

CITY OF DUNNELLON, FLORIDA
INTERIM FINANCIAL STATEMENTS
For the Seven Months Ended
April 30, 2013

CITY OF DUNNELLON, FLORIDA

INTERIM FINANCIAL STATEMENTS

For the Seven Months Ended April 30, 2013

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the City Council
City of Dunnellon, Florida

We have reviewed the accompanying interim financial statements of the City of Dunnellon, Florida, as of April 30, 2013 and for the seven months then ended as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the City of Dunnellon, Florida. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The Management of the City of Dunnellon, Florida is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, with the exception of the matter described in the following paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements were prepared for the purpose of preparing financial information on the City's governmental and proprietary funds on an interim basis and include only fund financial statements on those funds. Accounting principles generally accepted in the United States of America require that the City of Dunnellon, Florida's financial statements present the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dunnellon, Florida. As a result, the financial statements referred to above do not present fairly, the financial position of the City of Dunnellon, Florida, as of April 30, 2013, or the changes in its financial position or cash flows where applicable; thereof for the seven months then ended.

POWELL & JONES, CPAs
July 3, 2013

FUND FINANCIAL STATEMENTS

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
APRIL 30, 2013

	<u>General Fund</u>	<u>Tax Increment Financing District Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 3,153,361	\$ 129,111	\$ 3,282,472
Accounts receivable	15,119	-	15,119
Due from other governments	184,636	-	184,636
Other assets	100	-	100
Total assets	<u>\$ 3,353,216</u>	<u>\$ 129,111</u>	<u>\$ 3,482,327</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 187,516	\$ 4,507	\$ 192,023
Due to other governments	10,993	-	10,993
Deferred revenue	934	-	934
Total liabilities	<u>199,443</u>	<u>4,507</u>	<u>203,950</u>
Fund balances			
Restricted	-	124,604	124,604
Committed for:			
Roads and streets	1,567,006	-	1,567,006
Public safety	52,040	-	52,040
Infrastructure	56,247	-	56,247
Cemetery perpetual care	43,452	-	43,452
Assigned for:			
Capital improvements	1,257,209	-	1,257,209
Unassigned	177,762	-	177,762
Total fund balances	<u>3,153,716</u>	<u>124,604</u>	<u>3,278,320</u>
Total liabilities and fund balances	<u>\$ 3,353,159</u>	<u>\$ 129,111</u>	<u>\$ 3,482,270</u>

See accompanying notes.

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE SEVEN MONTHS ENDED APRIL 30, 2013

	<u>General Fund</u>	<u>Tax Increment Financing District Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 1,332,514	\$ 117,977	\$ 1,450,491
Licenses and permits	85,695	-	85,695
Intergovernmental revenues	126,251	-	126,251
Charges for service	106,650	-	106,650
Fines and forfeitures	313,492	-	313,492
Miscellaneous revenue	45,692	333	46,025
Total revenues	<u>2,010,294</u>	<u>118,310</u>	<u>2,128,604</u>
Expenditures			
Current:			
General government	299,874	119,663	419,537
Public safety	755,875	-	755,875
Physical environment	99,665	-	99,665
Transportation	318,047	-	318,047
Human services	10,955	-	10,955
Culture and recreation	38,001	-	38,001
Capital outlay			
General government	-	58,355	58,355
Transportation	35,356	-	35,356
Debt service:			
Principal payments	8,807	-	8,807
Interest	348	-	348
Total expenditures	<u>1,566,928</u>	<u>178,018</u>	<u>1,744,946</u>
Excess (deficiency) of revenues over expenditures	<u>443,366</u>	<u>(59,708)</u>	<u>383,658</u>
Net change in fund balances	443,366	(59,708)	383,658
Fund balances, October 1, 2012	<u>2,710,350</u>	<u>184,312</u>	<u>2,894,662</u>
Fund balances, April 30, 2013	<u>\$ 3,153,716</u>	<u>\$ 124,604</u>	<u>\$ 3,278,320</u>

See accompanying notes.

CITY OF DUNNELLON, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
APRIL 30, 2013

	Business-Type Activities			Total
	Water Fund	Sewer Fund	Communications Fund	
Assets				
Current assets				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Accounts receivable (net of allowance for uncollectible accounts)	75,405	134,400	17,675	227,480
Due from other governments	-	66,962	-	66,962
Inventory	-	-	486,042	486,042
Total current assets	75,405	201,362	503,717	780,484
Restricted assets				
Cash:				
Utility deposit cash	144,873	-	-	144,873
Revenue bond proceeds	1,561,464	887,099	-	2,448,563
Debt service - state revolving loan	-	55,000	-	55,000
Debt service - revenue bonds	373,393	404,345	507,937	1,285,675
Total restricted assets	2,079,730	1,346,444	507,937	3,934,111
Utility plant in service				
Cost of capital assets	6,045,375	25,533,682	5,968,390	37,547,447
(accumulated depreciation)	(1,454,532)	(4,365,885)	(122,154)	(5,942,571)
Construction in progress	-	-	1,965,171	1,965,171
Total utility plant in service - cost less depreciation	4,590,843	21,167,797	7,811,407	33,570,047
Long-term assets				
Advances to communications fund	2,305,605	2,379,760	-	4,685,365
Bond issue costs (net of amortization)	53,683	79,615	98,820	232,118
	<u>2,359,288</u>	<u>2,459,375</u>	<u>98,820</u>	<u>4,917,483</u>
Total assets	\$ 9,105,266	\$ 25,174,978	\$ 8,921,881	\$ 43,202,125

See accompanying notes.

CITY OF DUNNELLON, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 APRIL 30, 2013

	Business-Type Activities			Total
	Water Fund	Sewer Fund	Communications Fund	
Liabilities and Net Position				
Current liabilities, unrestricted				
Payable from current assets:				
Accounts, wages and retainage payable	\$ 90,440	\$ 77,920	\$ 263,974	\$ 432,334
Compensated absences - due within one year	46,798	54,176	28,299	129,273
Total current liabilities, unrestricted	<u>137,238</u>	<u>132,096</u>	<u>292,273</u>	<u>561,607</u>
Current liabilities, restricted				
Payable from restricted assets:				
Accrued revenue bond and SRF loan interest	30,322	38,698	9,051	78,071
Customer deposits	144,873	-	-	144,873
SRF loan payable within one year	-	47,618	-	47,618
Revenue bonds payable - due within one year	197,521	276,631	2,007,286	2,481,438
Capital lease payable - due within one year	-	-	220,845	220,845
Total current liabilities, restricted	<u>372,716</u>	<u>362,947</u>	<u>2,237,182</u>	<u>2,972,845</u>
Total current liabilities	<u>509,954</u>	<u>495,043</u>	<u>2,529,455</u>	<u>3,534,452</u>
Long-term liabilities				
Advances from other funds	-	-	4,685,365	4,685,365
Revenue bonds - noncurrent portion	6,381,745	7,056,205	4,743,839	18,181,789
Capital leases - noncurrent portion	-	-	873,144	873,144
OPEB payable	2,400	2,400	4,800	9,600
Compensated absences - noncurrent portion	25,200	29,172	15,238	69,610
Total long-term liabilities	<u>6,409,345</u>	<u>7,087,777</u>	<u>10,322,386</u>	<u>23,819,508</u>
Total liabilities	<u>6,919,299</u>	<u>7,582,820</u>	<u>12,851,841</u>	<u>27,353,960</u>
Net Position				
Invested in capital assets, net of related debt	(1,988,423)	13,834,961	(33,707)	11,812,831
Restricted for interfund advances	2,305,605	2,379,760	-	4,685,365
Restricted for utility deposits	144,873	-	-	144,873
Restricted for debt service	373,393	459,345	507,937	1,340,675
Restricted for bond financed capital projects	3,070,866	1,908,515	-	4,979,381
Unrestricted (deficit)	(1,720,347)	(990,423)	(4,404,190)	(7,114,960)
Total net position (deficit)	<u>2,185,967</u>	<u>17,592,158</u>	<u>(3,929,960)</u>	<u>15,848,165</u>
Total liabilities and net position	<u>\$ 9,105,266</u>	<u>\$ 25,174,978</u>	<u>\$ 8,921,881</u>	<u>\$ 43,202,125</u>

See accompanying notes.

