

**CITY OF MASCOTTE, FLORIDA**

**FINANCIAL REPORT**

**For The Year Ended September 30, 2012**

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**

As of Audit Report Date, June 10, 2013

**MAYOR**

Tony Rosado

**CITY COUNCIL**

Barbara Krull, Mayor Pro-Tem

Brenda Basher, Council Member

Stephen Elmore, Council Member

Louise Thompson, Council Member

**CITY MANAGER**

Jim Gleason

**DEPUTY CITY MANAGER  
CITY FINANCE DIRECTOR**

Dolly Miller

## **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, 2012, 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, 2012 and the respective changes in financial position and where applicable, cash flows 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 June 10, 2013 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**  
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801  
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 and other postemployment benefits disclosures on page 3 through 12 and 52 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 or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial 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.

*McDiarmid Davis & Company, LLC*

June 10, 2013

## 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, 2012. 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 \$9,612,358 (net assets). Of this amount, \$902,880 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$511,887.
- As of the close of the current fiscal year, the *City of Mascotte's* governmental funds reported combined ending fund balances of \$2,144,601, an increase of \$578,672 in comparison with the prior year. Approximately 36% of this total amount, \$769,183, 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 \$769,183, or 30% 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*) and one blended component unit (The Community Redevelopment Fund).

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 seven 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 57-63.

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 - 51 of this report.

**Required Supplementary Information (RSI)** - RSI can be found on page 52 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 53 - 54 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 \$9,612,358 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>						
Current and other assets	\$ 2,259,502	\$ 1,736,477	\$ 313,574	\$ 161,558	\$ 2,573,076	\$ 1,898,035
Capital Assets	4,931,120	5,499,243	6,624,853	6,915,407	11,555,973	12,414,650
Total Assets	<u>7,190,622</u>	<u>7,235,720</u>	<u>6,938,427</u>	<u>7,076,965</u>	<u>14,129,049</u>	<u>14,312,685</u>
<b>Liabilities:</b>						
Long term liabilities	1,485,612	1,679,463	2,446,665	2,900,032	3,932,277	4,579,495
Other liabilities	116,229	159,571	468,185	473,148	584,414	632,719
Total Liabilities	<u>1,601,841</u>	<u>1,839,034</u>	<u>2,914,850</u>	<u>3,373,180</u>	<u>4,516,691</u>	<u>5,212,214</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	3,582,811	3,974,935	4,199,459	4,038,576	7,782,270	8,013,511
Restricted	927,208	526,215	-	-	927,208	526,215
Unrestricted	1,078,762	895,536	(175,882)	(334,791)	902,880	560,745
Total Net Assets	<u>\$ 5,588,781</u>	<u>\$ 5,396,686</u>	<u>\$ 4,023,577</u>	<u>\$ 3,703,785</u>	<u>\$ 9,612,358</u>	<u>\$ 9,100,471</u>

\$7,782,270 (81%) 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 \$927,208 (10%). The remaining balance of *unrestricted net assets* (\$902,880 or 9%) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets increased by \$511,887 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**

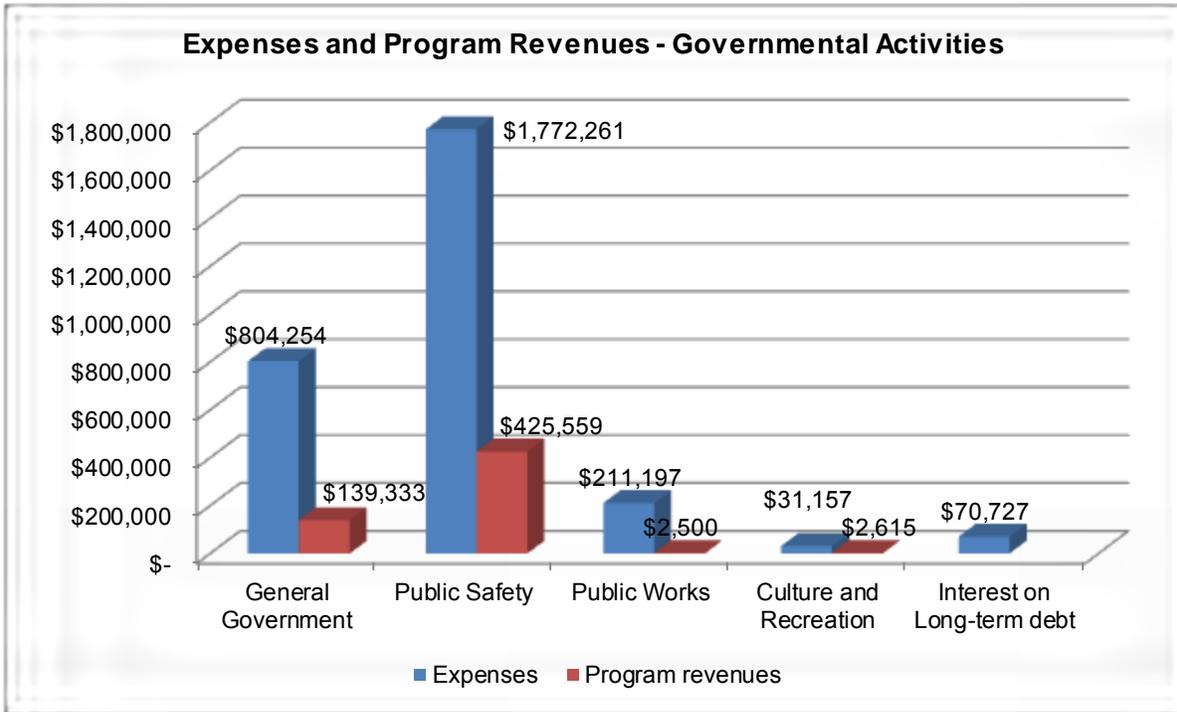
*City of Mascotte*  
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>						
Program revenues -						
Charges for services	\$ 333,286	\$ 368,963	\$ 1,723,838	\$ 1,475,782	\$ 2,057,124	\$ 1,844,745
Operating grants and Contributions	137,899	225,864	-	-	137,899	225,864
Capital grants and Contributions	98,822	8,414	-	-	98,822	8,414
General revenues -						
Property taxes	1,059,684	1,102,742	-	-	1,059,684	1,102,742
Franchise and utility Taxes	422,424	446,999	-	-	422,424	446,999
Intergovernmental	776,557	713,636	-	-	776,557	713,636
Investment income and miscellaneous	69,519	74,710	2,562	2,329	72,081	77,039
Gain on sale of asset	-	-	7,000	-	7,000	-
Total revenues	<u>2,898,191</u>	<u>2,941,328</u>	<u>1,733,400</u>	<u>1,478,111</u>	<u>4,631,591</u>	<u>4,419,439</u>
<b>Expenses:</b>						
General government	804,254	781,676	-	-	804,254	781,676
Public safety	1,772,261	1,894,966	-	-	1,772,261	1,894,966
Transportation/public works	211,197	205,158	-	-	211,197	205,158
Culture and recreation	31,157	36,408	-	-	31,157	36,408
Interest on long-term debt	70,727	94,139	-	-	70,727	94,139
Water	-	-	786,039	982,284	786,039	982,284
Sanitation	-	-	336,083	331,870	336,083	331,870
Stormwater	-	-	107,986	105,758	107,986	105,758
Total expenses	<u>2,889,596</u>	<u>3,012,347</u>	<u>1,230,108</u>	<u>1,419,912</u>	<u>4,119,704</u>	<u>4,432,259</u>
<b>Increase (Decrease) in Net Assets Before Transfers</b>	8,595	(71,019)	503,292	58,199	511,887	(12,820)
<b>Transfers</b>	<u>183,500</u>	<u>(19,110)</u>	<u>(183,500)</u>	<u>19,110</u>	<u>-</u>	<u>-</u>
<b>Increase (Decrease) in Net Assets</b>	192,095	(90,129)	319,792	77,309	511,887	(12,820)
<b>Net Assets - Beginning</b>	<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>
<b>Net Assets - End</b>	<u>\$ 5,588,781</u>	<u>\$ 5,396,686</u>	<u>\$ 4,023,577</u>	<u>\$ 3,703,785</u>	<u>\$ 9,612,358</u>	<u>\$ 9,100,471</u>

