

CITY OF CLEWISTON, FLORIDA

Annual Financial Report

September 30, 2011

**CITY OF CLEWISTON, FLORIDA**  
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**September 30, 2011**

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Honorable Mayor and City Commissioners  
City of Clewiston, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clewiston, Florida as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Clewiston, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clewiston, Florida as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2012, on our consideration of the City of Clewiston, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with 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 on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Clewiston, Florida's financial statements as a whole. The supplementary schedules and Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary schedules and the Schedule of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate 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 audit 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. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Boy, Miller, Kisker & Perry, P.A.

June 18, 2012

**CITY OF CLEWISTON, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Clewiston's (the City) discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues of concern.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 12).

**HIGHLIGHTS**

**Financial Highlights for the Fiscal Year Ended September 30, 2011 and Subsequent Financial Information are shown below.**

1. The City's overall net assets increased by \$867,866.
2. The total cost of all the City's programs was \$23,402,134.
3. The City's governmental activities decreased net assets by \$406,637 as a result of program and general revenues under expenses of \$1,986,420 plus internal transfers-in of \$1,579,783.
4. During the year, the City had expenses of \$8,718,823 for governmental activities.
5. The City's business-type activities increased net assets by \$1,274,503 as a result of program and general revenues in excess of expenses of \$2,854,286 minus internal transfers-out of \$1,579,783.
6. During the fiscal year ended September 30, 2011, the Police Department received a Justice Assistance Grant in the amount of \$37,941. This grant enabled the Police Department to purchase technological equipment for investigative purposes.
7. In July 2009, the Police Department was awarded a grant through the "American Recovery and Reinvestment Act of 2009" in the total amount of \$204,681 that will provide funding for the salary and benefits of an entry level police officer position over a period of three years. The grant will be administered through the "Department of Justice - Office of Community Oriented Policing Services" (COPS). This grant began in October 1, 2009 and has the stipulation that the Police Department will be required to retain the grant funded position for a fourth year.
8. The State Aid to Libraries Grant was reduced to \$132,668 for fiscal year 2011.
9. During the fiscal year ended September 30, 2011, the City received \$195,494 in U.S. Department of Energy federal grant funds which were passed through the State of Florida Energy and Climate Commission. The grant funds were used to purchase energy efficient street lights.

10. In 2009 the Clewiston Redevelopment Agency (CRA) established a \$50,000 "Façade" Grant Program for business owners within the CRA boundaries. As of September 30, 2011, \$46,854 in grant monies had been expended. A professional consultant was engaged to do a "Findings of Necessity" study for the expansion of the CRA boundaries into the northeast part of town. The expanded boundaries enclosing and additional 200.8 acres were adopted in February, 2011 after public hearings.
11. During June, 2011, the City purchased a street sweeper for the streets department in the amount of \$168,643 and in September, 2011, purchased a 3,000 gallon super tanker for the fire department for \$177,000.
12. During 2010, the City made improvements to the sewer collection system through the North Side and South Side Sewer Expansion Projects. The \$2.8 million North Side Sewer Expansion Project was funded by loans from the Florida Department of Environmental Protection, of which \$1.7 million was "forgiven". On October 1, 2010, the property owners within the North Side Sewer Expansion Project were assessed their portion of the project cost. The assessments, in the amount of \$1.1 million, were based on the balance of the loans "unforgiven" and will be invoiced to the property owners annually, over a twenty-year period with their real estate tax bills received during November of each year, beginning in 2010. The \$522,000 South Side Sewer Expansion Project was initially funded by a \$400,000, 4.75% interest loan from First Bank of Clewiston and a \$122,000 contribution from the Clewiston Redevelopment Agency (CRA). The repayment of the bank loan will be made by sewer assessments in the amount of \$250,000 to South Side Sewer Expansion Project property owners and additional annual contributions of \$20,000 from the CRA for the next ten years.
13. Since the City has moved forward with the sewer expansion projects, it will be necessary to expand the Waste Water Treatment Plant. As of September 30, 2011, \$1,089,700 in engineering and other project costs had been expended for the wastewater plant expansion project. During June, 2011 the initial phase of the project was completed. Funding for the project will need to be obtained before any construction can begin.
14. The City has been approved for a federal grant in the amount of \$169,000 which will be passed through the State of Florida, Fish and Wildlife Conservation Commission for renovation of the Clewiston lakeside marina. The grant funds will be expended during the fiscal year ending September 30, 2012.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 through 14) provide information about the activities of the City as a whole and present the longer-term view of the City's finances. Fund financial statements begin on page 15. For governmental activities, these fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee for City employee pension plan participants.

### **Reporting - The City as a Whole**

Our analysis of the City as a whole begins on page 12. One of the most important questions asked about the City's financial picture is "Is the City as a whole financially better or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report financial information about the City and its activities that provide some answers to this question. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by for-profit private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes to those net assets. You can think of the City's net assets - the difference between assets and liabilities - as an indication of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets, is one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets must be considered to assess the overall financial well being of the City. In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

#### Governmental Activities

Most of the City's basic services are reported in the governmental activities including police, fire, animal control, streets and street lighting, library, parks and recreation, general administration, park of commerce construction, and community redevelopment. Property taxes, franchise fees and state revenue sharing finance most of these activities.

#### Business-type Activities

The City provides electric, water, and sewer services through customer charges that help the City recover the cost of these services. The City's Electric Fund and Water and Sewer Fund are reported as business-type activities.

## **Reporting - The City's Significant Funds**

Our analysis of the City's major funds begins on page 15. The fund financial statements provide accounting information about the significant funds - not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Commission establishes other funds to help it control and manage money for particular purposes (like electric, water and sewer services) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (like the State Library Operating Grant or Law Enforcement Grants). The City's two kinds of funds - governmental and proprietary - use different accounting methods.

### Governmental Funds

Most of the City's basic services are reported in governmental funds, which report how money flows within these funds and the resulting balances at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that are considered liquid. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine financial resources that are available in the near future to finance the City's programs.

The similarities and differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds can be understood by an analysis of the reconciliations on the schedules included in the basic financial statements on pages 16 and 19.

### Proprietary Funds

The City's charges for electric, water and sewer services and related expenses are reported in the proprietary funds. Proprietary funds are reported using the same accounting method that is used to report these activities in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for the proprietary funds.

## **The City as a Trustee**

The City is the trustee, or fiduciary, for the City Employees' Pension Trust Fund. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 30 and 31. We excluded these activities from the City's other financial statements because the City can only use these assets to provide pension benefits to participants in the pension plan.

## **THE CITY AS A WHOLE**

### **Financial Analysis of the City as a Whole**

During the fiscal year ended September 30, 2011, the City's combined net assets increased to \$42.43 million from \$41.56 million at the beginning of the year, or \$.87 million. The City's net assets of the governmental activities decreased \$406,637. Net assets of the business-type activities increased \$1,274,503. The City's unrestricted net assets for governmental activities (the part of net assets that can be used to finance day-to-day operations) were \$.88 million as of September 30, 2011.

The condensed Statements of Net Assets and Changes in Net Assets on the following pages provide a comprehensive analysis of the government-wide financial information for the fiscal years ended September 30, 2011 and September 30, 2010.

## GOVERNMENT WIDE STATEMENTS

### Statement of Net Assets

The following table reflects the condensed Statement of Net Assets broken down by governmental activities and business-type activities for the current and preceding years:

#### Statement of Net Assets as of September 30, 2011 and September 30, 2010 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 2,073	\$ 2,369	\$ 12,409	\$11,277	\$ 14,482	\$13,646
Capital assets	11,037	10,900	36,304	36,925	47,341	47,825
Total assets	<u>13,110</u>	<u>13,269</u>	<u>48,713</u>	<u>48,202</u>	<u>61,823</u>	<u>61,471</u>
Long-term liabilities	461	226	16,009	16,250	16,470	16,476
Other liabilities	605	593	2,322	2,844	2,927	3,437
Total liabilities	<u>1,066</u>	<u>819</u>	<u>18,331</u>	<u>19,094</u>	<u>19,397</u>	<u>19,913</u>
Net assets:						
Invested in capital assets, net of related debt	11,037	10,900	20,295	19,413	31,332	30,313
Restricted	129	140	4,448	4,618	4,577	4,758
Unrestricted	<u>878</u>	<u>1,410</u>	<u>5,639</u>	<u>5,077</u>	<u>6,517</u>	<u>6,487</u>
Total net assets	<u>\$ 12,044</u>	<u>\$ 12,450</u>	<u>\$ 30,382</u>	<u>\$ 29,108</u>	<u>\$ 42,426</u>	<u>\$ 41,558</u>

For more detailed information, see the Statement of Net Assets on page 12.

## Changes in Net Assets

The following table shows the revenues and expenses of the total primary government broken down by governmental activities and business-type activities for the current and preceding years:

### Changes in Net Assets for the Fiscal Years Ended September 30, 2011 and September 30, 2010 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 3,264	\$ 3,555	\$ 15,704	\$ 17,101	\$ 18,968	\$ 20,656
Operating grants and contributions	375	604	13	-	388	604
Capital grants and contributions	38	162	1,739	1,726	1,777	1,888
General revenues						
Property taxes	1,329	1,575	-	-	1,329	1,575
Other taxes	1,151	1,028	-	-	1,151	1,028
Intergovernmental	447	674	-	-	447	674
Other	128	168	82	120	210	288
Transfers - internal	<u>1,580</u>	<u>1,297</u>	<u>(1,580)</u>	<u>(1,297)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>8,312</u>	<u>9,063</u>	<u>15,958</u>	<u>17,650</u>	<u>24,270</u>	<u>26,713</u>
Expenses						
General government	1,206	1,291	-	-	1,206	1,291
Public safety	2,733	2,694	-	-	2,733	2,694
Physical environment	1,102	1,131	-	-	1,102	1,131
Public works	974	1,053	14,683	16,423	15,657	17,476
Culture and recreation	2,526	2,481	-	-	2,526	2,481
Economic development	44	527	-	-	44	527
Human service	<u>134</u>	<u>127</u>	<u>-</u>	<u>-</u>	<u>134</u>	<u>127</u>
Total expenses	<u>8,719</u>	<u>9,304</u>	<u>14,683</u>	<u>16,423</u>	<u>23,402</u>	<u>25,727</u>
Changes in net assets	<u>\$ (407)</u>	<u>\$ (241)</u>	<u>\$ 1,275</u>	<u>\$ 1,227</u>	<u>\$ 868</u>	<u>\$ 986</u>
Ending net assets	<u>\$ 12,043</u>	<u>\$ 12,450</u>	<u>\$ 30,383</u>	<u>\$ 29,108</u>	<u>\$ 42,426</u>	<u>\$ 41,558</u>

## **Governmental Activities**

The decrease in net assets of governmental activities for the fiscal year ended September 30, 2011, was \$406,637 which resulted from governmental activities program and general revenues and internal transfers-in which were less than expenses. Depreciation on governmental activities capital assets was \$797,110 for the fiscal year ended September 30, 2011.

## **Business-type Activities**

The increase in net assets of business-type activities for the fiscal year ended September 30, 2011, was \$1,274,503 which was a result of business-type activities charges for services, capital contributions and other income over the total of expenses and internal transfers-out. Depreciation and amortization on business-type activities capital assets was \$1,302,916.

## **THE CITY'S FUNDS**

### **Governmental Type Funds**

As of September 30, 2011, the governmental funds (as presented on page 15) reported a fund balance of \$1.45 million which is 18% less than at the beginning of the year (\$1.76 million). The governmental funds experienced a net decrease in their combined fund balances of \$311,671 due to expenditures in excess of revenues and transfers-in during the fiscal year ended September 30, 2011, using the modified accrual basis of accounting. The adjustment to reconcile the \$311,671 decrease in the fund balance of the governmental funds to the \$406,637 decrease in net assets of governmental activities is shown on page 19.

### **Business-type Funds**

As of year-end, the business-type funds (Electric Fund and Water and Sewer Fund) reported a combined net assets of \$30.38 million which is 4.38% greater than at the beginning of the year (\$29.11 million).

The business-type funds increase in net assets resulted primarily from capital contributions in the amount of \$1,751,957.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Commission made revisions to the City's budget. These budget amendments were made to address line item over-expenditures in certain departments by moving previously budgeted funds, sometimes from other departments which had been under-expended.

The Governmental Fund's actual revenues were \$409,813 less than budgeted.

The Governmental Fund's actual expenditures were \$429,740 less than budgeted. The City reduced its expenditures due to the overall decrease in revenues.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year, the City had \$79,753,785 invested in a broad range of capital assets, including land, buildings, police, fire, and public works equipment, library, park and recreational facilities, and electric, water and sewer utility systems. This amount represents a net increase (including additions and deletions) of \$1,586,224 or 2.03% over last year. See Note 7 in the notes to the financial statements for detailed changes in capital assets.

The City budgeted an additional \$1.1 million in capital expenditures for the fiscal year ended September 30, 2012, which consisted of \$.35 million in capital expenditures in the governmental funds and \$.75 million in capital expenditures in the business-type funds.