CITY OF DUNNELLON, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE SEVEN MONTHS ENDED APRIL 30, 2013

	Business-Type Activities			Total
	Water Fund	Sewer Fund	Communications Fund	
Operating revenues				
Charges for services	\$ 621,575	\$ 898,403	\$ 273,300	\$ 1,793,278
Total operating revenues	<u>621,575</u>	<u>898,403</u>	<u>273,300</u>	<u>1,793,278</u>
Operating expenses				
Personnel services	253,825	296,121	443,556	993,502
Operating expenses	219,157	351,766	794,896	1,365,819
Professional services	87,881	138,392	92,499	318,772
Depreciation and amortization	128,214	471,751	64,927	664,892
Total operating expenses	<u>689,077</u>	<u>1,258,030</u>	<u>1,395,878</u>	<u>3,342,985</u>
Operating loss	<u>(67,502)</u>	<u>(359,627)</u>	<u>(1,122,578)</u>	<u>(1,549,707)</u>
Nonoperating revenues (expenses)				
Interest income	1,107	1,379	3	2,489
Interest expense	(78,772)	(182,667)	(235,994)	(497,433)
Interfund transfers in	-	-	-	-
Miscellaneous	5,152	471	15,741	21,364
Grant revenue	-	4,462,829	-	4,462,829
Total nonoperating revenues	<u>(72,513)</u>	<u>4,282,012</u>	<u>(220,250)</u>	<u>3,989,249</u>
Net income (loss)	<u>(140,015)</u>	<u>3,922,385</u>	<u>(1,342,828)</u>	<u>2,439,542</u>
Net position, October 1, 2012	<u>2,325,982</u>	<u>13,669,773</u>	<u>(2,587,132)</u>	<u>13,408,623</u>
Net position, April 30, 2013	<u>\$ 2,185,967</u>	<u>\$ 17,592,158</u>	<u>\$ (3,929,960)</u>	<u>\$ 15,848,165</u>

See accompanying notes.

CITY OF DUNNELLON, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE SEVEN MONTHS ENDED APRIL 30, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Communications Fund</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers, Including cash deposits	\$ 575,141	\$ 884,978	\$ 280,483	\$ 1,740,602
Cash paid to suppliers	(318,898)	(554,883)	(1,463,343)	(2,337,124)
Cash paid to employees	(245,970)	(288,957)	(436,285)	(971,212)
Net cash provided by (used in) operating activities	<u>10,273</u>	<u>41,138</u>	<u>(1,619,145)</u>	<u>(1,567,734)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(80,601)	(126,437)	(35,823)	(242,861)
Advances to/from funds	(1,298,421)	(1,908,515)	3,206,936	-
Capital grant contributions	-	4,395,867	-	4,395,867
Loan proceeds and principal payments	2,939,266	(1,689,508)	(756,789)	492,969
Interest paid	(105,426)	(120,926)	(347,037)	(573,389)
Net cash provided by capital and related financing activities	<u>1,454,818</u>	<u>550,481</u>	<u>2,067,287</u>	<u>4,072,586</u>
Cash flows from investing activities				
Interest Income	<u>1,107</u>	<u>1,379</u>	<u>3</u>	<u>2,489</u>
Net increase (decrease) in cash and cash equivalents	1,466,198	592,998	448,145	2,507,341
Cash and cash equivalents, October 1, 2012	613,532	753,446	59,792	1,426,770
Cash and cash equivalents, April 30, 2013	<u>\$ 2,079,730</u>	<u>\$ 1,346,444</u>	<u>\$ 507,937</u>	<u>\$ 3,934,111</u>
Shown in the financial statements as:				
Current assets				
Cash and cash equivalents	\$ -	\$ 887,099	\$ -	\$ 887,099
Restricted cash	2,079,730	1,346,444	507,937	3,934,111
Totals	<u>\$ 2,079,730</u>	<u>\$ 2,233,543</u>	<u>\$ 507,937</u>	<u>\$ 4,821,210</u>

See accompanying notes.

CITY OF DUNNELLON, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE SEVEN MONTHS ENDED APRIL 30, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Communications Fund</u>	<u>Total</u>
<u>Reconciliation of operating loss to net cash used in operating activities</u>				
Operating loss	\$ (67,502)	\$ (359,627)	\$ (1,122,578)	\$ (1,549,707)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Depreciation and amortization	128,214	471,751	64,927	664,892
Changes in assets decrease (increase) and liabilities increase (decrease):				
Accounts receivable, net	(6,520)	(13,897)	(8,561)	(28,978)
Inventory	-	-	(486,042)	(486,042)
Accounts payable	(12,198)	(70,975)	(89,906)	(173,079)
Accrued wages	5,491	6,722	15,744	27,957
Compensated absences	7,855	7,164	7,271	22,290
Utility deposits	(45,067)	-	-	(45,067)
Total adjustments	<u>77,775</u>	<u>400,765</u>	<u>(496,567)</u>	<u>(18,027)</u>
Net cash provided by (used in) operating activities	<u>\$ 10,273</u>	<u>\$ 41,138</u>	<u>\$ (1,619,145)</u>	<u>\$ (1,567,734)</u>

See accompanying notes.

CITY OF DUNNELLON, FLORIDA

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2013

NOTE 1. DESCRIPTION OF FUNDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity - The City of Dunnellon (the City) is a Florida municipality governed by an elected five-member City Council. The City provides services to its citizens including water, sanitation and sewer, police and fire protection, parks and recreation, streets, and other general governmental activities. The City was established by Laws of Florida 71-616.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds administered by the City Council of the City and its component unit in accordance with governmental accounting standards. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Financial accountability is present if the City Council appoints a voting majority of a component unit's governing body and has the ability to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

Blended component unit. The financial activity of the City of Dunnellon, Florida Community Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established under Chapter 163, *Florida Statutes*, for the fostering of economic development in the downtown area of the City. The City Council serves as the Agency's governing board. The Agency is fiscally dependent on the City, and the City Council approves the Agency's annual budget as a component of the City's budget. The Agency is presented as a governmental fund type.

1. Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental Funds - Government funds are used to account for all or most of a government's general activities. The City operates the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund

The **Special Revenue Fund** is used to account for revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds

Enterprise funds – to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds of the City are as follows:

- Sewer Fund
- Water Fund
- Communications Fund

Summary of Significant Accounting Policies

The City conforms all significant accounting policies to generally accepted accounting principles applicable to government units. The following is a summary of the more significant principles and practices used in the preparation of these financial statements.

Proprietary Funds

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidelines of GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, for business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to generally use restricted resources first, and then unrestricted resources, as they are needed for their intended purposes, however, this decision is frequently made on a case-by-case basis based upon facts and circumstances. Revenues of the enterprise funds are recognized on the basis of services rendered.

Budgeting

The annual operating budget serves as legal authorization for expenditures and the proposed means of financing them. The 2013 annual operating budget was prepared for all funds, except the pension trust funds, which are not budgeted annually by the City Council.

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Manager is responsible for preparing a proposed operating budget for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of a resolution.
- The City Manager is authorized to transfer budgeted amounts within any fund, but may not revise total fund expenditures without the approval of the City Council. The budgetary data presented is in agreement with the originally adopted budget.
- Budgets are adopted on a basis consistent with generally accepted accounting principles. Total budgeted fund expenditures within the governmental fund type may not be exceeded legally. Appropriations lapse at the end of the year. Encumbrance accounting is not used by the City.

