

CITY OF MASCOTTE, FLORIDA

FINANCIAL REPORT

For The Year Ended September 30, 2011

Prepared by: Finance Department

INTRODUCTORY SECTION

CITY OF MASCOTTE, FLORIDA

FINANCIAL REPORT
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CITY OF MASCOTTE, FLORIDA

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CITY OF MASCOTTE, FLORIDA

LIST OF PRINCIPAL OFFICIALS

Year Ended September 30, 2011

MAYOR

Jeff Krull

CITY COUNCIL

Brenda Basher, Mayor Pro-Tem

Stephen Elmore, Council Member

Barbara Krull, Council Member

Tony Rosado, Council Member

INTERIM CITY MANAGER

Jim Gleason

DEPUTY CITY MANAGER
CITY FINANCE DIRECTOR

Amy McLean, CGFO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Mascotte, 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 Mascotte, 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'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 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 Mascotte, 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 General Fund, Infrastructure Special Revenue Fund, and Community Redevelopment Special Revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 7, 2012 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 considered in assessing the results of our audit.

MCDIRMIT DAVIS & COMPANY, LLC
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TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

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 and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole. 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

March 7, 2012

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, 2011. 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 \$9,100,471 (net assets). Of this amount, \$560,745 (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 \$12,820.
- As of the close of the current fiscal year, the *City of Mascotte's* governmental funds reported combined ending fund balances of \$1,565,929, an increase of \$14,222 in comparison with the prior year. Approximately 32% of this total amount, \$507,085, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$509,119, or 20% of total general fund expenditures.

Overview of the Financial Statements

The financial statements focus on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the City's accountability.

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

Both of the government-wide financial statements distinguish functions of the *City of Mascotte* that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the *City of Mascotte* include general government, public safety, transportation/public works and recreation services. The business-type activities of the *City of Mascotte* include Water, Sanitation, and Stormwater management.

The government-wide financial statements include only the *City of Mascotte* itself (known as the *primary government*). The *City of Mascotte* has no component units.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *City of Mascotte*, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the *City of Mascotte* can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The *City of Mascotte* maintains ten individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Infrastructure Special Revenue Fund, and the Community Redevelopment Fund which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The *City of Mascotte* adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund, the Infrastructure Special Revenue Fund, and the Community Redevelopment Fund to demonstrate compliance with this budget at pages 19 - 21. Budgetary comparison schedules have been provided for the nonmajor funds at pages 54-61.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Proprietary Funds - *City of Mascotte* maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The *City of Mascotte* uses enterprise funds to account for Water, Sanitation and Stormwater Management.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water, Sanitation, and Stormwater Management.

The basic proprietary fund financial statements can be found on pages 22 - 25 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 26 - 49 of this report.

Other Information - The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the Notes to Financial Statements. Combining and individual fund statements and schedules can be found on pages 47 - 58 of this report.

Government-Wide Financial Analysis

Statement of Net Assets - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the *City of Mascotte*, assets exceeded liabilities by \$9,100,471 at the close of the most recent fiscal year. The following table reflects the condensed statement of net assets for the current and prior year. For more detail see the Statement of Net Assets on page 13.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

City of Mascotte
Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Current and other assets	\$ 1,736,477	\$ 1,670,030	\$ 161,558	\$ (13,010)	\$ 1,898,035	\$ 1,657,020
Capital Assets	5,499,243	5,829,550	6,915,407	7,188,204	12,414,650	13,017,754
Total Assets	<u>7,235,720</u>	<u>7,499,580</u>	<u>7,076,965</u>	<u>7,175,194</u>	<u>14,312,685</u>	<u>14,674,774</u>
Liabilities:						
Long term liabilities	1,679,463	1,894,442	2,900,032	3,095,867	4,579,495	4,990,309
Other liabilities	159,571	118,323	473,148	452,851	632,719	571,174
Total Liabilities	<u>1,839,034</u>	<u>2,012,765</u>	<u>3,373,180</u>	<u>3,548,718</u>	<u>5,212,214</u>	<u>5,561,483</u>
Net Assets:						
Invested in capital assets, net of related debt	3,974,935	4,116,501	4,038,576	4,104,353	8,013,511	8,220,854
Restricted	526,215	223,019	-	-	526,215	223,019
Unrestricted	895,536	1,147,295	(334,791)	(477,877)	560,745	669,418
Total Net Assets	<u>\$ 5,396,686</u>	<u>\$ 5,486,815</u>	<u>\$ 3,703,785</u>	<u>\$ 3,626,476</u>	<u>\$ 9,100,471</u>	<u>\$ 9,113,291</u>

\$8,013,511 (88%) 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.

Net assets that are subject to external restrictions as to how they may be used total \$526,215 (6%). The remaining balance of *unrestricted net assets* (\$560,745 or 6%) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets decreased by \$12,820 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

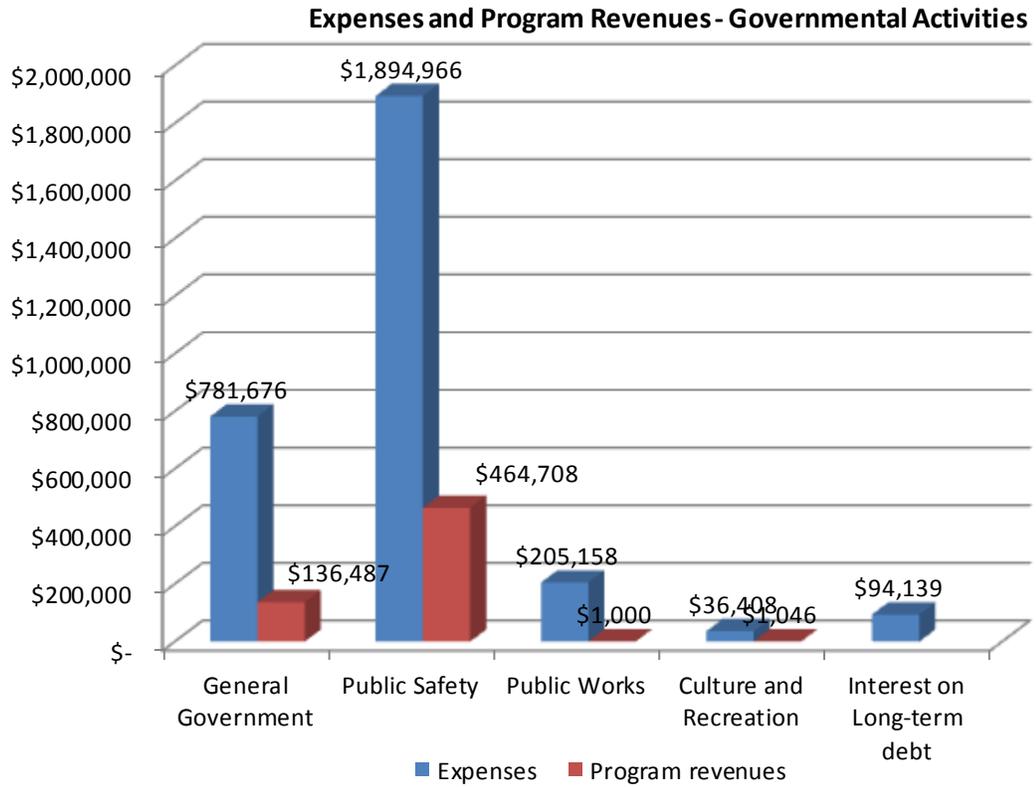
City of Mascotte
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues -						
Charges for services	\$ 368,963	\$ 426,073	\$ 1,475,782	\$ 1,337,968	\$ 1,844,745	\$ 1,764,041
Operating grants and Contributions	225,864	221,301	-	-	225,864	221,301
Capital grants and Contributions	8,414	187,500	-	-	8,414	187,500
General revenues -						
Property taxes	1,102,742	1,236,149	-	-	1,102,742	1,236,149
Franchise and utility Taxes	446,999	467,640	-	-	446,999	467,640
Intergovernmental	713,636	699,224	-	-	713,636	699,224
Investment income and miscellaneous	74,710	86,599	2,329	105	77,039	86,704
Total revenues	<u>2,941,328</u>	<u>3,324,486</u>	<u>1,478,111</u>	<u>1,338,073</u>	<u>4,419,439</u>	<u>4,662,559</u>
Expenses:						
General government	781,676	882,001	-	-	781,676	882,001
Public safety	1,894,966	2,069,569	-	-	1,894,966	2,069,569
Transportation/public works	205,158	196,620	-	-	205,158	196,620
Culture and recreation	36,408	49,664	-	-	36,408	49,664
Interest on long-term debt	94,139	94,961	-	-	94,139	94,961
Water	-	-	982,284	938,540	982,284	938,540
Sanitation	-	-	331,870	326,001	331,870	326,001
Stormwater	-	-	105,758	109,763	105,758	109,763
Total expenses	<u>3,012,347</u>	<u>3,292,815</u>	<u>1,419,912</u>	<u>1,374,304</u>	<u>4,432,259</u>	<u>4,667,119</u>
Increase (Decrease) in Net Assets Before Transfers	(71,019)	31,671	58,199	(36,231)	(12,820)	(4,560)
Transfers	<u>(19,110)</u>	<u>(470,241)</u>	<u>19,110</u>	<u>470,241</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	(90,129)	(438,570)	77,309	434,010	(12,820)	(4,560)
Net Assets - Beginning	5,486,815	5,888,821	3,626,476	3,254,127	9,113,291	9,142,948
Prior period adjustment	-	36,564	-	(61,661)	-	(25,097)
Net Assets - End	<u>\$ 5,396,686</u>	<u>\$ 5,486,815</u>	<u>\$ 3,703,785</u>	<u>\$ 3,626,476</u>	<u>\$ 9,100,471</u>	<u>\$ 9,113,291</u>