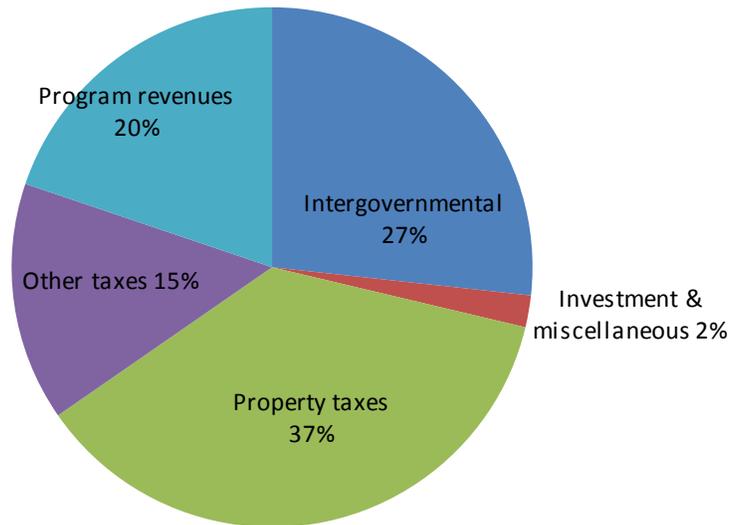
**Governmental Activities** - Governmental activities increased the *City of Mascotte's* net assets by \$192,095. This was due to an increase in grants and intergovernmental revenue and reduction of costs in public safety.

**Business-Type Activities** - Business-type activities increased the *City of Mascotte's* net assets by \$319,792 primarily because of increase in utility rates charged.

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

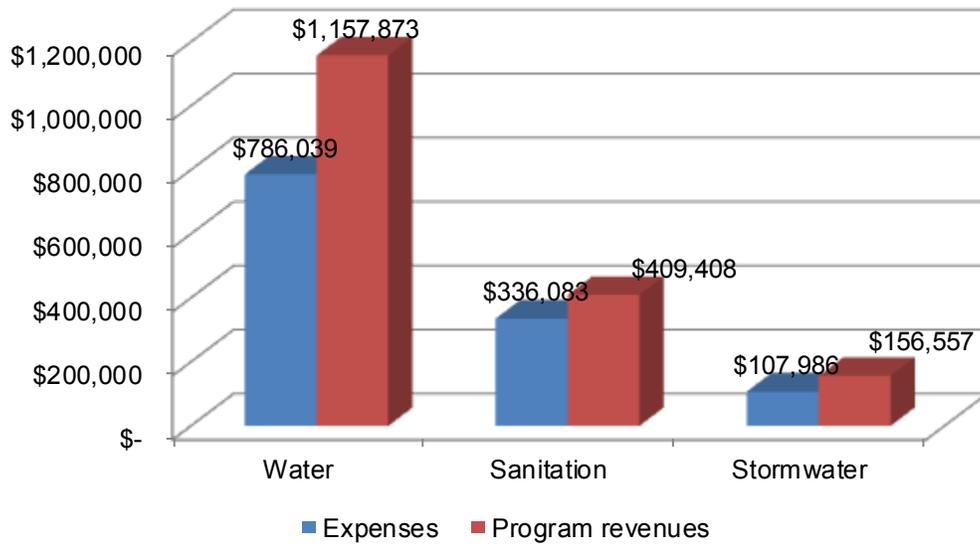


**Revenue by Source - Governmental Activities**

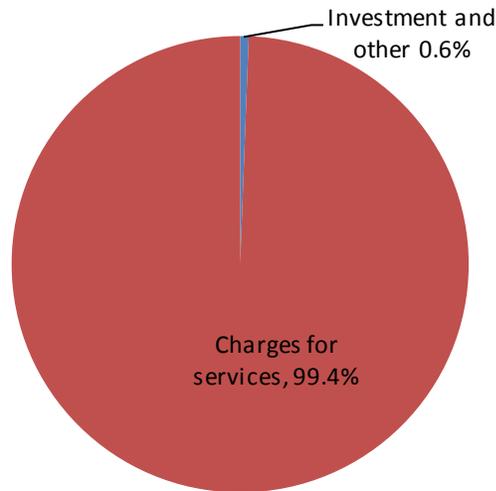


# MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

## Expenses and Program Revenues - Business-Type Activities



## Revenue by Source - Business-Type Activities



## 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 \$2,144,601, an increase of \$578,672 in comparison with the prior year. Approximately 36% or \$769,183 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 \$769,183, while total fund balance was \$1,217,393. 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 30% and 48% respectively, of total General Fund expenditures.

The fund balance of the general fund increased by \$150,557 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 \$175,882. The total increase in net assets for these funds was \$319,792. 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 \$234,214 less than budgeted revenues and actual expenditures were \$384,771 less than budgeted expenditures. Differences between original and final budget were due to budgeted expenditures and anticipated revenue that occurred after the original budget was issued.

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

**Capital Asset and Debt Administration**

**Capital Assets** - The *City of Mascotte*'s investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$11,555,973 (net of accumulated depreciation), for a decrease of \$858,677 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 7% (a 10% 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 2,196,579	\$ 2,554,362	\$ 1,680,689	\$ 1,680,689	\$ 3,877,268	\$ 4,235,051
Construction in progress	-	-	750,354	750,354	750,354	750,354
Buildings	1,436,517	1,490,929	-	-	1,436,517	1,490,929
Improvements / infrastructure	848,468	915,234	4,135,430	4,360,513	4,983,898	5,275,747
Machinery and equipment	400,314	459,891	58,380	112,698	458,694	572,589
Intangibles	49,242	78,827	-	11,153	49,242	89,980
Total	<u>\$ 4,931,120</u>	<u>\$ 5,499,243</u>	<u>\$ 6,624,853</u>	<u>\$ 6,915,407</u>	<u>\$ 11,555,973</u>	<u>\$ 12,414,650</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 \$3,773,703. This debt includes bonds payable and notes payable. Additional information on long-term debt can be found in Note 7 of this report.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Bonds payable	\$ -	\$ -	\$ 174,000	\$ 186,000	\$ 174,000	\$ 186,000
Notes payable	1,348,309	1,524,308	2,251,394	2,690,831	3,599,703	4,215,139
	<u>\$ 1,348,309</u>	<u>\$ 1,524,308</u>	<u>\$ 2,425,394</u>	<u>\$ 2,876,831</u>	<u>\$ 3,773,703</u>	<u>\$ 4,401,139</u>

