

**CITY OF MASCOTTE, FLORIDA**

**FINANCIAL REPORT**

**For The Year Ended September 30, 2010**

Prepared by: Finance Department

## **INTRODUCTORY SECTION**

CITY OF MASCOTTE, FLORIDA

**FINANCIAL REPORT**  
**TABLE OF CONTENTS**

For the Year Ended September 30, 2010

	<b><u>Page</u></b>
<b>I. Introductory Section:</b>	
Table of Contents	i-ii
List of Principal Officials	iii
<b>II. Financial Section:</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Infrastructure Special Revenue Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual - Community Redevelopment Fund	21
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24-25
Notes to Financial Statements	26-46

CITY OF MASCOTTE, FLORIDA

**FINANCIAL REPORT**  
**TABLE OF CONTENTS - Continued**

For the Year Ended September 30, 2010

	<b><u>Page</u></b>
<b>II. Financial Section - Continued:</b>	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Other Governmental Funds	47-48
Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Other Governmental Funds	49-50
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: Special Revenue Funds	51-58
<b>III. Other Reports:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	59-60
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	61-62
Schedule of Expenditures of Federal Awards	63
Notes to Schedule of Expenditures of Federal Awards	64
Schedule of Findings and Questioned Costs	65
Management Letter	66-71
Management Response to Auditor's Management Letter	72-74
Communications with Those Charged with Governance	75-76

CITY OF MASCOTTE, FLORIDA

**LIST OF PRINCIPAL OFFICIALS**

Year Ended September 30, 2010

**MAYOR**

Jeff Krull

**CITY COUNCIL**

Stephen Elmore, Mayor Pro-Tem

Barbara Krull

Brenda Brasher

Mary Marquard

**INTERIM CITY MANAGER**

Jim Gleason

**DEPUTY CITY MANAGER**  
**CITY FINANCE DIRECTOR**

Amy McLean, CGFO

**FINANCIAL SECTION**



In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2011 on our consideration of the *City of Mascotte, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 3 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 Mascotte, Florida* financial statements as a whole. The introductory section, combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the *City of Mascotte, Florida*. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion or provide any assurance on it.

*McDiernit Davis & Company, LLC*

February 28, 2011



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the *City of Mascotte, Florida* we offer readers of the *City of Mascotte's* financial statements this narrative overview and analysis of the financial activities of the *City of Mascotte* for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

- The assets of the *City of Mascotte* exceeded its liabilities at the close of the most recent fiscal year by \$9,113,291 (net assets). Of this amount, \$669,418 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$4,560.
- As of the close of the current fiscal year, the *City of Mascotte's* governmental funds reported combined ending fund balances of \$1,551,707, an increase of \$382,030 in comparison with the prior year. Approximately \$453,976 of this amount is in Special Revenue Fund where amounts are reserved for specific purposes.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$651,711, or 23% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the *City of Mascotte's* (the City) basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the *City of Mascotte's* financial position, in a manner similar to a private-sector business. They include a *Statement of Net Assets* and a *Statement of Activities*

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### *City of Mascotte* Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current and other assets	\$ 1,670,030	\$ 1,312,454	\$ (13,010)	\$ 69,593	\$ 1,657,020	\$ 1,382,047
Capital Assets	5,829,550	6,749,729	7,188,204	6,836,578	13,017,754	13,586,307
Total Assets	7,499,580	8,062,183	7,175,194	6,906,171	14,674,774	14,968,354
<b>Liabilities:</b>						
Long term liabilities	1,894,442	2,030,585	3,095,867	3,188,722	4,990,309	5,219,307
Other liabilities	118,323	142,777	452,851	463,322	571,174	606,099
Total Liabilities	2,012,765	2,173,362	3,548,718	3,652,044	5,561,483	5,825,406
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	4,116,501	4,818,369	4,104,353	3,649,724	8,220,854	8,468,093
Restricted	223,019	293,421	-	-	223,019	293,421
Unrestricted	1,147,295	777,031	(477,877)	(395,597)	669,418	381,434
Total Net Assets	\$ 5,486,815	\$ 5,888,821	\$ 3,626,476	\$ 3,254,127	\$ 9,113,291	\$ 9,142,948

Ninety percent (90%) of the City's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the *City of Mascotte's* investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the *City of Mascotte's* net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$669,418 may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets decreased by \$4,560 during the current fiscal year. The following table reflects the condensed Statement of Activities for the current year. For more detail see the Statement of Activities on page 14.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

