

TOWN OF MCINTOSH, FLORIDA

Annual Financial Report

For the Fiscal Year Ended September 30, 2012

TOWN OF MCINTOSH, FLORIDA

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For the Fiscal Year Ended September 30, 2012

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## INTRODUCTORY SECTION

TOWN OF MCINTOSH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2012

MAYOR

Cary McCollum

PRESIDENT

Frank Ciotti

VICE PRESIDENT

Eva Jo Callahan

COUNCIL MEMBERS

Marshall Roddy

Willie Hamilton

Thurman Kingsley

FINANCIAL SECTION



**Powell & Jones**  
Certified Public Accountants

Richard C. Powell, Jr., CPA  
Marian Jones Powell, CPA

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The Honorable Mayor  
and Members of the Town Council  
Town of McIntosh, Florida

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of McIntosh, Florida, (Town) as of and for the fiscal year ended September 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of McIntosh's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

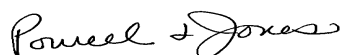
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of McIntosh, Florida as of September 30, 2012, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2012, on our consideration of the Town of McIntosh's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

The budgetary comparison information presented for the General Fund is not a required part of the basic financial statements of the Town of McIntosh, Florida, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



POWELL & JONES  
Certified Public Accountants  
November 20, 2012

TOWN OF MCINTOSH, FLORIDA  
Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the Town of McIntosh (Town) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

#### Report Layout

The Town has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as governmental activities. Governmental activities include basic services such as fire control, public works, parks and recreation, human services, community development and general governmental administration. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

#### *Basic Financial Statements*

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the Town owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Also, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of the Town's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus on governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The Town has one major governmental fund which is presented in a separate column. A budgetary comparison is presented for the governmental fund.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.



Town as a Whole

*Government-wide Financial Statements*

A condensed version of the Statement of Net Assets follows:

Net Assets at September 30, 2012 and 2011

	Governmental Activities	
	2012	2011
Assets		
Cash and investments	\$ 480,095	\$ 420,015
Other assets	34,252	17,439
Capital assets	512,329	500,417
Total assets	<u>1,026,676</u>	<u>937,871</u>
Liabilities		
Current liabilities	48,472	35,039
Noncurrent liabilities	91,310	100,838
Total liabilities	<u>139,782</u>	<u>135,877</u>
Net assets		
Invested in capital assets	411,491	390,417
Restricted for streets	426,122	423,322
Restricted for parks and recreation	-	6,050
Unrestricted	49,281	(17,795)
Total net assets	<u>\$ 886,894</u>	<u>\$ 801,994</u>

47% of the Town's net assets reflect its investment in capital assets (land, buildings, infrastructure, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Town also has accumulated net assets of \$426,122 which are restricted for streets or other transportation purposes.

The balance of unrestricted net assets \$49,281 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net assets. The decrease during the year through Governmental Activities net assets is due primarily to increased capital outlay.

The Town's net assets increased \$84,900 over the year.

A condensed version of the Statement of Activities follows:

Change in Net Assets  
For the Fiscal Years Ended September 30, 2012 and 2011

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues		
Charges for services	\$ 93,001	\$ 88,554
Operating grants and contributions	43,950	-
General revenues		
Taxes	238,962	243,134
Licenses and permits	715	1,369
State shared revenues	40,412	38,762
Interest	5,715	5,816
Rents	20,760	20,536
Other miscellaneous revenue	3,175	2,479
Total revenues	<u>446,690</u>	<u>400,650</u>
Expenses		
General government	126,147	125,665
Public safety	13,951	14,525
Water system	97,830	92,389
Economic environment	43,950	-
Transportation	108,524	110,009
Culture/recreation	1,808	1,484
Interest in long-term debt	4,400	-
Total expenses	<u>396,610</u>	<u>344,072</u>
Change in net assets	50,080	56,578
Prior period adjustment	34,820	-
Beginning net assets	801,994	745,416
Ending net assets	<u>\$ 886,894</u>	<u>\$ 801,994</u>

Governmental activities:

Taxes provide 54% of the revenues for Governmental Activities, while charges for services provide 21%. Most of the Governmental Activities resources are spent for General Government (32%), and Transportation (28%).

Budgetary Highlights

The Town operated within its budgetary limits during the current year. The increase in net assets of \$84,900 was primarily attributable to budgetary management during the year.