Investments

The City accounts for investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Under this provision, investments are recorded at fair value on the balance sheets. Investment income, including changes in the fair value of investments, is reported as revenue in the statements of revenues, expenses, and changes in fund balances.

Receivables

Governmental and Business-type activities receivables are comprised generally of amounts due from customers. Customer accounts receivable are recorded at their net realizable value reduced by an allowance for uncollectible accounts of \$14,354 as of April 30, 2013. Other receivables in the General Fund consist primarily of franchise fees and receivables from miscellaneous services.

Payables

Accounts Payable in the Governmental Funds and Business-type Funds consists primarily of amounts due to vendors.

Due from Other Governments

Due from other governments represents amounts due from the State of Florida or Marion County for shared revenues or costs. Due from Other Governments is considered fully collectible.

Capital Assets

Capital assets are recorded at historical cost, except for \$244,192 of assets in the proprietary fund and \$89,858 of assets in the general fund, acquired prior to 1975, which are valued at estimated historical cost. Donated capital assets are valued at their estimated fair value at the time of

acquisition. Capital asset purchases are recorded as capital outlay expenditures in the fund level governmental funds in the year of acquisition. Property, plant, and equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Plant, buildings, and improvements	10 - 40 years
Machinery, vehicles, and equipment	5 - 7 years
Infrastructure	30 years

The City has opted out of retroactively recording and depreciating major infrastructure assets.

Expenditures for ordinary repairs and maintenance are charged to expense as incurred.

Transfers

Transfers are recognized in the accounting period in which the interfund receivable or payable arise.

Compensated Absences

In governmental fund financial statements, the amount of compensated absences associated with employee vacations that are recorded as expenditures represent the amounts paid during the year, plus the amount accrued at year-end that would normally be liquidated with available spendable resources. Only the amount of compensated absence liability that would normally be liquidated with current expendable available resources in the next fiscal year is recorded in the fund financial statements of governmental funds. In the government-wide financial statements, all governmental fund compensated absences are recorded and split between the current and noncurrent portions.

In proprietary funds, the amount of compensated absences associated with employee vacations that are recorded as expenses represent the amounts paid during the year and accrued at year-end. The entire liability for compensated absences of these funds is reflected in the respective financial statements split between the current and noncurrent portions.

Prior to August 1999, no accrual was made for unpaid vacation since City policy did not allow for carryover of vacation time unless by special permission from City Council. For all employees, (who are not within a union bargaining unit) they may accumulate and carry over a maximum of twenty work days. An accrual has been made for unpaid sick pay under the City's policy to pay an employee in good standing 50% of all unused sick pay, upon retirement or voluntary resignation. There is a \$5,000 maximum of unused sick pay. Employees with 25 years or more of service in good standing will receive 100% of accrued sick pay upon retirement.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2013 was 6.8013 mills.

The tax levy of the City is established by the City Council prior to October 1 of each year, and the Marion County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements.

All property is assessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

All taxes are assessed on November 1 of each year, or as soon thereafter, as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 0-18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest of 0-18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

The City does not accrue its portion of the County held tax sale certificates or personal property tax warrants because such amounts are not measurable and available as of the balance sheet date.

Franchise Fees

Continuing franchise fees are reported as revenues as the fees are earned and become receivable from the franchise.

Capital Grants and Contributions

Accounts receivable from other governments include amounts due from grantors. Program and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable costs are incurred. Revenues received in advance of costs being incurred are deferred.

Fund Balances

A. Governmental Funds

As of April 30, 2013, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council.

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 the City's general procedure, only the City Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of April 30, 2013, fund balances are composed of the following:

Restricted for Downtown Redevelopment	\$	124,604
Committed for:		
Roads and streets		1,567,006
Public safety		52,040
Infrastructure		56,247
Cemetery perpetual care		43,452
Assigned for:		
Capital improvements		1,257,209
Unassigned		177,762
	<u>\$</u>	<u>3,278,320</u>

When an expenditure is incurred for purposes to which both restricted and unrestricted fund balance is available, the City considered restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

B. Proprietary Funds

Restrictions of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses.

As of April 30, 2013, net position balances are composed of the following:

	Amount
Invested in capital assets, net	\$ 11,812,831
Restricted, interfund advances	4,685,365
Restricted, debt service	1,340,675
Restricted, bond financed capital projects	4,979,381
Restricted, utility deposits	144,873
Unrestricted (deficit)	(7,114,960)
	<u>\$ 15,848,165</u>

Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

	Required as of 4/30/13	Current balance as of 4/20/13	Variance at 4/30/13
Customer deposits	\$ 144,873	\$ 144,873	\$ -
Revenue bond proceeds	4,979,381	2,448,563	(2,530,818)
Debt service	1,259,704	1,340,675	80,971
	<u>\$ 6,383,958</u>	<u>\$ 3,934,111</u>	<u>\$ (2,449,847)</u>

Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2. CASH DEPOSITS AND INVESTMENTS

Beginning the fiscal year ending September 30, 2012, the City is required to utilize a new financial statement disclosure standard issued by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which required additional disclosures concerning investment and deposit risk as stated below.

Pooled Cash and Investments

The City maintains a cash and investment pool, which carries substantially all cash and investments of the City, and is used by all funds except the pension trust funds. Each fund's portion of the pool is displayed in the accompanying financial statements as "Cash and Investments". The cash and investments of the pension trust funds are held separately from those other funds of the City.

Cash Deposits

Chapter 280 of the *Florida Statutes* requires, in general, that all public deposits (including those of the City) be made in qualified public depositories within the state of Florida. Per statute, no qualified public depository may hold public deposits exceeding 10% of that qualified public depository's total deposits received in this state, or 10% of the total public deposits held by all qualified public depositories of the same type. Additionally, no qualified public depository may accept or retain any public deposit in excess of deposit insurance limits unless it pledges eligible collateral having a market value equal to 50% of the public deposits held by the depository.

In the event of a default or insolvency of a qualified public depository, the loss to public depositors shall be satisfied, first through any applicable deposit insurance and then through the sale of securities pledged by the defaulting depository. If the loss to public depositors is not covered by such insurance or the proceeds of such sale, the State Treasurer shall provide coverage of the remaining loss by assessment against the other qualified public depositories of the same type as the depository in default.

All of the City's cash deposits (excluding investments) at April 30, 2013, were held by qualified public depositories within the state of Florida and are considered to be fully insured. Total deposits as of April 30, 2013, are \$7,216,583.

Restricted Cash

Unspent bond proceeds, customer deposits, renewal and replacement, and unspent use benefit fees are shown as restricted cash due to legal limitations imposed on them.

Investments

Investments are recorded in all funds of the City at fair value. The deposits and investments of the pension trust funds are held separately from those of other City funds and are recorded at fair value.

The City's investment policy allows the City to invest surplus money in instruments provided by *Florida Statutes*. Among them are U.S. Treasury bills, bonds, notes and their derivatives, federal agency securities, local government surplus trust fund, domestic time deposits, bankers acceptance notes, repurchase agreements, federal securities trusts, collateralized mortgage obligations, assets-backed securities, taxable and tax-exempt securities, and mortgage securities mutual funds.

As of April 30, 2013, the City had the following investments and maturities:

<u>Investment</u>	<u>Fair Value</u>
State Board of Administration (SBA)	
Local Government Surplus Funds Trust Fund	\$ 101,476
Fund B Surplus Funds Trust Fund	<u>37,922</u>
Total	139,398
Cash deposits	<u>7,077,185</u>
Total Cash and Investments	<u>\$ 7,216,583</u>

As shown on the accompanying financial statements as:

Cash and investments - governmental funds	\$ 3,282,472
Cash and investments - proprietary funds	<u>3,934,111</u>
Total cash and investments	<u>\$ 7,216,583</u>

State Board of Administration

Investments placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund and the Fund B Surplus Fund Trust Fund investment pools created by Sections 218.405 and 218.417, *Florida Statutes*, are not registered with the Securities and Exchange Commission. 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 Council'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 April 30, 2013, 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 City'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 April 30, 2013. 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.