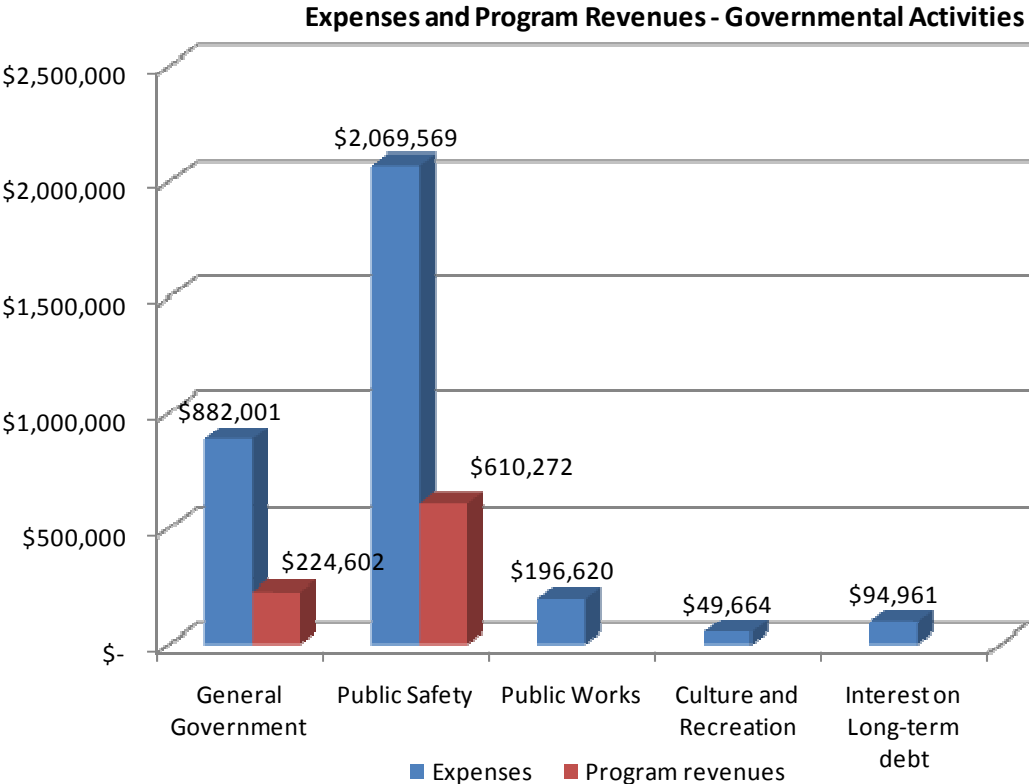
*City of Mascotte*  
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>						
Program revenues -						
Charges for services	\$ 426,073	\$ 206,669	\$ 1,337,968	\$ 1,260,270	\$ 1,764,041	\$ 1,466,939
Operating grants and Contributions	221,301	274,855	-	-	221,301	274,855
Capital grants and Contributions	187,500	604,106	-	7,041	187,500	611,147
General revenues -						
Property taxes	1,236,149	1,188,306	-	-	1,236,149	1,188,306
Franchise and utility Taxes	467,640	459,036	-	-	467,640	459,036
Intergovernmental	699,224	852,906	-	-	699,224	852,906
Investment income and miscellaneous	86,599	46,236	105	491	86,704	46,727
Total revenues	<u>3,324,486</u>	<u>3,632,114</u>	<u>1,338,073</u>	<u>1,267,802</u>	<u>4,662,559</u>	<u>4,899,916</u>
<b>Expenses:</b>						
General government	882,001	1,662,673	-	-	882,001	1,662,673
Public safety	2,069,569	1,814,518	-	-	2,069,569	1,814,518
Transportation/public works	196,620	218,692	-	-	196,620	218,692
Culture and recreation	49,664	68,028	-	-	49,664	68,028
Interest on long-term debt	94,961	98,072	-	-	94,961	98,072
Water	-	-	938,540	1,083,261	938,540	1,083,261
Sanitation	-	-	326,001	337,914	326,001	337,914
Stormwater	-	-	109,763	108,955	109,763	108,955
Total expenses	<u>3,292,815</u>	<u>3,861,983</u>	<u>1,374,304</u>	<u>1,530,130</u>	<u>4,667,119</u>	<u>5,392,113</u>
<b>Increase (Decrease) in Net Assets Before Transfers</b>	31,671	(229,869)	(36,231)	(262,328)	(4,560)	(492,197)
<b>Transfers</b>	<u>(470,241)</u>	<u>331,382</u>	<u>470,241</u>	<u>(331,382)</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Net Assets</b>	(438,570)	101,513	434,010	(593,710)	(4,560)	(492,197)
<b>Net Assets - Beginning</b>	5,888,821	5,787,308	3,254,127	3,847,837	9,142,948	9,635,145
<b>Prior period adjustment</b>	<u>36,564</u>	<u>-</u>	<u>(61,661)</u>	<u>-</u>	<u>(25,097)</u>	<u>-</u>
<b>Net Assets - End</b>	<u>\$ 5,486,815</u>	<u>\$ 5,888,821</u>	<u>\$ 3,626,476</u>	<u>\$ 3,254,127</u>	<u>\$ 9,113,291</u>	<u>\$ 9,142,948</u>

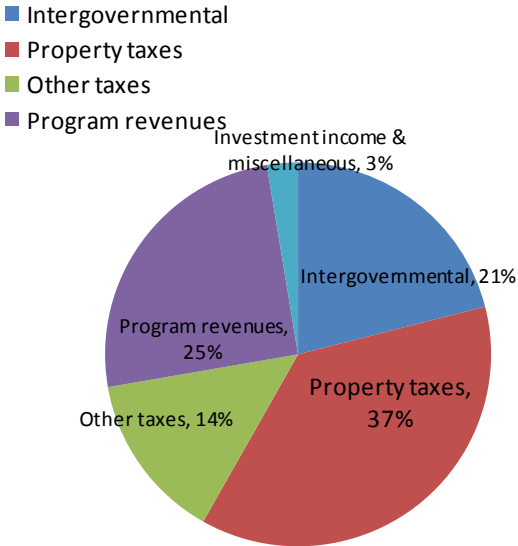
**Governmental Activities** - Governmental activities decreased the *City of Mascotte's* net assets by \$438,570. This was due primarily to transfer of governmental capital assets of \$703,650 to the Stormwater Fund.

