

**LAKELAND
COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Lakeland, Florida)**

REPORT ON BASIC FINANCIAL STATEMENTS

for the

FISCAL YEAR ENDED SEPTEMBER 30, 2012



Prepared by
FINANCE DEPARTMENT

GREGORY M. FINCH, CPA
Finance Director

MICHAEL C. BROSSART, CPA
Assistant Finance Director



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TABLE OF CONTENTS

INTRODUCTORY SECTION

<u>Independent Auditors' Report</u>	A-1
<u>Management's Discussion and Analysis</u>	B-1
<u>Basic Financial Statements</u>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets.....	C-1
Statement of Activities.....	C-2
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds.....	D-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	D-2
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	D-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities.....	D-4
<i>Notes to Financial Statements</i>	E-1
<u>Other Required Supplemental Information</u>	
Budgetary Comparison Schedule – Budget (GAAP Basis) and Actual Governmental Funds for Year Ended September 30, 2012.....	F-1
Notes to Required Supplementary Information.....	F-2
<u>Supplemental Information</u>	
Report of Independent Auditors on Supplementary Information.....	G-1
Schedule of Deposits and Withdrawals – Redevelopment Trust Funds.....	G-2
<u>Supplemental Audit Reports</u>	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	H-1
Schedule of Findings.....	H-3
Management Letter.....	H-5



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REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Lakeland Community Redevelopment Agency

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lakeland Community Redevelopment Agency (the "Agency"), a component unit of the City of Lakeland, Florida, as of and for the year ended September 30, 2012, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Agency's 2011 financial statements and, in our report dated April 3, 2012 we expressed unqualified opinions on those financial statements.

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.

As discussed in Note 1, the financial statements present only the Lakeland Community Redevelopment Agency Fund, and do not purport to, and do not, present fairly the financial position of the City of Lakeland, Florida, as of September 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Lakeland Community Redevelopment Agency, as of September 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013 on our consideration of the Agency'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 on internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the other required supplementary information on pages B-1 to B-6 and F-1 to F-2 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Crowe Horwath LLP
Crowe Horwath LLP

Lakeland, Florida
March 26, 2013

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section provides a narrative overview of the City of Lakeland Community Redevelopment Agency (CRA) financial activities for fiscal year ending September 30, 2012. This discussion is broken down into three components:

- An overview of the Agency.
- A brief overview of the financial statements, including how they relate to each other and the significant differences in information they provide.
- A concise, condensed financial report that summarizes the results of operations and a narrative financial analysis of the CRA's overall financial condition and results of operations, supported by additional consolidated information about specific services provided by the CRA.

OVERVIEW

The purpose of the Community Redevelopment Agency of the City of Lakeland, Florida (the "Agency") is to eliminate identified slum and blighted conditions within identified redevelopment areas pursuant to the redevelopment plans of the Agency.

The Agency's primary source of revenue is tax increment funds. This revenue is computed by applying the operating tax rate for the City, County, Lakeland Area Mass Transit District (LAMTD), and in the Downtown area, the Lakeland Downtown Development Authority (LDDA), multiplied by the increased value of the property located within the boundaries of the redevelopment areas of the Agency, over the base property value, minus 5%. The City, County, LAMTD and LDDA are required to fund this amount annually without regard to tax collections or other obligations.

Further, the Agency's policy is set by a board of commissioners comprised of the members of the Commission of the City of Lakeland, and is separate, distinct and independent from the governing body of the City. The Agency's management plan is executed by a small management staff led by the Community Redevelopment Agency Manager.

The Agency was established in 1979 by the City of Lakeland, Florida (the "City") under the provisions of Section 163.330, Florida Statutes. Lakeland has four CRA target areas, or **CRA districts**. They are Downtown Redevelopment Trust Fund which was established in 1977, Dixieland and Mid Town which were created in 2001, and Williams which was created in 2002. The board of commissioners for the Agency is comprised of seven (7) members of the Commission of the City of Lakeland, and is separate, distinct and independent from the governing body of the City of Lakeland.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Agency's basic financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The nature of these three components of the report is described as follows:

Government-wide financial statements

There are two financial statements in this section that address the financial position and results of operations of the Agency taken as a whole: the Statement of Net Assets and the Statement of Activities.

These two financial statements are prepared using the "full accrual" method (basis) of accounting. This is the same accounting method used by most private-sector companies to determine whether they earn a profit in any given year, and to measure the net worth of the company as of the end of the year. Under the full accrual basis of accounting, some cash flows into the organization and some of the cash flows out of the organization are not considered operating revenues or operating expenses and accordingly do not appear on a profit and loss statement. For example, under the full accrual basis of accounting, the purchase of capital assets (e.g. equipment, land, buildings that have a useful life beyond one year) is not considered an operating expense when purchased.

The statement of net assets is similar to a balance sheet in that it separately identifies the assets (what the Agency owns) from the liabilities (what the Agency owes) and the net difference between the two. Cash, receivables, land, buildings and equipment are examples of assets. Bonds, notes, and payables are examples of liabilities. The increase or decrease in net assets from one year to the next indicates whether the Agency's financial position is improving or deteriorating.

The statement of activities explains how or why the net assets have increased or decreased during the year. The statement of activities resembles a profit and loss statement because it compares the total expenses of the government to the total revenues, with the difference between the two, equaling the increase or decrease in net assets over the course of the year.

Fund financial statements

This is the second section of the basic financial statements. It presents information in more detail, centered on individual "Funds". For record keeping and reporting purposes, the Agency separates many of its unique operations into separate accounting "companies" called funds. Separating the record keeping into individual funds enables the Agency to maintain accounting control over resources and expenses that are dedicated to specific activities. The Agency also uses fund accounting to separate financial transactions as needed to ensure and demonstrate compliance with finance-related legal requirements imposed on the Agency by other governments and bond covenants.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The Agency has only one governmental fund; the special revenue fund.

