

CITY OF MASCOTTE, FLORIDA

FINANCIAL REPORT

For The Year Ended September 30, 2013

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, December 17, 2013

MAYOR

Tony Rosado

CITY COUNCIL

Brenda Basher, Mayor Pro-Tem

Alberto Dominguez, Council Member

Steven Sheffield, 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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Mascotte's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 City of Mascotte, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and other postemployment benefits disclosures on page 3 through 12, 59 through 65, and 54 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *City of Mascotte's* basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2013 on our consideration of *City of Mascotte's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *City of Mascotte's* internal control over financial reporting and compliance.

McDiernit Davis & Company, LLC

Orlando, FL
December 17, 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, 2013. 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 \$10,327,174 (net position). Of this amount, \$1,666,114 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$714,816.
- As of the close of the current fiscal year, the *City of Mascotte's* governmental funds reported combined ending fund balances of \$2,073,309, a decrease of \$71,292 in comparison with the prior year. Approximately 49% of this total amount, \$1,008,962, 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 \$1,008,962, or 42% 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 Position* and a *Statement of Activities*

The *Statement of Net Position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 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 59-65.

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 - 53 of this report.

Required Supplementary Information (RSI) - RSI can be found on page 54 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 55 - 65 of this report.

Government-Wide Financial Analysis

Statement of Net Position - As noted earlier, net position 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 \$10,327,174 at the close of the most recent fiscal year. The following table reflects the condensed statement of net position for the current and prior year. For more detail see the Statement of Net Position on page 13.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

City of Mascotte
Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and other assets	\$ 2,193,806	\$ 2,259,502	\$ 1,090,581	\$ 313,574	\$ 3,284,387	\$ 2,573,076
Capital Assets	4,734,718	4,931,120	6,378,483	6,624,853	11,113,201	11,555,973
Total Assets	<u>6,928,524</u>	<u>7,190,622</u>	<u>7,469,064</u>	<u>6,938,427</u>	<u>14,397,588</u>	<u>14,129,049</u>
Liabilities:						
Long term liabilities	1,346,605	1,485,612	2,101,048	2,446,665	3,447,653	3,932,277
Other liabilities	123,790	116,229	498,971	468,185	622,761	584,414
Total Liabilities	<u>1,470,395</u>	<u>1,601,841</u>	<u>2,600,019</u>	<u>2,914,850</u>	<u>4,070,414</u>	<u>4,516,691</u>
Net Position:						
Net investment in capital assets	3,565,870	3,582,811	4,301,577	4,199,459	7,867,447	7,782,270
Restricted	793,613	927,208	-	-	793,613	927,208
Unrestricted	1,098,646	1,078,762	567,468	(175,882)	1,666,114	902,880
Total Net Position	<u>\$ 5,458,129</u>	<u>\$ 5,588,781</u>	<u>\$ 4,869,045</u>	<u>\$ 4,023,577</u>	<u>\$ 10,327,174</u>	<u>\$ 9,612,358</u>

\$7,867,447 (76%) of the City's net position 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 position that are subject to external restrictions as to how they may be used total \$793,613 (8%). The remaining balance of *unrestricted net position* (\$1,666,114 or 16%) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$714,816 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 Position

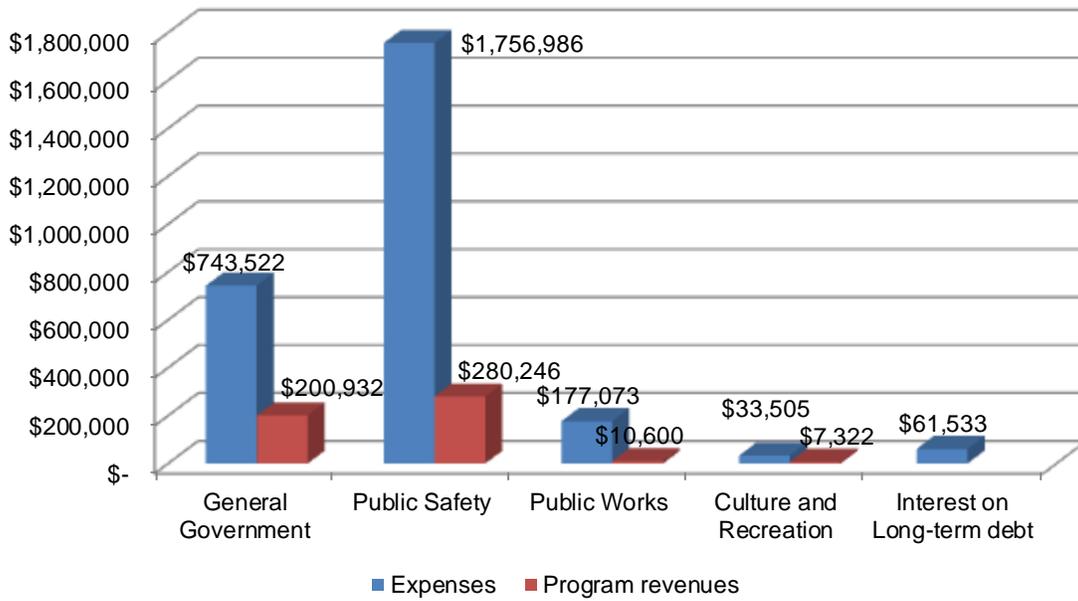
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues -						
Charges for services	\$ 402,126	\$ 333,286	\$ 1,732,768	\$ 1,723,838	\$ 2,134,894	\$ 2,057,124
Operating grants and Contributions	94,800	137,899	46,906	-	141,706	137,899
Capital grants and Contributions	2,174	98,822	-	-	2,174	98,822
General revenues -						
Property taxes	868,779	1,059,684	-	-	868,779	1,059,684
Franchise and utility Taxes	427,427	422,424	-	-	427,427	422,424
Intergovernmental	1,032,507	776,557	-	-	1,032,507	776,557
Investment income and miscellaneous	104,791	69,519	5,551	2,562	110,342	72,081
Gain on sale of asset	-	-	-	7,000	-	7,000
Total revenues	<u>2,932,604</u>	<u>2,898,191</u>	<u>1,785,225</u>	<u>1,733,400</u>	<u>4,717,829</u>	<u>4,631,591</u>
Expenses:						
General government	743,522	804,254	-	-	743,522	804,254
Public safety	1,756,986	1,772,261	-	-	1,756,986	1,772,261
Public works	177,073	211,197	-	-	177,073	211,197
Culture and recreation	33,505	31,157	-	-	33,505	31,157
Interest on long-term debt	61,533	70,727	-	-	61,533	70,727
Water	-	-	765,811	786,039	765,811	786,039
Sanitation	-	-	342,268	336,083	342,268	336,083
Stormwater	-	-	122,315	107,986	122,315	107,986
Total expenses	<u>2,772,619</u>	<u>2,889,596</u>	<u>1,230,394</u>	<u>1,230,108</u>	<u>4,003,013</u>	<u>4,119,704</u>
Increase (Decrease) in Net Position Before Transfers	159,985	8,595	554,831	503,292	714,816	511,887
Transfers	(290,637)	183,500	290,637	(183,500)	-	-
Increase (Decrease) in Net Position	(130,652)	192,095	845,468	319,792	714,816	511,887
Net Position - Beginning	<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>
Net Position - Ending	<u>\$ 5,458,129</u>	<u>\$ 5,588,781</u>	<u>\$ 4,869,045</u>	<u>\$ 4,023,577</u>	<u>\$ 10,327,174</u>	<u>\$ 9,612,358</u>