Capital Assets

At September 30, 2012, the Town had \$512,329 invested in capital assets, including the water system, park and recreation facilities, buildings, and streets.

Capital Assets at September 30, 2012 and 2011

	Governmental Activities	
	2012	2011
Land	\$ 235,223	\$ 235,223
Buildings and improvements	517,322	509,120
Water plant	554,959	554,959
Equipment	145,166	102,705
Street paving	38,415	38,415
Subtotal	1,491,085	1,440,422
Accumulated depreciation	(978,756)	(940,005)
Capital assets, net	\$ 512,329	\$ 500,417

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The estimated population for the Town in 2012 was 452 and is estimated to be approximately the same in 2013.

Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, other interested parties, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability.

If you have questions about the report or need additional financial information, please contact the Town Manager/Clerk at P.O. Box 165, McIntosh, Florida 32664 or [d.gonano.mcintosh@windstream.net](mailto:d.gonano.mcintosh@windstream.net).

## BASIC FINANCIAL STATEMENTS

TOWN OF MCINTOSH, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 156,650
Accounts receivable	8,729
Prepaid expenses	4,367
Due from other governmental units	21,156
Investments	323,444
Total current assets	<u>514,347</u>
Noncurrent assets	
Capital assets	512,329
Total assets	<u>\$ 1,026,676</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 15,163
Sales tax payable	396
Accrued compensated absences	10,317
Current portion of notes payable	9,528
Deposits	13,068
Total current liabilities	<u>48,472</u>
Noncurrent liabilities	
Note payable	91,310
Total liabilities	<u>139,782</u>
<b>NET ASSETS</b>	
Invested in capital assets	411,491
Unrestricted	49,281
Restricted for streets	426,122
Total net assets	<u>\$ 886,894</u>

TOWN OF MCINTOSH, FLORIDA

STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues, and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 126,147	\$ -	\$ -	\$ (126,147)
Public safety	13,951	-	-	(13,951)
Physical environment	97,830	90,183	-	(7,647)
Economic environment	43,950	-	43,950	-
Transportation	108,524	2,818	-	(105,706)
Culture/recreation	1,808	-	-	(1,808)
Interest on long-term debt	4,400	-	-	(4,400)
	<u>\$ 396,610</u>	<u>\$ 93,001</u>	<u>\$ 43,950</u>	<u>(259,659)</u>
General revenues				
Property taxes				39,213
Sales taxes				137,511
Utility services taxes				36,527
Franchise taxes				25,711
Licenses and permits				715
State shared revenues				40,412
Rent and royalties				20,760
Interest				5,715
Miscellaneous				3,175
Total general revenues				<u>309,739</u>
Changes in net assets				50,080
Prior period adjustment				34,820
Net assets - beginning				801,994
Net assets - ending				<u>\$ 886,894</u>

TOWN OF MCINTOSH, FLORIDA

GOVERNMENTAL FUNDS  
BALANCE SHEET

September 30, 2012

	General Fund	Special Revenue Fund CDBG Program Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 156,650	\$ -	\$ 156,650
Accounts receivable	8,729	-	8,729
Prepaid expenses	4,367	-	4,367
Due from other governmental units	8,856	12,300	21,156
Investments	323,444	-	323,444
<b>Total assets</b>	<b>502,047</b>	<b>12,300</b>	<b>514,347</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current			
Accounts payable	2,863	12,300	15,163
Sales tax payable	396	-	396
Accrued compensated absences	10,317	-	10,317
Deposits	13,068	-	13,068
<b>Total current liabilities</b>	<b>26,644</b>	<b>12,300</b>	<b>38,944</b>
Fund balance			
Unassigned	49,281	-	49,281
Restricted for streets	426,122	-	426,122
<b>Total fund balance</b>	<b>475,403</b>	<b>-</b>	<b>475,403</b>
<b>Total liabilities and fund balance</b>	<b>\$ 502,047</b>	<b>\$ 12,300</b>	<b>514,347</b>
Total fund balances reported above:			\$ 475,403
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			512,329
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			(100,838)
Net assets of governmental activities			<u>\$ 886,894</u>

See notes to financial statements.