The *City of Mascotte*'s total debt decreased by \$627,436 (14%) 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 \$769,183. The City has assigned \$31,350 of the fund balance for spending in the 2013 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, 2012

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,715,169	\$ 429,462	\$ 2,144,631
Receivables, net	965	241,187	242,152
Internal balances	390,915	(390,915)	-
Due from other governments	126,508	-	126,508
Inventories	5,877	26,036	31,913
Prepaid costs	20,068	7,804	27,872
Capital Assets:			
Capital assets not being depreciated	2,196,579	2,431,043	4,627,622
Capital assets being depreciated, net of accumulated depreciation	2,734,541	4,193,810	6,928,351
Total Capital Assets	<u>4,931,120</u>	<u>6,624,853</u>	<u>11,555,973</u>
Total Assets	<u>7,190,622</u>	<u>6,938,427</u>	<u>14,129,049</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	104,103	43,698	147,801
Accrued interest	12,126	7,186	19,312
Deposits payable	-	164,301	164,301
Unearned revenues	-	253,000	253,000
Noncurrent liabilities:			
Due within one year	191,915	400,370	592,285
Due in more than one year	1,293,697	2,046,295	3,339,992
Total liabilities	<u>1,601,841</u>	<u>2,914,850</u>	<u>4,516,691</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	3,582,811	4,199,459	7,782,270
Restricted for:			
Infrastructure	626,357	-	626,357
Community redevelopment	45,699	-	45,699
Public safety	113,066	-	113,066
Physical environment	138,139	-	138,139
Culture and recreation	3,947	-	3,947
Unrestricted	1,078,762	(175,882)	902,880
Total net assets	<u>\$ 5,588,781</u>	<u>\$ 4,023,577</u>	<u>\$ 9,612,358</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, 2012

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
General Government	\$ 804,254	\$ 71,104	\$ 68,229	\$ -	\$ (664,921)	\$ -	\$ (664,921)
Public Safety	1,772,261	257,067	69,670	98,822	(1,346,702)	-	(1,346,702)
Public Works	211,197	2,500	-	-	(208,697)	-	(208,697)
Culture and Recreation	31,157	2,615	-	-	(28,542)	-	(28,542)
Interest on Long-term debt	70,727	-	-	-	(70,727)	-	(70,727)
Total governmental activities	<u>2,889,596</u>	<u>333,286</u>	<u>137,899</u>	<u>98,822</u>	<u>(2,319,589)</u>	<u>-</u>	<u>(2,319,589)</u>
Business-type activities:							
Water	786,039	1,157,873	-	-	-	371,834	371,834
Sanitation	336,083	409,408	-	-	-	73,325	73,325
Stormwater	107,986	156,557	-	-	-	48,571	48,571
Total business-type activities	<u>1,230,108</u>	<u>1,723,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>493,730</u>	<u>493,730</u>
Total primary government	<u>\$ 4,119,704</u>	<u>\$ 2,057,124</u>	<u>\$ 137,899</u>	<u>\$ 98,822</u>	<u>(2,319,589)</u>	<u>493,730</u>	<u>(1,825,859)</u>
General revenues:							
Property taxes					1,059,684	-	1,059,684
Franchise and utility taxes					422,424	-	422,424
Intergovernmental					776,557	-	776,557
Unrestricted investment earnings					10,274	2,562	12,836
Miscellaneous					59,245	-	59,245
Gain on sale of asset					-	7,000	7,000
Transfers					183,500	(183,500)	-
Total general revenues and transfers					<u>2,511,684</u>	<u>(173,938)</u>	<u>2,337,746</u>
Change in net assets					192,095	319,792	511,887
Net assets - beginning					5,396,686	3,703,785	9,100,471
Net assets - ending					<u>\$ 5,588,781</u>	<u>\$ 4,023,577</u>	<u>\$ 9,612,358</u>

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

CITY OF MASCOTTE, FLORIDA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

September 30, 2012

	<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>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 814,470	\$ 599,844	\$ 45,703	\$ 255,152	\$ 1,715,169
Due from other governments	99,995	26,513	-	-	126,508
Other receivables	965	-	-	-	965
Inventories	5,877	-	-	-	5,877
Prepaid costs	20,068	-	-	-	20,068
Advances to other funds	390,915	-	-	-	390,915
Total assets	<u>\$ 1,332,290</u>	<u>\$ 626,357</u>	<u>\$ 45,703</u>	<u>\$ 255,152</u>	<u>\$ 2,259,502</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts payable	\$ 42,962	\$ -	\$ 4	\$ -	\$ 42,966
Deferred revenue	10,798	-	-	-	10,798
Other accrued expenses	61,137	-	-	-	61,137
Total liabilities	<u>114,897</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>114,901</u>
Fund balances:					
Nonspendable	416,860	-	-	-	416,860
Restricted	-	626,357	45,699	255,152	927,208
Assigned	31,350	-	-	-	31,350
Unassigned	769,183	-	-	-	769,183
Total fund balances	<u>1,217,393</u>	<u>626,357</u>	<u>45,699</u>	<u>255,152</u>	<u>2,144,601</u>
Total liabilities and fund balances	<u>\$ 1,332,290</u>	<u>\$ 626,357</u>	<u>\$ 45,703</u>	<u>\$ 255,152</u>	<u>\$ 2,259,502</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, 2012

Total fund balance, governmental funds	\$ 2,144,601
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.	4,931,120
Other long-term assets are not available to pay for current period expenditures and, therefore deferred reported in the funds.	10,798
Accrued interest payable is not due in the current period and therefore is not reported in the funds.	(12,126)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(1,485,612)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	<u><u>\$ 5,588,781</u></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, 2012

	General Fund	Infrastructure Special Revenue Fund	Community Redevelopment Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Property	\$ 1,040,761	\$ -	\$ 18,923	\$ -	\$ 1,059,684
Franchise and utility	422,424	-	-	-	422,424
Fees and fines	22,614	-	-	13,459	36,073
Impact fees/special assessments	-	-	-	9,359	9,359
Licenses and permits	55,205	-	-	-	55,205
Intergovernmental	641,822	371,456	-	-	1,013,278
Charges for services	246,939	-	-	-	246,939
Investment earnings	4,862	3,625	270	1,517	10,274
Miscellaneous	59,245	-	-	-	59,245
Total revenues	<u>2,493,872</u>	<u>375,081</u>	<u>19,193</u>	<u>24,335</u>	<u>2,912,481</u>
<b>EXPENDITURES:</b>					
Current:					
General government	575,028	-	-	-	575,028
Public safety	1,775,339	-	-	7,453	1,782,792
Public works	173,314	-	-	-	173,314
Culture and recreation	14,634	-	-	-	14,634
Debt service:					
Principal	-	175,999	-	-	175,999
Interest and other charges	-	72,712	-	-	72,712
Total expenditures	<u>2,538,315</u>	<u>248,711</u>	<u>-</u>	<u>7,453</u>	<u>2,794,479</u>
Excess (deficiency) of revenues over expenditures	<u>(44,443)</u>	<u>126,370</u>	<u>19,193</u>	<u>16,882</u>	<u>118,002</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of land	-	277,170	-	-	277,170
Transfers in	195,000	63,500	-	-	258,500
Transfers out	-	-	(75,000)	-	(75,000)
Total other financing sources (uses)	<u>195,000</u>	<u>340,670</u>	<u>(75,000)</u>	<u>-</u>	<u>460,670</u>
Net change in fund balances	150,557	467,040	(55,807)	16,882	578,672
Fund balances - beginning	1,066,836	159,317	101,506	238,270	1,565,929
Fund balances - ending	<u>\$ 1,217,393</u>	<u>\$ 626,357</u>	<u>\$ 45,699</u>	<u>\$ 255,152</u>	<u>\$ 2,144,601</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, 2012

Net change in fund balances - total governmental funds: \$ 578,672

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 were less than depreciation in the current period.