Governmental Activities - Governmental activities decreased the *City of Mascotte's* net position by \$130,652. This was due to an increase transfers out to the enterprise funds for debt service payments.

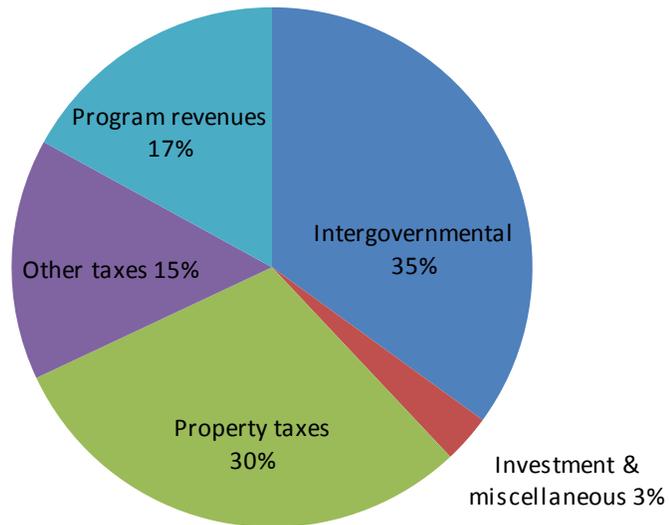
Business-Type Activities - Business-type activities increased the *City of Mascotte's* net position by \$845,468 primarily due to an operating grant and transfers in for debt service payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Expenses and Program Revenues - Governmental Activities

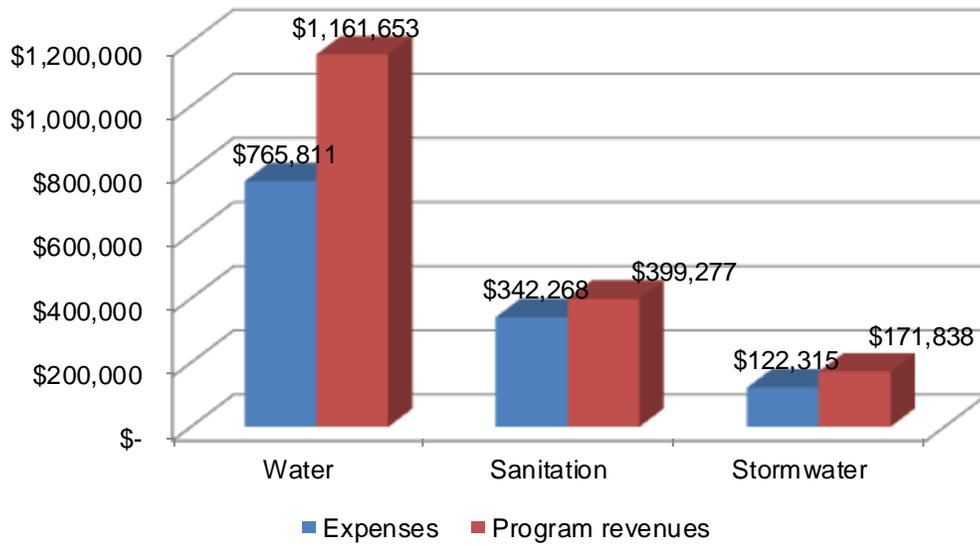


Revenue by Source - Governmental Activities

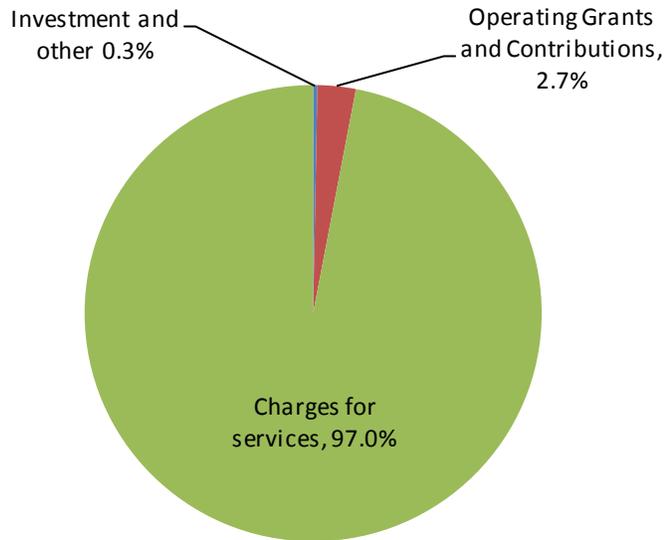


MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 \$2,073,309, a decrease of \$71,292 in comparison with the prior year. Approximately 49% or \$1,008,962 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 \$1,008,962, while total fund balance was \$1,279,696. 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 42% and 53% respectively, of total General Fund expenditures.

The fund balance of the general fund increased by \$62,303 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 position of the proprietary funds at the year-end amounted to \$567,468. The total increase in net position for these funds was \$845,468. 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 \$288,237 more than budgeted revenues and actual expenditures were \$181,916 less than budgeted expenditures. There were no differences between original and final budgets.