**Business-Type Activities** - Business-type activities increased the *City of Mascotte's* net assets by \$434,010 primarily because of transfer from governmental capital assets of \$703,650.

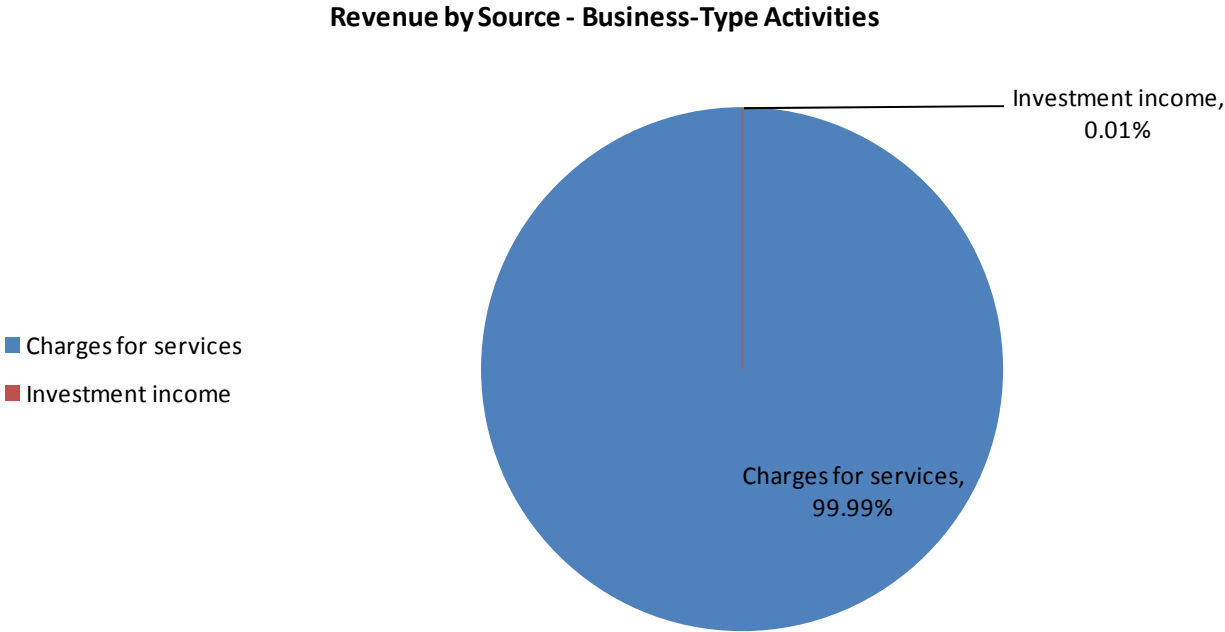
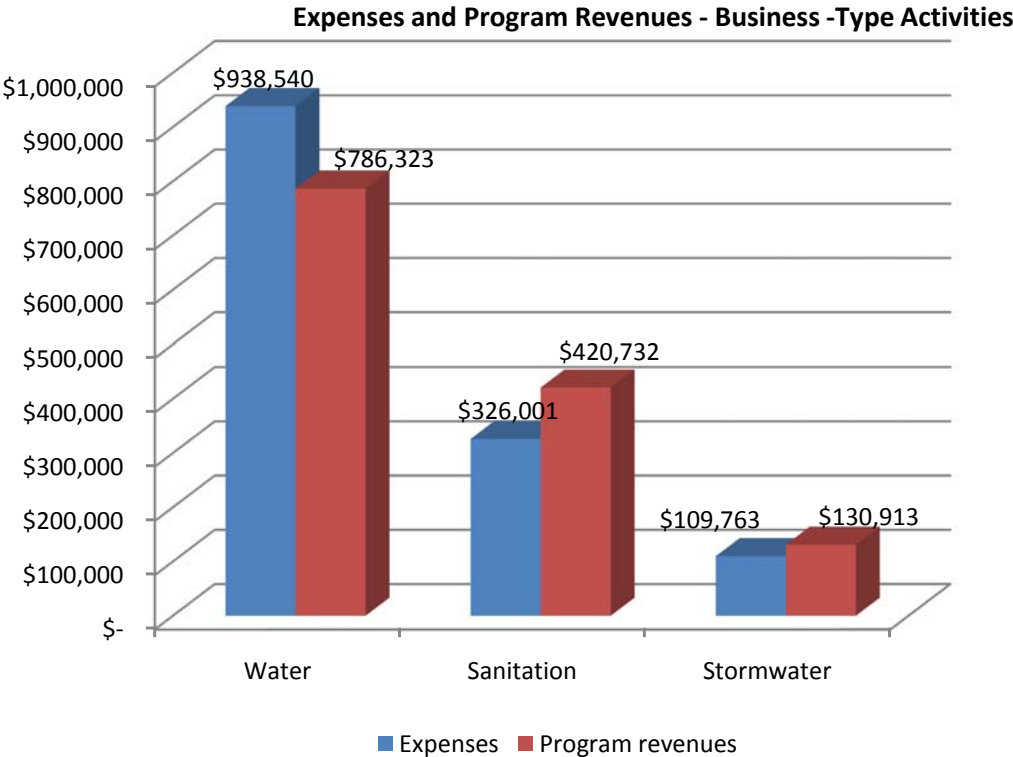
**MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED**