(210,340)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and disposals) is to decrease net assets

(357,783)

Assessment revenue reported in the funds must be eliminated from the statement of activities since revenue was recognized in a prior year.

(14,290)

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.

175,999

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.

19,837

Change in net assets of governmental activities

\$ 192,095

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,020,900	\$ 1,020,900	\$ 1,040,761	\$ 19,861
Franchise and utility	435,900	435,900	422,424	(13,476)
Fees and fines	45,000	45,000	22,614	(22,386)
Licenses and permits	27,100	53,900	55,205	1,305
Intergovernmental	551,450	660,000	641,822	(18,178)
Charges for services	208,800	298,631	246,939	(51,692)
Investment earnings	16,500	16,500	4,862	(11,638)
Miscellaneous	187,700	197,255	59,245	(138,010)
Total revenues	<u>2,493,350</u>	<u>2,728,086</u>	<u>2,493,872</u>	<u>(234,214)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	628,150	745,681	575,028	170,653
Public safety	1,838,100	1,955,305	1,775,339	179,966
Public works	195,450	195,450	173,314	22,136
Culture and recreation	26,650	26,650	14,634	12,016
Total expenditures	<u>2,688,350</u>	<u>2,923,086</u>	<u>2,538,315</u>	<u>384,771</u>
Excess (deficiency) of revenues over expenditures	<u>(195,000)</u>	<u>(195,000)</u>	<u>(44,443)</u>	<u>150,557</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	195,000	195,000	195,000	-
Total other financing sources	<u>195,000</u>	<u>195,000</u>	<u>195,000</u>	<u>-</u>
Net change in fund balances	-	-	150,557	150,557
Fund balance - beginning	1,066,836	1,066,836	1,066,836	-
Fund balance - ending	<u>\$ 1,066,836</u>	<u>\$ 1,066,836</u>	<u>\$ 1,217,393</u>	<u>\$ 150,557</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, 2012

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Intergovernmental	\$ 223,450	\$ 223,450	\$ 371,456	\$ 148,006
Investment earnings	-	-	3,625	3,625
Total revenues	<u>223,450</u>	<u>223,450</u>	<u>375,081</u>	<u>151,631</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	286,950	286,950	175,999	110,951
Interest and other charges	-	-	72,712	(72,712)
Total Expenditures	<u>286,950</u>	<u>286,950</u>	<u>248,711</u>	<u>38,239</u>
Excess (deficiency) of revenues over expenditures	<u>(63,500)</u>	<u>(63,500)</u>	<u>126,370</u>	<u>189,870</u>
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from sale of land	-	-	277,170	277,170
Transfers in	63,500	63,500	63,500	-
Total other financing sources	<u>63,500</u>	<u>63,500</u>	<u>340,670</u>	<u>277,170</u>
Net change in fund balances	-	-	467,040	467,040
Fund balance - beginning	<u>159,317</u>	<u>159,317</u>	<u>159,317</u>	-
Fund balance - ending	<u>\$ 159,317</u>	<u>\$ 159,317</u>	<u>\$ 626,357</u>	<u>\$ 467,040</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 21,450	\$ 21,450	\$ 18,923	\$ (2,527)
Investment earnings	-	-	270	270
Total revenues	<u>21,450</u>	<u>21,450</u>	<u>19,193</u>	<u>(2,257)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>21,450</u>	<u>21,450</u>	<u>19,193</u>	<u>(2,257)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Net change in fund balances	<u>(53,550)</u>	<u>(53,550)</u>	<u>(55,807)</u>	<u>(2,257)</u>
Fund balance - beginning	101,506	101,506	101,506	-
Fund balance - ending	<u>\$ 47,956</u>	<u>\$ 47,956</u>	<u>\$ 45,699</u>	<u>\$ (2,257)</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, 2012

	Enterprise Funds			
	Water	Sanitation	Stormwater	Total
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 230,513	\$ 136,475	\$ 62,474	\$ 429,462
Accounts Receivable, net	162,509	53,945	24,733	241,187
Inventories	26,036	-	-	26,036
Prepaid Expenses	6,968	-	836	7,804
Total current assets	426,026	190,420	88,043	704,489
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	150,636	97,470	509,682
Less Accumulated depreciation	(3,043,295)	(152,172)	(294,023)	(3,489,490)
Total non-current assets	5,673,098	-	951,755	6,624,853
Total assets	6,099,124	190,420	1,039,798	7,329,342
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	3,989	25,305	60	29,354
Salaries payable	10,400	707	1,885	12,992
Other accrued expenses	1,352	-	-	1,352
Accrued interest payable	7,186	-	-	7,186
Advances from other funds	390,915	-	-	390,915
Customer deposits payable	164,301	-	-	164,301
Prepaid sewer conversion	253,000	-	-	253,000
Compensated absences	1,757	-	166	1,923
Notes and loans payable - current	386,447	-	-	386,447
Bonds payable - current	12,000	-	-	12,000
Total current liabilities	1,231,347	26,012	2,111	1,259,470
Non-current liabilities:				
Compensated absences	15,814	-	1,495	17,309
Other post employment benefits	1,529	-	510	2,039
Bonds, notes and loans payable	2,026,947	-	-	2,026,947
Total non-current liabilities	2,044,290	-	2,005	2,046,295
Total liabilities	3,275,637	26,012	4,116	3,305,765
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	3,247,704	-	951,755	4,199,459
Unrestricted	(424,217)	164,408	83,927	(175,882)
Total net assets	\$ 2,823,487	\$ 164,408	\$ 1,035,682	\$ 4,023,577

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, 2012

	Enterprise Funds			Total
	Water	Sanitation	Stormwater	
<b>REVENUES:</b>				
Charges for services	\$ 1,157,873	\$ 409,408	\$ 156,557	\$ 1,723,838
Total operating revenues	1,157,873	409,408	156,557	1,723,838
<b>OPERATING EXPENSES:</b>				
Salaries and benefits	333,084	21,719	53,392	408,195
Contractual services	23,348	302,866	50	326,264
Repairs and maintenance	10,627	1,828	920	13,375
Other supplies and expenses	87,427	2,158	5,786	95,371
Depreciation	221,204	7,512	47,838	276,554
Total operating expenses	675,690	336,083	107,986	1,119,759
Operating income (loss)	482,183	73,325	48,571	604,079
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest and investment income/(expense)	1,377	812	373	2,562
Special item - gain (loss) on sale of asset	-	7,000	-	7,000
Interest expense	(110,349)	-	-	(110,349)
Total non-operating revenue (expenses)	(108,972)	7,812	373	(100,787)
Income (loss) before contributions and transfers	373,211	81,137	48,944	503,292
Transfers out	(60,000)	(40,000)	(83,500)	(183,500)
Change in net assets	313,211	41,137	(34,556)	319,792
Total net assets - beginning	2,510,276	123,271	1,070,238	3,703,785
Total net assets - ending	\$ 2,823,487	\$ 164,408	\$ 1,035,682	\$ 4,023,577