There are two types of financial statements presented for governmental funds – a balance sheet (showing assets, liabilities, and the difference between the two – technically referred to as “fund balance”) and a statement of revenues, expenditures, and changes in fund balance.

For purposes of preparing the financial statements for these governmental activities within this section of the report, the basis of accounting used to measure the value of assets, liabilities, revenues and expenditures is different than that used within the government-wide financial statements for these same activities. Although the government-wide financial statements are prepared using the same full accrual basis of accounting utilized in the private sector, the fund financial statements are prepared using the same basis of accounting used to prepare annual budgets. This basis of accounting tends to show all cash inflows and outflows as revenues and expenses in the accounting year in which they actually occur, ignoring the fact that the inflow or outflow may have an effect over many years.

The reason for this different accounting approach is that the activities in these funds are not financed from a direct user fee. As a result, there is no emphasis placed on measuring annual “net profit or loss” resulting from those operations. Instead, the accounting focuses on whether there will be enough cash flow available in a given year to finance the costs of providing services. The emphasis is much more focused on activities occurring within a one year budget period rather than the long-term. This methodology is referred to as the “modified accrual” basis of accounting.

A reconciliation schedule is provided within these fund financial statements to identify differences between the modified accrual basis of accounting used in these fund financial statements and the full accrual basis of accounting used in the government wide statements.

Notes to the financial statements

The third section of the basic financial statements is the notes to the financial statements. This section provides a further level of detail necessary to better understand the information provided within the government-wide financial statements and fund financial statements.

In addition to the three major types of data included in the basic financial statements (as defined on the preceding pages), this annual financial report also includes supplementary information regarding the financial condition and results of operations of the Agency.

Other required supplementary information

Included in this section of the report is a schedule that compares the annual operating budget adopted by the Agency for the CRA Districts to the actual revenues and expenditures reported for the year.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED FINANCIAL INFORMATION

This section presents condensed financial information from the government-wide financial statements that compares the current year to the prior year. The analysis highlights economic factors that significantly affected operating results during the year. The following condensed information is derived from the government-wide financial statements for the City of Lakeland Community Redevelopment Agency.

CONDENSED STATEMENT OF NET ASSETS (in thousands)

	Governmental Activities	
	2012	2011
Assets		
Current assets	\$ 8,536	\$ 9,226
Capital assets	23,620	22,480
Total assets	<u>32,156</u>	<u>31,706</u>
Liabilities		
Current liabilities	287	459
Revenue bonds payable, less current portion	6,581	6,846
Total liabilities	<u>6,868</u>	<u>7,305</u>
Net Assets		
Invested in capital assets, net of related debt	16,774	15,190
Unrestricted	8,514	9,211
Total net assets	<u>\$ 25,288</u>	<u>\$ 24,401</u>

CONDENSED CHANGES IN NET ASSETS (in thousands)

	Governmental Activities	
	Fiscal Year Ended	
	2012	2011
Program Revenues:		
Operating grants and contributions	\$ 132	\$ 187
General Revenues:		
Property taxes	2,911	3,424
Investment earnings	493	504
Miscellaneous	361	268
Total revenues	<u>3,897</u>	<u>4,383</u>
Program Expenses:		
General government	520	404
Transportation	1,250	875
Economic environment	529	534
Interest on long-term debt	361	383
Total expenses	<u>2,660</u>	<u>2,196</u>
Net contributions (to) / from component units	<u>(350)</u>	<u>(280)</u>
Increase in net assets	887	1,907
Net assets, beginning of year	24,401	22,494
Net assets, end of year	<u>\$ 25,288</u>	<u>\$ 24,401</u>

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the fiscal year ended September 30, 2012, the results of operations of the Agency viewed on a government-wide basis reflects relatively strong financial performance.

The Agency's statement of net assets serves as a useful indicator of a government's financial position as of a specific point in time. The relative composition of assets versus liabilities as shown on this report is indicative of a healthy (versus a tenuous) financial position. This analysis is most easily accomplished by converting this data into ratios.

One such ratio reflects the ability of the government to meet immediate cash demands – the ratio of current assets to current liabilities:

A comparison of unrestricted current assets to unrestricted current liabilities as of September 30, 2012:

	2012	2011
Current assets	\$ 8,535,892	\$ 9,226,213
Current liabilities	<u>286,555</u>	<u>459,231</u>
Net current assets	<u>\$ 8,249,337</u>	<u>\$ 8,766,982</u>
Ratio	29.79	20.09

The decrease in net unrestricted current assets of the Agency is the result of the decrease in property tax collections, investment earnings, and charges for services during the year within those activities as previously described.

Another useful ratio evaluates the relationship of unpaid long term debt issued to finance capital assets. 55% of the Agency's net assets reflect its investment in capital assets net of the related debt issued to construct those capital assets.

The ratio of capital assets to related long term debt is as follows:

Ratio of capital assets to related debt:

	<u>2012</u>	<u>2011</u>
Capital assets	\$ 23,619,733	\$ 22,479,701
Related long term debt	<u>6,846,054</u>	<u>7,290,276</u>
Net investment in capital assets, net of related debt	<u>\$ 16,773,679</u>	<u>\$ 15,189,425</u>
Ratio	3.45	3.08

The total book value of capital assets as of September 30, 2012 was \$23,619,733 which represents an increase of \$1,110,032 for the year in capital outlays related to land, land improvements, infrastructure improvements and land purchases.

Revenue bond obligations issued for the benefit of governmental activities are paid from amounts accumulated in legally required sinking funds maintained in the debt service fund. Loans issued for the benefit of governmental activities are not secured by one specific revenue pledge. These obligations are repaid directly from various revenue sources accounted for within special revenue funds.

The Agency has no general obligation bonded debt outstanding.

For additional information regarding capital asset and long term debt activity see the Notes to the Financial Statements under the Basic Financial Statements section of this report.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL ANALYSIS

As noted earlier, the Agency uses fund accounting to segregate the transactions of the Agency into specific types of districts: the Downtown Redevelopment District, the Midtown Redevelopment District, the Dixieland Redevelopment District, and the Williams Redevelopment District.

