; secured by a pledge of net revenues of the water and wastewater system. \$ 758,595

Loan payable - \$135,810 at 1.46% and \$890,390 at 1.46%, from the State of Florida, Department of Environmental Protection’s State Revolving Loan Program; semiannual payments of \$30,681 beginning August 15, 2007 through 2027; secured by a pledge of net revenues of the water and wastewater system. 896,849

Total Loans Payable \$ 1,655,444

D. Notes Payable:

Notes payable for business-type activities at September 30, 2010 was as follows:

Note payable - \$75,000 at 4.03%, dated April 7, 2005 due in five annual installments of \$16,862, including interest, final payment due April 7, 2010, collateralized by a garbage truck. The outstanding balance as of September 30, 2010 was \$0.

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 8 – LONG-TERM LIABILITIES: (continued)

E. Capital Leases:

The Town has entered into lease agreements as lessee for financing the acquisition of police vehicles. These lease agreements are treated as capital leases for accounting purposes, and therefore, have been reported at the present value of the future minimum lease payments as of the inception date in the basic financial statements.

The assets currently financed through capital lease are as follows:

	Governmental Activities
Vehicles	\$ 51,138
Less: accumulated depreciation	(8,011)
Net book value	\$ 43,127

The future minimum lease obligation and the net present value of the minimum lease payment as of September 30, 2010 are as follows:

Year Ending <u>September 30,</u>	Governmental Activities
2011	\$ 18,212
2012	9,375
Total lease payments	27,587
Less amount representing interest	(2,394)
Present value of minimum lease payments	\$ 25,193

F. Debt Service Requirements to Maturity:

September 30,	Business-type Activities		
	Principal	Interest	Total
2011	\$ 100,025	\$ 25,006	\$ 125,031
2012	101,778	26,253	128,031
2013	103,564	24,467	128,031
2014	105,382	22,649	128,031
2015	107,235	20,796	128,031
2016-2020	565,186	74,967	640,153
2021-2025	481,560	25,254	506,814
2026-2027	90,714	1,325	92,039
Totals	\$ 1,655,444	\$ 220,717	\$ 1,876,161

Total interest expense incurred for governmental activities amounted to \$1,104 and for business-type activities amounted to \$32,164.

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 9– INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances at September 30, 2010, were as follows:

	Receivable Amount	Payable Amount
Major Governmental Funds:		
General Fund	\$ 192,782	\$ 39,917
Infrastructure Fund	21,280	50,000
Major Enterprise Funds:		
Water Fund	86,461	66,987
Wastewater Fund	58,051	129,856
Sanitation Fund	24,085	68,534
Non-Major Enterprise Fund		
Cemetery Fund	15,554	42,919
Totals	<u>\$ 398,213</u>	<u>\$ 398,213</u>

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods or services are provided, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 10 – INTERFUND ADVANCES:

Interfund advances at September 30, 2010, were as follows:

	Receivable Amount	Payable Amount
Major Governmental Funds:		
General Fund	\$ -	\$ 75,267
Non-Major Enterprise Fund		
Cemetery Fund	75,267	-
Totals	<u>\$ 75,267</u>	<u>\$ 75,267</u>

Advances between funds represent interfund loans that are not expected to be repaid within one year. During the fiscal year 2009 the Cemetery Fund advanced the General Fund \$110,000 for baseball field capital improvements. Repayment terms to the Cemetery Fund are 48 installments, principal and interest paid monthly at 4% interest.

TOWN OF LAKE PLACID, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 11 – INTERFUND TRANSFERS:

Interfund transfers for the year ended September 30, 2010 were as follows:

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	\$ 3,575	\$ 36,000
Infrastructure Fund	66,844	
Major Enterprise Funds:		
Water Fund	196,609	-
Wastewater Fund	9,000	225,609
Sanitation Fund	3,000	16,844
Cemetery Fund	3,000	3,575
Totals	\$ 282,028	\$ 282,028

Transfers between funds are primarily due to the following:

- Transfers from the General Fund to the Cemetery Fund represent interest on the advance.
- Transfers from the Infrastructure Fund to the General Fund represent funding for the purchase of Highlands Utilities.
- Transfers from the Infrastructure Fund to the Sanitation Fund represent principal and interest payments on the Sanitation dump truck.
- Transfers from Water Fund to the Wastewater Fund represent funding the Wastewater loan repayment reserve account for the State of Florida loan payable and amounts budgeted to supplement operations of the Wastewater Fund.
- Transfers from the Water Fund, Wastewater Fund, Sanitation Fund, and Cemetery Fund to the General Fund represent the amounts budgeted for operations of general government activities.

NOTE 12 – PENSION PLAN:

Florida Retirement System (FRS)

Plan Description - All of the Town's full-time and part-time employees working in a regularly established position are participants in the FRS, a multiple-employer cost-sharing defined benefit retirement system which is controlled by the Florida Legislature and administered by the State of Florida, Department of Management Services, Division of Retirement. The Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. That report may be obtained by writing to Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, by calling (850) 488-5706, or by accessing their internet site at www.frs.state.fl.us.

FRS provides retirement and disability benefits, assistance in paying health insurance cost, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Statutes of the State of Florida established the plan and its benefit provisions. The benefits can be amended legislatively by the Florida Legislator. Participants can choose from two options: the FRS Pension Plan or the FRS Investment Plan.

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NOTE 12 – PENSION PLAN: (continued)

The Pension Plan provides for vesting of benefits after six years of credited service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service. Early retirement is available after six years of service with a five percent reduction of benefits for each year prior to the normal retirement age. Benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings. Employees are not required to contribute to the Pension Plan.

The Investment Plan provides for vesting after one year of credible service. Normal retirement benefits are available to employees who retire at or after age 62 with one or more years of service. Retirement benefits are based on the employee's account balance. Employees are not required to contribute to the Investment Plan.

Funding Policy – Covered employees have no obligation to contribute to the plan. Monthly employer contributions, as established by state statute, are actuarially determined to accumulate sufficient assets to pay benefits when due and are expressed as a percentage of annual covered payroll. The funding policy contribution rates at year end September 30, 2010, are 10.77% for regular employees, 14.57% for senior management, 12.25% for employees in the deferred retirement option program, 18.64% for elected officials, and 23.25% for special risk employees. The Town's contributions to the plan for the years ended September 30, 2010, 2009, and 2008 were \$156,129, \$142,524, and \$142,074, respectively, and each year's contribution was equal to the required contributions for that year.

NOTE 13 – RELATED PARTY TRANSACTION:

During the year the Town contracted with The Hometown Network, Inc., a business owned by a Council Member, to provide internet and computer maintenance. These services were procured in compliance with the Town's purchasing policies and for the year amounted to \$7,861.

NOTE 14 – SUBSEQUENT EVENT:

Acquisition of Highlands Utilities Corporation – On October 5, 2010, the Town purchased the Highlands Utilities Corporation Wastewater Collection and Treatment System for a purchase price of \$500,000. Of this amount, \$50,000 was provided by the Infrastructure Fund, and the \$450,000 balance was financed by grant proceeds.