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, 2012

	<u>Water</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 1,169,024	\$ 395,527	\$ 159,808	\$ 1,724,359
Payments to suppliers	(128,080)	(308,212)	(7,542)	(443,834)
Payments to employees	(339,393)	(22,184)	(53,309)	(414,886)
Net cash provided (used) by operating activities	<u>701,551</u>	<u>65,131</u>	<u>98,957</u>	<u>865,639</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Net operating transfers in (out)	(60,000)	(40,000)	(83,500)	(183,500)
Increase in advances from other funds	-	(36,390)	-	(36,390)
Net cash provided (used) by non-capital financing activities	<u>(60,000)</u>	<u>(76,390)</u>	<u>(83,500)</u>	<u>(219,890)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from sale of capital assets	-	21,000	-	21,000
Principal paid on long-term debt	(451,437)	-	-	(451,437)
Interest paid on long-term debt	(116,416)	-	-	(116,416)
Net cash provided (used) by capital and related financing activities	<u>(567,853)</u>	<u>21,000</u>	<u>-</u>	<u>(546,853)</u>
<b>Cash Flows from Investing Activities:</b>				
Investment income	1,377	812	373	2,562
Net cash provided(used) by investing activities	<u>1,377</u>	<u>812</u>	<u>373</u>	<u>2,562</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	75,075	10,553	15,830	101,458
<b>Cash and Cash Equivalents - Beginning</b>	155,438	125,922	46,644	328,004
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 230,513</u>	<u>\$ 136,475</u>	<u>\$ 62,474</u>	<u>\$ 429,462</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>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities</b>				
Operating income	\$ 482,183	\$ 73,325	\$ 48,571	\$ 604,079
<b>Adjustments Not Affecting Cash:</b>				
Depreciation and amortization	221,204	7,512	47,838	276,554
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease in accounts receivable	(3,111)	(13,881)	3,251	(13,741)
(Increase) Decrease in prepaids	(572)	399	(254)	(427)
Increase (Decrease) in accounts payable	(6,106)	(1,759)	(532)	(8,397)
Increase (Decrease) in accrued liabilities	(4,362)	(188)	(211)	(4,761)
Increase (Decrease) in compensated absences	(3,476)	(277)	(216)	(3,969)
Increase (Decrease) in OPEB obligation	1,529	-	510	2,039
Increase in customer deposits	14,262	-	-	14,262
Total adjustments	<u>219,368</u>	<u>(8,194)</u>	<u>50,386</u>	<u>261,560</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 701,551</u>	<u>\$ 65,131</u>	<u>\$ 98,957</u>	<u>\$ 865,639</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2012

**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, 2012

**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, 2012

**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 used to account for the operation and maintenance of the City's stormwater system.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**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, 2012

**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, 2012

**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, 2012.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

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

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

**8. Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**9. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the city's highest level of decision-making authority. The Council is the highest level of decision-making authority for the city that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the city for specific purposes but do not meet the criteria to be classified as committed. The council has maintained authority to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 2 - Reconciliation of Government-Wide and Fund Financial Statements:**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$1,485,612) difference are as follows:

Notes payable	\$ (1,348,309)
Compensated absences	(124,562)
Other post employment benefits	<u>(12,741)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (1,485,612)</u>

**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**

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 \$(210,340) difference are as follows:

Capital Outlay	\$ 104,625
Depreciation expense	<u>(314,965)</u>
Net adjustment to decrease net changes in fund balances - <i>total governmental funds</i> to arrive at changes in <i>net assets of</i> <i>governmental activities</i>	<u>\$ (210,340)</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**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 \$175,999 difference are as follows:

Debt issued or incurred:	
Principal repayment	\$ 175,999
Net adjustment to increase net changes in fund balances - <i>total governmental funds</i> to arrive at changes in <i>net assets of</i> <i>governmental activities</i>	<u>175,999</u>
	<u>\$ 175,999</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 \$19,837 difference are as follows:

Compensated absences	\$ 30,593
Other post employment benefits	(12,741)
Accrued interest payable	<u>1,985</u>
Net adjustment to increase net changes in fund balances - <i>total governmental funds</i> to arrive at changes in <i>net assets of</i> <i>governmental activities</i>	<u>19,837</u>
	<u>\$ 19,837</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**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.
- (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 Police Forfeitures Special Revenue Fund contained an excess of expenditures and transfers out over appropriations during the fiscal year ended September 30, 2012. These over expenditures were funded by greater than anticipated revenues.

**C. Appropriations in Excess of Funds Available**

Appropriations for the Police Forfeitures Special Revenue Fund were in excess of anticipated revenue and available fund balance as a result of a beginning fund deficit.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 4 - Deposits and Investments:**

**Deposits**

At year-end, the carrying amount of the City's deposits was \$2,144,631 and the bank balance was \$2,190,194. Petty cash funds of \$1,100 are not on deposit with a financial institution.

All bank deposits were covered by Federal Depository Insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

**Investments**

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

- (a) 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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**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, 2012, all of the City's bank deposits were in qualified public depositories.

**Note 5 - Receivables:**

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

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Receivables:					
Accounts	\$ 965	\$ 202,720	\$ 54,070	\$ 33,635	\$ 291,390
Less allowance for uncollectible accounts	-	(40,211)	(125)	(8,902)	(49,238)
	<u>\$ 965</u>	<u>\$ 162,509</u>	<u>\$ 53,945</u>	<u>\$ 24,733</u>	<u>\$ 242,152</u>

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 6 - Capital Assets:**

Capital asset activity for the year ended September 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,554,362	\$ -	\$ (357,783)	\$ 2,196,579
Total capital assets, not being depreciated	<u>2,554,362</u>	<u>-</u>	<u>(357,783)</u>	<u>2,196,579</u>
Capital assets, being depreciated:				
Buildings	2,092,253	-	-	2,092,253
Improvements/Infrastructure	2,229,137	-	-	2,229,137
Machinery and equipment	2,432,247	104,625	-	2,536,872
Intangible assets	147,927	-	-	147,927
Total capital assets, being depreciated	<u>6,901,564</u>	<u>104,625</u>	<u>-</u>	<u>7,006,189</u>
Less accumulated depreciation for:				
Buildings	(601,324)	(54,412)	-	(655,736)
Improvements/Infrastructure	(1,313,903)	(66,766)	-	(1,380,669)
Machinery and equipment	(1,972,356)	(164,202)	-	(2,136,558)
Intangible assets	(69,100)	(29,585)	-	(98,685)
Total accumulated depreciation	<u>(3,956,683)</u>	<u>(314,965)</u>	<u>-</u>	<u>(4,271,648)</u>
Total capital assets, being depreciated, net	<u>2,944,881</u>	<u>(210,340)</u>	<u>-</u>	<u>2,734,541</u>
Government activities capital assets, net	<u>\$ 5,499,243</u>	<u>\$ (210,340)</u>	<u>\$ (357,783)</u>	<u>\$ 4,931,120</u>