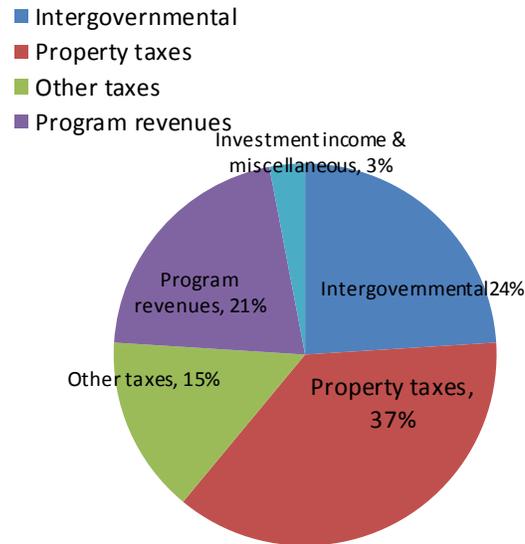
Governmental Activities - Governmental activities decreased the *City of Mascotte's* net assets by \$90,129. This was due primarily to excess expenditures in public safety.

Business-Type Activities - Business-type activities increased the *City of Mascotte's* net assets by \$77,309 primarily because of increase in utility rates charged.

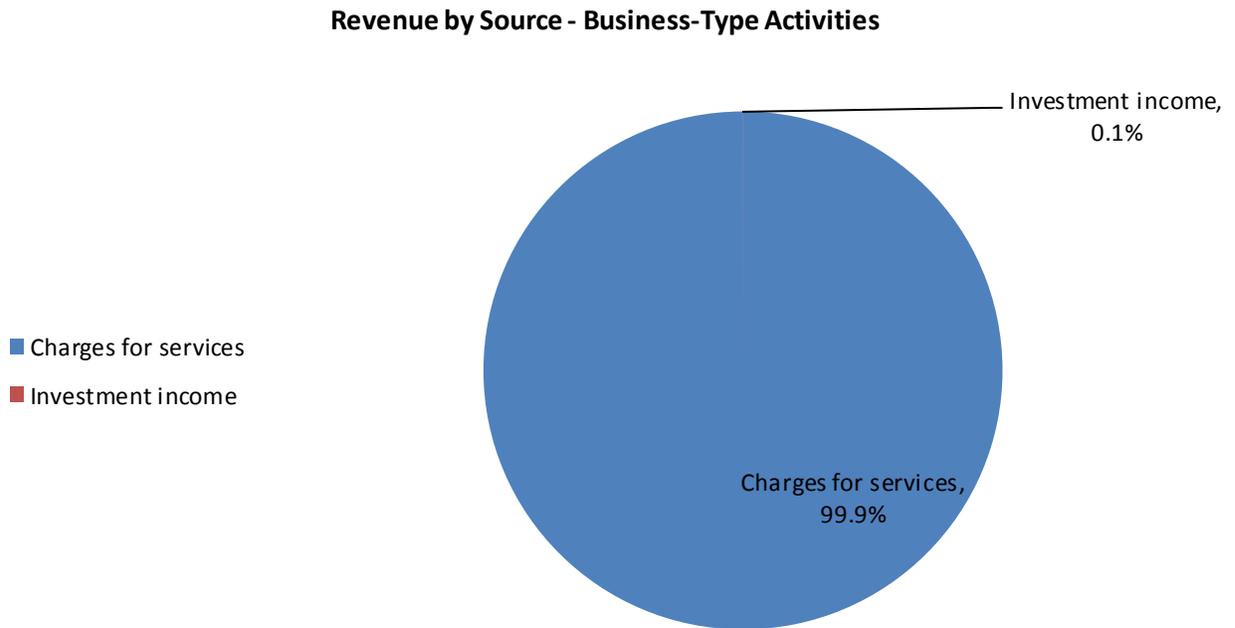
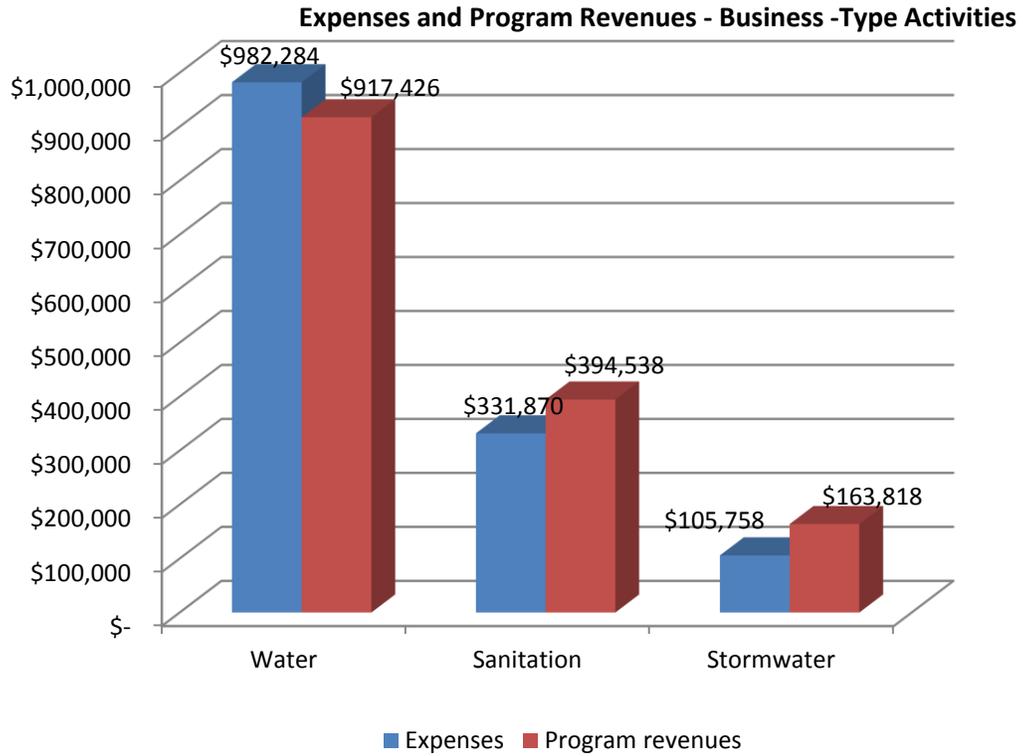
MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued



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, *unassigned 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 \$1,565,929, an increase of \$14,222 in comparison with the prior year. Approximately 32% or \$507,085 of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been committed for such purposes as debt service, capital projects, inventories and prepaid costs.

The general fund is the chief operating fund of the *City of Mascotte*. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$509,119, while total fund balance was \$1,066,836. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 20% and 41% respectively, of total General Fund expenditures.

The fund balance of the general fund decreased by \$(30,895) during the current fiscal year.

Proprietary Funds - The *City 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 \$(334,791). The total increase in net assets for these funds was \$77,309. 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 \$19,975 more than budgeted revenues and actual expenditures were \$53,282 more 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, 2011, amounts to \$12,414,650 (net of accumulated depreciation), for a decrease of \$603,104 from the prior year. 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 5% (a 6% decrease for governmental activities, and a 4% decrease for business-type activities).