### Debt

At September 30, 2011, the City had \$16,443,329 in notes and bonds payable outstanding versus \$16,807,737 at September 30, 2010 - a decrease of 2.2% - as shown in the schedule below.

#### Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Notes payable	\$ -	\$ -	\$ 2,408,329	\$ 2,594,737	\$ 2,408,329	\$ 2,594,737
Revenue bonds payable (secured by water and sewer net revenue)	-	-	14,035,000	14,213,000	14,035,000	14,213,000
Totals	\$ -	\$ -	\$ 16,443,329	\$ 16,807,737	\$ 16,443,329	\$ 16,807,737

New debt in the amount of \$ 36,566 was incurred by the City during the fiscal year ended September 30, 2011. See Note 9 for more information about the City's debt, such as interest rates and amortization of debt.

Other obligations of the City include accrued vacation pay and an advance from another City fund.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City Commission considered many factors while determining the fiscal year 2012 budget, setting the new millage rate, and analyzing the fees which will be charged by the business-type activities. One of those factors was the economy.

Clewiston's local economy consists largely of agribusiness, retail, and service industries. Some of the largest business entities in the Clewiston area include sugar and citrus growers, general merchandise, and grocery retail establishments. The City's unemployment rate in 2011 was approximately 13.5% on an annual basis which was lower than previous years. The City of Clewiston's population has increased from 6,085 in April, 1990, to a current population of approximately 7,150 people.

The current real estate market and general economy in Hendry County and surrounding areas has caused a considerable slowdown in local real estate sales and construction activities. As construction activities slow, it causes unemployment to rise, and has a negative impact on population trends, as some construction workers and their families have to move to other areas of the country to find available work. The duration and magnitude of the impact of this slowdown on the City of Clewiston's economy is difficult to predict, but it appears to have stabilized.

The City budgeted government-wide revenues of \$24.5 million, including grant revenues of \$.23 million, and government-wide expenditures of \$25.8 million, including \$1.1 million in capital expenditures, for the fiscal year ended September 30, 2012. If the budgeted revenues and expenditures are realized, the City's financial reserves will be decreased by \$1.3 million during fiscal year 2012. The millage rate for the fiscal year ended September 30, 2012, was set at 6.2210 mills. This millage rate is equal to the millage rate used in the previous fiscal year.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with an understanding of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this financial report or need additional information, contact the City Finance Department at the City of Clewiston, 115 West Ventura Avenue, Clewiston, Florida 33440.

CITY OF CLEWISTON, FLORIDA  
Government-wide Statement of Net Assets  
September 30, 2011

	Governmental Activities	Business-type Activities	Totals
<b>Assets</b>			
Cash	\$ 1,524	\$ 600	\$ 2,124
Investments	2,054,276	1,236,264	3,290,540
Receivables, net			
Accounts	666,041	2,216,046	2,882,087
Assessments	15,502	1,274,632	1,290,134
Taxes	15,730	-	15,730
Interest	-	34,449	34,449
Inventory	116,415	520,035	636,450
Prepaid expenses	262,114	-	262,114
Due from other governments	409,870	76,703	486,573
Internal balances	(1,468,253)	1,468,253	-
Restricted assets			
Investments	-	5,019,120	5,019,120
Accounts receivable - FMPA	-	425,207	425,207
Capital assets			
Land	2,518,687	670,142	3,188,829
Depreciable capital assets, net	8,518,303	34,543,823	43,062,126
Construction in progress	-	1,089,682	1,089,682
Deferred charges	-	138,490	138,490
<b>Total assets</b>	<b><u>\$ 13,110,209</u></b>	<b><u>\$ 48,713,446</u></b>	<b><u>\$ 61,823,655</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 359,219	\$ 1,158,575	\$ 1,517,794
Contracts payable	-	231,373	231,373
Accrued liabilities	112,983	146,489	259,472
Deferred revenue	133,113	-	133,113
Payable from restricted assets			
Accrued interest	-	59,828	59,828
Deposits	-	500,986	500,986
Current portion of notes payable	-	248,694	248,694
Current portion of revenue bonds payable	-	186,000	186,000
Noncurrent liabilities			
Due in more than one year	251,419	16,008,635	16,260,054
Advance from other fund	209,864	(209,864)	-
<b>Total liabilities</b>	<b><u>1,066,598</u></b>	<b><u>18,330,716</u></b>	<b><u>19,397,314</u></b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	11,036,990	20,295,012	31,332,002
Restricted for			
Community redevelopment	128,420	-	128,420
Construction and debt retirement	-	4,023,612	4,023,612
Working capital - FMPA	-	425,207	425,207
Unrestricted	878,201	5,638,899	6,517,100
<b>Total net assets</b>	<b><u>\$ 12,043,611</u></b>	<b><u>\$ 30,382,730</u></b>	<b><u>\$ 42,426,341</u></b>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Government-wide Statement of Activities  
Year Ended September 30, 2011

Functions / Programs	Expenses	Program Revenues			Net (Expense) / Revenue
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 1,206,185	\$ 176,189	\$ -	\$ -	\$ (1,029,996)
Public safety					
Police	1,933,252	101,094	51,310	37,941	(1,742,907)
Fire and inspections	799,347	564,270	-	-	(235,077)
Total public safety	2,732,599	665,364	51,310	37,941	(1,977,984)
Physical environment	1,101,875	1,354,066	-	-	252,191
Transportation					
Streets and lighting	973,704	387,082	-	-	(586,622)
Culture and recreation					
Library	431,337	2,456	306,746	-	(122,135)
Parks and recreation	2,094,412	595,219	17,140	-	(1,482,053)
Total culture and recreation	2,525,749	597,675	323,886	-	(1,604,188)
Economic environment					
Housing and urban development	44,518	-	-	-	(44,518)
Industry development	-	-	-	-	-
Total economic environment	44,518	-	-	-	(44,518)
Human services					
Animal control	134,193	83,857	-	-	(50,336)
Total governmental activities	8,718,823	3,264,233	375,196	37,941	(5,041,453)
Business-type activities					
Electric	11,091,484	12,125,134	12,980	182,514	1,229,144
Water and sewer	3,591,827	3,578,806	-	1,556,463	1,543,442
Total business-type activities	14,683,311	15,703,940	12,980	1,738,977	2,772,586
Total	\$ 23,402,134	\$ 18,968,173	\$ 388,176	\$ 1,776,918	\$ (2,268,867)

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Government-wide Statement of Activities (continued)  
September 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Net (expense) revenue from previous page	\$ (5,041,453)	\$ 2,772,586	\$ (2,268,867)
General revenues			
Taxes	2,480,120	-	2,480,120
Intergovernmental	446,633	-	446,633
Investment income	10,102	53,947	64,049
Miscellaneous	118,178	27,753	145,931
Transfers - internal	<u>1,579,783</u>	<u>(1,579,783)</u>	<u>-</u>
Total general revenues and transfers	<u>4,634,816</u>	<u>(1,498,083)</u>	<u>3,136,733</u>
Changes in net assets	(406,637)	1,274,503	867,866
Net assets - October 1, 2010	<u>12,450,248</u>	<u>29,108,227</u>	<u>41,558,475</u>
Net assets - September 30, 2011	<u>\$ 12,043,611</u>	<u>\$ 30,382,730</u>	<u>\$ 42,426,341</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Balance Sheet  
Governmental Funds  
September 30, 2011

	General Fund	Clewiston Redevelopment Agency Fund	General Construction Fund	Other Governmental Fund	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 1,524	\$ -	\$ -	\$ -	\$ 1,524
Investments	1,830,901	128,900	-	94,475	2,054,276
Receivables					
Accounts	666,041	-	-	-	666,041
Special assessments	15,502	-	-	-	15,502
Prepaid expenses	260,618	-	-	1,496	262,114
Inventory	116,415	-	-	-	116,415
Due from other funds	223,014	-	-	34	223,048
Due from other governments	195,281	-	214,589	-	409,870
<b>Total assets</b>	<b>\$ 3,309,296</b>	<b>\$ 128,900</b>	<b>\$ 214,589</b>	<b>\$ 96,005</b>	<b>\$ 3,748,790</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 358,460	\$ -	\$ -	\$ 759	\$ 359,219
Accrued liabilities	110,239	-	-	2,744	112,983
Due to other funds	1,468,287	480	214,589	7,945	1,691,301
Deferred revenue	48,556	-	-	84,557	133,113
<b>Total liabilities</b>	<b>1,985,542</b>	<b>480</b>	<b>214,589</b>	<b>96,005</b>	<b>2,296,616</b>
<b>Fund balances</b>					
Nonspendable	377,033	-	-	-	377,033
Restricted	-	128,420	-	-	128,420
Unassigned	946,721	-	-	-	946,721
<b>Total fund balances</b>	<b>1,323,754</b>	<b>128,420</b>	<b>-</b>	<b>-</b>	<b>1,452,174</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,309,296</b>	<b>\$ 128,900</b>	<b>\$ 214,589</b>	<b>\$ 96,005</b>	<b>\$ 3,748,790</b>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Reconciliation of the Balance Sheet of  
Governmental Funds to the Statement of Net Assets  
September 30, 2011

Total fund balances, governmental funds	\$ 1,452,174
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.	11,036,990
Other assets are not available to pay for current-period expenditures.	15,730
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(461,283)</u>
Net assets of governmental activities	<u>\$ 12,043,611</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds  
Year Ended September 30, 2011

	General Fund	Clewiston Redevelopment Agency Fund	General Construction Fund	Other Governmental Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 2,805,978	\$ 32,511	\$ -	\$ -	\$ 2,838,489
Licenses and permits	112,831	-	-	-	112,831
Intergovernmental revenue	1,096,778	-	-	226,614	1,323,392
Charges for services	2,127,925	-	-	-	2,127,925
Fines and forfeitures	175,827	-	-	-	175,827
Miscellaneous revenues	<u>165,357</u>	<u>545</u>	<u>-</u>	<u>399</u>	<u>166,301</u>
<b>Total revenues</b>	<u>6,484,696</u>	<u>33,056</u>	<u>-</u>	<u>227,013</u>	<u>6,744,765</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	<u>1,496,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,496,992</u>
<b>Public safety</b>					
Police	1,922,484	-	-	-	1,922,484
Fire and inspections	<u>966,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>966,582</u>
<b>Total public safety</b>	<u>2,889,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,889,066</u>
<b>Transportation</b>					
Streets and lighting	<u>975,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>975,367</u>
<b>Culture and recreation</b>					
Library	180,628	-	-	227,013	407,641
Parks and recreation	<u>1,888,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,888,797</u>
<b>Total culture and recreation</b>	<u>2,069,425</u>	<u>-</u>	<u>-</u>	<u>227,013</u>	<u>2,296,438</u>
Physical environment	<u>1,017,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,017,871</u>
<b>Economic environment</b>					
Housing and urban development	-	44,518	-	-	44,518
Industry development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total economic environment</b>	<u>-</u>	<u>44,518</u>	<u>-</u>	<u>-</u>	<u>44,518</u>
<b>Human services</b>					
Animal control	<u>125,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,831</u>
<b>Total expenditures</b>	<u>8,574,552</u>	<u>44,518</u>	<u>-</u>	<u>227,013</u>	<u>8,846,083</u>
<b>Excess of revenues under expenditures (carried forward)</b>	<u>(2,089,856)</u>	<u>(11,462)</u>	<u>-</u>	<u>-</u>	<u>(2,101,318)</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds (continued)  
Year Ended September 30, 2011

	<u>General Fund</u>	<u>Clewiston Redevelopment Agency Fund</u>	<u>General Construction Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Excess of revenues under expenditures (brought forward)	(2,089,856)	(11,462)	-	-	(2,101,318)
Other financing sources (uses)					
Loan proceeds	209,864	-	-	-	209,864
Operating transfers-in	1,579,783	-	-	-	1,579,783
Operating transfers-out	-	-	-	-	-
Total other financing sources (uses)	<u>1,789,647</u>	-	-	-	<u>1,789,647</u>
Net changes in fund balances	(300,209)	(11,462)	-	-	(311,671)
Fund balances - October 1, 2010	<u>1,623,963</u>	<u>139,882</u>	-	-	<u>1,763,845</u>
Fund balances - September 30, 2011	<u>\$ 1,323,754</u>	<u>\$ 128,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,452,174</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended September 30, 2011

Net change in fund balances - total governmental funds \$ (311,671)

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

Governmental funds report capital outlays as  
expenditures. However, in the statement  
of activities the cost of those assets is allocated  
over their estimated useful lives and reported  
as depreciation expense. This is the amount  
by which capital outlays in the governmental  
funds exceeded depreciation expense in the  
statement of activities in the current period. 152,726

The net effect of various transactions involving  
available financial resources (247,692)

Change in net assets of governmental activities \$ (406,637)

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual - Governmental Funds  
Year Ended September 30, 2011