TOWN OF MCINTOSH, FLORIDA

GOVERNMENTAL FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 For the Fiscal Year Ended September 30, 2012

	General Fund	Special Revenue Fund CDBG Program Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 238,962	\$ -	\$ 238,962
Licenses and permits	715	-	715
Intergovernmental	40,412	43,950	84,362
Charges for services	93,001	-	93,001
Rents and royalties	20,760	-	20,760
Interest	5,715	-	5,715
Miscellaneous	3,175	-	3,175
Total revenues	<u>402,740</u>	<u>43,950</u>	<u>446,690</u>
<b>EXPENDITURES</b>			
Current expenditures			
General government	98,339	-	98,339
Public safety	13,951	-	13,951
Physical environment	88,199	-	88,199
Economic environment	-	43,950	43,950
Transportation	106,603	-	106,603
Culture/recreation	1,808	-	1,808
Debt service			
General government	13,562	-	13,562
Capital outlay			
General government	11,552	-	11,552
Transportation	4,900	-	4,900
Total expenditures	<u>338,914</u>	<u>43,950</u>	<u>382,864</u>
Net change in fund balance	63,826	-	63,826
Fund balance at beginning of year	411,577	-	411,577
Fund balance at end of year	<u>\$ 475,403</u>	<u>\$ -</u>	<u>\$ 475,403</u>



TOWN OF MCINTOSH, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2012

Net change in fund balance - Total Governmental Funds		\$	63,826
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Expenditures for capital assets	16,452		
Less current year depreciation	<u>(39,360)</u>		(22,908)
Repayment of debt principles are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
Note principal payments			<u>9,162</u>
Change in net assets of governmental activities		\$	<u><u>50,080</u></u>

TOWN OF MCINTOSH, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of McIntosh (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments. As provided by GASB 34, the Town has elected not to report retroactive infrastructure improvements in its financial statements due to the fact that its annual revenues are less than ten million. The Town has implemented all other applicable provisions of this Statement.

A. Reporting Entity - The Town of McIntosh, Florida is a municipal, political subdivision of the State of Florida, created and organized under Chapter 6732 *Laws of Florida*. Accordingly, it is controlled by the Florida Constitution and various Florida Statutes as well as its own local charter, ordinances and policies. It is governed by an elected Mayor and Town Council.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that no component units existed which should be included within the reporting entity.

B. Measurement Focus and Basis of Accounting - The basic financial statements of the Town are comprised of the following:

- Government -wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government -wide Financial Statements

Government -wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include a separate column for the governmental activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

Government -wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 – “Accounting and Financial Reporting for Nonexchange Transactions.”

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government’s citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government -wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government -wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government -wide financial statements. As applicable, the Town also chooses to eliminate the indirect costs between governmental activities to avoid the “doubling up” effect.

Fund Financial Statements

The underlying accounting system of the Town is organized and operated on the basis of a single fund. The operations of this fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Town’s governmental fund are presented after the government -wide financial statements. These statements display information about the major fund.

Governmental Funds - 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town 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. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, 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. All other revenue items are considered to be measurable only when cash is received by the Town.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be measure of "available spendable resources." Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Any non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has only one major fund.

1. Governmental Major Funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund. For the year ended September 30, 2012, the Town utilized the General Fund to record all of its normal financial transactions.

CDBG Program Fund – The CDBG Program Fund has been established by the Town in the current year to administer the financial transactions of its current CDBG grant award.

2. Non-current Governmental Assets/Liabilities:

GASB Statement 34 requires non-current governmental assets, such as land and building, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, be

reported in the governmental activities column in the government-wide statement of net assets.

#### D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments – Cash deposits are held by a bank qualified as a public depository under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, *Florida Statutes*.

Investments consist of amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund and the Fund B. Surplus Funds Trust Fund investment pools created by Sections 218.405 and 218.417, *Florida Statutes*, and those made locally. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund (Pool) to also establish the Fund B Surplus Funds Trust Fund. The local investments operate under the guidelines established by Section 218.415, *Florida Statutes*. The Town's investments in the Pool, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of September 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The Town's investments in the Fund B. Surplus Trust Fund are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.94896811 at September 30, 2012. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of Pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

Investments made locally consist of certificates of deposit and are reported at fair value. Types and amounts of investments held at fiscal year end are described in a subsequent note on investments.