The following discussion addresses significant activity within the LCRA fund:

The Downtown Redevelopment Trust Fund

The Downtown Redevelopment Trust Fund is a special district whose mission is to improve and stimulate the environment for economic development in a people-oriented Downtown community.

The Midtown Redevelopment Trust Fund

The MidTown Redevelopment Trust Fund is a special district whose mission is to work with the community to plan, facilitate and implement redevelopment activities within the MidTown CRA district in the areas of private market real estate development, public and private improvements that boost the "image" of the district, encourage networking and partnership opportunities, and to leverage time and resources to maximize impact within the district.

The Dixieland Redevelopment Trust Fund

The Dixieland Redevelopment Trust Fund is a special district whose mission is to invigorate the existing businesses, attract new businesses and investment, and provide a neighborhood commercial center for the surrounding neighborhoods.

The Williams Redevelopment Trust Fund

The Williams Redevelopment Trust Fund is a special district that focuses on a redevelopment program to deal with transportation blight in a newly developing area. The intent of this CRA is to create an environment in which needed transportation and related improvements can be designed and funded and to promote economic development to respond to the needs of the general public.

A summary of the operations of LCRA districts, including a comparison to the approved budget, is as follows:

	2012 Budget (As Amended)	2012 Actual	Variance Over/(Under)
REVENUES			
Taxes	\$ 2,870,000	\$ 2,911,031	\$ 41,031
Intergovernmental	400,000	-	(400,000)
Miscellaneous	259,473	854,192	594,719
Total revenues	<u>3,529,473</u>	<u>3,765,223</u>	<u>235,750</u>
EXPENDITURES			
Current:			
General government	759,364	519,574	239,790
Transportation	1,083,908	261,432	822,476
Economic environment	626,682	529,123	97,559
Capital outlay	4,923,056	2,129,244	2,793,812
Debt service	805,000	805,000	-
Total expenditures	<u>8,198,010</u>	<u>4,244,373</u>	<u>3,953,637</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,668,537)</u>	<u>(479,150)</u>	<u>4,189,387</u>
NET TRANSFERS (TO) FROM OTHER FUNDS	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,018,537)</u>	<u>\$ (829,150)</u>	<u>\$ 4,189,387</u>

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL ANALYSIS (continued)

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Lakeland Community Redevelopment Agency's finances and was prepared by the Finance Department of the City. Requests for additional information should be addressed to the Finance Director at 228 South Massachusetts Ave, Lakeland, FL 33801.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS
LAKELAND COMMUNITY REDEVELOPMENT AGENCY
SEPTEMBER 30, 2012
WITH COMPARATIVE DATA FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,108,625	\$ 8,596,561
Receivables, net	427,232	279,652
Due from other governments	-	350,000
Prepaid expenditures	35	-
Total current assets	<u>8,535,892</u>	<u>9,226,213</u>
Noncurrent assets:		
Capital assets:		
Non-depreciable	16,817,020	18,677,908
Depreciable	6,802,713	3,801,793
Facilities and equipment in service	7,941,123	4,747,924
Less accumulated depreciation	<u>(1,138,410)</u>	<u>(946,131)</u>
Total capital assets	<u>23,619,733</u>	<u>22,479,701</u>
Total noncurrent assets	<u>23,619,733</u>	<u>22,479,701</u>
Total assets	<u>32,155,625</u>	<u>31,705,914</u>
LIABILITIES		
Current liabilities:		
Accounts payable	18,003	12,170
Accrued liabilities	3,383	2,839
Current portion of bonds payable	265,169	444,222
Total current liabilities	<u>286,555</u>	<u>459,231</u>
Noncurrent liabilities:		
Revenue bonds payable, less current portion	<u>6,580,885</u>	<u>6,846,054</u>
Total liabilities	<u>6,867,440</u>	<u>7,305,285</u>
NET ASSETS		
Invested in capital assets, net of related debt	16,773,679	15,189,425
Unrestricted	<u>8,514,507</u>	<u>9,211,204</u>
Total net assets	<u>\$ 25,288,186</u>	<u>\$ 24,400,629</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
 LAKELAND COMMUNITY REDEVELOPMENT AGENCY
 FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE DATA FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs:	Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Program Revenues Operating Grants and Contributions	Governmental Activities	Primary Government	
				Total	
				2012	2011
Governmental activities					
General government	\$ 519,574	\$ -	\$ (519,574)	\$ (519,574)	\$ (404,078)
Transportation	1,250,643	-	(1,250,643)	(1,250,643)	(687,598)
Economic environment	529,123	132,452	(396,671)	(396,671)	(534,250)
Interest on long-term debt	360,778	-	(360,778)	(360,778)	(382,313)
Total	<u>\$ 2,660,118</u>	<u>\$ 132,452</u>	<u>\$ (2,527,666)</u>	<u>(2,527,666)</u>	<u>(2,008,239)</u>
General revenues:					
Property taxes			2,911,031	2,911,031	3,423,545
Investment earnings			493,294	493,294	504,159
Miscellaneous			360,898	360,898	267,699
Net contributions (to) / from component units			(350,000)	(350,000)	(280,000)
Total general revenues and transfers			<u>3,415,223</u>	<u>3,415,223</u>	<u>3,915,403</u>
Change in net assets			<u>887,557</u>	<u>887,557</u>	<u>1,907,164</u>
Net assets, beginning of year			<u>24,400,629</u>	<u>24,400,629</u>	<u>22,493,465</u>
Net assets, end of year			<u>\$ 25,288,186</u>	<u>\$ 25,288,186</u>	<u>\$ 24,400,629</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET
 GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012
WITH COMPARATIVE DATA FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Major Funds				Total Governmental Funds	
	Downtown Redevelopment Trust Fund	Midtown Redevelopment Trust Fund	Dixieland Redevelopment Trust Fund	Williams Redevelopment Trust Fund	2012	2011
ASSETS						
Cash and cash equivalents	\$ 347,916	\$ 6,798,847	\$ 868,262	\$ 93,600	\$ 8,108,625	\$ 8,596,561
Receivables, net	180,850	246,382	-	-	427,232	279,652
Due from other governments	-	-	-	-	-	350,000
Prepaid expenditures	-	35	-	-	35	-
Total assets	\$ 528,766	\$ 7,045,264	\$ 868,262	\$ 93,600	\$ 8,535,892	\$ 9,226,213
LIABILITIES						
Accounts payable	\$ 904	\$ 16,399	\$ 700	\$ -	\$ 18,003	12,170
Accrued liabilities	145	2,668	570	-	3,383	2,839
Deferred revenue	-	132,452	-	-	132,452	-
Total liabilities	1,049	151,519	1,270	-	153,838	15,009
FUND BALANCES						
Restricted for:						
CRA	527,717	6,893,745	866,992	\$ 93,600	8,382,054	9,211,204
Total fund balance	527,717	6,893,745	866,992	93,600	8,382,054	9,211,204
Total liabilities and fund balances	\$ 528,766	\$ 7,045,264	\$ 868,262	\$ 93,600	\$ 8,535,892	\$ 9,226,213