	General Fund			
	Original Budget	Amended Budget	Actual	Variance - Favorable (Unfavorable)
Revenues				
Taxes	\$ 2,913,392	\$ 2,913,392	\$ 2,805,978	\$ (107,414)
Licenses and permits	101,090	101,090	112,831	11,741
Intergovernmental	1,170,620	1,170,620	1,096,778	(73,842)
Charges for services	2,193,531	2,193,531	2,127,925	(65,606)
Fines and forfeitures	123,200	123,200	175,827	52,627
Miscellaneous	<u>392,676</u>	<u>392,676</u>	<u>165,357</u>	<u>(227,319)</u>
Total revenues	<u>6,894,509</u>	<u>6,894,509</u>	<u>6,484,696</u>	<u>(409,813)</u>
Expenditures				
Current				
General government	1,632,536	1,577,174	1,496,992	80,182
Public safety	3,271,577	3,223,515	2,889,066	334,449
Transportation	1,040,324	1,011,232	975,367	35,865
Culture and recreation	1,858,830	2,020,761	2,069,425	(48,664)
Physical environment	1,076,055	1,046,543	1,017,871	28,672
Economic environment	-	-	-	-
Human services	<u>124,970</u>	<u>125,067</u>	<u>125,831</u>	<u>(764)</u>
Total expenditures	<u>9,004,292</u>	<u>9,004,292</u>	<u>8,574,552</u>	<u>429,740</u>
Excess of revenues under expenditures	<u>(2,109,783)</u>	<u>(2,109,783)</u>	<u>(2,089,856)</u>	<u>19,927</u>
Other financing sources (uses)				
Loan proceeds	-	-	209,864	209,864
Operating transfers-in	1,579,783	1,579,783	1,579,783	-
Operating transfers-out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,579,783</u>	<u>1,579,783</u>	<u>1,789,647</u>	<u>209,864</u>
Excess of revenues and other financing sources under expenditures and other uses	<u>\$ (530,000)</u>	<u>\$ (530,000)</u>	(300,209)	<u>\$ 229,791</u>
Fund balances - October 1, 2010			<u>1,623,963</u>	
Fund balances - September 30, 2011			<u>\$ 1,323,754</u>	

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual - Governmental Funds (continued)  
Year Ended September 30, 2011

	<u>Clewiston Redevelopment Agency Fund</u>			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 32,511	\$ 32,511	\$ 32,511	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	545	545
	<u>32,511</u>	<u>32,511</u>	<u>33,056</u>	<u>545</u>
Total revenues				
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Physical environment	-	-	-	-
Economic environment	74,211	74,211	44,518	29,693
Human services	-	-	-	-
	<u>74,211</u>	<u>74,211</u>	<u>44,518</u>	<u>29,693</u>
Total expenditures				
Excess of revenues under expenditures	<u>(41,700)</u>	<u>(41,700)</u>	<u>(11,462)</u>	<u>30,238</u>
Other financing sources (uses)				
Loan proceeds	-	-	-	-
Operating transfers-in	-	-	-	-
Operating transfers-out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Excess of revenues and other financing sources under expenditures and other uses	<u>\$ (41,700)</u>	<u>\$ (41,700)</u>	<u>(11,462)</u>	<u>\$ 30,238</u>
Fund balances - October 1, 2010			<u>139,882</u>	
Fund balances - September 30, 2011			<u>\$ 128,420</u>	

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual - Governmental Funds (continued)  
Year Ended September 30, 2011

	General Construction Fund			Variance - Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Physical environment	-	-	-	-
Economic environment	-	-	-	-
Human services	-	-	-	-
	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues under expenditures	-	-	-	-
Other financing sources (uses)				
Loan proceeds	-	-	-	-
Operating transfers-in	-	-	-	-
Operating transfers-out	-	-	-	-
	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other financing sources under expenditures and other uses	\$ -	\$ -	-	\$ -
Fund balances - October 1, 2010			-	
Fund balances - September 30, 2011			\$ -	

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual - Governmental Funds (continued)  
Year Ended September 30, 2011

	Other Governmental Fund			Variance - Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	254,869	254,869	226,614	(28,255)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	600	600	399	(201)
Total revenues	255,469	255,469	227,013	(28,456)
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	255,469	255,469	227,013	28,456
Physical environment	-	-	-	-
Economic environment	-	-	-	-
Human services	-	-	-	-
Total expenditures	255,469	255,469	227,013	28,456
Excess of revenues under expenditures	-	-	-	-
Other financing sources (uses)				
Loan proceeds				
Operating transfers-in	-	-	-	-
Operating transfers-out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other financing sources under expenditures and other uses	\$ -	\$ -	-	\$ -
Fund balances - October 1, 2010			-	
Fund balances - September 30, 2011			\$ -	

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget and Actual - Governmental Funds (continued)  
Year Ended September 30, 2011

	Total Governmental Funds			Variance - Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ 2,945,903	\$ 2,945,903	\$ 2,838,489	\$ (107,414)
Licenses and permits	101,090	101,090	112,831	11,741
Intergovernmental	1,425,489	1,425,489	1,323,392	(102,097)
Charges for services	2,193,531	2,193,531	2,127,925	(65,606)
Fines and forfeitures	123,200	123,200	175,827	52,627
Miscellaneous	<u>393,276</u>	<u>393,276</u>	<u>166,301</u>	<u>(226,975)</u>
Total revenues	<u>7,182,489</u>	<u>7,182,489</u>	<u>6,744,765</u>	<u>(437,724)</u>
Expenditures				
Current				
General government	1,632,536	1,577,174	1,496,992	80,182
Public safety	3,271,577	3,223,515	2,889,066	334,449
Transportation	1,040,324	1,011,232	975,367	35,865
Culture and recreation	2,114,299	2,276,230	2,296,438	(20,208)
Physical environment	1,076,055	1,046,543	1,017,871	28,672
Economic environment	74,211	74,211	44,518	29,693
Human services	<u>124,970</u>	<u>125,067</u>	<u>125,831</u>	<u>(764)</u>
Total expenditures	<u>9,333,972</u>	<u>9,333,972</u>	<u>8,846,083</u>	<u>487,889</u>
Excess of revenues under expenditures	<u>(2,151,483)</u>	<u>(2,151,483)</u>	<u>(2,101,318)</u>	<u>50,165</u>
Other financing sources (uses)				
Loan proceeds	-	-	209,864	209,864
Operating transfers-in	1,579,783	1,579,783	1,579,783	-
Operating transfers-out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,579,783</u>	<u>1,579,783</u>	<u>1,789,647</u>	<u>209,864</u>
Excess of revenues and other financing sources under expenditures and other uses	<u>\$ (571,700)</u>	<u>\$ (571,700)</u>	(311,671)	<u>\$ 260,029</u>
Fund balances - October 1, 2010			<u>1,763,845</u>	
Fund balances - September 30, 2011			<u>\$ 1,452,174</u>	

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Net Assets  
Proprietary Funds  
September 30, 2011

	Business-type Activities - Enterprise Funds		
	Electric Fund	Water/Sewer Fund	Totals
Assets			
Current Assets			
Cash	\$ 600	\$ -	\$ 600
Investments	552,043	684,221	1,236,264
Receivables, net			
Accounts	1,606,623	609,423	2,216,046
Assessments	-	1,274,632	1,274,632
Due from other governments	19,408	57,295	76,703
Due from other funds	1,408,881	227,754	1,636,635
Accrued interest	-	34,449	34,449
Inventory, at cost	391,744	128,291	520,035
Advance to other fund	-	209,864	209,864
Total current assets	<u>3,979,299</u>	<u>3,225,929</u>	<u>7,205,228</u>
Restricted assets			
Investments	1,460,686	3,558,434	5,019,120
Accounts receivable - FMFA	<u>425,207</u>	<u>-</u>	<u>425,207</u>
Total restricted assets	<u>1,885,893</u>	<u>3,558,434</u>	<u>5,444,327</u>
Capital assets			
Land	27,667	642,475	670,142
Depreciable capital assets, net	7,029,275	27,514,548	34,543,823
Construction in progress	<u>-</u>	<u>1,089,682</u>	<u>1,089,682</u>
Total capital assets, net	<u>7,056,942</u>	<u>29,246,705</u>	<u>36,303,647</u>
Deferred charges	<u>30,825</u>	<u>107,665</u>	<u>138,490</u>
Total assets (carried forward)	<u>12,952,959</u>	<u>36,138,733</u>	<u>49,091,692</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Net Assets (continued)  
Proprietary Funds  
September 30, 2011

	Business-type Activities - Enterprise Funds		
	Electric Fund	Water/Sewer Fund	Totals
Total assets (brought forward)	<u>12,952,959</u>	<u>36,138,733</u>	<u>49,091,692</u>
Liabilities			
Current liabilities			
Accounts payable	765,479	393,096	1,158,575
Contracts payable	-	231,373	231,373
Accrued liabilities	106,309	40,180	146,489
Due to other funds	<u>168,382</u>	<u>-</u>	<u>168,382</u>
Total current liabilities	<u>1,040,170</u>	<u>664,649</u>	<u>1,704,819</u>
Current liabilities payable from restricted assets			
Accrued interest	8,713	51,115	59,828
Deposits	500,986	-	500,986
Current portion of notes payable	157,111	91,583	248,694
Current portion of revenue bonds payable	<u>-</u>	<u>186,000</u>	<u>186,000</u>
Total current liabilities payable from restricted assets	<u>666,810</u>	<u>328,698</u>	<u>995,508</u>
Noncurrent liabilities	<u>1,099,778</u>	<u>14,908,857</u>	<u>16,008,635</u>
Total liabilities	<u>2,806,758</u>	<u>15,902,204</u>	<u>18,708,962</u>
Net assets			
Invested in capital assets, net of related debt	5,957,164	14,337,848	20,295,012
Restricted for			
Construction and retirement of debt	793,876	3,229,736	4,023,612
Working capital - FMPA	425,207	-	425,207
Unrestricted	<u>2,969,954</u>	<u>2,668,945</u>	<u>5,638,899</u>
Total net assets	<u>\$ 10,146,201</u>	<u>\$ 20,236,529</u>	<u>\$ 30,382,730</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Revenues, Expenses  
and Changes in Net Assets  
Proprietary Funds  
Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds		
	Electric Fund	Water/Sewer Fund	Totals
Operating revenues			
Charges for services	<u>\$ 12,125,134</u>	<u>\$ 3,578,806</u>	<u>\$ 15,703,940</u>
Operating expenses			
Electricity purchased	8,782,930	-	8,782,930
Personal services	1,072,090	531,466	1,603,556
Contractual services	253,525	866,173	1,119,698
Supplies	126,692	116,730	243,422
Utilities	43,521	469,796	513,317
Insurance	46,400	36,543	82,943
Repairs and maintenance	138,063	117,096	255,159
Depreciation and amortization	465,350	837,566	1,302,916
Miscellaneous	41,010	1,535	42,545
Bad debts	<u>57,087</u>	<u>-</u>	<u>57,087</u>
Total operating expenses	<u>11,026,668</u>	<u>2,976,905</u>	<u>14,003,573</u>
Operating income	<u>1,098,466</u>	<u>601,901</u>	<u>1,700,367</u>
Nonoperating revenues (expenses)			
Interest	11,869	31,049	42,918
Miscellaneous	20,163	7,590	27,753
Gain on investment	-	11,029	11,029
Interest and fiscal charges	(64,816)	(614,922)	(679,738)
Loss on disposal of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(32,784)</u>	<u>(565,254)</u>	<u>(598,038)</u>
Income before contributions and transfers	<u>1,065,682</u>	<u>36,647</u>	<u>1,102,329</u>
Capital contributions	195,494	1,556,463	1,751,957
Operating transfers-out	<u>(1,298,655)</u>	<u>(281,128)</u>	<u>(1,579,783)</u>
Changes in net assets	(37,479)	1,311,982	1,274,503
Net assets - October 1, 2010	<u>10,183,680</u>	<u>18,924,547</u>	<u>29,108,227</u>
Net assets - September 30, 2011	<u>\$ 10,146,201</u>	<u>\$ 20,236,529</u>	<u>\$ 30,382,730</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2011