2. Inventories - The costs of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.
3. Fund Equity - As applicable in fiscal periods, reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. At September 30, 2012, the Town had restricted fund balances of \$426,122.
4. Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Town.
5. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded as historical costs. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

6. Capitalization of Interest - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the Town did not have any capitalized interest.
7. Deferred Revenues - Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. During the current period, the Town did not have any deferred revenues.
8. Accrued Compensated Absences - Compensated absences are absences for which employees will be paid vacation and sick leave. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and would represent a reconciling item between the fund and government-wide presentation. At September 30, 2012, the Town had no liability for compensated absences.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

"Total fund balance" of the Town's governmental fund \$475,403 differs from "net assets" of governmental activities \$886,894 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 1,491,085
Accumulated depreciation	<u>(978,756)</u>
Total	<u>\$ 512,329</u>

Long-term debt transactions

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2012 were:

Note payable	<u>\$(100,838)</u>
Total	<u><u>\$(100,838)</u></u>

TOWN OF MCINTOSH, FLORIDA

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

	Total Governmental Fund	Capital Related Items	Long-term Debt Transactions	Statement of Net Assets
<b>ASSETS</b>				
Cash and cash equivalents	\$ 156,650	\$ -	\$ -	\$ 156,650
Accounts receivable	8,729	-	-	8,729
Prepaid expenses	4,367	-	-	4,367
Due from other governmental units	21,156	-	-	21,156
Investments	323,444	-	-	323,444
Capital assets - net	-	512,329	-	512,329
<b>Total assets</b>	<b>\$ 514,347</b>	<b>\$ 512,329</b>	<b>\$ -</b>	<b>\$ 1,026,676</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 15,163	\$ -	\$ -	\$ 15,163
Accrued liabilities	10,713	-	-	10,713
Deposits	13,068	-	-	13,068
Note payable	-	-	100,838	100,838
<b>Total liabilities</b>	<b>38,944</b>	<b>-</b>	<b>100,838</b>	<b>139,782</b>
<b>Fund equity/net assets</b>	<b>475,403</b>	<b>512,329</b>	<b>(100,838)</b>	<b>886,894</b>
<b>Total liabilities and fund equity/net assets</b>	<b>\$ 514,347</b>	<b>\$ 512,329</b>	<b>\$ -</b>	<b>\$ 1,026,676</b>

B. Explanation of Differences Between Governmental Fund Operating Statement and the Statement of Activities

The "net change in fund balances for the governmental fund \$63,826 differs from the "change in net assets" for governmental activities \$50,080 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charges for the year.

Capital outlay	\$ 16,452
Depreciation expense	<u>(39,360)</u>
	<u>\$ (22,908)</u>

Long-term debt transactions

Repayment of debt principles are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Note principal payments	<u>\$ 9,162</u>
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TOWN OF MCINTOSH, FLORIDA

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

B. Explanation of Differences Between Government Fund Operating Statements and the Statement of Activities

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Statement of Activities
<b>REVENUES</b>				
Taxes	\$ 238,962	\$ -	\$ -	\$ 238,962
Licenses and permits	715	-	-	715
Intergovernmental	84,362	-	-	84,362
Charges for services	93,001	-	-	93,001
Rents and royalties	20,760	-	-	20,760
Miscellaneous	3,175	-	-	3,175
Interest	5,715	-	-	5,715
Total revenues	<u>446,690</u>	<u>-</u>	<u>-</u>	<u>446,690</u>
<b>EXPENDITURES</b>				
Current expenditures				
General government	98,339	27,808	-	126,147
Public safety	13,951	-	-	13,951
Physical environment	88,199	9,631	-	97,830
Economic environment	43,950	-	-	43,950
Transportation	106,603	1,921	-	108,524
Culture/recreation	1,808	-	-	1,808
Debt service				
General government				
Principal	9,162	-	(9,162)	-
Interest	4,400	-	-	4,400
Capital outlay				
General government	11,552	(11,552)	-	-
Transportation	4,900	(4,900)	-	-
Total expenditures	<u>382,864</u>	<u>22,908</u>	<u>(9,162)</u>	<u>396,610</u>
Net change in fund balance	63,826	(22,908)	9,162	50,080
Prior period adjustment	-	34,820	-	34,820
Fund balance - beginning of year	411,577	500,417	(110,000)	801,994
Fund balance - end of year	<u>\$ 475,403</u>	<u>\$ 512,329</u>	<u>\$ (100,838)</u>	<u>\$ 886,894</u>

NOTE 3. LEGAL COMPLIANCE --BUDGETS

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

1. Prior to September 1, the Town Council develops 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. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted by the Town Council through passage of a resolution.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the Town Council.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council. Individual amendments were not material in relation to the original appropriations which were amended.