City of Mascotte
Capital Assets
(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 2,554,362	\$ 2,554,362	\$ 1,680,689	\$ 1,680,689	\$ 4,235,051	\$ 4,235,051
Construction in progress	-	-	750,354	750,354	750,354	750,354
Buildings	1,490,929	1,557,364	-	-	1,490,929	1,557,364
Improvements / infrastructure	915,234	982,491	4,360,513	4,586,869	5,275,747	5,569,360
Machinery and equipment	459,891	626,921	112,698	147,989	572,589	774,910
Intangibles	78,827	108,412	11,153	22,303	89,980	130,715
Total	<u>\$ 5,499,243</u>	<u>\$ 5,829,550</u>	<u>\$ 6,915,407</u>	<u>\$ 7,188,204</u>	<u>\$ 12,414,650</u>	<u>\$ 13,017,754</u>

Additional information on the *City of Mascotte*'s capital assets can be found in Note 6 of this report.

Long-Term Debt - At the end of the current fiscal year, the *City of Mascotte* had total debt outstanding of \$4,401,139. This debt includes bonds payable and notes payable. Additional information on long-term debt can be found in Note 8 of this report.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Bonds payable	\$ -	\$ -	\$ 186,000	\$ 197,000	\$ 186,000	\$ 197,000
Notes payable	1,524,308	1,713,049	2,690,831	2,886,851	4,215,139	4,599,900
	<u>\$ 1,524,308</u>	<u>\$ 1,713,049</u>	<u>\$ 2,876,831</u>	<u>\$ 3,083,851</u>	<u>\$ 4,401,139</u>	<u>\$ 4,796,900</u>

The *City of Mascotte*'s total debt decreased by \$395,761 (8%) during the current fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Next Year's Budget and Rates

During the current fiscal year, the unassigned fund balance in the General Fund totaled \$509,119. The City has assigned \$102,650 of the fund balance for spending in the 2012 fiscal year budget.

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.

BASIC FINANCIAL STATEMENTS

CITY OF MASCOTTE, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,113,869	\$ 328,004	\$ 1,441,873
Receivables, net	45,262	227,446	272,708
Internal balances	427,305	(427,305)	-
Due from other governments	122,279	-	122,279
Inventories	981	26,036	27,017
Prepaid costs	26,781	7,377	34,158
Capital Assets:			
Capital assets not being depreciated	2,554,362	2,431,043	4,985,405
Capital assets being depreciated, net of accumulated depreciation	2,944,881	4,484,364	7,429,245
Total Capital Assets	<u>5,499,243</u>	<u>6,915,407</u>	<u>12,414,650</u>
Total Assets	<u>7,235,720</u>	<u>7,076,965</u>	<u>14,312,685</u>
LIABILITIES:			
Accounts payable and accrued expenses	145,460	206,895	352,355
Unearned revenues	-	253,000	253,000
Accrued interest	14,111	13,253	27,364
Noncurrent liabilities:			
Due within one year	191,498	385,386	576,884
Due in more than one year	1,487,965	2,514,646	4,002,611
Total liabilities	<u>1,839,034</u>	<u>3,373,180</u>	<u>5,212,214</u>
NET ASSETS:			
Invested in capital assets, net of related debt	3,974,935	4,038,576	8,013,511
Restricted for:			
Infrastructure	159,317	-	159,317
Community redevelopment	101,506	-	101,506
Public safety	129,266	-	129,266
Physical environment	134,817	-	134,817
Culture and recreation	1,309	-	1,309
Unrestricted	895,536	(334,791)	560,745
Total net assets	<u>\$ 5,396,686</u>	<u>\$ 3,703,785</u>	<u>\$ 9,100,471</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 781,676	\$ 65,821	\$ 70,666	\$ -	\$ (645,189)	\$ -	\$ (645,189)
Public Safety	1,894,966	301,096	155,198	8,414	(1,430,258)	-	(1,430,258)
Public Works	205,158	1,000	-	-	(204,158)	-	(204,158)
Culture and Recreation	36,408	1,046	-	-	(35,362)	-	(35,362)
Interest on Long-term debt	94,139	-	-	-	(94,139)	-	(94,139)
Total governmental activities	3,012,347	368,963	225,864	8,414	(2,409,106)	-	(2,409,106)
Business-type activities:							
Water	982,284	917,426	-	-	-	(64,858)	(64,858)
Sanitation	331,870	394,538	-	-	-	62,668	62,668
Stormwater	105,758	163,818	-	-	-	58,060	58,060
Total business-type activities	1,419,912	1,475,782	-	-	-	55,870	55,870
Total primary government	\$ 4,432,259	\$ 1,844,745	\$ 225,864	\$ 8,414	(2,409,106)	55,870	(2,353,236)
General revenues:							
Property taxes					1,102,742	-	1,102,742
Franchise and utility taxes					446,999	-	446,999
Intergovernmental					713,636	-	713,636
Unrestricted investment earnings					7,798	2,329	10,127
Miscellaneous					66,912	-	66,912
Transfers					(19,110)	19,110	-
Total general revenues and transfers					2,318,977	21,439	2,340,416
Change in net assets					(90,129)	77,309	(12,820)
Net assets - beginning					5,486,815	3,626,476	9,113,291
Net assets - ending					\$ 5,396,686	\$ 3,703,785	\$ 9,100,471

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2011

	<u>General Fund</u>	<u>Infrastructure Special Revenue Fund</u>	<u>Community Redevelopment Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and cash equivalents	\$ 669,551	\$ 93,732	\$ 101,510	\$ 249,076	\$ 1,113,869
Due from other governments	98,361	23,918	-	-	122,279
Other receivables	3,595	41,667	-	-	45,262
Inventories	981	-	-	-	981
Prepaid costs	26,781	-	-	-	26,781
Advances to other funds	427,305	-	-	-	427,305
Total assets	<u>\$ 1,226,574</u>	<u>\$ 159,317</u>	<u>\$ 101,510</u>	<u>\$ 249,076</u>	<u>\$ 1,736,477</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 73,305	\$ -	\$ 4	\$ 10,806	\$ 84,115
Deferred revenue	25,088	-	-	-	25,088
Other accrued expenses	61,345	-	-	-	61,345
Total liabilities	<u>159,738</u>	<u>-</u>	<u>4</u>	<u>10,806</u>	<u>170,548</u>
Fund balances:					
Nonspendable	455,067	-	-	-	455,067
Restricted	-	159,317	101,506	240,304	501,127
Assigned	102,650	-	-	-	102,650
Unassigned	509,119	-	-	(2,034)	507,085
Total fund balances	<u>1,066,836</u>	<u>159,317</u>	<u>101,506</u>	<u>238,270</u>	<u>1,565,929</u>
Total liabilities and fund balances	<u>\$ 1,226,574</u>	<u>\$ 159,317</u>	<u>\$ 101,510</u>	<u>\$ 249,076</u>	<u>\$ 1,736,477</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS**

September 30, 2011

Total fund balance, governmental funds	\$ 1,565,929
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	5,499,243
Other long-term assets are not available to pay for current period expenditures and, therefore deferred reported in the funds.	25,088
Accrued interest payable is not due in the current period and therefore is not reported in the funds.	(14,111)
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	<u>(1,679,463)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 5,396,686</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2011

	General Fund	Infrastructure Special Revenue Fund	Community Redevelopment Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 1,026,890	\$ -	\$ 75,852	\$ -	\$ 1,102,742
Franchise and utility	446,999	-	-	-	446,999
Fees and fines	40,509	-	-	17,375	57,884
Impact fees/special assessments	-	-	-	3,242	3,242
Licenses and permits	33,334	-	-	-	33,334
Intergovernmental	596,203	351,711	-	-	947,914
Charges for services	249,415	-	-	-	249,415
Investment earnings	4,860	608	708	1,622	7,798
Miscellaneous	66,438	474	-	-	66,912
Total revenues	<u>2,464,648</u>	<u>352,793</u>	<u>76,560</u>	<u>22,239</u>	<u>2,916,240</u>
EXPENDITURES:					
Current:					
General government	658,511	-	5,537	-	664,048
Public safety	1,738,679	-	-	13,690	1,752,369
Public works	178,329	-	-	-	178,329
Culture and recreation	19,393	-	-	-	19,393
Debt service:					
Principal	-	188,741	-	-	188,741
Interest and other charges	-	80,028	-	-	80,028
Total expenditures	<u>2,594,912</u>	<u>268,769</u>	<u>5,537</u>	<u>13,690</u>	<u>2,882,908</u>
Excess (deficiency) of revenues over expenditures	<u>(130,264)</u>	<u>84,024</u>	<u>71,023</u>	<u>8,549</u>	<u>33,332</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	100,130	-	89,735	-	189,865
Transfers out	(761)	-	(208,084)	(130)	(208,975)
Total other financing sources (uses)	<u>99,369</u>	<u>-</u>	<u>(118,349)</u>	<u>(130)</u>	<u>(19,110)</u>
Net change in fund balances	(30,895)	84,024	(47,326)	8,419	14,222
Fund balances - beginning	1,097,731	75,293	148,832	229,851	1,551,707
Fund balances - ending	<u>\$ 1,066,836</u>	<u>\$ 159,317</u>	<u>\$ 101,506</u>	<u>\$ 238,270</u>	<u>\$ 1,565,929</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2011

