

**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, 2009

**Prepared by
FINANCE DEPARTMENT**

GREGORY M. FINCH, CPA
Finance Director

MICHAEL C. BROSSART, CPA
Assistant Finance Director

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 Government-Wide 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 with Comparative Amounts for Year Ended September 30, 2008.....	F-1
Notes to Required Supplementary Information.....	F-2
<u>Supplemental Information</u>	
Schedule of Deposits and Withdrawals – Redevelopment Trust Funds.....	G-1
<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
Management Letter.....	H-3

REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Lakeland Community Redevelopment Agency

We have audited the accompanying financial statements of the Lakeland Community Redevelopment Agency, a component unit of the City of Lakeland, Florida, as of September 30, 2009. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the LCRA's 2008 financial statements and, in our report dated March 2, 2009 we expressed an unqualified opinion 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2009, 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 Lakeland Community Redevelopment Agency, as of September 30, 2009, and the 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 1, 2010 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 read in conjunction with this report in considering the results of our audit.

The *Management's Discussion and Analysis* and other required supplementary information on page F-1 is not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplementary information on page G-1 is presented for purposes of additional analysis and is not a required part of the basic financial statements and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.


Crowe Horwath LLP

March 1, 2010
Lakeland, Florida

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, 2009. 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 (www.ldda.org) 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	
	2009	2008
Assets		
Current assets	\$ 10,545	\$ 6,589
Capital assets	16,202	16,110
Total assets	<u>26,747</u>	<u>22,699</u>
Liabilities		
Current liabilities	440	588
Revenue bonds payable, less current portion	7,543	8,037
Total liabilities	<u>7,983</u>	<u>8,625</u>
Net Assets		
Invested in capital assets, net of related debt	8,250	7,522
Unrestricted	10,514	6,552
Total net assets	<u>\$ 18,764</u>	<u>\$ 14,074</u>

CONDENSED CHANGES IN NET ASSETS (in thousands)

	Governmental Activities	
	Fiscal Year Ended	
	2009	2008
Program Revenues:		
Charges for services	\$ 215	\$ -
Capital grants and contributions	60	-
General Revenues		
Property taxes	5,915	5,605
Investment earnings	712	260
Miscellaneous	211	209
Total revenues	<u>7,113</u>	<u>6,074</u>
Program Expenses:		
General government	347	164
Transportation	621	256
Economic environment	850	684
Interest on long-term debt	425	528
Total expenses	<u>2,243</u>	<u>1,632</u>
Net contributions (to) / from component units	<u>(180)</u>	<u>(117)</u>
Increase in net assets	4,690	4,325
Net assets, beginning of year	<u>14,074</u>	<u>9,749</u>
Net assets, end of year	<u>\$ 18,764</u>	<u>\$ 14,074</u>

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the fiscal year ended September 30, 2009 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, 2009:

	2009	2008
Current assets	\$ 10,545,031	\$ 6,588,804
Current liabilities	<u>440,169</u>	<u>587,894</u>
Net current assets	<u>\$ 10,104,862</u>	<u>\$ 6,000,910</u>
Ratio	23.96	11.21

The increase in net unrestricted current assets of the Agency is the result of the increase 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. 44% 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>2009</u>	<u>2008</u>
Capital assets	\$ 16,202,492	\$ 16,109,617
Related long term debt	<u>7,952,486</u>	<u>8,587,460</u>
Net investment in capital assets, net of related debt	<u>\$ 8,250,006</u>	<u>\$ 7,522,157</u>
Ratio	2.04	1.88

The total book value of capital assets as of September 30, 2009 was \$16,202,492 which represents an increase of \$92,875 for the year in capital outlays related to infrastructure improvements.