NOTE 4. DEPOSITS AND INVESTMENTS

1. Deposits

At September 30, 2012, the carrying amount of the Town's bank deposits was \$219,696. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral provided by qualified public depositories to the State Treasurer pursuant to the Public Depository Security Act of the State of Florida. The Act established a Trust Fund, maintained by the State Treasurer, which is a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a member fails.

2. Investments

As of September 30, 2012, the Town had the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool	39 Day Average	\$ 10,936
Fund B Surplus Funds Trust Fund	4.08 Year Average	9,595
Certificates of Deposit	November 2012, May 2014	302,913
Total investments		<u>\$ 323,444</u>

Interest Rate Risk

- Ø Section 218.415(17), *Florida Statutes*, limits investment maturities to provide sufficient liquidity to pay obligations as they come due.

- Ø The maturity of the State Board of Administration Local Government Investment Pool is based on the weighted average of days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The maturity of the State Board of Administration Fund B Surplus Funds Trust Fund is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of September 30, 2012.

#### Credit Risk

- Ø Section 218.415(17), *Florida Statutes*, limits investments to the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, *Florida Statutes*; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, *Florida Statutes*, and direct obligations to the United States Treasury. The Town's investment policy limits investments to these types of securities.
- Ø As of September 30, 2012, the Town's investment in the Local Government Surplus Funds Trust Fund investment pool is AAAM by Standard & Poors. The Fund B Surplus Trust Fund is unrated.
- Ø The Town's investments in Certificates of Deposit are in a qualified public depository.

#### Custodial Credit Risk

- Ø Section 218.415(18), *Florida Statutes*, requires the Town to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. All Town investments complied with this provision of law.

#### NOTE 5. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2011-2012 fiscal year were levied in October 2011. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Prior Period Adjustment	Ending Balance
<u>Governmental activities:</u>					
Capital assets:					
Land	\$ 235,223	\$ -	\$ -	\$ -	\$ 235,223
Water plant	554,959	-	-	-	554,959
Buildings and improvements	509,120	8,202	-	-	517,322
Street paving	38,415	-	-	-	38,415
Equipment and vehicles	102,705	8,250	(609)	34,820	145,166
Total capital assets	1,440,422	16,452	(609)	34,820	1,491,085
Less accumulated depreciation	(940,005)	(39,360)	609	-	(978,756)
Governmental activities capital assets, net	<u>\$ 500,417</u>	<u>\$ (22,908)</u>	<u>\$ -</u>	<u>\$ 34,820</u>	<u>\$ 512,329</u>

Depreciation expense was charged to functions/programs of the Town, as follows:

Governmental activities:	
General government	\$ 27,808
Physical environment	9,631
Highways and streets	1,921
	<u>\$ 39,360</u>

Based on a comprehensive inventory of fixed assets, the following adjustments, reported as prior period adjustments, were made to increase the fixed assets account balances:

Governmental Capital Assets	
Increase	
Equipment and vehicles	\$ 34,820
Total prior period adjustment	<u>\$ 34,820</u>

NOTE 7. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2012, were as follows:

	Accounts Receivable	Due from Other Governmental Units	Total Receivables
Governmental activities:			
General	<u>\$ 8,520</u>	<u>\$ 21,365</u>	<u>\$ 29,885</u>

Payables

Payables at September 30, 2012, were as follows:

	Vendors	Other Accrued Payables	Total Payables
Governmental activities:			
General	\$ 2,863	\$ 23,781	\$ 26,644
CDBG Program	12,300	-	12,300
	<u>\$ 15,163</u>	<u>\$ 23,781</u>	<u>\$ 38,944</u>

NOTE 8. RETIREMENT PLAN

The Town has adopted a tax sheltered retirement plan. This plan is a qualified defined contribution plan under Section 401(A) of the Internal Revenue Code. The Town makes contributions for eligible employees at 5.75% of earnings. Eligibility extends to all full-time employees. Current contributions for the year ended September 30, 2012, were \$5,750.