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Electric Fund</u>	<u>Water/Sewer Fund</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 12,368,333	\$ 3,605,304	\$ 15,973,637
Cash payments for goods and services	(9,548,617)	(1,406,053)	(10,954,670)
Cash payments to employees for services and related payroll costs	<u>(1,044,682)</u>	<u>(519,621)</u>	<u>(1,564,303)</u>
Net cash provided by operating activities	<u>1,775,034</u>	<u>1,679,630</u>	<u>3,454,664</u>
Cash flows from noncapital financing activities:			
Miscellaneous receipts	20,163	7,590	27,753
Deposits received from customers less deposits returned to customers	41,831	-	41,831
Loans and payments from other funds	98,832	158,940	257,772
Loans and payments to other funds	(218,312)	(96,737)	(315,049)
Loan proceeds to General Fund	-	(209,864)	(209,864)
Cash operating transfers-out to other funds	(1,298,655)	(281,128)	(1,579,783)
Interest paid on customer deposits	<u>(8,427)</u>	<u>-</u>	<u>(8,427)</u>
Net cash used for noncapital financing activities	<u>(1,364,568)</u>	<u>(421,199)</u>	<u>(1,785,767)</u>
Cash flows from capital and related financing activities:			
Sewer assessments received	-	98,162	98,162
Capital contributed by customers, developers, and CRA	-	29,465	29,465
Contributed capital by other governments	176,086	202,209	378,295
Loan proceeds - Florida DEP State Revolving Fund	-	36,566	36,566
Acquisition and construction of capital assets	(245,221)	(854,172)	(1,099,393)
Principal paid on notes payable - State RF and bank	(157,111)	(65,863)	(222,974)
Interest paid on notes payable - State RF and bank	(56,979)	(24,103)	(81,082)
Principal paid on revenue bonds payable	-	(178,000)	(178,000)
Interest paid on revenue bonds payable	<u>-</u>	<u>(586,286)</u>	<u>(586,286)</u>
Net cash used for capital and related financing activities	<u>(283,225)</u>	<u>(1,342,022)</u>	<u>(1,625,247)</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Cash Flows (continued)  
Proprietary Funds  
Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds		
	Electric Fund	Water/Sewer Fund	Totals
Cash flows from investing activities:			
Interest received on investments	11,869	29,024	40,893
Gain on investment	-	11,029	11,029
Net cash provided by investing activities	11,869	40,053	51,922
Net increase (decrease) in cash and cash equivalents	139,110	(43,538)	95,572
Cash and cash equivalents at beginning of year	1,874,219	4,286,193	6,160,412
Cash and cash equivalents at end of year	\$ 2,013,329	\$ 4,242,655	\$ 6,255,984
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 1,098,466	\$ 601,901	\$ 1,700,367
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	465,350	837,566	1,302,916
Provision for uncollectible accounts	57,087	-	57,087
Changes in assets and liabilities:			
Decrease in accounts receivable	243,199	26,498	269,697
Increase in inventory	(15,417)	(99,380)	(114,797)
Increase (decrease) in accounts payable	(101,059)	301,200	200,141
Increase in accrued liabilities	27,408	11,845	39,253
Total adjustments	676,568	1,077,729	1,754,297
Net cash provided by operating activities (see previous page)	\$ 1,775,034	\$ 1,679,630	\$ 3,454,664

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
September 30, 2011

	<u>Pension Trust Fund</u>
Assets	
Investments	\$ 7,214,934
Receivables, net	<u>100,516</u>
Total assets	<u>7,315,450</u>
Net assets	
Held in trust for pension benefits	<u>7,315,450</u>
Total net assets	<u>\$ 7,315,450</u>

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
Year Ended September 30, 2011

	Pension Trust Fund
Additions	
Contributions	
Employer	\$ 491,049
Net investment earnings	73,886
Total additions	564,935
Deductions	
Benefits	286,153
Administrative	25,172
Total deductions	311,325
Change in net assets	253,610
Net assets - October 1, 2010	7,061,840
Net assets - September 30, 2011	\$ 7,315,450

See accompanying notes to financial statements.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

The accounting methods and procedures adopted by the City of Clewiston, Florida, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Clewiston (the City) is a municipal corporation incorporated by Laws of Florida, 1923, Chapter 9712, which was amended by Laws of Florida, 1925, Chapter 10434. Both of said acts were repealed by Laws of Florida 1925, Chapter 10433, Article IX, Paragraph 11. Said 1925, Chapter 10433, as amended, constitutes the present Charter of the City. The City is governed by an elected five-member board. The Board appoints a City Manager to administer the policies emanating from its statutory powers and authority. The City's major operations include police and fire protection, parks and recreation, library, public works, general administrative services, and community redevelopment. In addition, the City owns and operates electric, water and sewer systems.

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Significant changes in the Statement affecting the financial statements include the following:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the City's governmental and business-type activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City elected to implement all of the provisions of the Statement during the fiscal year ended September 30, 2003.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity

Government Accounting Standards Board (GASB) Statement 14 entitled "The Financial Reporting Entity" establishes criteria for determining which organizations should be included in a governmental financial reporting entity. Based upon application of these criteria, the City has determined that there are no additional governmental departments, agencies, institutions, commissions, public authorities or other governmental organizations operating within the jurisdiction of the City Commission that would be considered component units to be included in the financial statements of the City of Clewiston.

As required by governmental accounting principles generally accepted in the United States of America, the accompanying financial statements present the City and its component unit (entity for which the City is considered to be financially accountable). Blended component units, while legally separate units, are in substance part of the government's operations. Therefore, financial data from this unit is presented with financial data of the City (the primary government). The City had no discretely presented component units. The City has one blended component unit as described below.

Blended Component Unit

The Clewiston Redevelopment Agency (CRA) was established by the City under Ordinance No. 2005-1 pursuant to the "Community Development Act of 1969" and Chapter 163, Part III of the Florida Statutes. The five City Commissioners are the board members of the CRA. The CRA commenced operations during the fiscal year ended September 30, 2008. The financial statements of the CRA are presented as a major governmental fund.

Basic Financial Statements - Government-wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, streets and street lighting, general administrative services, and community redevelopment are classified as governmental activities. The City's electric, water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Government-wide Statements

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

Governmental Funds

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

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements (continued)

Special Revenue Funds are used to account for the proceeds of a specific revenue source which is legally restricted to expenditures for a specific purpose.

Capital Projects Fund is used to account for the resources designated to construct or acquire capital assets for governmental activities. The primary source of the financial resources is capital grants obtained by the City.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. The City electively added funds, as major funds, which either had debt outstanding or specific community focus.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund.

The General Construction Fund is a capital project fund used to account for and report financial resources that are set aside for large capital projects to be completed beyond one year.

The Clewiston Redevelopment Agency Fund is a special revenue fund used to account for and report financial resources that are related to the Clewiston Redevelopment Agency.

Proprietary Funds

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

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic Financial Statements - Fund Financial Statements (continued)

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the governmental-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after the year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments (continued)

The City maintains an investment pool that is available for use by all funds. The investment pool consists of interest-bearing bank accounts and investments in the Local Government Surplus Funds Trust Fund investment account administered by the Florida State of Board of Administration (SBA). Cash balances and requirements of all funds are considered in determining the amount to be invested. Interest earned on pooled investments is allocated monthly to funds based on their average monthly balances.

Investment of City funds is restricted by state statutes. Florida Statutes authorize investments that include money market accounts, savings accounts, repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the SBA, obligations of the U.S. Government, governmental agencies guaranteed by the U.S. Government, and certain bond mutual funds.

The City has not adopted an investment policy but follows the state statutes for allowable investments. However, state statutes do not specifically address the risks disclosed in GASB No. 40.

No policy exists for the following risks: credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

For all funds, except the pension trust fund which is required to be invested separately, investments consist of interest-bearing bank accounts and the Local Government Surplus Fund Investment Pool administered by the SBA.

Investments of the pension fund consist of mutual funds and corporate stock. All investments, except as noted below, are reported at fair market value using quoted market prices. Fair value of investments in the SBA Pool is equal to the City's cost. Money market investments with a remaining maturity at the time of purchase of one year or less are reported at amortized cost. The difference between cost and fair value of investments held is recorded as net unrealized gains or losses and is included in net investment earnings. Purchases and sales of investments are recorded on the trade dates. Net realized gains and losses on sale of investments are reflected in current operating results as investment earnings along with interest and dividends.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Electric Fund and the Water and Sewer Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Inventories

Inventories in the governmental and business-type activities consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method.

Governmental fund type inventories are recorded as expenditures when consumed (consumption method). Governmental fund type inventories are also recorded as assets and are offset by a reserve of fund balance indicating that such amounts do not represent "available spendable resources", even though they are a component of net current assets.

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

	<u>Years</u>
Buildings	40
Electric, water and sewer systems	30 - 50
Machinery and equipment	5 - 10
Improvements	10 - 20
Other infrastructure	10 - 40

Loan costs incurred in connection with the notes payable to a bank are being amortized over nine or ten years using the straight-line method. Bond issue costs associated Water and Sewer Revenue Bonds - Series 2007A and 2007B are being amortized over 39 years using the straight-line method.

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the fiscal year ended September 30, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic lights, etc. These infrastructure assets are likely to be the largest asset class of the City.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2008. The City elected to implement all of the provisions of GASB Statement No. 34 in the fiscal year ended September 30, 2003.

Net Assets and Fund Balances

In the government-wide financial statements, the difference between the City's total assets and total liabilities represents net assets. Net assets displays three components - invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent the net assets available for future operations.

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Commission through approval of resolutions. Committed fund balance can be assigned for other uses only by similar action of the City Commission. Assigned fund balance is a limitation imposed by a designee of the City Commission. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories.

Proprietary fund net assets are classified the same as in the government-wide statements.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported for governmental and business-type activities in the period the inventory items are used, rather than in the period purchased. Governmental fund type inventories are recorded as expenditures when consumed.

Compensated Absences

The City accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used by employees in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as internal balances (government-wide statements) or as interfund receivables and payables (fund financial statements), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental activities and business-type activities are netted as transfers - internal in the government-wide financial statements.

Proprietary Fund

The only nonoperating revenue for the Proprietary Fund was investment earnings and other miscellaneous revenues. All other revenues were considered operating revenues.

Capitalization Policy

The capitalization policy of the City is to capitalize all assets with a cost of \$1,000 or more with an expected life of one year or more.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The City follows these procedures in establishing the legally adopted budgetary data of the General, Special Revenue, and Capital Projects Funds as reflected in the financial statements:

1. During the summer of each year, the Finance Director submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Budgetary control is established at the fund level.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance required by City Charter and a Resolution required by the State of Florida.
4. The transfer of budgeted amounts within departments can be made by the Finance Director and department heads. The transfer of budgeted amounts between departments requires approval of the City Manager. Budgetary transfers between funds or changes in the total budget of a fund require approval of the City Commission.
5. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on a basis that is substantially consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for all other funds have not been presented in this report.
6. The amended budget amounts as shown in these financial statements are as amended by the required approval process explained above.

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS

Cash

At year end, the City of Clewiston's cash consisted of petty cash totaling \$2,124 for all funds.

Deposits

At September 30, 2011, the carrying amount of the City's interest-bearing checking accounts was \$6,180,216 and the banks' balances were \$6,740,442. The difference was due to checks that had been written but not yet paid by the banks and deposits in transit.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Deposits (continued)

These deposits are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Security for Public Deposits Act (Florida Statutes Chapter 280). Under this Act, financial institutions that qualify as public depositories pledge securities that have a market value equal to 50% - 125% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Depository Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

Investments

Florida Statutes authorize investments that include money market accounts, savings accounts repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration (SBA), obligations of the U.S. Government, governmental agencies guaranteed by the U.S. Government, and certain bond mutual funds.

During the year, investments consisted of interest-bearing bank accounts, the Local Government Surplus Funds Trust Fund, and an investment in a single employer defined benefit pension plan. At September 30, 2011 the City had the following investments:

Interest-bearing bank accounts	\$ 6,180,216
SBA investment pool	2,129,444
Investment in single employer defined benefit pension plan	<u>7,214,934</u>
	<u>\$15,524,594</u>

The City's use of short-term interest-bearing bank accounts in financial institutions that are covered by federal depository insurance or collateral pledged under Florida Statutes Chapter 280, makes credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk nominal or nonexistent in regards to these accounts.

The City invested surplus funds in an external investment pool, a Local Government Surplus Funds Trust Fund, a leading money market investment fund available to public sector organizations in Florida, which is known as "Florida PRIME". The Board of Trustees of the SBA (Trustees) consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Trustees will annual certify that Florida PRIME complies with the requirements of Chapter 218, Florida Statutes, and that the management of Florida PRIME is in accord with best investment practices.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Investments (continued)

The Trustees delegate the administrative and investment authority to manage Florida PRIME to the Executive Director of the SBA, subject to applicable Florida law. The Trustees appoint an Investment Advisory Council and a Participant Local Government Advisory Council. Both Councils will, at least annually, review this policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in applicable Florida law. Pursuant to Florida law, the Auditor General will conduct an annual financial audit of Florida PRIME, which will include testing for compliance with this policy.

A participant, such as the City, invests in pools of investments whereby the City owns a share of the pool, not the underlying securities. The Florida PRIME is considered an SEC 2a-7 like fund, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940, which comprises the rules governing money market funds. Florida PRIME's investment policy guidelines have been created to be a "2a-7 like" as well as adhere to Standard and Poor's (S&P) AAAM guidelines. The weighted average maturity (WAM) for Florida PRIME will be managed to 60 days or less. The Pool's guidelines allow for the purchase of only top-tier money market assets or the highest quality (at least 50% A-1+ and no more than 50% A-1) such as U.S. Treasury and Agency obligations (CDs, BAs, TDs, etc.); repurchase agreements; and money market funds. Florida PRIME is rated by S&P and has a rating of AAAM as of September 30, 2011. The pertinent investment constraints contained in 2a-7 include the following:

Weighted average maturity portfolio (WAM), limited to 90 days (reset dates used to calculate WAM)

Maximum maturity for government and agency securities limited to 762 days

Money market instruments limited to maximum maturity of 397 days

Credit ratings must be "first tier" at time of purchase

Diversification provided by limiting single issuer of 5% of total assets

Market value must remain within plus or minus ½ of 1% of amortized cost

The City's investment in Florida PRIME minimizes interest rate risk, credit risk, and concentration of credit risk by having a short maturity portfolio with high quality rated assets that are limited to less than 5% of total assets per single issuer.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 2 - CASH, DEPOSITS, AND INVESTMENTS (continued)

Investments (continued)

The City sponsors a single employer defined benefit pension plan. The Principal Life Insurance Company has responsibility for all administrative, actuarial, and investment management responsibilities of the City's pension plan.