NOTE 3. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land and improvements	\$ 3,187,443	\$ -	\$ -	\$ 3,187,443
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>3,187,443</u>	<u>-</u>	<u>-</u>	<u>3,187,443</u>
Capital assets being depreciated:				
Buildings	961,902	70,711	-	1,032,613
Improvements other than buildings	833,347	-	-	833,347
Furniture, equipment and machinery	<u>2,292,001</u>	<u>-</u>	<u>-</u>	<u>2,292,001</u>
Total capital assets being depreciated	<u>4,087,250</u>	<u>70,711</u>	<u>-</u>	<u>4,157,961</u>
Less accumulated depreciation:				
Buildings	(396,953)	(13,321)	-	(410,274)
Improvements other than buildings	(292,328)	(19,982)	-	(312,310)
Furniture, equipment and machinery	<u>(1,945,053)</u>	<u>(77,706)</u>	<u>-</u>	<u>(2,022,759)</u>
Total accumulated depreciation	<u>(2,634,334)</u>	<u>(111,009)</u>	<u>-</u>	<u>(2,745,343)</u>
Total capital assets being depreciated, net	<u>1,452,916</u>	<u>(40,298)</u>	<u>-</u>	<u>1,412,618</u>
Governmental activities capital assets, net	<u>\$ 4,640,359</u>	<u>\$ (40,298)</u>	<u>\$ -</u>	<u>\$ 4,600,061</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 274,835	\$ -		\$ 274,835
Construction in progress	<u>5,866,615</u>	<u>589,904</u>	<u>(4,491,348)</u>	<u>1,965,171</u>
Total capital assets not being depreciated	<u>6,141,450</u>	<u>589,904</u>	<u>(4,491,348)</u>	<u>2,240,006</u>
Capital assets being depreciated:				
Buildings and improvements	865,110	-	-	865,110
Improvements other than building	28,682,770	619,888	3,415,402	32,718,060
Machinery and equipment	<u>3,649,851</u>	<u>39,591</u>	<u>-</u>	<u>3,689,442</u>
Total capital assets being depreciated	<u>33,197,731</u>	<u>659,479</u>	<u>3,415,402</u>	<u>37,272,612</u>
Less accumulated depreciation:				
Buildings and improvements	(1,027,913)	(17,865)	-	(1,045,778)
Improvements other than building	(3,760,890)	(529,967)	-	(4,290,857)
Equipment	<u>(558,298)</u>	<u>(47,638)</u>	<u>-</u>	<u>(605,936)</u>
Total accumulated depreciation	<u>(5,347,101)</u>	<u>(595,470)</u>	<u>-</u>	<u>(5,942,571)</u>
Total capital assets being depreciated, net	<u>27,850,630</u>	<u>64,009</u>	<u>3,415,402</u>	<u>31,330,041</u>
Business-type activities capital assets, net	<u>\$ 33,992,080</u>	<u>\$ 653,913</u>	<u>\$ (1,075,946)</u>	<u>\$ 33,570,047</u>
Depreciation expense:				
Governmental activities				
General government and administration				\$ 29,002
Public safety				67,915
Physical environment				63
Transportation				4,252
Culture and recreation				<u>9,777</u>
Total depreciation expense - governmental activities				<u>\$ 111,009</u>
Business-type activities				
Water Enterprise Fund and sewer system				\$ 122,844
Sewer Enterprise Fund				429,572
Communications Enterprise Fund				<u>43,054</u>
Total depreciation expense - business-type activities				<u>\$ 595,470</u>

NOTE 4. CAPITAL LEASES

In 2011, the City obtained a capital lease to purchase a vehicle for the fire department valued at \$26,358. The City began making annual principal and interest payments in March 2011. The interest rate is 2.1%. This lease was paid in full during the period ending April 30, 2013.

In 2011, the City obtained a capital lease to purchase router equipment valued at \$311,746. The City began making annual principal and interest payments in June 2011. The interest rate is 3.27%.

In 2011, the City obtained a capital lease to purchase headend equipment valued at \$1,521,729. The City began making monthly principal and interest payments in March 2011. The interest rate is 10.6%.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Governmental	Business-type Activities	
	Activities		
	Fire Department Vehicle	Cisco Core Router	Headend Equipment
Machinery and equipment	\$ 26,358	\$ 311,746	\$ 1,521,729
Accumulated depreciation	(11,861)	(10,268)	(50,126)
Total	<u>\$ 14,497</u>	<u>\$ 301,478</u>	<u>\$ 1,471,603</u>

Annual Requirements to Capital Leases

Maturities of capital leases for the years ending April 30, 2013 are as follows:

Year	Business-type Activities		Total Interest	Total Debt Service
	Principal			
	Cisco Core Router	Headend Equipment		
2013	\$101,717	\$ 119,128	\$ 48,093	\$ 268,938
2014	-	309,072	84,275	393,347
2015	-	344,809	48,721	393,530
2016	-	219,263	10,485	229,748
	<u>\$101,717</u>	<u>\$ 992,272</u>	<u>\$191,574</u>	<u>\$1,285,563</u>

NOTE 5. LONG-TERM LIABILITIES

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Capital lease - FD vehicle	\$ 8,808	\$ -	\$ (8,808)	\$ -	\$ -
Compensated absences	119,008	57,532	(42,959)	133,581	86,828
OPEB payable	20,400	-	-	20,400	-
Total governmental activities	\$ 148,216	\$ 57,532	\$ (51,767)	\$ 153,981	\$ 86,828
Business-type Activities					
State revolving loan	\$ 3,237,313	\$ -	\$(3,189,695)	\$ 47,618	\$ 47,618
Revenue bonds payable	16,822,652	4,979,389	(1,138,814)	20,663,227	2,481,438
Compensated absences	176,592	59,782	(37,491)	198,883	129,273
Capital lease - Cisco Router	101,717	-	-	101,717	101,717
Capital lease - Headend equipment	1,150,185	-	(157,913)	992,272	119,128
OPEB payable	9,600	-	-	9,600	-
Total business-type activities	\$ 21,498,059	\$ 5,039,171	\$(4,523,913)	\$ 22,013,317	\$ 2,879,174

Water/Sewer Improvement Revenue Bonds

On December 27, 2010, the City closed on a bond issue from Regions Bank in the total amount of \$7,952,033. The proceeds of the bond issue were used to retire the USDA financing totaling \$559,000 with the balance used in the ongoing sewer improvement project. In February 2013, the City entered into an extension agreement with Regions Bank in order to facilitate the remaining draw down of the revenue bonds. This balance is to be used in ongoing sewer and water improvement projects. Maturity of this bond agreement for the years ending September 30, are as follows:

Revenue Bond 2010A

September 30	Principal	Interest	Total
2013	\$ -	\$ -	\$ -
2014	20,848	16,789	37,637
2015	21,552	16,071	37,623
2016	22,285	15,328	37,613
2017	23,041	14,559	37,600
2018-2022	127,465	60,330	187,795
2023-2025	290,498	28,612	319,110
	\$ 505,689	\$ 151,689	\$ 657,378

Revenue Bond 2013

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ -	\$ -
2014	193,304	238,817	432,121
2015	269,155	230,978	500,133
2016	278,279	221,700	499,979
2017	287,713	212,106	499,819
2018-2022	1,591,650	904,850	2,496,500
2023-2025	4,521,312	463,345	4,984,657
	<u>\$ 7,141,413</u>	<u>\$ 2,271,796</u>	<u>\$ 9,413,209</u>

On December 30, 2011, the City closed on a bond issue from Branch Bank & Trust Company in the amount of \$6,500,000. The proceeds of the bond were used in the ongoing sewer improvement project, as well as improvements to the water system. The bond is payable in 10 payments to include 2.64% interest beginning June 1, 2012 and semiannually thereafter on each June 1 and December 1 of each year up to and including maturity on December 1, 2016.