Since this is a defined contribution plan, there is no unfunded liability, normal cost, past or prior service cost, nor any current effects on pension costs under ERISA. None of the benefits exceed the total value of the pension fund since this is a defined contribution type plan. The plan is administered by the Town through a contractual agreement with a servicing company.

NOTE 9. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any to be immaterial.

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance coverage for the past three years. There has been no reduction in insurance coverage from the previous year.

NOTE 11. NOTE PAYABLE – WILLIS R. GLASS, JR.

On December 14, 2010, the Town of McIntosh purchased property located at 20952 9<sup>th</sup> Street, McIntosh, Florida from Willis R. Glass, Jr. for \$110,000. The property was financed by the seller at an interest rate of 4%. At September 30, 2012, the principal balance on this loan was \$100,838.

Future payments on this loan are payable in 10 annual installments of \$13,562 with the first installment due on December 1, 2011. Scheduled payments are as follows:

Year	Principal Amount	Interest Amount	Total
2012	\$ 9,528	\$ 4,034	\$ 13,562
2013	9,910	3,652	13,562
2014	10,306	3,256	13,562
2015	10,718	2,844	13,562
2016	11,147	2,415	13,562
Thereafter	49,229	5,019	54,248
	<u>\$ 100,838</u>	<u>\$ 21,220</u>	<u>\$ 122,058</u>

During the current year, \$9,162 was paid in principal on this note reducing the balance from \$110,000 to \$100,838.

NOTE 12. CDBG GRANT

During the current year, the Town was awarded a Community Development Block Grant (CDBG) # 11DB-C5-05-52-02-H04 in the amount of \$600,000 for housing rehabilitation within the Town. \$43,950 has been expended from the grant in the current year, leaving a balance of \$556,050.

NOTE 13. SUBSEQUENT EVENTS

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through November 20, 2012, the date the financial statements were available to be issued.

NOTE 14. FUND BALANCE CLASSIFICATION

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under current practices, the assignment of amounts for specific purposes is approved by the Town Council.

Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MCINTOSH, FLORIDA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes			
Ad valorem taxes	\$ 39,653	\$ 39,213	\$ (440)
Sales and use taxes			
One-cent voted gas tax	13,500	13,977	477
Florida gas tax	122,820	117,474	(5,346)
Utility service taxes			
Electricity	31,500	29,909	(1,591)
Water	3,840	3,931	91
Propane	1,900	2,687	787
Franchise taxes			
Electricity	29,700	25,694	(4,006)
Cable television	48	18	(30)
Communications service tax	6,600	6,059	(541)
Total taxes	<u>249,561</u>	<u>238,962</u>	<u>(10,600)</u>
Licenses and permits	<u>1,620</u>	<u>715</u>	<u>(905)</u>
Intergovernmental			
State shared revenues			
State revenue sharing	16,334	16,414	80
Alcoholic beverage licenses	-	78	78
Half-cent sales tax	22,200	23,920	1,720
Total intergovernmental	<u>38,534</u>	<u>40,412</u>	<u>1,877</u>
Charges for services			
Physical environment			
Water supply system	41,580	47,524	5,944
Garbage and solid waste	42,600	42,659	59
Transportation			
Other charges for services	2,818	2,818	-
Total charges for services	<u>86,998</u>	<u>93,001</u>	<u>6,004</u>
Miscellaneous			
Interest	2,167	5,715	3,548
Rents	15,971	20,760	4,789
Other	1,470	3,175	1,705
Total miscellaneous	<u>19,608</u>	<u>29,650</u>	<u>10,042</u>
Total revenues	<u>396,321</u>	<u>402,740</u>	<u>6,419</u>
<b>EXPENDITURES</b>			

See notes to financial statements.