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 6 - Capital Assets (Continued):**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>				
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	544,683	-	(35,000)	509,683
Intangible assets	33,455	-	-	33,455
Total capital assets, being depreciated	<u>7,718,301</u>	<u>-</u>	<u>(35,000)</u>	<u>7,683,301</u>
Less accumulated depreciation for:				
Buildings	(4,620)	-	-	(4,620)
Improvements/Infrastructure	(2,775,029)	(225,084)	-	(3,000,113)
Machinery and equipment	(431,985)	(40,318)	21,000	(451,303)
Intangible assets	(22,303)	(11,152)	-	(33,455)
Total accumulated depreciation	<u>(3,233,937)</u>	<u>(276,554)</u>	<u>21,000</u>	<u>(3,489,491)</u>
Total capital assets, being depreciated, net	<u>4,484,364</u>	<u>(276,554)</u>	<u>(14,000)</u>	<u>4,193,810</u>
Business-type activities capital assets, net	<u>\$ 6,915,407</u>	<u>\$ (276,554)</u>	<u>\$ (14,000)</u>	<u>\$ 6,624,853</u>

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 6 - Capital Assets (Continued):**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 141,736
Public safety	119,162
Transportation/public works	37,544
Culture and recreation	16,523
Total depreciation expense - governmental activities	<u>\$ 314,965</u>
Business-type activities:	
Water	\$ 221,204
Stormwater	47,838
Sanitation	7,512
Total depreciation expense - business type activities	<u>\$ 276,554</u>

**Note 7 - 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. The original amount of revenue bonds issued in prior years, as well as revenue bonds outstanding at year end, are as follows:

	<u>Interest Rates and Dates</u>	<u>Maturity</u>	<u>Original Amount</u>	<u>Balance September 30, 2012</u>
<u>Business-Type Activities</u>				
Water Revenue Bonds	5% (9/1)	9/1/86- 9/1/23	<u>\$ 353,800</u>	<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. For the fiscal year, principal and interest paid on this bond was \$21,300 and total pledged revenue was \$644,764.

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 7 - 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.

Annual debt service requirements to maturity for water revenue bonds are as follows:

<u>Year Ending September 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 12,000	\$ 8,700
2014	13,000	8,100
2015	13,000	7,450
2016	14,000	6,800
2017	15,000	6,100
2018-2022	86,000	18,550
2023	21,000	1,050
Total	<u>\$ 174,000</u>	<u>\$ 56,750</u>

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 7 - Long-Term Debt (Continued):**

**Notes Payable - Business-type Activities**

At September 30, 2012 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; 2012 pledged revenue was \$371,456. Principal and interest paid in 2012 was \$184,319	\$ 454,959
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, 2012 pledged revenue was \$19,193. Principal and interest paid in 2012 was \$332,172.	1,333,000
Note payable to SRF in 23 semi-annual installments of \$16,559, including interest at 1.34%, beginning on January 15, 2012; secured by net revenues from operation of water and sewer system, together with impact fees. 2012 pledged revenue was \$623,464. Capitalized interest of \$7,307 increased the balance of the Note in 2012.	352,889
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. 2012 pledged revenue was \$623,464. Principal and interest paid in 2012 was \$28,848.	110,546
	<u>\$ 2,251,394</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 7 - 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>
2013	\$ 386,447	\$ 81,052
2014	389,077	65,585
2015	392,801	48,845
2016	396,633	32,091
2017	373,500	15,391
2018-2022	127,190	16,201
2023-2027	91,806	9,738
2028-2032	93,940	3,381
Total	<u>\$ 2,251,394</u>	<u>\$ 272,284</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, 2012

**Note 7 - Long-Term Debt (Continued):**

**Notes Payable - Governmental Activities**

Summarized below are the City's notes outstanding at September 30, 2012:

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 was \$42,892.	\$ 324,184
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 2012 was \$50,445.	48,790
Note payable to a bank in semiannual installments of \$41,667 including interest at 4.87% due quarterly. Secured by infrastructure sales surtax; 2012 pledged revenue was \$371,456. Principal and interest paid in 2012 was \$130,280.	875,001
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. 2012 pledged revenue was \$19,193. Principal and interest paid in 2012 was \$25,094.	100,334
	<u>\$ 1,348,309</u>

Debt service requirements for the above notes are as follows:

Year Ending September 30,	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 179,459	\$ 63,416
2014	132,043	55,290
2015	133,484	48,753
2016	134,965	42,254
2017	136,580	35,463
2018-2022	590,107	86,080
2022	41,671	1,037
Total	<u>\$ 1,348,309</u>	<u>\$ 332,293</u>

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 7 - Long-Term Debt (Continued):**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Notes Payable	\$ 1,524,308	\$ -	\$ (175,999)	\$ 1,348,309	\$ 179,459
Compensated Absences	155,155	-	(30,593)	124,562	12,456
Other post employment benefits	-	12,741	-	12,741	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Governmental activity long-term liabilities	<u>\$ 1,679,463</u>	<u>\$ 12,741</u>	<u>\$ (206,592)</u>	<u>\$ 1,485,612</u>	<u>\$ 191,915</u>
<b>Business-Type Activities</b>					
Bonds payable -					
Revenue Bonds	\$ 186,000	\$ -	\$ (12,000)	\$ 174,000	\$ 12,000
Notes payable -					
Capital Improvement revenue note	617,945	-	(162,986)	454,959	85,394
SRF Loans	481,553	7,307	(25,425)	463,435	42,719
Line of credit	1,591,333	-	(258,333)	1,333,000	258,334
Total notes payable depreciated	<u>2,690,831</u>	<u>7,307</u>	<u>(446,744)</u>	<u>2,251,394</u>	<u>386,447</u>
Compensated absences	23,201	-	(3,969)	19,232	1,923
Other post employment benefits	-	2,039	-	2,039	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Business-type activity long-term liabilities	<u>\$ 2,900,032</u>	<u>\$ 9,346</u>	<u>\$ (462,713)</u>	<u>\$ 2,446,665</u>	<u>\$ 400,370</u>

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 8 - Interfund Receivables, Payables and Transfers:**

The General Fund advanced \$390,915 to the Water Fund for working capital loans that the General Fund expects to collect in future years.

Interfund transfers are as follows:

<b>Transfers Out:</b>	<b>Transfers In</b>		
	<b>General Fund</b>	<b>Infrastructure Special Revenue Fund</b>	<b>Total</b>
Community			
Redevelopment Fund	\$ 75,000	\$ -	\$ 75,000
Water Fund	60,000	-	60,000
Sanitation Fund	40,000	-	40,000
Stormwater Fund	20,000	63,500	83,500
	<u>\$ 195,000</u>	<u>\$ 63,500</u>	<u>\$258,500</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 9 - 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, 2012

**Note 9 - Retirement Plans (Continued):**

During the year ended September 30, 2012, the City's total payroll was \$1,725,992. The City contributed \$82,484 to the plan for the year ended September 30, 2012. Of this total, \$37,819 was contributed from the forfeiture account.

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 10 - 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 11 - Other Post-Employment Benefits:**

In November 2011, the City passed Resolution 2011-11-460 amending the personnel policy to offer continued group health insurance available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met in accordance with Florida Statutes Section 112.0801. This benefit has no cost to the City, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree. The City has one retiree currently receiving benefits. The City has chosen pay-as-you-go funding, but is recording the liability in the government wide financial statements. This plan does not issue stand-alone financial statements.