Net change in fund balances - total governmental funds: \$ 14,222

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays of \$16,118 were less than depreciation of \$346,425 in the current period. (330,307)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 25,088

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 188,741

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. 12,127

Change in net assets of governmental activities \$ (90,129)

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
General Fund

For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,006,994	\$ 1,006,994	\$ 1,026,890	\$ 19,896
Franchise and utility	443,750	443,750	446,999	3,249
Fees and fines	46,950	46,950	40,509	(6,441)
Licenses and permits	25,000	37,450	33,334	(4,116)
Intergovernmental	577,672	585,672	596,203	10,531
Charges for services	228,150	228,150	249,415	21,265
Investment earnings	17,300	17,300	4,860	(12,440)
Miscellaneous	74,207	78,407	66,438	(11,969)
Total revenues	<u>2,420,023</u>	<u>2,444,673</u>	<u>2,464,648</u>	<u>19,975</u>
EXPENDITURES:				
Current:				
General government	606,536	646,986	658,511	(11,525)
Public safety	1,714,573	1,698,073	1,738,679	(40,606)
Public works	166,416	175,966	178,329	(2,363)
Culture and recreation	29,455	20,605	19,393	1,212
Total expenditures	<u>2,516,980</u>	<u>2,541,630</u>	<u>2,594,912</u>	<u>(53,282)</u>
Excess (deficiency) of revenues over expenditures	<u>(96,957)</u>	<u>(96,957)</u>	<u>(130,264)</u>	<u>(33,307)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	100,130	130
Transfers out	<u>(3,043)</u>	<u>(3,043)</u>	<u>(761)</u>	<u>(2,282)</u>
Total other financing sources (uses)	<u>96,957</u>	<u>96,957</u>	<u>99,369</u>	<u>(2,152)</u>
Net change in fund balances	-	-	(30,895)	(30,895)
Fund balance - beginning	<u>1,097,731</u>	<u>1,097,731</u>	<u>1,097,731</u>	-
Fund balance - ending	<u>\$ 1,097,731</u>	<u>\$ 1,097,731</u>	<u>\$ 1,066,836</u>	<u>\$ (30,895)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
Infrastructure Special Revenue Fund

For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	287,340	287,340	351,711	64,371
Investment earnings	-	-	608	608
Miscellaneous	-	-	474	474
Total revenues	<u>287,340</u>	<u>287,340</u>	<u>352,793</u>	<u>65,453</u>
EXPENDITURES:				
Debt Service:				
Principal	195,190	195,190	188,741	6,449
Interest and other charges	91,748	91,748	80,028	11,720
Total Expenditures	<u>286,938</u>	<u>286,938</u>	<u>268,769</u>	<u>18,169</u>
Excess (deficiency) of revenues over expenditures	<u>402</u>	<u>402</u>	<u>84,024</u>	<u>83,622</u>
Net change in fund balances	402	402	84,024	83,622
Fund balance - beginning	75,293	75,293	75,293	-
Fund balance - ending	<u>\$ 75,695</u>	<u>\$ 75,695</u>	<u>\$ 159,317</u>	<u>\$ 83,622</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL**
Community Redevelopment Fund

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 74,450	\$ 74,450	\$ 75,852	\$ 1,402
Intergovernmental	3,865	3,865	-	(3,865)
Investment earnings	-	-	708	708
Total revenues	<u>78,315</u>	<u>78,315</u>	<u>76,560</u>	<u>(1,755)</u>
EXPENDITURES:				
Current:				
General government	-	-	5,537	(5,537)
Debt Service:				
Principal	76,286	108,686	-	108,686
Interest and other charges	92,303	92,303	-	92,303
Total Expenditures	<u>168,589</u>	<u>200,989</u>	<u>5,537</u>	<u>195,452</u>
Excess (deficiency) of revenues over expenditures	<u>(90,274)</u>	<u>(122,674)</u>	<u>71,023</u>	<u>193,697</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	92,017	92,017	89,735	2,282
Transfers out	-	-	(208,084)	(208,084)
Total other financing sources and uses	<u>92,017</u>	<u>92,017</u>	<u>(118,349)</u>	<u>(205,802)</u>
Net change in fund balances	1,743	(30,657)	(47,326)	(16,669)
Fund balance - beginning	148,832	148,832	148,832	-
Fund balance - ending	<u>\$ 150,575</u>	<u>\$ 118,175</u>	<u>\$ 101,506</u>	<u>\$ (16,669)</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

September 30, 2011

	Enterprise Funds			
	Water	Sanitation	Stormwater	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 155,438	\$ 125,922	\$ 46,644	\$ 328,004
Accounts Receivable, net	159,398	40,064	27,984	227,446
Inventories	26,036	-	-	26,036
Prepaid Expenses	6,396	399	582	7,377
Total current assets	347,268	166,385	75,210	588,863
Non-current assets:				
Capital Assets:				
Land	1,680,689	-	-	1,680,689
Construction in Progress	750,354	-	-	750,354
Utility System	5,988,001	-	1,147,542	7,135,543
Intangible assets	31,153	1,536	766	33,455
Buildings	4,620	-	-	4,620
Machinery and equipment	261,576	185,636	97,470	544,682
Less Accumulated depreciation	(2,822,091)	(165,660)	(246,185)	(3,233,936)
Total non-current assets	5,894,302	21,512	999,593	6,915,407
Total assets	6,241,570	187,897	1,074,803	7,504,270
LIABILITIES:				
Current Liabilities:				
Accounts payable	9,328	27,064	592	36,984
Salaries payable	14,762	895	2,096	17,753
Other accrued expenses	2,119	-	-	2,119
Accrued interest payable	13,253	-	-	13,253
Advances from other funds	390,915	36,390	-	427,305
Customer deposits payable	150,039	-	-	150,039
Prepaid sewer conversion	253,000	-	-	253,000
Compensated absences	8,004	277	1,126	9,407
Notes and loans payable - current	363,979	-	-	363,979
Bonds payable - current	12,000	-	-	12,000
Total current liabilities	1,217,399	64,626	3,814	1,285,839
Non-current liabilities:				
Compensated absences	13,043	-	751	13,794
Bonds, notes and loans payable	2,500,852	-	-	2,500,852
Total non-current liabilities	2,513,895	-	751	2,514,646
Total liabilities	3,731,294	64,626	4,565	3,800,485
NET ASSETS:				
Invested in capital assets, net of related debt	3,017,471	21,512	999,593	4,038,576
Unrestricted	(507,195)	101,759	70,645	(334,791)
Total net assets	\$ 2,510,276	\$ 123,271	\$ 1,070,238	\$ 3,703,785

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2011

	Enterprise Funds			
	Water	Sanitation	Stormwater	Total
REVENUES:				
Charges for services	\$ 917,426	\$ 394,538	\$ 163,818	\$ 1,475,782
Total operating revenues	917,426	394,538	163,818	1,475,782
OPERATING EXPENSES:				
Salaries and benefits	424,577	16,373	52,185	493,135
Contractual services	28,007	305,244	195	333,446
Repairs and maintenance	4,737	1,095	486	6,318
Other supplies and expenses	173,738	1,646	4,902	180,286
Depreciation	224,211	7,512	47,838	279,561
Total operating expenses	855,270	331,870	105,606	1,292,746
Operating income (loss)	62,156	62,668	58,212	183,036
NON-OPERATING REVENUES (EXPENSES):				
Interest and investment income/(expense)	1,114	911	304	2,329
Interest expense	(127,014)	-	(152)	(127,166)
Total non-operating revenue (expenses)	(125,900)	911	152	(124,837)
Income (loss) before contributions and transfers	(63,744)	63,579	58,364	58,199
Transfers in	208,084	-	-	208,084
Transfers out	(60,000)	(40,000)	(88,974)	(188,974)
Change in net assets	84,340	23,579	(30,610)	77,309
Total net assets - beginning	2,425,936	99,692	1,100,848	3,626,476
Total net assets - ending	\$ 2,510,276	\$ 123,271	\$ 1,070,238	\$ 3,703,785