**Revenue by Source - Governmental Activities**



**MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED**



## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### **Financial Analysis of the Government's Funds**

As noted earlier, the *City of Mascotte* used fund accounting to ensure and demonstrate compliance with finance-related requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the *City of Mascotte's* financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the *City of Mascotte's* governmental funds reported combined ending fund balances of \$1,551,707, an increase of \$382,030 in comparison with the prior year. Only \$1,105,687 of total represents unreserved fund balance, which is available for spending at the City's discretion.

The general fund is the chief operating fund of the *City of Mascotte*. At the end of the current fiscal year, unreserved and total fund balance of the general fund was \$651,711. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 23% of total general fund expenditures.

The fund balance of the general fund increased by \$259,330 during the current fiscal year.

**Proprietary Funds** - The *City of Mascotte's* proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the year end amounted to a deficit of \$(477,877). The total increase in net assets for these funds was \$434,010. Other factors concerning the finances of these three funds have already been addressed in the discussion of the *City of Mascotte's* business-type activities.

### **General Fund Budgetary Highlights**

During the year, actual revenues were \$155,363 more than budgeted revenues and actual expenditures were \$213,667 less than budgeted expenditures. Differences between original and final budget were due to budgeted expenditures and anticipated revenue that occurred after the original budget was issued.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Capital Asset and Debt Administration**

**Capital Assets** - The *City of Mascotte*'s investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$13,017,754 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment and infrastructure. The total decrease in the City's investment in capital assets for the current fiscal year was 3%.

*City of Mascotte*  
Capital Assets  
(Net of Depreciation)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Land	\$ 2,554,362	\$ 2,535,953	\$ 1,680,689	\$ 1,699,098	\$ 4,235,051	\$ 4,235,051
Construction in progress	-	-	750,354	750,354	750,354	750,354
Buildings	1,557,364	1,618,457	-	-	1,557,364	1,618,457
Improvements / infrastructure	982,491	1,738,886	4,586,869	4,250,104	5,569,360	5,988,990
Machinery and equipment	626,921	717,534	147,989	103,567	774,910	821,101
Intangibles	108,412	138,899	22,303	33,455	130,715	-
<b>Total</b>	<b>\$ 5,829,550</b>	<b>\$ 6,749,729</b>	<b>\$ 7,188,204</b>	<b>\$ 6,836,578</b>	<b>\$ 13,017,754</b>	<b>\$ 13,413,953</b>

Additional information on the *City of Mascotte*'s capital assets can be found in Note 7 of this report.

**Long-Term Debt** - At the end of the current fiscal year, the *City of Mascotte* had total debt outstanding of \$4,796,900. This debt includes bonds payable and notes payable. Additional information on long-term debt can be found in Note 7 of this report.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Bonds payable	\$ -	\$ -	\$ 197,000	\$ 208,000	\$ 197,000	\$ 208,000
Notes payable	1,713,049	1,931,360	2,886,851	2,978,854	4,599,900	4,910,214
	<b>\$ 1,713,049</b>	<b>\$ 1,931,360</b>	<b>\$ 3,083,851</b>	<b>\$ 3,186,854</b>	<b>\$ 4,796,900</b>	<b>\$ 5,118,214</b>

The *City of Mascotte*'s total debt decreased by \$321,314 (6%) during the current fiscal year. The City borrowed \$203,279 as a part of the SRF loan. This addition was to fund expenses already incurred in prior years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### **Next Year's Budget and Rates**

During the current fiscal year, the unreserved fund balance in the General Fund decreased to \$651,711. The City has not appropriated any of this amount for spending in the 2011 fiscal year budget since the plan is to increase the unreserved fund balance so that it at least 25% of general fund operating expenditures.

### **Requests for Information**

This financial report is designed to provide a general overview of the *City of Mascotte's* finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Finance Director, *City of Mascotte*, 100 East Myers Boulevard, Mascotte, Florida 34753.



**NOTES TO FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2010

**Note 1 - Summary of Significant Accounting Policies:**

**A. Reporting Entity**

The *City of Mascotte*, Florida ("the City") is a political subdivision of the state of Florida located in Lake County. The *City of Mascotte* was originally incorporated under the laws of the State of Florida on November 23, 1925. The City recently changed to a City Manager form of government by a referendum vote of the citizens. The legislative branch of the City is composed of a Mayor and a four (4) member elected Council. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council appointed City Manager.

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, the City has one blended component unit as follows:

**The *City of Mascotte* Community Redevelopment Fund**

The *City of Mascotte* created the Community Redevelopment Agency in April of 2005. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Notification to affected taxing agency was done in compliance with Chapter 163.346, Part III, Florida Statutes. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area. The City Council, being the duly elected governmental body for the designated area, passed Resolution 2005-03-350, which established the *City of Mascotte* as the Redevelopment Agency for the purpose of carrying out the community redevelopment programs and plans within the area. The Council adopted a community development redevelopment plan through Resolution 2005-06-352. Through Ordinance 2005-06-380 the City established the Community Redevelopment Trust Fund to account for all transactions generated by this special revenue fund.