The first actuarial report for the City's Retiree Continuation Insurance plan was prepared as of October 1, 2011. At that point in time, the unfunded actuarial accrued liability (UAAL) for benefits was \$79,412 and funded ratio was 0%. The covered payroll was \$1,355,359 and the ratio of the UAAL to covered payroll was 5.9 percent.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 11 - Other Post-Employment Benefits (Continued):**

The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2012 is as follows:

Annual Required Contribution	\$ 21,329
Interest on Net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	<u>21,329</u>
Employer Contributions	<u>(6,549)</u>
Increase in Net OPEB Obligation	14,780
Net OPEB Obligation (beginning of year)	<u>-</u>
Net OPEB Obligation (end of year)	<u><u>\$ 14,780</u></u>

***Three Year Trend Information –***

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2012	21,329	30.50%	14,825

Note: Fiscal year 2012 was the first year the City offered OPEB benefits

**Summary of Actuarial Methods & Assumptions:**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, normally presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress includes only one year so multi-year comparison is not available for this period.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 11 - Other Post-Employment Benefits (Continued):**

The City qualifies to use the alternative measurement method, and has elected to do so. The following are the significant assumptions used.

**Actuarial Cost Method** - the entry age normal (level % of pay)

**Amortization Method** - level percentage of payroll (closed amortization over 30 years)

**Mortality** - RP-2000 Combined Healthy Mortality Table.

**Interest Rate** - 4.50% per year compounded annually, net of investment related expenses.

**Retirement Rate** - 100% at age 58.

**Participation Rate** - 20% of active employees are assumed to maintain benefit coverage after retirement.

**Spousal Coverage** - 50% of active employees who have elected benefit coverage are assumed to cover their spouse.

**Retiree Contributions**- retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums.

**Healthcare Inflation** - Pre-Medicare: 9.0% in fiscal 2012; then 8.5%, trending to 4.5% in fiscal 2017. Post-Medicare: 9.0% in fiscal 2012; then 8.5% trending to 4.5% in fiscal 2017.

**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, 2012. 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.

CITY OF MASCOTTE, FLORIDA

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 2012

**Note 13 - Fund Balance:**

At September 30, 2012, 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					
Nonspendable					
Inventory/prepays	\$ 25,945	\$ -	\$ -	\$ -	\$ 25,945
Advances	390,915	-	-	-	390,915
Spendable					
Restricted for:					
Public safety	-	-	-	113,066	113,066
Culture and recreation	-	-	-	3,947	3,947
Physical environment	-	-	-	138,139	138,139
Infrastructure	-	626,357	-	-	626,357
Community redevelopment	-	-	45,699	-	45,699
Assigned for:					
Subsequent year expenditures	31,350	-	-	-	31,350
Unassigned	769,183	-	-	-	769,183
	<u>\$ 1,217,393</u>	<u>\$ 626,357</u>	<u>\$ 45,699</u>	<u>\$ 255,152</u>	<u>\$ 2,144,601</u>

**Note 14 - Subsequent Events:**

The City has evaluated subsequent events through the date of the independent auditor's report, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF MASCOTTE, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION**

September 30, 2012

Retiree Continuation Insurance Plan

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Accrued Liability (AAL) EAN (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (b-a)/c</b>
10/1/2011**	\$ -	\$ 79,412	\$ 79,412	0%	\$ 1,355,359	5.9%

\*\*initial valuation date

**Schedule of Contributions from Employers and Other Contributing Entities**

<b>Fiscal Year Ending</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage of ARC Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2012	\$ 21,329	30.7%	\$ 14,780

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

CITY OF MASCOTTE, FLORIDA

**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**

September 30, 2012

	<u>Police Education</u>	<u>Police Forfeitures</u>	<u>Police Automation</u>	<u>Police Impact</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 36,813	\$ 2,762	\$ 53,170	\$ 9,752
Total assets	<u>\$ 36,813</u>	<u>\$ 2,762</u>	<u>\$ 53,170</u>	<u>\$ 9,752</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	36,813	2,762	53,170	9,752
Total fund balances	<u>36,813</u>	<u>2,762</u>	<u>53,170</u>	<u>9,752</u>
Total liabilities and fund balances	<u>\$ 36,813</u>	<u>\$ 2,762</u>	<u>\$ 53,170</u>	<u>\$ 9,752</u>

<b>Fire Impact</b>	<b>Parks and Recreation Impact</b>	<b>Road Impact</b>	<b>Total Other Governmental Funds</b>
\$ 10,569	\$ 3,947	\$ 138,139	\$ 255,152
<u>\$ 10,569</u>	<u>\$ 3,947</u>	<u>\$ 138,139</u>	<u>\$ 255,152</u>
\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10,569	3,947	138,139	255,152
<u>10,569</u>	<u>3,947</u>	<u>138,139</u>	<u>255,152</u>
<u>\$ 10,569</u>	<u>\$ 3,947</u>	<u>\$ 138,139</u>	<u>\$ 255,152</u>

CITY OF MASCOTTE, FLORIDA

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

For the Year Ended September 30, 2012

	<u>Police Education</u>	<u>Police Forfeitures</u>	<u>Police Automation</u>	<u>Police Impact</u>
<b>REVENUES</b>				
Fees and fines	\$ 2,308	\$ 11,151	\$ -	\$ -
Impact fees/special assessments	-	-	-	1,738
Investment earnings	219	16	316	58
Total revenues	<u>2,527</u>	<u>11,167</u>	<u>316</u>	<u>1,796</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	1,082	6,371	-	-
Total Expenditures	<u>1,082</u>	<u>6,371</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,445</u>	<u>4,796</u>	<u>316</u>	<u>1,796</u>
Net change in fund balances	1,445	4,796	316	1,796
Fund balances - beginning	35,368	(2,034)	52,854	7,956
Fund balances - ending	<u>\$ 36,813</u>	<u>\$ 2,762</u>	<u>\$ 53,170</u>	<u>\$ 9,752</u>

<b>Fire Impact</b>	<b>Parks and Recreation Impact</b>	<b>Road Impact</b>	<b>Total Other Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 13,459
2,506	2,615	2,500	9,359
63	23	822	1,517
<u>2,569</u>	<u>2,638</u>	<u>3,322</u>	<u>24,335</u>
-	-	-	7,453
-	-	-	7,453
<u>2,569</u>	<u>2,638</u>	<u>3,322</u>	<u>16,882</u>
2,569	2,638	3,322	16,882
8,000	1,309	134,817	238,270
<u>\$ 10,569</u>	<u>\$ 3,947</u>	<u>\$ 138,139</u>	<u>\$ 255,152</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Fees and fines	\$ 3,000	\$ 3,000	\$ 2,308	\$ (692)
Investment earnings	-	-	219	219
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>2,527</u>	<u>(473)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>3,000</u>	<u>3,000</u>	<u>1,082</u>	<u>1,918</u>
Total Expenditures	<u>3,000</u>	<u>3,000</u>	<u>1,082</u>	<u>1,918</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,445</u>	<u>1,445</u>
Net change in fund balance	-	-	1,445	1,445
Fund balance - beginning	<u>35,368</u>	<u>35,368</u>	<u>35,368</u>	-
Fund balance - ending	<u>\$ 35,368</u>	<u>\$ 35,368</u>	<u>\$ 36,813</u>	<u>\$ 1,445</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, 2012