TOWN OF MCINTOSH, FLORIDA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
General government			
Other general government			
Personnel services			
Salaries	\$ 32,958	\$ 34,861	\$ (1,903)
FICA	2,521	2,623	(102)
Retirement	1,895	1,972	(77)
Insurance	7,580	7,626	(46)
Total personal services	<u>44,954</u>	<u>47,082</u>	<u>(2,129)</u>
Operating expenses			
Professional services	20,700	18,064	2,636
Legal ads	1,350	1,526	(176)
Communications	2,220	1,766	454
Utilities	4,560	2,885	1,675
Insurance	10,460	12,970	(2,510)
Repairs	1,800	2,257	(457)
Municipal codification	1,000	1,229	(229)
Other current charges and obligations	3,443	3,630	(187)
Taxes	1,700	1,263	437
Office supplies	6,970	5,667	1,303
Total operating expenses	<u>54,203</u>	<u>51,257</u>	<u>2,944</u>
Debt service			
Principal	9,162	9,162	-
Interest	4,400	4,400	-
Total debt service	<u>13,562</u>	<u>13,562</u>	<u>-</u>
Capital outlay			
Machinery and equipment	60,427	11,552	48,875
Total capital outlay	<u>60,427</u>	<u>11,552</u>	<u>48,875</u>
Total general government	<u>173,146</u>	<u>123,453</u>	<u>49,690</u>
Public safety			
Fire control			
Operating expenses			
Fire rescue services	13,601	12,618	983
Other current charges and obligations	1,500	1,333	167
Total operating expenses	<u>15,101</u>	<u>13,951</u>	<u>1,150</u>
Total public safety	<u>15,101</u>	<u>13,951</u>	<u>1,150</u>
Physical environment			

See notes to financial statements.

TOWN OF MCINTOSH, FLORIDA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Water system			
Personnel services			
Salaries	\$ 13,208	\$ 14,155	\$ (947)
FICA	1,010	1,063	(53)
Retirement	759	799	(40)
Insurance	2,309	2,323	(14)
Total personal services	<u>17,286</u>	<u>18,340</u>	<u>(1,054)</u>
Operating expenses			
Professional expenses	15,401	13,726	1,675
Utilities	7,020	9,037	(2,017)
Insurance	1,900	1,839	61
Repairs	3,000	1,523	1,477
Supplies	9,000	5,325	
Miscellaneous	3,600	5,070	(1,470)
Total operating expenses	<u>39,921</u>	<u>36,520</u>	<u>(273)</u>
Garbage/solid waste services			
Operating expenses			
Contractual services	<u>35,400</u>	<u>33,338</u>	<u>2,062</u>
Total physical environment	<u>92,607</u>	<u>88,199</u>	<u>733</u>
Transportation			
Roads and streets			
Personnel services			
Salaries	53,332	58,173	(4,841)
FICA	4,079	4,405	(326)
Retirement	2,812	2,979	(167)
Insurance	7,224	7,273	(49)
Total personal services	<u>67,447</u>	<u>72,830</u>	<u>(5,382)</u>
Operating expenses			
Utilities	13,200	13,193	7
Insurance	8,400	1,608	6,792
Repairs and maintenance	9,000	4,661	4,339
Supplies	4,200	7,031	(2,831)
Miscellaneous	6,520	7,280	(760)
Total operating expenses	<u>41,320</u>	<u>33,773</u>	<u>7,545</u>
Capital outlay	<u>2,800</u>	<u>4,900</u>	<u>(2,100)</u>
Total transportation	<u>111,567</u>	<u>111,503</u>	<u>64</u>
Culture/recreation			

See notes to financial statements.

TOWN OF MCINTOSH, FLORIDA

GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Parks and recreation			
Operating expenses			
Other current obligations and expenses	\$ 3,900	\$ 1,808	\$ 2,092
Total culture/recreation	<u>3,900</u>	<u>1,808</u>	<u>2,092</u>
Total expenditures	<u>396,321</u>	<u>338,914</u>	<u>57,408</u>
Net change in fund balance	-	63,826	(63,826)
Fund balance at beginning of year	<u>411,577</u>	<u>411,577</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 411,577</u></u>	<u><u>\$ 475,403</u></u>	<u><u>\$ (63,826)</u></u>

TOWN OF MCINTOSH, FLORIDA

SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2012

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental			
Federal grants			
Small Cities CDBG Program	\$ 200,000	\$ 43,950	\$ (156,050)
Total intergovernmental	<u>200,000</u>	<u>43,950</u>	<u>(156,050)</u>
Total revenues	<u>200,000</u>	<u>43,950</u>	<u>(156,050)</u>
<b>EXPENDITURES</b>			
Economic environment			
Grant administration	30,000	43,125	(13,125)
Housing rehabilitation	170,000	825	169,175
Total economic environment	<u>200,000</u>	<u>43,950</u>	<u>156,050</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPLIANCE SECTION