## **NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

### **Note 1 - Summary of Significant Accounting Policies (Continued):**

#### ***B. Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## **NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

### **Note 1 - Summary of Significant Accounting Policies (Continued):**

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following funds:

#### **Major Governmental Funds**

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Infrastructure Fund* is a special revenue fund established to account for the accumulation of proceeds of the local government infrastructure surtax to be received by the City until December 2017. The proceeds and interest accrued thereto, by law, are only to be used to finance, plan and construct infrastructure.

The *Community Redevelopment Fund* was established as a dependent taxing district. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area.

#### **Non-Major Governmental Fund Types**

*Special Revenue Funds* account for specific revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

#### **Major Proprietary Funds**

*Water Fund* is used to account for the operations of the City's water system, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

*Sanitation Fund* is used to account for the fiscal activities of the City's refuse collection and disposal operation.

*Stormwater Fund* is use to account for the operation and maintenance of the City's stormwater system.

## NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2010

### **Note 1 - Summary of Significant Accounting Policies (Continued):**

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sanitation funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## **NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

### **Note 1 - Summary of Significant Accounting Policies (Continued):**

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

##### **1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the City are reported at fair value. The City's investments consist of investments authorized per their investment policy adopted in accordance with Section 218.415, Florida Statutes.

##### **2. Receivables and Payables**

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles. The County bills and collects property taxes and remits them to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables.

All property is reassessed according to its fair value on the lien date, or January 1 of each year. Taxes are levied on October 1 of each year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. On or around May 31 following the tax year, certificates are sold for all delinquent taxes on real property.

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 1 - Summary of Significant Accounting Policies (Continued):**

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

**3. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Restricted Assets**

The use of certain assets of the Water and Wastewater fund may be restricted by specific provisions of bond resolutions, city ordinances and/or agreements with various parties. Assets so designated are identified as restricted assets on the balance sheet.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City's capitalization policy as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In accordance with GASB Statement 51, beginning balance of capital assets has been reclassified to include intangible assets which had been acquired prior to October 1, 2008. This reclassification had no effect on the beginning balance of total capital assets since intangible assets had been previously recorded and included with equipment and machinery.

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 1 - Summary of Significant Accounting Policies (Continued):**

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

**5. Capital Assets (Continued):**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the year ended September 30, 2010.

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	15-50
Infrastructure	30-50
Equipment	3-15

**6. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Since the City's policy is to pay all vacation and a portion of sick pay when employees separate from service, these amounts are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For governmental activities, compensated absences are generally liquidated by the general fund.

**7. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.



## **NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

### **Note 1 - Summary of Significant Accounting Policies (Continued):**

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

##### **7 Long-Term Obligations - (Continued):**

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

##### **8. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Note 2 – Prior Period Adjustment:**

Beginning fund balances in the Water, Sanitation, and Stormwater Funds have been adjusted for the effects of depreciation calculated in error. As a result, net assets at beginning of year were decreased by \$61,441 in the Water Fund, and \$27,849 in the Stormwater Fund and then increased by \$27,629 in the Sanitation Fund. The effect on net operations of the prior year was to increase expenses of the Water Fund and Stormwater Fund by the amounts indicated above and to decrease expenses in the Sanitation Fund by amount indicated above. There was no effect on operations in the current year.

Beginning net assets in governmental assets have been adjusted for the effects of depreciation calculated in error. As a result, net assets at beginning of year were increased by \$36,564. The effect on net activities of the prior year was to decrease expenses in governmental activities by the amount of \$36,564. There was no effect on activities of the current year.

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 3 - Reconciliation of Government-Wide and Fund Financial Statements:**

**A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$(271,502) difference are as follows:

Capital outlay	\$ 95,625
Depreciation expense	<u>(367,127)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(271,502)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$218,311 difference are as follows:

Debt issued or incurred:	
Notes issued	\$ -
Principal repayment	<u>218,311</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 218,311</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	<u>\$ (82,168)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (82,168)</u>

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 4 - Stewardship, Compliance, and Accountability**

***Budgetary Information:***

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the end of the fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) The general summary of the budget and notice of public hearing is published in the local newspaper. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, budgets are legally enacted through passage of an ordinance.
- (3) The City Manager is authorized to transfer budgeted amounts within and between divisions and departments; however, any revisions that alter the total appropriations of any fund must be approved by the City Council. The level of classification detail at which expenditures may not legally exceed appropriations is the fund level.
- (4) Appropriations lapse at the close of the fiscal year to the extent they have not been expended.
- (5) Budgets are adopted for the general fund and special revenue funds on a basis consistent with accounting principles generally accepted in the United States of America. Budgets are also adopted for the enterprise funds; however, this data is not presented under generally accepted accounting principles.
- (6) The City Council, by ordinance or resolution, may make supplemental appropriations in excess of those originally estimated for the year up to the amount of available revenues. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions.