Branch Bank & Trust Bond

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 82,698	\$ 82,698
2014	260,000	161,964	421,964
2015	265,000	155,034	420,034
2016	270,000	147,972	417,972
2017	5,470,000	72,204	5,542,204
	<u>\$ 6,265,000</u>	<u>\$ 619,872</u>	<u>\$ 6,884,872</u>

Telecommunications Revenue Bonds

On November 18, 2010, the City closed on bond issues from Regions Bank in the amounts of \$3,300,000 and \$2,200,000 with terms ranging to 15 years. These proceeds are being utilized to construct the City's telecommunications utility. Although certain general revenues are pledged on this debt, the City anticipates full repayment to be made from future telecommunications revenues. Subsequent to year end, November 2012, the City refinanced the bond in the amount of \$2,200,000, extending repayment from five years to 10 years, with an interest rate of 3.20%, requiring a down payment of \$275,000. This change is reflected in the Schedule of Annual Requirements to Retire Long-Term Debt that follows. The City also was issued a line of credit from Regions Bank in the amount of \$1,850,000 with the terms due in one year. These proceeds are

being utilized to cover operating expenses of the City's telecommunications utility. At April 30, 2013 the balance on this loan was \$1,650,000. November 2012, the City signed an extension which required a down payment of \$200,000 with the remaining balance plus interest due on November 1, 2013. Maturity on these bond agreements for the years ending September 30, are as follows:

Revenue Bond 2010A

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ -	\$ -
2014	128,347	114,497	242,844
2015	132,980	109,696	242,676
2016	137,781	104,722	242,503
2017	142,754	99,569	242,323
2018-2022	794,897	413,791	1,208,688
2023-2025	1,839,366	224,486	2,063,852
	<u>\$ 3,176,125</u>	<u>\$ 1,066,761</u>	<u>\$ 4,242,886</u>

Revenue Bond 2013B

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ -	\$ -
2014	228,940	57,937	286,877
2015	220,010	50,754	270,764
2016	227,050	43,601	270,651
2017	234,316	36,217	270,533
2018-2022	1,014,684	66,218	1,080,902
	<u>\$ 1,925,000</u>	<u>\$ 254,727</u>	<u>\$ 2,179,727</u>

Line of Credit 2013C

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 32,500	\$ 32,500
2014	1,650,000	16,195	1,666,195
	<u>\$ 1,650,000</u>	<u>\$ 48,695</u>	<u>\$ 1,698,695</u>

State Revolving Loan (SRL)

In 2005, the City obtained a construction loan from the Florida Department of Environmental Protection for \$3,056,000. The proceeds were used for Phase 1 of a large sewer project to upgrade the system. In 2007, the loan was amended to include the construction cost of Phase 2 in the amount of \$2,292,642. The loan is collateralized by net revenues of the sewer utility fund. A

reserve in the amount of \$33,333 has been established as required by the loan agreement. In February 2007, the City began making semiannual loan repayments with interest of 1.91% for Phase 1 and 1.77% for Phase 2 over the next twenty years. An amendment in July of 2011 reduced the amount of the loan by \$1,546,868. The City continued making semiannual loan repayments. The balance of this loan is \$47,618 as of April 30, 2013. The City expects to pay this remaining amount due over the fiscal year end.

NOTE 6. LEGAL COMPLIANCE AND ACCOUNTABILITY

At the period April 30, 2013, the Communications Fund had a deficit net position of \$3,929,960. This deficit was the result of the City's startup costs of its Greenlight communications services which offers internet, telephone and video services to area businesses and residences. This deficit has been financed by long-term interfund advances from other enterprise funds and bank operating loans. The City is currently assessing possible means of repaying these funds.

There were no other fund equity deficits of individual funds as of April 30, 2013.

NOTE 7. DEFINED BENEFIT/DEFINED CONTRIBUTION PENSION PLANS

Florida State Retirement System

All full-time employees of the City hired prior to January 1, 1996, participate in the Florida State Retirement System (the System). This System was created by the Florida Legislature and is a cost-sharing, multiple-employer defined benefit public retirement plan available to governmental units within the state of Florida. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (877) 377-1737 or (850) 488-5706.

All full-time employees of the City hired prior to January 1, 1996, are eligible to participate in the System. Special risk employees who retire at or after age 55, with ten years of creditable service; and all other employees who retire at or after age 62, with ten years of creditable service; are entitled to a retirement benefit, payable monthly for life, equal to the product of (1) average monthly compensation in the highest five years of creditable service; (2) creditable service during the appropriate period; and (3) the appropriate benefit percentage. Benefits fully vest on reaching six years of service. Vested employees may retire after six years of creditable service and receive reduced retirement benefits. The System also provides death benefits, disability benefits and annual cost-of-living adjustments. Benefits are established by Florida Statute.

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts require that employers, such as the City, contribute the following percentages of eligible compensation to the plan: 5.18% for regular members, 5.14% for DROP members, 14.90% for special risk members, and 6.30% for senior management effective July 1, 2012. Beginning July 1, 2011, employees are required to also contribute 3% into the System.

Florida State Retirement System Opt-Out

In December 1995, the City Council approved opting out of the Florida State Retirement System effective with all new employees hired after January 1, 1996. City employees covered under the System at December 31, 1995, will continue to participate in the System and the City will continue to make contributions on their behalf.

Other Post-Employment Benefits (OPEB)

Pursuant to Section 112.0801, *Florida Statutes*, The City is required to permit participation in the single-employer health insurance program (the "Plan") by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees.

Based on Governmental Accounting Standards Board (GASB) approval of Statement Nos. 43 and 45 which set for the guidelines and a future implementation timetable for reporting and disclosure of Other Post-Employment Benefits (OPEB), the City had an actuary calculate future funding requirements using an appropriate actuarial cost method. The valuation was performed as of October 1, 2010 and covers the subsidies for medical and life insurance benefits. The City has elected to implement the provisions of GASB Statement No. 45 prospectively. The City's annual OPEB cost for the Plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The projected unit credit cost method was used to determine all liabilities, with the liability for each active employee assumed to accrue over the working lifetime based on elapsed time from the date of hire until retirement.

Plan Description. The City provides optional post-employment benefits to all eligible individuals including lifetime medical, prescription, dental, and certain life insurance coverage. Eligible individuals include all regular employees of the City of Dunnellon who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

Funding Policy. The City Council is authorized to establish benefit levels and approve the actuarial assumptions used in the determination of contributions levels. The City Council establishes the contributions requirements of plan members and the City. These contributions are neither mandated nor guaranteed. The retiree contributes the premium cost each month. Spouses and other dependents are also eligible for coverage, although the retiree pays the premium cost.

Retirees must pay a monthly premium as determined by the insurance carrier. The premium varies depending on whether the retiree elects single, single plus spouse, single plus dependents, or family coverage.

Currently, the City's subsidy to OPEB benefits is unfunded. There are no separate Trust Funds or equivalent arrangements into which the City makes contributions to advance-fund the OPEB obligations, as it does for its retiree pension plans. The City's cost of the OPEB benefits, funded on a pay-as-you-go basis, was \$4,000 for the period ended April 30, 2013.

The ultimate implicit and explicit subsidies which are provided over time are financed directly by general assets of the City, which are invested in short-term fixed income instruments according to its current investment policy. The City selected an interest discount rate of 4.00% per annum, which is the long-range expected return on such short-term fixed income

instruments, to calculate the present values and costs of the OPEB. This is consistent with GASB Statement No. 45 guidelines.