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, 2013, amounts to \$11,113,201 (net of accumulated depreciation), for a decrease of \$442,772 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 4% (a 4% decrease for governmental activities, and 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 2,196,579	\$ 2,196,579	\$ 1,680,689	\$ 1,680,689	\$ 3,877,268	\$ 3,877,268
Construction in progress	-	-	750,354	750,354	750,354	750,354
Buildings	1,385,666	1,436,517	-	-	1,385,666	1,436,517
Improvements / infrastructure	784,161	848,468	3,911,043	4,135,430	4,695,204	4,983,898
Machinery and equipment	344,142	400,314	36,397	58,380	380,539	458,694
Intangibles	24,170	49,242	-	-	24,170	49,242
Total	<u>\$ 4,734,718</u>	<u>\$ 4,931,120</u>	<u>\$ 6,378,483</u>	<u>\$ 6,624,853</u>	<u>\$ 11,113,201</u>	<u>\$ 11,555,973</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 \$3,245,754. 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Bonds payable	\$ -	\$ -	\$ 162,000	\$ 174,000	\$ 162,000	\$ 174,000
Notes payable	1,168,848	1,348,309	1,914,906	2,251,394	3,083,754	3,599,703
	<u>\$ 1,168,848</u>	<u>\$ 1,348,309</u>	<u>\$ 2,076,906</u>	<u>\$ 2,425,394</u>	<u>\$ 3,245,754</u>	<u>\$ 3,773,703</u>

The *City of Mascotte*'s total debt decreased by \$527,949 (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 \$1,008,962. None of the unassigned fund balance is budgeted for appropriations in the 2014 budget. The City is expecting to incur enough revenues in 2014 to cover expenditures to mitigate any need to draw on 2013 unassigned fund balance.

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 POSITION

September 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,820,824	\$ 1,101,252	\$ 2,922,076
Receivables, net	194	236,337	236,531
Internal balances	269,415	(269,415)	-
Due from other governments	102,054	-	102,054
Inventories	1,319	22,407	23,726
Capital Assets:			
Capital assets not being depreciated	2,196,579	2,431,043	4,627,622
Capital assets being depreciated, net of accumulated depreciation	2,538,139	3,947,440	6,485,579
Total capital assets	<u>4,734,718</u>	<u>6,378,483</u>	<u>11,113,201</u>
Total assets	<u>6,928,524</u>	<u>7,469,064</u>	<u>14,397,588</u>
LIABILITIES:			
Accounts payable and accrued expenses	100,327	62,362	162,689
Accrued interest	10,101	10,983	21,084
Deposits payable	13,362	172,626	185,988
Unearned revenue	-	253,000	253,000
Noncurrent liabilities:			
Due within one year	146,473	397,855	544,328
Due in more than one year	1,200,132	1,703,193	2,903,325
Total liabilities	<u>1,470,395</u>	<u>2,600,019</u>	<u>4,070,414</u>
NET POSITION:			
Net investment in capital assets	3,565,870	4,301,577	7,867,447
Restricted for:			
Infrastructure	453,244	-	453,244
Community redevelopment	45,842	-	45,842
Public safety	136,948	-	136,948
Physical environment	146,256	-	146,256
Culture and recreation	11,323	-	11,323
Unrestricted	1,098,646	567,468	1,666,114
Total net position	<u>\$ 5,458,129</u>	<u>\$ 4,869,045</u>	<u>\$ 10,327,174</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, 2013

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
General Government	\$ 743,522	\$ 116,119	\$ 84,813	\$ -	\$ (542,590)	\$ -	\$ (542,590)
Public Safety	1,756,986	268,085	9,987	2,174	(1,476,740)	-	(1,476,740)
Public Works	177,073	10,600	-	-	(166,473)	-	(166,473)
Culture and Recreation	33,505	7,322	-	-	(26,183)	-	(26,183)
Interest on Long-term debt	61,533	-	-	-	(61,533)	-	(61,533)
Total governmental activities	<u>2,772,619</u>	<u>402,126</u>	<u>94,800</u>	<u>2,174</u>	<u>(2,273,519)</u>	<u>-</u>	<u>(2,273,519)</u>
Business-type activities:							
Water	765,811	1,161,653	46,906	-	-	442,748	442,748
Sanitation	342,268	399,277	-	-	-	57,009	57,009
Stormwater	122,315	171,838	-	-	-	49,523	49,523
Total business-type activities	<u>1,230,394</u>	<u>1,732,768</u>	<u>46,906</u>	<u>-</u>	<u>-</u>	<u>549,280</u>	<u>549,280</u>
Total primary government	<u>\$ 4,003,013</u>	<u>\$ 2,134,894</u>	<u>\$ 141,706</u>	<u>\$ 2,174</u>	<u>(2,273,519)</u>	<u>549,280</u>	<u>(1,724,239)</u>
General revenues:							
Property taxes					868,779	-	868,779
Franchise and utility taxes					427,427	-	427,427
Intergovernmental					1,032,507	-	1,032,507
Unrestricted investment earnings					13,890	5,551	19,441
Miscellaneous					90,901	-	90,901
Transfers					(290,637)	290,637	-
Total general revenues and transfers					<u>2,142,867</u>	<u>296,188</u>	<u>2,439,055</u>
Change in net position					(130,652)	845,468	714,816
Net position - beginning					5,588,781	4,023,577	9,612,358
Net position - ending					<u>\$ 5,458,129</u>	<u>\$ 4,869,045</u>	<u>\$ 10,327,174</u>

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

CITY OF MASCOTTE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2013

	General Fund	Infrastructure Special Revenue Fund	Community Redevelopment Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 1,056,491	\$ 423,964	\$ 45,842	\$ 294,527	\$ 1,820,824
Due from other governments	72,774	29,280	-	-	102,054
Other receivables	194	-	-	-	194
Inventories	1,319	-	-	-	1,319
Advances to other funds	269,415	-	-	-	269,415
Total assets	<u>\$ 1,400,193</u>	<u>\$ 453,244</u>	<u>\$ 45,842</u>	<u>\$ 294,527</u>	<u>\$ 2,193,806</u>
LIABILITIES:					
Accounts payable	\$ 39,190	\$ -	\$ -	\$ -	\$ 39,190
Deposits payable	13,362	-	-	-	13,362
Other accrued expenses	61,137	-	-	-	61,137
Total liabilities	<u>113,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,689</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - project reimbursement	6,808	-	-	-	6,808
Total deferred inflows of resources	<u>6,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,808</u>
FUND BALANCES:					
Nonspendable	270,734	-	-	-	270,734
Restricted	-	453,244	45,842	294,527	793,613
Unassigned	1,008,962	-	-	-	1,008,962
Total fund balances	<u>1,279,696</u>	<u>453,244</u>	<u>45,842</u>	<u>294,527</u>	<u>2,073,309</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,400,193</u>	<u>\$ 453,244</u>	<u>\$ 45,842</u>	<u>\$ 294,527</u>	<u>\$ 2,193,806</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 POSITION**

September 30, 2013

Total fund balance, governmental funds	\$ 2,073,309
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.	4,734,718
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	6,808
Accrued interest payable is not due in the current period and therefore is not reported in the funds.	(10,101)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(1,346,605)</u>
Net position of governmental activities in the Statement of Net Position	<u><u>\$ 5,458,129</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, 2013