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 5 - Deposits and Investments:**

**Deposits**

At year-end, the carrying amount of the City's deposits was \$1,284,353 and the bank balance was \$1,319,381. Petty cash funds of \$1,100 are not on deposit with a financial institution. All bank deposits were covered by Federal Depository Insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

**Investments**

Investments in all fund types are stated at fair value, which is the amount for which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Fair value is based on quoted market prices. Changes in the fair value of investments are recognized as revenue and included in investment income. Investment income is recognized as earned and is allocated to the participating funds based on their equity participation. The City's investment policies are governed by Florida Statutes, which allow the following investments:

- (a) The Local Government Surplus Funds Trust (SBA)
- (b) SEC registered money market funds
- (c) Interest-bearing time deposits or savings accounts in qualified public depositories
- (d) Direct obligations of the U.S. Treasury

The City does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The City policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2010, all of the City's bank deposits were in qualified public depositories.

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS – Continued**

September 30, 2010

**Note 6 - Receivables:**

Receivables as of year end for the City's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<b><u>General Fund</u></b>	<b><u>Water Fund</u></b>	<b><u>Sanitation Fund</u></b>	<b><u>Stormwater Fund</u></b>	<b><u>Total</u></b>
Receivables:					
Accounts	\$ 1,972	\$ 139,743	\$ 56,710	\$ 26,860	\$ 225,285
Less allowance for uncollectible accounts	-	(27,074)	(14,671)	(2,736)	(44,481)
	<u>\$ 1,972</u>	<u>\$ 112,669</u>	<u>\$ 42,039</u>	<u>\$ 24,124</u>	<u>\$ 180,804</u>

**Note 7- Capital Assets:**

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

	<b><u>Restated Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,535,953	\$ 18,409	-	\$ 2,554,362
Total capital assets, not being depreciated	<u>2,535,953</u>	<u>18,409</u>	<u>-</u>	<u>2,554,362</u>
Capital assets, being depreciated:				
Buildings	2,087,834	-	-	2,087,834
Improvements/Infrastructure	3,000,546	-	(771,409)	2,229,137
Machinery and equipment	2,388,516	95,626	(19,209)	2,464,933
Intangible assets	147,927	-	-	147,927
Total capital assets, being depreciated	<u>7,624,823</u>	<u>95,626</u>	<u>(790,618)</u>	<u>6,929,831</u>
Less accumulated depreciation for:				
Buildings	(459,745)	(70,725)	-	(530,470)
Improvements/Infrastructure	(1,262,890)	(68,163)	84,407	(1,246,646)
Machinery and equipment	(1,641,918)	(198,654)	2,560	(1,838,012)
Intangible assets	(9,930)	(29,585)	-	(39,515)
Total accumulated depreciation	<u>(3,374,483)</u>	<u>(367,127)</u>	<u>86,967</u>	<u>(3,654,643)</u>
Total capital assets, being depreciated, net	<u>4,250,340</u>	<u>(271,501)</u>	<u>(703,651)</u>	<u>3,275,188</u>
Government activities capital assets, net	<u>\$ 6,786,293</u>	<u>\$ (253,092)</u>	<u>\$ (703,651)</u>	<u>\$ 5,829,550</u>

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 7 - Capital Assets (Continued):**

	<b>Restated Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,699,098	\$ -	\$ (18,409)	1,680,689
Construction in progress	750,354	-	-	750,354
Total capital assets, not being depreciated	<u>2,449,452</u>	<u>-</u>	<u>(18,409)</u>	<u>2,431,043</u>
Capital assets, being depreciated:				
Buildings	4,620	-	-	4,620
Improvements/Infrastructure	6,344,925	790,618	-	7,135,543
Machinery and equipment	507,714	30,205	-	537,919
Intangible assets	33,455	-	-	33,455
Total capital assets, being depreciated	<u>6,890,714</u>	<u>820,823</u>	<u>-</u>	<u>7,711,537</u>
Less accumulated depreciation for:				
Buildings	(4,620)	-	-	(4,620)
Improvements/Infrastructure	(2,214,565)	(334,109)	-	(2,548,674)
Machinery and equipment	(346,064)	(43,866)	-	(389,930)
Intangible assets	-	(11,152)	-	(11,152)
Total accumulated depreciation	<u>(2,565,249)</u>	<u>(389,127)</u>	<u>-</u>	<u>(2,954,376)</u>
Total capital assets, being depreciated, net	<u>4,325,465</u>	<u>431,696</u>	<u>-</u>	<u>4,757,161</u>
Business-type activities capital assets, net	<u>\$ 6,774,917</u>	<u>\$ 431,696</u>	<u>\$ (18,409)</u>	<u>\$ 7,188,204</u>

Increases in accumulated depreciation for business-type activities includes accumulated depreciation on asset reclassifications amounting to \$86,969. This accumulated depreciation is on stormwater conveyance system totaling \$790,618 transferred from governmental activities.

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 7 - Capital Assets (Continued):**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 127,676
Public safety	178,992
Transportation/public works	49,504
Culture and recreation	10,955
Total depreciation expense - governmental activities	<u>\$ 367,127</u>
Business-type activities:	
Water	\$ 244,435
Stormwater	47,838
Sanitation	9,885
Total depreciation expense - business-type activities	<u>\$ 302,158</u>

**Note 8 - Other Postemployment Benefits:**

Pursuant to Resolution 2011-03-445, the City has elected not to make continuation of group health insurance through the City's current provider available to retirees and eligible dependents.