At September 30, 2011, the City's pension plan had the following investments:

Large Cap U.S. Equity Mutual Funds	\$ 2,381,068
Small/Mid Cap U.S. Equity Mutual Funds	705,906
International Equity Mutual Funds	925,162
Fixed Income Mutual Funds	3,067,246
Principal Financial Group, Inc. Stock	<u>135,552</u>
	<u>\$ 7,214,934</u>

The concentration of credit risk and foreign currency risk are addressed by having a diversified group of pooled funds with only 12.8% invested in international equity mutual funds.

More information regarding the pension plan can be found in Note 13.

NOTE 3 - PROPERTY TAXES

The City is, in general, permitted by the State to levy property taxes up to \$10 per \$1,000 of assessed valuation for general governmental services. There are some limitations as to the amount of the annual increase in tax levy; however, these limitations can be overridden by a majority vote of the City Commission. The tax levy rate for general government services for the year ended September 30, 2011, was \$6.2210 per \$1,000 and was adopted by resolution on September 27, 2010.

Ad valorem taxes are levied on property values as of January 1 with the millage established during September. The taxes are due and payable on November 1 of each year. Liens are placed on property as of January 1. All unpaid taxes become delinquent on April 1 following the year in which they are levied. Discounts are allowed for early payment based on a graduated scale until taxes paid in March are without any discount. On or prior to June 1 following the tax year, tax certificates are sold for all delinquent taxes.

The City accrues property tax revenue in the fund statements only to the extent that the revenue is measurable and available since the collection of these taxes coincides with the fiscal year in which levied, and the City consistently has no material uncollected property taxes at year end. The billing and collection of all property taxes is done for the City by Hendry County.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

**NOTE 4 - INTERNAL BALANCES AND TRANSFERS - INTERNAL**

Internal balances (receivables and payables) between the governmental activities and business-type activities as of September 30, 2011, were as follows:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
Governmental Activities		
General Fund	\$ 223,014	\$1,468,287
Clewiston Redevelopment Agency Fund	-	480
General Construction Fund	-	214,589
State Library Grant	34	7,945
Business-type Activities		
Electric	1,408,881	168,382
Water and Sewer	<u>227,754</u>	<u>-</u>
	<b><u>\$1,859,683</u></b>	<b><u>\$1,859,683</u></b>

Interfund receivables and payables within the fiduciary funds were reclassified as receivables and payables to external parties in the Government-wide Statement of Net Assets and on the individual fund balance sheets.

Operating transfers for the fiscal year ended September 30, 2011, were as follows:

	<b>Transfers-in</b>	<b>Transfers-out</b>
Governmental activities		
General Fund	\$1,579,783	\$ -
Business-type activities		
Electric Fund	-	1,298,655
Water and Sewer Fund	<u>-</u>	<u>281,128</u>
Total	<b><u>\$1,579,783</u></b>	<b><u>\$1,579,783</u></b>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

**NOTE 5 - ACCOUNTS RECEIVABLE - GOVERNMENTAL ACTIVITIES AND BUSINESS-TYPE ACTIVITIES**

Accounts receivable of the governmental activities and business-type activities, other than the accounts receivable from FMPA shown under restricted assets, consisted of the following as of September 30, 2011:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Billed	\$ 580,054	\$ 1,456,800
Unbilled	<u>106,429</u>	<u>898,293</u>
Total	686,483	2,355,093
Less allowance for doubtful accounts	<u>(20,442)</u>	<u>(139,047)</u>
	<u><b>\$ 666,041</b></u>	<u><b>\$ 2,216,046</b></u>

**NOTE 6 - RESTRICTED INVESTMENTS AND ACCOUNTS RECEIVABLE - FMPA**

Restricted assets in the business-type activities were comprised of the following as of September 30, 2011:

	<b>Electric Fund</b>	<b>Water/Sewer Fund</b>	<b>Total</b>
Funds reserved for new construction and debt retirement	\$ 955,700	\$3,558,434	\$4,514,134
Customer deposits and accrued interest on deposits	504,986	-	504,986
Funds reserved for FMPA working capital	<u>425,207</u>	<u>-</u>	<u>425,207</u>
	<u><b>\$1,885,893</b></u>	<u><b>\$3,558,434</b></u>	<u><b>\$5,444,327</b></u>

**NOTE 7 - CAPITAL ASSETS**

The following is a summary of capital assets of the governmental activities as of September 30, 2011:

Land	\$ 2,518,687
Buildings	4,390,497
Improvements other than buildings	10,081,648
Machinery and equipment	<u>8,965,547</u>
	25,956,379
Less accumulated depreciation	<u>14,919,389</u>
	<u><b>\$11,036,990</b></u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 7 - CAPITAL ASSETS (continued)

Changes in Capital Assets - Governmental Activities

The following is a summary of changes in capital assets of the governmental activities for the year ended September 30, 2011:

<b>30,</b>	<b>Balance October 1,</b>			<b>Balance September</b>
	<b>2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>2011</b>
Land	\$ 2,518,687	\$ -	\$ -	\$ 2,518,687
Buildings	4,365,287	25,210	-	4,390,497
Improvements other than buildings	9,714,656	366,992	-	10,081,648
Machinery and equipment	<u>8,444,883</u>	<u>557,634</u>	<u>36,970</u>	<u>8,965,547</u>
	25,043,513	949,836	36,970	25,956,379
Less accumulated depreciation	<u>14,143,614</u>	<u>797,110</u>	<u>21,335</u>	<u>14,919,389</u>
	<u>\$10,899,899</u>	<u>\$ 152,726</u>	<u>\$ 15,635</u>	<u>\$11,036,990</u>

The following is a summary of capital assets of the business-type activities as of September 30, 2011:

	<b>Electric Fund</b>	<b>Water/Sewer Fund</b>	<b>Total</b>
Land	\$ 27,667	\$ 642,475	\$ 670,142
Buildings	1,927,384	18,499	1,945,883
Improvements other than buildings	11,441,044	35,691,925	47,132,969
Machinery and equipment	1,528,157	1,430,573	2,958,730
Construction in progress	<u>-</u>	<u>1,089,682</u>	<u>1,089,682</u>
	14,924,252	38,873,154	53,797,406
Less accumulated depreciation	<u>7,867,310</u>	<u>9,626,449</u>	<u>17,493,759</u>
	<u>\$ 7,056,942</u>	<u>\$ 29,246,705</u>	<u>\$ 36,303,647</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 7 - CAPITAL ASSETS (continued)

Changes in Capital Assets - Business-type Activities

The following is a summary of changes in capital assets for the year ended September 30, 2011, for each enterprise fund:

<b>Electric Fund</b>	<b>Balance October 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2011</b>
Land	\$ 27,667	\$ -	\$ -	\$ 27,667
Buildings	1,927,384	-	-	1,927,384
Improvements other than buildings	11,214,018	227,026	-	11,441,044
Machinery and equipment	<u>1,509,962</u>	<u>18,195</u>	<u>-</u>	<u>1,528,157</u>
	14,679,031	245,221		14,924,252
Less accumulated depreciation	<u>7,406,364</u>	<u>460,946</u>	<u>-</u>	<u>7,867,310</u>
	<u>\$ 7,272,667</u>	<u>\$ (215,725)</u>	<u>\$ -</u>	<u>\$ 7,056,942</u>
<b>Water and Sewer Fund</b>	<b>Balance October 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2011</b>
Land	\$ 642,475	\$ -	\$ -	\$ 642,475
Buildings	18,499	-	-	18,499
Improvements other than buildings	35,451,654	240,271	-	35,691,925
Machinery and equipment	1,352,305	78,268	-	1,430,573
Construction in progress	<u>980,084</u>	<u>109,598</u>	<u>-</u>	<u>1,089,682</u>
	38,445,017	428,137	-	38,873,154
Less accumulated depreciation	<u>8,792,686</u>	<u>833,763</u>	<u>-</u>	<u>9,626,449</u>
	<u>\$29,652,331</u>	<u>\$ (405,626)</u>	<u>\$ -</u>	<u>\$ 29,246,705</u>

During the fiscal year ended September 30, 2011, interest in the amount of \$5,080 was capitalized into the Water and Sewer Fund capital assets.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation Expense Allocation

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	\$ 69,621
Public safety	171,337
Physical environment	85,662
Transportation	164,877
Culture and recreation	297,427
Human services	<u>8,186</u>
 Total depreciation expense - governmental activities	 <u>\$ 797,110</u>
 Business-type activities	
Electric	\$ 460,946
Water and Sewer	<u>833,763</u>
 Total depreciation expense - business-type activities	 <u>\$ 1,294,709</u>

NOTE 8 - EMPLOYEE ANNUAL LEAVE

As explained in Note 1, City employees may accumulate unused vacation pay within certain limits.

Records are maintained for employees showing the number of days leave accrued. The amount of vacation pay accrued in the governmental activities as a current accrued liability for the year ended September 30, 2011, was \$20,349. The amount accrued in the governmental activities as a noncurrent liability was \$251,419. The amount of accrued annual leave in the business-type activities was \$53,709. Currently, employees will lose unused vacation time in excess of 320 hours as of October 1 of each fiscal year.

NOTE 9 - LONG-TERM DEBT

Defeased Water and Sewer Revenue Refunding Bonds, Series 1989

On February 8, 1994, the City defeased Water and Sewer Revenue Refunding Bonds, Series 1989, by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2011, all bonds outstanding are considered defeased.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 9 - LONG-TERM DEBT (continued)

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2011:

	Balance October 1, 2010	New Debt Issued	Retirement of Debt	Balance September 30, 2011	Long-term Portion	Due Within One Year
Business-type Activities						
Electric Fund						
Note payable - bank	1,414,000	-	157,111	1,256,889	1,099,778	157,111
Water and Sewer Fund						
Revenue bonds payable	14,213,000	-	178,000	14,035,000	13,849,000	186,000
Note payable - bank	400,000	-	40,190	359,810	319,810	40,000
Notes payable - FDEP SRF	780,737	36,566	25,673	791,630	740,047	51,583
Governmental Activities						
General Fund						
Advance from other fund	-	209,864	-	209,864	188,878	20,986
Compensated absences	<u>225,953</u>	<u>25,466</u>	<u>-</u>	<u>251,419</u>	<u>251,419</u>	<u>-</u>
	<u>\$17,033,690</u>	<u>\$ 271,896</u>	<u>\$400,974</u>	<u>\$16,904,612</u>	<u>\$16,448,932</u>	<u>\$ 455,680</u>

Summary of Long-Term Debt

Long-term debt at September 30, 2011, is comprised of the following:

Business-type Activities

Electric Fund

Note Payable - Bank

Note payable to a bank, dated August 26, 2009, payable in nine annual level payments of principal due October 1 of each year with the first payment due on October 1, 2010. Interest payments shall be paid monthly with the first interest payment due on October 1, 2009 and on the first day of each month thereafter until principal amount of such loan is paid in full. The final maturity date of the loan is October 1, 2018.