	General Fund	Infrastructure Special Revenue Fund	Community Redevelopment Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 868,779	\$ -	\$ -	\$ -	\$ 868,779
Franchise and utility	427,427	-	-	-	427,427
Fees and fines	10,067	-	-	1,266	11,333
Impact fees/special assessments	-	-	-	41,851	41,851
Licenses and permits	94,702	-	-	-	94,702
Intergovernmental	713,778	408,895	-	-	1,122,673
Charges for services	265,038	-	-	-	265,038
Investment earnings	7,956	3,715	318	1,901	13,890
Miscellaneous	90,090	-	-	811	90,901
Total revenues	<u>2,477,837</u>	<u>412,610</u>	<u>318</u>	<u>45,829</u>	<u>2,936,594</u>
EXPENDITURES:					
Current:					
General government	584,123	31,896	175	-	616,194
Public safety	1,672,601	20,171	-	2,987	1,695,759
Public works	139,122	-	-	3,467	142,589
Culture and recreation	19,688	-	-	-	19,688
Debt service:					
Principal	-	179,461	-	-	179,461
Interest and other charges	-	63,558	-	-	63,558
Total expenditures	<u>2,415,534</u>	<u>295,086</u>	<u>175</u>	<u>6,454</u>	<u>2,717,249</u>
Excess of revenues over expenditures	<u>62,303</u>	<u>117,524</u>	<u>143</u>	<u>39,375</u>	<u>219,345</u>
OTHER FINANCING USES:					
Transfers out	-	(290,637)	-	-	(290,637)
Total other financing uses	<u>-</u>	<u>(290,637)</u>	<u>-</u>	<u>-</u>	<u>(290,637)</u>
Net change in fund balances	62,303	(173,113)	143	39,375	(71,292)
Fund balances - beginning	1,217,393	626,357	45,699	255,152	2,144,601
Fund balances - ending	<u>\$ 1,279,696</u>	<u>\$ 453,244</u>	<u>\$ 45,842</u>	<u>\$ 294,527</u>	<u>\$ 2,073,309</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, 2013

Net change in fund balances - total governmental funds:	\$ (71,292)
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.	(196,402)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,808
Assessment revenue reported in the funds must be eliminated from the statement of activities since revenue was recognized in a prior year.	(10,798)
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.	179,461
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.	<u>(38,429)</u>
Change in net position of governmental activities	<u>\$ (130,652)</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 BALANCE -
BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property Taxes	\$ 890,600	\$ 890,600	\$ 868,779	\$ (21,821)
Franchise and utility	420,950	420,950	427,427	6,477
Fees and fines	35,950	35,950	10,067	(25,883)
Licenses and permits	27,700	27,700	94,702	67,002
Intergovernmental	453,300	453,300	713,778	260,478
Charges for services	310,750	310,750	265,038	(45,712)
Investment earnings	5,000	5,000	7,956	2,956
Miscellaneous	45,350	45,350	90,090	44,740
Total revenues	<u>2,189,600</u>	<u>2,189,600</u>	<u>2,477,837</u>	<u>288,237</u>
EXPENDITURES:				
Current:				
General government	627,400	627,400	584,123	43,277
Public safety	1,790,900	1,790,900	1,672,601	118,299
Public works	158,300	158,300	139,122	19,178
Culture and recreation	20,850	20,850	19,688	1,162
Total expenditures	<u>2,597,450</u>	<u>2,597,450</u>	<u>2,415,534</u>	<u>181,916</u>
Excess (deficiency) of revenues over expenditures	<u>(407,850)</u>	<u>(407,850)</u>	<u>62,303</u>	<u>470,153</u>
OTHER FINANCING SOURCES:				
Transfers in	201,500	201,500	-	(201,500)
Total other financing sources	<u>201,500</u>	<u>201,500</u>	<u>-</u>	<u>(201,500)</u>
Net change in fund balances	(206,350)	(206,350)	62,303	268,653
Fund balance - beginning	1,217,393	1,217,393	1,217,393	-
Fund balance - ending	<u>\$ 1,011,043</u>	<u>\$ 1,011,043</u>	<u>\$ 1,279,696</u>	<u>\$ 268,653</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, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 339,000	\$ 339,000	\$ 408,895	\$ 69,895
Investment earnings	600	600	3,715	3,115
Miscellaneous	500	500	-	(500)
Total revenues	<u>340,100</u>	<u>340,100</u>	<u>412,610</u>	<u>72,510</u>
EXPENDITURES:				
Current:				
General government	-	31,898	31,896	2
Public safety	-	20,171	20,171	-
Debt Service:				
Principal	179,461	438,200	179,461	258,739
Interest and other charges	114,780	130,500	63,558	66,942
Total Expenditures	<u>294,241</u>	<u>620,769</u>	<u>295,086</u>	<u>325,683</u>
Excess (deficiency) of revenues over expenditures	<u>45,859</u>	<u>(280,669)</u>	<u>117,524</u>	<u>398,193</u>
OTHER FINANCING USES:				
Transfers out	-	(125,000)	(290,637)	(165,637)
Total other financing uses	<u>-</u>	<u>(125,000)</u>	<u>(290,637)</u>	<u>(165,637)</u>
Net change in fund balances	45,859	(405,669)	(173,113)	232,556
Fund balance - beginning	626,357	626,357	626,357	-
Fund balance - ending	<u>\$ 672,216</u>	<u>\$ 220,688</u>	<u>\$ 453,244</u>	<u>\$ 232,556</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, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	272	318	46
Total revenues	-	272	318	46
EXPENDITURES:				
Current:				
General government	-	200	175	25
Total Expenditures	-	200	175	25
Excess (deficiency) of revenues over expenditures	-	72	143	71
Net change in fund balances	-	72	143	71
Fund balance - beginning	45,699	45,699	45,699	-
Fund balance - ending	\$ 45,699	\$ 45,771	\$ 45,842	\$ 71

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

CITY OF MASCOTTE, FLORIDA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2013