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF MASCOTTE, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For The Year Ended September 30, 2011

	<u>Water</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from customers	\$ 879,684	\$ 396,513	\$ 159,958	\$ 1,436,155
Payments to suppliers	(209,038)	(306,823)	(6,083)	(521,944)
Payments to employees	(413,351)	(15,734)	(52,242)	(481,327)
Net cash provided (used) by operating activities	<u>257,295</u>	<u>73,956</u>	<u>101,633</u>	<u>432,884</u>
Cash Flows from Non-Capital Financing Activities:				
Net operating transfers in (out)	148,084	(40,000)	(88,974)	19,110
Increase in advances from other funds	14,234	-	-	14,234
Net cash provided (used) by non-capital financing activities	<u>162,318</u>	<u>(40,000)</u>	<u>(88,974)</u>	<u>33,344</u>
Cash Flows from Capital and Related Financing Activities:				
(Acquisition) disposition of capital assets	(6,764)	-	-	(6,764)
Principal paid on long-term debt	(204,772)	-	(2,248)	(207,020)
Interest paid on long-term debt	(123,286)	-	(152)	(123,438)
Net cash provided (used) by capital and related financing activities	<u>(334,822)</u>	<u>-</u>	<u>(2,400)</u>	<u>(337,222)</u>
Cash Flows from Investing Activities:				
Investment income	1,114	911	304	2,329
Net cash provided(used) by investing activities	<u>1,114</u>	<u>911</u>	<u>304</u>	<u>2,329</u>
Net Increase (Decrease) in Cash and Cash Equivalents	85,905	34,867	10,563	131,335
Cash and Cash Equivalents - Beginning	69,533	91,055	36,081	196,669
Cash and Cash Equivalents - Ending	<u>\$ 155,438</u>	<u>\$ 125,922</u>	<u>\$ 46,644</u>	<u>\$ 328,004</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

	<u>Water</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities				
Operating income (loss)	\$ 62,156	\$ 62,668	\$ 58,212	\$ 183,036
Adjustments Not Affecting Cash:				
Depreciation and amortization	224,211	7,512	47,838	279,561
Change in Assets and Liabilities:				
(Increase) Decrease in accounts receivable	(46,729)	1,975	(3,860)	(48,614)
(Increase) Decrease in prepaids / inventory	(7,873)	(398)	(582)	(8,853)
Increase (Decrease) in accounts payable	14,304	1,560	82	15,946
Increase (Decrease) in accrued liabilities	11,226	639	(57)	11,808
Total adjustments	<u>195,139</u>	<u>11,288</u>	<u>43,421</u>	<u>249,848</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 257,295</u>	<u>\$ 73,956</u>	<u>\$ 101,633</u>	<u>\$ 432,884</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

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, 2011

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, 2011

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 Special Revenue 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, 2011

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, 2011

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 non-spendable fund balance 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, 2011

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.

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, 2011.

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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

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

5. Capital Assets (Continued):

Property, plant, and equipment 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.

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. Issuances costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

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

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

8. Fund Equity

During 2011, the City implemented GASB 54. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Fund balance classifications under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classification refer to Note 13.

Note 2 - 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 \$(330,307) difference are as follows:

Capital outlay	\$ 16,118
Depreciation expense	<u>(346,425)</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>\$(330,307)</u>

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued):

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

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 \$188,741 difference are as follows:

Debt issued or incurred:	
Notes issued	\$ -
Principal repayment	<u>188,741</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>\$ 188,741</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 \$12,127 difference are as follows:

Compensated absences	\$ 26,238
Accrued interest payable	<u>(14,111)</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>\$ 12,127</u>

Note 3 - Stewardship, Compliance, and Accountability

A. 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.

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 3 - Stewardship, Compliance, and Accountability (Continued)

A. Budgetary Information (Continued):

- (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.

B. Excess of Expenditures Over Appropriations

The General Fund, Community Redevelopment Fund, and Cinco de Mayo Fund contained an excess of expenditures and transfers out over appropriations during the fiscal year ended September 30, 2011.

C. Deficit Fund Balance

The Police Forfeitures Special Revenue Fund had a deficit fund balance of \$2,034 at September 30, 2011.

Note 4 - Deposits and Investments:

Deposits

At year-end, the carrying amount of the City's deposits was \$1,441,873 and the bank balance was \$1,447,165. Petty cash funds of \$1,100 are not on deposit with a financial institution.

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 4 - Deposits and Investments (Continued):

Deposits (Continued)

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) Florida Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP)
- (b) U.S. Government securities
- (c) U.S. Government Agency securities
- (d) Federal Instrumentalities (U.S. Government sponsored agencies)
- (e) Interest bearing time deposit or savings accounts
- (f) Repurchase agreements
- (g) Commercial paper
- (h) Bankers' acceptances
- (i) State and/or local governmental taxable and/or tax-exempt debt
- (j) Registered investment companies (money market mutual funds)
- (k) Intergovernmental investment pool

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 4 - Deposits and Investments (Continued):

Investments (Continued)

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, 2011, all of the City's bank deposits were in qualified public depositories.

Note 5 - 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:

	General Fund	Infrastructure Special Revenue Fund	Water Fund	Sanitation Fund	Stormwater Fund	Total
Receivables:						
Accounts	\$ 3,595	\$ 41,667	\$ 193,477	\$ 55,902	\$ 32,524	\$ 327,165
Less allowance for uncollectible accounts	-	-	(34,079)	(15,838)	(4,540)	(54,457)
	<u>\$ 3,595</u>	<u>\$ 41,667</u>	<u>\$ 159,398</u>	<u>\$ 40,064</u>	<u>\$ 27,984</u>	<u>\$ 272,708</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 6- Capital Assets:

Capital asset activity for the year ended September 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,554,362	\$ -	\$ -	\$ 2,554,362
Total capital assets, not being depreciated	<u>2,554,362</u>	<u>-</u>	<u>-</u>	<u>2,554,362</u>
Capital assets, being depreciated:				
Buildings	2,087,834	4,419	-	2,092,253
Improvements/Infrastructure	2,229,137	-	-	2,229,137
Machinery and equipment	2,464,933	11,699	(44,385)	2,432,247
Intangible assets	147,927	-	-	147,927
Total capital assets, being depreciated	<u>6,929,831</u>	<u>16,118</u>	<u>(44,385)</u>	<u>6,901,564</u>
Less accumulated depreciation for:				
Buildings	(530,470)	(70,854)	-	(601,324)
Improvements/Infrastructure	(1,246,646)	(67,257)	-	(1,313,903)
Machinery and equipment	(1,838,012)	(178,729)	44,385	(1,972,356)
Intangible assets	(39,515)	(29,585)	-	(69,100)
Total accumulated depreciation	<u>(3,654,643)</u>	<u>(346,425)</u>	<u>44,385</u>	<u>(3,956,683)</u>
Total capital assets, being depreciated, net	<u>3,275,188</u>	<u>(330,307)</u>	<u>-</u>	<u>2,944,881</u>
Government activities capital assets, net	<u>\$ 5,829,550</u>	<u>\$ (330,307)</u>	<u>\$ -</u>	<u>\$ 5,499,243</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 6 - Capital Assets (Continued):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,680,689	\$ -	\$ -	\$ 1,680,689
Construction in progress	750,354	-	-	750,354
Total capital assets, not being depreciated	<u>2,431,043</u>	<u>-</u>	<u>-</u>	<u>2,431,043</u>
Capital assets, being depreciated:				
Buildings	4,620	-	-	4,620
Improvements/Infrastructure	7,135,543	-	-	7,135,543
Machinery and equipment	537,919	6,764	-	544,683
Intangible assets	33,455	-	-	33,455
Total capital assets, being depreciated	<u>7,711,537</u>	<u>6,764</u>	<u>-</u>	<u>7,718,301</u>
Less accumulated depreciation for:				
Buildings	(4,620)	-	-	(4,620)
Improvements/Infrastructure	(2,548,674)	(226,355)	-	(2,775,029)
Machinery and equipment	(389,930)	(42,055)	-	(431,985)
Intangible assets	(11,152)	(11,151)	-	(22,303)
Total accumulated depreciation	<u>(2,954,376)</u>	<u>(279,561)</u>	<u>-</u>	<u>(3,233,937)</u>
Total capital assets, being depreciated, net	<u>4,757,161</u>	<u>(272,797)</u>	<u>-</u>	<u>4,484,364</u>
Business-type activities capital assets, net	<u>\$ 7,188,204</u>	<u>\$ (272,797)</u>	<u>\$ -</u>	<u>\$ 6,915,407</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 6 - Capital Assets (Continued):