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Fees and fines	\$ -	\$ -	\$ 11,151	\$ 11,151
Investment earnings	-	-	16	16
Total revenues	-	-	11,167	11,167
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	1,300	6,371	(5,071)
Total Expenditures	-	1,300	6,371	(5,071)
Excess (deficiency) of revenues over expenditures	-	(1,300)	4,796	6,096
Net change in fund balance	-	(1,300)	4,796	6,096
Fund balance - beginning	(2,034)	(2,034)	(2,034)	-
Fund balance - ending	<u>\$ (2,034)</u>	<u>\$ (3,334)</u>	<u>\$ 2,762</u>	<u>\$ 6,096</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Fees and fines	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Investment earnings	-	-	316	316
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>316</u>	<u>(14,684)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>316</u>	<u>316</u>
Net change in fund balance	-	-	316	316
Fund balance - beginning	<u>52,854</u>	<u>52,854</u>	<u>52,854</u>	<u>-</u>
Fund balance - ending	<u>\$ 52,854</u>	<u>\$ 52,854</u>	<u>\$ 53,170</u>	<u>\$ 316</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, 2012

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Impact fees/special assessments	\$ -	\$ -	\$ 1,738	\$ 1,738
Investment earnings	-	-	58	58
Total revenues	-	-	1,796	1,796
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	1,796	1,796
Net change in fund balance	-	-	1,796	1,796
Fund balance - beginning	7,956	7,956	7,956	-
Fund balance - ending	\$ 7,956	\$ 7,956	\$ 9,752	\$ 1,796

CITY OF MASCOTTE, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
FIRE IMPACT**

For the Year Ended September 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Impact fees/special assessments	\$ -	\$ -	\$ 2,506	\$ 2,506
Investment earnings	-	-	63	63
Total revenues	-	-	2,569	2,569
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	2,569	2,569
Net change in fund balance	-	-	2,569	2,569
Fund balance - beginning	8,000	8,000	8,000	-
Fund balance - ending	\$ 8,000	\$ 8,000	\$ 10,569	\$ 2,569

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, 2012

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Impact fees/special assessments	\$ -	\$ -	\$ 2,615	\$ 2,615
Investment earnings	-	-	23	23
Total revenues	-	-	2,638	2,638
<b>EXPENDITURES:</b>				
Current:				
Culture and recreation	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	2,638	2,638
Net change in fund balance	-	-	2,638	2,638
Fund balance - beginning	1,309	1,309	1,309	-
Fund balance - ending	\$ 1,309	\$ 1,309	\$ 3,947	\$ 2,638

CITY OF MASCOTTE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
ROAD IMPACT**

For the Year Ended September 30, 2012

	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Impact fees/special assessments	\$ -	\$ -	\$ 2,500	\$ 2,500
Investment earnings	-	-	822	822
Total revenues	-	-	3,322	3,322
<b>EXPENDITURES:</b>				
Current:				
Public works	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	3,322	3,322
Net change in fund balance	-	-	3,322	3,322
Fund balance - beginning	134,817	134,817	134,817	-
Fund balance - ending	\$ 134,817	\$ 134,817	\$ 138,139	\$ 3,322

## **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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the *City of Mascotte, Florida*, is responsible for establishing and maintaining effective 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.

**MCDIRMIT DAVIS & COMPANY, LLC**  
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801  
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MCDIRMITDAVIS.COM

## 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 June 10, 2013. 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.

*McDiernit Davis & Company LLC*

June 10, 2013

**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, 2012, and have issued our report thereon dated June 10, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated June 10, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

- 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 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. Recommendations to improve the City's financial management, accounting procedures and internal controls are reported in Appendix B to this report.
- 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 not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in 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, 2012, 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, 2012. We determined that these two reports are in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*McDiernit Davis & Company, LLC*

June 10, 2013

CITY OF MASCOTTE, FLORIDA

APPENDIX A - PRIOR YEAR RECOMMENDATIONS

For the Year Ended September 30, 2012

<u>No.</u>	<u>Prior Year's Observations</u>	<u>Observation is Still Relevant</u>	<u>Observation Addressed or No Longer Relevant</u>
ML 11-01	Financial Condition of Water Fund		X
ML 11-02	Commission Minutes Not Promptly Recorded		X

CITY OF MASCOTTE, FLORIDA

APPENDIX B - CURRENT YEAR RECOMMENDATIONS TO IMPROVE THE CITY'S  
FINANCIAL MANAGEMENT, ACCOUNTING PROCEDURES AND INTERNAL CONTROLS

For the Year Ended September 30, 2012

**ML 12-01-Deficit Unrestricted Net Assets**

**Criteria** – The net operations of the enterprise funds should be self-sustaining.

**Condition** – The current net deficit of the enterprise funds of \$175,882 must be offset by unassigned fund balance of the general fund to avoid meeting a condition of financial emergency. We have noted that the city has taken steps to increase the revenues of the enterprise funds to offset the expenses, resulting in a positive increase in fund balance for the current year, however a net unrestricted deficit remains.

**Cause** – Prior year deficits in the enterprise funds resulted in a large deficit net asset balance, in addition to a loan from the general fund, which is not included in the unassigned general fund balance amount.

**Effect** – Decreases in rates could result in unfavorable financial condition.

**Recommendation** – We recommend that the City continue to maintain the rates of the enterprise funds to be sufficient to cover the costs of those funds, in addition to paying down the balance owed to the General Fund.



## City of Mascotte

*Office of the City Manager*

100 East Myers Boulevard  
Mascotte, Florida 34753

Phone (352) 429-3341  
Fax (352) 429-3345

June 11, 2013

Response to Fiscal Year 2011/2012 Audit Management Comments:

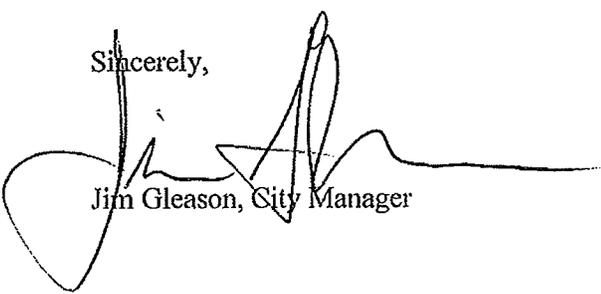
As part of our annual audit, and in response to the Management Letter from our auditors, the following response is provided:

**ML 12-01 – Deficit Unrestricted Net Assets**

The current net deficit of the enterprise funds of \$175,882 must be offset by unassigned fund balance of the General Fund to avoid meeting a condition of financial emergency. We have noted that the city has taken steps to increase the revenues of the enterprise funds to offset the expenses, resulting in a positive increase in fund balance for the current year; however a net unrestricted deficit remains.

The city has amended the current years' budget to allow for some debt repayment of the Water and Sewer fund to be paid from the Infrastructure Surtax Fund. This restructuring will free up approximately \$323,200 which in turn will go toward the deficit in unrestricted net assets of the enterprise funds. The current years' budget was also amended to reclassify some line descriptions initiating the transfers in from the Water and Sewer Funds to the General Fund as a loan repayment; thus reducing the amount owed to the General Fund.

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, 2012. 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 May 1, 2013. 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 11 to the financial statements, *City of Mascotte, Florida* changed accounting policies related to other post employment benefits by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 45. 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.

The financial statement disclosures are neutral, consistent and clear.

*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 June 10, 2013.

### *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*

June 10, 2013