The accompanying notes are an integral part of the financial statements.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Total Fund Balance - Governmental Funds \$ 8,382,054

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.

Cost of the assets 24,758,144

Accumulated depreciation (1,138,410)

The value of certain assets are not recorded in the governmental fund financial statements, because such amounts normally are not convertible to cash on a timely enough basis to pay for the current period's expenditures. These assets consist of the following:

Revenues collected more than 60 days from year end. 132,452

Certain long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds payable (6,846,054)

Net Assets of Governmental Activities \$ 25,288,186

The accompanying notes are an integral part of the financial statements.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE DATA FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Major Funds				Total Governmental Funds	
	Downtown Redevelopment Trust Fund	Midtown Redevelopment Trust Fund	Dixieland Redevelopment Trust Fund	Williams Redevelopment Trust Fund	2012	2011
REVENUES						
Property taxes	\$ 1,007,741	\$ 1,717,612	\$ 172,723	\$ 12,955	\$ 2,911,031	\$ 3,423,545
Intergovernmental	-	-	-	-	-	186,718
Miscellaneous	54,879	742,808	50,973	5,532	854,192	771,858
Total revenues	1,062,620	2,460,420	223,696	18,487	3,765,223	4,382,121
EXPENDITURES						
Current:						
General government	81,386	346,956	91,232	-	519,574	404,078
Transportation	53,566	27,496	180,370	-	261,432	654,409
Economic environment	50,229	478,894	-	-	529,123	534,250
Capital outlay	69,388	2,059,856	-	-	2,129,244	2,578,638
Debt service	805,000	-	-	-	805,000	805,000
Total expenditures	1,059,569	2,913,202	271,602	-	4,244,373	4,976,375
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,051	(452,782)	(47,906)	18,487	(479,150)	(594,254)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds:						
Transportation Fund	-	-	-	-	-	70,000
Total transfers from other funds	-	-	-	-	-	70,000
Transfers to other funds:						
Public Improvement Fund	(350,000)	-	-	-	(350,000)	(350,000)
Total transfers to other funds	(350,000)	-	-	-	(350,000)	(350,000)
Total other financing sources (uses)	(350,000)	-	-	-	(350,000)	(280,000)
Net change in fund balances	(346,949)	(452,782)	(47,906)	18,487	(829,150)	(874,254)
FUND BALANCE, beginning of year	874,666	7,346,527	914,898	75,113	9,211,204	10,085,458
FUND BALANCE, end of year	\$ 527,717	\$ 6,893,745	\$ 866,992	\$ 93,600	\$ 8,382,054	\$ 9,211,204

The accompanying notes are an integral part of the financial statements.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (829,150)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay 2,129,244

Depreciation expense (192,279)

The book value of assets disposed of during the year are not reported as an expenditure in the governmental funds, however it is recognized as a component of gain or loss on the disposition of capital assets in the statement of activities.

(796,932)

Proceeds from issuance of long-term debt is recorded as a revenue in the governmental funds, but the proceeds result in an additional liability in the statement of net assets.

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Certain deferred revenues that do not provide current financial resources are not reported as revenues in the governmental funds, but are included in the statement of activities.

132,452

Repayment of principal on other long-term debt is recorded as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

444,222

Change in net assets of governmental activities

\$ 887,557

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lakeland Community Redevelopment Agency's (the Agency) financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

The Lakeland Community Redevelopment Agency was established in 1979 by the City of Lakeland, Florida (the City) under the provisions of Section 163.340, Florida Statutes. The City has created a total of four Community Redevelopment Areas; Downtown (1979), Dixieland (2001), Midtown (2001), and Williams (2002). The purpose of the Agency is to eliminate blight and slum conditions within the redevelopment area of the Agency pursuant to the redevelopment plans of the Agency for new residential and commercial activity. The board of directors of the Agency is comprised of seven members of the City Commission of the City and is separate, distinct, and independent from the governing body of the City.

For financial reporting purposes, the Agency is a component unit of the City and is thus included in the City's comprehensive annual financial report as a blended component unit and the report is not a complete presentation of the City of Lakeland.

B. Government-wide and Fund Financial Statements, and their underlying Basis of Accounting

The Agency's basic financial statements are presented in two separate and distinct formats. These consist of government-wide statements and fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Agency does not have any business-type activities and has only governmental activities. The accounts of the Agency are reported as special revenue funds.

Government-wide Statements In the Government-wide Statement of Net Assets, the government activities are presented on a consolidated basis in separate columns. This statement is prepared using the *economic resources* measurement focus, meaning all assets and liabilities (including capital assets and long-term debt) are included in the Statement of Net Assets. This accounting methodology is more consistent with the methodology used for business accounting in the private sector than "traditional" governmental accounting methodology.