Significant Actuarial Assumptions and methods used to estimate the OPEB liability are as follows:

Valuation date..... November 1, 2012

Actuarial cost method..... Projected Unit Credit Cost Method

Amortization method..... Level Dollar Payment

Amortization period..... 10-Year Open Period

Assumes rate of return on investments..... 4.00% per annum

Assumed healthcare cost trend rates:

Fiscal Year Ending	Percent Increase
2014	8.50%
2015	7.00%
2016	6.50%
2017	6.00%

Actuarial Methods. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Annual OPEB cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the fiscal year was \$4,000.

The City's annual OPEB cost and the net OPEB obligation for the period ended April 30, 2013 is as follows:

Annual required contribution (ARC).....	\$ 11,000
Interest on the net OPEB obligation.....	1,000
Adjustment to the ARC.....	<u>(3,000)</u>
	9,000
Employer contributions.....	(5,000)
Interest on employer contributions.....	<u>-</u>
	4,000
Net OPEB obligation - beginning of year.....	<u>26,000</u>
Net OPEB obligation - end of year.....	<u>\$ 30,000</u>

The City's percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ended April 30, 2013 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/2013	\$ 11,000	273%	\$ 30,000

The 2012 contribution represented 273% of the annual required contribution. The actuarial valuation for the Plan was done as of November 1, 2012. Thereafter, actuarial valuations will be done bi-annually.

As of November 1, 2012, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$38,000, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$38,000.

The following Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) EAN (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a% of Covered Payroll ((b-1)/c)
10/01/2012	-	38,000	38,000	0.0%	2,107,000	1.8%

NOTE 8. COMMITMENTS AND CONTINGENCIES

Grants and Loans

Under the terms of federal and state grants and loans, periodic audits are required and certain costs may be questioned as not allowable as expenditures under the terms of the grants which could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will not be material.

Small Community Wastewater Construction Grant Program

During September 2001, the City entered into a grant agreement with the Department of Environmental Protection entitling them to \$723,829 for preconstruction costs associated with the City's wastewater/sewage system. During the 2004, 2009 and 2010 fiscal years addendums were made to the original grant agreement to amend the total grant funding. The new grant agreement is for \$10,290,653. Also, a State Revolving Loan agreement was added to the addendum with total funding of \$3,801,774

NOTE 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Insurance against losses are provided through the Florida League of Cities, Inc., and Preferred Government Insurance Trust for the following types of risk:

- Workers' Compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability
- Accidental death and dismemberment

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

NOTE 10. SEGMENT INFORMATION FOR WATER AND SEWER ENTERPRISE FUNDS

Segment information for the Water and Sewer Enterprise Funds are available in the basic financial statements and notes to the financial statements.

NOTE 11. LITIGATION

The City is defendant in various pending or threatened litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 12. LEASED FACILITIES

The City has the following lease agreement for facilities at April 30, 2013:

1. The City has a lease for a warehouse facility with non-cancelable provisions. Rent is \$1,700 per month through December 31, 2016. Rent of \$13,600 was paid on this lease from October, 2012 through April, 2013. The future minimum lease payments at April 30, 2013 are as follows:

<u>September 30</u>	<u>Minimum Lease Payments</u>
2013	\$ 6,800
2014	20,400
2015	20,400
2016	20,400
2017	5,100
	<u>\$ 73,100</u>

SUPPLEMENTARY INFORMATION

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUND - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE SEVEN MONTHS ENDED APRIL 30, 2013 AND PROJECTED AMOUNTS THROUGH SEPTEMBER 30, 2013

	ACTUAL AMOUNTS			Variance with 7 Months Budget Positive (Negative)	PROJECTED AMOUNTS	
	Final Budget	7 Months Budget	7 Months Actual		Year End Projected Ending Balance	Variance with Final Budget Positive (Negative)
Revenues						
Taxes						
Ad valorem	\$ 781,489	\$ 455,869	\$ 707,187	\$ 251,318	\$ 788,818	\$ 7,329
Ninth-cent gas tax	50,741	29,599	33,399	3,800	54,541	3,800
Local option gas tax	471,223	274,880	262,709	(12,171)	459,052	(12,171)
Franchise tax:						-
Electricity	164,302	95,843	100,413	4,570	168,872	4,570
Communication service tax	131,795	76,880	97,032	20,152	151,947	20,152
Utility tax :						-
Electricity	182,567	106,497	120,791	14,294	196,861	14,294
Propane	16,000	9,333	10,983	1,650	17,650	1,650
Total taxes	1,798,117	1,048,901	1,332,514	283,612	1,837,741	39,624
Licenses and permits						
Professional and occupational	24,417	14,243	25,559	11,316	25,914	1,497
Building permits	43,000	25,083	47,648	22,565	65,565	22,565
Other licenses and permits	28,540	16,648	12,488	(4,160)	24,380	(4,160)
Total licenses and permits	95,957	55,974	85,695	29,720	115,859	19,902
Intergovernmental revenue						
State, federal and local grants	62,652	36,547	13,975	(22,572)	40,080	(22,572)
State shared revenues:						-
State revenue sharing	78,048	45,528	45,519	(9)	78,036	(12)
Mobile home licenses	7,000	4,083	6,245	2,162	9,162	2,162
Alcoholic beverage licenses	1,000	583	1,664	1,081	2,081	1,081
Local government one-half cent sales tax	94,297	55,007	57,198	2,191	98,054	3,757
Motor fuel tax rebate	1,200	700	1,650	950	2,150	950
Total intergovernmental revenue	244,197	142,448	126,251	(16,197)	229,563	(14,634)
Charges for services						
Copying and records search	800	467	926	459	1,259	459
Garbage and solid waste	174,413	101,741	100,814	(927)	173,483	(930)
Cemetery fees	300	175	788	613	913	613
City beach user fees	4,000	2,333	392	(1,941)	2,059	(1,941)
Other miscellaneous charges	3,500	2,042	3,730	1,688	5,188	1,688
Total charges for services	183,013	106,758	106,650	(108)	182,902	(111)
Fines and forfeitures						
Court fines	44,500	25,958	69,197	43,239	87,739	43,239
Other fines	332,700	194,075	244,295	50,220	358,187	25,487
Total fines and forfeitures	377,200	220,033	313,492	93,459	445,926	68,726

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUND - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE SEVEN MONTHS ENDED APRIL 30, 2013 AND PROJECTED AMOUNTS THROUGH SEPTEMBER 30, 2013
(Continued)

	ACTUAL AMOUNTS			Variance With 7 Months Budget Positive (Negative)	PROJECTED AMOUNTS	
	Final Budget	7 Months Budget	7 Months Actual		Year End Projected Ending Balance	Variance with Final Budget Positive (Negative)
Miscellaneous revenue						
Investment earnings	\$ 1,300	\$ 760	\$ 2,650	\$ 1,890	\$ 3,192	\$ 1,892
Cemetery lots	8,000	4,667	1,549	(3,118)	4,882	(3,118)
Other miscellaneous	416,434	242,921	41,493	(201,428)	56,566	(359,868)
Total miscellaneous revenue	425,734	248,348	45,692	(202,656)	64,640	(361,094)
Total revenues	\$ 3,124,218	\$ 1,822,462	\$ 2,010,294	\$ 187,833	\$ 2,876,631	(247,587)
Expenditures						
General government						
Legislative:						
Personnel services	\$ 22,212	\$ 12,957	\$ 5,889	\$ 7,068	15,169	7,043
Operating expenses	19,562	11,411	11,548	(137)	19,699	(137)
Total legislative	41,774	24,368	17,437	6,931	34,868	6,906
City clerk and general administrative:						
Personnel services	36,850	21,496	21,443	53	36,184	666
Operating expenses	52,534	30,645	38,622	(7,977)	60,511	(7,977)
Total city clerk and general Administrative	89,384	52,141	60,065	(7,924)	96,695	(7,311)
City manager:						
Personnel services	20,227	11,799	12,928	(1,129)	20,641	(414)
Operating expenses	25,522	14,888	3,805	11,083	14,439	11,083
Total city manager	45,749	26,687	16,733	9,954	35,080	10,669
Legal counsel:						
Operating expenses	172,500	100,625	108,252	(7,627)	180,127	(7,627)
Comprehensive planning:						
Personnel services	69,344	40,451	10,541	29,910	13,959	55,385
Operating expenses	26,319	15,353	5,408	9,945	16,374	9,945
Total comprehensive planning	95,663	55,804	15,949	39,855	30,333	65,330
Finance:						
Personnel services	28,721	16,754	15,481	1,273	27,388	1,333
Operating expenses	23,479	13,696	2,162	11,534	11,945	11,534
Total finance	52,200	30,450	17,643	12,807	39,333	12,867