**Note 9 - Long-Term Debt:**

**Revenue Bonds**

The City issues bonds where the City pledges revenue derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for business-type activities as follows:

Water Revenue Bonds payable in annual installments of \$2,800 to \$21,000 through 2023 with annual interest payments at 5.0%	\$ 197,000
Less: Current maturities	(11,000)
Total	<u>\$ 186,000</u>

These Water Revenue Bonds are secured by a first lien on and pledge of the net revenues of the water system and a first lien on and pledge of allowable impact fees imposed on new users of the system.

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 9 - Long-Term Debt (Continued):**

The Water Revenue Bonds resolution provides for:

- (1) Establishment and maintenance of various funds and accounts and
- (2) The City shall establish rates, which will provide for necessary operating expenses, including principal and interest payments.

2010 Pledged revenue was \$42,278. During 2010, principal and interest paid on this bond was \$21,400.

Annual requirements to amortize water revenue bonds outstanding as of September 30, 2010 are as follows:

<u>Year ending September 30,</u>	<b><u>Business -Type Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2011	\$ 11,000	\$ 9,850
2012	12,000	9,300
2013	12,000	8,700
2014	13,000	8,100
2015	13,000	7,450
2016-2020	78,000	26,550
2021-2023	<u>58,000</u>	<u>5,950</u>
Total	<b><u>\$197,000</u></b>	<b><u>\$75,900</u></b>



CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 9 - Long-Term Debt (Continued):**

**Notes Payable - Business-type Activities**

At September 30, 2010 notes payable consisted of:

Note payable to a bank in monthly installments of \$2,236 including interest at a 5.05% through 2011; secured by a sanitation truck.	\$ 2,248
Capital improvement revenue note payable to bank in annual installments. Interest paid quarterly at 3.175% through January 2015; secured by infrastructure sales surtax; 2010 pledged revenue was \$333,693. Principal and interest paid in 2010 was \$180,931.	617,945
Note payable to bank in monthly installments of \$1,142 including interest at 5.05% through 2011, secured by equipment.	2,357
Line of credit payable to bank; interest due quarterly at 5.05%; principal due semiannually through September 2016 of \$122,168, secured by CRA revenues, 2010 pledged revenue was \$161,849. Principal and interest paid in 2010 was \$181,541.	1,767,000
Note payable to SRF in 40 semi-annual installments of \$4,275, including interest at 2.68%, beginning on January 15, 2011; secured by net revenues from operation of water and sewer system, together with impact fees.	336,563
Note payable to SRF in 20 semi-annual installments of \$9,723, including interest at 2.64%, beginning June 15, 2010; secured by net revenues from operation of water and sewer system.	<u>160,738</u>
	<u>\$2,886,851</u>

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 9 - Long-Term Debt (Continued):**

Annual debt service requirements to maturity on the notes payable are as follows:

<u>Year ending September 30,</u>	<b><u>Business - Type Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2011	\$ 205,039	\$ 104,672
2012	363,979	94,972
2013	395,906	83,057
2014	399,611	66,242
2015	403,428	49,316
2016 - 2020	1,023,057	54,908
2021 - 2023	<u>95,831</u>	<u>2,238</u>
Total	<b><u>\$2,886,851</u></b>	<b><u>\$ 455,405</u></b>

**State Revolving Loan**

During 2008, the City executed two loan agreements with the Department of Environmental Protection to finance the planning, design, and construction of public water systems and wastewater pollution control facilities. The State Revolving Fund Loans are approved for the following amounts:

Water system	\$ 240,000
Wastewater facilities	469,064

During 2010, the City received \$199,005 from the wastewater system SRF loan. The water system loan will be paid back in 10 years, starting on June 15, 2010 and the wastewater facilities loan will be paid back in 20 years starting on January 15, 2013. The total amount to be paid back will also include loan service fees and capitalized interest not included in above amounts.

**Line of Credit**

On September 7, 2007 the City borrowed \$2,100,000, the full amount available, on a line of credit with a bank. The funds were used for land purchases and secured by wastewater impact fees. Interest payments are due quarterly at 5.05% and principal payments are semiannual. The line matures in September of 2016.

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 9 - Long-Term Debt (Continued):**

**Notes Payable - Governmental Activities**

Summarized below are the City's notes outstanding at September 30, 2010:

Note payable to a bank in monthly installments of \$3,574 including interest at 4.75% through February 2020; secured by City Hall building.	\$ 373,993
Note payable to a bank in annual installments of \$20,258 including interest at 4.5% through December 2010; secured by fire truck.	19,294
Note payable to a bank in monthly installments of \$805 including interest at 5.05% through 2011; secured by equipment.	5,008
Note payable to a bank in semiannual installments of \$25,223 including interest at 4.5% through April 2013; secured by a fire rescue pumper truck.	140,087
Note payable to a bank in semi-annual installments of \$41,667 including interest at 4.87% due quarterly. Secured by infrastructure sales surtax; 2010 pledged revenue was \$333,693. Principal and interest paid in 2010 was \$137,861.	1,041,667
Line of credit payable to a bank; interest due quarterly at 5.05%; principal due semiannually through September 2016 of \$9,210, secured by CRA revenues. 2010 pledged revenue was \$161,849. Principal and interest paid in 2010 was \$16,934.	133,000
Total	<u>\$1,713,049</u>