	Enterprise Funds			
	Water	Sanitation	Stormwater	Total
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 735,642	\$ 199,258	\$ 166,352	\$ 1,101,252
Accounts receivable, net	160,075	52,215	24,047	236,337
Inventories	22,407	-	-	22,407
Total current assets	<u>918,124</u>	<u>251,473</u>	<u>190,399</u>	<u>1,359,996</u>
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	<u>(3,242,082)</u>	<u>(152,172)</u>	<u>(341,606)</u>	<u>(3,735,860)</u>
Total non-current assets	<u>5,474,311</u>	<u>-</u>	<u>904,172</u>	<u>6,378,483</u>
Total assets	<u>6,392,435</u>	<u>251,473</u>	<u>1,094,571</u>	<u>7,738,479</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	17,375	28,026	2,510	47,911
Salaries payable	10,400	707	1,885	12,992
Other accrued expenses	1,459	-	-	1,459
Accrued interest payable	10,983	-	-	10,983
Advances from other funds	269,415	-	-	269,415
Customer deposits payable	172,626	-	-	172,626
Unearned revenue	253,000	-	-	253,000
Compensated absences	1,708	-	295	2,003
Notes and loans payable - current	382,852	-	-	382,852
Bonds payable - current	13,000	-	-	13,000
Total current liabilities	<u>1,132,818</u>	<u>28,733</u>	<u>4,690</u>	<u>1,166,241</u>
Noncurrent liabilities:				
Compensated absences	15,377	-	2,652	18,029
Other post employment benefits	2,910	-	1,200	4,110
Bonds, notes and loans payable	1,681,054	-	-	1,681,054
Total noncurrent liabilities	<u>1,699,341</u>	<u>-</u>	<u>3,852</u>	<u>1,703,193</u>
Total liabilities	<u>2,832,159</u>	<u>28,733</u>	<u>8,542</u>	<u>2,869,434</u>
NET POSITION:				
Net investment in capital assets	3,397,405	-	904,172	4,301,577
Unrestricted	162,871	222,740	181,857	567,468
Total net position	<u>\$ 3,560,276</u>	<u>\$ 222,740</u>	<u>\$ 1,086,029</u>	<u>\$ 4,869,045</u>

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 POSITION - PROPRIETARY FUNDS

For the Year Ended September 30, 2013

	Enterprise Funds			Total
	Water	Sanitation	Stormwater	
REVENUES:				
Charges for services	\$ 1,161,653	\$ 399,277	\$ 171,838	\$ 1,732,768
Total operating revenues	1,161,653	399,277	171,838	1,732,768
OPERATING EXPENSES:				
Salaries and benefits	295,483	20,631	55,456	371,570
Contractual services	54,963	316,085	10,938	381,986
Repairs and maintenance	19,859	638	438	20,935
Other supplies and expenses	94,282	4,914	7,900	107,096
Depreciation	198,787	-	47,583	246,370
Total operating expenses	663,374	342,268	122,315	1,127,957
Operating income	498,279	57,009	49,523	604,811
NONOPERATING REVENUES (EXPENSES):				
Interest and investment income/(expense)	3,404	1,323	824	5,551
Operating grants and contributions	46,906	-	-	46,906
Interest expense	(102,437)	-	-	(102,437)
Total nonoperating revenue (expenses)	(52,127)	1,323	824	(49,980)
Income before transfers	446,152	58,332	50,347	554,831
Transfers in	290,637	-	-	290,637
Change in net position	736,789	58,332	50,347	845,468
Total net position - beginning	2,823,487	164,408	1,035,682	4,023,577
Total net position - ending	\$ 3,560,276	\$ 222,740	\$ 1,086,029	\$ 4,869,045

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, 2013

	<u>Water</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Receipts from customers	\$ 1,172,412	\$ 401,007	\$ 172,524	\$ 1,745,943
Payments to suppliers	(145,014)	(318,916)	(15,990)	(479,920)
Payments to employees	(294,588)	(20,631)	(53,480)	(368,699)
Net cash provided (used) by operating activities	<u>732,810</u>	<u>61,460</u>	<u>103,054</u>	<u>897,324</u>
Cash Flows from Noncapital Financing Activities:				
Net operating transfers in (out)	290,637	-	-	290,637
Operating grants	46,906	-	-	46,906
Decrease in advances from other funds	(121,500)	-	-	(121,500)
Net cash provided by noncapital financing activities	<u>216,043</u>	<u>-</u>	<u>-</u>	<u>216,043</u>
Cash Flows from Capital and Related Financing Activities:				
Principal paid on long-term debt	(348,488)	-	-	(348,488)
Interest paid on long-term debt	(98,640)	-	-	(98,640)
Net cash provided (used) by capital and related financing activities	<u>(447,128)</u>	<u>-</u>	<u>-</u>	<u>(447,128)</u>
Cash Flows from Investing Activities:				
Investment income	3,404	1,323	824	5,551
Net cash provided by investing activities	<u>3,404</u>	<u>1,323</u>	<u>824</u>	<u>5,551</u>
Net Increase in Cash and Cash Equivalents	505,129	62,783	103,878	671,790
Cash and Cash Equivalents - Beginning	230,513	136,475	62,474	429,462
Cash and Cash Equivalents - Ending	<u>\$ 735,642</u>	<u>\$ 199,258</u>	<u>\$ 166,352</u>	<u>\$ 1,101,252</u>

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

	<u>Water</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities				
Operating income	\$ 498,279	\$ 57,009	\$ 49,523	\$ 604,811
Adjustments Not Affecting Cash:				
Depreciation and amortization	198,787	-	47,583	246,370
Change in Assets and Liabilities:				
(Increase) Decrease in accounts receivable	2,434	1,730	686	4,850
(Increase) Decrease in inventory	3,629	-	-	3,629
(Increase) Decrease in prepaids	6,968	-	836	7,804
Increase (Decrease) in accounts payable	13,493	2,721	2,450	18,664
Increase (Decrease) in compensated absences	(486)	-	1,286	800
Increase (Decrease) in OPEB obligation	1,381	-	690	2,071
Increase in customer deposits	8,325	-	-	8,325
Total adjustments	<u>234,531</u>	<u>4,451</u>	<u>53,531</u>	<u>292,513</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 732,810</u>	<u>\$ 61,460</u>	<u>\$ 103,054</u>	<u>\$ 897,324</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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, 2013

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 position and the statement of changes in net position) 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, 2013

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, 2013

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, 2013

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

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance:

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, 2013

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

***D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance
(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, 2013.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

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

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (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 position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

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

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (Continued):

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any item that qualifies for reporting in this category for the year ended September 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental balance sheet. The governmental funds report unavailable revenues from one source: project reimbursement. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

9. Net Position 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 – net position to have been depleted before unrestricted – net position is applied.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

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

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (Continued):

10. Fund Balance Flow Assumptions

Sometime the City will fund outlays for a particular purpose from both restricted and unrestricted resources (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.

11. 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, 2013

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

E. New GASB Statements Implemented:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement classifies all sources of generally accepted accounting principles for state and local governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. The City elected to include all pre-November 30, 1989 FASB pronouncements which are now codified in GASB 62.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides guidance for deferred outflows of resources and, deferred inflows of resources. It further identifies net position as the residual of all elements presented in a statement of financial position. This Statement redefines certain assets and liabilities as “deferred outflows of resources” or “deferred inflows of resources.” It further requires the “Capital asset, net of debt” now be titled “Net investment in capital assets” and that the last line of the statements, previously called “Net assets” now be titled “Net position.”

