

**TOWN OF MCINTOSH, FLORIDA**  
**Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2011**

**TOWN OF MCINTOSH, FLORIDA**

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**For the Fiscal Year Ended September 30, 2011**

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## INTRODUCTORY SECTION

**TOWN OF MCINTOSH, FLORIDA**

**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2011**

**MAYOR**

**Cary McCollum**

**PRESIDENT**

**Frank Ciotti**

**VICE PRESIDENT**

**Lee Deaderick**

**COUNCIL MEMBERS**

**Eva Jo Callahan**

**Willie Hamilton**

**Thurman Kingsley**

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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, 2011, 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.

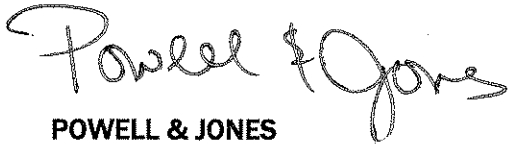
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of McIntosh, Florida as of September 30, 2011, and the respective changes 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 11, 2011, 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering 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.

The Management's Discussion and Analysis on page 8 through 11, is also 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.

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

**POWELL & JONES**  
Certified Public Accountants  
November 11, 2011

## **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, 2011 and 2010

	Governmental Activities	
	2011	2010
<b>Assets</b>		
Cash and investments	\$ 420,015	\$ 410,811
Other assets	17,439	20,228
Capital assets	500,417	337,437
Total assets	<u>937,871</u>	<u>768,476</u>
 <b>Liabilities</b>		
Current liabilities	35,039	23,061
Noncurrent liabilities	100,838	-
Total liabilities	<u>135,877</u>	<u>23,061</u>
 <b>Net assets</b>		
Invested in capital assets	390,417	337,437
Restricted for streets	423,322	420,522
Restricted for water system	-	22,560
Restricted for Civic Center	-	1,000
Restricted for computer/office	-	1,122
Restricted for parks and recreation	6,050	6,050
Unrestricted	(17,795)	(43,276)
Total net assets	<u>\$ 801,994</u>	<u>\$ 745,415</u>

49% 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 \$429,372 which are restricted for streets or other transportation purposes, and parks and recreation.

The balance of unrestricted net assets \$(17,795) may be used to meet the Town's ongoing obligations to citizens and creditors. During the current year the Town borrowed funds from other reserves to make a major property purchase. This will be repaid in future years.

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 \$166,579 over the year.

A condensed version of the Statement of Activities follows:

**Change in Net Assets  
For the Fiscal Years Ended September 30, 2011 and 2010**

	Governmental Activities	
	2011	2010
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 88,554	\$ 77,541
General revenues		
Taxes	243,134	232,779
Licenses and permits	1,369	1,244
State shared revenues	38,762	39,514
Interest	5,816	9,321
Rents	20,536	11,921
Other miscellaneous revenue	2,479	7,130
Total revenues	<u>400,650</u>	<u>379,450</u>
<b>Expenses</b>		
General government	125,665	112,750
Public safety	14,525	17,270
Water system	92,389	84,505
Transportation	110,009	109,371
Culture/recreation	1,484	1,293
Total expenses	<u>344,072</u>	<u>325,189</u>
Change in net assets	56,578	54,261
Beginning net assets	745,416	691,155
Ending net assets	<u>\$ 801,994</u>	<u>\$ 745,416</u>

**Governmental activities:**

Taxes provide 61% of the revenues for Governmental Activities, while charges for services provide 22%. Most of the Governmental Activities resources are spent for General Government (36%), and Transportation (32%).

**Budgetary Highlights**

The Town operated within its budgetary limits during the current year. The increase in net assets of \$56,578 was primarily attributable to budgetary management during the year.

**Capital Assets**

At September 30, 2011, the Town had \$500,417 invested in capital assets, including the water system, park and recreation facilities, buildings, and streets.

### Capital Assets at September 30, 2011 and 2010

	Governmental Activities	
	2011	2010
Land	\$ 235,223	\$ 111,866
Buildings and improvements	509,120	466,821
Water plant	554,959	521,911
Equipment	102,705	98,725
Street paving	38,415	38,415
Subtotal	1,440,422	1,237,738
Accumulated depreciation	(940,005)	(900,301)
Capital assets, net	\$ 500,417	\$ 337,437

### OTHER FINANCIAL INFORMATION

#### Economic Factors and Rates

- The estimated population for the Town in 2011 was 452 and is estimated to be approximately the same in 2012.