CITY OF DUNNELLON, FLORIDA
GOVERNEMENTAL FUND - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE SEVEN MONTHS ENDED APRIL 30, 2013 AND PROJECTED AMOUNTS THROUGH SEPTEMBER 30, 2013
(Continued)

	ACTUAL AMOUNTS			Variance With 7 Months Budget Positive (Negative)	PROJECTED AMOUNTS	
	Final Budget	7 Months Budget	7 Months Actual		Year End Projected Ended Balance	Variance with Final Budget Positive (Negative)
Expenditures (continued)						
Building maintenance:						
Personnel services	\$ 37,496	\$ 21,873	\$ 18,519	\$ 3,354	\$ 28,717	\$ 8,779
Operating expenses	46,872	27,342	16,687	10,655	36,217	10,655
Capital outlay	46,833	27,319	-	27,319	19,514	27,319
Total building maintenance	131,201	76,534	35,206	41,328	84,448	46,753
Garage department:						
Personnel services	54,083	31,548	25,894	5,654	43,026	11,057
Operating expenses	5,088	2,968	2,695	273	4,815	273
Total garage department	59,171	34,516	28,589	5,927	47,841	11,330
Total general government	687,642	401,125	299,874	101,251	548,725	138,917
Public safety						
Law enforcement:						
Personnel services	737,089	429,969	388,327	41,642	660,557	76,532
Operating expenses	187,564	109,412	117,702	(8,290)	195,854	(8,290)
Capital outlay	8,800	5,133	-	5,133	3,667	5,133
Total law enforcement	933,453	544,514	506,029	38,485	860,078	73,375
Fire control:						
Personnel services	313,270	182,741	187,876	(5,135)	319,131	(5,861)
Operating expenses	115,153	67,173	29,776	37,397	77,756	37,397
Debt service:						
Principal	8,807	5,137	8,807	(3,670)	8,807	-
Interest	349	204	348	(144)	348	1
Total fire control	437,579	255,255	226,807	28,448	406,042	31,537
Protective inspections:						
Personnel services	8,480	4,947	6,319	(1,372)	9,737	(1,257)
Operating expenses	30,451	17,763	25,875	(8,112)	38,563	(8,112)
Total protective inspections	38,931	22,710	32,194	(9,484)	48,300	(9,369)
Total public safety	1,409,963	822,479	765,030	57,449	1,314,420	95,543

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUND - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE SEVEN MONTHS ENDED APRIL 30, 2013 AND PROJECTED AMOUNTS THROUGH SEPTEMBER 30, 2013
(Concluded)

	ACTUAL AMOUNTS			Variance With 7 Months Budget Positive (Negative)	PROJECTED AMOUNTS	
	Final Budget	7 Months Budget	7 Months Actual		Year End Projected Ended Balance	Variance with Final Budget Positive (Negative)
Expenditures (concluded)						
Physical environment						
Cemetery:						
Personnel services	\$ 22,913	\$ 13,366	\$ 10,384	\$ 2,982	\$ 17,773	\$ 5,140
Operating expenses	3,447	2,011	430	1,581	1,866	1,581
Total Cemetery	26,360	15,377	10,814	4,563	19,639	6,721
Garbage and solid waste:						
Personnel services	11,405	6,653	5,531	1,122	7,936	3,469
Operating expenses	156,800	91,467	83,320	8,147	148,653	8,147
Total garbage and solid waste	168,205	98,120	88,851	9,269	156,589	11,616
Total physical environment	194,565	113,497	99,665	13,832	176,228	18,337
Transportation						
Roads and streets:						
Personnel services	257,184	150,024	109,900	40,124	166,311	90,873
Operating expenses	395,968	230,981	208,147	22,834	373,134	22,834
Capital Outlay	59,500	34,708	35,356	(648)	60,148	(648)
Total transportation	712,652	415,713	353,403	62,310	599,593	113,059
Human services						
Animal control:						
Personnel services	11,895	6,939	6,915	24	11,157	738
Operating expenses	2,003	1,168	208	960	1,043	960
Total animal control	13,898	8,107	7,123	984	12,200	1,698
Mosquito control:						
Operating expenses	23,000	13,417	3,832	9,585	13,415	9,585
Total human services	36,898	21,524	10,955	10,569	25,615	11,283
Culture and recreation						
Parks and recreation:						
Personnel services	58,722	34,255	27,921	6,334	46,361	12,361
Operating expenses	23,776	13,869	10,080	3,789	19,987	3,789
Total culture and recreation	82,498	48,124	38,001	10,123	66,348	16,150
Total expenditures	3,124,218	1,822,462	1,566,928	255,534	2,730,929	393,289
Excess of revenues over expenditures	-	-	443,366	443,366	145,702	145,702
Fund balance, beginning of year	2,710,350	2,710,350	2,710,350	-	2,710,350	-
Fund balance, end of year	\$ 2,710,350	\$ 2,710,350	\$ 3,153,716	\$ 443,366	\$ 2,856,052	\$ 145,702

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUND - TAX INCREMENT FINANCING DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE SEVEN MONTHS ENDED APRIL 30, 2013 AND PROJECTED AMOUNTS THROUGH SEPTEMBER 30, 2013

	ACTUAL AMOUNTS			ACTUAL AMOUNTS		Variance with Final Budget Positive (Negative)
	Final Budget	7 Months Budget	7 Months Actual	Variance With 7 Months Budget Positive (Negative)	Year End Projected Ended Balance	
Revenues						
Taxes:						
Ad valorem	\$ 118,606	\$ 69,187	\$ 117,977	\$ 48,790	\$ 117,977	\$ (629)
Miscellaneous revenue:						
Investment earnings	350	204	333	129	479	129
Total revenues	118,956	69,391	118,310	48,919	118,456	(500)
Expenditures						
General government:						
Industry development:						
Personnel services	154,680	90,230	81,492	8,738	120,628	34,052
Operating expenses	171,394	99,980	38,171	61,809	109,585	61,809
Capital outlay	212,500	123,958	58,355	65,603	58,355	154,145
Total expenditures	538,574	314,168	178,018	136,150	288,568	250,006
Deficiency of revenues over expenditures	(419,618)	(244,777)	(59,708)	(185,069)	(170,112)	(249,506)
Other financing sources						
Interfund transfers in sources (uses)	419,618	244,777	-	(244,777)	-	(419,618)
Excess of revenues over expenditures	-	-	(59,708)	(59,708)	(170,112)	(170,112)
Fund balances, beginning of year	184,312	184,312	184,312	-	184,312	-
Fund balances, end of year	\$ 184,312	\$ 184,312	\$ 124,604	\$ (59,708)	\$ 14,200	\$ (170,112)