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement provides additional guidance for the items listed in GASB 63 and includes additional changes in accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement requires that debt issuance costs be expensed in the period the debt was issued. This Statement also requires that taxes and lease revenues received prior to the period to which they relate to be classified as Unavailable Revenue (a deferred inflow). No changes were necessary to previous statements or related disclosures.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

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 Positions

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net positions – governmental activities* as reported in the government-wide statement of net positions. 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	\$ (1,168,848)
Compensated absences	(144,305)
Other post employment benefits	<u>(33,452)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (1,346,605)</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 positions 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 \$(196,402) difference are as follows:

Capital Outlay	\$ 30,968
Depreciation expense	<u>(227,370)</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>\$ (196,402)</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

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 positions. Also, governmental funds report the effect of 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 \$179,461 difference are as follows:

Debt issued or incurred:	
Principal repayment	\$ 179,461
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>179,461</u>
	<u>\$ 179,461</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 \$(38,429) difference are as follows:

Compensated absences	\$ (19,743)
Other post employment benefits	(20,711)
Accrued interest payable	<u>2,025</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>(38,429)</u>
	<u>\$ (38,429)</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

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 over appropriations during the fiscal year ended September 30, 2013. These over expenditures were funded by beginning fund balance.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

Note 4 - Deposits and Investments:

Deposits

At year-end, the carrying amount of the City's deposits was \$2,922,076 and the bank balance was \$2,943,553. 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, 2013

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, 2013, all of the City's bank deposits were in qualified public depositories.

Note 5 - Receivables:

Receivables as of year end for the City's individual major funds and nonmajor 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	\$ 194	\$ 226,676	\$ 53,573	\$ 36,547	\$ 316,990
Less allowance for uncollectible accounts	-	(66,601)	(1,358)	(12,500)	(80,459)
	<u>\$ 194</u>	<u>\$ 160,075</u>	<u>\$ 52,215</u>	<u>\$ 24,047</u>	<u>\$ 236,531</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

Note 6 - Capital Assets:

Capital asset activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,196,579	\$ -	\$ -	\$ 2,196,579
Total capital assets, not being depreciated	<u>2,196,579</u>	<u>-</u>	<u>-</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	2,536,872	30,968	(42,509)	2,525,331
Intangible assets	147,927	-	-	147,927
Total capital assets, being depreciated	<u>7,006,189</u>	<u>30,968</u>	<u>(42,509)</u>	<u>6,994,648</u>
Less accumulated depreciation for:				
Buildings	(655,736)	(50,851)	-	(706,587)
Improvements/Infrastructure	(1,380,669)	(64,307)	-	(1,444,976)
Machinery and equipment	(2,136,558)	(87,140)	42,509	(2,181,189)
Intangible assets	(98,685)	(25,072)	-	(123,757)
Total accumulated depreciation	<u>(4,271,648)</u>	<u>(227,370)</u>	<u>42,509</u>	<u>(4,456,509)</u>
Total capital assets, being depreciated, net	<u>2,734,541</u>	<u>(196,402)</u>	<u>-</u>	<u>2,538,139</u>
Government activities capital assets, net	<u>\$ 4,931,120</u>	<u>\$ (196,402)</u>	<u>\$ -</u>	<u>\$ 4,734,718</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

Note 6 - Capital Assets (Continued):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,680,689	\$ -	\$ -	\$ 1,680,689
Construction in progress	750,354	-	-	750,354
Total capital assets, not being depreciated	<u>2,431,043</u>	<u>-</u>	<u>-</u>	<u>2,431,043</u>
Capital assets, being depreciated:				
Buildings	4,620	-	-	4,620
Improvements/Infrastructure	7,135,543	-	-	7,135,543
Machinery and equipment	509,683	-	-	509,683
Intangible assets	33,455	-	-	33,455
Total capital assets, being depreciated	<u>7,683,301</u>	<u>-</u>	<u>-</u>	<u>7,683,301</u>
Less accumulated depreciation for:				
Buildings	(4,620)	-	-	(4,620)
Improvements/Infrastructure	(3,000,113)	(224,387)	-	(3,224,500)
Machinery and equipment	(451,303)	(21,983)	-	(473,286)
Intangible assets	(33,455)	-	-	(33,455)
Total accumulated depreciation	<u>(3,489,491)</u>	<u>(246,370)</u>	<u>-</u>	<u>(3,735,861)</u>
Total capital assets, being depreciated, net	<u>4,193,810</u>	<u>(246,370)</u>	<u>-</u>	<u>3,947,440</u>
Business-type activities capital assets, net	<u>\$ 6,624,853</u>	<u>\$ (246,370)</u>	<u>\$ -</u>	<u>\$ 6,378,483</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

Note 6 - Capital Assets (Continued):

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 121,915
Public safety	59,561
Transportation/public works	32,077
Culture and recreation	13,817
Total depreciation expense - governmental activities	<u>\$ 227,370</u>
Business-type activities:	
Water	\$ 198,787
Stormwater	47,583
Sanitation	-
Total depreciation expense - business type activities	<u>\$ 246,370</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, 2013</u>
<u>Business-Type Activities</u>				
Water Revenue Bonds	5% (9/1)	9/1/86- 9/1/23	<u>\$ 353,800</u>	<u>\$ 162,000</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 \$20,700 and total pledged revenue was \$700,470.

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

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:

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2014	\$ 13,000	\$ 8,100
2015	13,000	7,450
2016	14,000	6,800
2017	15,000	6,100
2018	16,000	5,350
2019-2023	91,000	14,250
Total	<u>\$ 162,000</u>	<u>\$ 48,050</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

Note 7 - Long-Term Debt (Continued):

Notes Payable - Business-type Activities

At September 30, 2013 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; 2013 pledged revenue was \$408,895. Interest paid in 2013 was \$10,482.	\$ 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, 2013 pledged revenue was \$318. Principal and interest paid in 2013 was \$319,883.	1,074,667
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. 2013 pledged revenue was \$679,770. Principal and interest applied to note in 2013 was \$67,215 which included \$46,906 of principal and interest paid from an operating grant.	300,835
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. 2013 pledged revenue was \$679,770. Principal and interest paid in 2013 was \$28,848.	84,445
	<u>\$ 1,914,906</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

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>
2014	\$ 382,852	\$ 69,657
2015	386,609	52,911
2016	390,478	36,051
2017	367,385	19,241
2018	151,808	7,847
2019-2023	74,323	27,222
2024-2028	84,905	16,640
2029-2032	76,546	4,690
Total	<u>\$ 1,914,906</u>	<u>\$ 234,259</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, 2013

Note 7 - Long-Term Debt (Continued):

Notes Payable - Governmental Activities

Summarized below are the City's notes outstanding at September 30, 2013:

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 \$42,893.	\$ 296,292
Note payable to a bank in semiannual installments of \$41,667 including interest at 4.87% due quarterly. Secured by infrastructure sales surtax; 2013 pledged revenue was \$408,895. Principal and interest paid in 2013 was \$125,529.	791,667
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. 2013 pledged revenue was \$318. Principal and interest paid in 2013 was \$24,153.	80,889
	<u>\$ 1,168,848</u>

Debt service requirements for the above notes are as follows:

Year Ending September 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 132,043	\$ 55,290
2015	133,484	48,753
2016	134,965	42,254
2017	136,580	35,463
2018	121,914	29,075
2019-2023	<u>509,862</u>	<u>58,042</u>
Total	<u>\$ 1,168,848</u>	<u>\$ 268,877</u>

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

Note 7 - Long-Term Debt (Continued):

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable	\$ 1,348,309	\$ -	\$ (179,461)	\$ 1,168,848	\$ 132,043
Compensated Absences	124,562	19,743	-	144,305	14,430
Other post employment benefits	12,741	20,711	-	33,452	-
Governmental activity long-term liabilities	<u>\$ 1,485,612</u>	<u>\$ 40,454</u>	<u>\$ (179,461)</u>	<u>\$ 1,346,605</u>	<u>\$ 146,473</u>
Business-Type Activities					
Bonds payable - Revenue Bonds	\$ 174,000	\$ -	\$ (12,000)	\$ 162,000	\$ 13,000
Notes payable - Capital Improvement revenue note	454,959	-	-	454,959	85,394
SRF Loans	463,435	-	(78,155)	385,280	39,123
Line of credit	1,333,000	-	(258,333)	1,074,667	258,335
Total notes payable depreciated	<u>2,251,394</u>	<u>-</u>	<u>(336,488)</u>	<u>1,914,906</u>	<u>382,852</u>
Compensated absences	19,232	800	-	20,032	2,003
Other post employment benefits	2,039	2,071	-	4,110	-
Business-type activity long-term liabilities	<u>\$ 2,446,665</u>	<u>\$ 2,871</u>	<u>\$ (348,488)</u>	<u>\$ 2,101,048</u>	<u>\$ 397,855</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

Note 8 - Interfund Receivables, Payables and Transfers:

The General Fund advanced \$269,415 to the Water Fund for working capital loans that the General Fund expects to collect in future years.

The Infrastructure Special Revenue Fund transferred \$290,637 to the Water Fund for debt service payments. 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, 2013

Note 9 - Retirement Plans (Continued):

During the year ended September 30, 2013, the City's total payroll was \$1,653,000. The City contributed \$58,650 to the plan for the year ended September 30, 2013. Of this total, \$15,903 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 accordance with Florida Statutes Section 112.0801, the City makes continued group health insurance through the City's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. 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.

As of October 1, 2012, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$119,678.

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

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

The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2013 is as follows:

Annual Required Contribution	\$ 32,497
Interest on Net OPEB Obligation	665
Adjustment to annual required contribution	<u>(906)</u>
Annual OPEB Cost	32,256
Estimated Net Contributions Made	<u>(9,474)</u>
Increase in Net OPEB Obligation	22,782
Net OPEB Obligation (beginning of year)	<u>14,780</u>
Net OPEB Obligation (end of year)	<u><u>\$ 37,562</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%	14,780
9/30/2013	32,256	29.40%	37,562

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, presented as required supplementary information following the notes to the financial statements, 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

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

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.

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: 8.5% in fiscal 2013; trending to 4.5% in fiscal 2017. Post-Medicare: 8.5% in fiscal 2013, 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, 2013. 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.

CITY OF MASCOTTE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2013

Note 12 - Commitments and Contingencies - (Continued):

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

Note 13 - Fund Balance:

At September 30, 2013, the City's governmental fund balances were as follows:

	General Fund	Infrastructure Special Revenue Fund	Community Redevelopment Special Revenue Fund	Other Governmental Funds	Total
Fund Balances					
Nonspendable					
Inventory	\$ 1,319	\$ -	\$ -	\$ -	\$ 1,319
Advances	269,415	-	-	-	269,415
Spendable					
Restricted for:					
Public safety	-	-	-	136,948	136,948
Culture and recreation	-	-	-	11,323	11,323
Physical environment	-	-	-	146,256	146,256
Infrastructure	-	453,244	-	-	453,244
Community redevelopment	-	-	45,842	-	45,842
Unassigned	1,008,962	-	-	-	1,008,962
	<u>\$ 1,279,696</u>	<u>\$ 453,244</u>	<u>\$ 45,842</u>	<u>\$ 294,527</u>	<u>\$ 2,073,309</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, 2013

Retiree Continuation Insurance Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) EAN (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
10/1/2011**	\$ -	\$ 79,412	\$ 79,412	0%	\$ 1,355,359	5.9%
10/1/2012	\$ -	\$ 119,678	\$ 119,678	0%	\$ 1,371,254	8.7%

**initial valuation date

Schedule of Contributions from Employers and Other Contributing Entities

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
9/30/2012	\$ 21,329	30.7%	\$ 14,780
9/30/2013	\$ 32,257	29.4%	\$ 37,563

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MASCOTTE, FLORIDA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

September 30, 2013

	<u>Police Education</u>	<u>Police Forfeitures</u>	<u>Police Automation</u>
ASSETS:			
Cash and cash equivalents	\$ 37,768	\$ 1,171	\$ 53,539
Total assets	<u>\$ 37,768</u>	<u>\$ 1,171</u>	<u>\$ 53,539</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted	<u>37,768</u>	<u>1,171</u>	<u>53,539</u>
Total fund balances	<u>37,768</u>	<u>1,171</u>	<u>53,539</u>
Total liabilities and fund balances	<u>\$ 37,768</u>	<u>\$ 1,171</u>	<u>\$ 53,539</u>

Police Impact	Fire Impact	Parks and Recreation Impact	Road Impact	Total Other Governmental Funds
\$ 22,645	\$ 21,825	\$ 11,323	\$ 146,256	\$ 294,527
<u>\$ 22,645</u>	<u>\$ 21,825</u>	<u>\$ 11,323</u>	<u>\$ 146,256</u>	<u>\$ 294,527</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
22,645	21,825	11,323	146,256	294,527
<u>22,645</u>	<u>21,825</u>	<u>11,323</u>	<u>146,256</u>	<u>294,527</u>
<u>\$ 22,645</u>	<u>\$ 21,825</u>	<u>\$ 11,323</u>	<u>\$ 146,256</u>	<u>\$ 294,527</u>