Within this statement, the net assets of the Agency (assets minus liabilities) are reported in three separate components – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Whenever possible, the Agency utilizes restricted resources first to satisfy financial obligations.

The Government-wide Statement of Activities reports the degree to which the gross expenses, including depreciation, of the significant governmental functions provided by the Agency, are financed by the program revenues and the operating and capital grants directly related to the costs of providing each function. The statement then reports the extent to which the resulting net costs of these functions (gross expenses less directly-related program revenues and grants) are financed by general revenues of the Agency (i.e. taxes, interest income, etc.) This statement is prepared using the *full accrual* basis of accounting, which determines the timing of the recording of revenues and expenditures/expenses. Under this basis of accounting, revenues are recorded when earned, and expenses are recorded when an obligation is incurred. These accounting methods are also more consistent with the methodologies used for business accounting in the private sector than "traditional" governmental accounting methodology.

Fund Financial Statements These statements report information at a higher level of detail, focusing on separate reporting of individual major funds, rather than consolidating financial data into the broad category of governmental activities.

The financial transactions of the Agency are reported in individual trust funds within the City's accounting system. Each fund is accounted for by providing a separate, self-balancing set of accounts comprised of the assets, liabilities, reserves, fund equity, revenues and expenditures of each fund. All of the Agency's funds are classified as governmental funds.

Governmental Funds – Within the fund financial statements, the accounting policies applied to governmental funds is intended to capture only those transactions that will occur in the short-term, and the ability to finance those activities as needed. The financial focus applied to governmental funds is called the *modified accrual* basis of accounting. Revenues are susceptible to accrual in the accounting period in which they become available and measurable, which generally means those revenues that are collected within 60 days after year end. The Agency accrues an asset equal to the value of all material revenue to which it is entitled. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions are unmatured interest on general long-term debt, which is recognized when due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Within governmental fund types, assets and liabilities are recorded using the *flow of current financial resources* measurement focus, meaning only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

The governmental fund types utilized by the Agency are broken down as follows:

Special Revenue Funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose, such as gas taxes that are expended on transportation-related services.

C. Budget Policy and Budgetary Data

The City prepares an annual operating budget for the Lakeland Community Redevelopment Agency. These budgets are prepared on the modified accrual basis of accounting. As of September 30, 2012, there were no material violations of budgetary requirements.

D. Cash and Cash Equivalents

The Agency has defined cash and cash equivalents to include cash on hand, demand deposits, cash with paying agents, money market funds, as well as equity in pooled cash.

The various funds of the City have combined their resources into a cash pool for the purpose of maximizing investment earnings on daily cash balances. The investment pool is comprised of money market funds, time deposits, notes, bonds, amounts invested with the Florida State Board of Administration (SBA), other securities, and accrued interest. Amounts invested with the SBA and money market funds are reported at cost, all other investments are recorded at fair value. Revenue from pooled cash and investments is allocated on the basis of the participation by each fund. Each fund's pro-rata share of pooled cash and investments is included in the caption "cash and cash equivalents". These amounts are also considered a cash equivalent because each fund can withdraw cash at any time without prior notice or penalty (See Note 3).

E. Receivables

Receivables are generally attributable amounts due to the Agency mortgage agreements. Receivables are reported net of allowances for uncollectables where applicable.

F. Unrestricted and Restricted Assets

In cases in which both unrestricted and restricted assets are available to finance an expense or program, the Agency's policy is to utilize restricted assets first whenever possible.

G. Partial/Summarized Prior Year Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended September 30, 2011, from which the summarized information was derived.

H. Capital Assets

Effective October 1, 2004, capital equipment purchased with an original value of \$1,000 or more, and additions, improvements and other capital outlays, having an original cost of \$2,500 or more that significantly extend the useful lives are capitalized. Infrastructure consisting of certain improvements and additions such as roads, sidewalks and drainage systems were not previously capitalized by the City. In accordance with the provisions of GASB 34, the City has elected to capitalize infrastructure assets having an original cost of \$25,000 or more prospectively as of October 1, 2001. Capital assets used in governmental fund type operations are accounted for in the government-wide statements, rather than in the fund financial statements. Routine maintenance, repairs, renewals and replacement costs are charged against operations.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair value on the date donated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The depreciation on assets, where disclosed, is provided using the straight-line method over the following estimated useful lives:

Land improvements	10 - 30 years
Buildings	15 - 50 years
Improvements, other than buildings	10 - 45 years
Improvements, sewer lines	50 years
Office machines	5 - 15 years
Communications equipment	5 - 10 years
Motor vehicles	4 - 20 years
Furnishings and fixtures	5 - 25 years
Maintenance equipment, tools	5 - 15 years
Roads and alleys	20 years
Sidewalks	30 years
Storm drainage	30 years

Depreciation expense on assets used in governmental activities is included in the expenses of each governmental function on the government-wide Statement of Activities. Depreciation on general infrastructure assets is included within the expenses of the most relevant function.

I. Revenues

The Agency’s primary source of revenue is tax increment funds. The tax increment is made up of property taxes contributed by the City and County to the Community Redevelopment Trust Fund. The tax increment is calculated annually based on increases to property values within the designated CRA districts using the year in which they were established as the “base year”. For example, if an unimproved property was valued at \$10,000 in the base year and a new house is built on the property tomorrow, the new value of the property is \$25,000. The incremental difference in value (new assessed value – base year value) is \$15,000. Taxes collected on the property will be split amongst the City, County and CRA according to these differences in value with the CRA receiving all taxes assessed on the incremental increase of \$15,000. Revenues generated by improvements in the CRA districts are to be reinvested in the district to continue to spur redevelopment.

Substantially all governmental fund revenues are accrued. Property taxes, which are levied annually based on the value of real property and tangible personal property as assessed on January 1 and are payable from November through the following March, are recognized in the same fiscal period in which payment is due.