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:

	2009 Budget (As Amended)	2009 Actual	Variance Over/(Under)
REVENUES			
Taxes	\$ 5,543,000	\$ 5,914,889	\$ 371,889
Charges for services	-	214,767	214,767
Intergovernmental	-	60,124	60,124
Miscellaneous	66,990	923,625	856,635
Total revenues	<u>5,609,990</u>	<u>7,113,405</u>	<u>1,503,415</u>
EXPENDITURES			
Current:			
General government	659,657	346,628	313,029
Transportation	1,207,649	285,762	921,887
Economic environment	2,100,812	850,401	1,250,411
Capital outlay	4,467,842	427,865	4,039,977
Debt service	1,073,449	1,059,886	13,563
Total expenditures	<u>9,509,409</u>	<u>2,970,542</u>	<u>6,538,867</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,899,419)</u>	<u>4,142,863</u>	<u>8,042,282</u>
PROCEEDS FROM THE ISSUANCE OF LONG-TERM DEBT	-	-	-
NET TRANSFERS (TO) FROM OTHER FUNDS	<u>(180,000)</u>	<u>(180,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (4,079,419)</u>	<u>\$ 3,962,863</u>	<u>\$ 8,042,282</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
REDEVELOPMENT TRUST FUNDS

SEPTEMBER 30, 2009

WITH COMPARATIVE DATA FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,205,057	\$ 6,139,570
Receivables, net	279,652	279,652
Due from other governments	60,322	169,582
Total current assets	<u>10,545,031</u>	<u>6,588,804</u>
Noncurrent assets:		
Capital assets:		
Non-depreciable	12,649,897	13,585,949
Depreciable, net	3,552,595	2,523,668
Total capital assets	<u>16,202,492</u>	<u>16,109,617</u>
Total noncurrent assets	<u>16,202,492</u>	<u>16,109,617</u>
Total assets	<u>26,747,523</u>	<u>22,698,421</u>
LIABILITIES		
Current liabilities:		
Accounts payable	26,546	36,849
Accrued liabilities	4,099	432
Current portion of bonds payable	409,524	550,613
Total current liabilities	<u>440,169</u>	<u>587,894</u>
Noncurrent liabilities:		
Revenue bonds payable, less current portion	<u>7,542,962</u>	<u>8,036,847</u>
Total liabilities	<u>7,983,131</u>	<u>8,624,741</u>
NET ASSETS		
Invested in capital assets, net of related debt	8,250,006	7,522,157
Unrestricted	<u>10,514,386</u>	<u>6,551,523</u>
Total net assets	<u>\$ 18,764,392</u>	<u>\$ 14,073,680</u>

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

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES
 REDEVELOPMENT TRUST FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE DATA FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government	
				Total	
				2009	2008
Governmental activities					
General government	\$ 346,628	\$ -	\$ -	\$ (346,628)	\$ (164,381)
Transportation	620,751	214,767	60,124	(345,860)	(256,182)
Economic environment	850,401	-	-	(850,401)	(683,778)
Interest on long-term debt	424,913	-	-	(424,913)	(527,904)
Total	<u>\$ 2,242,693</u>	<u>\$ 214,767</u>	<u>\$ 60,124</u>	<u>(1,967,802)</u>	<u>(1,632,245)</u>
General revenues:					
Property taxes				5,914,889	5,604,490
Investment earnings				712,133	260,280
Miscellaneous				211,492	209,009
Net contributions (to) / from component units				(180,000)	(116,744)
Total general revenues and transfers				<u>6,658,514</u>	<u>5,957,035</u>
Change in net assets				<u>4,690,712</u>	<u>4,324,790</u>
Net assets, beginning of year				<u>14,073,680</u>	<u>9,748,890</u>
Net assets, end of year				<u>\$ 18,764,392</u>	<u>\$ 14,073,680</u>