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 145,111
Public safety	145,958
Transportation/public works	38,341
Culture and recreation	17,015
Total depreciation expense - governmental activities	<u>\$ 346,425</u>
Business-type activities:	
Water	\$ 224,211
Stormwater	47,838
Sanitation	7,512
Total depreciation expense - business-type activities	<u>\$ 279,561</u>

Note 7 - 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 8 - 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%	\$ 186,000
Less: Current maturities	(12,000)
Total	<u>\$ 174,000</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, 2011

Note 8 - 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.

2011 Pledged revenue was \$227,481. During 2011, principal and interest paid on this bond was \$20,850.

Annual requirements to amortize water revenue bonds outstanding as of September 30, 2011 are as follows:

<u>Year ending September 30,</u>	<u>Business -Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 12,000	\$ 9,300
2013	12,000	8,700
2014	13,000	8,100
2015	13,000	7,450
2016	14,000	6,800
2017-2021	82,000	22,650
2022-2023	<u>40,000</u>	<u>3,050</u>
Total	<u>\$186,000</u>	<u>\$66,050</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 8 - Long-Term Debt (Continued):

Notes Payable - Business-type Activities

At September 30, 2011 notes payable consisted of:

Capital improvement revenue note payable to bank in annual installments. Interest paid quarterly at 3.175% through January 2015; secured by infrastructure sales surtax; 2011 pledged revenue was \$351,711. Principal and interest paid in 2011 was \$14,203.	\$ 617,945
Line of credit payable to bank; interest due quarterly at 5.05%; principal due semiannually through September 2016 of \$129,167, secured by CRA revenues, 2011 pledged revenue was \$76,560. Principal and interest paid in 2011 was \$261,509.	1,591,333
Note payable to SRF in 23 semi-annual installments of \$16,559, including interest at 1.34%, beginning on January 15, 2011; secured by net revenues from operation of water and sewer system, together with impact fees. 2011 pledged revenue was \$206,631. Capitalized interest of \$9,019 increased the balance of the Note in 2011.	345,582
Note payable to SRF in 13 semi-annual installments of \$14,424, including interest at 2.64%, beginning June 15, 2010; secured by net revenues from operation of water and sewer system. 2011 pledged revenue was \$206,631. Principal and interest paid in 2011 was \$28,848.	<u>135,971</u>
	<u>\$2,690,831</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 8 - Long-Term Debt (Continued):

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

<u>Year ending September 30,</u>	<u>Business - Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 363,979	\$ 94,972
2013	395,785	83,178
2014	399,489	66,364
2015	403,303	49,441
2016	407,225	32,406
2017 – 2021	646,988	24,464
2022 - 2024	<u>74,062</u>	<u>1,397</u>
Total	<u>\$2,690,831</u>	<u>\$ 352,222</u>

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

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, 2011

Note 8 - Long-Term Debt (Continued):

Notes Payable - Governmental Activities

Summarized below are the City's notes outstanding at September 30, 2011:

Note payable to a bank in monthly installments of \$3,574 including interest at 4.75% through February 2020; secured by City Hall building. Principal and interest paid in 2011 was \$39,318.	\$ 350,741
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. Principal and interest paid in 2011 was \$50,445.	95,455
Note payable to a bank in semi-annual installments of \$41,667 including interest at 4.87% due quarterly. Secured by infrastructure sales surtax; 2011 pledged revenue was \$351,711. Principal and interest paid in 2011 was \$133,675.	958,334
Line of credit payable to a bank; interest due quarterly at 5.05%; principal due semiannually through September 2016 of \$9,722, secured by CRA revenues. 2011 pledged revenue was \$76,560. Principal and interest paid in 2011 was \$19,683.	<u>119,778</u>
Total	<u>\$1,524,308</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 8 - Long-Term Debt (Continued):

Notes Payable - Governmental Activities (Continued):

Debt service requirements for the above notes are as follows:

Year Ending September 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 175,982	\$ 72,114
2013	179,459	63,416
2014	132,043	55,290
2015	133,484	48,753
2016	134,965	42,254
2017-2021	625,713	116,176
2022-2023	<u>142,662</u>	<u>6,404</u>
Total	<u>\$1,524,308</u>	<u>\$404,407</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes Payable	\$ 1,713,049	\$ -	\$ (188,741)	\$ 1,524,308	\$ 175,982
Compensated Absences	181,393	-	(26,238)	155,155	15,516
Governmental activity long-term liabilities	<u>\$ 1,894,442</u>	<u>\$ -</u>	<u>\$ (214,979)</u>	<u>\$ 1,679,463</u>	<u>\$ 191,498</u>
Business-Type Activities					
Bonds payable - Revenue Bonds	\$ 197,000	\$ -	\$ (11,000)	\$ 186,000	\$ 12,000
Notes payable - Capital Improvement revenue note	617,945	-	-	617,945	80,220
SRF Loans	497,301	9,019	(24,767)	481,553	25,425
Line of credit	1,767,000	-	(175,667)	1,591,333	258,334
Equipment	4,605	-	(4,605)	-	-
Total notes payable depreciated	<u>2,886,851</u>	<u>9,019</u>	<u>(205,039)</u>	<u>2,690,831</u>	<u>363,979</u>
Compensated absences	12,016	11,185	-	23,201	9,407
Business-type activity long-term liabilities	<u>\$ 3,095,867</u>	<u>\$ 20,204</u>	<u>\$ (216,039)</u>	<u>\$ 2,900,032</u>	<u>\$ 385,386</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 9 - Interfund Receivables, Payables and Transfers:

The composition of interfund advances as of September 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water	\$ 390,915
General	Sanitation	36,390
		<u>\$ 427,305</u>

Advances include \$35,000 note on a vehicle in the Sanitation Fund payable to the General Fund through 2014. The remaining advances are for working capital loans made that the general fund expects to collect in future years.

Interfund transfers are as follows:

<u>Transfers Out:</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Community Redevelopment Fund</u>	<u>Water Fund</u>	
General Fund	\$ -	\$ 761	\$ -	\$ 761
Community				
Redevelopment Fund	-	-	208,084	208,084
Cinco de Mayo	130	-	-	130
Water Fund	60,000	-	-	60,000
Sanitation Fund	40,000	-	-	40,000
Stormwater Fund	-	88,974	-	88,974
	<u>\$ 100,130</u>	<u>\$ 89,735</u>	<u>\$ 208,084</u>	<u>\$ 397,949</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.

Note 10 - 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 5% 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 5% of the annual compensation paid by the employer to the participant in the plan year.

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 10 - Retirement Plans (Continued):

During the year ended September 30, 2011, the City's total payroll was \$1,896,580. The City contributed \$82,242 to the plan for the year ended September 30, 2011. Of this total, \$20,030 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 11 - 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 12 - Commitments and Contingencies:

Litigation - The City is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2011. 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.

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 13 - Fund Balance:

In fiscal year 2011, the City implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This standard promotes clarity and consistent to Fund Balance classifications and categories, making the statements more useful by clarifying the presentation of available resources.

Due to the implementation of GASB Statement 54, the components of the fund balances of governmental funds now reflect the classifications described below.

Non-Spendable – Amount that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Spendable Fund Balance

Restricted – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws and regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for the specific purposes determined by a formal action of the Council, the City's highest level of decision making authority, with formal action occurring prior to the fiscal year end. Commitments may be changed or lifted only by the Council taking the same formal action (Resolution) that imposed the constraint originally.

Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Council has been designated authority for assigning fund balance.