CITY OF MASCOTTE, FLORIDA

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

For the Year Ended September 30, 2013

	<u>Police</u> <u>Education</u>	<u>Police</u> <u>Forfeitures</u>	<u>Police</u> <u>Automation</u>
REVENUES			
Fees and fines	\$ 1,266	\$ -	\$ -
Impact fees/special assessments	-	-	-
Investment earnings	258	16	369
Miscellaneous	-	811	-
Total revenues	<u>1,524</u>	<u>827</u>	<u>369</u>
EXPENDITURES			
Current:			
Public safety	569	2,418	-
Public works	-	-	-
Total expenditures	<u>569</u>	<u>2,418</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>955</u>	<u>(1,591)</u>	<u>369</u>
Net change in fund balances	955	(1,591)	369
Fund balances - beginning	36,813	2,762	53,170
Fund balances - ending	<u>\$ 37,768</u>	<u>\$ 1,171</u>	<u>\$ 53,539</u>

Police Impact	Fire Impact	Parks and Recreation Impact	Road Impact	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,266
12,784	11,145	7,322	10,600	41,851
109	111	54	984	1,901
-	-	-	-	811
<u>12,893</u>	<u>11,256</u>	<u>7,376</u>	<u>11,584</u>	<u>45,829</u>
-	-	-	-	2,987
-	-	-	3,467	3,467
-	-	-	3,467	6,454
<u>12,893</u>	<u>11,256</u>	<u>7,376</u>	<u>8,117</u>	<u>39,375</u>
12,893	11,256	7,376	8,117	39,375
9,752	10,569	3,947	138,139	255,152
<u>\$ 22,645</u>	<u>\$ 21,825</u>	<u>\$ 11,323</u>	<u>\$ 146,256</u>	<u>\$ 294,527</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Fees and fines	\$ 1,200	\$ 1,200	\$ 1,266	\$ 66
Investment earnings	4,800	4,800	258	(4,542)
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>1,524</u>	<u>(4,476)</u>
EXPENDITURES:				
Current:				
Public safety	<u>6,000</u>	<u>6,000</u>	<u>569</u>	<u>5,431</u>
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>569</u>	<u>5,431</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>955</u>	<u>955</u>
Net change in fund balance	-	-	955	955
Fund balance - beginning	<u>36,813</u>	<u>36,813</u>	<u>36,813</u>	<u>-</u>
Fund balance - ending	<u>\$ 36,813</u>	<u>\$ 36,813</u>	<u>\$ 37,768</u>	<u>\$ 955</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, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Fees and fines	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	16	16
Miscellaneous	-	-	811	811
Total revenues	-	-	827	827
EXPENDITURES:				
Current:				
Public safety	-	-	2,418	(2,418)
Total expenditures	-	-	2,418	(2,418)
Excess (deficiency) of revenues over expenditures	-	-	(1,591)	(1,591)
Net change in fund balance	-	-	(1,591)	(1,591)
Fund balance - beginning	2,762	2,762	2,762	-
Fund balance - ending	\$ 2,762	\$ 2,762	\$ 1,171	\$ (1,591)

CITY OF MASCOTTE, FLORIDA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
POLICE AUTOMATION**

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Fees and fines	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	369	369
Total revenues	-	-	369	369
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	369	369
Net change in fund balance	-	-	369	369
Fund balance - beginning	53,170	53,170	53,170	-
Fund balance - ending	\$ 53,170	\$ 53,170	\$ 53,539	\$ 369

CITY OF MASCOTTE, FLORIDA

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Impact fees/special assessments	\$ -	\$ -	\$ 12,784	\$ 12,784
Investment earnings	-	-	109	109
Total revenues	-	-	12,893	12,893
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	12,893	12,893
Net change in fund balance	-	-	12,893	12,893
Fund balance - beginning	7,956	7,956	9,752	(1,796)
Fund balance - ending	\$ 7,956	\$ 7,956	\$ 22,645	\$ 11,097

CITY OF MASCOTTE, FLORIDA

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

For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Impact fees/special assessments	\$ -	\$ -	\$ 11,145	\$ 11,145
Investment earnings	-	-	111	111
Total revenues	-	-	11,256	11,256
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	11,256	11,256
Net change in fund balance	-	-	11,256	11,256
Fund balance - beginning	10,569	10,569	10,569	-
Fund balance - ending	\$ 10,569	\$ 10,569	\$ 21,825	\$ 11,256

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Impact fees/special assessments	\$ -	\$ -	\$ 7,322	\$ 7,322
Investment earnings	-	-	54	54
Total revenues	<u>-</u>	<u>-</u>	<u>7,376</u>	<u>7,376</u>
EXPENDITURES:				
Current:				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>7,376</u>	<u>7,376</u>
Net change in fund balance	-	-	7,376	7,376
Fund balance - beginning	<u>3,947</u>	<u>3,947</u>	<u>3,947</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,947</u>	<u>\$ 3,947</u>	<u>\$ 11,323</u>	<u>\$ 7,376</u>

CITY OF MASCOTTE, FLORIDA

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Impact fees/special assessments	\$ -	\$ -	\$ 10,600	\$ 10,600
Investment earnings	-	-	984	984
Total revenues	-	-	11,584	11,584
EXPENDITURES:				
Current:				
Public works	-	-	3,467	(3,467)
Total expenditures	-	-	3,467	(3,467)
Excess (deficiency) of revenues over expenditures	-	-	8,117	8,117
Net change in fund balance	-	-	8,117	8,117
Fund balance - beginning	138,139	138,139	138,139	-
Fund balance - ending	\$ 138,139	\$ 138,139	\$ 146,256	\$ 8,117

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, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the *City of Mascotte, Florida's* internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *city of Mascotte's* internal control. 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDiernit Davis & Company, LLC

December 17, 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, 2013, and have issued our report thereon dated December 17, 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 December 17, 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. There were no such findings in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the *City of Mascotte, Florida* complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. 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, 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)6.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)6.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, 2013, 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, 2013. We determined that these two reports are in agreement.
- Pursuant to Sections 10.554(1)(i)6.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

December 17, 2013

Honorable Mayor and City Council
City of Mascotte, Florida

We have audited the financial statements of *City of Mascotte* as of and for the year ended September 30, 2013, and have issued our report thereon dated December 17, 2013. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 8, 2013, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of *City of Mascotte* solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated December 17, 2013.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Mascotte is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, during the year, *City of Mascotte* changed accounting policies related to the adoption of Statement of Governmental Accounting Standards (GASB Statement) No. 62, 63, and 65. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate for the allowance for doubtful accounts 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 estimation 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.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting City of Mascotte's financial statements relate to revenue recognition as described in Note 1.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe 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 matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to City of Mascotte's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated December 17, 2013.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Mascotte , we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Mascotte's auditors

This report 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

December 17, 2013