#### 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, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 102,283
Accounts receivable	1,262
Prepaid expenses	4,234
Due from other governmental units	11,943
Investments	<u>317,732</u>
Total current assets	<u>437,454</u>
Noncurrent assets	
Capital assets	<u>500,417</u>
Total assets	<u><u>\$ 937,871</u></u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 6,098
Sales tax payable	219
Wages payable	8,900
Current portion of note payable	9,162
Deposits	<u>10,660</u>
Total current liabilities	<u>35,039</u>
Noncurrent liabilities	
Note payable	<u>100,838</u>
Total liabilities	<u>135,877</u>
<b>NET ASSETS</b>	
Invested in capital assets	390,417
Unrestricted	(17,795)
Restricted for streets	423,322
Restricted for parks and recreation	<u>6,050</u>
Total net assets	<u><u>\$ 801,994</u></u>

**TOWN OF MCINTOSH, FLORIDA**

**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues, and Changes in Net Assets
Governmental activities			
General government	\$ 125,665	\$ -	\$ (125,665)
Public safety	14,525	-	(14,525)
Physical environment	92,389	85,818	(6,571)
Transportation	110,009	2,736	(107,273)
Culture/recreation	1,484	-	(1,484)
	<u>\$ 344,072</u>	<u>\$ 88,554</u>	<u>(255,518)</u>
General revenues			
Property taxes			37,942
Sales taxes			127,363
Utility services taxes			41,236
Franchise taxes			36,593
Licenses and permits			1,369
State shared revenues			38,762
Rent and royalties			20,535
Interest			5,816
Miscellaneous			2,479
Total general revenues			<u>312,096</u>
Changes in net assets			56,578
Net assets - beginning			745,416
Net assets - ending			<u>\$ 801,994</u>

See notes to financial statements.

**TOWN OF MCINTOSH, FLORIDA**

**GOVERNMENTAL FUND  
BALANCE SHEET**

September 30, 2011

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 102,283
Accounts receivable	1,262
Prepaid expenses	4,234
Due from other governmental units	11,943
Investments	317,732
Total assets	<u>437,454</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts payable	6,098
Sales tax payable	219
Wages payable	8,900
Deposits	10,660
Total liabilities	<u>25,877</u>
Fund balance	
Unassigned	(17,795)
Restricted for streets	423,322
Committed for parks and recreation	6,050
Total fund balance	<u>411,577</u>
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.	500,417
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(110,000)
Net assets of governmental activities	<u>\$ 801,994</u>

**TOWN OF MCINTOSH, FLORIDA**

**GOVERNMENTAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended September 30, 2011

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 243,135
Licenses and permits	1,369
Intergovernmental	38,762
Charges for services	88,554
Rents and royalties	20,535
Interest	5,816
Miscellaneous	2,479
Total revenues	<u>400,650</u>
<b>EXPENDITURES</b>	
Current expenditures	
General government	96,004
Public safety	14,525
Physical environment	84,267
Transportation	108,088
Culture/recreation	1,484
Capital outlay	
General government	163,119
Physical environment	33,048
Culture/recreation	6,516
Total expenditures	<u>507,051</u>
Excess of revenues under expenditures	(106,401)
Other financing sources	
Loan proceeds	110,000
Net change in fund balance	<u>3,599</u>
Fund balance at beginning of year	407,978
Fund balance at end of year	<u><u>\$ 411,577</u></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, 2011

Net change in fund balance - governmental fund	\$ 3,599
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.	
Depreciation expense	(39,704)
Capital outlay	202,683
Debt proceeds provide current resources to governmental funds, but debt increases long-term liabilities in the statement of net assets	
Loan proceeds	<u>(110,000)</u>
Change in net assets of governmental activities	<u>\$ 56,578</u>

**TOWN OF MCINTOSH, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2011

**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, 2011, the Town utilized the General Fund to record all of its financial transactions.

**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, 2011, 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 0.78965331 at September 30, 2011. 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, 2011, the Town had restricted and committed fund balances of \$429,372.
- 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, 2011, 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 \$411,577 differs from "net assets" of governmental activities \$801,994 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	\$ 1,440,422
Accumulated depreciation	(940,005)
Total	<u>\$ 500,417</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, 2011 were:

Note payable	\$ (110,000)
Total	<u>\$ (110,000)</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 and Debt Related Items	Statement of Net Assets
<b>ASSETS</b>			
Cash and cash equivalents	\$ 102,283	\$ -	\$ 102,283
Accounts receivable	1,262	-	1,262
Prepaid expenses	4,234	-	4,234
Due from other governmental units	11,943	-	11,943
Investments	317,732	-	317,732
Capital assets - net	-	500,417	500,417
<b>Total assets</b>	<b>\$ 437,454</b>	<b>\$ 500,417</b>	<b>\$ 937,871</b>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 6,098	\$ -	\$ 6,098
Accrued liabilities	9,119	-	9,119
Deposits	10,660	-	10,660
Loan payable	-	9,162	9,162
<b>Total current liabilities</b>	<b>25,877</b>	<b>9,162</b>	<b>35,039</b>
<b>Long term liabilities:</b>			
Loan payable	-	100,838	100,838
<b>Total liabilities</b>	<b>25,877</b>	<b>110,000</b>	<b>135,877</b>
<b>Fund equity/net assets</b>	<b>411,577</b>	<b>390,417</b>	<b>801,994</b>
<b>Total liabilities and fund equity/net assets</b>	<b>\$ 437,454</b>	<b>\$ 390,417</b>	<b>\$ 937,871</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 \$3,599 differs from the "change in net assets" for governmental activities \$56,578 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	\$ 202,683
Depreciation expense	<u>(39,704)</u>
	<u>\$ 162,979</u>

**Long-term debt transactions**

In the statement of activities, debt proceeds increase long-term liabilities. However, in the governmental funds, debt proceeds are treated as other financing sources since they provide current financial resources to governmental funds.

Note payable	<u>\$ (110,000)</u>
Total	<u>\$ (110,000)</u>



**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 Fund	Capital and Debt Related Items	Statement of Activities
<b>REVENUES</b>			
Taxes	\$ 243,135	\$ -	\$ 243,135
Licenses and permits	1,369	-	1,369
Intergovernmental	38,762	-	38,762
Charges for services	88,554	-	88,554
Rents and royalties	20,535	-	20,535
Miscellaneous	2,479	-	2,479
Interest	5,816	-	5,816
Total revenues	<u>400,650</u>	<u>-</u>	<u>400,650</u>
<b>EXPENDITURES</b>			
Current expenditures			
General government	96,004	29,661	125,665
Public safety	14,525	-	14,525
Physical environment	84,267	8,122	92,389
Transportation	108,088	1,921	110,009
Culture/recreation	1,484	-	1,484
Capital outlay			
General government	163,119	(163,119)	-
Physical environment	33,048	(33,048)	-
Culture/recreation	6,516	(6,516)	-
Total expenditures	<u>507,051</u>	<u>(162,979)</u>	<u>344,072</u>
Loan proceeds	110,000	(110,000)	-
Total other financing sources (uses)	<u>110,000</u>	<u>(110,000)</u>	<u>-</u>
Net change in fund balance	3,599	52,979	56,578
Fund balance - beginning of year	407,978	337,438	745,416
Fund balance - end of year	<u>\$ 411,577</u>	<u>\$ 390,417</u>	<u>\$ 801,994</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, 2011, the carrying amount of the Town's bank deposits was \$401,986. 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, 2011, the Town had the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration Local Government		
Surplus Funds Trust Fund Investment Pool	38 Day Average	\$ 8,731
Fund B Surplus Funds Trust Fund	7.16 Year Average	9,298
Certificates of Deposit	November 2011	299,703
Total Investments		<u>\$ 317,732</u>

#### Interest Rate Risk

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

- 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, 2011.

#### **Credit Risk**

- 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.
- As of September 30, 2011, 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.
- The Town's investments in Certificates of Deposit are in a qualified public depository.

#### **Custodial Credit Risk**

- 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 2010-2011 fiscal year were levied in October 2010. 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, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets:				
Land	\$ 111,866	\$ 123,357	\$ -	\$ 235,223
Water plant	521,911	33,048	-	554,959
Buildings and improvements	466,821	42,299	-	509,120
Street paving	38,415	-	-	38,415
Equipment and vehicles	98,725	3,980	-	102,705
Total capital assets	1,237,738	202,684	-	1,440,422
Less accumulated depreciation	(900,301)	(39,704)	-	(940,005)
Governmental activities capital assets, net	\$ 337,437	\$ 162,980	\$ -	\$ 500,417

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

Governmental activities:	
General government	\$ 29,661
Physical environment	8,122
Highways and streets	1,921
	<u>\$ 39,704</u>

## NOTE 7. RECEIVABLE AND PAYABLE BALANCES

### Receivables

Receivables at September 30, 2011, were as follows:

	Accounts Receivable	Due from Other Governmental Units	Total Receivables
Governmental activities:			
General	<u>\$ 1,262</u>	<u>\$ 11,943</u>	<u>\$ 13,205</u>

### Payables

Payables at September 30, 2011, were as follows:

	Vendors	Other Accrued Payables	Total Payables
Governmental activities:			
General	<u>\$ 6,098</u>	<u>\$ 9,119</u>	<u>\$ 15,217</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, 2011, were \$5,527.