Unassigned – Includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - Continued

September 30, 2011

Note 13 - Fund Balance (Continued):

At September 30, 2011, the City's governmental fund balances were as follows:

	<u>General Fund</u>	<u>Infrastructure Special Revenue Fund</u>	<u>Community Redevelopment Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances					
Non-spendable					
Inventory/prepays	\$ 27,762	\$ -	\$ -	\$ -	\$ 27,762
Advances	427,305	-	-	-	427,305
Spendable					
Restricted for:					
Public safety	-	-	-	104,178	104,178
Culture and recreation	-	-	-	1,309	1,309
Physical environment	-	-	-	134,817	134,817
Infrastructure	-	159,317	-	-	159,317
Community redevelopment	-	-	101,506	-	101,506
Assigned for:					
Subsequent year expenditures	102,650	-	-	-	102,650
Unassigned	509,119	-	-	(2,034)	507,085
	<u>\$ 1,066,836</u>	<u>\$ 159,317</u>	<u>\$ 101,506</u>	<u>\$ 238,270</u>	<u>\$ 1,565,929</u>

Note 14 - Subsequent Events:

The City has evaluated subsequent events through March 7, 2012 the date the financial statements were available to be issued.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MASCOTTE, FLORIDA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

September 30, 2011

	<u>Police Education</u>	<u>Police Forfeitures</u>	<u>Police Automation</u>	<u>Police Impact</u>
ASSETS:				
Cash and cash equivalents	\$ 35,368	\$ 8,772	\$ 52,854	\$ 7,956
Total assets	<u>\$ 35,368</u>	<u>\$ 8,772</u>	<u>\$ 52,854</u>	<u>\$ 7,956</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ -	\$ 10,806	\$ -	\$ -
Total liabilities	<u>-</u>	<u>10,806</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	35,368	-	52,854	7,956
Unassigned	-	(2,034)	-	-
Total fund balances	<u>35,368</u>	<u>(2,034)</u>	<u>52,854</u>	<u>7,956</u>
Total liabilities and fund balances	<u>\$ 35,368</u>	<u>\$ 8,772</u>	<u>\$ 52,854</u>	<u>\$ 7,956</u>

Fire Impact	Parks and Recreation Impact	Road Impact	Cinco de Mayo Fund	Total Other Governmental Funds
\$ 8,000	\$ 1,309	\$ 134,817	\$ -	\$ 249,076
<u>\$ 8,000</u>	<u>\$ 1,309</u>	<u>\$ 134,817</u>	<u>\$ -</u>	<u>\$ 249,076</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,806
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,806</u>
8,000	1,309	134,817	-	240,304
-	-	-	-	(2,034)
<u>8,000</u>	<u>1,309</u>	<u>134,817</u>	<u>-</u>	<u>238,270</u>
<u>\$ 8,000</u>	<u>\$ 1,309</u>	<u>\$ 134,817</u>	<u>\$ -</u>	<u>\$ 249,076</u>

CITY OF MASCOTTE, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES -
OTHER GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2011

	Police Education	Police Forfeitures	Police Automation	Police Impact
REVENUES				
Fees and fines	\$ 3,975	\$ -	\$ 13,400	\$ -
Impact fees/special assessments	-	-	-	695
Investment earnings	203	-	304	101
Total revenues	<u>4,178</u>	<u>-</u>	<u>13,704</u>	<u>796</u>
EXPENDITURES				
Current:				
Public safety	1,255	10,891	1,544	-
Total Expenditures	<u>1,255</u>	<u>10,891</u>	<u>1,544</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>2,923</u>	<u>(10,891)</u>	<u>12,160</u>	<u>796</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM				
Proceeds from sale of land	-	-	-	-
Net change in fund balances	2,923	(10,891)	12,160	796
Fund balances - beginning	32,445	8,857	40,694	7,160
Fund balances - ending	<u>\$ 35,368</u>	<u>\$ (2,034)</u>	<u>\$ 52,854</u>	<u>\$ 7,956</u>

Fire Impact	Parks and Recreation Impact	Road Impact	Cinco de Mayo Fund	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 17,375
501	1,046	1,000	-	3,242
101	1	911	1	1,622
602	1,047	1,911	1	22,239
-	-	-	-	13,690
-	-	-	-	13,690
602	1,047	1,911	1	8,549
-	-	-	(130)	(130)
-	-	-	(130)	(130)
-	-	-	-	-
602	1,047	1,911	(129)	8,419
7,398	262	132,906	129	229,851
<u>\$ 8,000</u>	<u>\$ 1,309</u>	<u>\$ 134,817</u>	<u>\$ -</u>	<u>\$ 238,270</u>

CITY OF MASCOTTE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Police Education

For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fees and fines	\$ 2,800	\$ 2,800	\$ 3,975	\$ 1,175
Investment earnings	-	-	203	203
Total revenues	<u>2,800</u>	<u>2,800</u>	<u>4,178</u>	<u>1,378</u>
EXPENDITURES:				
Current:				
Public safety	<u>2,800</u>	<u>2,800</u>	<u>1,255</u>	<u>1,545</u>
Total Expenditures	<u>2,800</u>	<u>2,800</u>	<u>1,255</u>	<u>1,545</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>2,923</u>	<u>2,923</u>
Net change in fund balance	-	-	2,923	2,923
Fund balance - beginning	<u>32,445</u>	<u>32,445</u>	<u>32,445</u>	<u>-</u>
Fund balance - ending	<u>\$ 32,445</u>	<u>\$ 32,445</u>	<u>\$ 35,368</u>	<u>\$ 2,923</u>

CITY OF MASCOTTE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Police Forfeitures

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Fees and fines	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Investment earnings	-	-	-	-
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
EXPENDITURES:				
Current:				
Public safety	<u>3,000</u>	<u>10,900</u>	<u>10,891</u>	<u>9</u>
Total Expenditures	<u>3,000</u>	<u>10,900</u>	<u>10,891</u>	<u>9</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(7,900)</u>	<u>(10,891)</u>	<u>(2,991)</u>
Net change in fund balance	-	(7,900)	(10,891)	(2,991)
Fund balance - beginning	<u>8,857</u>	<u>8,857</u>	<u>8,857</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,857</u>	<u>\$ 957</u>	<u>\$ (2,034)</u>	<u>\$ (2,991)</u>

CITY OF MASCOTTE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Police Automation

For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fees and fines	\$ 12,000	\$ 12,000	\$ 13,400	\$ 1,400
Investment earnings	-	-	304	304
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>13,704</u>	<u>1,704</u>
EXPENDITURES:				
Current:				
Public safety	<u>12,000</u>	<u>12,000</u>	<u>1,544</u>	<u>10,456</u>
Total Expenditures	<u>12,000</u>	<u>12,000</u>	<u>1,544</u>	<u>10,456</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>12,160</u>	<u>12,160</u>
Net change in fund balance	-	-	12,160	12,160
Fund balance - beginning	<u>40,694</u>	<u>40,694</u>	<u>40,694</u>	<u>-</u>
Fund balance - ending	<u>\$ 40,694</u>	<u>\$ 40,694</u>	<u>\$ 52,854</u>	<u>\$ 12,160</u>

CITY OF MASCOTTE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Police Impact

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Impact fees/special assessments	\$ -	\$ -	\$ 695	\$ 695
Investment earnings	-	-	101	101
Total revenues	-	-	796	796
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	796	796
Net change in fund balance	-	-	796	796
Fund balance - beginning	7,160	7,160	7,160	-
Fund balance - ending	\$ 7,160	\$ 7,160	\$ 7,956	\$ 796

CITY OF MASCOTTE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Fire Impact

For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Impact fees/special assessments	\$ -	\$ -	\$ 501	\$ 501
Investment earnings	-	-	101	101
Total revenues	-	-	602	602
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	602	602
Net change in fund balance	-	-	602	602
Fund balance - beginning	7,398	7,398	7,398	-
Fund balance - ending	\$ 7,398	\$ 7,398	\$ 8,000	\$ 602

CITY OF MASCOTTE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Parks and Recreation Impact**

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Impact fees/special assessments	\$ -	\$ -	\$ 1,046	\$ 1,046
Investment earnings	-	-	1	1
Total revenues	-	-	1,047	1,047
EXPENDITURES:				
Current:				
Culture and recreation	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	1,047	1,047
Net change in fund balance	-	-	1,047	1,047
Fund balance - beginning	262	262	262	-
Fund balance - ending	\$ 262	\$ 262	\$ 1,309	\$ 1,047