TOWN OF MCINTOSH, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended September 30, 2012

<u>GRANTOR;/PROGRAM TITLE</u>	<u>CFDA #</u>	<u>Contract Award Number</u>	<u>Amount</u>	<u>Received in Prior Years</u>	<u>Revenue Received or Receivable</u>	<u>Expenditures</u>	<u>Deferred Revenue 9/30/2012</u>
Federal awards							
Non major programs							
U.S. Department of Housing and Urban Development							
Passed through the State of Florida Department of Community Affairs							
Community Development Block Grant	14.228	11DB-C5-52-02-H04	\$ 600,000	\$ -	\$ 43,950	\$ 43,950	\$ -
Total Federal Awards			<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 43,950</u>	<u>\$ 43,950</u>	<u>\$ -</u>

See notes to schedule of expenditures of federal awards.

TOWN OF MCINTOSH, FLORIDA

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended September 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards of the Town of McIntosh, Florida (the "Town") have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget Circular A-133.

A. Reporting Entity

This reporting entity consists of the Town of McIntosh, Florida. The Town includes a Schedule of Expenditures of Federal Awards in the compliance Section for the purpose of additional analysis.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards. Under the modified accrual basis, revenues are recognized when they become 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 Town considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

INDEPENDENT AUDITOR'S 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

To the Town Council  
Town of McIntosh, Florida

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of McIntosh, Florida, as of and for the year ended September 30, 2012, which collectively comprise the Town of McIntosh, Florida's basic financial statements, and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of McIntosh, Florida is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of McIntosh, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of McIntosh, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

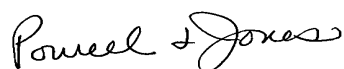
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Town Council, the Auditor General of the State of Florida, and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



POWELL & JONES  
November 20, 2012



MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550,  
*RULES OF THE AUDITOR GENERAL*

Honorable Mayor  
and Council Members  
Town of McIntosh, Florida

We have audited the basic financial statements of the Town of McIntosh, Florida, as of and for the year ended September 30, 2012, and have issued our report thereon dated November 20, 2012.

We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards dated November 20, 2012. Disclosures in that report should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that the following be addressed in this letter.

PRIOR YEAR FINDINGS

There were no reportable findings in the prior year.

CURRENT YEAR FINDINGS

There were no reportable findings during the current year.

FINANCIAL COMPLIANCE MATTERS

Annual Local Government Financial Report – The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the Town of McIntosh, Florida, for the fiscal year ended September 30, 2012.

Investment of Public Funds – The Town complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the fiscal year.

Financial Emergency Status – Nothing came to our attention that caused us to believe that the Town of McIntosh, Florida had met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment – As required by the *Rules of the Auditor General*, (Sections 10.554(1)(l)7.c and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition

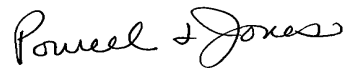
assessment was based in part on representations made by management and the review of financial information they provided.

We noted no deteriorating financial conditions as defined by Rule 10.554(2)(f).

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

#### CONCLUSION

We very much enjoyed the challenges and experiences associated with our audit of the Town. We appreciate the courtesy and helpful assistance afforded us by Town employees and officials in completing our audit and also the generally high quality of the Town's financial records and internal controls.

A handwritten signature in cursive script that reads "Powell & Jones".

POWELL & JONES  
Certified Public Accountants  
November 20, 2012



Office of  
Mayor and Council

P. O. Box 165  
McIntosh, Florida 32664

## Town of McIntosh

Marion County  
(352) 591-1047

December 7, 2012

David W. Martin, CPA  
Auditor General's Office  
Local Government Audits/342  
Claude Pepper Building, Room 401  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

The Town of McIntosh acknowledges receipt of our 2011-2012 audit report and notes with pleasure that there have been no findings for the fifth consecutive year.

The Town of McIntosh continues to work to build its financial strength by monitoring its revenue and expense sources diligently while our management controls provide for the efficient use of resources in accordance with applicable laws, ordinances, and other guidelines. Despite employing a limited staff, McIntosh continues to stress effective internal operating procedures.

Sincerely,

  
Debbie Gonano  
Town Manager/Clerk