The property tax calendar for 2012 is as follows:

Lien date	January 1, 2012
Levy date	January 1, 2012
Due dates	November 1, 2012 through March 31, 2013
Delinquent date	April 1, 2013
Tax certificate sale	On or before June 1, 2013

In the Government-wide Statement of Activities, revenue that is derived directly from the program itself or from outside sources, if restricted to a specific program, is called program revenue. Program revenue is classified as either charges for services, operating grants or capital grants. Charges for services is revenue received by a particular function for the services that it provides to both entities outside of the City and to other City functions. Operating grant revenues come from other government entities to support the operation costs of particular functions and also from the earnings of permanent funds that are legally restricted to a particular function. Capital grants come from other government entities for the purpose of constructing or purchasing capital assets.

J. Indirect Expenses

Within the government-wide Statement of Activities, indirect expenses are not allocated to the functions of governmental activities. All expenses represent only direct expenses of each function.

K. Use of Estimates

Management has made estimates and assumptions relating to the reporting of assets and liabilities in conformity with GAAP. Actual results may differ.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Equity

In the fund financial statements, governmental funds report fund balance in classifications based on the extent to which the City is bound to honor constraints on the specific purpose for which those amounts can be spent. The City uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The governmental fund balance in detail as of September 30, 2012 is as follows:

	<u>Governmental Funds</u>	
Fund Balances:		
Restricted for:		
CRA	\$	8,366,926
Total Fund Balance	\$	<u>8,366,926</u>

There were no deficit fund balances as of September 30, 2012.

NOTE 2 – ACCOUNTING AND REPORTING CHANGES

New Accounting Pronouncement

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions; an amendment of GASB Statement No. 53*. This Statement applies to all state and local governments and amends Statement 53, paragraphs 22d and 82. This Statement is intended to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City has implemented GASB Statement 64 for the City's fiscal year ending September 30, 2012. The implementation of GASB Statement No. 53 has no affect on the financial statements of the City.

The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

Paragraph 22d of Statement 53 is amended as follows to clarify when the application of hedge accounting should continue upon the replacement of a swap counterparty or a swap counterparty's credit support provider.

d. The hedging derivative instrument is terminated unless an effective hedging relationship continues as provided in this subparagraph. An effective hedging relationship continues when all of the following criteria are met:

- (1) Collectability of swap payments is considered to be probable.9a
- (2) The swap counterparty of the interest rate swap or commodity swap, or the swap counterparty's credit support provider, is replaced with an assignment or in-substance assignment.
- (3) The government enters into the assignment or in-substance assignment in response to the swap counterparty, or the swap counterparty's credit support provider, either committing or experiencing an act of default or a termination event as both are described in the swap agreement.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Deposits

The Agency’s cash as of September 30, 2012, consisted on equity in pooled cash in the amount of \$8,108,625. The Agency has elected to pool its cash with the City of Lakeland. All balances are collateralized with securities held by the pledging financial institutions but not in the name of the City of Lakeland. This collateral consists of insurance provided by the FDIC and securities held by the State of Florida Public Deposit Security Trust Fund.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the City of Lakeland’s deposits may not be returned. Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* requires deposits by governmental units in a financial institution be collateralized. The City of Lakeland’s policy, in accordance with Florida Statutes, also requires the use of only authorized dealers and institutions and qualified public depositories, meeting the standards as set forth by the State of Florida and the Securities and Exchange Commission’s Rule 15c3-1. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity’s name.

B. Cash Equivalents and Investments

Pooling of Cash and Investments. Except for cash in certain restricted and special funds, the City will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation in each investment pool.

The City of Lakeland’s cash investment pool is considered to be a cash equivalent for reporting purposes because it is an internally managed mutual fund which allows individual funds and sub-funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty.

NOTE 4 –CAPITAL ASSETS

A. Capital Activity

Capital assets of the Agency as of September 30, 2012, consisted of the following:

	Balance October 1, 2011	Additions	Deletions	Balance September 30, 2012
Governmental Activities				
Non-depreciable assets:				
Land	\$ 16,595,434	\$ 221,368	\$ 759,013	\$ 16,057,789
Construction in process	2,082,474	169,861	1,493,104	759,231
Depreciable assets:				
Buildings	1,184,964	1,759,811	-	2,944,775
Improvements, other than buildings	390,765	75,555	-	466,320
Infrastructure	3,152,337	1,357,833	-	4,510,170
Equipment	19,858	-	-	19,858
	<u>23,425,832</u>	<u>3,584,428</u>	<u>2,252,117</u>	<u>24,758,143</u>
Less accumulated depreciation:				
Buildings	378,102	62,115	-	440,217
Improvements, other than buildings	35,800	8,521	-	44,321
Infrastructure	519,891	118,678	-	638,569
Equipment	12,338	2,965	-	15,303
	<u>946,131</u>	<u>192,279</u>	<u>-</u>	<u>1,138,410</u>
Net capital assets	<u>\$ 22,479,701</u>	<u>\$ 3,392,149</u>	<u>\$ 2,252,117</u>	<u>\$ 23,619,733</u>

B. Depreciation Expense

Included in the government-wide Statement of Activities is depreciation expense for the year ended September 30, 2012, distributed to governmental functions as follows:

Governmental activities:	
Transportation, including depreciation of general infrastructure assets	\$ 192,279
Total depreciation expense - governmental activities	<u>\$ 192,279</u>

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

Interfund Transfers

Interfund transfers for the year ending September 30, 2012 are presented in the following table:

<u>Interfund Transfers From:</u>	<u>Interfund Transfers To:</u>		
	<u>Primary Government</u>	<u>LCRA Funds</u>	<u>Total</u>
LCRA Funds	(350,000)	-	(350,000)
Total	<u>\$ (350,000)</u>	<u>\$ -</u>	<u>\$ (350,000)</u>

NOTE 6 – LONG-TERM LIABILITIES

A. Totals by Activity

The following is a summary of long-term obligation transactions of the City for the year ended September 30, 2012. Additional details are provided on subsequent pages.