CITY OF MASCOTTE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Road Impact

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Impact fees/special assessments	\$ -	\$ -	\$ 1,000	\$ 1,000
Investment earnings	-	-	911	911
Total revenues	-	-	1,911	1,911
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	1,911	1,911
Net change in fund balance	-	-	1,911	1,911
Fund balance - beginning	132,906	132,906	132,906	-
Fund balance - ending	\$ 132,906	\$ 132,906	\$ 134,817	\$ 1,911

CITY OF MASCOTTE, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Cinco de Mayo Fund

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	1	1
Total revenues	-	-	1	1
EXPENDITURES:				
Current:				
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	1	1
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(130)	(130)
Total other financing sources and uses	-	-	(130)	(130)
Net change in fund balance	-	-	(129)	(129)
Fund balance - beginning	129	129	129	-
Fund balance - ending	\$ 129	\$ 129	\$ -	\$ (129)

OTHER REPORTS

**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**

The Honorable Mayor and City Commissioners
City of Mascotte, Florida

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *City of Mascotte, Florida*, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 7, 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

In planning and performing our audit, we considered the *City of Mascotte, Florida's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 a 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *City of Mascotte, Florida* financial statements are free of material misstatement, we performed tests on 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 result of our tests disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the *City of Mascotte, Florida*, in a separate letter dated March 7, 2012. The City's response to our findings identified in our audit is included in this report. We did not audit the City'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 and the Auditor General of the State of Florida, and is not intended to be, and should not be used by anyone other than these specified parties.

McDermitt Davis & Company, LLC

McDIRMIT DAVIS & COMPANY, LLC

March 7, 2012

MANAGEMENT LETTER

Honorable Mayor and City Commissioners
City of Mascotte, Florida

We have audited the financial statements of the *City of Mascotte, Florida*, as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 7, 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 report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in those reports and schedule, which are dated March 7, 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 governmental entity audits performed in the State of Florida. This letter includes the following information, which is not include in the aforementioned auditor's reports:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The status of management's response to recommendations in included in the preceding annual financial report is outlined in Appendix A to this report.
- 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 Mascotte, 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 and 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.

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- 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 have findings that are deficiencies in internal control that are reported in Appendix C to this report.
- 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 this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the *City of Mascotte, Florida* did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Sections 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the *City of Mascotte, Florida* for the fiscal ended September 30, 2010, 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. We determined that these two reports are in agreement.
- 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 entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Deteriorating financial conditions were noted and are reported in Appendix B to this report.

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, and the Florida Auditor General, and is not intended to be and should be used by anyone other than these specified parties.

McDiernit Davis & Company, LLC

March 7, 2012

CITY OF MASCOTTE, FLORIDA

APPENDIX A - PRIOR YEAR RECOMMENDATIONS

For the Year Ended September 30, 2011

No.	Prior Year's Observations	Observation is Still Relevant	Observation Addressed or No Longer Relevant	Finding included in Second Preceding Audit Report
ML 10-01	Account Reconciliations and Financial Close Procedures		X	
ML 10-02	Tracking Fixed Assets		X	
ML 10-03	Tracking Debt		X	
ML 10-04	Financial Condition of Water Fund	11-01		09-04

CITY OF MASCOTTE, FLORIDA

APPENDIX B - CURRENT YEAR DETERIORATING
FINANCIAL CONDITIONS

For the Year Ended September 30, 2011

ML 11-01-Financial Condition of Water Fund

Criteria - Section 10.554(1)(i)7.c., Rules of the Auditor General, requires that the auditor's management letter include a statement that financial condition assessment procedures were applied and, if deteriorating financial conditions are noted, a statement to that fact including a description of the conditions that caused the auditor to reach that conclusion.

Condition - The unrestricted net asset balance of the Water Fund was a deficit of \$416,208 at September 30, 2009, increased to a deficit of \$604,210 at September 30, 2010, and decreased to a deficit of \$507,195 at September 30, 2011. Because of this deficit, the *City of Mascotte, Florida* is close to meeting one of the conditions of Section 218.503(1)(e), Florida Statutes, of being in a condition of financial emergency.

Cause - Even though the Water Fund did report net income in 2011 because of rate increase, prior operating revenues were not enough to cover operating expenses which caused large deficit unrestricted net asset balance that will require several years to reverse.

Effect - Continual decline in the financial stability of the Water Fund could mean the City will meet one of the conditions of a financial emergency. If this occurs, the City must notify the Governor and Legislative Auditing Committee, who will determine what actions must be taken.

Recommendation - We recommend rates be evaluated annually and increased, if needed, to reverse the decline in the financial stability of the Water Fund. It is important that the Water Fund work on paying back the General Fund advance of almost \$400,000 since this amount is reported as nonspendable in the General Fund. At September 30, 2011, the unrestricted deficit of \$334,791 in the enterprise funds is offset by positive unassigned fund balance of \$507,085 in the governmental funds. If positive unassigned fund balances goes down or unrestricted deficit increases by more than \$172,294, the City will meet one of the conditions of a financial emergency.

CITY OF MASCOTTE, FLORIDA

APPENDIX C - DEFICIENCY IN INTERNAL CONTROL

For the Year Ended September 30, 2011

ML 11-02-Commission Minutes Not Promptly Recorded

Criteria – Florida Statute 286.011(2) states that the minutes of a public commission meeting shall be promptly recorded, and such records shall be open to public inspection.

Condition – Minutes of many of the fiscal year ended September 30, 2011 commission meetings have not been recorded or made available for public inspection.

Cause – The person responsible for preparing the minutes has not kept up with getting minutes to commission for approval.

Effect – The Government-in-the-Sunshine Manual discusses the consequence if a public commission fails to comply with Sunshine Law.

Recommendation – We recommend that management do whatever it takes to have minutes promptly recorded and made available to the public.



City of Mascotte

Office of the City Manager

100 East Myers Boulevard
Mascotte, Florida 34753

Phone (352) 429-3341
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March 7, 2012

Response to Fiscal Year 2010/2011 Audit Management Comments:

As part of our annual audit, and in response to the Management Letter from our auditors, the following responses are provided:

ML 11-01 – Financial Condition of Water Fund

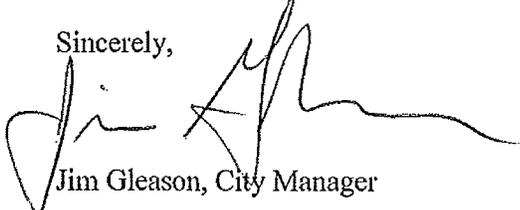
The unrestricted net asset balance of the Water fund was a deficit of \$507,195 at fiscal year-end September 30, 2011. While this was an improvement over last year's deficit of \$604,210, if the City were to allow a deficit in excess of \$172,000 it would meet one of the conditions of financial emergency under Section 218.503(1)(e) of the Florida Statutes. This comment was made last year and the auditor's recommendation then was that the "rates be evaluated annually and increased, if needed, to reverse the decline in the financial stability of the Water Fund". They also recommended that transfers from the Water Fund to the General Fund be reduced.

During fiscal year 2011 Council spent several months reviewing water rates and, in July 2011, adopted increases to various usage rate tiers of 22 to 47 percent. This increase caused the cash position of the Water Fund to improve from \$69,533 to \$155,438 just in the first three months of implementation. The increase is estimated to reverse the deficit trend of the Water Fund, provide necessary debt service coverage, begin to repay the General Fund loan and, eventually, begin to set aside capital reserves. In addition to the rate adoption, the transfer from the Water Fund to the General Fund was reduced from \$175,000 in fiscal year 2010 to \$60,000 in fiscal year 2011. The City will continue to monitor the fund and set rates that ensure fiscal stability.

ML 11-02 – Minutes

The auditors noted that "minutes of many of the fiscal year ended September 30, 2011 commission meetings have not been recorded or made available for public inspection." During the fiscal year additional duties were given to the City Clerk, and staff changes required her to work outside her job description. The minutes will be brought up to date in the next thirty days and the City Clerk will be provided the necessary time to complete the minutes for each meeting within the following week.

Sincerely,



Jim Gleason, City Manager

Honorable Mayor and City Council
City of Mascotte, 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 Mascotte, Florida* as of and for the year ended September 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 1, 2011. Professional standards also require that we communicate to you the following information related to the audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the *City of Mascotte, Florida* are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, *City of Mascotte, Florida* changed accounting policies related to fund balances by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statement were:

Management's estimate for the allowance for doubtful account is based on historical loss levels, and an analysis of the individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 7, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

McDiernit Davis & Company, LLC

March 7, 2012