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

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009
WITH COMPARATIVE DATA FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Total Governmental Funds	
	2009	2008
ASSETS		
Cash and cash equivalents	\$ 10,205,057	\$ 6,139,570
Receivables, net	279,652	279,652
Due from other governments	60,322	169,582
	<u>10,545,031</u>	<u>6,588,804</u>
Total assets	<u>\$ 10,545,031</u>	<u>\$ 6,588,804</u>
LIABILITIES		
Accounts payable	\$ 26,546	36,849
Accrued liabilities	4,099	432
	<u>30,645</u>	<u>37,281</u>
Total liabilities	<u>30,645</u>	<u>37,281</u>
FUND BALANCES		
Reserved:		
Encumbrances	9,042	25,080
	9,042	25,080
Unreserved:		
Designated:		
Capital improvements	5,229,176	2,472,104
Subsequent years expenditures	5,276,168	4,054,339
	<u>10,505,344</u>	<u>6,526,443</u>
Total designated	<u>10,505,344</u>	<u>6,526,443</u>
Total fund balance	<u>10,514,386</u>	<u>6,551,523</u>
Total liabilities and fund balances	<u>\$ 10,545,031</u>	<u>\$ 6,588,804</u>

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, 2009

Total Fund Balance - Governmental Funds \$ 10,514,386

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 16,861,847

Accumulated depreciation (659,355)

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 (7,952,486)

Net Assets of Governmental Activities \$ 18,764,392

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, 2009
WITH COMPARATIVE DATA FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Total Governmental Funds	
	2009	2008
REVENUES		
Property taxes	\$ 5,914,889	\$ 5,604,490
Intergovernmental	60,124	(638)
Charges for services	214,767	-
Miscellaneous	923,625	469,289
Total revenues	<u>7,113,405</u>	<u>6,073,141</u>
EXPENDITURES		
Current:		
General government	346,628	164,381
Transportation	285,762	152,242
Economic environment	850,401	683,778
Capital outlay	427,865	1,883,978
Debt service	1,059,886	1,236,012
Total expenditures	<u>2,970,542</u>	<u>4,120,391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,142,863</u>	<u>1,952,750</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from issuance of long-term debt	<u>-</u>	<u>100,000</u>
Transfers from other funds:		
Transportation Fund	70,000	70,000
Public Improvement Fund	(250,000)	-
Total transfers from other funds	<u>(180,000)</u>	<u>70,000</u>
Transfers to other funds:		
General Fund	<u>-</u>	<u>(186,744)</u>
Total transfers to other funds	<u>-</u>	<u>(186,744)</u>
Total other financing sources (uses)	<u>(180,000)</u>	<u>(16,744)</u>
Net change in fund balances	3,962,863	1,936,006
FUND BALANCE, beginning of year	6,551,523	4,615,517
FUND BALANCE, end of year	<u>\$ 10,514,386</u>	<u>\$ 6,551,523</u>

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, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 3,962,863

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 427,865

Depreciation expense (120,942)

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.

(214,047)

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.

634,973

Change in net assets of governmental activities

\$ 4,690,712

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

NOTES TO 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.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

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, 2009, 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 2).

E. Receivables

Receivables are generally attributable amounts due to the Agency mortgage agreements. Receivables are reported net of allowances for uncollectibles 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, 2008, 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.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

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 2009 is as follows:

Lien date	January 1, 2009
Levy date	January 1, 2009
Due dates	November 1, 2009 through March 31, 2010
Delinquent date	April 1, 2010
Tax certificate sale	On or before June 1, 2010

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.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Deposits

The Agency's cash as of September 30, 2009, consisted on equity in pooled cash in the amount of \$10,205,057. 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 3 – CAPITAL ASSETS

A. Capital Activity

Capital assets of the Agency as of September 30, 2009, consisted of the following:

	Balance October 1, 2008	Additions	Deletions	Balance October 1, 2009
Governmental Activities				
Non-depreciable assets:				
Land	\$ 11,279,183	\$ 1,291,698	\$ -	\$ 12,570,881
Construction in process	2,306,764	79,014	2,306,764	79,014
Depreciable assets:				-
Buildings	1,181,486	-	-	1,181,486
Improvements, other than buildings	70,907	306,108	-	377,015
Infrastructure	1,789,832	843,761	-	2,633,593
Equipment	19,858	-	-	19,858
	<u>16,648,030</u>	<u>2,520,581</u>	<u>2,306,764</u>	<u>16,861,847</u>
Less accumulated depreciation:				
Buildings	257,145	40,319	-	297,464
Improvements, other than buildings	16,040	4,368	-	20,408
Infrastructure	261,784	73,291	-	335,075
Equipment	3,444	2,964	-	6,408
	<u>538,413</u>	<u>120,942</u>	<u>-</u>	<u>659,355</u>
Net capital assets	<u>\$ 16,109,617</u>	<u>\$ 2,399,639</u>	<u>\$ 2,306,764</u>	<u>\$ 16,202,492</u>

B. Depreciation Expense

Included in the government-wide Statement of Activities is depreciation expense for the year ended September 30, 2009, distributed to governmental and business-type functions as follows:

Governmental activities:	
Transportation, including depreciation of general infrastructure assets	\$ 120,942
Total depreciation expense - governmental activities	<u>\$ 120,942</u>

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

Interfund Transfers

Interfund transfers for the year ending September 30, 2009 are presented in the following table:

<u>Interfund Transfers From:</u>	<u>Interfund Transfers To:</u>		<u>Total</u>
	<u>Primary Government</u>	<u>LCRA Funds</u>	
Primary Government	\$ -	\$ 70,000	\$ 70,000
LCRA Funds	(250,000)	-	(250,000)
Total	<u>\$ (250,000)</u>	<u>\$ 70,000</u>	<u>\$ (180,000)</u>

NOTE 5 – 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, 2009. Additional details are provided on subsequent pages.

	<u>Balance October 1, 2008</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance September 30, 2009</u>	<u>Amount Due within One Year</u>
Governmental Activities:					
Revenue Bonds Payable	\$ 8,587,460	\$ -	\$ 634,974	\$ 7,952,486	\$ 409,524
	<u>\$ 8,587,460</u>	<u>\$ -</u>	<u>\$ 634,974</u>	<u>\$ 7,952,486</u>	<u>\$ 409,524</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	409,524
Revenue bonds payable	\$ 7,542,962
	<u>\$ 7,952,486</u>

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM LIABILITIES (continued)

B. Revenue Bonds

Revenue bonds issued and outstanding as of September 30, 2009 are as follows:

<u>Purpose</u>	<u>Series</u>	<u>Amount</u>	<u>Date</u>	<u>Rates</u>	<u>Balances</u>
Governmental Activities:					
Capital Improvement Revenue Bonds	1997	\$ 45,700,000	10/01/17	3.85 to 5.00	\$ 7,952,486

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, 2009, 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, 2009 are summarized in the following table.

<u>Year</u>	<u>Governmental Activities:</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 409,524	\$ 395,476
2011	431,348	373,652
2012	453,349	351,651
2013	478,521	326,479
2014	504,048	300,952
2015-2017	5,675,696	1,664,717
	<u>\$ 7,952,486</u>	<u>\$ 3,412,927</u>

NOTE 6 – 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, 2009 is as follows:

	<u>Governmental Activities</u>
Amount charged to expense	\$ 424,913
Total	<u>\$ 424,913</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – 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, 2009, 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 8 – RESERVED AND DESIGNATED FUND BALANCES

In the Fund Financial Statements, reservations and designations segregate portions of fund balances that are either not available or have been earmarked for specific purposes. Reserved fund balances represent legal restrictions placed on assets which are not subject to modification by the City. Designated fund balances are by actions of the City Commission and can be increased, reduced or eliminated by similar actions.