The interest rate on this loan is at a fixed rate of 4.5% over the life of the loan provided that said interest on the note will be tax-exempt to the holder and is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986. If for any reason this loan should become a taxable obligation during its term or it should be determined to not be a "qualified tax-exempt obligation" within the meaning of Section 265 (b)(3) of the Internal Revenue Code of 1986, then the rate will adjust to its fully taxable equivalent rate of 6.59%.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-Term Debt (continued)

Business-type Activities (continued)

Electric Fund (continued)

This loan is secured by a pledge of the Net Revenues of the City of Clewiston Electric System on a senior lien basis. \$ 1,256,889

Water and Sewer Fund

Water and Sewer Revenue Bonds - Series 2007A

4.125% revenue bonds payable, issued on June 7, 2007, to finance improvements to water system; payment of principal, interest, and reserve account contributions are secured by net revenues of the water and sewer system; interest only for 2007 and 2008, then bonds mature serially on September 1, each year until the year 2046. 7,795,000

Water and Sewer Revenue Bonds - Series 2007B

4.125% revenue bonds payable, issued on June 7, 2007, to finance improvements to water system; payment of principal, interest, and reserve account contributions are secured by net revenues of the water and sewer system; interest only for 2007 and 2008, then bonds mature serially on September 1, each year until the year 2046. 6,240,000

Note Payable - Bank

Note payable to a bank, dated April 21, 2010, payable in ten annual principal payments of \$40,000 due April 21, of each year with the first principal payment due on April 21, 2011. Interest shall be paid in arrears monthly at the rate of 4.75%, commencing on May 21, 2010. The final maturity date of the loan is April 21, 2020. Proceeds from the loan were used to construct improvements to the sewer system. 359,810

Notes Payable - Florida Department of Environmental Protection - State Revolving Fund

Notes payable to Florida Department of Environmental Protection - State Revolving Fund the beginning of the repayment period shall be October 15, 2010. The two notes are payable in forty semi-annual payments in a combined amount of \$31,321, including interest at the rate of 1.42%, beginning April 15, 2011. The maturity date of the loans is October 15, 2030. Proceeds from the loans were used to construct improvements to the sewer system. As of September 30, 2011, the entire proceeds under the two notes had not been received by the City. 791,630

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-Term Debt (continued)

Governmental Activities

Advance from Other Fund

Advance payable by the General Fund to the Water and Sewer Fund,  
due in ten equal annual installments of \$20,986 without interest 209,864

Compensated Absences

As of September 30, 2011, other long-term liabilities consisted of  
the noncurrent portion of the compensated absences liability of  
the General Fund. 251,419

\$16,904,612

Annual Requirements to Amortize Debt Principal and Interest of Business-type Activities

The annual requirements to amortize the debt outstanding of the business-type activities as of September 30, 2011, including interest payments of \$202,693 on the Electric Fund's note payable and \$12,917,827 on the Water & Sewer Fund's revenue bonds and notes payable are as follows:

Year Ending Sept. 30,	<b>Business-type Activities</b>					
	<b>Electric Fund Note Payable - Bank</b>			<b>Water and Sewer Fund Revenue Bonds Payable</b>		
	Interest	Principal	Total	Interest	Principal	Total
2012	\$ 50,079	\$ 157,111	\$ 207,190	\$ 578,944	\$ 186,000	\$ 764,944
2013	43,009	157,111	200,120	571,271	193,000	764,271
2014	35,939	157,111	193,050	563,310	202,000	765,310
2015	28,869	157,111	185,980	554,978	209,000	763,978
2016	21,799	157,111	178,910	546,356	218,000	764,356
2017-2021	22,998	471,334	494,332	2,589,221	1,233,000	3,822,221
2022-2026	-	-	-	2,312,970	1,510,000	3,822,970
2027-2031	-	-	-	1,974,761	1,848,000	3,822,761
2032-2036	-	-	-	1,560,900	2,262,000	3,822,900
2037-2041	-	-	-	1,054,144	2,770,000	3,824,144
2042-2046	-	-	-	433,620	3,404,000	3,837,620
	<u>\$202,693</u>	<u>\$1,256,889</u>	<u>\$1,459,582</u>	<u>\$12,740,475</u>	<u>\$14,035,000</u>	<u>\$26,775,475</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-Term Debt (continued)

Annual Requirements to Amortize Debt Principal and Interest of Business-type Activities (continued)

Year Ending Sept. 30,	Business-type Activities					
	Water and Sewer Fund Note Payable - Bank			Water and Sewer Fund Notes Payable - Florida DEP SRF		
	Interest	Principal	Total	Interest	Principal	Total
2012	\$ 15,824	\$ 40,000	\$ 55,824	\$ 11,059	\$ 51,583	\$ 62,642
2013	13,924	40,000	53,924	10,324	52,318	62,642
2014	12,024	40,000	52,024	9,578	53,064	62,642
2015	10,124	40,000	50,124	8,822	53,820	62,642
2016	8,224	40,000	48,224	8,055	48,199	56,254
2017-2021	13,909	159,810	173,719	32,065	182,425	214,490
2022-2026	-	-	-	18,691	195,799	214,490
2027-2031	-	-	-	4,729	154,422	159,151
2032-2036	-	-	-	-	-	-
2037-2041	-	-	-	-	-	-
2042-2046	-	-	-	-	-	-
	<u>\$ 74,029</u>	<u>\$ 359,810</u>	<u>\$ 433,839</u>	<u>\$ 103,323</u>	<u>\$ 791,630</u>	<u>\$ 894,953</u>

Year Ending Sept. 30,	Business-type Activities Total Long-term Debt		
	Interest	Principal	Total
2012	\$ 655,906	\$ 434,694	\$ 1,090,600
2013	638,528	442,429	1,080,957
2014	620,851	452,175	1,073,026
2015	602,793	459,931	1,062,724
2016	584,434	463,310	1,047,744
2017-2021	2,658,193	2,046,569	4,704,762
2022-2026	2,331,661	1,705,799	4,037,460
2027-2031	1,979,490	2,002,422	3,981,912
2032-2036	1,560,900	2,262,000	3,822,900
2037-2041	1,054,144	2,770,000	3,824,144
2042-2046	<u>433,620</u>	<u>3,404,000</u>	<u>3,837,620</u>
	<u>\$13,120,520</u>	<u>\$16,443,329</u>	<u>\$29,563,849</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 9 - LONG-TERM DEBT (continued)

Summary of Long-Term Debt (continued)

Annual Requirements to Amortize Debt Principal and Interest of Governmental Activities

The annual requirements to amortize the debt outstanding of the governmental activities as of September 30, 2011, are as follows:

Year Ending Sept. 30,	Governmental Activities		
	Advance Payable - Water and Sewer Fund Interest	Principal	Total
2012	\$ -	\$ 20,986	\$ 20,986
2013	-	20,986	20,986
2014	-	20,986	20,986
2015	-	20,986	20,986
2016	-	20,986	20,986
2017-2021	-	104,934	104,934
	<u>\$ -</u>	<u>\$ 209,864</u>	<u>\$ 209,864</u>

Annual maturities of the long-term compensated absences in the governmental activities cannot be reasonably determined.

Water and Sewer Revenue Bond Covenants

The Resolution authorizing the issuance of the Water and Sewer Revenue Bonds requires the City to establish and maintain the following funds:

1. Revenue Fund - to receive all of the gross revenues derived from the operations of the Water and Sewer System. The Fund shall be used to pay the operation and maintenance expenses of the System and make the required monthly transfers to the other specified funds.
2. Water and Sewer Refunding Revenue Bonds, Sinking Fund - sums funded monthly sufficient to pay the interest and principal due each September 1.
3. Reserve Account in the Sinking Fund - sums funded monthly equal to 1/120 of the maximum annual bond service requirements until the reserve equals or exceeds the maximum annual bond service requirements.
4. Short Lived Asset Reserve Fund - to receive a monthly transfer of one-twelfth of the specified amount of \$42,333 to be used for (1) emergency maintenance (2) extensions to the system or, (3) replacement of short lived assets which have a useful life less than the repayment period of the bonds.
5. Redemption Account Fund - the balance of the gross revenues after payment of operating expenses and required transfers can be deposited into the Redemption Account or the excess funds can be used for any lawful purpose. The funds in the Redemption Account should be used for redeeming bonds for retirement at a price not to exceed par and accrued interest.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 10 - NET ASSETS AND FUND BALANCES

Restrictions of net assets and classifications of fund balances of the City are created to either (1) satisfy legal covenants that require that a portion of the net assets/fund balance be segregated, or (2) identify the portion of net assets/fund balance that is not appropriate for future expenditures. Specific restrictions of net assets and classifications of fund balances are as follows:

Restricted for Community Redevelopment

This restriction was created to segregate a portion of net assets for monies designated for future community redevelopment within the Community Redevelopment Agency.

Restricted for Construction and Debt Retirement

This restriction was created to segregate that portion of net assets for monies which have been designated for future construction or debt retirement. During the year ended September 30, 1992, the City established an Electric Capital Improvement Fund to, (1) replace equipment damaged by a hurricane or other disaster, (2) maintain rate stabilization or, (3) provide capital improvements to the system, as well as make payments on debt associated with capital improvements to the system. Within the Water and Sewer Fund, all impact fees which have been collected are designated for future construction.

Restricted for Working Capital - FMPA

This restriction was created to segregate a portion of net assets for working capital funds which have been sent to FMPA and will be returned to the City at a future undetermined date.

Nonspendable Fund Balance

This classification of fund balance represents the portion of the fund balance that is not available for current expenditures because it is in the form of prepaid expenses and inventory.

Restricted Fund Balance

This portion of the fund balance has been restricted for future community development within the Community Redevelopment Agency.

Held in Trust for Pension Benefits

This restriction was created to designate the use of all resources contributed to or earned by the Pension Trust Fund for pension benefits to employees and their designated beneficiaries.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

**NOTE 11 - SEGMENT INFORMATION**

The following is a list of key segment information for the business-type activities as of and for the year ended September 30, 2011:

	Electric Fund	Water/ Sewer Fund	Total
<b>Assets</b>			
Current assets	\$ 5,439,985	\$ 6,784,363	\$ 12,224,348
Capital assets	7,056,942	29,246,705	36,303,647
Other assets	456,032	107,665	563,697
<b>Liabilities</b>			
Current liabilities	1,706,980	993,347	2,700,327
Long-term liabilities	1,099,778	14,908,857	16,008,635
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,957,164	14,337,848	20,295,012
Restricted	1,219,083	3,229,736	4,448,819
Unrestricted	2,969,954	2,668,945	5,638,899
Charges for services	12,125,134	3,578,806	15,703,940
Operating expenses	11,026,668	2,976,905	14,003,573
Operating income	1,098,466	601,901	1,700,367
Non-operating revenues (expenses)	(32,784)	(565,254)	(598,038)
Capital contributions	195,494	1,556,463	1,751,957
Operating transfers-in	-	-	-
Operating transfers-out	(1,298,655)	(281,128)	(1,579,783)
Changes in net assets	(37,479)	1,311,982	1,274,503
Beginning net assets	10,183,680	18,924,547	29,108,227
Ending net assets	10,146,201	20,236,529	30,382,730
<b>Net cash provided by (used for):</b>			
Operating activities	1,775,034	1,679,630	3,454,664
Noncapital financing activities	(1,364,568)	(421,199)	(1,785,767)
Capital and related financing activities	(283,225)	(1,342,022)	(1,625,247)
Investing activities	11,869	40,053	51,922
Beginning cash and cash equivalents	1,874,219	4,286,193	6,160,412
Ending cash and cash equivalents	2,013,329	4,242,655	6,255,984

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

**NOTE 12 - OPERATING GRANTS, CAPITAL GRANTS AND OTHER CONTRIBUTIONS**

The following is a schedule of operating grants, capital grants and other contributions received by the City during the fiscal year ended September 30, 2011.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Federal Award Programs	\$ 96,391	\$ 326,327	\$ 422,718
State Financial Assistance	226,614	-	226,614
Contributions from Hendry County	90,132	-	90,132
Contributions from customers and and developers	-	9,465	9,465
Contribution from Community Redevelopment Agency	-	20,000	20,000
North Side and South Side Sewer Expansion Assessments	<u>-</u>	<u>1,396,165</u>	<u>1,396,165</u>
	<u><b>\$413,137</b></u>	<u><b>\$1,751,957</b></u>	<u><b>\$2,165,094</b></u>

See pages 69 to 72 for more information concerning federal award programs and state financial assistance. The contributions from Hendry County were used for culture and recreational activities. Current year contributions to the business-type activities from customers and developers consisted of impact fees paid as required by a City ordinance. The impact fees are reserved for current and future construction. The Community Redevelopment Agency contributed \$20,000 to the South Side Sewer Project during the fiscal year ended September 30, 2011. The North Side and South Side Sewer Expansion Projects were completed and assessed during the fiscal year ended September 30, 2011.

**NOTE 13 - PENSION PLAN**

The City sponsors a single employer defined benefit pension plan. The Principal Life Insurance Company was appointed by the City of Clewiston, effective August 1, 1998, to have responsibility for all administrative, actuarial, and investment management responsibilities of the City of Clewiston Pension Plan. Effective October 1, 1998, Principal Life Insurance Company became the funding vehicle for the plan as set forth by the Flexible Pension Investment Contract GA 4-35318. Future retirees will have their benefits paid directly from the plan assets instead of an annuity purchased.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 13 - PENSION PLAN (continued)

The plan covers all full-time regular employees who have met the service requirement of one year. The normal retirement benefit is determined as an amount equal to 1.8% of average compensation times years of service. Average compensation is the monthly average of total pay received for five consecutive years out of the ten latest years before retirement date which gives the highest average. The normal retirement date of a participant occurs when he/she has attained age 65 and five years of plan participation. Participants of the plan become fully vested after five years of service. Early retirement benefits are available after an employee has attained age 55 and ten years of service. Benefits available based on early retirement are reduced to reflect the time difference between the early retirement date and the normal retirement date. Employees in the active employment of the City of Clewiston may retire with an unreduced retirement benefit after the attainment of age 62 and completion of ten years of service. Disability and Spouses' Annuity Death Plan benefits are also available under the plan. The pension plan was established in 1968 by resolution of the City Commission. All contributions to the plan are made by the City.

As of October 1, 2011, (the date of the latest available valuation report) employee membership data used in the calculation of the pension obligation was as follows:

Active members	83
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	93

For the fiscal year ended September 30, 2011, the City's total payroll for all employees was approximately \$4,531,000 and the City's total covered payroll was approximately \$2,539,000. Covered payroll refers to all compensation paid by the City to active employees covered by the pension plan on which contributions to the pension plan are based.