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 9 - Long-Term Debt (Continued):**

**Notes Payable - Governmental Activities (Continued):**

Debt service requirements for the above notes are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 188,741	\$ 78,967
2012	175,982	72,114
2013	179,459	63,416
2014	132,043	55,290
2015	133,484	48,753
2016-2020	636,376	147,239
2021-2023	<u>266,964</u>	<u>17,595</u>
Total	<u>\$1,713,049</u>	<u>\$483,374</u>

**Changes in Long-Term Liabilities**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Notes payable	\$1,931,360	\$ -	\$ (218,311)	\$ 1,713,049	\$ 188,741
Compensated absences	<u>99,225</u>	<u>82,168</u>	<u>-</u>	<u>181,393</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$2,030,585</u>	<u>\$ 82,168</u>	<u>\$ (218,311)</u>	<u>\$ 1,894,442</u>	<u>\$ 188,741</u>
<b>Business-Type Activities:</b>					
Bonds payable -					
Revenue Bonds	\$ 208,000	\$ -	\$ (11,000)	\$ 197,000	\$ 11,000
Notes payable -					
Capital improvement revenue note	771,054	-	(153,109)	617,945	-
SRF Loans	305,223	203,279	(11,201)	497,301	24,767
Line of credit	1,856,959	-	(89,959)	1,767,000	175,667
Equipment	<u>45,618</u>	<u>-</u>	<u>(41,013)</u>	<u>4,605</u>	<u>4,605</u>
Total notes payable	<u>2,978,854</u>	<u>203,279</u>	<u>(295,282)</u>	<u>2,886,851</u>	<u>205,039</u>
Compensated absences	<u>6,536</u>	<u>5,480</u>	<u>-</u>	<u>12,016</u>	<u>6,623</u>
Business-type activity long-term liabilities	<u>\$3,193,390</u>	<u>\$ 208,759</u>	<u>\$ (386,282)</u>	<u>\$3,095,867</u>	<u>\$ 222,662</u>

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 10 - Interfund Receivables, Payables and Transfers:**

The composition of interfund balances as of September 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	<u>\$ 316</u>

The composition of interfund advances as of September 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$376,681
	Sanitation	36,390
		<u>\$413,071</u>

These balances are for working capital loans made that the general fund expects to collect in future years.

Interfund transfers are as follows:

	<u>Transfer In</u>		
	<u>General Fund</u>	<u>Governmental Capital Assets Not a Fund</u>	<u>Total</u>
<b>Transfer Out:</b>			
Nonmajor governmental	\$ 6,800	\$ -	\$ 6,800
Water fund	175,000	-	175,000
Sanitation fund	40,000	-	40,000
Stormwater fund	-	18,409	18,409
	<u>\$ 221,800</u>	<u>\$ 18,409</u>	<u>\$ 240,209</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move receipts restricted to debt service from the funds as debt service payments become due.

Transfers in the fund statements do not balance due to the transfer of capital assets out of the stormwater fund into the governmental capital assets.

**Note 11 - Retirement Plan:**

The City has adopted a Defined Contribution Retirement Plan to provide certain benefits for its employees upon their retirement from active service and for their beneficiaries in the event of death.

**Eligibility** - The plan covers all employees of the City who on the effective date of the plan has (a) completed one year of service prior to the effective date, and (b) attained age 18.

**Funding Policy** - The City contributes 10% of the compensation of each participant after one year of service. Forfeitures are used to reduce the City's contributions. Employer contributions on behalf of participants are made on each payroll period. Each participant may make voluntary contributions to the plan which are immediately vested. Voluntary contributions may not exceed 10% of the annual compensation paid by the employer to the participant in the plan year.

**NOTES TO FINANCIAL STATEMENTS - Continued**

September 30, 2010

**Note 11 - Retirement Plans (Continued):**

During the year ended September 30, 2010, the City's total payroll was \$1,922,340. The City contributed \$75,144 to the plan for the year ended September 30, 2010. Of this total, \$38,798 was contributed from the forfeiture account. Plan members did not contribute any amount in 2010.

As defined by the plan, normal retirement age is 65.

***Vesting Schedule*** - All voluntary contributions are fully vested to participant. The City's contributions are vested to the individual participants' accounts as follows:

<u>Years of Service</u>	<u>% Vested</u>
3	50%
6 or more	100%

The assets of the plan are held by an independent party acting as investment custodian and plan administrator, and are invested in mutual funds selected by the participant.

**Note 12 - Deferred Compensation Plan:**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by ICMA Retirement Corporation. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Because the Plan Assets are held in trust for the exclusive benefit of plan participants and their beneficiaries, the Plan is not accounted for in the City's fund financials.

**Note 13 - Commitments and Contingencies:**

***Litigation*** - The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2010. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

***Risk Management*** - The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage during the past three years.

**Note 14 - Subsequent Events:**

The City has evaluated subsequent events through February 28, 2011, the date the financial statements were available to be issued.

## **OTHER REPORTS**

## **BASIC FINANCIAL STATEMENTS**