	<u>Balance October 1, 2011</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance September 30, 2012</u>	<u>Amount Due within One Year</u>
Governmental Activities:					
Revenue Bonds Payable	\$ 7,290,276	\$ -	\$ 444,222	\$ 6,846,054	\$ 265,169
	<u>\$ 7,290,276</u>	<u>\$ -</u>	<u>\$ 444,222</u>	<u>\$ 6,846,054</u>	<u>\$ 265,169</u>

Revenue bond obligations issued for the benefit of governmental activities are paid from amounts accumulated in legally required sinking funds maintained in the debt service fund. Loans issued for the benefit of governmental activities are not secured by one specific revenue pledge. These obligations are repaid directly from various revenue sources accounted for within special revenue funds.

Long-term obligations are classified in the Statement of Net Assets as follows:

<u>Unrestricted</u>	<u>Governmental Activities</u>
Current portion of bonds payable	265,169
Revenue bonds payable	\$ 6,580,885
	<u>\$ 6,846,054</u>

NOTE 6 – LONG-TERM LIABILITIES (continued)

B. Revenue Bonds

Revenue bonds issued and outstanding as of September 30, 2012 are as follows:

<u>Purpose</u>	<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Year-end Balances</u>
Governmental Activities:					
Capital Improvement Revenue Bonds	2010A	\$ 40,153,385	10/01/23	3.000 to 5.000	\$ 6,846,054

The Capital Improvement Revenue Bonds are secured by a covenant to budget and appropriate non-ad valorem revenues of the City in sufficient annual amounts to satisfy the debt service requirements on those bonds.

The Capital Improvement Revenue Bonds require the establishment of debt service reserve accounts and sinking funds to accumulate the funds needed to make annual debt service payments. As of September 30, 2012, the City is in compliance with all required covenants of the bond ordinances, including compliance with federal arbitrage regulations.

C. Debt Service Requirement to Maturity

The requirements to repay all long-term debt outstanding as of September 30, 2012 are summarized in the following table.

<u>Year</u>	<u>Governmental Activities:</u>	
	<u>Principal</u>	<u>Interest</u>
2013	265,169	339,831
2014	483,612	321,388
2015	444,250	296,070
2016	546,747	273,253
2017	840,297	239,704
2018-2022	4,265,979	497,004
	<u>\$ 6,846,054</u>	<u>\$ 1,967,250</u>

NOTE 7 – INTEREST EXPENSE

All interest expense of governmental activities is disclosed separately from related functional expenses on the government-wide Statement of Activities. The total amount of interest charged to expenses for the year ended September 30, 2012 is as follows:

	<u>Governmental Activities</u>
Amount charged to expense	\$ 360,778
Total	<u>\$ 360,778</u>

NOTE 8 – RISK FINANCING ACTIVITIES

The City has established a self-insurance fund for worker's compensation, general liability, public official's liability, airport liability, automobile liability, and health insurance. The purpose of this fund is to account for the cost of claims and management fees incurred in conjunction with self-insurance programs. The City makes contributions to the fund based on actuarially computed funding levels. All claims pending at September 30, 2012, have been accrued in the financial statements of the Self-Insurance Fund. An estimated liability for incurred-but-not-reported claims also has been accrued in the financial statements of the Self-Insurance Fund.

This program provides coverage up to a maximum of \$400,000 per employee for worker's compensation claims. The City purchases commercial insurance for claims in excess of this amount up to \$1,000,000 per employee. The program provides coverage of up to a maximum of \$150,000 per employee for health insurance claims. The City purchases commercial insurance for claims in excess of this amount up to \$1,000,000 per employee. Refer to the City of Lakeland, Florida comprehensive annual financial report for additional disclosures.

NOTE 9 – SUBSEQUENT EVENT

In November of 2012, in accordance with the long-term master plan for the Medical District, the LCRA Board agreed to the sale of thirteen (13) properties for a sales price of \$2,261,746. This sale would allow LRMC to move forward with their planning and expansion needs, while still retaining opportunities for implementation of the ideas/concepts outline in the Mid Town CRA Redevelopment Plan and the US 98 / North Florida Avenue Corridor Study.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE
 BUDGET (GAAP BASIS) AND ACTUAL
 GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Total 2012		
	Budget	Actual	Variance
REVENUES			
Taxes	\$ 2,870,000	\$ 2,911,031	\$ 41,031
Intergovernmental	400,000	-	(400,000)
Miscellaneous	259,473	854,192	594,719
Total revenues	<u>3,529,473</u>	<u>3,765,223</u>	<u>235,750</u>
EXPENDITURES			
Current:			
General government	759,364	519,574	239,790
Transportation	1,083,908	261,432	822,476
Economic environment	626,682	529,123	97,559
Capital outlay	4,923,056	2,129,244	2,793,812
Debt service	805,000	805,000	-
Total expenditures	<u>8,198,010</u>	<u>4,244,373</u>	<u>3,953,637</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,668,537)</u>	<u>(479,150)</u>	<u>4,189,387</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds	(350,000)	(350,000)	-
Total other financing sources (uses)	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(5,018,537)	(829,150)	4,189,387
FUND BALANCE, beginning of year	9,211,204	9,211,204	-
FUND BALANCE, end of year	<u>\$ 4,192,667</u>	<u>\$ 8,382,054</u>	<u>\$ 4,189,387</u>

CITY OF LAKE LAND COMMUNITY REDEVELOPMENT AGENCY

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

Budgets of the City are adopted on a modified accrual basis of accounting, which is consistent with Accounting Principles Generally Accepted in the United States of America (GAAP) for governmental funds. In cases where appropriations and estimated revenues have been revised during the year, budget data represents final authorized amounts. As of September 30, 2012 there were no material violations of budgetary requirements.