Benefits are computed on the basis of average compensation and years of service. The "pension obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users, (1) assess the City's funding status on a going-concern basis, (2) assess progress in accumulating sufficient assets to pay benefits when due, and (3) make comparisons among Public Employee Retirement Systems. The measure is independent of and should not be confused with the actuarial funding method used to determine contributions to the System. In accordance with Governmental Accounting Standards Board's Statement Number 27, an actuarial valuation to determine the carryforward of net pension obligation, as of October 1, 2011, (the date of the latest available valuation report) was performed by Principal Financial Group.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 13 - PENSION PLAN (continued)

The estimated carryforward of net pension obligation for the plan year beginning October 1, 2011, is as follows:

Annual required contribution for plan year ending September 30, 2011	\$491,049
Interest on net pension obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual pension cost for plan year ending September 30, 2011	491,049
Actual contributions made	491,049
Increase (decrease) in net pension obligation	-
Net pension obligation - beginning of plan year	<u>-</u>
Net pension obligation - end of plan year	<u>\$ -</u>

The actuarial valuation report is available at the administrative offices of the City. Actuarial assumption changes and significant actuarial assumptions used in the actuarial valuation report for the plan year beginning October 1, 2011, (the date of the latest valuation report) are as follows:

Changes in Plan Benefits, Actuarial Cost Method, and Actuarial Assumptions

There were no changes in the plan benefits or actuarial cost method between the plan years beginning October 1, 2010, and October 1, 2011. The following changes to actuarial assumptions were made between the plan years beginning October 1, 2010, and October 1, 2011:

1. The valuation interest rate was decreased to 7.5% to reflect current expectations of the plan's long-term investment performance.
2. The mortality table has been updated to the IRS Prescribed Mortality-Generational Annuitant and Non-annuitant, male and female.
3. The salary scale was decreased to reflect past experience and the expected level of future salary increases.
4. The withdrawal assumption was increased based on plan experience.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 13 - PENSION PLAN (continued)

Significant Actuarial Assumptions

1. The valuation interest rate utilized was 7.5%.
2. A salary scale is used to reflect changes in pay between current age and retirement age so that it varies by age. Selected rates of increase are shown below.

<b>Age</b>	<b>Increase</b>	<b>Age</b>	<b>Increase</b>
20	7.70%	40	5.32%
25	6.78%	45	4.99%
30	6.17%	50	4.72%
35	5.71%	55	4.48%

3. Disability and withdrawal assumptions and an estimate of the plan's actual expenses are included in determining the plan's normal cost.
4. Retirement age and withdrawal assumptions reflect the anticipated experience of the City's plan.
5. The plan reflects a plan benefit increase of 2.25% annually to retired participants.

Other assumptions used in Principal Financial Group's actuarial report included mortality rates as shown in the IRS Prescribed Mortality-Generational Annuitant and Non-annuitant, male and female, anticipated retirement age was considered to be the earlier of age 62 and 10 years of service or age 65 and five years of service, disability rates as shown by the 1987 Commissioner's Group Disability Table and it was assumed that 75% of participants would be married at retirement age.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 13 - PENSION PLAN (continued)

Present values of vested and nonvested accrued benefits are based on the valuation assumptions as described above. Present value of accumulated plan benefits and change in present value of accumulated plan benefits as of October 1, 2011, (the date of the latest available valuation report) are as follows:

Present Value of Accumulated Plan Benefits

Present value of vested benefits	
Retired members	\$3,635,310
Inactive members	1,776,852
Active members	<u>3,360,884</u>
 Total	 <u>8,773,046</u>
 Present value of nonvested benefits	
Inactive members	-
Active members	<u>576,927</u>
 Total	 <u>576,927</u>
 Total present value of accumulated plan benefits as of October 1, 2011	 <u>\$9,349,973</u>

The following changes had these effects, on an annual basis, as of the valuation date.

	<u>Normal Cost</u>	<u>Present Value of Vested Benefits</u>	<u>Present Value of Nonvested Benefits</u>
Assumptions	<u>\$182,021</u>	<u>\$1,051,764</u>	<u>\$1,753</u>

Change in Present Value of Accumulated Plan Benefits

Present value of accumulated plan benefits as of October 1, 2010	\$7,480,075
 Increase (decrease) during the year due to:	
Increase for interest due to decrease in the discount period	598,406
Benefits paid	(286,153)
Benefits accumulated and plan experience	504,128
Change in assumptions	1,053,517
Plan amendment	-
Method changes	<u>-</u>
 Present value of accumulated plan benefits as of October 1, 2011	 <u>\$9,349,973</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

**NOTE 13 - PENSION PLAN (continued)**

The actuarial cost method determines what portion of the total cost of a pension plan should be allocated to the current plan year. The method is thus a budgeting tool which helps to ensure that the pension plan will be adequately and systematically funded.

The aggregate cost funding method is used to actuarially determine the contributions to the plan. The aggregate cost funding method is a method under which the excess of the actuarial present value of the projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. The portion of the actuarial present value allocated to a valuation year is called the normal cost. The actuarial accrued liability is equal to the actuarial value of assets. Under this method, the actuarial gain (loss), as they occur, reduce (increase) future normal costs. The significant actuarial assumptions to compute the contribution requirement are the same as those used to determine the pension obligation.

The actual contribution by the City for the year ended September 30, 2011, was \$491,049 which was 19.34% of covered payroll. This amount represented the normal cost of the plan in the amount of \$454,675 (17.91% of covered payroll) and interest in the amount of \$36,374. The City's actual contribution was equal to the total actuarially required contribution.

The following data is presented to assess the City's progress in funding the defined benefit pension plan during the current and preceding nine years:

<b>Year Ending September 30,</b>	<b>Annual Pension Cost</b>	<b>Percent of Annual Pension Cost Contributed</b>	<b>Net Pension Obligation</b>
2002	\$364,418	100.00%	-
2003	362,529	100.00%	-
2004	389,738	100.00%	-
2005	390,430	100.00%	-
2006	422,701	100.00%	-
2007	290,988	100.00%	-
2008	297,996	100.00%	-
2009	404,902	100.00%	-
2010	525,216	100.00%	-
2011	491,049	100.00%	-

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 14 - DEFINED BENEFIT RETIREMENT PROGRAM FOR CERTIFIED POLICE OFFICERS

Membership in the Florida Retirement System is compulsory for all of the City's certified police officers hired after February 1, 2004. All certified police officers hired prior to February 1, 2004, were allowed to elect to participate in the Florida Retirement System or remain in the existing City pension plan. The Florida Retirement System is a multiple-employer, cost-sharing retirement system. It was created December 1, 1970 with consolidation of the Teachers' Retirement System, the State and County Officers and Employees' Retirement System, and the Highway Patrol Pension Fund. In 1972 the Judicial Retirement System was also consolidated with the Florida Retirement System. The System was created to provide a retirement and survivor benefit program for participating public employees. Social Security coverage is also provided to all members. The City's payroll for employees covered by the System for the year ended September 30, 2011, was approximately \$854,000. The City's total payroll for the police department was approximately \$1,105,000.

The Florida Retirement System has five classes of membership. The City's employees belong to one of the five classes, the Special Risk Class, consisting of certified law enforcement officers. The Florida Retirement System provides vesting of benefits after six years of creditable service for the Special Risk Class. Members of the special risk class are eligible for normal retirement when they have met the following minimum requirements:

Six years of special risk service and age 55.

Twenty-five total years of service, consisting of both special risk service and up to four years of military service, and age 52.

Twenty-five total years of special risk service, regardless of age.

Thirty years of creditable service, regardless of age (may include four years military).

Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year prior to normal retirement age or date. Employees who retire at or after age 62 with 6 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3% (special risk class) of their average final compensation for each year of credited service, depending on the years served. Average final compensation is the employee's average of the five highest years of credited service.

Benefits are computed on the basis of age, average final compensation, and service credit. The "pension benefit obligation" is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users (1) assess the Florida Retirement System's funding status on a going-concern basis, (2) assess progress in accumulating sufficient assets to pay benefits when due, and (3) make comparisons among Public Employee Retirement Systems. The measure is independent of and should not be confused with the actuarial funding method used to determine contributions to the System.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 14 - DEFINED BENEFIT RETIREMENT PROGRAM FOR CERTIFIED POLICE OFFICERS (continued)

During the fiscal year ended September 30, 2011, employers paid all contributions until June 30, 2011. Effective July 1, 2011, employees were required to contribute 3% of their gross covered payroll. The funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. The level percentages of payroll method is also used to amortize the unfunded liability over a period of 30 years, and to amortize each change in actuarial assumptions. Effective January 1, 1989, the Florida Legislature adopted contribution rates on a graduated scale during each of the next five years to amortize the unfunded liability as of June 30, 1987 over 30 years. The City contribution rates as of September 30, 2011, were based on 12.99% of covered payroll for the special risk class. Total pension costs for the City for the year ended September 30, 2011, were approximately \$159,100.

The Florida Retirement System Deferred Retirement Option Program (DROP) is available to a member when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to 60 months. During DROP participation, the member's retirement benefits (increased by a cost-of-living adjustment each July) accumulate in the Florida Retirement System Trust Fund and earn monthly interest equivalent to an annual rate of 1.3%. The member must cease employment after a maximum of 60 months, must satisfy the termination requirements for retirement, and is subject to reemployment restrictions thereafter. The member's DROP accumulation may be paid out as a lump sum payment, a rollover, or a combination partial lump sum payment and rollover. Employers must pay contributions at a rate of 4.42% of salary for all DROP participants.

In 1987, the Florida Legislature established the Retiree Health Insurance Subsidy to assist retirees in paying health insurance costs. Eligible retirees received \$3 per month for each year of creditable service, up to 30 years, provided the retiree has proof of health insurance coverage. The program is funded by required contributions from the Florida Retirement System participating employers. Each employer contributes 1.11% of covered payroll for all active employees. If these contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or cancelled. The cost of the program for the City for the year ended September 30, 2011, was approximately \$9,500.

Historical Trend Information

Historical information presenting the System's progress in accumulating sufficient assets to pay benefits when due is presented in the Florida Retirement System annual report.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 15 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all applicable employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in a qualified trust, custodial account, or annuity contract for the benefit of the plan participants and their beneficiaries. The assets are not subject to the claims of the employer's creditors, nor can the assets be used for any purpose other than the payment of benefits to the plan participants or their designated beneficiaries. Since the assets of the plan are held in custodial and annuity accounts for the exclusive benefit of plan participants, the related assets of the plan are not reflected on the City of Clewiston's Statement of Net Assets.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Florida Municipal Power Agency - Power Sales and Project Support Contracts

The City of Clewiston is a member of the Florida Municipal Power Agency (FMPA) with a membership of thirty municipal electric systems. The City is a participant in FMPA's St. Lucie and All-Requirements Projects. The FMPA issued revenue bonds to acquire an ownership interest in the St. Lucie Project and the All-Requirements Project. FMPA has pledged its interest under certain Power Sales Contracts and Project Support Contracts entered into with the participants of the project as security for the bonds. Under the Power Sales Contract, the City has agreed to purchase its entitlement share of the generation capability of the St. Lucie and All-Requirements Projects along with the transmission services for any month electric capacity or energy was made available to the City.

The City's entitlement share totals approximately 2.2% of FMPA's entitlement in the St. Lucie Project and 2% of FMPA's entitlement in the All-Requirements Project. In the event payments are not required to be made for any month by the City under its Power Sales Contract because electric capacity and energy were not available, the City would be required to make monthly payments under its Project Support Contract equal to the payment which would have been required under the Power Sales Contract.

Payments under the Power Sales Contract are operating expenses of the electric system, but payments under the Project Support Contracts are not and, therefore, are to be made after payment of operating expenses, debt service and any other payments required to be made under debt instruments.

The City previously entered into a Capacity and Energy Sales Contract with certain other participants. Under this contract, the City agreed to sell the capacity and energy from its respective entitlement share of the project to certain purchasing systems. The purchasing systems agreed to purchase such capacity and energy and to provide back-up capacity and energy. The City remains obligated for payments pursuant to its Power Sales and Project Support Contracts. The City's pro rata share of the Agency's operating deficit for the year ended September 30, 2011, was not material in relation to the City's total electrical system expenditures.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 16 - COMMITMENTS AND CONTINGENCIES (continued)

Grants and Assistance

Activities of certain funds of the City are financed in whole or in part by various forms of grants and assistance, principally from Hendry County, the State of Florida, and the federal government. There can be no absolute assurance that such assistance will continue in the future at the present levels. Amounts received from grantor agencies are subject to audit or adjustment by grantor agencies. Also, any amounts disallowed could constitute liabilities of the applicable funds.

Litigation

The City, in accordance with the normal conduct of its affairs, is involved in various judgments, claims, and litigation. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

NOTE 17 - RISK MANAGEMENT

The City of Clewiston is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of a public entity risk pool which is a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. The pool provides coverage for property, liability, public officials' liability, workers' compensation, automobile physical damage, general liability, and automobile liability. The cost of the property and casualty insurance and workers' compensation is accounted for in the governmental activities and business-type activities of the City. There were no settled claims which exceeded insurance coverage during the past three fiscal years.

A loss fund is established to pay the self-insured retention amounts. Self-insured per occurrence limits are \$100,000 for property and liability claims, \$150,000 for workers' compensation, and \$25,000 for crime related claims. Any claims in excess of these established limits are covered by aggregate excess or stop loss insurance. The City financial reporting entity is covered by Florida Statutes under the Doctrine of Sovereign Immunity, which effectively limits the liability of individual claims to \$100,000/\$200,000 for all claims relating to the same incident.