CITY OF DUNNELLON, FLORIDA
PROPRIETARY FUND - WATER FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL

FOR THE SEVEN MONTHS ENDED APRIL 30, 2013 AND PROJECTED AMOUNTS THROUGH SEPTEMBER 30, 2013

	ACTUAL AMOUNTS				PROJECTED AMOUNTS		
	Final Budget	7 Months Budget	7 Months Actual	Variance With 7 Months Budget Positive (Negative)	Year End Projected Ended Balance	Variance with Final Budget Positive (Negative)	
						7 Months Budget	Year End Projected Ended Balance
Operating revenues							
Charges for services	\$ 1,321,868	\$ 771,090	\$ 621,575	\$ (149,515)	\$ 963,092	\$ (358,776)	
Total operating revenues	<u>1,321,868</u>	<u>771,090</u>	<u>621,575</u>	<u>(149,515)</u>	<u>963,092</u>	<u>(358,776)</u>	
Operating expenses							
Personnel services	467,531	272,726	253,825	18,901	424,252	43,279	
Operating expenses	426,589	248,844	219,157	29,687	396,902	29,687	
Professional services	155,244	90,559	87,881	2,678	152,566	2,678	
Depreciation and amortization	-	-	128,214	(128,214)	219,795	(219,795)	
Total operating expenses	<u>1,049,364</u>	<u>612,129</u>	<u>689,077</u>	<u>(76,948)</u>	<u>1,193,515</u>	<u>(144,151)</u>	
Operating loss	<u>272,504</u>	<u>158,961</u>	<u>(67,502)</u>	<u>(226,463)</u>	<u>(230,423)</u>	<u>(502,927)</u>	
Nonoperating revenues (expenses)							
Interest income	1,000	583	1,107	524	1,524	524	
Interest expense	(145,993)	(85,163)	(78,772)	6,391	(139,602)	6,391	
Interfund transfers in	50,000	29,167	-	(29,167)	-	(50,000)	
Miscellaneous	-	-	5,152	5,152	5,152	5,152	
Total nonoperating revenues	<u>(94,993)</u>	<u>(55,413)</u>	<u>(72,513)</u>	<u>(17,100)</u>	<u>(132,926)</u>	<u>(37,933)</u>	
Net income (loss)	<u>177,511</u>	<u>103,548</u>	<u>(140,015)</u>	<u>(243,563)</u>	<u>(363,349)</u>	<u>(540,860)</u>	
Net position, beginning of year	<u>2,325,982</u>	<u>2,325,982</u>	<u>2,325,982</u>	<u>-</u>	<u>2,325,982</u>	<u>-</u>	
Net position, end of year	<u>\$ 2,503,493</u>	<u>\$ 2,429,530</u>	<u>\$ 2,185,967</u>	<u>\$ (243,563)</u>	<u>\$ 1,962,633</u>	<u>\$ (540,860)</u>	

CITY OF DUNNELLON, FLORIDA
 PROPRIETARY FUND - SEWER FUND
 SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL

FOR THE SEVEN MONTHS ENDED APRIL 30, 2013 AND PROJECTED AMOUNTS THROUGH SEPTEMBER 30, 2013

	ACTUAL AMOUNTS				PROJECTED AMOUNTS		
	Final Budget	7 Months Budget	7 Months Actual	Variance With		Year End Projected Balance	Variance with Final Budget Positive (Negative)
				7 Months Budget Positive (Negative)	7 Months Actual		
Operating revenues							
Charges for services	\$ 1,577,830	\$ 920,401	\$ 898,403	\$ (21,998)	\$ 1,362,592	\$ (215,238)	
Total operating revenues	1,577,830	920,401	898,403	(21,998)	1,362,592	(215,238)	
Operating expenses							
Personnel services	513,603	299,602	296,121	3,481	498,202	15,401	
Operating expenses	663,655	387,132	351,766	35,366	628,289	35,366	
Professional services	155,244	90,559	138,392	(47,833)	203,077	(47,833)	
Depreciation and amortization	-	-	471,751	(471,751)	808,716	(808,716)	
Total operating expenses	1,332,502	777,293	1,258,030	(480,737)	2,138,284	(805,782)	
Operating loss	245,328	143,108	(359,627)	(502,735)	(775,692)	(1,021,020)	
Nonoperating revenues (expenses)							
Interest income	1,000	583	1,379	796	1,796	796	
Interest expense	(218,969)	(127,732)	(182,667)	(54,935)	(273,904)	(54,935)	
Interfund transfers in	150,000	87,500	-	(87,500)	-	(150,000)	
Grant revenue	1,323,545	772,068	4,462,829	3,690,761	4,701,806	3,378,261	
Miscellaneous	-	-	471	471	471	471	
Total nonoperating revenues	1,255,576	732,419	4,282,012	3,549,593	4,430,169	3,174,593	
Net income (loss)	1,500,904	875,527	3,922,385	3,046,858	3,654,477	2,153,573	
Net position, beginning of year	13,669,773	13,669,773	13,669,773	-	13,669,773	-	
Net position, end of year	\$ 15,170,677	\$ 14,545,300	\$ 17,592,158	\$ 3,046,858	\$ 17,324,250	\$ 2,153,573	

CITY OF DUNNELLON, FLORIDA
PROPRIETARY FUND - COMMUNICATIONS FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL

FOR THE SEVEN MONTHS ENDED APRIL 30, 2013 AND PROJECTED AMOUNTS THROUGH SEPTEMBER 30, 2013

	ACTUAL AMOUNTS				PROJECTED AMOUNTS		
	Final Budget	7 Months Budget	7 Months Actual	Variance With 7 Months Budget Positive (Negative)	Year End		Variance with Final Budget Positive (Negative)
					Projected	Ended Balance	
Operating revenues							
Charges for services	\$ 4,693,599	\$ 2,737,933	\$ 273,300	\$ (2,464,633)	\$ 516,740	\$ (4,176,859)	
Total operating revenues	<u>4,693,599</u>	<u>2,737,933</u>	<u>273,300</u>	<u>(2,464,633)</u>	<u>516,740</u>	<u>(4,176,859)</u>	
Operating expenses							
Personnel services	806,393	470,396	443,556	26,840	769,220	37,173	
Operating expenses	1,232,975	719,235	794,896	(75,661)	1,308,636	(75,661)	
Professional services	111,462	65,020	92,499	(27,479)	138,942	(27,480)	
Depreciation and amortization	-	-	64,927	(64,927)	140,829	(140,829)	
Total operating expenses	<u>2,150,830</u>	<u>1,254,651</u>	<u>1,395,878</u>	<u>(141,227)</u>	<u>2,357,627</u>	<u>(206,797)</u>	
Operating loss	<u>2,542,769</u>	<u>1,483,282</u>	<u>(1,122,578)</u>	<u>(2,605,860)</u>	<u>(1,840,887)</u>	<u>(4,383,656)</u>	
Nonoperating revenues (expenses)							
Interest income	-	-	3	3	3	3	
Interest expense	(408,430)	(238,251)	(235,994)	2,257	(406,173)	2,257	
Miscellaneous	-	-	15,741	15,741	15,741	15,741	
Total nonoperating revenues	<u>(408,430)</u>	<u>(238,251)</u>	<u>(220,250)</u>	<u>18,001</u>	<u>(390,429)</u>	<u>18,001</u>	
Net income (loss)	<u>2,134,339</u>	<u>1,245,031</u>	<u>(1,342,828)</u>	<u>(2,587,859)</u>	<u>(2,231,316)</u>	<u>(4,365,655)</u>	
Net position, beginning of year	<u>(2,587,132)</u>	<u>(2,587,132)</u>	<u>(2,587,132)</u>	<u>-</u>	<u>(2,587,132)</u>	<u>-</u>	
Net position, end of year	<u>\$ (452,793)</u>	<u>\$ (1,342,101)</u>	<u>\$ (3,929,960)</u>	<u>\$ (2,587,859)</u>	<u>\$ (4,818,448)</u>	<u>\$ (4,365,655)</u>	