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, 2011, the principal balance on this loan was \$110,000.

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
2011	\$ 9,162	\$ 4,400	\$ 13,562
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
Thereafter	60,376	7,434	67,810
	<u>\$ 110,000</u>	<u>\$ 25,620</u>	<u>\$ 135,620</u>

**NOTE 12. SUBSEQUENT EVENTS**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through November 11, 2011, the date the financial statements were available to be issued.

**NOTE 13. 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.

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.

The Town committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
Parks and Recreation	\$ 6,050	Town Council decision

## **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, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Ad valorem taxes	\$ 35,400	\$ 35,400	\$ 37,942	\$ 2,542
Sales and use taxes				
One-cent voted gas tax	139,800	139,800	127,363	(12,437)
Florida gas tax				
Utility service taxes				
Electricity	27,600	27,600	37,259	9,659
Water	3,300	3,300	3,977	677
Franchise taxes				
Electricity	28,800	28,800	30,122	1,322
Cable television	40	40	34	(6)
Communications service tax	6,360	6,360	6,437	77
Total taxes	<u>241,300</u>	<u>241,300</u>	<u>243,135</u>	<u>1,835</u>
Licenses and permits	<u>1,500</u>	<u>1,500</u>	<u>1,369</u>	<u>(131)</u>
Intergovernmental				
State shared revenues				
State revenue sharing	14,400	14,400	16,414	2,014
Alcoholic beverage licenses				
Half-cent sales tax	<u>22,800</u>	<u>22,800</u>	<u>22,349</u>	<u>(451)</u>
Total intergovernmental	<u>37,200</u>	<u>37,200</u>	<u>38,762</u>	<u>1,562</u>
Charges for services				
Physical environment				
Water supply system	34,500	34,500	43,365	8,865
Garbage and solid waste	42,000	42,000	42,453	453
Transportation				
Other charges for services	<u>2,736</u>	<u>2,736</u>	<u>2,736</u>	<u>-</u>
Total charges for services	<u>79,236</u>	<u>79,236</u>	<u>88,554</u>	<u>9,318</u>
Miscellaneous				
Interest	6,543	6,543	5,816	(727)
Rents	19,518	19,518	20,535	1,017
Donations				
Other	<u>70</u>	<u>70</u>	<u>2,479</u>	<u>2,409</u>
Total miscellaneous	<u>26,131</u>	<u>26,131</u>	<u>28,829</u>	<u>2,698</u>
Total revenues	<u>385,367</u>	<u>385,367</u>	<u>400,650</u>	<u>15,283</u>

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, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
General government				
Other general government				
Personal services				
Salaries	35,465	35,465	34,069	1,396
FICA	-	-	2,522	(2,522)
Retirement	-	-	1,895	(1,895)
Insurance	2,039	2,039	6,714	(4,675)
Total personal services	37,504	37,504	45,201	(7,697)
Operating expenses				
Professional services	29,400	29,400	20,971	8,429
Legal ads	1,200	1,200	1,312	(112)
Communications	-	-	1,832	(1,832)
Utilities	4,680	4,680	4,447	233
Insurance	16,165	16,165	8,546	7,619
Repairs and maintenance	3,300	3,300	1,685	1,615
Municipal codification	1,500	1,500	948	552
Other current charges and obligations	1,470	1,470	1,784	(314)
Professional development	1,200	1,200	925	275
Taxes	19,638	19,638	1,608	18,030
Office supplies	6,840	6,840	6,745	95
Total operating expenses	85,393	85,393	50,803	34,590
Capital outlay				
Machinery and equipment	53,766	53,766	39,763	14,003
Buildings and land	-	14,500	123,357	(108,857)
Total capital outlay	53,766	68,266	163,119	(94,853)
Total general government	176,663	191,163	259,123	(67,960)
Public safety				
Fire control				
Operating expenses				
Fire rescue services	-	-	14,525	(14,525)
Other current charges and obligations	1,325	1,325	-	1,325
Total operating expenses	1,325	1,325	14,525	(13,200)
Total public safety	1,325	1,325	14,525	(13,200)