To satisfy GAAP/statutory accounting and regulatory reporting requirements, the pool (Public Risk Management of Florida) retained Merlinos & Associates, Inc. to estimate ultimate retained losses and net loss reserve requirements as of the fiscal year ended September 30, 2011 (the date of the latest claims liability evaluation). The actuaries have concluded that the loss fund, including contributions not yet received and interest earned on all fund years to date, is sufficient to pay the retained ultimate losses and loss adjustment expenses for all fund years through September 30, 2011. When the aggregate excess insurance recoverable of \$11.1 million is included with the loss fund, the indicated funding adequacy translates to a claims fund surplus of \$21.1 million, including interest earned to date. This balance is on a net basis, after specific and aggregate excess insurance.

CITY OF CLEWISTON, FLORIDA  
Notes to Financial Statements  
September 30, 2011

NOTE 17 - RISK MANAGEMENT (continued)

The City provides hospitalization and medical coverage through commercial insurance carriers.

Major uninsurable risks include damages to infrastructure assets and damages or governmental fines due to seepage, pollution, or contamination of any kind. Since the amounts of loss cannot be reasonably estimated and the likelihood is undeterminable, no provision for such occurrences is included in these financial statements.

NOTE 18 - OVER EXPENDITURES

At September 30, 2011, the following items within the governmental funds had expenditures exceeding their budgeted amounts:

<u>Expenditure Type</u>	<u>Over Expenditure</u>
General Fund	
Current	
Culture and recreation	\$ 48,664
Human services	764

NOTE 19 - RELATED PARTY TRANSACTIONS

During the fiscal year ended September 30, 2011, the General Fund charged the Enterprise Funds \$169,825 and other governmental funds \$6,364 for administrative services. The Electric Fund charged the General Fund \$16,569 for customer billing and collection services related to the General Fund's solid waste and mosquito services. The Electric Fund charged the Water and Sewer Fund \$27,832 for customer billing related to water and sewer services.

NOTE 20 - SUBSEQUENT EVENTS

The planning, engineering, and permitting phase for the wastewater treatment plant expansion project was completed during the year ended September 30, 2011. As of September 30, 2011, the City had expended \$1,089,700 for the initial phase of the wastewater treatment plant expansion project. The commencement date of construction on the project is dependent upon the availability of grant funding or the addition of a major customer.

Management has evaluated subsequent events through June 18, 2012, the date which the financial statements were available for issue.

CITY OF CLEWISTON, FLORIDA  
Schedule of Funding Progress for  
Defined Benefit Pension Plan  
September 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll For Twelve Month Period Beginning With Actuarial Valuation Date</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
October 1, 2002	\$ 3,965,449	\$ 3,965,449	\$ -	100.00%	\$ 2,098,835	0%
October 1, 2003	4,290,132	4,290,132	-	100.00%	2,296,637	0%
October 1, 2004	4,724,693	4,724,693	-	100.00%	2,249,616	0%
October 1, 2005	5,380,762	5,380,762	-	100.00%	2,344,950	0%
October 1, 2006	6,294,961	6,294,961	-	100.00%	2,153,634	0%
October 1, 2007	7,155,097	7,563,313	408,216	95.00%	2,392,475	17%
October 1, 2008	7,456,410	8,670,382	1,213,972	86.00%	2,538,659	48%
October 1, 2009	7,378,850	9,542,385	2,163,535	77.00%	2,627,530	82%
October 1, 2010	7,811,043	9,687,335	1,876,292	81.00%	2,539,065	74%
October 1, 2011	7,765,081	11,470,505	3,705,424	68.00%	2,736,523	135%

CITY OF CLEWISTON, FLORIDA  
Schedule of Expenditures of Federal  
Awards and State Financial Assistance  
Year Ended September 30, 2011

Federal Agency / State Pass Through Entity / Federal Program	CFDA Number	Grant Contract Number	Program or Award Amount	Expenditures	Transfers to Sub-recipients
<b>U.S. Department of Justice - Bureau of Justice Assistance</b>					
(G) Bulletproof Vest Partnership Program	16.607	2004-BUBX04023923	\$ 5,200	\$ -	\$ -
(G) Bulletproof Vest Partnership Program	16.607	2007-BUBX07038579	1,575	540	-
(G) Bulletproof Vest Partnership Program	16.607	2009-BUBX09047257	<u>556</u>	<u>-</u>	<u>-</u>
			<u>\$ 7,331</u>	<u>540</u>	<u>-</u>
Public Safety Partnership and Community Policing Grants					
(G) Cops Hiring Recovery Program	16.710	2009-RK-WX-0220	\$ 204,681	<u>50,770</u>	<u>-</u>
<b>U.S. Department of Justice - Bureau of Justice Assistance</b>					
Passed Through State of Florida, Office of Criminal Justice Grants, Florida Department of Law Enforcement Edward Byrne Memorial Justice Assistance Grant Programs					
(G) Enhanced Technological Tools for Investigative Purposes	16.738	2011-JAGC-HEND-3-B2-143	\$ 37,941	<u>37,941</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>				<u>89,251</u>	<u>-</u>
<b>U.S. Department of Energy</b>					
Passed Through State of Florida, Energy and Climate Commission Energy Efficiency and Conservation Block Grant - Energy Efficient Outdoor Lighting	81.128	ARE015	\$ 250,000	<u>195,494</u>	<u>-</u>
<b>Total U.S. Department of Energy</b>				<u>195,494</u>	<u>-</u>

CITY OF CLEWISTON, FLORIDA  
Schedule of Expenditures of Federal  
Awards and State Financial Assistance (continued)  
Year Ended September 30, 2011

Federal Agency/State Pass Through Entity/ Federal Program	CFDA Number	Grant Contract Number	Program or Award Amount	Expenditures	Transfers to Sub-recipients
<b>U.S. Department of Housing and Urban Development</b>					
Passed Through State of Florida, Florida Department of Community Affairs					
Community Development Block Grant - State-Administered Small Cities Program					
(G) Economic Development - Park of Commerce	14.228	07-DB-3R-09-36-02-E11	\$ 700,000	-	-
<b>Total U.S. Department of Housing and Urban Development</b>				<u>-</u>	<u>-</u>
<b>U.S. Department of the Interior - Fish and Wildlife Service</b>					
Passed Through State of Florida, Fish and Wildlife Conservation Commission					
Sport Fish Restoration - Boat Access Program - Clewiston Marina Renovation					
	15.605	10215	\$ 169,000	7,140	-
<b>Total U.S. Department of the Interior</b>				<u>7,140</u>	<u>-</u>
<b>U.S. Environmental Protection Agency</b>					
Passed Through Florida Department of Environmental Protection					
(B) Capitalization Grants for Clean Water State Revolving Fund - Northside Sewer Project Collection Facilities	66.458	WW260400	\$ 2,465,380	166,838	-
(B) Capitalization Grants for Clean Water State Revolving Fund - Northside Sewer Project Collection Facilities	66.458	WW260401	\$ 333,553	561	-
<b>Total U.S. Environmental Protection Agency</b>				<u>167,399</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 459,284</u>	<u>\$ -</u>

CITY OF CLEWISTON, FLORIDA  
Schedule of Expenditures of Federal  
Awards and State Financial Assistance (continued)  
Year Ended September 30, 2011

State Agency /State Program	CSFA Number	Grant Contract Number	Program or Award Amount	Expenditures	Transfers to Sub-recipients
<b>Florida Department of State</b>					
Division of Library and Information Services					
(G) State Aid to Libraries Grant	45.030	09-ST-20	\$ 191,038	\$ 39,920	\$ -
(G) State Aid to Libraries Grant	45.030	10-ST-20	\$ 138,584	138,584	41,352
(G) State Aid to Libraries Grant	45.030	11-ST-19	\$ 132,668	<u>48,110</u>	<u>-</u>
<b>Total Expenditures of State Financial Assistance</b>				<u>\$ 226,614</u>	<u>\$ 41,352</u>

CITY OF CLEWISTON, FLORIDA  
Notes to Schedule of Expenditures of Federal  
Awards and State Financial Assistance  
For the Year Ended September 30, 2011

NOTE A - REPORTING ENTITY

For reporting entity purposes, the Schedule of Federal Awards and State Financial Assistance Projects includes all the activities of the City of Clewiston's primary government and its blended component unit. The City had no discretely presented component units. Federal award programs and state financial assistance projects recorded in the City's business-type activities are noted by (B). Those recorded in the governmental activities are noted by (G).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance are in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations.

NOTE C - STATE REVOLVING FUND LOANS

The City had the following loan balances outstanding at September 30, 2011. Current year additions to the loan balances are also included in the Federal expenditures presented in the Schedule of Expenditures of Federal Awards and State Financial Assistance.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Total Outstanding as of September 30, 2011</u>
State Revolving Fund	66.458	WW260400	\$702,609
State Revolving Fund	66.458	WW260401	\$89,021

NOTE D - SUBRECIPIENTS

The City of Clewiston provided state financial assistance to subrecipients as follows:

<u>Program Title</u>	<u>State CSFA Number</u>	<u>Amount Transferred to Subrecipient</u>
State Aid to Libraries Grant	45.030	
Harlem Public Library		\$ 9,818
Barron Public Library		<u>31,534</u>
		<u>\$ 41,352</u>

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**CERTIFIED PUBLIC ACCOUNTANTS**

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

Honorable Mayor and City Commissioners  
City of Clewiston, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City of Clewiston, Florida, as of and for the year ended September 30, 2011, which collectively comprise the City of Clewiston, Florida's basic financial statements and have issued our report thereon dated June 18, 2012. 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 City of Clewiston, Florida is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Clewiston, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Clewiston, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Clewiston, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 following paragraph we identified a certain deficiency in internal control over financial reporting that we consider 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 below to be a material weakness.

#### Prior Year Comment Which Continues to Apply

##### Finding 2009-1 - Internal Control Over Financial Reporting

Condition: Statement on Auditing Standards Number 115 requires the auditor to determine if the City of Clewiston, Florida is capable of preparing the enclosed financial statements and has the skills and competencies necessary to prevent, detect, and correct a material misstatement in its financial statements. We have determined that the City of Clewiston, Florida does not currently have the professional personnel needed to meet the requirements of Statement on Auditing Standards Number 115.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies in internal control over financial reporting.

#### Compliance and Other Matters

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

We noted no matters that were required to be reported to management of the City of Clewiston, Florida in a separate letter dated June 18, 2012.

The City of Clewiston, Florida's response to the finding identified in our audit is described in the accompanying auditee's response to auditors' report and management letter. We did not audit the City of Clewiston, Florida's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,

Boy, Miller, Kuske & Perry, P.A.

June 18, 2012

**BOY, MILLER, KISKER & PERRY, P.A.**  
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INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and City Commissioners  
City of Clewiston, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City of Clewiston, Florida as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated June 18, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report (if any), which is dated June 18, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local government entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports 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 findings and recommendations made in the preceding annual financial audit report. The comment and recommendation in the preceding annual financial report continues to apply.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but more than inconsequential. In connection with our audit, we did not have any such findings.

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

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 City of Clewiston was established by Laws of Florida, 1923, Chapter 9712, which was amended by Laws of Florida, 1925, Chapter 10434. Both of said acts were repealed by Laws of Florida 1925, Chapter 10433, Article IX, Paragraph 11. Said 1925, Chapter 10433, as amended, constitutes the present Charter of the City. There are no other entities that are considered to be component units requiring disclosure in the financial statements of the City of Clewiston, Florida.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement to be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Clewiston, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General requires that we determine whether the annual financial report for the City of Clewiston, Florida for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Clewiston, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the City Commission of the City of Clewiston, Florida, others within the entity, 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.

Respectfully submitted,

Boy, Miller, Kusker & Perry, P.A.

June 18, 2012

# CITY OF CLEWISTON

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David W. Martin, CPA  
Auditor General, State of Florida  
111 W. Madison Street  
Claude Denson Pepper Building  
Tallahassee, Florida 32399-1450

June 19, 2012

RE: Auditee's response to auditors' reports and management letter for FY 2010-2011

Dear Mr. Martin:

The Rules of the Auditor General require the audit report to include a written statement of explanation, including corrective action to be taken, or a rebuttal regarding any deficiencies cited in the auditors' reports and management letter.

AUDITORS' COMMENT CONTAINED IN THE REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Prior Year Comment Which Continues to Apply

Finding 2009-1

The City will continue to work towards meeting the requirements related to the Statement on Auditing Standards Number 115.

AUDITORS' COMMENTS AND RECOMMENDATIONS CONTAINED IN THE MANAGEMENT LETTER

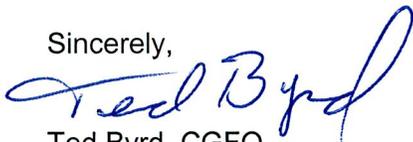
Prior Year Comments and Recommendations Which Continue To Apply

None

Current Year Comments and Recommendations

None

Sincerely,



Ted Byrd, CGFO  
Finance Director