A. Designated Fund Balances

Unreserved fund balances in the Fund Financial Statements are designated as follows:

Capital Improvements – represents amounts set aside to finance capital improvements to recreational facilities, and to Electric, Water and Wastewater utility facilities.

Subsequent Years Expenditures – represents amounts needed to finance budget appropriations approved by the City Commission to finance the following year's budgeted expenditures to the extent those expenditures exceed estimated revenues.

B. Deficit Fund Balances

There were no deficit fund balances as of September 30, 2009.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

BUDGETARY COMPARISON SCHEDULE
BUDGET (GAAP BASIS) AND ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2009		
	Budget	Actual	Variance
REVENUES			
Taxes	\$ 5,543,000	\$ 5,914,889	\$ 371,889
Intergovernmental	-	60,124	60,124
Charges for services	-	214,767	214,767
Fines and forfeits	-	-	-
Miscellaneous	66,990	923,625	856,635
Total revenues	<u>5,609,990</u>	<u>7,113,405</u>	<u>1,503,415</u>
EXPENDITURES			
Current:			
General government	659,657	346,628	313,029
Transportation	1,207,649	285,762	921,887
Economic environment	2,100,812	850,401	1,250,411
Capital outlay	4,467,842	427,865	4,039,977
Debt service	1,073,449	1,059,886	13,563
Total expenditures	<u>9,509,409</u>	<u>2,970,542</u>	<u>6,538,867</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,899,419)</u>	<u>4,142,863</u>	<u>8,042,282</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt	-	-	-
Transfers from other funds	70,000	70,000	-
Transfers to other funds	(250,000)	(250,000)	-
Total other financing sources (uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(4,079,419)	3,962,863	8,042,282
FUND BALANCE, beginning of year	6,551,523	6,551,523	-
FUND BALANCE, end of year	<u>\$ 2,472,104</u>	<u>\$ 10,514,386</u>	<u>\$ 8,042,282</u>

CITY OF LAKELAND 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 Generally Accepted Accounting Principles (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, 2009 there were no material violations of budgetary requirements.

CITY OF LAKELAND COMMUNITY REDEVELOPMENT AGENCY

SCHEDULE OF DEPOSITS AND WITHDRAWALS
REDEVELOPMENT TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009
WITH COMPARATIVE DATA FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Total	
	2009	2008
REVENUES		
Tax Increment Revenues:		
Property taxes	\$ 5,914,889	\$5,604,490
Intergovernmental	60,124	(638)
Charges for services	214,767	-
Interest Income	712,133	260,280
Miscellaneous	211,492	209,009
Proceeds from issuance of long-term debt	-	100,000
Transfers from other funds	70,000	70,000
Total revenues	<u>7,183,405</u>	<u>6,243,141</u>
EXPENDITURES		
General government	346,628	164,381
Transportation	285,762	152,242
Economic environment	850,401	683,778
Capital outlay	427,865	1,883,978
Debt service		
Principal	634,973	708,108
Interest	424,913	527,904
Transfers to other funds	250,000	186,744
Total expenditures	<u>3,220,542</u>	<u>4,307,135</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,962,863</u>	<u>1,936,006</u>
FUND BALANCE, beginning of year	<u>6,551,523</u>	<u>4,615,517</u>
FUND BALANCE, end of year	<u>\$ 10,514,386</u>	<u>\$ 6,551,523</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, 2009, and have issued our report thereon dated March 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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*.

This report is intended solely for the information and use of management 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

Lakeland, Florida
March 1, 2010

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 fiscal year ended September 30, 2009, and have issued our report thereon dated March 1, 2010.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Report of Independent Auditors on Compliance and Internal Control Over Financial Reporting and Schedule of Findings. Disclosures in those reports and schedule, which are dated March 1, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which 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.

- 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.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Agency for the fiscal year ended September 30, 2009 that will be filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the year ended September 30, 2009. The Agency is included as a fund in the City of Lakeland's annual financial report and does not file a separate report.
- Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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 1, 2010