**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, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Physical environment				
Water system				
Personal services				
Salaries	14,207	14,207	14,098	109
FICA	1,087	1,087	1,078	9
Retirement	-	-	811	(811)
Insurance	817	817	2,314	(1,497)
Total personal services	<u>16,111</u>	<u>16,111</u>	<u>18,301</u>	<u>(2,190)</u>
Operating expenses				
Professional expenses	4,800	4,800	5,777	(977)
Utilities	8,680	8,680	8,969	(289)
Insurance	4,516	4,516	1,949	2,567
Repairs and maintenance	16,621	16,621	7,525	9,096
Vehicle expense	-	-	890	(890)
Supplies	-	-	6,423	(6,423)
Miscellaneous	2,260	2,260	2,556	(296)
Total operating expenses	<u>36,877</u>	<u>36,877</u>	<u>34,090</u>	<u>2,787</u>
Capital outlay	-	-	33,048	(33,048)
Garbage/solid waste services				
Operating expenses				
Contractual services	29,383	29,383	31,876	(2,493)
Total physical environment	<u>82,371</u>	<u>82,371</u>	<u>117,315</u>	<u>(34,944)</u>
Transportation				
Roads and streets				
Personal services				
Salaries	59,529	59,529	54,558	4,971
FICA	4,553	4,553	4,150	403
Retirement	-	-	2,821	(2,821)
Insurance	3,022	3,022	7,029	(4,007)
Total personal services	<u>67,104</u>	<u>67,104</u>	<u>68,559</u>	<u>(1,455)</u>
Operating expenses				
Professional services				
Utilities	13,800	13,800	13,461	339
Insurance	12,984	12,984	8,327	4,657
Repairs and maintenance	24,420	24,420	17,421	6,999
Miscellaneous	-	-	320	(320)

**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, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Total operating expenses	<u>51,204</u>	<u>51,204</u>	<u>39,529</u>	<u>11,675</u>
Capital outlay	<u>2,800</u>	<u>2,800</u>	<u>-</u>	<u>2,800</u>
Total transportation	<u>121,108</u>	<u>121,108</u>	<u>108,088</u>	<u>13,020</u>
Culture/recreation				
Parks and recreation				
Operating expenses	<u>3,900</u>	<u>3,900</u>	<u>1,484</u>	<u>2,416</u>
Total operating expenses	<u>3,900</u>	<u>3,900</u>	<u>1,484</u>	<u>2,416</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>6,516</u>	<u>(6,516)</u>
Total culture/recreation	<u>3,900</u>	<u>3,900</u>	<u>8,001</u>	<u>(4,101)</u>
Total expenditures	<u>385,367</u>	<u>399,867</u>	<u>507,051</u>	<u>(107,184)</u>
Net change in fund balance	<u>-</u>	<u>(14,500)</u>	<u>(106,401)</u>	<u>(91,901)</u>
Other financing sources	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	<u>-</u>
Fund balance at beginning of year	<u>952,564</u>	<u>952,564</u>	<u>407,978</u>	<u>(544,586)</u>
Fund balance at end of year	<u>\$ 1,062,564</u>	<u>\$ 1,048,064</u>	<u>\$ 411,577</u>	<u>\$ (636,487)</u>

## **COMPLIANCE SECTION**

**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, 2011, which collectively comprise the Town of McIntosh, Florida's basic financial statements, and have issued our report thereon dated November 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered the 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 it's 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 and the Town 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.



**POWELL & JONES**  
November 11, 2011

## MANAGEMENT LETTER

Honorable Mayor  
and Council Members  
Town of McIntosh, Florida

We have audited the financial statements of the Town of McIntosh, Florida, as of and for the year ended September 30, 2011, and have issued our report thereon dated November 11, 2011.

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. 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 *Government Auditing Standards*. Disclosures in that report which is dated November 11, 2011, 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 govern the conduct of local governmental entity audits performed in the State of Florida and require that the following items 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 in the current year.

### AUDITOR GENERAL 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, 2011.

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 – At year end the Town had an unassigned (unrestricted) fund balance deficit of (\$17,795), which met a condition described in Section 218.503(1), *Florida Statutes*.

This did not constitute a financial emergency due to the fact that the Town internally borrowed reserves restricted for street purposes in the prior year for a major capital purchase. During the current year, the Town reduced the unrestricted deficit by \$25,481 and intends to fully repay the street restricted reserve during the ensuing year which will remove the above condition.

Financial Condition Assessment – As required by the *Rules of the Auditor General*, (Sections 10.554(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.

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 appreciate the challenges associated with our audit of the Town. We appreciate the courtesy and helpful assistance afforded us by Town employees and officials during our audit. We look forward to working with you in the future.

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

**POWELL & JONES**  
Certified Public Accountants  
November 11, 2011

# Town of McIntosh

Marion County  
(352) 591-1047

December 8, 2011

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 2010-2011 audit report and notes with pleasure that there have been no findings for the fourth 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

(352) 591-1947 Fax [d.gonano.mcintosh@windstream.net](mailto:d.gonano.mcintosh@windstream.net) Email

[www.townofmcintosh.org](http://www.townofmcintosh.org)