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

Board of Commissioners
Lakeland Community Redevelopment Agency

We have audited the financial statements the Lakeland Community Redevelopment Agency (the "Agency"), a component unit of the City of Lakeland, Florida, as of and for the year ended September 30, 2012, and our report thereon dated March 26, 2013, which expressed unqualified opinions on those financial statements, appears on page A-1. The prior year summarized comparative information has been derived from the Agency's 2011 financial statements and, in our report dated April 3, 2012 we expressed unqualified opinions on those financial statements. Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The Schedule of Deposits and Withdrawals – Redevelopment Trust Funds is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Crowe Horwath LLP

Lakeland, Florida
March 26, 2013

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

SCHEDULE OF DEPOSITS AND WITHDRAWALS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE DATA FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Downtown	Midtown	Dixieland	Williams	Total	
	Redevelopment Trust Fund	Redevelopment Trust Fund	Redevelopment Trust Fund	Redevelopment Trust Fund	2012	2011
REVENUES						
Tax Increment Revenues:						
Property taxes	\$ 1,007,741	\$ 1,717,612	\$ 172,723	\$ 12,955	\$ 2,911,031	\$3,423,545
Intergovernmental	-	-	-	-	-	186,718
Interest Income	43,464	393,325	50,973	5,532	493,294	504,159
Miscellaneous	11,415	349,483	-	-	360,898	267,699
Transfers from other funds	-	-	-	-	-	70,000
Total revenues	<u>1,062,620</u>	<u>2,460,420</u>	<u>223,696</u>	<u>18,487</u>	<u>3,765,223</u>	<u>4,452,121</u>
EXPENDITURES						
General government	81,386	346,956	91,232	-	519,574	404,078
Transportation	53,566	27,496	180,370	-	261,432	654,409
Economic environment	50,229	478,894	-	-	529,123	534,250
Capital outlay	69,388	2,059,856	-	-	2,129,244	2,578,638
Debt service						
Principal	444,222	-	-	-	444,222	422,687
Interest	360,778	-	-	-	360,778	382,313
Transfers to other funds	350,000	-	-	-	350,000	350,000
Total expenditures	<u>1,409,569</u>	<u>2,913,202</u>	<u>271,602</u>	<u>-</u>	<u>4,594,373</u>	<u>5,326,375</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(346,949)</u>	<u>(452,782)</u>	<u>(47,906)</u>	<u>18,487</u>	<u>(829,150)</u>	<u>(874,254)</u>
FUND BALANCE, beginning of year	<u>874,666</u>	<u>7,346,527</u>	<u>914,898</u>	<u>75,113</u>	<u>9,211,204</u>	<u>10,085,458</u>
FUND BALANCE, end of year	<u>\$ 527,717</u>	<u>\$ 6,893,745</u>	<u>\$ 866,992</u>	<u>\$ 93,600</u>	<u>\$ 8,382,054</u>	<u>\$ 9,211,204</u>

REPORT OF INDEPENDENT AUDITORS 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*

Board of Commissioners
Lakeland Community Redevelopment Agency

We have audited the financial statements of the Lakeland Community Redevelopment Agency (the Agency) as of and for the year ended September 30, 2012, and have issued our report thereon dated March 26, 2013. 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

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Agency'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we considered to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as 12-1 to be a material weakness.

Compliance and Other Matters

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

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Agency's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Commissioners, others within the Agency, and various state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP
Crowe Horwath LLP

Lakeland, Florida
March 26, 2013

LAKELAND COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Lakeland, Florida)

SCHEDULE OF FINDINGS

YEAR ENDED SEPTEMBER 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency identified not considered to be material weakness	None Reported
Noncompliance material to financial statements noted	No

LAKELAND COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Lakeland, Florida)

SCHEDULE OF FINDINGS

YEAR ENDED SEPTEMBER 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weakness:

12-1 Year End Close Process

Condition: A disposal of capital assets was not properly recorded.

Criteria: The financial statements should be prepared properly in accordance with generally accepted accounting principles.

Cause: An input error occurred and was not detected in a timely manner and year end close procedures designed to ensure entries are posted accurately and completely did not detect the error.

Effect: The financial statements as originally drafted were materially misstated.

Recommendation: The City should review its current procedures related to the financial statement close process and determine the appropriateness of those processes for preventing and detecting misstatements and for preparing reliable, timely and accurate financial statements.

Views of Responsible Officials: Management concurs with the recommendation.

Board of Commissioners
Lakeland Community Redevelopment Agency

In planning and performing our audit of the financial statements of Lakeland Community Redevelopment Agency (the Agency) as of and for the year ended September 30, 2012 in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain matters that we are required to or wish to communicate to you. Matters communicated in this letter are classified based on Statement on Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit as follows.

- Best Practice – A matter which you may find of interest.
- Deficiency – 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.
- Significant Deficiency – A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- Material Weakness – A material weakness is a deficiency or combination of significant deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

We have included in this letter all of the single audit findings as well as any additional items defined as "best practices" and "deficiencies".

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report of Independent Auditors on Internal Control over Financial Reporting and Compliance and Other Matters, Report of Independent Auditors on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 25, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information, which is not included in the aforementioned auditor's report or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined the Agency complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we have noted our findings and recommendations under the heading Comments on Current Year Findings and Recommendations.
- 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 statement; and (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 (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transaction; 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, we have noted our findings under the heading Comments on Current Year Findings and Recommendations.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The Agency was established in 1979 by the City of Lakeland, Florida, under the provisions of Section 163.330, Florida Statutes. The Agency is a component unit of the City of Lakeland, Florida.

COMMENTS ON PRIOR YEAR RECOMMENDATIONS

There were no recommendations reported in the prior year.

COMMENTS ON CURRENT YEAR

There are no recommendations on the current year.

* * * * *

CONCLUSION

This management letter is intended solely for the information of the Agency and management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to thank the Agency for the many courtesies and cooperation extended to our representatives during the course of our audit.


Crowe Horwath LLP

Lakeland, Florida
March 26, 2013